

CENTRAL BANK OF IRELAND
AUDIT COMMITTEE
TERMS OF REFERENCE

ESTABLISHMENT AND APPROVAL	The Audit Committee (the Committee) was established by the Commission with effect from 14 October 2010. The Terms of Reference of the Committee are approved by the Commission.
PURPOSE	The Commission has established the Committee as a sub-committee to provide support to the Commission in meeting its responsibilities for issues relating to risk, control and governance. The Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances provided to the Commission.
RESPONSIBILITIES	<p>The role of the Committee is expressed in terms of oversight and review. Its key responsibilities are as follows:</p> <p style="text-align: center;">Financial Statements</p> <ul style="list-style-type: none"> • Review and make recommendations to the Commission on the integrity of the Bank’s Financial Statements including the significant accounting judgements made in the preparation of these statements. <p style="text-align: center;">External Auditors</p> <ul style="list-style-type: none"> • Advise on the appointment and reappointment of the independent external auditor (the External Auditor), their remuneration, and questions of resignation or dismissal; • Review the annual audit plans of both the Comptroller and Auditor General (the C&AG) and the External Auditor and ensure that they are consistent with the scope of the audit engagement; • Review the findings arising from audits by the C&AG and the External Auditors and the respective management letters before the management response is issued; • Monitor compliance with the policy on the engagement of the External Auditor to supply non-audit services (as per the European System of Central Banks’ rules on the appointment of the external audit for non-audit services). • Periodically consult with the External Auditor regarding the operation of the Internal Audit Division (IAD), with particular reference to the staffing of the unit, the audit work programme

being applied and the testing carried out in relation to compliance with the Code.

Internal Audit

- Review and approve the Charter and annual work plan of the IAD, ensuring that adequate attention is given to value-for-money auditing;
- Monitor the effectiveness and independence of IAD in the overall context of the Bank's risk management systems, and where appropriate, review and ensure follow-up of the reports of the division;
- Consider the findings of Internal Audit investigations and management's response.

Risk Management and Internal Control

- Assist the Commission in fulfilling its responsibilities in ensuring the appropriateness and completeness of the systems of internal control and risk management. This includes reviewing the framework by which management ensures and monitors:
 - the adequacy of the nature and extent of the internal control systems; and
 - the effectiveness of the system of internal controls.
- Review annually, with management and IAD, the system of internal control, including the measures implemented and those planned to ensure the effective management of risk;
- Consider the Bank's application of the Code of Practice for the Governance of State Bodies (the Code);
- Report to the Commission on its annual assessment of the operation of the system of internal control, to make any recommendations to the Commission thereon and to review the Bank's annual statements on internal control and risk management prior to endorsement by the Commission:
- To receive and review periodic reports from management in respect of:
 - fraud detection and prevention measures and their effectiveness; and
 - fraud losses incurred.
- Ensure the provisions of the Bank's Fraud Management Policy and Procedure are adequate to ensure reporting on fraud, or suspected fraud within the Bank.

Other Responsibilities

	<ul style="list-style-type: none"> • Provide assurance to the Commission in relation to the management of risk and corporate governance requirements for the Bank; and • Ensure the provisions of the Bank’s Whistleblowing Policy are appropriate to ensure proper approach to dealing with reports by staff of “wrongdoing” in the Bank. <p>The Committee shall make whatever recommendations to the Commission it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>In addition to the responsibilities outlined above the Committee may perform other activities related to this mandate, if so requested by the Commission.</p>
CHAIRPERSON	The Chairperson of the Committee is appointed by the Commission.
DUTIES AND RESPONSIBILITIES OF THE CHAIRPERSON	<p>The Chairperson has particular responsibility for ensuring:</p> <ul style="list-style-type: none"> • that the Committee is appropriately resourced and adequately independent; • the Committee reviews relevant Internal Audit reports and management responses and ensures that actions are followed up; • reports to the Committee contain relevant information and are provided at the right time in an appropriate format; • absent Committee members are briefed on meetings and attendance records are maintained and reviewed annually; • relevant reports are provided to the Commission; • matters arising are reported on at each subsequent meeting and • involvement in the appointment of new Committee members.
MEMBERSHIP	<p>The Committee is appointed by the Commission and is comprised of three non-executive members, one of whom should be the Chair of the Risk Committee.¹</p> <p>The Governor will meet with the Chairperson of the Committee on an annual basis in order to review the membership of the Committee and also to oversee the appraisal of the Chairperson.</p> <p>Committee members are appointed for three years, with the option to extend by up to a further three years, subject to a maximum of six years in total.²</p>

¹ This change to the membership was approved by the Commission by written procedure on 29 July 2021.
Paper C21 161

² This provision will not be applied retrospectively, accordingly members serving at the date the revised Terms of Reference are adopted will continue in office in line with their current appointment to the Commission. Where a

