

Audit and Risk Committee Charter

**FAIR WORK OMBUDSMAN
REGISTERED ORGANISATIONS COMMISSION**

October 2020

Document Information

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1: Introduction

- 1.1. The Accountable Authority (**Ombudsman**) has established the Audit and Risk Committee (**the Committee**) in accordance with section 45 of the [Public Governance, Performance and Accountability Act 2013 \(PGPA Act\)](#) and section 17 of the [Public Governance, Performance and Accountability Rule 2014 \(PGPA Rule\)](#). This Charter sets out the role and responsibilities of the Committee, including its objective, authority, membership, functions, reporting and administrative arrangements.
- 1.2. The Fair Work Ombudsman (**FWO**) and Registered Organisations Commission (**ROC**) form part of a combined entity for the purposes of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*. This combined organisation is known as the Fair Work Ombudsman and the Registered Organisations Commission Entity (**the Entity**).

2: Role and Objective of the Audit and Risk Committee

- 2.1. The Committee's role as provided in the Charter is pursuant to subsection 45(2) of the PGPA Act and section 17 of the PGPA Rule. The Committee is directly accountable to the Ombudsman.
- 2.2. The objective of the Committee is to provide independent assurance and assistance to the Ombudsman on the Entity's risk, internal control, financial reporting, performance reporting, and its external accountability responsibilities.

3: Responsibilities of Committee

- 3.1. The Committee will review and provide advice to the Ombudsman on the Entity's performance in carrying out the responsibilities below. Specifically, the Committee will:
- 3.2 Financial reporting responsibilities
 - review the Entity's compliance with the mandatory requirements of the PGPA Act, the Rule and the Accounting Standards;
 - review the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies;
 - review areas of significant judgment and financial statement balances that require estimation;
 - review significant or unusual transactions;
 - review the auditor's judgments about the adequacy of the Entity's accounting policies and the quality of the Entity's processes for the preparation of the Entity's financial statements, through discussions with the Australian National Audit Office (ANAO);
 - review whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures;
 - satisfy itself about the adequacy of key internal controls and that financial reports, including the financial statements, are supported by appropriate management sign-off;
 - review the processes in place designed to ensure that financial information, included in the Entity's annual report, is consistent with the signed financial statements;
 - provide any other advice to the Ombudsman about the Ombudsman's obligations under the PGPA Act and other relevant Acts; and

- advise the Ombudsman on the adequacy, framework and controls relating to the Entity's internal budgeting and reporting.

3.3 Performance reporting responsibilities

- satisfy itself that an appropriate performance reporting framework is in place for the selection of key performance indicators and performance measures to support the PGPA Act and government policy objectives, and that the framework is linked to the Entity's objectives and outcomes;
- satisfy itself that the Entity's Portfolio Budget Statements and Corporate Plan include details of how the Entity's performance will be measured and assessed and that the Entity's approach to measuring its performance against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound and has taken into account guidance issued by the Department of Finance;
- assess and advise the Ombudsman as to whether the processes in place to support the preparation and review of the annual performance statement and the inclusion of the statement in its annual report are sound and satisfy itself that the Annual Performance Statement is not inconsistent with the Entity's financial information, including its financial statements, that it proposes to include in its annual report; and
- review performance reports, including the annual performance statements, and provide advice to the Ombudsman (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Ombudsman.

3.4 Risk oversight and management responsibilities

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification, oversight and management of the Entity's financial and business risks, including fraud;
- review the operational effectiveness of the Entity's system of risk oversight and management and determine whether a sound and effective approach has been followed in managing the Entity's major risks, including those associated with individual projects, program implementation and activities;
- review the impact of the Entity's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing the Entity's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically;
- review the Entity's fraud control plan and satisfy itself that the Entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks; and
- review internal reports on PGPA Act compliance, that outline any identified allegations of significant non-compliance, including the status of any ongoing fraud investigations and any changes to identified fraud risk in the Entity.

