

Code of Practice for the Governance of State Bodies

Audit and Risk Committee Guidance

August 2016

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Audit and Risk Committee Guidance

Introduction

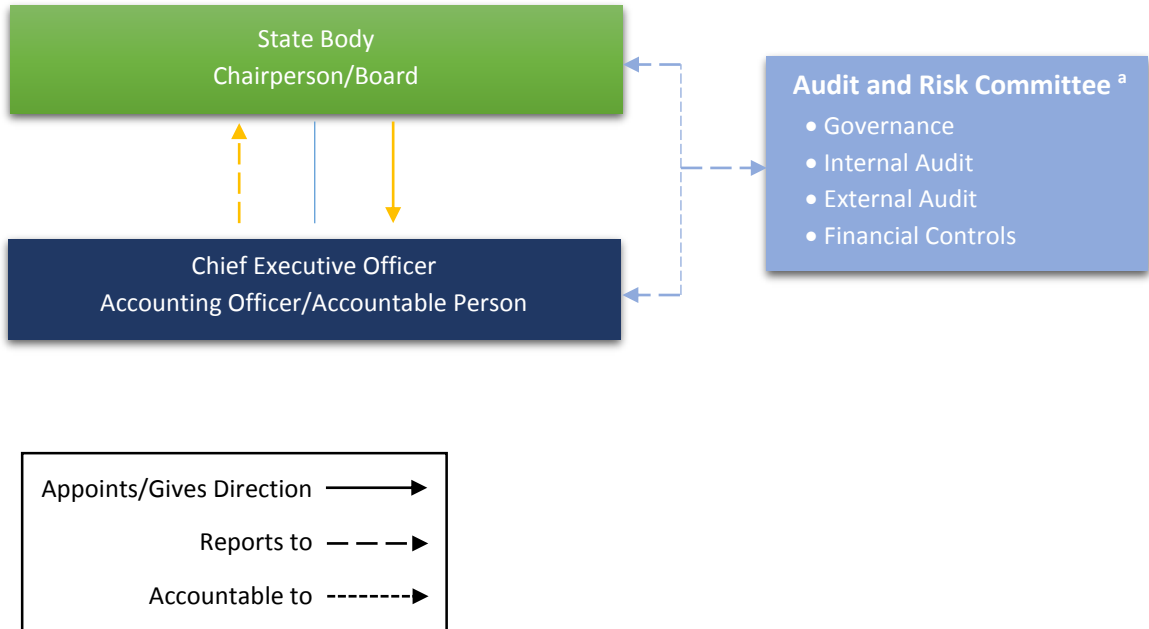
The purpose of this document is to set out Audit and Risk Committee best practice guidance under the *Code of Practice for the Governance of State Bodies*, to provide guidance to State Boards in making appropriate arrangements for their Audit and Risk Committee, and to assist the Audit and Risk Committee in carrying out their role and responsibilities.

Best practice requires that Boards of State bodies should ensure that the Audit and Risk Committee arrangements in place are suited to the particular circumstances of the State body, which will vary depending on the scale, nature, responsibilities and functions of the State body.

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Audit and Risk Committee



^a In general Audit and Risk Committees should be combined, however in some larger entities there may be a requirement to have separate Audit and Risk Committees.

1. Audit and Risk Committee

Principle

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

Code Provisions

1.1 Internal Controls: The Board should ensure that there are effective arrangements in place in the State body for governance, risk management and internal control. 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.

1.2 Audit and Risk Committee: The Board of a State body should establish an Audit and Risk Committee of at least three independent non-executive Board members, or in the case of smaller State bodies (less than 20 employees) two independent non-executive Board members, with written terms of reference which deal clearly with its authority and duties. Where a Board is constituted with only executive Board members other arrangements should be made to constitute an Audit and Risk Committee including the use of independent external personnel.

It is recommended for an Audit and Risk Committee to have members drawn from outside the Board. An Audit and Risk Committee is more likely to have the broad range of skills and experience necessary where its membership is not restricted to the Board. The Audit and Risk Committee should be empowered to co-opt members to provide specialist skills at a particular time and to procure specialist advice at reasonable and approved expense to the organisation to assist the Committee with specific areas of the Committee's business.

In general, the Audit and Risk Committees should be combined, however, in some larger entities there may be a requirement for separate Audit and Risk Committees.

1.3 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 investigate;
- 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.

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, and financial reporting items.

