

Audit Committee of Governing Body Annual Report 2015-2016

1. Introduction

The Audit Committee was established by the Governing Body at its meeting of 5th November, 2003. The current Committee was appointed on 15th June, 2016.

2. Reporting Period

This report covers the period 1st September, 2015 to 31st August, 2016.

3. Terms of Reference

3.1 Review of Term of Reference – the Audit Committee members have reviewed the Terms of Reference and are satisfied that no additional additions or alterations are required, and no items need to be removed or reassigned.

3.2 Agreed Terms of Reference

The agreed terms of the Committee are as follows:

- (a) To assist the Governing Body in fulfilling its oversight responsibilities as set out in the Code as amended for Third Level Institutions.
- (b) To review Annual Budget and Programmes & Budgets submissions prior to presentation to Governing Body.
- (c) To review draft audited financial statements prior to presentation to Governing Body for approval.
- (d) To periodically review, with management and the Internal Auditors, the Institute's Risk Register and Audit Plan.
- (e) To meet with the Internal Auditor to obtain feedback on the areas to be audited and to formally review the subsequent audit reports.
- (f) To follow up with management on the implementation of the internal audit recommendations.
- (g) To meet with the external Auditors at least once a year.

4. Membership

The membership of the Committee for the period 1st September 2015 to 31st March 2016 comprised:

- Cormac Shaw (Chair)
- Eleanor Roche (Governing Body Member)
- Dr Tim Jackson (Governing Body Member)
- Donal O'Mahony (Governing Body Member) *

** resigned December 2015*

The present membership of the Committee comprises:

- Kieron Connolly (Governing Body Member) *[appointed 15th June, 2016]*
- Dr Fionnuala Anderson (Governing Body Member) *[appointed 15th June, 2016]*
- ANother (Governing Body Member)

Executive Members in attendance:

- Dr Annie Doona (President)
- Bernard Mullarkey (Secretary/Financial Controller)
- Conor Logan (Finance Manager)

5. **Meetings**

Under the Code of Practice for the Governance of State Bodies as amended for Institutes of Technology (the Code), the Committee is required to meet at least four times a year. During the period 1st September, 2015 to 31st August, 2016, a meeting took place on the 16th September and 9th December 2015, and the 24th February 2016.

A new Governing Body was appointed with effect from 1st April 2016. Members were appointed to the Audit Committee on 15th June 2016. It was not possible to hold a Committee meeting between April and September 2016. Matters usually reviewed by the Audit Committee have been reviewed by the Governing Body during this period.

The Audit Committee is satisfied that no matters remained outstanding at the end of the period under review.

5.1 **Attendance Record**

Audit Committee Member	Number of meetings attended	% attendance
Cormac Shaw (Chairperson)	3	100%
Dr Tim Jackson	3	100%
Donal O'Mahony	1	100%
Eleanor Roche	3	100%

6. **Compliance with the Terms of Reference**

- (a)(i) The Annual Governance Statement 2014/15 was approved by Governing Body on 16th September, 2015 would be circulated as a resolution.
- (a)(ii) The President's expenses were reviewed and signed off on by the Chair at the meetings of 9th December 2015 and 24th February, 2016.
- (a)(iii) Minutes of the Audit Committee meetings were circulated to Governing Body once approved by the Committee.
- (b) The Budget Submission 2016 was discussed by Committee members at the meeting 24th February, 2016.
- (c) The Audit Committee reviewed the Income and Expenditure Account of the draft Financial Statements for year ending 31st August, 2015 at the meeting of 24th February, 2016.
- (d) At its meeting of 16th September, 2015, the Audit Committee reviewed the Risk Register.

- (e) The Audit Committee met with the internal auditors and reviewed the Code Gap Analysis Review Report at its meeting of 9th December, 2015. The Audit Committee met separately with the internal auditors in the absence of the Executive; no issues were raised that warranted consideration by the Committee.
- (f) At its meeting of 24th February, 2016 the Audit Committee were provided with updates in relation to the Internal Audit Plan 2012-2015, as well as to the Internal Audit Reports on the following areas:
 - o Treasury, Travel and Subsistence
 - o Human Resources
 - o Admissions
 - o Facilities Management
 - o Procurement
 - o Payroll
 - o Code Gap Analysis
- (g) At the meeting of 9th December, 2015, the Audit Committee met with John Byrne, Senior Auditor, Office of Comptroller & Auditor General, where the draft Financial Statements for year ended 31st August, 2014 and Management Letter were discussed. The Audit Committee met separately with John Byrne in the absence of the Executive; no issues were raised that warranted consideration by the Committee.