3.5 Internal control responsibilities

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures, including Accountable Authority Instructions or their equivalent, and that these are periodically reviewed and updated;

- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- satisfy itself that management periodically assess the adequacy of the Entity's protective security arrangements, including complying with Entity reporting obligations;
- consider how management identifies any required changes to the design or implementation of internal controls; and
- assess whether the Ombudsman and Entity management has taken steps to embed a culture that promotes the proper use and management of public resources, the achievement of the purposes of the Entity, the financial sustainability of the Entity¹ and a commitment to ethical and lawful behaviour.

3.6 Legislative and policy compliance responsibilities:

- review the effectiveness of systems for monitoring the Entity's compliance with laws, regulations and associated government policies with which the Entity must comply; and
- determine whether management has appropriately considered legal and compliance risks as part of the Entity's risk management Framework.

3.7 Internal audit responsibilities:

- review the proposed internal audit program and annual work plan, ensure the plan is based on the Entity's risk management framework and the adequacy of internal audit resources to carry out its responsibilities, and recommend approval of the plan by the Ombudsman;
- review the adequacy of the Entity's response to reports of internal audits including drawing out key internal control requirements and where appropriate, provide advice to the Entity in relation to the improvements of strategies and processes, including the removal of unnecessary or outdated controls;
- advise the Ombudsman about action to be taken on significant matters of concern, or significant opportunities for improvement, that are mentioned in reports of internal audits; and
- monitor management's implementation of internal audit recommendations.

3.8 External Audit responsibilities:

- provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- review all external plans and reports ²in respect of planned or completed audits and monitor management's implementation of audit recommendations;
- advise the Ombudsman about action to be taken on significant matters of concern, or significant opportunities for improvement, that are mentioned in reports of external audits; and
- review the content of reports of external audits and better practice guides, for the purpose of identifying material that is relevant to the Entity and advising the Ombudsman about good practices.

¹ The PGPA Act at section 15, requires Accountable Authorities of Commonwealth entity's to govern the entity in a way that promotes the proper use and management of public resources, the achievement of the purpose of the entity and promotes the financial sustainability of the entity.

² This includes being advised of the implications for the Entity of audit recommendations and guidance arising from cross-agency audits and better practice guides

3.9 Governance arrangements:

- periodically review the adequacy of the Entity's governance arrangements or elements of the arrangements as determined by the Ombudsman and suggest improvements, where appropriate, to the Ombudsman.

3.10 Additional responsibilities:

- satisfy itself that appropriate mechanisms are in place for the Secretary of the Attorney-General's Department to be informed of all significant issues within the portfolio as they relate to the Entity that may affect the portfolio responsibilities of the Secretary of the Attorney-General's Department.

3.11 Parliamentary Committee reports and external reviews:

- satisfy itself that the Entity has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and external reviews of the Entity, and recommendations arising from these reports and reviews.

4: Authority

4.1 The Ombudsman authorises the Committee, in accordance with its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, the Ombudsman or the Registered Organisations Commissioner at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Entity's expense. The approval of the Ombudsman will be obtained in writing prior to the engagement of external advisors.

5: Membership, composition and tenure

5.1 The Committee shall consist of a minimum of three members and a maximum of five members appointed by the Ombudsman. The majority of the Committee's members (e.g. at least two of three members) will be persons who are not officials of the Entity.

5.2 In appointing members to the Committee, the Ombudsman will consider the appropriateness of members' qualifications, knowledge, skills or experience to assist the Committee to perform its functions. At least one member of the Committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

5.3 The Ombudsman will appoint an independent member as Chair. If the Chair is to be precluded from participating in an agenda item due to a conflict of interest, the Chair may appoint another member of the Committee to Chair that agenda item.

- 5.4 The independent Chair and any other external members may be remunerated.
- 5.5 The Chair and members of the Committee will be appointed for an initial agreed period (not more than three years), with an option to extend the period of appointment to no more than five years.
- 5.6 The Ombudsman and the Chief Finance Officer may attend meetings as observers. The ANAO auditors and any internal auditors may attend meetings as observers as determined by the Chair. The Chair may also invite other observers to attend meetings.
- 5.7 The Ombudsman may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee. The Committee may also request the Chief Finance Officer or other employees attend Committee meetings or participate for certain agenda items.