Appendix A: Model Terms of Reference for Audit and Risk Committees

- 1.4 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.
- 1.5 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 Board of the State body should satisfy itself that at least one member of the Audit and Risk Committee has recent and relevant financial experience.
- 1.6 Duration of Appointment:** The duration of appointment of Audit and Risk Committee members should be clearly set out at time of appointment. It is recommended that the first appointment be for a period of three years, which can be renewed for up to three years, to a maximum of six years in total.
- 1.7 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. This may vary according to the nature and size of the organisation, but at least one member of the Audit and Risk Committee should have recent, relevant financial experience and other members should have experience in the core areas of its business 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.
- 1.8 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:
- organisational culture, objectives and challenges;
 - organisational structure including key relationships e.g. the State body’s relationship with the relevant Minister and parent Department; and
 - relevant legislation or other rules governing the organisation.

1.9 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.

Appendix B: Model Letter of Appointment for an Audit & Risk Committee Member

1.10 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.

1.11 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.

1.12 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 best practice and developments in corporate governance.

1.13 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. In the event that four meetings is not considered necessary the Chairperson of the State body should make a statement in the annual report of the State body that they are satisfied that the Audit and Risk Committee discharged its role with fewer than four meetings in a year.

1.14 Authority to Investigate: The Audit and Risk Committee should have explicit authority to investigate 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.

1.15 Relationships: As the business of the Audit and Risk Committee requires, the CEO, Finance Director, Head 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.

1.16 Communications: The Audit and Risk Committee should ensure that it communicates effectively with the Board, the Head 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.

1.17 Draft Financial Statements: The Audit and Risk Committee should review the draft financial statements before recommending their adoption by the Board and where possible, before submission for audit taking account of public accountability and the special considerations which attach to State bodies in relation to their management and operation, consider whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for an assessment of the State body's financial position and financial performance, business model and strategy.¹

1.18 External Auditors: The Audit and Risk Committee should periodically consult with the external auditors regarding the operation of the Internal Audit Unit with particular reference to the staffing of the Unit, the audit work programme being applied and the testing carried out in relation to the State body's compliance with the requirements set out in this document.

Taking account of the size of the State body and the occurrence of weaknesses in internal controls or audit issues, the Audit and Risk Committee should meet with or otherwise engage with the external auditor at least once a year without executive Board members present to ensure there are no unresolved issues of concern and to make the external auditor aware of any emerging risks or governance issues.

1.19 Annual Report: The Audit and Risk Committee's annual report to the Board should present its opinion on the adequacy of risk management and internal control systems, and the adequacy of sources of assurance to the Board.

The annual report should include:

- governance issues;
- financial reporting; and
- quality of internal and external audit.

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

¹ Adapted from the Financial Reporting Council's "UK Corporate Governance Code" (2016) page 18

1.20 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;
- 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;
- they report at Board meetings and submit regular written reports to the Board containing relevant information;
- matters arising are reported on at each subsequent meeting; and
- they are involved in the appointment of new Committee members.

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

1.22 Audit and Risk Committee Secretariat: The secretariat to the Audit and Risk Committee should:

- commission papers as necessary and support the Chairperson in preparing reports;
- circulate documents and keep and circulate minutes of meetings to Committee members and to internal and external audit as necessary in good time for meetings;
- for any agreed actions, document the owner, deadline and any advice given by stakeholders and monitor between meetings;
- keep the Committee abreast of development in the State body; and
- maintain a record of members' appointments and termination/renewal dates and ensure that appropriate appointment procedures are initiated when necessary.

