



Audit and Risk Committee Charter

Introduction

The Secretary of the Department of Employment and Workplace Relations (the department) has established the Audit and Risk Committee (the ARC) in accordance with subsection 45(1) 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).

Role

The ARC will provide independent advice to the Secretary on the appropriateness of the department's financial and performance reporting, system of risk oversight and management and system of internal control.

The ARC is an oversight and advisory committee operating under the delegation of the Secretary. The ARC has no managerial responsibilities and does not make decisions in relation to the entity's processes and functions.

Members are required to understand and observe the legal requirements of the PGPA Act and Rules.

Members are to:

- act objectively in the best interests of the department
- demonstrate capability, express opinions constructively and openly, and raise issues that relate to the ARC's responsibilities
- contribute adequate time to meet their responsibilities
- engage in the work of sub-committees
- actively maintain a good understanding of the department's operating context.

Functions

The functions of the ARC are to review and give independent advice to the Secretary regarding the appropriateness of the department's:

- **financial reporting as a whole** – including:
 - Reviewing the annual audited financial statements of the department, related management representations and supplementary reporting pack and recommending whether the statements are suitable for signing by the Secretary.
 - Reviewing the processes and systems for preparing financial information and the department's financial reporting.
 - consider any issues which may prevent the signing of the department's financial statements or relate to non-compliance with relevant legislation and guidance.
- **performance reporting as a whole** – including reviewing performance information, systems, and the framework for developing, measuring, and reporting key performance indicators and the department's annual performance statements.

- **systems of risk oversight and management as a whole** – including the department’s enterprise risk management framework and consistency with the Commonwealth Risk Management Policy, associated processes for effective identification and management of its risks (including risk of fraud and corruption, and risks associated with individual projects, program implementation, and activities). The ARC recognises the role of the Risk, Security and Governance Sub-Committee (a sub-committee of the Executive Board) in informing this function.
- **systems of internal control** – including consideration of the department’s control framework, such as:
 - governance arrangements (such as whether the department has current Accountable Authority Instructions and delegations and business continuity management arrangements)
 - key legislative and policy compliance (including PGPA and security certifications)
 - internal audit resourcing and coverage in relation to the department’s key risks, including those related to fraud and corruption
 - relevant parliamentary committee reports and external reviews, internal and ANAO audit reports, providing advice to the Secretary about significant issues identified and the implementation of agreed actions.

The ARC will, as often as necessary, and at least on an annual basis, provide advice to the Secretary on the appropriateness of each of the Committee’s functions including any areas for concern.

This Charter is principles based with an accompanying annual work plan detailing the activities the ARC will undertake in acquitting its functions. The Charter and annual work plan are approved by the Secretary. The Committee will indicate which matters it plans to consider during any given year in the work plan.

Internal Audit Function

The ARC will review the effectiveness of the internal audit function and advise on the:

- audit strategy adopted by internal audit and their systems and procedures, including independent review of the function from time to time
- proposed IAAP to ensure coverage considers the department’s key risks, including the adequacy of resources available to complete the plan. The ARC will be consulted on and recommend the approval of the IAAP to the Secretary
- findings of internal audits and management’s response to the findings, including that the identified recommendations are being appropriately actioned
- overall achievements and performance of the internal function against approved plans.

To ensure that internal audit is operating without undue influence, the ARC will have a discussion with internal audit, at least once a year, without management in attendance. The Chair of the ARC shall be consulted on the appointment of the Chief Internal Auditor.

Australian National Audit Office (ANAO)

The ARC will engage with the ANAO in relation to its audit of the department’s financial statements, annual performance statements and performance audit coverage. In particular, the ARC will:

- provide input on planned ANAO financial statements, annual performance statements and performance audit coverage, as requested
- monitor management’s responses and implementation of recommendations relating to all ANAO financial statements management letters and reports
- monitor management’s responses and implementation of recommendations relating to all ANAO annual performance statements management letters and reports

- monitor management's responses and implementation of audit recommendations relating to ANAO performance audits.

Membership

The ARC will consist of at least 4 external members as follows:

- Chair (an independent external member) appointed by the Secretary. The Chair may choose to appoint a Deputy Chair, who will act as Chair in the absence of the Chair. Advisors and departmental staff are not members and as such cannot be appointed as Chair.
- At least 3 other members external to the department – appointed by the Secretary

ARC members are appointed for an initial period of 3 year term and can be re-appointed for a further period (maximum term is five years).

In appointing members, consideration will be given to ensuring there is an appropriate balance between continuity of membership, the contribution of fresh perspectives, and a suitable mix of qualifications, knowledge, skills and experience.

