



Audit Committee Charter

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1. Background

The General Manager (accountable authority) of the Fair Work Commission (Commission) has established the Audit Committee (Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 *Audit Committees for Commonwealth Entities*.

Under the Public Governance, Performance and Accountability Rule (PGPA Rule), the accountable authority of a Commonwealth entity must determine the functions of the entity's audit committee by written charter (the charter) (subsection 17(1)).

2. Role

The Committee's role is to review the appropriateness of the Commission's financial and performance reporting, system of risk oversight and management, and system of internal control.

The Committee is not responsible for the executive management of these functions. The Committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the General Manager.

Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and rules. Members are also expected to:

- act in the best interests of the Commission as a whole
- apply sound analytical skills, objectivity, and judgment
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- contribute the time required to meet their responsibilities.

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 General Manager.

The Committee will be assisted by the Commission's internal audit function that will be responsible for delivering an internal audit program in line with the Committee's guidance and subject to approval by the Commission's Executive. The Committee will also exercise a governance role in relation to the Commission's internal audit function.

3. Authority

The General Manager authorises the Committee, in accordance with its role and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the Australian National Audit Office (ANAO) or other external parties
- request the attendance of any official, including the General Manager, at Committee meetings
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the Commission's expense, subject to approval by the General Manager, or delegate.

4. Audit committee functions

4.1 Financial reporting

Review and provide advice on the appropriateness of the Commission's:

- a) processes and systems for preparing financial reporting information;
- b) processes in place to allow the Commission to stay informed throughout the year of any changes or additional requirements in relation to financial reporting;
- c) management action taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures;
- d) annual financial statements.

The Committee will provide a statement to the General Manager:

- as to whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
- in respect of the appropriateness of the Commission's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

4.2 Performance reporting

Review and provide advice on the appropriateness of the Commission's systems and procedures for assessing, monitoring and reporting on the achievement of the Commission's performance. In particular, the Committee should satisfy itself that:

- a) the Commission's Portfolio Budget Statements and corporate plan contain appropriate details of how the Commission's performance will be measured and assessed;
- b) the Commission'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*. This may include reviewing, over time, particular elements of the performance measures;
- c) the Commission has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report;
- d) the Commission's proposed annual performance statement is not inconsistent with the Commission's financial information that it proposes to include in its annual report.

The Committee will:

- review the annual performance statements and provide advice to the General Manager on their appropriateness to the Commission;
- provide a statement to the General Manager whether, in their view, the Commission's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific suggestions for improvement or areas of concern.

4.3 System of risk oversight and management

Review and provide advice on the appropriateness of the Commission's:

- a) enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the Commission's risks, in keeping with the *Commonwealth Risk Management Policy*;
- b) approach to managing the Commission's key risks – including those associated with the individual projects and program implementation and activities;
- c) process for developing and implementing the Commission's fraud control arrangements consistent with the *Commonwealth Fraud Control Framework*, and satisfy itself that the Commission has adequate processes for detecting, capturing and effectively responding to fraud risks;

- d) articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the Commission;
- e) reports on fraud from management that outline any significant or systematic allegations of fraud, the status of any ongoing investigations and any changes to identify fraud risk in the Commission.

The Committee will provide a statement to the General Manager:

- in relation to the appropriateness of the Commission's system for risk oversight and risk management as a whole, with reference to the *Commonwealth Risk Management Policy* and any specific areas of concern or suggestions for improvement.

4.4 System of internal control

Review and provide advice on the appropriateness of the Commission's:

Internal control framework

- a) review management'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;
- b) review whether management has in operation relevant policies and procedures – such as Accountable Authority Instructions, delegations, a business continuity management plan, and work health safety policies and that these are periodically reviewed and updated;

Legislative and policy compliance

- c) review the effectiveness of systems for monitoring the Commission's compliance with laws, regulations and associated government policies with which the Commission must comply;
- d) determine whether management has adequately considered legal and compliance risks as part of the Commission's enterprise risk management framework, fraud control framework and planning;

Security compliance

- e) review management's approach to maintaining an effective internal security system - including complying with the *Protective Security Policy Framework*;

Internal audit coverage

- f) review the proposed internal audit coverage, ensuring that the coverage takes into account the Commission's primary risks, and recommending approval of the internal audit work plan by the General Manager or the nominated delegate;
- g) review all internal audit reports, providing advice to the General Manager on major concerns identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice;

External audit and reviews

- h) review external reports (Auditor-General, JCPAA and other parliamentary committees, Royal Commissions, etc.), and the relevance of recommendations to the Commission
- i) review the implementation of agreed recommendations from ANAO audits or JCPAA and other parliamentary committee reports;
- j) periodically review the performance of internal audit and report the results to the General Manager.

The Committee will provide a statement to the General Manager:

- in relation to the appropriateness of the Commission's system of internal control, with reference to any specific areas of concern or suggestions for improvement.

5. Additional functions of the audit committee

5.1 Governance arrangements

Periodically review the Commission's governance arrangements or elements of the arrangements as requested by the General Manager and suggest improvements, where appropriate, to the General Manager.

5.2 Business continuity

The Committee should satisfy itself that an appropriate approach has been taken in establishing business continuity planning arrangements – including whether business continuity and disaster recovery plans have been periodically updated and tested.

