Appendix 15: Terms of Reference for the Internal Audit Unit- Education and Training Boards (IAU-ETB)

Terms of Reference for the Internal Audit Unit - Education and Training Boards (IAU-ETB)

December 2018

1. Internal audit

Internal audit evaluates the integrity of all financial and operational performance indicators, including regulatory compliance, and gives an independent opinion to the Audit Committee, on the adequacy and effectiveness of the whole system of internal controls and assurance within the organisation, and the extent to which the Audit Committee, and subsequently the Board^1, may rely on these.

Internal audit can also be described as an independent, objective assurance and consulting activity designed to add value and to improve the organisation’s operation. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. The consulting aspect of internal audit is considered an ancillary activity (see 6 below).

2. Internal audit in the ETB sector

The primary purpose of internal audit in the ETB sector is to provide assurance to the Audit Committee that the system of internal control as implemented by executive management is adequate and operates effectively.

The internal audit function achieves this by performing, and then reporting to the Audit Committee, an independent appraisal of the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

In this context, Internal Control comprises not only internal check and internal audit, but the entire system of controls, financial and otherwise, including risk management and corporate governance, which have been established by management to:

- safeguard the assets,
- secure the integrity of transactions,
- secure as far as possible the accuracy and reliability of the records.

3. Responsibilities of the internal audit function of the IAU-ETB

The internal auditor should carry out such work as he/she considers necessary to enable him/her to report to the Audit Committee that in his/her opinion the ETB’s system of internal control, in the area tested, is adequate and operates effectively.

The work necessary to discharge this responsibility will involve:

- Detailing an ETB’s purposes, activities and facilities;
- Considering the risk appetite of the Board
- Recording and assessing an ETB’s operating procedures and recording methods;
- Recording and evaluating the internal controls, including risk management and corporate governance procedures;
- Concluding on and extrapolating the results of tests of controls and substantive procedures within the audited area;

^1 The term "Board" as used throughout the document refers to the entity comprising the elected and appointed members of the ETB when in session.
• Reporting to the Audit Committee, outlining the result of the audit conducted; detailing recommendations made and management replies to same;
• Providing to the Audit Committee, and subsequently the Board, an overall opinion on the adequacy and effectiveness of an ETB’s control systems in the audited area;
• Following up the implementation by management of agreed recommendations, on a timely basis.

Internal audit is not an extension of, or substitute for, management, who remain fully responsible for operating appropriate and adequate internal controls.

Accordingly, executive management solely are responsible for:

• Developing and implementing control systems in an ETB;
• Implementing recommendations proposed in internal and statutory audits.

4. Reporting Procedures

(a) Reports specific to ETBs

(i) The IAU-ETB will issue two reports specific to an ETB at the conclusion of each audit; a Findings and Recommendations Report and an Opinion Report.

The Findings and Recommendations Report will detail the audit work performed and the recommendations made.

The Opinion Report, which provides an overall conclusion on the results of the internal audit, will outline the:

• Area or programme audited;
• Audit method;
• Respective responsibilities of the auditor and executive management;
• Opinion as to the adequacy and effectiveness of internal control.

Both reports, once finalised, will be sent directly and simultaneously, under separate cover, to the Chairperson of the Audit Committee and the Chief Executive.

(ii) The Chief Executive will provide the DES, and SOLAS regarding audits of SOLAS-funded programmes, with a copy of the Opinion Report within three weeks of receipt. Where in the Opinion Report the internal auditor expresses an opinion that internal controls are inadequate (i.e. deficient, not operating or both), the Department, and SOLAS regarding audits of SOLAS-funded programmes, will be provided by the Chief Executive with full details of the item or items giving rise to this opinion.

All other internal audit findings and related recommendations should not be communicated to the Department, or SOLAS, as applicable.

(b) General Report to Executive Management

The IAU-ETB will produce “general” reports on audit findings in the sector. Such reports will be sent to the Chief Executive of each ETB in order to assist executive management to identify potential deficiencies and implement necessary improvements to the system of internal control.

