

## **TERMS OF REFERENCE FOR THE DEPARTMENTAL AUDIT COMMITTEE EFFECTIVE FROM 24 JULY 2012**

### **INTRODUCTION**

1. The Departmental Board has established the Departmental Audit Committee to support its assurance needs and the assurance needs of the Departmental Accounting Officer. It does this by reviewing the comprehensiveness, reliability and integrity of assurances. The Departmental Audit Committee's role is solely advisory and it has no executive responsibilities.
2. The HM Treasury publication, "Corporate Governance in Central Government Departments: Code of Good Practice" issued in Northern Ireland under cover of DAO (DFP) 18/05, provides that "the [Departmental] board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. In this respect, the board should be independently advised by:
  - an audit committee chaired by an independent non-executive member; and
  - an internal audit service operating in accordance with Government Internal Audit Standards.

### **MEMBERSHIP**

3. The members of the DETI Audit Committee are:
  - (a) Two non executive board members (IBMs) appointed ex officio:
  - (b) An independent external member appointed by invitation:
  - (c) A senior official drawn from the wider public sector appointed by invitation.
4. The Audit Committee will be chaired by one of the IBMs.
5. The Audit Committee will be provided with a secretariat function by Finance Division.
6. Members of the Audit Committee will receive induction training upon appointment and will receive other appropriate training to enable them to understand their roles and make an effective contribution to the work of the Committee.

## **REPORTING**

7. The Audit Committee will formally report in writing to the Board and Accounting Officer after each meeting.
8. The Audit Committee will provide the Board and Accounting Officer with an Annual Report, timed to support preparation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

## **RESPONSIBILITIES**

9. The Audit Committee will advise the Board and Accounting Officer on:
  - (a) The strategic processes for risk, control and governance and the Statement on Internal Control;
  - (b) The accounting policies, the accounts, and the annual report of the organisation, including the processes for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
  - (c) The planned activity and results of both internal and external audit;
  - (d) The planned activity and results of audits of operations undertaken by the Audit Authority on expenditure drawn down from the EU Commission;
  - (e) Adequacy of management response to issues identified by audit activity, including external audit's management letter;
  - (f) Assurances relating to the corporate governance requirements for the organisation;
  - (g) Management's assessment of the Department's risk from fraud and the appropriateness of their response to it;
  - (h) Anti fraud policies, whistle blowing processes, and arrangements for special investigations;
  - (i) The Audit Committee will also periodically review its own effectiveness and report the results of that review to the Board.

## **RIGHTS**

10. The Audit Committee may:
  - (a) Co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and expertise;

- (b) Procure specialist ad-hoc advice at the expense of the Department, subject to budgets agreed by the Board.

## **ACCESS**

11. The Head of Internal Audit, the Head of the Audit Authority, and representatives of the Northern Ireland Audit Office (NIAO), will have free and confidential access to the Chair of the Audit Committee. Prior to each meeting of the Committee, the Chair will meet with the Head of Internal Audit and the Head of the Audit Authority (and other internal audit and audit authority staff as appropriate) without other officials being present. The Chair may also arrange to meet NIAO prior to Committee meetings on the same basis.
12. Members of the Departmental Audit Committee will also meet at least annually with one or more of NIAO, IAS and the Audit Authority. Issues to be discussed may include consideration of the effectiveness of the operation of the Committee, the relationship between external and internal auditors, issues which the external or internal auditors or audit authority staff wish to draw to the attention of members, and any other matters of mutual interest.

## **MEETINGS**

13. The Audit Committee will meet at least five times a year. The Chair of the Audit Committee may convene additional meetings, as he deems necessary.
14. Outline indicative agendas for the Spring, Summer, Autumn and Winter meetings are attached at **Appendix 1**. An additional meeting will be held at the end of June (shortly after the Summer meeting) to consider the draft Resource Accounts immediately prior to their signing. **Appendix 1** also contains an indicative agenda for this meeting.
15. A minimum of two members of the Audit Committee will be present for the meeting to be deemed quorate.
16. Audit Committee meetings will normally be attended routinely by the Accounting Officer, the Finance Director, the Senior DETI Civil Servant with responsibility for finance; the Head of Accountability and Casework Branch; the Head of Internal Audit; the Head of the Audit Authority and NIAO representatives with responsibility for Financial Audit and Value for Money Examinations.
17. Executives from NDPBs with responsibility for finance/corporate governance may also be asked to attend meetings of the Departmental Audit Committee. In addition, the Audit Committee may ask any other Departmental or NPDB officials to attend to assist with its discussions on any particular matter.

18. The Audit 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.
19. The Board or the Accounting Officer may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.
20. Audit Committee meetings may be held by conference call or video link if necessary.

