

TERMS OF REFERENCE OF QQI'S AUDIT AND RISK COMMITTEE

(Approved by the Audit and Risk Committee on 2 June 2021 and by the Board on 21 June 2021)

The Board of QQI 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 **aspects of** 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.

Role and Purpose

The Audit and Risk Committee assists QQI in delivering on Strategy and ensures that the Risk Management system is aligned with Board determined Risk Appetite and Strategy.

The Audit and Risk Committee plays an important role in providing oversight of QQI's governance mechanisms, risk management system and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of Corporate Governance. The Audit and Risk Committee performs its role by providing independent oversight of policies, procedures and processes for the Board.

The purpose of the Audit and Risk Committee includes providing a structured, systematic oversight of QQI's Control Environment and this oversight mechanism also serves to provide confidence in the integrity of Corporate Governance. The Committee assists the Board and Executive Management by imparting advice and guidance on the adequacy of QQI's programmes for:

- Values and Ethics
- Governance structures
- Risk Management
- Internal Control Policy
- Working with and supported by Internal Auditors, External Auditors and any other advisers engaged in order to provide Hindsight (Assurance), Insight and Foresight to the Board
- Astutely probing Annual Financial Statements and Reporting including, inter alia, offering confidence in the Statement of Internal Control that is signed on behalf of the Board

In broad terms, the Audit and Risk Committee considers and reviews the above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of corporate practices and potential improvements to those practices.

Membership

The members of the Audit and Risk Committee are:

- non-executive Board member: Mr. Blake Hodkinson;
 - independent external members: Mr. Walter Johnston, Ms. Pearl Cunningham, Dr. Kate Cullen;
 - the Audit and Risk Committee is chaired by Blake Hodkinson; and
 - the Audit and Risk Committee is provided with a secretariat function headed by the Director of Corporate Services. The Director of Corporate Services will act as the secretary of the Audit and Risk Committee. A member of the administration staff will attend meetings of the Committee as minutes recording secretary.
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- The Committee shall consist of not less than three members. A quorum shall be two members. The Board shall appoint the Chairperson of the Committee from amongst the independent non-executive directors. A Board member, other than the Chairman, should chair the audit committee.
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- Where a member has been absent from three consecutive meetings of the Audit and Risk Committee (unless the absence is due to illness or is approved by the Board) that person ceases to be a member of the Committee.
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- A member may resign from the Committee by notice in writing to the Chairperson of the Board; the resignation takes effect from the date the Chairperson of the Board receives the notice.
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- The Board may then replace the member either from its own membership or from other persons.

Reporting

- the Audit and Risk Committee formally reports in writing to the Board; and
- the Audit and Risk Committee provides the Board with an Annual Report summarising its conclusions from the work it has done during the year.
- the recording secretary circulates the minutes of meetings to all members of the Audit and Risk Committee.
- the Chairperson of the Committee shall, as a minimum, attend the Board meeting at which the financial statements and annual report are approved.

Responsibilities

The Audit and Risk Committee advises the Board on:

- the strategic processes for risk, internal control and **aspects of** governance;
- the process for review of the financial statements prior to audit, 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 **aspects of** corporate governance requirements for QQI;
- (where appropriate) proposals for tendering for internal audit services and for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, protected disclosure processes, and arrangements for special investigations.

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 request the Board to:

- co-opt additional members to provide specialist skills, knowledge and experience, and

The Audit and Risk Committee is authorised by the Board to:

- seek any information that it requires from any employee of QQI and all employees are directed to co-operate with any request made by the Committee.
- obtain outside legal or independent professional advice, at QQI's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

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 deemed necessary;
- a minimum of 2 members of the Audit and Risk Committee will be present for the meeting to be deemed quorate;
- while provision may be made for the right of a member to participate in a meeting of the Audit and Risk Committee by electronic means, the normal method of participation and attendance at such meetings is for the member to be physically present at the meeting;
- due to the current pandemic and associated health restrictions, meetings have been held virtually since March 2020.
- a member may request electronic participation in a Committee meeting where it is not possible for the member to be physically present. This electronic participation may be via conference telephone call or video-conferencing link. A request for electronic

participation will normally be made a minimum of four working days in advance of the Committee meeting. The granting of permission for such an arrangement will be determined by the chairperson. In coming to this decision account will be taken of the number of such requests for the meeting and the ability of the venue to adequately facilitate such participation to ensure that all members participating are able to hear one another and communicate with each other simultaneously and without undue delay. Where members participate in the business of the meeting by electronic means, such members are deemed to be ordinarily present at the meeting and subject to the same rules of procedure as if they were physically present;