Each general report should be provided to the DES, SOLAS and the steering committee of the IAU-ETB.
5. Ancillary reporting activities of the IAU-ETB

The IAU-ETB will prepare additional reports only when requested to do so by the Steering Committee and approved by the Department.

6. Ancillary consulting activities

Consulting activities are carried out on the basis that the independence and objectivity of the IAU-ETB are maintained. Ancillary consulting activities are:

(a) Highlighting to management deficiencies in the systems of internal control;

(b) Advising on the control aspects of systems;

(c) Assisting the Chief Executive in training staff in the principles of risk management, internal control, corporate governance, legislative and conduct compliance;

(d) Facilitating the risk management process;

(e) Advising management as regards the control issues involved in the implementation of significant systems changes in the organisation;

(f) Providing technical assistance to management in the investigation of suspected fraudulent activity in the organisation.

(g) Where appropriate, and with the prior agreement of the ETB Audit Committee, carrying out an investigation of a specific ETB risk area/suspected fraud, as identified by ETB executive management or the audit committee. An investigation will only be carried out by the IAU-ETB where:

- it is deemed appropriate by the Director of the IAU-ETB and, in the Director's opinion, the IAU-ETB has the capacity to carry out the investigation.
- a specific letter of engagement, from the ETB Audit Committee, has been provided prior to the investigation commencing.
- the Steering Committee has approved the amended Audit Plan.

The confidentiality of all matters relating to the risk area/suspected fraud for which an investigation has been requested will be safeguarded at all times.

The responsibility for the prevention and detection of fraud or error rests with both those charged with governance of the ETB and ETB executive management; this responsibility does not lie with the IAU-ETB.

However, in recording, evaluating and testing the systems the internal auditor will consider the possibility of fraud or error occurring. Where an internal auditor uncovers actual or suspected fraud or error he/she should probe this to the fullest extent.

7. Scope and independence

(a) The IAU-ETB will carry out its duties in an independent and objective manner and will have procedures in place to demonstrate same.

(b) The scope of internal audit extends to all activities carried on, or funded, by the ETB regardless of how these are regulated. The internal auditor must have full access to all the records, property and personnel of the ETB in head office, schools and centres for education and training, and must have direct access to the Audit Committee.
(c) The IAU-ETB should only carry out the assurance work programme as set out and approved in the Audit Plan.

(d) In undertaking its function, internal audit will remain independent of the ETB, the Chief Executive, the Department of Education and Skills and the Steering Committee.

(e) The IAU-ETB does not have any role in the executive management of an ETB nor is it a substitute for management. It is free from any operational duties in an ETB.

8. **Relationship with the Comptroller and Auditor General (C & AG)**

The IAU-ETB will make all its working papers available to the C & AG on request and will complement the work of the C & AG on an ongoing basis.

9. **Role of the ETB in which the IAU-ETB is based**

(a) The IAU-ETB shall be based in a particular ETB.

(b) The ETB in which the IAU-ETB is based will have responsibility for the routine administration of the IAU-ETB in accordance with the requirements of the Department of Education and Skills and the Terms of Reference.

(c) The ETB in which the IAU-ETB is based will make available such additional information in respect of the Unit as may be required from time to time by the Minister for Education and Skills.

10. **Staffing**

(a) The staff of the IAU-ETB will include a Director, internal auditors and such support staff as may be sanctioned by the Department of Education and Skills, with the approval of the Minister for Public Expenditure and Reform.

(b) Conditions of appointment and service will be subject to the approval of the Department of Education and Skills.

(c) Staff appointed or assigned to the Unit will report to the Director.

(d) The duties of the Director are set out in appendix 1.

11. **External Review**

External review of the IAU-ETB should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The review will be undertaken by reference to the IAU-ETB Terms of Reference.

The Steering Committee will select a suitable independent reviewer/review team having regard to their independence, including any potential conflict of interest.

