

CCEA COMMITTEE TERMS OF REFERENCE

AUDIT AND RISK COMMITTEE

1 Constitution

1.1. The Audit and Risk Committee (the Committee) supports Council in its responsibilities for issues of audit, risk control and corporate governance.

2 Membership

2.1. The Committee should be made up of at least four members of Council.

2.2. The Chairperson of Council will appoint a Chairperson of the Committee. The Chairperson of the Audit & Risk Committee shall not be a member of the Finance Committee.

2.3. DE Officials may attend meetings in an observer capacity.

2.4. If considered necessary, independent members will be appointed to provide appropriate expertise.

2.5. The Chairperson of the Council will appoint members of Council to sit on the Committee. Independent (external) members will be co-opted, as considered necessary, by the Chairperson of the Council.

2.6. Audit and Risk Committee members have no executive responsibility.

2.7. At least one committee member should have recent and relevant experience in finance, accounting or auditing.

3 Committee Support

3.1. The Director of Corporate Services shall act as Senior Servicing Officer to the Committee.

3.2. Secretariat support to Committee meeting will be provided by the Council Secretariat.

4 Quorum

4.1. The quorum shall be one third of the membership of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of the authorities, powers and discretions vested in or exercisable by the Committee

5 Meetings

5.1. Meetings will normally be held at least four times each financial year.

5.2. The Chairperson may convene additional meetings of the Committee, as necessary.

5.3. The external auditors or Head of Internal Audit may request an additional meeting if they consider it necessary.

6 Notice of Meetings

6.1. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda and supporting papers, shall be issued to each member of the Committee.

7 Minutes of Meetings

7.1. The proceedings and resolutions of all Committee meetings, including the names of those present and in attendance will be minuted and kept as a record.

8 Attendance at Meetings

8.1. The Chief Executive (as Accounting Officer) and relevant Senior Officers will normally attend meetings where business relevant to them is to be discussed.

8.2. A standing invitation to meetings will also be extended to the Northern Ireland Audit Office.

8.3. The Committee may ask any or all of those who normally attend meetings to withdraw to facilitate open and frank discussion on specified matters.

8.5. At least once a year the committee will meet with the external and internal auditors without any officers present.

9 Information Requirements

9.1. For each meeting the Audit and Risk Committee will be provided with reports on:

- a) progress made against necessary actions identified by the Committee at its previous meeting;
- b) non compliance with purchasing arrangements;
- c) risk management reviews and development;
- d) progress reports from the Head of Internal Audit including but not restricted to: work performed and a comparison with work planned; key issues emerging from internal audit work; follow up reviews including management's progress in implementing agreed recommendations; changes made to the planned programme of work including additions and/or deletions; and any resourcing issues affecting the delivery of internal audit objectives;
- e) emerging issues for CCEA's internal audit and risk management function, for example, DAO letters, planned legislation, potential reputational issues; and matters of importance to CCEA identified by the NIAO.

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

- a) the audit strategy and planned three year programme of work;
- b) CCEA's Annual Assurance Report;
- c) the Head of Internal Audit's Annual Opinion and Report;
- d) Quality Assurance Reports on the risk management function;
- e) the draft accounts for CCEA;
- f) the draft Statement of Internal Control;
- g) a report on any changes to accounting policies;
- h) external audit's management letter;
- i) a report on the proposal to tender for audit functions;
- j) a report on co-operation between internal and external audit;

- k) reports from CCEA Management Board on their arrangements for risk management;
- l) make recommendation to Council for policies within the sphere of the Committee's duties, for example, those focusing on counter fraud and arrangements for the provision of gifts and hospitality;
- m) reports on any internal investigations carried out of relevance to the Committee;
- n) quality assurance reports relating to the internal audit function.

10 Reporting to Council

10.1. The Chairperson of the Committee shall provide a report of each meeting of the Committee to Council.

10.2. The Committee shall be responsible for making recommendations to Council as appropriate in any area of its remit.

11 Reporting procedures

11.1. The Committee shall prepare an Annual Report covering the Council's financial year and any significant issues up to the date of preparing the Report. The report will be addressed to the Council and designated Accounting Officer, summarising the activity for the year. It will give the Committee's opinion on the adequacy and effectiveness of the institution's arrangements for risk management and control and corporate governance (the risk management element includes the accuracy of the Statement of Internal Control included with the annual Statement of Accounts). This opinion should be based on the information presented to the Committee.

11.2. The Audit and Risk Committee's Annual Report should normally be submitted to the governing body before the members' responsibility statement in the annual financial statements is signed.

