Audit and Risk Committee Charter

FAIR WORK OMBUDSMAN

March 2023

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## Introduction

## 1.1 The Accountable Authority of the Fair Work Ombudsman (FWO) has established the Audit and Risk Committee (the Committee) in accordance with section 45 of the [*Public Governance, Performance and Accountability Act 2013*](https://www.legislation.gov.au/Details/C2017C00269) (PGPA Act) and section 17 of the [*Public Governance, Performance and Accountability Rule 2014*](https://www.legislation.gov.au/Details/F2022C00933) (PGPA Rule). This Charter sets out the role and responsibilities of the Committee, including its objective, authority, membership, functions, reporting and administrative arrangements.

## Role and Objective of the Audit and Risk Committee

* 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 Accountable Authority.
	2. The objective of the Committee is to provide independent assurance and advice to the Accountable Authority on the FWO’s systems of risk oversight and management and internal control, financial and performance reporting, and its external accountability responsibilities.

## Responsibilities of Committee

* 1. The Committee will review and provide advice to the Accountable Authority on the FWO’s performance in carrying out the responsibilities below.

Financial reporting responsibilities

* 1. The Committee is to review and provide advice on the appropriateness of the FWO’s:
		+ annual financial statements;
		+ information (other than annual financial statements) requested by the Department of Finance (Finance) in preparing the Australian Government’s consolidated financial statements, including the supplementary reporting package;
		+ processes and systems for preparing financial reporting information;
		+ financial record keeping; and
		+ processes in place to allow the FWO to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
	2. The Committee is to provide a statement to the Accountable Authority:
		+ whether the annual financial statements, in the Committee’s view, comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
		+ whether additional FWO information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance; and
		+ in respect of the appropriateness of the FWO’s financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance reporting responsibilities

* 1. The Committee is to review and provide advice on the appropriateness of the FWO’s systems and procedures for assessing, monitoring and reporting on achievement of the FWO’s performance. In particular, the Committee should satisfy itself that:
		+ the FWO’s Portfolio Budget Statements and Corporate Plan contain appropriate details of how the FWO’s performance will be measured and assessed;
		+ the FWO’s approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate and in accordance with the [Commonwealth performance framework](https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework). This may include reviewing, over time, particular elements of the performance measures; and
		+ the FWO has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
	2. The Committee is to review the annual performance statements and provide advice to the Accountable Authority on their appropriateness.
	3. The Committee is to provide a statement to the Accountable Authority whether , in their view, the FWO’s annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Risk oversight and management responsibilities

* 1. The Committee is to review and provide advice on the appropriateness of the FWO’s:
		+ enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the FWO’s risks, in keeping with the [Commonwealth Risk Management Policy](https://www.finance.gov.au/government/comcover/commonwealth-risk-management-policy) (for Non-corporate Commonwealth entities (NCEs));
		+ approach to managing the FWO’s strategic risks, and those risks associated with individual projects and program implementation and activities;
		+ process for developing and implementing the FWO’s fraud control arrangements consistent with the [Commonwealth Fraud Control Framework](https://www.ag.gov.au/integrity/publications/commonwealth-fraud-control-framework), and satisfy itself that the FWO has adequate processes for detecting, capturing and effectively responding to fraud risks; and
		+ documentation of key roles and responsibilities relating to risk management and adherence to them by officials of the FWO.
	2. The Committee is to provide a statement to the Accountable Authority whether in their view, the FWO’s system of risk oversight and management as a whole is appropriate (with reference to the [Commonwealth Risk Management Policy](https://www.finance.gov.au/government/comcover/commonwealth-risk-management-policy) for NCEs) and any specific areas of concern or suggestions for improvement.

Internal control responsibilities

* 1. The Committee is to review and provide advice on the appropriateness of the FWO’s:
		+ approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with, including accountable authority instructions, delegations and business continuity management;
		+ governance arrangements and suggest improvements where appropriate;
		+ legislative and policy compliance:
			- systems for monitoring compliance with laws, regulation and associated government policies with which the FWO must comply;
			- determining whether management has adequately considered legal and compliance risks as part of the FWO’s enterprise risk management framework, fraud control framework and planning.
		+ security compliance:
			- reviewing management’s approach to maintaining an effective internal security system (including complying with the [Protective Security Policy Framework](https://www.protectivesecurity.gov.au/)).
		+ internal audit coverage:
			- reviewing the proposed internal audit plan and ensuring that the plan considers the FWO’s strategic risks;
			- recommending approval of the internal audit work plan by the Accountable Authority or the nominated delegate;
			- reviewing all internal audit reports, and providing advice to the Accountable Authority on major concerns identified in those reports; and
			- monitoring management’s implementation of internal audit recommendations.
	2. The Committee is to provide a statement to the Accountable Authority whether the FWO’s system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Ethical and lawful conduct

* 1. The Committee should assess whether the Accountable Authority has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

External audit and reviews

* 1. The Committee should satisfy itself that the FWO has appropriate mechanisms for reviewing external reports (Auditor-General, Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary committees, Royal Commissions etc.) relevance of recommendations to the FWO.
	2. Reviewing the implementation of agreed recommendations from ANAO audits or JCPAA and other parliamentary committee reports directed to the FWO.