Members of the ARC are to:

- collectively develop, possess and maintain a broad range of skills and experience relevant to the operations and governance of the department
- understand and observe the legal requirements of the PGPA Act, PGPA Rule and *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*, and any official guidance relevant to performing their functions
- gain a good understanding of the department's functions, objectives and operational context
- act in best interests of the department as a whole
- apply good analytical skills, objectivity and sound judgement
- continuously build, apply and maintain appropriate experience and awareness of the department's and the broader public sector operating context
- express opinions constructively and openly, raise issues that relate to the ARC's responsibilities and pursue independent lines of enquiry
- contribute the time required to meet their responsibilities.

Senior departmental officials may be appointed by the Secretary as Advisers to the ARC.

The Chief Internal Auditor (position-based) is afforded adviser status.

The Secretary, Chief Operating Officer (however described), Chief Financial Officer, Chief Legal Officer, Chief Risk Officer, and Chief Information Officer may attend meetings as observers.

Representatives of the ANAO and internal audit service provider(s) may attend the meetings as observers.

The Chair may approve any departmental officer attending a meeting or meetings as an observer. This may include Assistant Secretary or Executive Level 2 observers.

Consultation

As requested, the ARC will develop and maintain relationships with the relevant departmental governance committees to ensure a strategic approach is taken to providing advice on the appropriateness of the department's accountability and control frameworks. This may include members of the ARC being appointed as advisors or observers to these departmental committees. Members appointed on departmental committees will provide reports (written or verbal) back to the ARC.

The ARC recognises the role the RSGC has in informing its view in relation to systems of risk oversight and management and systems of internal control. To facilitate the timely exchange of information between the committees, the ARC will receive a report from the RSGC Chair (or equivalent) and share relevant information, including the minutes of meetings.

Authority

The Secretary authorises the ARC, in performing its functions, to:

- access any information it requires from any official of the department or external party
- request the attendance of any official of the department at meetings, as appropriate
- request legal or other professional advice, subject to approval of expenditure by the appropriate delegate.

Sub-committees

The ARC may establish sub-committees to assist it to fulfil its responsibilities. A member of the ARC may be appointed as the Chair of a sub-committee.

The Chair of a sub-committee will be appointed by the Chair of the ARC in consultation with the Senior Advisor.

Reporting

The ARC Chair will report to the Secretary after each meeting. Any matter deemed of sufficient importance will be reported to the Secretary immediately.

The ARC will, as often as necessary, and at least once a year, report to the Secretary on its operation and activities during the year, including provision of statements on the appropriateness of the ARC's functions including any specific areas of concern or suggestions for improvement.

Any established sub-committees will report at each ARC meeting and share the minutes of its meetings to inform the ARC.

To facilitate the timely exchange of information between the committees, the ARC will receive a report from the RSGC Chair and share relevant information, including the minutes of meeting and endorsed Enterprise Risk Management framework documents.

Conflicts of Interest

Members and advisors with an actual, perceived or potential conflict of interest will notify the ARC as soon as these issues become apparent. Conflicts of interest will be managed by the Chair in consultation with the Deputy Chair.

If the Chair has an actual, perceived or potential conflict it will be managed with the Secretary, or in the Secretary's absence the Deputy Chair.

At least once each year, members and advisors of the ARC will provide written declarations, through the Chair, declaring any perceived, potential or actual conflicts of interest they may have in relation to their responsibilities.

Access to and use of Information

ARC members must not use or disclose information obtained by the ARC except in meeting the ARC's responsibilities, or unless expressly agreed by the Secretary.

Review of functions

The Chair of the ARC will undertake a review of the performance of the ARC at least once every 2 years. The review will seek appropriate input from the Secretary, ARC members, advisors and observers, senior management and any other relevant stakeholders.

In addition, in consultation with the Secretary, periodic independent performance reviews may be undertaken.

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

Induction and Ongoing Awareness

The ARC will maintain a program of induction and awareness-raising for its members, with the objective of enabling the ARC to be aware of contemporary developments and leading practices in relation to its functions.

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

Review of Charter

The Charter will be updated as required, to reflect any changes in the Department's operating environment.

At least once a year the ARC will review this Charter. Any substantive changes to the Charter that are identified by the ARC will be provided to the Secretary for approval.

Meetings

The ARC will meet at least four times per year, and more often if required.

The Chair is required to call a meeting if asked to do so by the Secretary and decide if a meeting is required if requested by another member, internal or external auditor.

Quorum

A quorum for any ARC meeting will be a majority of members, one of whom must be the Chair or the Deputy Chair.

Secretariat

Internal Audit will provide secretariat support to the ARC, including the recording of the minutes, coordination and circulation of papers and record keeping.

Approval

Approved by the Secretary, Natalie James, 5 September 2023.