6: Conflicts of interest

- 6.1 On appointment, and once each year, Committee members will provide written declarations to the Secretariat for provision to the Ombudsman declaring any material personal interests or relationships they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations. The Ombudsman, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
- 6.2 At the beginning of each Committee meeting, members are required to declare any material personal interests or relationship which may apply to specific items on the meeting agenda. If required by the Chair, the member will be excused from the meeting or the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the Ombudsman where appropriate, if they should excuse themselves from the meeting or the relevant agenda item(s) because they have a real or perceived conflict of interest.
- 6.3 The Secretariat will record any declarations of Committee members and resulting actions in the meeting minutes.

7: Core principles and expectations of members

- 7.1 Members of the Committee are expected to understand and observe the legal requirements of the PGPA Framework.
- 7.2 Committee members must not use or disclose information obtained by the Committee except in meeting the Committee’s responsibilities, or unless expressly agreed by the Ombudsman.
- 7.3 In exercising its responsibilities, the Committee is to promote the core principles of good public sector governance, including, but not limited to:

Accountability	Being answerable for decisions
Transparency	Having clear roles, responsibilities and decision-making processes

Integrity	Acting impartially, ethically and in the interests of the Entity
Stewardship	Using every opportunity to enhance the value of public assets
Efficiency	Making best use of resources to further objectives
Leadership	Working together to discuss and agree issues, modelling desired behaviours and values
Risk management	Identifying and managing key strategic risks

7.4 The Chair is responsible for ensuring:

- members model the principles outlined above, including ensuring that the agenda includes a standing agenda item for members to declare any potential or actual conflict of interest and that appropriate action is taken where a conflict is declared;
- the Committee’s internal reporting obligations are met; and
- that significant issues and risks requiring consideration are brought to the attention of the Ombudsman as soon as possible.

7.5 The Secretariat is responsible for:

- ensuring new members are provided with a copy of this Charter and a briefing package on their roles and responsibilities;
- producing and confirming the agenda;
- distributing the papers to members at least a week prior to the meeting;
- coordinating and maintaining minutes and an actions arising register;
- ensuring that an annual forward schedule is approved by the Committee;
- maintaining a membership register; and
- ensuring the Committee’s intranet page is maintained and up to date.

8: Administrative arrangements

Meeting Frequency

- 8.1 The Committee will meet at least four times per year. A quorum will consist of a majority of Committee members. Members unable to attend meetings will generally not be asked to provide substitutes.
- 8.2 One or more special meetings may be held to review the Entity’s annual financial and performance statements or to meet other specific responsibilities of the Committee.
- 8.3 The Committee will meet with the internal auditors at least once a year. The internal audit and external audit representatives may be invited to attend each meeting, unless requested not to do so by the Chair of the Committee.

Agendas and papers

- 8.4 Agenda items are nominated by the relevant Executive Director and provided to the Secretariat to be approved by the Chair.
- 8.5 Papers and any attachments are to be provided to the Secretariat at least ten days prior to each meeting and distributed to members one week prior to each meeting. Late papers may be stood over.
- 8.6 The relevant SES sponsor from the area responsible is to clear the paper prior to provision to the Secretariat. Should specific technical advice be required in order for the Committee to deliberate on an agenda item, the sponsor should seek the required advice prior to meeting to bring an informed understanding of the issue. An advisor may be invited to attend the meeting.

Sub-committees

- 8.7 After seeking approval from the Ombudsman, the Committee may establish one or more sub-committees to assist the Committee in meeting its responsibilities.
- 8.8 The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by all members of the Committee.

Reporting

- 8.9 The Chair will regularly, but at least once a year, report to the Ombudsman on its operation and activities and confirm to the Ombudsman that all functions outlined in this Charter have been satisfactorily addressed.
- 8.10 The Committee must, at any time, report to the Ombudsman any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Ombudsman.
- 8.11 The Chair may be invited to Corporate Board to provide updates on the operations and activities of the Committee. The Chair may be invited to observe Corporate Board.

Review

- 8.12 The Chair of the Committee, in consultation with the Ombudsman, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Ombudsman) with appropriate input sought from the Ombudsman, the internal and external auditors, management and any other relevant stakeholders, as determined by the Ombudsman.
- 8.13 At least once a year the Committee will review this Charter. This review will include consultation with the Ombudsman. Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Ombudsman.