2. Audit and Risk Committee Work Programme

Code Provisions

2.1 Audit and Risk Committee Work Programme: The Audit and Risk Committee's work programme should include:

- i) **Internal Audit Unit:** Monitoring and reviewing the effectiveness of the State body's internal audit activities and consideration of the Internal Audit Unit's independence, expertise, experience and adherence to professional standards.
- ii) **Scope of Work:** The Audit and Risk Committee should consider the scope of the Internal Audit Unit's work and consider whether the available resources and access to people and information allow the Unit to address significant risks within the organisation.
- iii) **Audit Plan:** The Audit and Risk Committee should have an approval role in relation to the Internal Audit Unit audit plan, including the Committee making suggestions regarding risk and problem areas the audit plan should address. The Audit and Risk Committee should also receive regular progress reports from the Internal Audit Unit.
- iv) **External Auditor:** The Audit and Risk Committee should review Management Letters and Letter of Representations and should be given sight of the organisational responses to the external auditor Management Letters and reports.
- v) **Views of External Auditor:** The Audit and Risk Committee should request the views of the external auditor on the work and effectiveness of the Audit and Risk Committee. The Audit and Risk Committee should engage with the external auditor at least annually without executive Board members being present to ensure that there are no unresolved issues of concern and should make the external auditors aware of the corporate governance issues outlined in this Code with which the State body is required to comply.
- vi) **Co-operation between the External Auditor and Internal Audit Unit:** The Audit and Risk Committee should encourage co-operation between the external auditor and Internal Audit Unit and receive confirmation from the external auditor and the Internal Audit Unit of the effectiveness of their working relationship. This involves a sharing of audit plans to prevent duplication of effort and Internal Audit Unit should provide the external auditor with copies of all completed Internal Audit Unit reports.
- vii) **Draft Financial Statements:** The Audit and Risk Committee should review draft financial statements before recommending their adoption by the Board and consider whether:
 - accounting policies, completeness of financial statements, anti-fraud policy and losses are properly recorded and accounted for;
 - suitable processes are in place to ensure regularity, probity and propriety is achieved;
 - issues raised by the external auditor have been comprehensively and appropriately dealt with;
 - the financial statements present fairly the financial position of the State body;

- the comprehensiveness and meaningfulness of the State body’s Statement on Internal Control and review of the Letter of Representation before issue by the State body.
- viii) The Committee should also consider:
- the effectiveness and adequacy of the State body’s anti-fraud, anti-corruption and protected disclosure policies and staff awareness of them;
 - whether financial control, including the delegation structure, enables the organisation to achieve its objectives on a value for money basis; and`
 - whether the procedures for investment appraisal are fit for purpose and comply with best practice including the principles and relevant requirements of the Department of Public Expenditure and Reform [Public Spending Code](#).
- ix) **Statement on Internal Control:** The Committee should also satisfy itself that the State body’s system of internal control operated effectively during the reporting period and that the system of internal reporting gives early warning of internal control failures and emerging risks.

Appendix C: Checklist for the Effectiveness of Audit and Risk Committees

Commercial State Bodies

- 2.2 Commercial State Bodies:** The Audit and Risk Committee of a commercial State body should only include non-executive Board members. If Chairpersons participate, the Audit and Risk Committee should be chaired by another Board member.
- 2.3 Appointment of External Auditor:** In commercial State bodies the Audit and Risk Committee will:
- make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
 - approve terms of engagement and remuneration of the external auditor; and
 - monitor the external auditor’s independence and objectivity and the effectiveness of the audit process.

Glossary

For the purpose of this Code, the terms below shall have the following meaning:

- **Accounting Officer** – the Comptroller and Auditor General (Amendment) Act, 1993 defines an Accounting Officer as “an officer referred to in section 22 of the [Exchequer and Audit Department’s Act of 1866] to whom the duty of preparing the appropriation accounts of a Department is assigned under that section”.
- **Annual Report** – A report detailing the State body’s activities and financial performance during the preceding year. It includes the financial statements and may generally also include reports from those charged with governance (for example, the Chairperson of the Board), a review of the State body’s strategy and performance, information on risk management and governance, alongside other information for stakeholders.
- **CEO** – Chief Executive Officer.
- **Financial Statements** – A formal record of the financial activities and position of the State body for the previous financial year, including disclosures, intended to communicate the State body’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework.
- **Letter of Representation** – Letters of representation are letters from the Board addressed to the external auditors. The letter makes representations concerning amounts in the financial statements and aspects of the audit. The letter is drafted by the external auditors at the end of the audit and is submitted to the Board for signature, often by the Chairperson and the CEO.
- **Management Letter** – Management letters are letters from the auditors to management setting out the failings/weaknesses found during the audit. Unless these weaknesses or failings are material, the auditors will issue a clean/unqualified/unmodified report. Management are required to prepare responses to the management letter points made. The Audit and Risk Committee needs to oversee implementation of the external auditor’s management letter recommendations, which the auditor will follow up on the following year.
- **Parent Department** – The Department under whose aegis the State body lies.
- **State Body** – See page 11 of the Code of Practice document.

