



**STATE EXAMINATIONS COMMISSION**

**AUDIT & RISK COMMITTEE  
WRITTEN CHARTER AND TERMS OF REFERENCE**

**CGF/106-4**

**15 FEBRUARY 2019**

**VERSION 4.0**

## VERSION CONTROL

Version	Ref. No	Approved by	Changes from Previous Version	Date
1.0		Richard Langford		4 May 2010
2.0	CGF 106	Board	Updated for reflect Code of Practice for the Governance of State Bodies 2016	10 Feb 2017
3.0	CGF 106	Board	Approval of minor updates recommended by the Audit & Risk Committee following self-evaluation exercise.  Internal Documents references updated  Section 1.2.2 updated to reflect the derogation provided by the Minister for the composition of the ARC	24 Nov 2017
4.0	CGF 106	Board	Updated to reflect the duration of ARC members appointments	15 Feb 2019

## RELATED EXTERNAL DOCUMENTS

- [Code of Practice for the Governance of State Bodies 2016](#) (Department of Public Expenditure and Reform, August 2016);
- [Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016](#) (Department of Public Expenditure and Reform, August 2016);
- [The Role and Responsibilities of Accounting Officers – A Memorandum for Accounting Officers](#) (Department of Public Expenditure and Reform, September 2011);
- The [Public Spending Code](#), (Department of Public Expenditure and Reform, September 2013) and [Circular 13/13 The Public Spending Code: Expenditure Planning, Appraisal & Evaluation in the Irish Public Service - Standard Rules & Procedures](#), Department of Public Expenditure and Reform, September 2013);
- [State Examinations Commission \(Establishment\) Order 2003](#)

## RELATED INTERNAL DOCUMENTS

- Procedures for Protected Disclosures under the Protected Disclosures Act 2014 (CGF 101)
- SEC Risk Management Framework (CGF 104)
- Anti-Fraud Policy (CGF 105)
- SEC Internal Audit Written Charter and Procedures (CGF 107)
- SEC Corporate Procurement Plan (approved on 06/06/2017)
- SEC Procurement Policy (Office Notice 01/2017)

- Department of Education and Skills (DES) and State Examinations Commission (SEC) Oversight Agreement and Performance Delivery Agreement (6 November 2017, Version 1)

## **RECORDS MANAGEMENT**

- The Audit and Risk Committee files is held electronically under *Corporate Affairs* -> *Audit* folder on the N Drive.
- The hard copy of the Audit and Risk Committee files is held in the Audit and Risk Committee Secretariat room.

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## **1 Audit and Risk Committee Establishment and Membership**

### *1.1 Audit and Risk Committee Establishment*

1.1.1 The Board established an Audit and Risk Committee on 10 February 2017 as a Committee of the Board.

### *1.2 Audit and Risk Committee Membership*

1.2.1 The members of the Audit and Risk Committee appointed by the Board, are:

Ms. Mary Ryan	Non-executive Board member;
Mr. Joe Harrison	Independent external member (resigned 7 <sup>th</sup> March 2018)
Mr. Ciaran Flynn	Independent external member and;
Mr. Matt Ryan	Independent external member.

1.2.2 It is recognised that the number of non-executive Board Members on the Audit and Risk Committee is less than the three independent non-executive Board members recommended under clause 1.2 of the [Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016](#). On the basis that the SEC has a potential maximum of 5 Commissioners, who meet 9 – 10 times a year, the Board is of the view that the requirement under clause 1.2 is not proportionate to the specific circumstances of the SEC. The Board is of the opinion that the composition of the Audit and Risk Committee as set out in section 1.2.1 above is more proportionate to the size of the Board and the organisation, whilst still respecting the underlying intent of the specific requirement of the Code. In line with the Code, the SEC has sought (and received) an exemption from the Minister on this specific requirement of the Code. This exemption is noted in the *Department of Education and Skills (DES) and State Examinations Commission (SEC) Oversight Agreement and Performance Delivery Agreement*.

1.2.3 The Board is satisfied that the Audit and Risk Committee membership has relevant skills and experience in accordance with clause 1.7 of the [Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016](#) and the Assessment Criteria under clause 1.8 of that document.

1.2.4 The duration of the appointment is 30 November 2019.

### *1.3 Audit and Risk Committee Chairperson*

1.3.1 The Audit and Risk Committee will be chaired by Ms. Mary Ryan, who is also the Deputy Chairperson of the Board. The particular responsibilities of the Chairperson are set out in Appendix 1. The process for the appraisal of the Chairperson by the Chairperson of the Board is set out in Appendix 6.

