

Audit and Risk Committee

Principle

While the Board has a duty to act in the interests of the ETB, the Audit and Risk Committee has a particular role, acting independently of the management of the ETB, to ensure that the interests of Government and other stakeholders are fully protected in relation to business and financial reporting and internal control.

A number of the functions usually carried out by Audit and Risk Committees may, in the ETB Sector, be carried out by the Finance Committee.

Code Provisions

- 7.17 Internal Controls:** The Board is ultimately responsible for ensuring that the Chief Executive has instituted an adequate and appropriate system of internal control, including risk management and corporate governance, in the ETB. The Board should be supported by:
- an Audit and Risk Committee; and
 - an Internal Audit Unit operating to the International Standards of the Institute of Internal Auditors or equivalent professional standards.
- 7.18 Audit and Risk Committee:** Each ETB is required in accordance with Section 45 the Education and Training Boards Act, 2013 to establish an Audit and Risk Committee to assist the Board in discharging its internal audit functions. The Audit and Risk Committee must report to the Board a minimum of 4 times in each year. The Audit and Risk Committee should have 6 - 8 members.
- 7.19** Audit and Risk Committee should have members drawn from outside the Board. The Audit and Risk Committee should be empowered to recommend that the Board appoint (subject to maximum number of members) additional members to provide specialist skills, knowledge and experience where necessary at a particular time and to procure specialist advice at reasonable and approved expense to the ETB to assist the Committee with specific areas of its business.
- 7.20 Written Charter:** The roles and responsibilities of the Audit and Risk Committee should be set out in a written charter, including terms of reference which should be communicated to all members of the Committee.

The terms of reference for the Audit and Risk Committee should be set by the Board and should include provisions regarding:

- membership;
- reporting requirements;
- authority to query;
- meetings – timing, conduct and frequency;
- information requirements;
- value for money;
- governance; and
- responsibilities regarding:
 - risk management;
 - internal control;
 - internal audit;
 - External Audit; and
 - reviewing its own effectiveness.

A Template Charter including Terms of Reference for an Audit and Risk Committee is provided at Appendix 11.

- 7.21** The Audit and Risk Committee should review on an annual basis their terms of reference and recommend any necessary changes to the Board. It is important that a balance is struck during Audit and Risk Committee meetings between governance, risk management, internal control.

- 7.22 **Chairperson of the Board:** The Chairperson of the Board may attend Audit and Risk Committee meetings and be a member of, but not chair, the Audit and Risk Committee.
- 7.23 **Appointments:** Appointments to the Audit and Risk Committee should be made by the Board in consultation with the Chairperson of the Audit and Risk Committee.
- The Chairperson of the Audit and Risk Committee will not be a member of the Board.
 - A person with an executive function¹⁴ in an ETB, including the Chief Executive, may not be a member of the Audit and Risk Committee of that ETB.
 - A member of the Finance Committee may be a member of the Audit and Risk Committee.
- 7.24 **Duration of Appointment:** The duration of appointment of Audit and Risk Committee is for the term of the Board.
- 7.25 **Relevant Skills and Experience:** The Audit and Risk Committee should collectively possess an appropriate range of skills to perform its functions to the required standard. All members of the Audit and Risk Committee should have a thorough understanding of corporate governance and the role of the Audit and Risk Committee. In this regard, the Audit and Risk Committee Chairperson and members should be provided with initial induction and continuing training in such matters as corporate governance and the role of internal and external audit.

The Board should satisfy itself that at least one member of the Audit and Risk Committee has recent and relevant governance experience, preferably in a public service organisation outside of the ETB Sector and other members should have recent relevant financial experience and experience in the core areas of its activities including risk management, internal audit, governance, relevant technical or specialist issues, an understanding of the public sector environment, in particular the accountability structures, and current public sector reform initiatives.

Where the Audit and Risk Committee members do not have sufficient knowledge or experience in a particular area, the Audit and Risk Committee may invite persons, other than the Chief Executive or another person with an executive function, with relevant expertise to attend meetings.

- 7.26 **Assessment Criteria:** There should be formal assessment criteria for the appointment of the Chairperson and other Audit and Risk Committee members. In addition to the skills mix issues outlined above, members should have, or acquire as soon as possible after their appointment, an understanding of:
- The functions of an ETB;
 - organisational culture, objectives and challenges;
 - organisational structure including key relationships e.g. the ETB's relationship with the relevant Minister and parent Department; and
 - relevant legislation or other rules governing the organisation.
- 7.27 **Letter of Appointment:** There should be a standard letter of appointment for each new Audit and Risk Committee member, where appropriate, including:
- role of the Audit and Risk Committee;
 - duration of appointment and renewal provisions;
 - support and training to be provided;
 - the time commitment involved;
 - level of remuneration (where appropriate);
 - rules regarding conflict of interests;
 - performance management arrangements; and
 - termination arrangements.

¹⁴ A person with an executive function has a contract of employment or service with the ETB.

