

Audit and Risk Committee Charter

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Fair Work
OMBUDSMAN



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Registered Organisations Commission

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Version History

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Approvals

Name	Role	Date
Sandra Parker	Fair Work Ombudsman	4 September 2018
Sandra Parker	Fair Work Ombudsman	2 October 2019 (at Corporate Board)

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Introduction

1. The Fair Work Ombudsman (the **Ombudsman**) and the Office of the Fair Work Ombudsman (**FWO**) are established under Part 5-2 of the *Fair Work Act 2009*.
2. The *Fair Work Registered Organisations Act 2009 (RO Act)* was amended in 2017 to establish the Registered Organisations Commission (**ROC**), overseen by the Registered Organisations Commissioner (**Commissioner**).
3. The ROC and the FWO form part of the same entity for the purposes of finance law, including 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**).
4. The Ombudsman is the Accountable Authority for the Entity under the PGPA Act and *Legal Services Directions 2017* and is Agency Head under the *Public Service Act 1999*. The Ombudsman is ultimately responsible for compliance with the PGPA Act and *Public Service Act 1999*. The Ombudsman has established this Audit and Risk Committee as an independent assurance and assistance forum on the Entity's risk, control, financial reporting, performance reporting, compliance and external accountability responsibilities.

Background

5. The Entity's Audit and Risk Committee (**Committee**) is established in compliance with section 45(1) of the PGPA Act and section 17 of the *Public Governance, Performance and Accountability Rule 2014 (the Rule)*.
6. This Charter (**the Charter**) constitutes the "written charter" for the purposes of section 17 of the Rule and sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.
7. The objective of the Committee is to provide independent assurance and assistance to the Ombudsman on the Entity's risk, control, financial reporting, performance reporting, compliance and its external accountability responsibilities.

Authority

8. 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 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.

Composition of the Committee

9. The Committee shall consist of a minimum of three members and a maximum of five members appointed by the Ombudsman.
10. In accordance with subsection 17(4) of the Rule, 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.
11. In accordance with subsection 17(5) of the Rule, the Ombudsman, Chief Executive Officer and Chief Financial Officer (however described) must not be members of the Committee.
12. The Ombudsman may appoint further external members if deemed appropriate. 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. Non-member attendees at Committee meetings will include a Secretariat and at least one observer.
13. The Ombudsman will appoint an independent member as Chair. Should the Chair 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.
14. The independent Chair and any other external members may be remunerated.
15. The Chair and members of the Committee will be appointed for an initial period of two years. Following discussions with the Chair, members may be re-appointed more than once after a review of their performance, provided their total period of appointment does not exceed five years.
16. The Ombudsman and the Chief Finance Officer may attend meetings as observers. The Australian National Audit Office (**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.
17. The Secretariat will be provided by the Entity on an ongoing basis and they will prepare the draft agenda, minutes and associated resources in consultation with the Chair. Neither the Secretariat nor any observers are members of the Committee.
18. In accordance with subsection 17(3) of the Rule, at least three members must have appropriate qualifications, knowledge, skills or experience to assist the Committee to perform its functions. The Ombudsman further requires that 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.
19. Members unable to attend meetings will generally not be asked to provide substitutes.

Roles and responsibilities

Responsibilities of Committee

20. The Committee's role is provided in this Charter and pursuant to subsection 45(2) of the PGPA Act and section 17 of the Rule.
21. The Committee is directly responsible and accountable to the Ombudsman for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times

recognise that primary responsibility for management of the Entity rests with the Ombudsman.

22. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Ombudsman from time to time.
23. Under subsection 17(2) of the Rule, the functions of the Committee must include reviewing the appropriateness of the Entity's:
 - financial reporting;
 - performance reporting;
 - system of risk oversight and management; and
 - system of internal control.
24. The Committee's specific responsibilities in each of these areas are outlined below:

Financial reporting responsibilities

- review the financial statements and provide advice to the Ombudsman (including recommending their signing by the Ombudsman). In particular the Committee will review:
 - the Entity's compliance with the mandatory requirements of the PGPA Act, the Rule and the Accounting Standards;
 - the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies;
 - areas of significant judgment and financial statement balances that require estimation;
 - significant or unusual transactions;
 - 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 ANAO; and
 - 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.

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, such as the Regulator Performance Framework, and that the framework is linked to 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;
 - satisfy itself that the Entity's approach to measuring its performance throughout the financial year 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 for the annual performance statements and the inclusion of the statement in its annual report are sound;
 - satisfy itself that the Entity's proposed 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;
 - 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; and
 - advise the Ombudsman about action that could be taken on significant matters of concern or significant opportunities for improvement that are mentioned in reports of internal and external audits.

Risk oversight and management responsibilities

- review the operational effectiveness of the Entity's system of risk oversight and management;
- 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;
- 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;
- assess the impact of the Entity's risk management framework on its control environment and insurance arrangements;
- determine 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.

Internal control responsibilities

- review the adequacy of the Entity's internal control environment;
- 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;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- satisfy itself that management periodically assess the adequacy of the Entity's protective security arrangements, including complying with Entity reporting obligations;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- 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 Entity.¹ and a commitment to ethical and lawful behaviour.

25. In addition, the Ombudsman has tasked the Committee with the following extra responsibilities:

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;
- determine whether management has appropriately considered legal and compliance risks as part of the Entity's risk management plan.

Internal audit responsibilities

- provide a forum for communication between the Senior Management of the Entity (including the Ombudsman) and internal audit;
- review the proposed internal audit program and annual work plan, ensure the plan is based on the Entity's risk management plan, and recommend approval of the plan by the Ombudsman;

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.