## Authority

## 4.1 The Accountable Authority 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 and confidentiality and privacy requirements);
		- discuss any matters with the external auditor, or other external parties (subject to confidentiality and privacy considerations);
		- request the attendance of any employee, as well as the Accountable Authority; and
		- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the FWO’s expense. The approval of the Accountable Authority will be obtained in writing prior to the engagement of external advisors.

## Membership, composition and tenure

* 1. The Committee shall consist of a minimum of three members and a maximum of five members appointed by the Accountable Authority. All Committee members will be persons who are not officials of the FWO.
	2. In appointing members to the Committee, the Accountable Authority 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.
	3. The Accountable Authority 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.
	4. The independent Chair and any other external members may be remunerated.
	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.
	6. The Accountable Authority and the Chief Finance Officer may attend meetings as observers, or be invited by the Chair to participate in specific discussions or provide strategic briefings to the Committee. The Committee may also request other employees, ANAO auditors and any internal auditors to attend Committee meetings to participate for certain agenda items.

## Conflicts of interest

* 1. On appointment, and once each year, Committee members will provide written declarations to the Secretariat for provision to the Accountable Authority declaring any material personal interests or relationships they may have in relation to their responsibilities. Committee members should consider past employment, consultancy arrangements and related party issues in making these declarations. The Accountable Authority, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
	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 Accountable Authority 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.
	3. The Secretariat will record any declarations of Committee members and resulting actions in the meeting minutes.

## Core principles and expectations of members

* 1. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Framework.
	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 Accountable Authority.
	3. In exercising its responsibilities, the Committee is to promote the core principles of good public sector governance, including, but not limited to:

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| --- | --- |
| Accountability | Being answerable for decisions |
| Transparency | Having clear roles, responsibilities and decision-making processes |
| Integrity | Acting impartially, ethically and in the interests of the FWO  |
| 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 |

* 1. Committee members are expected to:
		+ act with honesty, integrity and in the best interests of the FWO;
		+ declare any conflict of interest;
		+ ensure they make sufficient time to prepare for meetings to enable meaningful discussions;
		+ ensure they are available to attend meetings on time and for the duration (unless agreed in advance);
		+ exercise sound judgement and decision making;
		+ be proactive in identifying issues and risks that require further attention;
		+ ask relevant questions and effectively evaluate answers;
		+ express opinions frankly in a professional manner; and
		+ encourage openness and transparency.
	2. The Chair is responsible for ensuring:
		+ members model the principles outlined above, including ensuring that members 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;
		+ Committee performance is reviewed; and
		+ that significant issues and risks requiring consideration are brought to the attention of the Accountable Authority as soon as possible.
	3. The Secretariat is responsible for:
		+ ensuring new members are provided with a copy of this Charter and an induction briefing package on their roles and responsibilities;
		+ preparing and confirming the agenda;
		+ distributing the papers to members at least a week prior to the meeting;
		+ producing 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.

## Administrative arrangements

Planning

* 1. Once a year the Committee will review an annual work plan prepared by the Secretariat that details actions to be taken in order to perform the Committee’s functions and the provision and advice to the Accountable Authority for the calendar year ahead. The annual work plan will be presented at the December meeting each year.

Meeting Frequency

* 1. The Committee will meet five times per year consisting of at least three standard meetings and two special meetings. The two special meetings will be scheduled to review the appropriateness of the FWO Corporate Plan and reviewing the appropriateness of FWO Financial and Performance Statements respectively.
	2. One or more additional meetings may be held to meet other specific responsibilities of the Committee.
	3. A quorum will consist of a majority of Committee members. Members unable to attend meetings will generally not be asked to provide substitutes.
	4. 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

* 1. Agenda items are requested by the Secretariat or nominated by the relevant Executive Director and provided to the Secretariat to be approved by the Chair.
	2. Papers and any attachments are to be provided to the Secretariat at least ten working days prior to each meeting and distributed to members one week prior to each meeting. The relevant SES sponsor from the area responsible is to clear the paper prior to provision to the Secretariat. Late papers may be stood over.
	3. 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. A specialist FWO staff member or Advisor may be invited to attend the meeting.

Sub-committees

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

Reporting

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

Review

* 1. The Chair of the Committee, in consultation with the Accountable Authority, 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 Accountable Authority) with appropriate input sought from the Accountable Authority, the internal and external auditors, management and any other relevant stakeholders.
	2. At least once a year the Committee will review this Charter. Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Accountable Authority.