The Board has established an Audit and Risk Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Board's and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

Membership

The members of the Audit and Risk Committee are:

- non-executive Board members: [list those who are appointed to the Audit and Risk Committee];
- independent external members: [list those who are appointed to the Audit and Risk Committee; (in all cases indicate the date of appointment and when the appointment is due to end / become eligible for renewal)];
- the Audit and Risk Committee will be chaired by [name]; and
- the Audit and Risk Committee will be provided with a secretariat function by [name].

Reporting

- the Audit and Risk Committee will formally report in writing to the Board; and
- the Audit and Risk Committee will provide the Board with an Annual Report, timed to support finalisation of the annual report and financial statements, summarising its conclusions from the work it has done during the year.

Responsibilities

The Audit and Risk Committee will advise the Board on:

- the strategic processes for risk, internal control and governance;
- the accounting policies, the financial statements, and the annual report of the organisation, including the process for review of the financial statements prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter of representation;
- assurances relating to the management of risk and corporate governance requirements for the State body;
- (where appropriate) proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, protected disclosure processes, and arrangements for special investigations; and
- the Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board.

Rights

The Audit and Risk Committee may:

- co-opt additional members to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the reasonable expense of the State body, subject to budgets agreed by the Board.

² Adapted from "Audit and Risk Assurance Committee Handbook" (HM Treasury, March 2016)

Access

The Head of Internal Audit and the representative of external audit will have free and confidential access to the Chairperson of the Audit and Risk Committee.

Meetings

- The Audit and Risk Committee will meet at least four times a year. The Chairperson of the Audit and Risk Committee may convene additional meetings, as they deem necessary;
- a minimum of [number] members of the Audit and Risk Committee will be present for the meeting to be deemed quorate;
- as the business of the Audit and Risk Committee requires the CEO, the Finance Director, Head of Internal Audit, and a representative of external audit should attend for specific meetings or agenda items at the Committee's request [add any others who may routinely attend];
- the Audit and Risk Committee may ask any other officials of the State body to attend to assist it with its discussions on any particular matter;
- the Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters; and
- the Board may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they seek the Committee's advice.

Information Requirements

For each meeting the Audit and Risk Committee will be provided (well ahead of the meeting) with:

- a report summarising any significant changes to the State body's strategic risks and a copy of the strategic/corporate Risk Register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from the work of internal audit;
 - management response to audit recommendations;
 - changes to the agreed internal audit plan; and
 - any resourcing issues affecting the delivery of the objectives of internal audit.
- a progress report (written/verbal) from the external audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the Comptroller and Auditor General, for example, Value for Money reports and good practice findings);
- management assurance reports; and
- reports on the management of major incidents, "near misses" and lessons learned.

As and when appropriate the Committee will also be provided with:

- proposals for the terms of reference of internal audit / the internal audit charter;
- the internal audit strategy;
- the Head of Internal Audit's annual opinion and report;
- quality assurance reports on the Internal Audit Unit;
- the draft financial statements of the organisation;
- the draft governance statement;
- a report on any changes to accounting policies;
- external audit's management letter;
- a report on any proposals to tender for audit functions, where appropriate;
- a report on co-operation between internal and external audit; and
- the organisation's risk management strategy.

The list provided suggests minimum requirements for the inputs which should be provided to the Audit and Risk Committee. In some cases more may be provided. For instance, it might be agreed that Audit and Risk Committee members should be provided with a copy of the report of every internal audit assignment.

Appendix B

Model Letter of Appointment for an Audit & Risk Committee Member

It is recommended that the following issues be included in the Letter of Appointment of an Audit and Risk Committee member:

Appointment and Purpose

You are hereby appointed by the [Board] as a member of the Audit and Risk Committee of [Insert name of entity]. As a member of the Audit and Risk Committee you are accountable to the [Board] through the Chairperson of the Committee. Your appointment is for [number] years from [date]]. This appointment may be renewed [number] times (by mutual agreement) after the duration of this appointment.

The Audit and Risk Committee is a Committee of the Board of [Insert name of entity] and the purpose of the Audit and Risk Committee is to:

- review the comprehensiveness of assurances on governance, risk management and the control environment in meeting the Board and Accounting Officer's assurance needs;
- review the reliability and integrity of these assurances;
- review the integrity of the financial statements; and
- advise the Board and Accounting Officer about how well assurances support them in decision-taking and in discharging their accountability obligations.

A copy of the Audit and Risk Committee's terms of reference is enclosed. The Committee is chaired by [name] and the other members are [names]. [It is recommended that the new member be provided with a list of their contact details]

Support and Training

The Secretary of the Audit and Risk Committee is [name / contact details] and they will shortly be in touch with you to discuss and arrange appropriate induction training.

