

Audit & Risk Committee of Governing Body Annual Report 2020-2021

1. Introduction

The Audit & Risk Committee was established by the Governing Body at its meeting of 5th November, 2003. The fourth Committee was appointed on 15th June 2016, with additional appointments being made on 1st March 2017; its term of office concluded with the conclusion of the term of office of the Governing Body on 31st March 2021. The current Committee was appointed by Governing Body on 16th June 2021, with a further two members to be appointed at a future date.

2. Reporting Period

This report covers the period 1st September, 2020 to 31st August, 2021.

3. Membership

The membership of the Audit & Risk Committee, up to the end of term of office of the 6th Governing Body on 31st March 2021, comprised:

- Dr Fionnuala Anderson (Chairperson & Governing Body Member)
- Marie Carroll (Governing Body Member)
- Kieron Connolly (Governing Body Member)
- Sam Dunwoody (External Member)
- Maeve McConnon (Governing Body Member)

The 7th Governing Body appointed the following Board members as part of the Audit & Risk Committee at their meeting of 16th June 2021:

- Cllr. Dr Michael Clark
- Maeve McConnon

Additional members will be appointed by the Governing Body at a future date.

Mr. Sam Dunwoody was appointed by the 6th Governing Body on 12th June 2019 for a four-year term of office.

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

- David Smith (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.

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, 2020 to 31st August, 2021, meetings took place on the 29th September 2020, 25th November 2020, 18th February 2021 and 23rd March 2021.

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 2020/2021.

4.2 Attendance Record

| Audit & Risk Committee Member | Number of meetings attended | % attendance |
|-------------------------------------|-----------------------------|--------------|
| Dr Fionnuala Anderson (Chairperson) | 4 | 100% |
| Marie Carroll | 4 | 100% |
| Kieron Connolly | 3 | 75% |
| Sam Dunwoody | 4 | 100% |
| Maeve McConnon | 2 | 50% |

4.3 Audit & Risk Committee Reporting

The Minutes of the Audit & Risk Committee meetings held during 2020/2021 were circulated to Governing Body once approved by the Committee, with an additional report delivered to Governing Body by the Chairperson of the Audit & Risk Committee following each Committee meeting.

5. Terms of Reference

5.1 Review of Term of Reference – at the Audit & Risk Committee meeting of 22nd September 2021, the Committee reviewed the Terms of Reference and proposed no amendments or changes.

5.2 Responsibilities of the Audit and Risk Committee

| Ref. | Responsibility |
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| 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 |
| 5.2 | The Audit and Risk Committee will: |
| 5.1.4 | A range of Institute Policies including but not limited to: Prevention and Detection of Fraud, Protected Disclosure |

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| 5.1.5 | The requirement arrangements for special investigations. |
| 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

| Terms of Reference | Compliance Action |
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| 5.1.1 | The Audit & Risk Committee reviewed the Institute's Corporate Procurement Plan & Multi-Annual Procurement Plan at its meeting of 25 th November 2020. |
| 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 beaches, 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 29 th September 2020, 25 th November 2020 and 18 th February 2021, the Committee members were briefed on the main potential risks to the Institute resulting from of the COVID-19 enforced closures. |