## **CONFLICTS OF INTEREST**

21. Each member of, or attendee at, the Audit Committee is personally responsible for declaring, at the start of each meeting, any potential conflicts of interest arising out of business on the Committee's agenda, any interests they have previously declared, and any potential conflicts of interest arising from changes in the member's or attendee's personal circumstances. The Chairman of the Committee will then determine an appropriate course of action with the member or attendee. This may entail the member or attendee leaving while the item of business is discussed. Where a conflict of interest is more intractable, the member may be asked to step down from the Committee, or the attendee may be asked not to attend meetings. If the Chairman has a conflict of interest, he should bring the matter to the attention of the Departmental Board, which will ask another member of the Committee to take the lead in determining the appropriate course of action.
22. A register of interests is maintained for each member of the Departmental Audit Committee. The Departmental Board Secretariat maintains a register for members of the Departmental Board and Accountability and Casework Branch maintains a register for those members of the Departmental Audit Committee who do not sit on the Departmental Board.

## **INFORMATION REQUIREMENTS**

23. For each meeting (other than the meeting to consider the resource accounts) the Audit Committee will be provided with:
  - (a) A summary of progress made on issues arising from previous meetings;
  - (b) A report from each NDPB and Cross Border Body outlining accountability issues arising in their organisation;
  - (c) A report summarising any significant changes to the corporate Risk Registers of the Department and its NDPBs;

- (d) A report summarising key issues arising from six monthly assurance statements (not required for each meeting);
- (e) A progress report from the Head of Internal Audit summarising, as appropriate:
  - (i) Work performed (and a comparison with work planned);
  - (ii) Key issues emerging from Internal Audit work;
  - (iii) Management response to audit recommendations;
  - (iv) Progress on implementation of internal audit recommendations;
  - (v) Changes to the annual plan;
  - (vi) Any resourcing issues affecting the delivery of Internal Audit objectives.
- (f) A report from the Head of Internal Audit providing details of internal audit reports with limited opinions;
- (g) A progress report from the Head of the Audit Authority summarising progress on the Annual Control Report including, as appropriate:
  - (i) Work performed (and a comparison with work planned);
  - (ii) Key issues emerging from Audit Authority work;
  - (iii) Management responses to audit recommendations;
  - (iv) Changes to the Audit Authority work plan;
  - (v) Any resourcing issues affecting the delivery of Audit Authority objectives.
  - (vi) An update on outstanding issues from the previous year's Annual Control Report.
- (h) A report summarising progress made in implementing recommendations made by the Public Accounts Committee; and
- (i) A progress report from the NIAO representatives summarising work done and emerging findings.

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

- (a) The draft resource accounts;

- (b) The draft Statement on Internal Control;
- (c) Proposals for the Terms of Reference of Internal Audit;
- (d) The Internal Audit Strategy;
- (e) The Audit Authority Strategy for ERDF funds
- (f) NIAO's Audit Strategy for the annual resource accounts;
- (g) The draft Accounting Officer Letter of Representation with covering advice from the DETI Finance Director;
- (h) The Head of Internal Audit's Annual Opinion and Report including performance against Key Performance Indicators;
- (i) The Head of Audit Authority's Annual Control Report and Opinion
- (j) Quality assurance reports on the Internal Audit function;
- (k) A report summarising the findings of the annual test drilling exercise on economic appraisals and post project evaluations;
- (l) A report from the Managing Authority of any significant issues arising from EC Audits of the Competitiveness Programme.
- (m) A report from relevant Heads of Division or NDPBs as appropriate on any significant issues arising from EC Audits of projects or programmes funded by the Commission that do not fall under (i) above (e.g. Interreg, Framework Programmes, Peace Programme).
- (n) A report on any changes to accounting policies;
- (o) NIAO's Reports to those Charged with Governance;
- (p) A report on any proposals to tender for audit functions;
- (q) A report on co-operation between Internal and External Audit; and
- (r) A report summarising Single Tender Actions..

## **REVIEW OF TERMS OF REFERENCE**

25. The Terms of Reference shall be the subject of an informal annual review by the Chairman and Secretariat and shall be formally reviewed every three years.

## DEPARTMENTAL AUDIT COMMITTEE

### INDICATIVE AGENDA – SPRING MEETING

1. Chairman's introduction.
2. Declaration of any issues that might give rise to a real or perceived conflict of interest.
3. Approval of minutes of previous meeting.
4. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings.
5. Progress on implementation of any outstanding recommendations contained in the NIAO Report To Those Charged With Governance
6. Progress on implementation of any outstanding PAC recommendations.
7. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: Audit Authority Update on Annual Control Report & Annual Opinion and progress on outstanding actions.
8. Internal Audit – Progress on IAS programmes for DETI, Invest NI and NITB, including implementation of recommendations by management, and any issues arising from Internal Audit work in other bodies.
9. Internal Audit – Reports with Limited Opinions.
10. Internal Audit – Consideration of DETI's Internal Audit Strategy and indicative programme for the new financial year and consideration of any areas which should be included in NDPB internal audit programmes.
11. Risk management report.
12. NIAO Audit Strategy for resource accounts.
13. NDPB updates on key accountability issues.
14. Periodic review of policies relating to finance and internal control (as appropriate).
15. Summary of Single Tender Actions.
16. NIAO Reports
17. Investigations