12 Duties

12.1. The duties of the Committee will be to advise the Council and the Accounting Officer on matters it deems relevant relating to audit, risk management and corporate governance. These will include but not be restricted to the following:

12.2.

General Duties

- a) Consider and give advice on the strategic processes for risk, control and governance and on the Annual Statement of Internal Control and its compliance with Her Majesty's Treasury and DFP guidance.
- b) Provide assurances relating to the corporate governance requirements of the organisation.
- c) Consider the appointment, terms of reference, or dismissal of the internal audit services, the audit fee and provision of non-audit services by internal audit.
- d) Review and discuss with the Head of Internal Audit and executive members the scope of work of the internal audit function, the audit strategy and audit plan.
- e) Ensure that the Audit and Risk Committee function is adequately resourced to meet CCEA's needs.
- f) Review co-ordination between external audit and internal auditors.
- g) Consider the findings of any relevant internal and external reviews which have significant implications for the Council.
- h) Receive reports from internal audit on the key findings and issues identified as a result of its work and the adequacy of management's response to these issues.
- i) Receive and consider CCEA's Annual Report.
- j) Promote an understanding of internal audit's role and objectives within the organisation.
- k) Ensure the Head of Internal Audit provides a written report to the Accounting Officer timed to support the Statement on Internal Control.
- l) Consider relevant policy issues and the implications for internal audit.
- m) Ensure that all significant losses have been properly investigated and that the internal and external auditors and, where appropriate, the DE accounting officer, have been informed.
- n) Oversee the Council's policies on counter fraud, whistle blowing, and fraud investigation, including being notified of any actions taken under these policies and their associated outcomes.
- o) Receive any relevant reports from the Northern Ireland or National Audit Office(s), and other organisations.

- p) In the event of the merger or dissolution of the Council, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
- q) To ensure CCEA, as an awarding organisation, is compliant with regulatory codes and procedures.

12.3. **Duties Associated with External Audit**

- a) Discuss with the external auditor the nature and scope of their audit, including any value for money studies.
- b) Review and consider the results of the external audit including external audit's management letter.
- c) Review and consider any findings in material weaknesses in accounting and internal control systems which were raised in the Management Letter.
- d) Review and discuss with management and auditors the annual financial statements.
- e) Discuss any difficulties, reservations or other matters arising from the external auditors' review of final accounts.

12.4. **Duties associated with Annual Financial Statements**

- a) Review other sections of the Annual Report before its release and consider whether the information is understandable and consistent with the member's knowledge about CCEA and its operations.

12.5. **Duties associated with Risk Management**

- a) Review the risk framework on at least an annual basis to ensure it reflects CCEA current environment.
- b) Review the CCEA Corporate Risk Register including:
 - i. reviewing the significant risks, and how they were identified, evaluated and managed (to include strategic, business and operational risks);
 - ii. evaluating whether the reports indicate any new significant risks;

- iii. evaluating whether the risks previously identified are still acceptable;
- iv. reviewing the effectiveness of internal control systems in managing the significant risks and whether amendments need to be made to control systems;
- v. assessing whether there are any current or possible future failures or weaknesses in the system of internal control and the promptness of corrective actions in response to their identification;
- vi. assessing if control strategies need to be changed;
- vii. ascertaining if findings require a more extensive monitoring process;
- viii. monitoring the response time to change;
- ix. reviewing the adequacy of the risk management processes (including scope and depth);
- x. monitoring the reporting of risk by management with particular emphasis on significant risks of exposures and the appropriateness of the steps management has taken to reduce the risk to an acceptable level; and
- xi. monitoring progress on action plans developed as part of the risk management process.

13 Duties associated with Regulation of Qualifications in relation to Compliance

13.1 The committee will:

- a) Receive reports of the outcome of scrutiny and monitoring exercises commissioned by the Regulator.
- b) Receive updates against action plans to address issues and recommendations within Regulatory reports.
- c) Receive reports of non-compliance and on incidents about errors within examination papers and ensure action plans are in place to address issues raised.
- d) Receive readiness reports in advance of each examination series.

14 Authority

14.1. The Committee is authorised by the Council to:

- a) investigate any activity falling within its terms of reference.
- b) seek any information it requires from any employee, and all employees as directed to co-operate with any request made by the committee.
- c) obtain outside legal or other independent professional advice. However, it may not incur any direct expenditure in this respect without the prior approval of the Council and Accounting Officer.

14.2. The Committee will review the audit aspects of the draft annual financial statements. These aspects will include:

- a) the external audit opinion,
- b) the statement of members' responsibilities,
- c) the statement of internal control and any relevant issue raised in the external auditors' management letter.

14.3. The Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the governing body.