- advise the Ombudsman about the internal audit plans of the Entity, including the adequacy of internal audit resources to carry out its responsibilities and completion of the approved internal audit work plan;
- review the adequacy of the Entity's response to reports of internal and external 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;
- monitor management's implementation of internal audit recommendations;
- review the content of reports of internal and external audits, for the purpose of identifying material that is relevant to the Entity and advising the Ombudsman about good practices;
- 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 and external audits;
- annually review the Internal Audit Charter to ensure appropriate authority, access and reporting arrangements are in place;
- periodically review the performance of internal audit and report the results to the Ombudsman; and
- provide advice to the Ombudsman on the appointment of the internal auditors.

External audit responsibilities

- provide a forum for communication between Entity Senior Management (including the Ombudsman) and external audit;
- 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 reports² in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- provide advice to the Ombudsman on action taken on significant issues raised in relevant external audit reports and better practice guides.

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.

Portfolio 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

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.

portfolio as they relate to the Entity that may affect the portfolio responsibilities of the Secretary of the Attorney-General's Department.

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.

Performance reporting and associated framework responsibilities

- satisfy itself that the Entity has an appropriate performance reporting framework that meets government policy objectives and requirements and is linked to the objectives and outcomes of the FWO and ROC;
- advise the Ombudsman about the professional standards to be used by internal auditors in the course of carrying out audits in the Entity; and
- provide any other advice to the Ombudsman about their obligations under the PGPA Act.

Sub-committees

26. After seeking approval from the Ombudsman, the Committee may establish one or more sub-committee/s to assist the full Committee in meeting its responsibilities.
27. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved all members of the Committee. The Committee stipulates that:
 - a member of the Committee is appointed as Chair of the sub-committee;
 - the membership of sub-committees could extend beyond members of the Committee if additional expertise on particular matters is required;
 - minutes of all meetings of sub-committees are taken, distributed promptly to all members of the Committee, and tabled for discussion at the next Committee meeting; and
 - important issues that may require consideration by the Committee are brought to the attention of the Chair immediately following a sub-committee meeting so that the Chair is in a position to decide what action to take.
28. Sub-committees should not assume any management functions nor should management exert inappropriate influence over the work of sub-committees.

Responsibilities of Members

29. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Framework. Members are also expected to:
 - act in the best interests of the Entity;
 - apply good analytical skills, objectivity and good judgment;
 - express opinions constructively and openly, raise issues that relate to the

Committee's responsibilities and pursue independent lines of enquiry; and

- contribute the time required to meet their responsibilities.
30. 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.
31. The Committee will be assisted by the Entity's internal audit function that will be responsible for delivering an internal audit program and annual work plan in line with the Corporate Board's advice, Committee's guidance and subject to approval by the Ombudsman. The Committee will exercise a governance role in relation to the Entity's internal audit function.

Reporting

32. The Committee will regularly, but at least once a year, report to the Ombudsman on its operation and activities during the year and confirm to the Ombudsman that all functions outlined in this Charter have been satisfactorily addressed. The report should include:
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
 - a summary of the Entity's progress in addressing the findings and recommendations made in internal, external and Parliamentary Committee reports;
 - an overall assessment of the Entity's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Entity; and
 - details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.
33. 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.
34. 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.

Administrative arrangements

Meetings

35. The Committee will meet at least four times per year. One or more special meetings may be held to review the Entity's annual financial statements and performance statements or to meet other specific responsibilities of the Committee.
36. The Chair is required to call a meeting if requested to do so by the Ombudsman, and decide if a meeting is required if requested by another Committee member, internal audit or the ANAO.
37. Where the Committee makes a decision out-of-session, the item/s decided will be added to the next Agenda for noting and recorded as a decision out-of-session in the minutes of that meeting.

Planning

38. A forward meeting plan, including meeting dates, location and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all of the Committee's responsibilities as detailed in this Charter.

Attendance at meetings and quorums

39. A quorum will consist of a majority of Committee members.
40. Meetings can be held in person, by telephone or by video conference.
41. 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. The Committee may also request the Chief Finance Officer or other employees attend Committee meetings or participate for certain agenda items.
42. The Committee will meet with the internal auditors at least once a year.
43. The Ombudsman may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee.

Secretariat

44. The Executive Director – Finance Assurance and Business Services will appoint a person to provide secretariat support to the Committee.
45. The Secretariat will ensure the agenda for each meeting is approved by the Chair, and that the agenda and supporting papers are circulated least one week before the meeting.
46. The Secretariat will ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated within two weeks of the meeting to each member and Committee observers, as appropriate.

Conflicts of interest

47. On appointment, and once each year, members of the Committee will provide written declarations to the Secretariat for provision to the Ombudsman declaring any potential or actual conflicts of interest they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
48. At the beginning of each Committee meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately recorded (where the Chair has a conflict of interest, also see section 13 of this Charter).

Induction

49. New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities by the Secretariat.

Assessment arrangements

50. 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. The self-assessment will include a review of the Committee's and its members' performance against this Charter.
51. The Chair will provide advice to the Ombudsman on an external member's performance where an extension of the member's tenure is being considered.

Review of Charter

52. At least once a year the Committee will review this Charter. This review will include consultation with the Ombudsman.
53. Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Ombudsman.

References

Related Guides:	<p>Department of Finance RMG 200 - Guide to the PGPA Act for Secretaries, Chief Executives or governing boards (accountable authorities)</p> <p>Department of Finance RMG 202 - Guide for non-corporate Commonwealth entities on the role of audit committees</p> <p>Department of Finance RMG 202 – Model Audit Committee Charter</p>
Delegations/Authorisations:	s 45 Public Governance, Performance and Accountability Act 2013
Forms:	
Other:	Entity Governance Framework