12. **Department or Steering Committee Review**

The Department of Education and Skills or the Steering Committee, with the approval of the Department, may ask for the IAU-ETB audit file for any ETB for any year to be externally reviewed. In such circumstances, the external reviewer would be obliged to review the file on a confidential basis.
13. Funding

The Department of Education and Skills will make an annual grant towards the operation of the IAU-ETB out of funds being made available by the Oireachtas. The approval of the budget and the amount of the annual grant will be communicated to the ETB in which the IAU-ETB is based.

The Unit will not incur a deficit or a bank overdraft.
Charter for Internal Audit

As per Code of Practice for Education and Training Boards ~ Circular Letter 02/2019

Policy
The Board of City of Dublin ETB authorises and supports the internal audit unit, which is the Internal Audit Unit- Education and Training Boards (IAU-ETB).

Internal Audit
Internal audit evaluates the integrity of all financial and operational performance indicators, including regulatory compliance, and gives an independent opinion to the Board through the Audit and Risk Committee, on the adequacy and effectiveness of the whole system of internal controls and assurance within the organisation, and the extent to which the Audit and Risk Committee, and subsequently the Board, may rely on these.

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of City of Dublin ETB. It assists City of Dublin ETB in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation’s governance, risk management, internal control.

In this context, internal control comprises not only internal check and internal audit, but the entire system of controls, financial and other wise, including risk management and corporate governance, which have been established by management to:
- Ensure City of Dublin ETB meets its Statutory Functions under section 10 of the 213 Act
- Operate City of Dublin ETB in accordance with the Board’s risk appetite
- Ensure compliance with relevant legislation and funding obligations
- Safeguard the assets
- Secure the integrity of transactions
- Secure as far as possible the accuracy and reliability of the records.

Internal audit also provides an ancillary consulting activity which adds value and improves the organisation’s operation. Essentially, the consulting activity consists of the communication to executive management by the internal auditor of the weaknesses of the existing systems, potential outcomes and recommended improvements.

Internal audit is not an extension of, or substitute for, executive management, who remain fully responsible for having appropriate and adequate internal controls.

The responsibility for the prevention and detection of fraud or error rests with both those charged with governance of City of Dublin ETB and City of Dublin ETB executive management; this responsibility does not lie with the internal audit unit.

However, in recording, evaluating and testing the systems the internal auditor will consider the possibility of fraud or error occurring. Where an internal auditor uncovers actual or suspected fraud or error he/she should probe this to the fullest extent.

Purpose of Internal Audit
The primary purpose of internal audit in the ETB sector is to provide assurance to the Board through the Audit and Risk Committee that the system of internal control as implemented by executive management is adequate and operating effectively.
Authority
The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and off of City of Dublin ETB records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

Independence and Objectivity
The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.

The head of internal audit will confirm to the board, at least annually, the organisational independence of the internal audit activity.

Organisation
The head of internal audit will report functionally to the Board through the Audit and Risk Committee and communicate administratively (i.e. day to day operations) to the Chief Executive of CMETB.

Responsibilities of the internal audit function
The internal auditor should carry out such work as he/she considers necessary to enable him/her to report to the Board through the Audit and Risk Committee that in his/her opinion the ETB’s system of internal control, in the area audited, is adequate and operates effectively.

- Detailing an ETB’s purposes, activities and facilities
- Ascertaining and evaluating the risk appetite approved by the Board
- Recording and assessing an ETB’s operating procedures and recording methods
- Recording and evaluating the internal controls, including risk management and corporate governance procedures
- Drawing conclusions from and extrapolating the results of tests of controls and substantive procedures within the audited area
- Determining whether the controls operating are consistent with the approved risk appetite
- Reporting to the Audit and Risk Committee, outlining each result of the audit conducted, detailing recommendations made and management replies to same
- Providing to the Audit and Risk Committee, and subsequently the Board, an overall conclusion on the adequacy of an ETB’s control systems in the audited area.
- Following up the implementation by management of agreed recommendations, on a timely basis
- Reporting periodically on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan.

