



**Audit and Risk Committee Charter**  
**Office of the Commonwealth Ombudsman**

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## References

<i>Public Governance, Performance and Accountability Act 2013 S45</i>
<i>Public Governance, Performance and Accountability Rules 2014 S17</i>
Resource Management Guide No. 202 – Audit Committees for Commonwealth Entities and Commonwealth Companies (June 2014), Department of Finance
Public Sector Audit Committees: Independent assurance and advice for Accountable Authorities   Australian National Audit Office (March 2015), ANAO
ANAO Guidance on preparing a revised Audit Committee charter: Non-corporate entities (July 2014), ANAO

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## 1. Introduction

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1.1 The Commonwealth Ombudsman (the Ombudsman), as the accountable authority, has established an Audit and Risk Committee (the Committee) for the Office of the Commonwealth Ombudsman (the Office), in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) section 17 Audit Committees for Commonwealth Entities.

## 2. Role of the Audit and Risk Committee

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2.1 The Committee's role is to provide independent advice to the Ombudsman on the Office's:

- financial reporting
- performance reporting
- system of risk oversight and management, and
- the system of internal control, for the entity.

2.2 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 Ombudsman.

2.3 From time-to-time, the Ombudsman may delegate other responsibilities to the Committee including advice on the Office's governance arrangements, parliamentary committee reports and external reviews.

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

- act in the best interests of the Office as a whole
- apply good 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, and
- contribute the time required to meet their responsibilities.

2.5 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.

2.6 The Committee will be assisted by the Office's Audit and Risk Committee secretariat which is responsible for delivering an internal audit program in line with the Committee's guidance and subject to approval by the Ombudsman or nominated authority. The Committee will exercise a governance role in relation to the Office's internal audit function.

2.7 The Committee is established in compliance with Commonwealth law (s45 of the PGPA Act and s17 of the PGPA Rule), and its role is advising the Ombudsman on risk, performance, financial matters, and controls relevant to all functions of the Office, including the role of the ACT Ombudsman.

## 3. Authority

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3.1 In accordance with its role and responsibilities, the Ombudsman authorises the Committee 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 (subject to confidentiality considerations)
- request the attendance of any official, including the Ombudsman, at Committee meetings, and

- obtain legal or other professional advice, as considered necessary to fulfil its role, at the Office's expense, subject to approval by the Ombudsman or delegate.

#### 4. Membership

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- 4.1 The Ombudsman will appoint three Committee members, who will be external<sup>1</sup> to the Office.
- 4.2 The Ombudsman will appoint a Committee Chair. The Ombudsman or Chair may appoint an Acting Committee Chair if necessary.
- 4.3 The Ombudsman, Deputy Ombudsman, Chief Operating Officer or Chief Financial Officer cannot be members of the Committee<sup>2</sup>, however may attend meetings in an advisory capacity. Other management representatives may also attend meetings as advisers or observers as determined by the Chair.
- 4.4 A representative of the ANAO will be invited to attend meetings of the Committee as an observer.
- 4.5 Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Office and responsibilities of the Committee. 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.
- 4.6 Committee members will be appointed for an initial period of three (3) years. Members may be re-appointed after a formal review of their performance, for further periods as specified by the Ombudsman.

#### 5. Functions and responsibilities

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##### 5.1 Financial reporting

The Committee will review and provide advice to the Ombudsman on the Office's:

- annual financial statements
- information (other than annual financial statements) requested by the Department of Finance in preparing the Australian Government's consolidated financial statements
- processes and systems for preparing financial reporting information
- financial record keeping, and
- processes in place to ensure the Office is informed of any changes or additional requirements in relation to financial reporting.

The Committee will provide a statement to the Ombudsman confirming:

- whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, accounting standards and supporting guidance
- whether additional information (other than financial statements) required by Finance in preparing the Australian Government's consolidated financial statements (including the supplementary reporting package) complies with the PGPA Act, the PGPA Rules, Accounting Standards and supporting guidance
- the appropriateness of the Office's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

##### 5.2 Performance reporting

The Committee will review and provide advice on the systems and procedures for assessing, monitoring and reporting of the Office's performance including:

- the Portfolio Budget Statements and Corporate Plan contain appropriate details of how the Office's performance will be measured and reported
- the Office's performance measurement approach detailed in its Portfolio Budget Statements and Corporate Plan complies with the Commonwealth performance framework

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<sup>1</sup> In accordance with Section 17(3) and sub-section 17(4) of the PGPA Rule.

<sup>2</sup> In accordance with Section 17(5) of PGPA Rule.

- the Office's systems, processes and evidence supporting the preparation of the Annual Performance Statement.

The Committee will review and provide advice to the Ombudsman confirming the Annual Performance Statement's appropriateness.

### 5.3 Risk oversight and management

The Committee will review and provide advice to the Ombudsman on the Office's:

- risk management policy framework and the internal controls for effective identification and management of the Office's risks
- approach to managing the Office's key risks including those associated with individual projects and program implementation and activities
- process for developing and implementing the Office's fraud control arrangements and satisfy itself that the Office has adequate processes and systems in place to detect, capture and effectively respond to fraud risks
- articulation of key roles and responsibilities for risk management and compliance by Office staff.