### *1.4 Audit and Risk Committee Secretariat*

1.4.1 The Audit and Risk Committee will be provided with a secretariat function by the Assistant Principal Officer, Finance and Fees who in turn will be supported by the HEO Corporate Affairs and Fees as minute taker. The particular responsibilities of the Secretariat of the Audit and Risk Committee are set out in Appendix 2.

## **2 Written Charter**

### *2.1 Mission of the Audit & Risk Committee*

2.1.1 The mission of the Audit and Risk Committee is to support the Board 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.

### *2.2 Responsibilities and Rights of the Audit & Risk Committee*

2.2.1 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, the annual report of the SEC, 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 C&AG's management letter of representation;
- assurances relating to the management of risk and corporate governance requirements for the SEC;
- provide assurance to the Board that the requirements for public procurement are being fully adhered;
- (where appropriate) proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, protected disclosure processes, and arrangements for special investigations.

2.2.2 The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board (See Appendix 4).

2.2.3 Specifically under the SEC's Risk Management Framework, the Audit and Risk Committee will advise on the systems of control underlying this Risk Management Framework including:

- (a) Engaging with and receiving assurances from the Chief Risk Officer in relation to risk management systems and control functions;
- (b) Reviewing the Corporate Risk Register and an overview of the Divisional Risk Registers;
- (c) Receiving feedback from Internal Auditors and the Executive on the effectiveness of the risk management process; and
- (d) Taking such feedback into account for input into the priorities of the Audit and risk Committee Work Programme.

2.2.4 Specifically under the SEC's Anti-Fraud Policy, it is noted that the SEC's Internal Auditors will monitor the implementation and operation of the Anti-Fraud Policy on a periodic basis and will report to the Audit and Risk Committee on their findings.

2.2.5 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 SEC, subject approval by the Board.

2.2.6 The Audit and Risk Committee shall operate at all times within the context of the SEC's remit under the [\*State Examinations Commission \(Establishment\) Order 2003\*](#).

2.2.7 While the Audit and Risk Committee has the responsibilities and powers set out in this Written Charter and Terms of Reference, it should not undertake management responsibilities and it is not a substitute for SEC management controls and responsibilities. Equally, it is not the responsibility of the Audit and Risk Committee to conduct audits or to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Nor is it the duty of the Audit and Risk Committee to conduct investigations, to resolve disagreements, if any, between the Executive and the external auditors or to assure compliance with laws and regulations.

### **3 Reporting**

#### *3.1 Regular Reports*

3.1.1 The Audit and Risk Committee will formally report in writing to the Board in advance of each meeting of the Board by way of circulation of the agreed minutes of the previous meeting. The Chairperson will also provide a verbal update on behalf of the Audit and Risk Committee at the Board meeting.

#### *3.2 Annual Reports*

3.2.1 The Audit and Risk Committee will provide the Board with an Annual Report after its final meeting in each calendar year which is timed to support finalisation of the annual report and financial statements, summarising its conclusions from the work it has done during the year (See Appendix 3).

3.2.2 As part of the process of completing the Audit and Risk Committee Annual Report, the Committee will conduct an internal review of its own effectiveness in accordance with the procedure set out in Appendix 4. A synopsis of the key findings of this review will be included in the Annual Report.

### **4 Access to the Audit and Risk Committee**

4.1.1 The Head of Internal Audit, the Internal Auditors<sup>1</sup> and a representative of the Comptroller and Audit General (C&AG) external audit will have free and confidential access to the Chairperson.

### **5 Meetings**

5.1.1 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. The standard agenda for the Audit and Risk Committee is set out in Appendix 5. A minimum of 2 members of the Audit and Risk Committee will be present for the meeting to be deemed quorate. The Chairperson may approve the minutes of the previous meeting through correspondence with committee members.

5.1.2 As the business of the Audit and Risk Committee requires the CEO, the Director of Operations, the Internal Auditors and a representative of the C&AG should attend for specific meetings or agenda items at the Committee's request.

5.1.3 The Principal Officer for HR, Finance and Corporate Affairs (as Chief Risk Officer and Head of Internal Audit) will attend each meeting of the Audit and Risk Committee.

5.1.4 The Audit and Risk Committee may ask any other officials of the SEC 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.

5.1.5 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.

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<sup>1</sup> Matters related to the Head of Internal Audit and the Internal Auditor as set out in the SEC Internal Audit Written Charter and Procedures (CGF 107).