In 2015, the accountancy firm, PricewaterhouseCoopers, was appointed as internal auditors following a public procurement process run by the Education Procurement Service on behalf of all Institutes of Technology and the IoTI.

7. Annual Review of Controls

The Governing Body Chairperson is obliged by paragraph 10.2 (iii) of the Code (as amended) to report on the system of internal control in the Institute and the Governing Body is required to review these controls on an annual basis.

Key Control Procedures

The Institute has in place an appropriate control environment by:

- Clearly defining management responsibilities, these are set out in the:
 - Institutes of Technology Act 2006
 - Quality Assurance Manual
 - Institutional Review Submission: Self Evaluation Report (May 2011)
 - Risk Register
 - Strategic Plan: Action Plan

There are formal procedures for reporting significant control failures and ensuring corrective action. These are:

- The regular review of management accounts by the Audit Committee and reports on the progress of corrective action.
- Reports from the Internal Auditor on key control areas.

The Institute has established processes to identify and evaluate business risks by:

- Identifying the nature and extent of financial, academic and other risks facing the Institute, including the extent and categories of risk which it regards as acceptable;
- Assessing the likelihood of identified risks occurring;

- Assessing the Institute's ability to manage and mitigate the risks that do occur;
- Assessing the costs of operating particular controls relative to the benefit obtained.

The processes include:

- Risk Register
- Organisation Policies
- Staff Policies
- Health and Safety Statement
- Executive and Management Team Meetings
- Academic Council and Academic Council Committee Meetings

System of Internal Control

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Governing Body;
- Clearly defined capital investment control guidelines;
- An Academic Council which reports to the Governing Body;
- Clearly defined academic and quality processes and control guidelines;
- Formal project management disciplines;
- Regular reviews by the Governing Body of periodic and annual financial reports, which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance.

Reviews Conducted for the Period to 31st August, 2016

In the period to 31st August 2016, the following control reviews were undertaken:

- Review of Risk Register (16th September, 2015)
- Comptroller & Auditor General's Management Letter for financial statements for year ended 31st August 2014 (9th December, 2015)
- Programmes and Budgets: review of the basis for the preparation of the Programmes and Budgets documentation (24th February, 2016)
- Comptroller & Auditor General Management Letter for financial statements for year ended 31st August 2014: review of Management's responses (9th December, 2015)
- Income and Expenditure Account of the Draft Financial Statements for year ended 31st August, 2015 (24th February, 2016)
- Internal Audit Reports:
 - Review of Code Gap Analysis (9th December 2015)
 - Review of Internal Audit Plan 2012-2015
 - Review of Treasury, Travel and Subsistence (24th February, 2016)
 - Review of Human Resources (24th February, 2016)
 - Review of Admissions (24th February, 2016)
 - Review of Facilities Management (24th February, 2016)
 - Review of Procurement (24th February, 2016)
 - Review of Payroll (24th February, 2016)

8. Review of the Effectiveness of the System of Internal Financial Control

Based on the above activities and on the reports issued to the Audit Committee, I on behalf of the Committee, consider that there is an adequate system of Internal Financial Control operating in the Institute.

9. Submitted for Consideration and Decision

- (a) Does the Governing Body approve the report of the Chairperson of the Audit Committee?
- (b) Is the Governing Body satisfied with the recommendations of the Audit Committee in respect of its review of its Terms of Reference?
- (c) Is the Governing Body satisfied that the Audit Committee has adequately fulfilled its Terms of Reference?
- (d) Is the Governing Body satisfied with the decisions of the Audit Committee in relation to: Cashflow, Risk and Investment policies?
- (e) Is the Governing Body satisfied with the review process carried out by the Audit Committee in relation to the management of the Institute's Budget?
- (f) Is the Governing Body satisfied that there is an effective system of internal control in the Institute?
- (g) Is the Governing Body satisfied that the Audit Committee has carried out its duties in relation to the assessment of business and financial risk to the Institute?
- (h) Is the Governing Body satisfied that the reports of the Internal Auditor have been properly reviewed by the Audit Committee?

10. Conclusion

The Audit Sub-Committee confirms that the Institute's system of internal control is substantially compliant with the principles of the Code of Practice for the Governance of Third Level Institutions (2012) as amended to reflect the 2009 Code of Governance for State Bodies.

The Institute is committed to ensuring that all its activities, whether covered or not by the Code, are governed by the ethical and other considerations contained therein.

Signed: *Fionnuala Anderson*
Chairperson

Date: 5 October 2016