- 7.27 **Conflict of Interest:** The process for recording declarations of conflicts of interest in the Audit and Risk Committee should be the same used at Board level. Each member of the Committee should take personal responsibility to declare any potential conflict of interest arising in relation to any items on the agenda for Audit and Risk Committee meetings.
- 7.29 **Register of Members Interests:** A register of Audit and Risk Committee members' interests should be maintained by the Board. Members should be required to declare any potential conflict of interest with any of the business items on the agenda for the Audit and Risk Committee meeting. The Committee should specify its procedures where a conflict of interest arises including the requirement that the relevant member brings this to the attention of the Chairperson and, where necessary, leaves the room for the duration of the discussion and not take part in any decisions relating to the discussion. Similar arrangements should apply in relation to meeting documentation, where such documentation is not made available to the member. This should be noted in the minutes of the meeting.
- 7.30 **Training and Development:** There should be a formal induction process in place (including individually tailored training) for new Audit and Risk Committee members. The Audit and Risk Committee and Chairperson should make recommendations to the Board on the Committee's and individual member's training needs. The Audit and Risk Committee should keep up to date with good practice and developments in corporate governance.
- 7.31 **Frequency of Meetings:** The Audit and Risk Committee should meet at least four times a year and invite outsiders with relevant experience to attend meetings if necessary.
- 7.32 **Authority to query:** The Audit and Risk Committee should have explicit authority to query any matters within its terms of reference, as well as the resources and outside professional advice it needs to do so, and full access to information.
- 7.33 **Relationships:** As the business of the Audit and Risk Committee requires, the Chief Executive, Director of Organisation Support and Development, Director of Internal Audit and external auditor should attend for specific meetings or agenda items at the Committee's request. Executive members of the organisation should be invited to attend Audit and Risk Committee meetings to participate in discussions and provide information as required. Executive members of the organisation should maintain an appropriate relationship with the Audit and Risk Committee.
- 7.34 **Communications:** The Audit and Risk Committee should ensure that it communicates effectively with the Board, the Director of Internal Audit, the external auditor and other stakeholders. Any internal audit or audit items that relate to the Board's areas of responsibilities should be communicated to the Board as soon as they are identified. The approved minutes of each Audit and Risk Committee meeting should be submitted to the Board as the formal record of each meeting held and items discussed.
- 7.35 **Internal Auditors:** The Audit and Risk Committee should liaise with the Internal Audit Unit where, from subsequent events/ disclosures, it appears to the Audit and Risk Committee that adequate and appropriate systems of internal control are not operating, so that it has a clear understanding of the situation. The Audit and Risk Committee should maintain an Audit Register. A sample Audit Register is contained at Appendix 12.
- 7.36 **External Auditors:** The Audit and Risk Committee should, at least once a year, consult with the Comptroller & Auditor General regarding the work carried out by the Comptroller and Auditor General in relation to the ETB's compliance with the requirements set out in this document and audit findings. The informed views of the individual Audit and Risk Committees should be communicated to the Internal Audit Unit.

Taking account of the size of the ETB and the occurrence of weaknesses in internal controls or audit issues, the Audit and Risk Committee should meet with or otherwise engage with the Comptroller & Auditor General at least once a year without senior management present to ensure there are no unresolved issues of concern and to make the external auditor aware of any emerging risks or governance issues.

7.37 Annual Report: The Audit and Risk Committee's annual report to the Board should present a summary of the results of internal audit and management representations in respect of the management and internal control systems, and the sources of assurance to the Board.

The annual report should include;

- internal controls;
- financial reporting;
- compliance;
- governance; and
- quality of internal audit.

The Committee should also report its view of its own effectiveness with advice on how it can be strengthened and developed.

7.38 Chairperson of the Audit and Risk Committee: The Chairperson of the Audit and Risk Committee has particular responsibility for ensuring;

- that the Audit and Risk Committee is appropriately resourced;
- the Committee reviews Internal Audit Reports and management responses and ensures that actions are followed up;
- that reports to the Committee contain relevant information and are provided at the right time in an appropriate format;
- absent Committee members are briefed on meetings and attendance records are maintained and reviewed annually;
- that they report at Board meetings and submit regular written reports to the Board containing relevant information;
- that matters arising are reported on at each subsequent meeting; and
- that they are involved in the appointment of new Committee members.

7.39 Appraisal: Appraisal of the Chairperson of the Audit and Risk Committee should be overseen by the Chairperson of the Board.

7.40 Audit and Risk Committee Administrative support: The Audit and Risk Committee requires support in;

- commissioning papers;
- circulating documents and minutes of meetings;
- documenting ownership of agreed actions and the follow-up/tracking of same;
- keeping the Committee abreast of developments in the ETB;
- arranging induction and training for committee members; and
- maintaining a record of members' appointments and termination/renewal dates and ensuring that appropriate appointment procedures are initiated when necessary, etc.

Administrative support should be provided, as necessary, to the Audit and Risk Committee for the administrative tasks as outlined above. Centralised supports should also be accessed where required (e.g. through ETBI for training/induction).