To help you understand the governance arrangements and the role of the Audit and Risk Committee in a State body, a copy of the suite of documents entitled the "*Code of Practice for the Governance of State Bodies*" is enclosed with this letter of appointment.

Commitment and Remuneration

Your duties as an Audit and Risk Committee member are expected to typically take [number] days per annum, including time to read papers in preparation for meetings and a programme of activity to keep you in touch with the organisation's activities and priorities. The Committee normally meets [number] times each year, but additional meetings may be required from time to time. [Include, if appropriate, details of amount of remuneration].

Conflicts of Interest

If during your period of appointment to the Audit and Risk Committee your personal circumstances change in any way that may provide a conflict of interest for you in your Audit and Risk Committee role, you are to declare the circumstances to the Chairperson of the Audit and Risk Committee.

Appraisal

As a member of the Audit and Risk Committee you may be subject to appraisal by the Audit and Risk Committee Chairperson [include brief details of the appraisal process].

Conduct

Although your appointment does not make you a Public Servant, you are expected to conduct yourself in your role in the State body in accordance with the [Guidelines for Public Servants](#).

Termination

If you choose to resign from this appointment you will be expected to give [number] months' notice, unless your circumstances have changed in a way that make it appropriate for you to resign immediately. If your performance as an Audit and Risk Committee member is decided to be unacceptable or if your conduct (including conflicts of interests) is unacceptable your appointment may be terminated by the Board.

Appendix C

Checklist for the Effectiveness of Audit and Risk Committees

| The Role of the Audit and Risk Committee | | | | |
|--|----------|----------|------------|----------------------------------|
| The Audit and Risk Committee fulfils an important role in the governance framework of an entity by assisting the Board monitor the internal control environment, risk management and financial reporting and internal and external audit unit. The Committee does not undertake management responsibilities and is not a substitute for entity management controls and accountabilities. | Y | N | N/A | Comment / Action Required |
| 1. Is there a written charter and terms of reference, setting out the roles and responsibilities of the Audit and Risk Committee and its members, and has it been communicated to all members? | | | | |
| 2. Do the terms of reference include the provisions as set out in paragraph 1.3 of this document? | | | | |
| 3. Do the terms of reference require the Audit and Risk Committee to regularly review its own effectiveness? If so, when was the last time such a review was carried out? | | | | |
| 4. Does the Audit and Risk Committee meet at least four times a year? | | | | |
| Membership, Independence, Objectivity and Understanding | | | | |
| The Audit and Risk Committee should be independent and objective. In addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as a Committee member. | Y | N | N/A | Comment / Action Required |
| Membership and Terms of Appointment | | | | |
| 5. Does the Audit and Risk Committee have at least three, or in the case of smaller State bodies, two, independent non-executive Board members? | | | | |
| 6. For what duration are Audit and Risk Committee members appointed? | | | | |
| 7. Is there a standard letter of appointment for new Audit and Risk Committee members and does it include: <ul style="list-style-type: none"> ▪ role of Audit and Risk Committee? ▪ duration of appointment and renewal provisions? ▪ the support and training to be provided? ▪ the time commitment involved? ▪ level of remuneration (where appropriate)? ▪ rules regarding conflicts of interest? ▪ performance management arrangements ▪ termination arrangements? | | | | |