	<p>Where a member is a Commission Member and their appointment to the Commission ceases they will cease to be a member of the Committee.</p> <p>All members will be obliged to disclose any conflicts of interest in line with the Commission’s Code of Conduct and Ethics.</p>
<p>MEETINGS AND ATTENDANCE</p>	<p>Meetings of the Committee are held not less than four times a year. In addition, an annual joint meeting takes place with the Risk Committee.</p> <p>The Chairperson of the Committee can, when necessary, convene a special meeting of the Committee.</p> <p>The Chairperson of the Committee also convenes meetings if requested by the C&AG or the External Auditor.</p> <p>The quorum for a meeting of the Committee is two members.</p> <p>An annual schedule of meetings is prepared by the Secretary, agreed by the Committee, and published in advance of the annual cycle commencing.</p> <p>The Chairperson and other members of the Commission, who are not members of the Committee, may attend a meeting of the Committee.</p> <p>The Deputy Governor of Financial Regulation, Deputy Governor Monetary and Financial Stability , the Chief Operations Officer (COO) and the Director General, Financial Conduct shall be invited to attend for relevant items at meetings of the Committee to provide updates on their respective areas of responsibility and for other relevant items.</p> <p>Management or staff of the Bank, including the Head of Internal Audit, attend meetings of the Committee at the request of the Chairperson. However, the Committee meetings commence in Committee composition only.</p> <p>The C&AG and the External Auditor appointed in accordance with Article 27 of the Statute of the European System of Central Banks (the External Auditor) shall be invited to send representatives to attend for relevant items at meetings of the Committee.</p> <p>The Head of Internal Audit, the C&AG and the External Auditor have free and confidential access to the Chairperson of the Committee.</p> <p>At least once a year the Committee meets with the C&AG and the External Auditor without management being present to discuss their remit and any issues arising during their audits.</p>

member is re-appointed to the Commission, for a second term of office, their membership of the Committee will be subject to a maximum of a further three years.

	<p>The Committee meets regularly with the Head of Internal Audit without management being present. The Chairperson also holds regular bilateral meetings with the Head of Internal Audit.</p>
DECISIONS	<p>The Committee is primarily an advisory body, making recommendations to the Commission. The Committee's approval of items before it will be by majority on the basis that a quorum is in attendance.</p> <p>Approvals can be taken by written procedure if necessary as decided by the Chairperson on the basis of the need for consideration of an item outside of the scheduled meetings. Written procedures should be submitted three days in advance of a required response. Where approval is required, this will be on the basis of a quorum.</p>
ESCALATION PROCESS	<p>The Chairperson will bring any matters that require escalation for consideration or decision to the Commission. It will be for the Chairperson to decide what matters are brought for escalation, however the Committee may advise the Chairperson to do so. The Chairperson will report back to the Committee, in a timely manner, the outcome of the escalation process.</p>
REPORTING TO	<p>At the Commission meeting following each meeting of the Committee, the Chairperson can report to the Commission on the activities of the Committee and where appropriate makes recommendations to the Commission on matters considered by the Committee.</p>
SECRETARY AND SUPPORT SERVICES	<p>The Secretary of the Bank (or their nominee) acts as Secretary to the Committee.</p> <p>The Secretary is supported in this role by the Governance Unit in the Internal Governance Division.</p> <p>The Governance Unit will maintain a record of all material submitted to the Committee.</p>
AGENDA	<p>The Chairperson is responsible for the effective management of the Committee's agenda and ensuring that adequate time is made available for discussion of all agenda items.</p> <p>Members can suggest items for inclusion on the agenda.</p> <p>The draft agenda will be circulated ten working days in advance and the final agenda agreed at the meeting; the Chairperson proposes the draft agenda for adoption at the ensuing meeting.</p> <p>All items coming before the Committee should have clear sponsorship and authorship assigned and identified.</p>

MINUTES	<p>Minutes of meetings are circulated to members with the papers for the meeting and are agreed at the next meeting of the Committee. Minutes can, if necessary, be agreed by written procedure.</p> <p>The Secretary circulates the minutes of meetings of the Committee to all members of the Commission and includes them on the agenda of the Commission.</p>
PAPERS	<p>The Secretary will ensure that the Committee receives the information and papers in a timely manner five working days in advance of the meeting to enable full and proper consideration to be given to the issues. Papers/presentations should clearly identify whether the matter is:</p> <ul style="list-style-type: none"> • for information / for noting; • for consideration (where an item will ultimately come back for decision at a later stage); • for recommendation to another decision maker /decision making body. <p>If necessary, and as agreed by the Chairperson, some items can be taken by written procedure.</p> <p>In general, presentations can be used when seeking the Committee’s views on matters or providing explanations/analysis of topics etc. When specific recommendations are required, a paper should be prepared.</p>
AUTHORITY TO INVESTIGATE	<p>The Committee may seek any information it requires from any member of the management or staff of the Bank for the purposes of investigating any activity within its terms of reference.</p>
PROFESSIONAL ADVICE	<p>The Committee is authorised by the Commission to obtain outside legal or other independent professional advice at its discretion.</p>
PROCEDURES	<p>The procedures which govern the functioning of the Commission, and its sub-committees, are provided to Commission Members on induction, as part of the Commission Handbook.</p>
PERFORMANCE AND EFFECTIVENESS	<p>The Chairperson of the Committee will initiate a formal review of the performance of the Committee on an annual basis to assess the extent to which responsibilities are being met; the Committee is operating efficiently; that the scope and membership remains appropriate; and the terms of reference remain up to date.</p> <p>The Committee can, at any time, propose changes to its Terms of Reference or membership to the Commission.</p>

	<p>The report of the annual review of the Committee will be presented to the Commission.</p> <p>The report will outline the work of the Committee during the year to include observations and recommendations, where applicable, of the Committee to include any requirements of the Code.</p>
--	--

Approved 9 December 2019