

## **Audit Sub-Committee of Governing Body Annual Report 2014-2015**

### **1. Introduction**

The Audit Sub-Committee was established by the Governing Body at its meeting of 5<sup>th</sup> November, 2003. The current Sub-Committee was appointed on 15<sup>th</sup> June, 2011.

### **2. Reporting Period**

This report covers the period 1<sup>st</sup> September, 2014 to 31<sup>st</sup> August, 2015.

### **3. Terms of Reference**

#### **3.1 Review of Term of Reference**

The Audit Sub-Committee has reviewed the Terms of Reference and is satisfied that no 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 Sub-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**

Membership of the Sub-Committee comprises:

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

Executive Members in attendance:

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

\* *Resigned in March 2015*

\*\* *Appointed on 2nd December, 2014*

## **5. Meetings**

Under the Code of Practice for the Governance of State Bodies as amended for Institutes of Technology (the Code), the Sub-Committee is required to meet at least four times a year. During the period 2014 to 2015, a meeting took place on the 19<sup>th</sup> September and 10<sup>th</sup> December 2014, and the 27<sup>th</sup> March and 9<sup>th</sup> June 2015.

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

- (a)(i) The Annual Governance Statement 2013 was approved by Governing Body on 3<sup>rd</sup> September, 2014 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 10<sup>th</sup> December 2014 and 9<sup>th</sup> June, 2015.
- (a)(iii) Minutes of the Audit Sub-Committee meetings were circulated to Governing Body once approved by the Sub-Committee.
- (b) The Budget Submission 2015 was discussed by Sub-Committee members at the 27<sup>th</sup> March 2015.
- (c) At its meeting on 9<sup>th</sup> June, 2015 the Audit Sub-Committee reviewed the draft Financial Statements for the year ending 31<sup>st</sup> August, 2014.
- (d) At its meeting of 27<sup>th</sup> March 2014, the Audit Sub-Committee met with the internal auditors and re-prioritized the internal audits, with particular emphasis on the review of the Risk Register.
- (e) The Audit Sub-Committee met with the internal auditors and reviewed the following reports:
  - (i) Procurement (meeting of 10<sup>th</sup> December 2014)
  - (ii) Facilities Management (meeting of 4<sup>th</sup> December 2013)
  - (iii) Payroll (meeting of 27<sup>th</sup> March 2015)
- (f) At the meeting of 10<sup>th</sup> December, 2014, the Audit Sub-Committee met with John Byrne, Senior Auditor, Office of Comptroller & Auditor General, where the draft Financial Statements for year ended 31<sup>st</sup> August, 2013 were discussed.

The accountancy firm, Deloitte, has been appointed by the Institute as the internal auditors for a period from 2012 to 2015 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 Sub-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 Sub-Committee Meetings

## **System of Internal Control**

The system of internal financial 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 31<sup>st</sup> August, 2015**

In the period to 31<sup>st</sup> August 2015, the following control reviews were undertaken:

- Comptroller & Auditor General's Management Letter for financial statements for year ended 31<sup>st</sup> August 2012 (10<sup>th</sup> December, 2014)
- Programmes and Budgets: review of the basis of preparation and the submitted document (27<sup>th</sup> March, 2015)
- Comptroller & Auditor General Management Letter for financial statements for year ended 31<sup>st</sup> August 2013: review of Management's responses (27<sup>th</sup> March, 2015)
- Draft Financial Statements for year ended 31<sup>st</sup> August, 2014 (9<sup>th</sup> June, 2015)

- Internal Audit Reports:
  - Review of Procurement (10<sup>th</sup> December 2014)
  - Review of Facilities Management (10<sup>th</sup> December 2014)
  - Review of Payroll (27<sup>th</sup> March 2015)

**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 Sub-Committee, I on behalf of the Sub-Committee, consider that there is an adequate system of Internal Financial Control operating in the Institute.

**9. Submitted for Consideration and Decision**

1. Does the Governing Body approve the report of the Chairperson of the Audit Sub-Committee?
2. Is the Governing Body satisfied with the decisions of the Audit Sub-Committee in relation to: Cashflow, Risk and Investment policies?
3. Is the Governing Body satisfied with the review process carried out by the Audit Sub-Committee in relation to the management of the Institute's Budget?
4. Is the Governing Body satisfied that there is an effective system of internal control in the Institute?
5. Is the Governing Body satisfied that the Audit Sub-Committee has carried out its duties in relation to the assessment of business and financial risk to the Institute?
6. Is the Governing Body satisfied that the reports of the Internal Auditor have been properly reviewed by the Audit Sub-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 (2009) and the Code (2001) [as amended].

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:   
Chairperson

Date: 21/9/2015