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| 5.1.1 | At the meetings of 29 th September 2020, 25 th November 2020, and 18 th February 2021, 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 2019/2020 at its meeting of 29 th September 2020; the report was approved by Governing Body at its meeting of 7 th October 2020. |
| 5.1.3.1 | IADT's Corporate Procurement Plan and Multi-Annual Procurement Plan were reviewed by the Committee at its meeting of 25 th November 2020. |
| 5.1.3.2 | The Audit & Risk Committee were briefed on the C&AG Audit Completion Memorandum for the Financial Statements for year ending 31 st August 2019 at the meeting of 29 th September 2020. The Audit & Risk Committee reviewed the draft Financial Statements for year ending 31 st August 2020 at the meetings of 18 th February 2021 and 23 rd March 2021. |
| 5.1.3.3. | Due to the end of the term of office of the 6 th Governing Body, the Audit & Risk Committee were unable to review the Institute's Annual Report 2019/2020. The Annual Report was reviewed and approved by the 7 th Governing Body on 16 th June 2021. |
| 5.1.3.4 | The Annual Governance Statement 2019/2020 was reviewed by the Audit & Risk Committee on 29 th September 2020 and was subsequently approved by Governing Body on 7 th October 2020. |
| 5.1.3.6 | The Audit & Risk Committee reviewed and approved the Institute's Statement of Internal Control 2019 at its meeting of 29 th September 2020. The Audit & Risk Committee reviewed the Statement of Internal Control 2020 at its meetings of 18 th February and 23 rd March 2021. |
| 5.2.1 5.2.2 5.2.4 5.2.5 5.2.6 | Due to unforeseen circumstances, the Audit & Risk Committee were unable to meet with Kathleen Bonner, Senior Auditor, Office of Comptroller & Auditor General (C&AG), as planned on 29 th September 2020 to discuss the Financial Statements for year ended 31 st August, 2019. The Audit & Risk Committee were, however, provided with the Audit Completion Memorandum as issued by the C&AG. The Audit and Risk Committee Members were offered the opportunity to make contact directly with Ms. Bonner by e-mail. |
| 5.2.3 5.2.4 5.2.6 | <p>During 2020/2021, the Audit & Risk Committee met remotely with representatives of Deloitte, the internal auditors, to review the following:</p> <ul style="list-style-type: none"> • Internal Audit Plan 2020-2023 (29th September 2020); • Internal Audit Follow-up Review Report (25th November 2020); • Internal Audit Review of IADT's Employment Control Framework Compliance (18th February 2021) • Internal Audit Review of IADT's Code of Governance Compliance (18th February 2021) <p>On each occasion, the Chairperson of the Audit & Risk Committee enquired as to whether the Committee members, or the representatives from Deloitte had any issues they wished to discussed in the absence of IADT staff members; no issues were raised that warranted consideration by the Committee.</p> |
| 5.2.9 | Due to the COVID-19 pandemic and subsequent continued 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 March 2021. The S/FC informed the Committee that |

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| | 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 Chairperson of Audit & Risk Committee subsequently reviewed and approved all hard copies of the President's expenses, pertaining to both Dr Annie Doona (June 2019 to September 2020) and David Smith (from May 2020 to March 2021) on 31 st March 2021. |
| 5.2.10 | At the Audit & Risk Committee meeting of 22 nd September 2021, the Committee reviewed the Terms of Reference and proposed no amendments or changes. |

5.4. Matters not addressed by the Audit & Risk Committee

| Terms of Reference | Compliance Action |
|--------------------|--|
| 5.1.3.1 | The Programmes & Budgets Template 2021 was reviewed by the Audit & Risk Committee on 18 th February 2021. Budget Submission 2021 was reviewed and approved by Governing Body on 16 th June 2021 |
| 5.1.4 | There were no policies relevant to the Committee that required review during the period. |
| 5.1.5 | The Audit & Risk Committee did not require any special investigations during the period. |
| 5.2.11 | The Audit and Risk Committee reflected on its performance during the entirety of its term of office and the 18 th February 2021 meeting of the Committee and has made some recommendations to the Executive and the Governing Body. |
| 5.2.12 | The internal audit function is outsourced through a THEA sectoral process. 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, 2021

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 2019 (29th September 2020)
- Draft Financial Statements for year ended 31st August 2020 (18th February and 23rd March 2021)

- Internal Audit Reports:
 - Internal Audit Follow-up Review Report (25th November 2020)
 - Internal Audit Review of IADT's Employment Control Framework Compliance (18th February 2021)
 - Internal Audit Review of IADT's Code of Governance Compliance (18th February 2021)

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: _____

Cllr. Michael Clark

Nominated by the Committee to sign the document in the absence of a Chairperson

Date: 22nd September 2021