

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

## **Annual Report 2018-2019**

### **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, 2018 to 31<sup>st</sup> August, 2019.

### **3. Membership**

The present membership of the Audit & Risk 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)

The Audit & Risk Committee did not require the attendance of any other Institute staff members or the Chairperson of the Governing Body during the period.

Following a selection process, the Governing Body, at its meeting on 12<sup>th</sup> June 2019, appointed Mr. Sam Dunwoody (Director of Finance, National Rehabilitation Hospital) to be the independent member of the Audit & Risk Committee from 1<sup>st</sup> September 2019 for a period of 4 years.

### **4. Meetings**

#### **4.1** 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, 2018 to 31<sup>st</sup> August, 2019, meetings took place on the 27<sup>th</sup> September 2018, 12<sup>th</sup> December 2018, 25<sup>th</sup> March 2019 and 29<sup>th</sup> May 2019.

No additional meetings were considered necessary during this period.

The Governing Body did not request the Audit & Risk Committee to convene any further meetings during 2018/19.

## 4.2 Attendance Record

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

## 4.3 Audit & Risk Committee Reporting

The Minutes of the Audit & Risk Committee meetings held during 2018/19 were circulated to Governing Body once approved by the Committee.

## 5. Terms of Reference

**5.1 Review of Term of Reference** – the Audit & Risk Committee members have reviewed the Terms of Reference and have proposed a revised Terms of Reference as attached, to fully comply with the Code of Governance for Institutes of Technology 2018.

**5.2 Committee Title** – in accordance with the Code of Governance for Institutes of Technology 2018, the Committee was renamed as the "Audit and Risk Committee".

## 5.3 Responsibilities of the Audit and Risk Committee

Ref.	Responsibility
<b>5.1</b>	The Audit and Risk Committee will assist and advise the Governing Body on:
5.1.1	Its oversight responsibilities as set out in the Code of Governance for Institutes of Technology 2018 as amended
5.1.2	The strategic processes for the management of risk, internal control and governance in the Institute
5.1.3	The following Governing Body Reports: 5.1.3.1 The annual operating budget and the Programmes and Budgets submissions; 5.1.3.2 The Draft Annual Financial Statements prior to submission for audit, including the accounting policies being adopted and applied; 5.1.3.3 The Institute's Annual Report; 5.1.3.4 The Annual Governance Statement; 5.1.3.5 The Annual Review of Controls; 5.1.3.6 The Statement of Internal Control
5.1.4	A range of Institute Policies including but not limited to: Prevention and Detection of Fraud, Protected Disclosure
5.1.5	The requirement arrangements for special investigations.



<b>5.2</b>	The Audit and Risk Committee will:
5.2.1	Meet annually with a representative of the Comptroller and Auditor General, either a portion of this meeting or a separate meeting will be held in the absence of any members of the Executive and/or management
5.2.2	Consult annually with a representative of the Comptroller and Auditor General regarding the quality, effectiveness and operation of the Internal Audit
5.2.3	Meet periodically with the Head of Internal Auditor or their representative either a portion of this meeting or a separate meeting will be held in the absence of any members of the Executive and/or management
5.2.4	Review the planned activity and results of both internal and external audits including and the levels of error identified during the audit
5.2.5	Review the Management Letter received from the Comptroller and Auditor General and management's letter of representation to the Comptroller and Auditor General
5.2.6	Review the adequacy of management response to issues identified by audit activities, including but not limited to Comptroller and Auditor General's management letter of representation, Internal Audit Reviews and Reports
5.2.7	Review the Institute's Risk Management Policy
5.2.8	Review assurances relating to the management of risk and corporate governance requirements for the Institute
5.2.9	Review and approve expenses incurred by the President
5.2.10	Annually review the Terms of Reference with recommended changes brought before the Governing Body for approval
5.2.11	Annually review its own effectiveness and report the results of that review to the Governing Body
5.2.12	Review proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services.

### 5.3. Compliance with the Terms of Reference

<b>Terms of Reference</b>	<b>Compliance Action</b>
5.1.1	The Audit & Risk Committee reviewed the Institute's Corporate Procurement Plan & Multi-Annual Procurement Plan at its meetings of 27 <sup>th</sup> September and 12 <sup>th</sup> December 2018
5.1.2 5.2.7 5.2.8	<p>The Audit &amp; Risk Committee was unable to review the Risk Register due to the fact that the annual review of the Risk Register by the Management Team did not take place. However the Committee members discussed various potential risks associated with Brexit at its meeting of 29<sup>th</sup> May 2019.</p> <p>The Audit &amp; Risk Committee reviewed and approved the Institute's Risk Management Policy at its meeting of 27<sup>th</sup> September 2018</p> <p>At the meetings of 28<sup>th</sup> March and 29<sup>th</sup> May 2019, the Audit &amp; Risk Committee reviewed the Institute's Contracts Control Sheet.</p>

