

Audit & Risk Committee of Governing Body Annual Report 2016-2017

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, with additional appointments being made on 1st March 2017.

2. Reporting Period

This report covers the period 1st September, 2016 to 31st August, 2017.

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, other than as identified below.

3.2 Committee Title – in accordance with the Code of Practice for the Governance of State Bodies 2016, it is recommended to rename the Committee as the “Audit and Risk Committee”.

3.3 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 present membership of the Committee comprises:

- Dr Fionnuala Anderson (Chairperson & Governing Body Member)
- Marie Carroll (Governing Body Member) *[appointed 1st March, 2017]*
- Kieron Connolly (Governing Body Member)
- Maeve McConnon (Governing Body Member) *[appointed 1st March, 2017]*

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, 2016 to 31st August, 2017, meeting took place on the 5th October 2016, 14th December 2016, 14th February 2017 and 24th May 2017.

5.1 **Attendance Record**

Audit Committee Member	Number of meetings attended	% attendance
Dr Fionnuala Anderson (Chairperson)	4	100%
Marie Carroll ¹	1	100%
Kieron Connolly	4	100%
Maeve McConnon ²	1	100%

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

- (a)(i) The Annual Governance Statement 2014/15 was approved by Governing Body on 7th September, 2016 and was circulated as a resolution.
- (a)(ii) The President's expenses were reviewed and signed off on by the Chair at the meetings of 5th October 2016 and 24th May, 2017.
- (a)(iii) Minutes of the Audit Committee meetings were circulated to Governing Body once approved by the Committee.
- (b) The Budget Submission 2017 was discussed by Committee members at the meeting 24th May, 2017.
- (c) The Audit Committee reviewed the draft Financial Statements for year ending 31st August, 2016 at the meeting of 14th February, 2017.

¹ Marie Carroll was appointed to the Audit and Risk Committee on 1st March 2017 and was therefore only eligible to attend 1 meeting.

² Maeve McConnon was appointed to the Audit and Risk Committee on 1st March 2017 and was therefore only eligible to attend 1 meeting.

- (d) At its meeting of 5th October, 2016, the Audit Committee met with representatives of PricewaterhouseCoopers to review the Internal Audit Plan 2016-2018
- (e) During 2016/17, the Audit Committee met with representatives of PricewaterhouseCoopers (PwC), the internal auditors, to review the following:
- Internal Audit Review of Internal Financial Controls (14th February, 2017)
 - Internal Audit Review of IT Systems Security & Controls (25th May, 2017)
- On each occasion, 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 25th May, 2017 the Audit Committee members were provided with updates by PwC on the reviews of both the Code Gap Analysis and Payroll Internal Audit Report (carried out by the previous internal auditors, Deloitte)
- (g) At the meeting of 14th December, 2016, the Audit Committee met with Kathleen Bonner, Senior Auditor, Office of Comptroller & Auditor General, where the draft Financial Statements for year ended 31st August, 2015 and Management Letter were discussed. The Audit Committee met separately with Kathleen Bonner in the absence of the Executive; no issues were raised that warranted consideration by the Committee.
- (h) The Audit Committee did not review the Risk Register during the period 1st September 2016 to 31st August 2017.

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 with authority delegated where appropriate, for managing and controlling the Annual Allocation as granted by the Higher Education Authority and other income and expenditure;
- Management Information Systems in respect of Financial Management, HR Records and Management, Library Information Systems, Student Records and Academic Administration and Timetabling Information.
- A Resource Allocation System
- A Risk Management System with regular reporting and reviews
- 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.
- An Academic Council which reports to the Governing Body;
- An Academic Quality Framework with clearly defined academic and quality processes and control guidelines;
- Clearly defined capital investment control guidelines;
- Formal project management disciplines

Reviews Conducted for the Period to 31st August, 2017

In the period to 31st August 2017, the following control reviews were undertaken:

- Comptroller & Auditor General's Management Letter for financial statements for year ended 31st August 2015 (14th December, 2016)
- Draft Financial Statements for year ended 31st August, 2016 (14th February, 2017)
- Programmes and Budgets documentation (24th May, 2017)
- Comptroller & Auditor General Management Letter for financial statements for year ended 31st August 2016: review of draft Management responses (25th May, 2017)
- Internal Audit Reports:
 - Review of Internal Audit Plan 2016-2018 (5th October, 2016)
 - Review of Internal Financial Controls (14th February, 2017)
 - Review of IT Systems Security & Controls (25th May, 2017)

A potential weakness in relation to the use of a credit card has been identified during 2017. An initial investigation into this potential weakness is currently being undertaken.

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) Is the Governing Body satisfied with the recommendations of the Audit Committee in respect of its review of its Terms of Reference?
- (b) Is the Governing Body satisfied that the Audit Committee has adequately fulfilled its Terms of Reference?
- (c) 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?
- (d) 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?
- (d) Is the Governing Body satisfied that the reports of the Internal Auditor have been properly reviewed by the Audit Committee?
- (e) Does the Governing Body approve the report of the Chairperson of the Audit Committee?
- (f) Is the Governing Body satisfied that there is an effective system of internal control in the Institute?

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: 
Dr Fionnuala Anderson
Chairperson

Date: 13th September, 2017