5.3 Ethical and lawful conduct

Assess whether the Commission 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.

5.4 Other

Undertake other activities related to its responsibilities as requested by the General Manager.

6. Membership and structure of the audit committee

6.1 Committee independence

The Committee is independent from the executive management of the Commission. The Committee comprises at least three and not more than six members appointed by the General Manager. The majority of members must not be officials of a Commonwealth body. The independent Chair and any other external members may be remunerated.

6.2 Chair

The General Manager will appoint the Chair of the Committee. The Chair is responsible for implementing the Committee's agenda, work program and deliverables. The Committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

6.3 Individuals to be excluded

The General Manager, Chief Financial Officer, Chief Information Officer, internal auditor or other management representatives may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the Committee. A representative(s) of the ANAO will be invited to attend meetings of the Committee, as an observer.

6.4 Rotation of Committee members

Committee members will be appointed for an initial period determined by the General Manager. Members may be re-appointed after a formal review of their performance, for further periods not exceeding two years as specified by the General Manager.

7. Conduct of the audit committee

7.1 Engaging with stakeholders

In undertaking its role, the Committee will engage with the ANAO, internal audit and other officials of the Commission in discharging their advisory responsibilities and formulating their advice to the General Manager.

7.1.1 ANAO

In particular, the Committee will:

- provide input on planned ANAO financial statement and performance audit coverage;
- review Commission specific and relevant cross-entity external performance audit reports and monitor management's response and implementation of audit recommendations;
- provide advice to the General Manager on action to be taken on significant issues raised in relevant ANAO reports and other publications; and
- meet privately with the ANAO at least once per year.

7.1.2 Internal Audit

The Committee's responsibilities are:

- advise the General Manager on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved internal audit work plan
- coordinate the audit programs conducted by internal audit and other assurance functions
- monitor management's implementation of internal audit recommendations
- periodically 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 General Manager
- recommend to the General Manager the appointment of the internal auditor where outsourced or co-sourced.

7.1.3 The General Manager

The Committee will meet privately with the General Manager at least once each year to report on the Committee's activities, key risk areas and internal audit and ANAO coverage.

7.2 Administrative arrangements

7.2.1 Annual Work Plan

The Committee will prepare an annual work plan that outlines the activities to be undertaken to achieve the Committee's functions. The Committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming financial year, and that covers all the functions outlined in this charter.

7.2.2 Induction

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

7.2.3 Sub-committees

The Committee may establish one or more sub-committee/s to assist the full Committee in meeting its responsibilities, in consultation with the General Manager.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full Committee.

Committee sub-committees should not assume any management functions, nor should management exert inappropriate influence over the work of sub-committees.

7.2.4 Meetings

The Committee will meet at least four times per year. One or more special meetings may be held to review the Commission's annual financial statements and performance statements or to meet other specific responsibilities of the Committee.

The Chair is required to call a meeting if asked to do so by the General Manager and decide if a meeting is required if requested by another member, internal audit or the ANAO.

A quorum will consist of half of the Committee members. The quorum must be in place at all times during the meeting.

7.2.5 Agenda, papers and minutes

The Secretariat will prepare an agenda for each meeting in consultation with the Executive Director, Business Support, Enabling Services Branch. The Chair will approve the agenda for each meeting.

The Secretariat will circulate the agenda and supporting papers, unless otherwise agreed by the Chair, no fewer than five (5) working days prior to the date of the meeting.

7.2.6 Reporting

The Committee will, as often as necessary, and at least once a year, report to the General Manager on its operation and activities during the year and confirm to the General Manager that all functions outlined in this charter have been satisfactorily addressed.

The Committee may, at any time, report to the General Manager 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 General Manager.

7.2.7 Secretariat

The General Manager, in consultation with the Committee, will appoint a person to provide secretariat support to the Committee. The secretariat will:

- Induct new Committee members to enable them to fulfil their role
- Compile and circulate meeting agendas and meeting minutes to Committee members and attendees
- Assist the Committee in maintaining communication channels between internal audit and in keeping the General Manager informed on the Committee's work
- Maintain the Audit Committee intranet presence.

7.2.8 Access to and use of information

The Committee will be provided with access to all relevant and necessary information to enable the Committee to effectively advise the General Manager on its functions.

7.3 Conflicts of interest

Once each year, members of the Committee will provide written declarations, through the Chair, to the General Manager declaring any material personal interests 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 General Manager, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, members are required to declare any material personal interests 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). The Chair is also responsible for deciding, in consultation with the General Manager where appropriate, if he/she should excuse themselves from the meeting or from the Committee's consideration of relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

7.4 Reviewing and assessing committee performance

The Chair of the Committee, in consultation with the General Manager, will undertake 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 General Manager) with appropriate input sought from the General Manager, Committee members, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the General Manager.

The Chair will provide advice to the General Manager on an external member's performance where an extension of the member's tenure is being considered.

7.5 Review of Charter

At least once every two years the Committee will review this Charter, to align it with current risks, challenges and opportunities the Commission faces. This review will include consultation with the General Manager.

Any substantive changes to the charter will be recommended by the Committee and formally approved by the General Manager.