

AUDIT & RISK COMMITTEE

Policy Statements

Section 8 of the Public Bodies Management & Accountability Act 2001 (PBMAA) stipulates that the Board shall establish an Audit & Risk Committee (“the Committee”) consisting of no less than three directors¹. At least one member of the Committee must be a qualified accountant. The Board has the power to co-opt individuals with relevant qualifications.

Principle 13 of the Corporate Governance Framework for Public Sector Bodies provides, inter alia, that members of the audit committee should have suitable qualifications, skills and experience and be independent non-executive directors with at least one member being a qualified accountant. The Code also provides that the Board may co-opt individuals capable of performing the duties of committees, persons possessing a broad range of qualifications relevant to the functions of the Commission.

Principle 14 of the Corporate Governance Framework for Public Sector Bodies states that the Board should delegate the responsibility of enterprise risk management preferably to the audit committee and ensure the implementation of a framework of which information technology is a critical component.

Membership

- a. Members of the Committee shall be appointed by the Board of Commissioners and shall consist of not less than three members. One member of the Committee must be a qualified accountant.
- b. Other members of the Committee may be co-opted by the Board from time to time on recommendation from the Committee. Co-opted members shall have the same rights and responsibilities of other members of the Committee provided that the Chairman is a member of the Board and Board members comprise not less than one-half of the membership.
- c. Only members of the Committee have the right to attend Committee meetings. However, other individuals, including senior members of the Commission’s management team, may be invited to attend all or part of any meeting as and when appropriate.
- d. The external auditors will be invited to attend meetings of the Committee from time to time.
- e. Membership of the Committee shall be rotated at least every three (3) years after the initial appointment date.
- f. The Board Chairman shall not be a member of the Committee.

Chairman

- a. The Chairman of the Committee should not be the Chairman of the Finance, Committee.

- b. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

Secretary

The Company Secretary or his or her nominee shall act as the Secretary of the Committee.

Quorum

The quorum for the transaction of business shall be two (2) members, one of whom must be a Commissioner. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Frequency of Meetings

The Committee shall meet once every two months and otherwise as required.

Notice of Meetings

Meetings of the Committee shall be called by the Secretary of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend no later than five (5) working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated within fourteen (14) days to all Committee members and once approved, to all members of the Board.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Duties

Pursuant to Section 9, PBMAA, the duties of the audit committee are to advise the Board on (i) practices and procedures which will promote productivity and the quality and **volume** of service; (ii) the extent to which the objects of the Commission are being achieved; and (iii) the adequacy,

efficiency and effectiveness of the accounting and internal control structure and systems of the Commission to manage and minimize risks; and (iv) the independence of the external auditors.

The other duties and responsibilities of the audit committee are defined hereunder:

A. Financial Reporting

- (1) Review and advise the Board on the financial statements that are to be included in the Annual Report
- (2) Oversee any internal audit of the Commission
- (3) Review and advise the Board on the auditor's annual report
- (4) Where the Commission is undergoing a special audit or examination, to review and advise the Board with respect to the outcome of such special audit or examination
- (5) Perform such other functions as are assigned to it by the Board.
- (6) The Committee shall review and challenge where necessary:
 - (a) The consistency of, and any changes to, accounting policies
 - (b) The methods used to account for significant or unusual transactions where different approaches are possible
 - (c) Whether the Commission has followed appropriate accounting standards and made appropriate estimates and judgments, taking into consideration the views of the external auditor
 - (d) The clarity of disclosure in the financial reports and the context in which statements are made
 - (e) All material information presented with the financial statements, such as the operating and financial review and the corporate governance statements (as it relates to audit and risk management)

B. Internal Controls and Risk Management Systems

The Committee shall keep under review the effectiveness of the Commission's internal controls and risk management systems, and review and approve the statements to be included in the annual report concerning these matters.

C. Enterprise Risk Management

The Committee shall have oversight of the management risk committee which is required to submit reports on a quarterly basis. The management risk committee's responsibility is to advise the Board directly or through the Committee on the Commission's overall risk appetite, tolerance and strategy, and the principal and emerging risks it is willing to take in order to achieve its long-term strategic objectives; on the likelihood and the impact of principal risks materializing; and the management and mitigation of such principal risks to reduce their impact or occurrence.

D. Whistleblowing

Pursuant to the provisions of The Protected Disclosures Act 2011, the Committee shall review the Commission's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The Committee shall also review the Commission's procedures for detecting fraud.

E. Internal Audit

The Committee shall:

- (1) Monitor and review the effectiveness of the internal audit function in the context of the Commission's overall risk management system.
- (2) Approve the appointment and removal of the head of the internal audit function.
- (3) Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is operationally independent or free from management interference.
- (4) Review and assess the annual internal audit risk assessment and audit plan
- (5) Review promptly all reports from the internal auditor
- (6) Review and monitor management's responsiveness to the findings and recommendations of the internal auditor.
- (7) Meet the head of internal audit at least once a year, without management present, to discuss their remit and any issues arising from the internal audits conducted.

- (8) Ensure the head of internal audit has direct access to the Chairman of the Board and to the Committee.

F. External Audit

The Committee shall:

- (1) Have responsibility for the oversight of the external audit process and recommend the appointment and removal of the external auditor as well as:
 - (a) approve their remuneration, whether fees for audit or non-audit services, and ensure that the level of fees is appropriate to enable an adequate audit to be conducted
 - (b) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
 - (c) seek to ensure co-ordination with the activities of the internal audit function
- (2) Oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to the said resignation and decide whether any action is required.
- (3) Meet regularly with the external auditor, at least once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management present to discuss their remit and any issues arising from the audit.
- (4) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- (5) Review the findings of the audit with the external auditors. This shall include but not be limited to the following:
 - (a) a discussion of any major issues which arose during the audit
 - (b) any accounting and audit findings and recommendations
 - (c) levels of errors identified during the audit

The Committee shall also review the effectiveness of the audit by:

- (1) Reviewing any representation letter(s) requested by the external auditor before they are signed by management.
- (2) Reviewing the management letter and management's response to the auditor's findings and recommendations.
- (3) Developing and implementing a policy on the supply of non-audit services by the external auditor, taking into consideration any relevant ethical guidance on the matter.

G. Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

H. Other Matters

The Committee shall:

- (1) Have access to sufficient resources to carry out its duties, including access to the Company Secretary or Executive Director's office for assistance as required.
- (2) Give due consideration to laws and regulations and government guidelines.
- (3) Be responsible for co-ordination of the internal and external auditors
- (4) Oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of last resort.
- (5) At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

I. Authority

The Committee is authorized by the Board to:

- a) seek any information it requires from any employee, consultant and other provider of services to the Commission in order to perform its duties.
- b) Obtain at the cost of the Commission such outside legal or other independent professional advice as the Committee shall consider, in its discretion, to be appropriate to the exercise of its powers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- c) With full authority, to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

¹ *The reference to 'directors' in the Public Bodies Management & Accountability Act is to be construed as having the same meaning as 'commissioners'.*

References:

- 1) Public Bodies Management & Accountability Act
- 2) Corporate Governance Framework for Public Sector Bodies
- 3) The Protected Disclosures Act 2011
- 4) UK Corporate Governance Code on Audit Committees

Originally approved by the Board on September 25, 2015

Revised by Governance & Strategy Committee on June 3, 2021 and Approved by the Board on June 25, 2021

Audit & Risk Committee's Recommendations of July 14, 2021 approved by the Board on July 23, 2021.