

Audit & Risk Committee of Governing Body

Annual Report 2019-2020

1. Introduction

The Audit & Risk 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, 2019 to 31st August, 2020.

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)
- Sam Dunwoody (External Member) **appointed by GB on 12/06/19*
- Maeve McConnon (Governing Body Member)

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

- Dr Annie Doona (President) [*meetings of 04/09/19, 11/12/19 & 26/03/20*]
- David Smith (President) [*meetings of 26/03/20 & 21/05/20*]
- 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.

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 1st September, 2019 to 31st August, 2020, meetings took place on the 4th September 2019, 11th December 2019, 26th March 2020 and 21st May 2020.

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 2019/2020.

4.2 Attendance Record

Audit & Risk Committee Member	Number of meetings attended	% attendance
Dr Fionnuala Anderson (Chairperson)	4	100%
Marie Carroll	4	100%

Audit & Risk Committee Member	Number of meetings attended	% attendance
Kieron Connolly	4	100%
Sam Dunwoody	3	75%
Maeve McConnon	4	100%

4.3 Audit & Risk Committee Reporting

The Minutes of the Audit & Risk Committee meetings held during 2019/2020 were circulated to Governing Body once approved by the Committee.

5. Terms of Reference

5.1 Review of Term of Reference – at the Audit & Risk Committee meeting of 4th September 2019, it was proposed that the S/FC review the Committee’s Terms of Reference (ToR) in line with the requirements of the THEA Code of Governance for Institutes of Technology 2018. The revised Audit & Risk Committee’s ToR were circulated as a written resolution via email by the S/FC on 13th September 2019; the ToR were proposed, seconded and approved by Committee members via email and were subsequently approved by Governing Body at its meeting of 2nd October 2019.

At the Audit & Risk Committee meeting of 29th September 2020, the members reviewed the Terms of Reference in Section 5.2 and consider that no changes are required at this time.

5.2 Responsibilities of the Audit and Risk Committee

Ref.	Responsibility
5.1	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.
5.2	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.

Ref.	Responsibility
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

Terms of Reference	Compliance Action
5.1.1	The Audit & Risk Committee reviewed the Institute's Corporate Procurement Plan & Multi-Annual Procurement Plan at its meeting of 11 th December 2019.
5.1.2 5.2.7 5.2.8	The Audit & Risk Committee managed risk, internal control and governance in the Institute through the processes detailed in this section. In addition, reports are reviewed, including corporate contract details and reports regarding statutory issues such as data breaches, accidents, Protection of Children and Vulnerable Adults, and complaints. Risk to IADT is an underlying consideration for all agenda items. However, the Audit & 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, at the meetings of 26 th March and 21 st May 2020, the Committee members were briefed on the main potential risks to the Institute resulting from of the COVID-19 enforced closures.

Terms of Reference	Compliance Action
	At the meetings of 4 th September 2019, 11 th December 2019, 26 th March 2020 and 21 st May 2020, the Audit & Risk Committee reviewed the Institute's Contracts Control Sheet.
5.1.3	The Audit & Risk Committee reviewed and approved the Committee's Annual Report 2018/19 at its meeting of 4 th September 2019; the report was approved by Governing Body at its meeting of 2 nd October 2019.
5.1.3.1	IADT's Corporate Procurement Plan and Multi-Annual Procurement Plan were reviewed by the Committee at its meeting of 11 th December 2019.
5.1.3.2	The Audit & Risk Committee reviewed the draft Financial Statements for year ending 31st August 2018 at the meetings of 4 th September 2019 and 11 th December 2019. The Audit & Risk Committee reviewed the draft Financial Statements for year ended 31 st August 2019 at its meetings of 26 th March 2020 and 21 st May 2020.
5.1.3.3.	The Institute's Annual Report 2018/19 was reviewed by the Audit & Risk Committee on 21 st May and subsequently approved by Governing Body on 17 th June 2020.
5.1.3.4	The Annual Governance Statement 2018/19 was reviewed by the Audit & Risk Committee on 4 th September 2019 and was subsequently approved by Governing Body on 8 th January 2020.
5.1.3.6	The Audit & Risk Committee reviewed and approved the Institute's Statement of Internal Control 2018 at its meeting of 4 th September 2019. The Audit & Risk Committee reviewed the Statement of Internal Control 2019 at its meetings of 4 th September 2019 and 26 th March 2020.
5.2.1 5.2.2 5.2.4 5.2.5 5.2.6	At the meeting of 11 th December 2019, 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 31st August, 2018 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.
5.2.3 5.2.4 5.2.6	<p>During 2019/2020, the Audit & Risk Committee met with representatives of PwC, the internal auditors, to review the following:</p> <ul style="list-style-type: none"> • Internal Audit Findings Follow-up Review (4th September and 11th December 2019, 26th March and 21st May 2020) • Internal Audit Review of Internal Financial Controls with respect to Student Records (11th December, 2019 and 21st May 2020) • Internal Audit Review of the Institute's Risk Management Framework (26th March, 2020). <p>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.</p>