## 6 Audit and Risk Committee Work Programme

6.1.1 At the final meeting of each calendar year, the Committee will agree the Audit and Risk Committee Work Programme for the following year. This will include at least the following:

- The schedule of meetings for the year ahead;
- When the Committee will meet the C&AG (post the completion of the C&AG audit);
- When the Committee will meet with the Internal Auditor in the absence of members of the Executive;
- The programme of internal audits for the forthcoming year (the Internal Audit Plan);
- The process and timing for the approval of the Statement of Internal Control; and
- Training to be provided to the Audit and Risk Committee members as a group and individually.

6.1.2 In finalising the Audit and Risk Committee Work Programme, the Committee should be mindful of the guidance set out in the *Code of Practice for the Governance of State Bodies – Audit and Risk Committee Guidance 2016* on what the Annual Work Programme should include, a summary of which is set out below:

- i) **Internal Auditor:** Monitoring and reviewing the effectiveness of the SEC's internal auditor activities and consideration of the internal auditors independence, expertise, experience and adherence to professional standards;
- ii) **Scope of Work:** The Audit and Risk Committee should consider the scope of the internal auditors work and consider whether the available resources and access to people and information allow the internal auditors to address significant risks within the SEC;
- iii) **Audit Plan:** The Audit and Risk Committee should approve the internal auditors 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 auditors;
- iv) **External Auditor:** The Audit and Risk Committee should review Management Letters and Letter of Representations of the C&AG and should be given sight of the SEC responses;
- v) **Views of External Auditor:** The Audit and Risk Committee should request the views of the C&AG on the work and effectiveness of the Audit and Risk Committee. The Audit and Risk Committee should engage with the C&AG at least annually without executive Board members being present to ensure that there are no unresolved issues of concern and should make the C&AG aware of the corporate governance issues outlined in this Code with which the SEC is required to comply;
- vi) **Co-operation between the External Auditor and Internal Auditors:** The Audit and Risk Committee should encourage co-operation between the C&AG and the internal auditors and receive confirmation from the C&AG and the internal auditors of the effectiveness of their working relationship. This involves a sharing of audit plans to prevent duplication of effort and internal auditor should provide the C&AG with copies of all completed Internal Audit 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 SEC;
- the comprehensiveness and meaningfulness of the SEC's Statement on Internal Control and review of the Letter of Representation before issue by the SEC.

viii) The Committee should also consider:

- the effectiveness and adequacy of the SEC'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 [Public Spending Code](#).

ix) **Statement on Internal Control:** The Committee should also satisfy itself that the SEC'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.

6.1.3 The Audit and Risk Committee Work Programme will be subject to the review and approval of the Board.

6.1.4 The agreed Audit and Risk Committee Work Programme will provide the basis for the Committee to monitor progress throughout the year.

## 7 Information Requirements

7.1.1 For each meeting the Committee will be provided (well ahead of the meeting) with:

- the action list (and progress on completing actions). The action list captures all actions identified at Audit and Risk Committee meetings as well as findings/recommendations from internal and external audits;
- a brief report summarising the SEC's critical and amber risks as well as an overview of the risk profile of the Divisional risk registers;
- a brief progress report from the Head of Internal Audit summarising:
  - work performed (and a comparison with the Audit and Risk Committee Work Programme);
  - key issues emerging from the work of internal audit and external audits (C&AG);
  - 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 procurement update report;
- a brief report on Purchase Orders greater than €20,000 or over in previous period;
- any reported incidents of suspected fraud (and the investigation of such) in the previous period in line with the SEC Anti-Fraud Policy Statement; and
- reports on the management of major incidents, "near misses" and lessons learned.

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

- the internal audit work plan;
- quality assurance reports on the internal auditor;
- the draft financial statements of the SEC;
- the draft SEC governance and accountability framework (to be completed);
- a report on any changes to accounting policies;
- the C&AG draft and final management letters to the SEC;
- a report on any proposals to tender for audit functions, where appropriate;
- a report on co-operation between internal auditor and the C&AG; and
- proposed updates to the SEC's Risk Management Framework.

## **8 Procedure for Conflicts of Interest**

- 8.1.1 The Audit and Risk Committee Secretariat will maintain a Register of Members Interests as declared by Audit and Risk Committee members. This will be formally reviewed at least once a year.
- 8.1.2 At the outset of each meeting, Audit and Risk Committee members should declare any potential conflict of interest with any of the business items on the agenda.
- 8.1.3 Where a potential conflict of interest has been declared, the remaining Audit and Risk Committee members will determine whether a conflict of interest arises or not. Where it is determined that a conflict of interest does arise, the remaining Audit and Risk Committee members will determine the most appropriate course of action to take in the circumstances. This may include:
- the member leaves the room for the duration of the discussion and not take part in any decisions relating to the discussion; or
  - similar arrangements applying in relation to meeting documentation, where such documentation is not made available to the member.
- 8.1.4 The matters referred to under points 8.1.2 and 8.1.3 above will be noted in the minutes of the meetings, and if appropriate the Audit and Risk Committee Secretariat will update the Register of Members Interests.

