

# **Audit & Risk Committee of Governing Body**

## **Annual Report 2017-2018**

### **1. Introduction**

The Audit & Risk Committee was established by the Governing Body at its meeting of 5<sup>th</sup> November, 2003. The current Committee was appointed on 15<sup>th</sup> June 2016, with additional appointments being made on 1<sup>st</sup> March 2017.

### **2. Reporting Period**

This report covers the period 1<sup>st</sup> September, 2017 to 31<sup>st</sup> August, 2018.

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

**3.1 Review of Term of Reference** – the Audit & Risk 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 Governance for Institutes of Technology 2018, the Committee was renamed 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 of Governance for Institutes of Technology 2018 as amended.
- (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 Management Policy, 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)
- Kieron Connolly (Governing Body Member)
- Maeve McConnon (Governing Body Member)

Executive Members in attendance (at the invitation of the Committee):

- 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 1<sup>st</sup> September, 2017 to 31<sup>st</sup> August, 2018, meeting took place on the 13<sup>th</sup> September 2017, 13<sup>th</sup> December 2017, 21<sup>st</sup> March 2018 and 23<sup>rd</sup> May 2018.

##### 5.1 **Attendance Record**

<b>Audit &amp; Risk Committee Member</b>	<b>Number of meetings attended</b>	<b>% attendance</b>
Dr Fionnuala Anderson (Chairperson)	4	100%
Marie Carroll	4	100%
Kieron Connolly	3	75%
Maeve McConnon	4	100%

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

- (a)(i) The Annual Governance Statement 2016/17 was reviewed by the Audit & Risk Committee on 13<sup>th</sup> September 2017 and was subsequently approved by Governing Body on both 4<sup>th</sup> October and 1<sup>st</sup> November 2017.
- (a)(ii) The President's expenses were reviewed and signed off on by the Chair at the meetings of 13<sup>th</sup> December 2017 and 21<sup>st</sup> May, 2018.
- (a)(iii) Minutes of the Audit & Risk Committee meetings were circulated to Governing Body once approved by the Committee.
- (b)(i) The Budget Submission 2018 was reviewed by Committee members at the meeting 21<sup>st</sup> March and 23<sup>rd</sup> May 2018.
- (b)(ii) IADT's Corporate Procurement Plan was reviewed by the Committee at its meeting of 21<sup>st</sup> March 2018.
- (c) The Audit & Risk Committee reviewed the draft Financial Statements for year ending 31<sup>st</sup> August, 2017 at the meetings of 13<sup>th</sup> December, 2017 and 23<sup>rd</sup> May 2018.

- (d)(i) At its meeting of 13<sup>th</sup> September 2017, the Audit & Risk Committee met with representatives of PricewaterhouseCoopers (PwC) to review the Internal Audit Plan 2016-2018 and the Internal Audit Charter.
- (d)(ii) The Audit & Risk Committee reviewed the Risk Register at its meeting of 13<sup>th</sup> September, 2017, and reviewed specific risks in respect of the Registrar's area at its meeting of 23<sup>rd</sup> May 2018.
- (d)(iii) At its meeting of 23<sup>rd</sup> May 2018, the Audit & Risk Committee reviewed the THEA Risk Management Guidelines and approved them for use in the preparation of the IADT Risk Management Policy.
- (e) During 2017/18, the Audit & Risk Committee met with representatives of PwC, the internal auditors, to review the following:
  - Internal Audit Findings Follow-up Review (13<sup>th</sup> September, 2017)
  - Internal Audit Review of Income and Key Income Streams (13<sup>th</sup> December, 2017)
  - Internal Audit Review of Examinations Procedures and Related Processes (21<sup>st</sup> March, 2018).

On each occasion, the Audit & Risk 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 13<sup>th</sup> September, 2017 the Audit & Risk Committee members were provided with updates by PwC on the current status of implementation of findings and recommendations made in reviews of the Payroll System and the Code Gap Analysis.
- (g) At the meeting of 13<sup>th</sup> September 2017, the Audit & Risk Committee met with Kathleen Bonner, Senior Auditor, Office of Comptroller & Auditor General (C&AG), where the draft Financial Statements for year ended 31<sup>st</sup> August, 2016 were discussed. The Audit & Risk Committee met separately with Kathleen Bonner in the absence of the Executive; no issues were raised that warranted consideration by the Committee.

## **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 Acts 1992-2006 (as amended)
  - Code of Governance for Institutes of Technology 2018
  - Quality Assurance Manual
  - Programmatic Review Submissions and Reports 2008-2018
  - Risk Management Policy and Risk Register
  - Strategic Plan: Action Plans
  - HEA Compact; KPIs and Action Plans

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

- The regular review of management accounts by the Audit & Risk 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 strategic, 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 Management Policy and Risk Register
- Organisation Policies
- Staff Policies
- Student Policies
- Academic Plan
- 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;
- Reports from the President to the Governing Body on the performance of the Institute;
- Setting targets to measure financial and other performance;
- A range of committees and fora which report regularly through Academic Council and the Executive;
- 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 31<sup>st</sup> August, 2018**

In the period to 31<sup>st</sup> August 2018, the following control reviews were undertaken:

- C&AG's Management Letter for financial statements for year ended 31<sup>st</sup> August 2016 (13<sup>th</sup> September, 2017)
- Draft Financial Statements for year ended 31<sup>st</sup> August, 2017 (13<sup>th</sup> December, 2017 and 23<sup>rd</sup> May 2018)
- Programmes and Budgets documentation (21<sup>st</sup> March and 23<sup>rd</sup> May, 2018)
- Internal Audit Reports:
  - Review of Internal Audit Plan 2016-2018 (13<sup>th</sup> September 2017)
  - Review of Income and Key Income Streams (13<sup>th</sup> December, 2017)
  - Review of Examinations Procedures and Related Processes (21<sup>st</sup> March, 2018)

An investigation was carried on a potential weakness in relation to the use of a credit card which was identified during 2017. On 18<sup>th</sup> September 2017, the President wrote to Mr. Shane Carton, Senior Auditor in the Office of the C&AG, and Dr Graham Love, CEO of the HEA, to inform them of this potential weakness and the outcome of the investigation carried out by the Institute. A redacted report on the investigation was subsequently forwarded to the Office of the C&AG as requested by them.

## **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 & Risk 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 & Risk Committee in respect of its review of its Terms of Reference?
- (b) Is the Governing Body satisfied that the Audit & Risk Committee has adequately fulfilled its Terms of Reference?
- (c) Is the Governing Body satisfied that the Audit & Risk 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 & Risk 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 & Risk Committee?
- (e) Does the Governing Body approve the report of the Chairperson of the Audit & Risk Committee?

Based on the above decisions:

- (f) Is the Governing Body satisfied that there is an effective system of internal control in the Institute?

**10. Conclusion**

The Audit & Risk Committee confirms that the Institute's system of internal control is substantially compliant with the requirements of the Code of Governance of Institutes of Technology 2018 as amended to reflect the 2016 Code of Practice for the 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: PP Marie Gooch  
Dr Fionnuala Anderson  
Chairperson

Date: 27/9/18