| Independence | Y | N | N/A | Comment / Action Required |
|---|---|---|-----|------------------------------|
| 8. What is the breakdown of Audit and Risk Committee members and Chairperson in terms of executive Board members, non-executive Board members and external members? | | | | |
| 9. Is the Audit and Risk Committee Chairperson different to the Chairperson of the Board? | | | | |
| Relationship with the Executive and Other Participants | Y | N | N/A | Comment / Action Required |
| 10. Are the executive members of the organisation invited to attend Audit and Risk Committee meetings, participate in discussions and provide information to the Audit and Risk Committee as required? | | | | |
| 11. Do the CEO, Finance Director, Head of Internal Audit and the external auditor routinely attend all Audit and Risk Committee meetings? If not, do they attend for specific meetings or specific agenda items, at the request of the Committee? | | | | |
| Managing Conflicts of Interest | Y | N | N/A | Comment / Action Required |
| 12. Is there a register of Audit and Risk Committee members' interests? | | | | |
| 13. Are members regularly required to declare any potential conflict of interest with any of the business items on the agenda for Audit and Risk Committee meetings? | | | | |
| 14. In instances where a member declares an interest in an agenda item, what action is taken? | | | | |
| Skills and Experience The Audit and Risk Committee should collectively possess an appropriate range of skills (skills mix) to perform its functions to the required standard. | Y | N | N/A | Comment / Action Required |
| 15. Are there formal assessment criteria for the appointment of the Audit and Risk Committee Chair? | | | | |
| 16. Does the assessment criteria for Audit and Risk Committee members include (or expect members to acquire as soon as possible after appointment) an understanding of: <ul style="list-style-type: none"> ▪ the organisation's culture, objectives and challenges? ▪ the organisation's structure, including key relationships such as that with the relevant Minister and parent Department? ▪ relevant legislation or other rules governing the organisation? | | | | |
| 17. Does the Audit and Risk Committee corporately possess knowledge, skills and experience of: <ul style="list-style-type: none"> ▪ accountancy/finance – with at least one member having recent and relevant financial experience? ▪ governance, assurance and risk management? ▪ audit? ▪ technical or specialist issues pertinent to the organisation's business? ▪ the wider environments, including the Government and accountability structures, in which the organisation operates? | | | | |

| Access to Additional Skills | Y | N | N/A | Comment / Action Required |
|---|----------|----------|------------|--------------------------------------|
| 18. Is the Audit and Risk Committee empowered to co-opt members on a short-term basis to provide specialist skills needed at a particular time? When was the last time this was done? | | | | |
| 19. Can the Audit and Risk Committee procure specialist advice (at reasonable and approved expense to the organisation) on an ad-hoc basis, to assist the members with specific areas of Committee business? When was this last done? | | | | |
| Training and Development | Y | N | N/A | Comment / Action Required |
| 20. Is there a formal induction process (including individually tailored training) for new Audit and Risk Committee members? | | | | |
| 21. Does the Audit and Risk Committee and the Chairperson make recommendations to the Board on the Committee's and individual members training needs? | | | | |
| 22. Does the Audit and Risk Committee keep up to date with best practice and developments in corporate governance? How is this done? | | | | |
| Scope of Work | Y | N | N/A | Comment / Action Required |
| The scope of the Audit and Risk Committee's work should be defined in the terms of reference, and encompass all of the assurance needs of the executive Board or the CEO, including particular engagement with the work of the internal and external audit and financial reporting issues. | | | | |
| Relationship with Internal Audit | Y | N | N/A | Comment / Action Required |
| 23. Does the Audit and Risk Committee monitor and review the effectiveness of the Internal Audit Unit? | | | | |
| 24. Does the Audit and Risk Committee consider that the independence, experience, expertise and professional standard of the internal audit team are appropriate for the organisation? | | | | |
| 25. Does the Audit and Risk Committee consider whether the scope of internal audit work, the resources at its disposal and their access to information and people allow it to address significant risks within the organisation? | | | | |
| 26. Does the Audit and Risk Committee receive regular progress reports on work undertaken by the Internal Audit Unit? | | | | |
| 27. Does the Audit and Risk Committee review internal audit reports and management responses to issues raised, and monitor the progress made on internal audit recommendations? | | | | |
| 28. Does the Head of Internal Audit have direct access to the Chairperson of the Audit and Risk Committee? | | | | |

| Relationship with External Audit | Y | N | N/A | Comment / Action Required |
|--|----------|----------|------------|--------------------------------------|
| 29. Does the Audit and Risk Committee periodically request the views of the external auditor on the work and effectiveness of the Audit and Risk Committee? | | | | |
| 30. Does the Audit and Risk Committee consider the external auditor management letter and other relevant reports and the management response, and monitor the progress made on the recommendations? | | | | |
| 31. Does the Audit and Risk Committee meet the external auditors at least once a year, without executive Board members being present, to discuss any issues of concern? | | | | |
| Relationship between Internal and External Audit | Y | N | N/A | Comment / Action Required |
| 32. Does the Audit and Risk Committee seek confirmation from internal audit and the external auditors on the effectiveness of their relationship? | | | | |
| Fraud | Y | N | N/A | Comment / Action Required |
| 33. Does the Audit and Risk Committee consider whether anti-fraud and corruption policies and procedures are in place and operating effectively? | | | | |
| 34. Does the Audit and Risk Committee consider whether there is an anti-fraud policy and code of conduct and its distribution to employees? | | | | |
| Internal Control | Y | N | N/A | Comment / Action Required |
| 35. Does the Audit and Risk Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period and that the system of internal reporting gives early warning of control failures and emerging risk? | | | | |
| 36. Does the Audit and Risk Committee consider whether the Statement on Internal Control is sufficiently comprehensive and meaningful? | | | | |
| 37. Does the Audit and Risk Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money? | | | | |
| Financial Reporting | Y | N | N/A | Comment / Action Required |
| 38. Does the Audit and Risk Committee review the draft of the financial statements? | | | | |
| 39. Before the Accounting Officer/CEO signs off the financial statements, does the Audit and Risk Committee consider whether: <ul style="list-style-type: none"> ▪ accounting policies, completeness of financial statements, anti-fraud policy and losses are properly recorded and accounted for? | | | | |