## **9 Training**

- 9.1.1 New members to the Audit and Risk Committee will undergo a formal induction process (including individually tailored training) from the Head of Internal Audit and the Audit and Risk Committee Secretariat.
- 9.1.2 As part of the development of the Audit and Risk Committee Work Programme, the Audit and Risk Committee will agree for the forthcoming year:
- the training needs of the Audit and Risk Committee as a whole which can be provide in a group setting;
  - the individual training to be undertaken by each individual member.

In formulating the Audit and Risk Committee Training Programme, the needs for the Audit and Risk Committee to keep up to date with best practice and developments in corporate governance will be a key consideration.

- 9.1.3 The Audit and Risk Committee Training Programme as set out in 9.1.2 above will be discussed with the Board at its next meeting. The Audit and Risk Committee Secretariat will facilitate the delivery of the Audit and Risk Committee Training Programme.

## **Appendix 1: Matters relating to the Chairperson of the Audit and Risk Committee**

1. 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;
  - 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.
  
2. The appraisal of the Chairperson of the Audit and Risk Committee will be overseen by the Chairperson of the Board annually in accordance with Appendix 6.

## **Appendix 2: Responsibilities of the Secretariat of the Audit and Risk Committee**

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 SEC;
- maintain a record of members' appointments and termination/renewal dates and ensure that appropriate appointment procedures are initiated when necessary.
- maintain a Register of Members interests; and
- facilitate the delivery of the Audit and Risk Committee Training Programme.

## Appendix 3: Audit & Risk Committee Annual Report Structure

1. Introduction
2. Role and Duties of the Audit Committee
3. Membership of the Committee
4. Committee Meetings
5. Review of Audit Committee Activities
  - a. Audit & Risk Committee Training Programme
  - b. Audit & Risk Committee Work Programme
  - c. Internal Audit Report and Recommendations
  - d. Risk Management
  - e. Review of Draft Financial Statements
  - f. Corporate Governance
  - g. Statement of Internal Control
  - h. C&AG Audit and Engagement
  - i. Communications/Relationships
    - i. Engagement with Executive
    - ii. Engagement with Board
    - iii. Other Engagements
6. Opinion of Audit and Risk Committee
  - a. Adequacy of risk management and internal control systems
  - b. Adequacy of sources of assurance to the Board
7. Audit Committee review of its own Effectiveness
8. Acknowledgements
9. Conclusion

#### **Appendix 4: Procedure for Audit & Risk Committee Review of its own Effectiveness**

1. As part of the process of completing the Audit and Risk Committee Annual Report, the Audit and Risk Committee will undertake a review of its own effectiveness.
2. This review will take place at an Audit and Risk Committee meeting without members of the Executive present. In completing this review, the Audit & Risk Committee members will consider the *Checklist for the Effectiveness of the Audit & Risk Committee* within the *Audit and Risk Committee Guidance* under the *Code of Practice for the Governance of State Bodies*.
3. The outcome of the review will be reflected in the Audit and Risk Committee Annual Report for submission to the Board.



## **Appendix 5: Standard Agenda for Audit and Risk Committee**

1. Approval of Minutes from previous meeting
2. Declarations of Interest
3. Update on Action List
4. Head of Internal Audit Report
5. Internal Audit Work Programme Update
  - Progress Report
  - Matters Arising
  - Completed Internal Audit Reports
6. External Audit / C&AG
7. Risk Management
8. Corporate Governance (including Code of Practice Compliance)
9. Procurement
  - Procurement Update Report
  - Matters Arising
10. Anti-Fraud Update
11. Audit and Risk Committee Training Programme
12. Review of Audit and Risk Committee Annual Work Programme
13. AOB

**Appendix 6: Process for the Appraisal of the Chairperson of the Audit and Risk Committee by the Chairperson of the Board.**

1. Following the Board's consideration of the Audit and Risk Committee Annual Report, the Chairperson of the Board will meet with the Chairperson of the Audit and Risk Committee as part of the appraisal process. The Chairperson of the Board will agree the appropriate format and content for this meeting with the Chairperson of the Audit and Risk Committee.
2. The Chairperson of the Board will note that the appraisal meeting took place at the next Board meeting.
3. The Chairperson of the Audit and Risk Committee will note that the appraisal meeting took place at the next Audit and Risk Committee meeting.