18. Guidance issued since last meeting.

19. Notified Frauds.

20. National Fraud Initiative (where applicable).

21. AOB



## DEPARTMENTAL AUDIT COMMITTEE

### INDICATIVE AGENDA – SUMMER MEETING

1. Chairman's introduction.
2. Declaration of any issues that might give rise to a real or perceived conflict of interest.
3. Approval of minutes of previous meeting.
4. Summary of progress on matters raised by the Departmental Audit Committee at its previous meetings.
5. Progress on implementation of any outstanding PAC recommendations.
6. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: Audit Authority update on Annual Control Report & Annual Opinion and progress on outstanding actions.
7. Internal Audit – Progress on IAS programmes for DETI, Invest NI and NITB, including implementation of recommendations by management, and any issues arising from Internal Audit work in other bodies.
8. Internal Audit – Reports with Limited Opinions.
9. Risk management and six monthly assurance reports for DETI.
10. Report on outcome of annual test drilling exercise.
11. Information Security.
12. NDPB updates on key accountability issues.
13. Audit Committee's annual report to the Departmental Board.
14. Audit Committee effectiveness review.
15. Periodic review of policies relating to finance and internal control (as appropriate).
16. NIAO Reports.
17. Investigations.
18. Guidance issued since last meeting.
19. Notified Frauds.

20. National Fraud Initiative (where applicable).

21. AOB

## **DEPARTMENTAL AUDIT COMMITTEE**

### **INDICATIVE AGENDA – AUTUMN MEETING**

1. Chairman's introduction.
2. Declaration of any issues that might give rise to a real or perceived conflict of interest.
3. Approval of minutes of previous meetings.
4. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings.
5. Progress on implementation of recommendations contained in the NIAO Report To Those Charged With Governance
6. Progress on implementation of any outstanding PAC recommendations.
7. Progress on implementation of any recommendations arising from the annual test drilling report.
8. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: Audit Authority update on Annual Control Report & Annual Opinion and progress on outstanding actions.
9. Internal Audit – Progress on IAS programmes for DETI, Invest NI and NITB, including implementation of recommendations by management, and any issues arising from Internal Audit work in other bodies.
10. Internal Audit – Reports with Limited Opinions.
11. Risk management report.
12. NDPB updates on key accountability issues.
13. Meeting between the Chairs of DETI, NDPB and Cross Border Body Audit Committees.
14. Periodic review of policies relating to finance and internal control (as appropriate).
15. Summary of Single Tender Actions.
16. NIAO Reports
17. Investigations
18. Guidance issued since last meeting.

19. Notified Frauds.

20. National Fraud Initiative (where applicable).

21. AOB

## **DEPARTMENTAL AUDIT COMMITTEE**

### **INDICATIVE AGENDA – WINTER MEETING**

1. Chairman's introduction.
2. Declaration of any issues that might give rise to a real or perceived conflict of interest.
3. Approval of minutes of previous meeting
4. Summary of progress on matters raised by Departmental Audit Committee at its previous meetings
5. Progress on implementation of recommendations contained in the NIAO Report To Those Charged With Governance
6. Progress on implementation of any outstanding PAC recommendations.
7. The European Sustainable Competitiveness Programme Northern Ireland 2007 – 13: Audit Authority update on Annual Control Report & Annual Opinion and progress on outstanding actions.
8. Internal Audit – Progress on IAS programmes for DETI, Invest NI and NITB, including implementation of recommendations by management, and any issues arising from Internal Audit work in other bodies.
9. Internal Audit – Reports with Limited Opinions.
10. Risk management and six monthly assurance reports:
11. NDPB updates on key accountability issues.
12. Periodic review of policies relating to finance and internal control (as appropriate).
13. NIAO Reports.
14. Investigations.
15. Guidance issued since last meeting.
16. Notified Frauds.
17. National Fraud Initiative (where applicable).
18. AOB

## **DEPARTMENTAL AUDIT COMMITTEE**

### **INDICATIVE AGENDA – MEETING TO CONSIDER THE RESOURCE ACCOUNTS**

1. Chairman's introduction.
2. Declaration of any issues that might give rise to a real or perceived conflict of interest.
3. Draft NIAO Report to Those Charged with Governance in DETI.
4. Internal Audit – DETI Annual Report and Opinion including performance against Key Performance Indicators.
5. Issues arising from Internal Audit Annual Assurance Reports for NDPBs and Cross Border Bodies.
6. Final draft Statement on Internal Control
7. Letter of Representation – Advice on Accounts
8. DETI Annual Resource Accounts
9. AOB