Internal audit is not an extension of, or substitute for, executive management, who remain fully responsible for operating appropriate and adequate internal controls.

Accordingly, executive management are solely responsible for:
- Developing or implementing control systems in an ETB
- Rectifying any weaknesses identified in its audits
Terms of Reference

The Terms of Reference for the Internal Audit Unit-Education and Training Boards (IAU-ETB) are the terms of reference of the internal audit unit of the ETB.

Scope and independence of the internal audit function

a) The scope of internal audit extends to all activities carried on by the ETB regardless of how these are funded or regulated.

b) The internal audit unit does not have any role in the executive management of an ETGB nor is it a substitute for management. It is free from any operational duties in an ETB.

c) The internal audit unit will carry out its duties in an independent and objective manner and will have procedures in place to demonstrate same.

In undertaking its function, the internal audit until will remain independent of the ETB, the Chief Executive, the Department of Education and Skills and the Internal Audit Unit-Education and Training Boards (IAU-ETB) Steering Committee.

Internal Audit Plan

Annually, the Director of internal audit will submit to the Internal Audit Unit for Education and Training Boards Steering Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next calendar year. The Director of internal audit will communicate the impact of resource limitations and significant interim changes to the Committee. (Agrees with IAU).

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of individual ETB Boards and Audit and Risk Committees, ETB Executive Management and the Steering Committees. The Director of internal audit will review and adjust the plan with the approval of the Steering Committee, as necessary, in response to changes in the sector’s operational risks, operations, programs, systems, and controls.

Reporting Procedures

(a) Reports specific to ETBs

(i) The IAU-ETB will issue two reports specific to an ETB at the conclusion of each audit; a Findings and Recommendations Report and an Opinion Report.

The Findings and Recommendations Report will detail the audit work performed and the recommendations made.

The Opinion report, which provides an overall conclusion on the results of the internal audit, will outline the:

- Area or programme audited
- Audit method
- Respective responsibilities of the auditor and executive management
- Opinion as to the adequacy and effectiveness of internal control.

Both reports, once finalised, will be sent directly and simultaneously, under separate cover, to the Chairperson of the Audit and Risk Committee and the Chief Executive.

(ii) The Chief Executive will provide the DES with a copy of the Opinion Report within three weeks of receipt. There in the Opinion Report the internal auditor expresses an opinion that internal controls are inadequate (i.e. deficient, not operating or both), the Department will be provide by the Chief Executive with full details of the item or items giving rise to this opinion. All other
internal audit findings and related recommendations should not be communicated to the Department. In the event that losses have occurred, all such losses will be communicated to the Department by the Chief Executive in accordance with Circular 39/2011 (or any subsequent relevant circular) together with a full explanation and confirmation that internal control issues identified have or will be addressed from a stated date.

(b) General Report to Executive Management
The IAU-ETB will produce "general” reports on audit findings in the sector. Such reports will be sent to the Chief Executive of each ETB in order to assist executive management to identify potential deficiencies and implement necessary improvements to the system of internal control.

Quality Assurance and Improvement Programme
The Internal Audit Unit will maintain a quality assurance and improvements program that covers all aspects of the internal audit activity.

External review of the IAU-ETB should be conducted at least once every five years by a qualified, independent review or review team from outside the organisation. The review will be undertaken by reference to the IAU-ETB Terms of Reference.

The Steering Committee will select a suitable independent reviewer / review team having regard to their independence, including any potential conflict of interest.

The Department of Education and Skills or the Steering Committee, with the approval of the Department, may ask for the IAU-ETB audit file for any ETB for any year to be externally reviewed. In such circumstances, the external reviewer would be obliged to review the file on a confidential basis.

The Director of internal audit will communicate to senior management and the Board on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Internal Audit Activity Charter
Approved this: __________ day of ________________, __________.

Head of Internal Audit: ________________________________

Chairperson of the Board: ______________________________

Chairperson of the Audit and Risk Committee: ______________________________

Chief Executive: ______________________________