5.1.3	The Audit & Risk Committee reviewed and approved the Committee's Annual Report 2017/18 at its meeting of 27 <sup>th</sup> September 2018; the report was approved by Governing Body at its meeting of 7 <sup>th</sup> November 2018.
5.1.3.1	The Budget Submission 2018 was reviewed by Committee members at the meeting 28 <sup>th</sup> March and 29 <sup>th</sup> May 2019. IADT's Corporate Procurement Plan was reviewed by the Committee at its meeting of 12 <sup>th</sup> December 2018. At the meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee approved a Submission for the Transfer of Reserves to the Institute's Capital Development Reserve.
5.1.3.2	The Audit & Risk Committee reviewed the draft Financial Statements for year ending 31 <sup>st</sup> August, 2018 at the meetings of 12 <sup>th</sup> December, 2018 and 29 <sup>th</sup> May 2019.
5.1.3.4	The Annual Governance Statement 2017/18 was reviewed by the Audit & Risk Committee on 27 <sup>th</sup> September 2018 and was subsequently approved by Governing Body on 7 <sup>th</sup> November 2018.
5.1.3.6	The Audit & Risk Committee reviewed and approved the Institute's Statement of Internal Control 2018 at its meeting of 27 <sup>th</sup> September 2018
5.1.4	At the meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee reviewed and recommended the Institute's Treasury Management Policy for approval by the Governing Body.
5.2.1 5.2.2 5.2.4 5.2.5 5.2.6	At the meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee met with John Byrne, Senior Auditor, Office of Comptroller & Auditor General (C&AG), where the draft Financial Statements for year ended 31 <sup>st</sup> August, 2017 were discussed. The Audit & Risk Committee met separately with John Byrne in the absence of the Executive; no issues were raised that warranted consideration by the Committee. At the meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee reviewed and approved PwC's Internal Audit Plan 2019-2020.
5.2.3 5.2.4 5.2.6	During 2018/19, the Audit & Risk Committee met with representatives of PwC, the internal auditors, to review the following: <ul style="list-style-type: none"> <li>• Internal Audit Findings Follow-up Review (27<sup>th</sup> September, 2018)</li> <li>• Internal Audit Review of Internal Financial Controls (12<sup>th</sup> December, 2018)</li> <li>• Internal Audit Review of the Institute's Compliance with the THEA Code of Governance (28<sup>th</sup> March, 2019).</li> </ul> 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.



	At its meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee members received an update from Mr. Colm Hennessy, IT Manager, in relation to the non-testing of Disaster Recovery Plan.
5.2.4	At its meeting of 12 <sup>th</sup> December 2018, the Audit & Risk Committee met with representatives of PricewaterhouseCoopers (PwC) to review the Internal Audit Plan 2019-2020.
5.2.9	The President's expenses were reviewed and signed off on by the Chair at the meetings of 12 <sup>th</sup> December 2018 and 29 <sup>th</sup> May 2019.
5.2.10	The Audit & Risk Committee's Terms of Reference were reviewed at its meeting of 4 <sup>th</sup> September 2019; this was included within the Annual Report of the Audit & Risk Committee.

#### 5.4. Matters not addressed by the Audit & Risk Committee

Terms of Reference	Compliance Action
5.1.3.3	The Institute's Annual Report 2016/17 was approved by Governing Body on 12 <sup>th</sup> December 2018.
5.1.5	The Audit & Risk Committee did not require any special investigations during the period
5.2.11	The Audit & Risk Committee has not reviewed its own effectiveness; this will commence in 2019-2020.
5.2.12	The internal audit function is outsourced through a THEA sectoral process. The current contract runs until the end of 2019. A Procurement process is currently underway for a new contract.

#### 6. 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, 2019**

In the period to 31<sup>st</sup> August 2019, the following control reviews were undertaken:

- C&AG's Management Letter for financial statements for year ended 31<sup>st</sup> August 2017 (12<sup>th</sup> December, 2018 and 28<sup>th</sup> March 2019)
- Draft Financial Statements for year ended 31<sup>st</sup> August, 2018 (12<sup>th</sup> December, 2018 and 29<sup>th</sup> May 2019)
- Programmes and Budgets documentation (28<sup>th</sup> March and 29<sup>th</sup> May, 2019)



- Internal Audit Reports:
  - Internal Audit Findings Follow-up Review (27<sup>th</sup> September, 2018)
  - Internal Audit Review of Internal Financial Controls (12<sup>th</sup> December, 2018)
  - Internal Audit Review of the Institute's Compliance with the THEA Code of Governance (28<sup>th</sup> March, 2019).

**7. 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.

**8. 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?

**9. 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:   
 Dr Fionnuala Anderson  
 Chairperson

Date: 24/9/19