### 5.4 Systems of internal control

The Committee will review and provide advice to the Ombudsman on the Office's:

- internal control framework
  - reviewing management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing compliance with key policies and procedures
  - reviewing whether management has relevant operational policies and procedures in place including accountable authority instructions, delegations, work health and safety and bullying and harassment policies
  - reviewing business continuity planning arrangements including the Office's periodical testing of business continuity and disaster recovery plans
  - reviewing the adequacy of the Office's governance arrangements
- legislative and policy compliance
  - reviewing the effectiveness of systems for monitoring the Office's compliance with laws, regulations and associated government policies with which the Office must comply
  - determining whether management has adequately considered legal and compliance risks as part of the Office's 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).
- internal audit coverage
  - reviewing the Office's internal audit program and strategic plan, ensuring that the coverage takes into account the Office's primary risks, and recommending approval of the annual internal audit program the Ombudsman
  - reviewing all internal audit reports and monitoring management's progress in the implementation of recommendations in order to provide advice to the Ombudsman on major concerns identified and recommending action on significant matters raised
  - reviewing the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
  - assessing the performance of the internal audit function and the internal auditors annually.

### 5.5 Additional functions of the Committee

From time-to-time, the Ombudsman may request the Committee undertake some or all of the following additional functions:

- assess the appropriateness of the Office's mechanisms to review and implement recommendations arising from parliamentary committee reports, external reviews and evaluations within the Office's enabling legislation
- assess whether the Ombudsman has taken action to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct
- review the APS annual State of the Service Employee Census report and assess whether the Ombudsman has considered options and actions to address the survey's outcomes and recommendations.

## 6. Engaging with stakeholders

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- 6.1 In fulfilling its advisory responsibilities and formulating advice to the Ombudsman, the Committee will engage with the Office's internal auditors, other audit providers engaged to undertake supplementary audits and management representatives, as required.
- 6.2 The Committee will meet privately with the Office's internal auditors at least once each year.
- 6.3 The Committee will engage with the ANAO, as the Office's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the Committee will:
- provide comment on planned ANAO financial statement and performance audit coverage
  - review Office specific and relevant cross-entity external performance audit reports and monitor management's response and implementation of audit recommendations
  - provide advice to the Ombudsman on action to be taken on significant issues raised in relevant ANAO reports or Audit Insights
  - meet privately with the ANAO at least once per year.

## 7. Audit and Risk Committee annual reporting requirements

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- 7.1 The Committee will provide written advice to the Ombudsman at least once per year on its operation and activities and confirm to the Ombudsman that all functions outlined in this charter have been satisfactorily addressed.
- 7.2 The Committee may, at any time, report to the Ombudsman any matter it deems of sufficient importance. The Chair will meet privately with the Ombudsman after each meeting. In addition, an individual Committee member may request a meeting with the Ombudsman at any time.
- 7.3 The Office's annual report will include<sup>3</sup>:
- a direct electronic address of the charter determining the functions of the committee
  - the name of each member of the committee during the period
  - the qualifications, knowledge, skills or experience of the committee members
  - information about each of the members' attendance at meetings of the audit committee during the period, and
  - the remuneration of each of the members.

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<sup>3</sup> In accordance with Section 17AG (2A) and Section 17BE(taa) of the PGPA Rule.

## 8. Administrative arrangements

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### 8.1 Forward Work Plan

Each year the Committee will prepare a forward work plan that outlines its meeting schedule, proposed agenda items and the activities to be undertaken to ensure the Committee achieves the functions of its Charter.

### 8.2 Induction

The Secretariat will provide new members with the relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

### 8.3 Possible sub-committees

In consultation with the Ombudsman the Committee may establish one or more sub-committees to assist the Committee in meeting its responsibilities. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and endorsed by the Committee, noting sub-committees will not assume any management functions and management will not exert inappropriate influence over the work of any sub-committee.

### 8.4 Meetings

The Committee will meet at least four (4) times per year and may be attended in person, by telephone or video conference. One or more special meetings may be convened to review the Office's annual financial and performance statements or to meet other specific responsibilities of the Committee.

A quorum will consist of at least two members and must be in place at all times during the meeting.

The Chair is required to:

- call a meeting if asked to do so by the Ombudsman, and
- determine if a meeting is required when requested by another Committee member, internal audit or the ANAO.

### 8.5 Secretariat

Secretariat support for the Committee will be provided by the Governance team. The Secretariat will:

- submit each meeting agenda for the Chair's approval
- circulate the agenda and supporting papers to members at least one (1) week prior to the meeting, and
- minute the outcomes and actions of the meeting for the Chair's approval prior to circulation to Committee members, advisers, and observers.

## 9. Conflicts of Interest

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9.1 Once each year, Committee members will provide written declarations to the Chair declaring any material personal interests or relationships they may have in relation to their responsibilities, for noting by the Ombudsman. 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.

9.2 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 responsible for deciding, in consultation with the Ombudsman where appropriate, if they should excuse themselves from the meeting or the relevant agenda item(s).

9.3 The Secretariat will record any declarations of Committee members and resulting actions in the meeting minutes.

**10. Assessing Committee performance**

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- 10.1 The Committee Chair in consultation with the Ombudsman, 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 Ombudsman) with appropriate input sought from the Ombudsman, Committee members, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the Ombudsman.
- 10.2 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.

**11. Review of Charter**

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- 11.1 The Committee will review this Charter in consultation with the Ombudsman at least once a year. Any substantive changes will be recommended by the Committee and formally approved by the Ombudsman.