| | | | | |
|--|----------|----------|------------|--------------------------------------|
| <ul style="list-style-type: none"> ▪ there has been a robust process in preparing the financial statements to ensure completeness and whether appropriate processes are in place to ensure accurate accounting records are maintained? ▪ suitable processes are in place to ensure regularity, probity and propriety are achieved? ▪ issues raised by the external auditors have been given appropriate attention? ▪ the comprehensiveness and meaningfulness of the State body's Statement on Internal Control and review of the Letter of Representation before issue by the State body? | | | | |
| Communication | Y | N | N/A | Comment / Action Required |
| The Audit and Risk Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the external auditor, and other stakeholders. | | | | |
| 40. Does the Audit and Risk Committee provide an annual report to the Board? | | | | |
| 41. Does the annual report of the Audit and Risk Committee present the Committee's opinion about: <ul style="list-style-type: none"> ▪ the adequacy of risk management and internal control systems? ▪ the adequacy of sources of assurance for same? ▪ governance issues and concerns? ▪ financial reporting for the year? ▪ quality of internal and external audit? ▪ the Audit and Risk Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed? | | | | |
| 42. Does the Chairperson of the Audit and Risk Committee have open lines of communication with the Board, the Head of Internal Audit and the external auditors? | | | | |
| 43. Do reports to the Audit and Risk Committee communicate relevant information at the right frequency, time and format to be effective? | | | | |

| The Role of the Audit and Risk Committee Chairperson | | | | | | | |
|---|--|--|--|----------|----------|------------|----------------------------------|
| The Chairperson of the Audit and Risk Committee has responsibility for ensuring that the work of the Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders. | | | | Y | N | N/A | Comment / Action Required |
| Monitoring Actions | | | | | | | |
| 44. Does the Chairperson of the Audit and Risk Committee ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence? | | | | | | | |
| Appraisal | | | | Y | N | N/A | Comment / Action Required |
| 45. Are records of attendance maintained and reviewed annually by the Board? What was average attendance over the three preceding years? | | | | | | | |
| 46. Does the Audit and Risk Committee Chairperson ensure that Committee members are provided with an appraisal of their performance as a Committee member? | | | | | | | |
| 47. Does the Audit and Risk Committee Chairperson seek appraisal of their performance from the Accounting Officer or Chairperson of the Board? | | | | | | | |
| Appointments | | | | Y | N | N/A | Comment / Action Required |
| 48. Is the Chairperson involved in the appointment of new Audit and Risk Committee members, including providing advice on the skills and experience required of the new individual? | | | | | | | |
| Audit and Risk Committee Support | | | | Y | N | N/A | Comment / Action Required |
| The organisation should provide its Audit and Risk Committee with appropriate secretariat support to enable it to be effective. This is more than a minute-taking function, it involves providing active support for the work of the Committee and helping its members to be effective in their role. | | | | | | | |
| 49. Is the Audit and Risk Committee supported by a secretariat? | | | | | | | |
| 50. Does the Audit and Risk Committee secretariat: <ul style="list-style-type: none"> ▪ commission papers as necessary to support agenda items? ▪ circulate meeting documents and meeting minutes to all Committee members, internal audit and external auditors in good time before each meeting? ▪ for any agreed actions, document the owner, deadline and any advice given by stakeholders and monitor between meetings? ▪ keep the Committee abreast of development in the State body? ▪ maintain a record of when members' terms of appointment are due for renewal or termination? ▪ ensure that appropriate appointment procedures are initiated when required? | | | | | | | |

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