- where members participate via conference telephone call, they must identify themselves before participation will be permitted;
- where the electronic link is broken during the meeting the meeting is deemed to be suspended for a maximum period of 5 minutes with a view to restoring the link. If the link cannot be restored in that time the meeting will continue provided that a quorum is in place;
- members participating via electronic link must have easy access to an email connection or other appropriate means by which documents can be read so that material which may be distributed at the meeting for discussion can be available to all members;
- a member electing to participate in a Committee meeting by electronic means shall be bound by the same requirements as if he or she was physically present at the meeting. In addition, the member undertakes and is responsible to ensure that no unauthorised person is given access to the proceedings pertaining to the meeting and that there is no recording of the proceedings or any part of the meeting;
- unless the Committee decides otherwise, a meeting where electronic participation is permitted, is deemed to take place at the place where the largest number of members is gathered or where the chairperson is located, as the Committee may determine;
- members participating electronically will inform the Chair of their departure from a meeting, whether it is temporary or permanent, to ensure a quorum is maintained at all times.
- as the business of the Audit and Risk Committee requires, the CEO and other executives should attend for specific meetings or agenda items at the Committee's request;
- 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 it seeks the Committee's advice.

Information Requirements

For each meeting, the Audit and Risk Committee will be provided (*in advance of the meeting*) with:

- a report summarising any significant changes to QQI'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.

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;
- QQI's risk management strategy;
- management assurance reports;
- reports on the management of major incidents, "near misses", and lessons learned.

Duties

The duties of the Audit and Risk Committee shall be:

- **Financial Reporting**
 - to determine whether the latest draft financial statements have been prepared in accordance with appropriate accounting standards and give a true and fair view of the financial position in order to provide reasonable assurance that the draft financial statements are complete and take account of issues raised by previous years internal and external audits.
 - to review the draft representation letter, addressed to the Comptroller and Auditor General, which accompanies the latest draft financial statements, prior to approval by the Board.
 - to make a recommendation to the Board as to whether to approve the draft financial statements for submission to the Comptroller and Auditor General.
 - to review the external auditor's (*Office of the Comptroller and Auditor General*) report and opinion, and management letter in respect of previous years' annual financial statements and management's response.

- **Internal Control**

- to review QQI's procedures for detecting fraud and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (confidential and protected disclosures made in good faith).
- to monitor the integrity of QQI's internal financial controls.
- to review the statement in the annual report and accounts on QQI's internal controls and risk management framework.
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial controls, including the arrangements for maintaining books of accounts and to assess, on an annual basis, whether, in the Committee's opinion, proper books have been maintained in the manner required by applicable law. The Board retains ultimate responsibility for the review of the effectiveness of the system of internal control and must form its own opinion in this regard.
- to review and monitor QQI's procurement policies and procedures.

- **Risk Management**

- to support the Board in carrying out its responsibilities for ensuring that risks are properly identified, assessed, reported and controlled;
- to review QQI's key risks and the adequacy of planned mitigation.
- to review QQI's arrangements for business continuity planning.
- to ensure that the risk management function is adequately resourced and has appropriate standing within QQI.

- **Internal Audit**

- to develop a cyclical internal audit plan and work programme following a proposal of the internal audit function.
- to ensure that the internal audit function is adequately resourced and has appropriate standing within QQI.
- to ensure that the Internal Auditor has direct access to the Board Chairperson and the Audit and Risk Committee and reports as appropriate to the Audit and Risk Committee.
- to receive a report on the results of the Internal Auditors' work on a periodic basis.
- to review and monitor management's responsiveness to the Internal Auditors' findings and recommendations.
- to monitor and assess the role and effectiveness of the legal and risk function in the overall context of QQI's risk management system.
- to be consulted in advance of the appointment or termination of appointment of the Head of Internal Audit.

- to receive reports from the outsourced Internal Auditor on compliance with procurement and disposal procedures.

▪ **External Audit**

- to oversee QQI's relations with the external auditor (*Office of the Comptroller and Auditor General*).
- to review the Engagement Letter issued by the external auditor (*Office of the Comptroller and Auditor General*) before the audit commences, which sets out the nature and scope of the audit.
- to review the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; levels of audit misstatements identified during the audit; obtaining explanations from management and, where necessary, the external auditors, as to why certain errors might remain unadjusted.
- to review the audit representation letter, giving particular consideration to matters that relate to non-standard issues.
- to assess, at the end of the audit cycle, the effectiveness of the audit process.
- to review and monitor any recommendations received from the auditors in their report on the findings from the audit engagement, and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.