Terms of Reference	Compliance Action
5.2.9	Due to the COVID-19 pandemic and subsequent closure of the Institute from 12 th March 2020, the Audit & Risk Committee were unable to review the hard copies of the President's expenses for the period June 2019 to May 2020. The S/FC informed the Committee that he had reviewed and signed all such expenses; there were no matters that were necessary to bring to the specific attention of the Committee. The Audit & Risk Committee were informed that an inadvertent breach of security on the President's (David Smith) credit card occurred during May 2020; the credit card was cancelled and incurred no loss or risk to the Institute.
5.2.10	At the Audit & Risk Committee meeting of 4 th September, it was proposed that the S/FC review the Committee's Terms of Reference (ToR) in line with the requirements of the THEA Code of Governance for Institutes of Technology 2018. The revised Audit & Risk Committee's ToR were circulated as a written resolution via email by the S/FC on 13 th September 2019; the ToR were proposed, seconded and approved by Committee members via email and were subsequently approved by Governing Body at its meeting of 2 nd October 2019.

5.4. Matters not addressed by the Audit & Risk Committee

Terms of Reference	Compliance Action
5.1.3.1	The Budget Submission 2020 was reviewed and approved by Governing Body on 6 th May 2020.
5.1.4	IADT's Prevention & Detection of Fraud Policy and Protected Disclosures Report to 30 th June 2020 were reviewed and approved by the Governing Body on the 6 th May and 17 th June respectively.
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 during this period. Audit & Risk Committee Training – Gemma Collins, Director of Risk Assurance & Advisory Services at PwC, delivered training to the Audit & Risk Committee members in relation to their Roles and Responsibilities on 4 th September 2019.
5.2.12	The internal audit function is outsourced through a THEA sectoral process. The contract with PricewaterhouseCoopers expired on 31 st December 2019. During 2019/2020, a procurement process was held for internal audit services and a contract was awarded to Deloitte commencing 1 st January 2020.

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;
- 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;
- Approving and implementing a wide range of financial and governance policies including a Procurement Policy and a Prevention and Detection of Fraud Policy.
- Clearly defined capital investment control guidelines;
- Formal project management disciplines.
- A Critical Incident Protocol and additional processes and structures to deal with the COVID-19 Pandemic.

Reviews Conducted for the Period to 31st August, 2020

In the period to 31st August 2020, the following control reviews were undertaken:

- C&AG's Management Letter for financial statements for year ended 31st August 2018 (11th December 2019)
- Draft Financial Statements for year ended 31st August, 2018 (4th September and 11th December 2019)
- Draft Financial Statements for year ended 31st August 2019 (26th March and 21st May 2020)
- Internal Audit Reports:
 - Internal Audit Findings Follow-up Review (4th September and 11th December 2019 and 26th March and 21st May 2020)
 - Internal Audit Review of Internal Financial Controls with respect to Student Records (11th December 2019 and 21st May 2020)
 - Internal Audit Review of the Institute's Risk Management Framework (26th March, 2020).

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: _____