

The University of Dublin

Trinity College

*Minutes of Audit Committee, Tuesday 20 November 2012*

*Present* Ms J O'Neill (Chair), Professor J McGilp, Mr P O'Reilly, Professor J Barry

*Apologies* Mr J Cunningham, Professor J O'Hagan

*(ex officio)* Internal Auditor (secretary), Secretary to the College

*In Attendance* Ms M Thompson

Ms Maureen Mulligan and Mr Brian Hill of the Office of the Comptroller and Auditor General, Mr S O'Keefe and Mr R Hobson of KPMG, together with the Chief Operating Officer, Treasurer/Chief Financial Officer and Financial Resources Manager attended for items AD/12-13/23

Mr B McGee, Assistant Internal Auditor attended for items AD/12-13/24 to 26.

Ms A Cooney, Assistant Internal Auditor attended for items AD/12-13/24 to 37.

(Items of specific interest to the Board are denoted XXX)

The Chair welcomed Professor Joe Barry to his first meeting and also welcomed Mr John Coman to the meeting as the new Secretary to the College.

**AD/12-13/20 Minutes**

The Chair drew the Committee's attention to the minutes of 17 October 2012, which had been circulated and invited the Internal Auditor to comment. He reminded members that the meeting had been inquorate and that no formal decisions could be taken. He proposed, with the Committee's approval, to add an addendum to the minutes ratifying the discussions that had taken place. The Committee, noting the discussions of the members present on 17 October, approved the minutes of 17 October as minutes of the Committee on that basis.

**AD/12-13/21 Call-over**

The Committee noted the actions that had been implemented since the previous meeting and those that remained outstanding.

**AD/12-13/22 Matters Arising**

Referring to minute AD/12-13/13 of 17 October, the Chair reminded members to forward suggestions for a new external member to the Internal Auditor.

Section A - Policy Issues

**AD/12-13/23 Trust Funds and Trinity Foundation**

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Introducing the item, the Chair referred to discussions which had taken place at the previous meeting regarding the accounting treatment under generally accepted accounting principles (GAAP) of the Trust Funds and Trinity Foundation in regard to the College's Consolidated Accounts and invited the Internal Auditor to update the Committee on the status of matters since then.

The Internal Auditor advised that KPMG and the Treasurer support continuing not to consolidate the Trust Funds and Trinity Foundation in line with the practice followed since the first Consolidated Accounts were prepared. He also advised that presentation to the Committee of the 2010/11 accounts has been delayed pending resolution of the matter raised by the C&AG. The Internal Auditor advised that he had met the Treasurer and the Financial Resources Manager and KPMG, following which a paper on technical aspects, as set out in Financial Reporting Standard (FRS) 2 and FRS 5 was developed by the Treasurer's Office, in conjunction with KPMG. The Committee discussed its role in this matter, agreeing that it could only recommend Consolidated Accounts to Board if they comply with GAAP and that the opinion of KPMG in that regard is crucial as they have had access to all the information.

The Chair then welcomed Ms M Mulligan and Mr B Hill of the Office of the C&AG, Mr S O'Keefe and Mr R Hobson of KPMG, the Chief Operating Officer, the Treasurer and the Financial Resources Manager to the meeting. The Chair drew the Committee's attention to the following papers, which had been circulated:

- Memorandum from the Chief Financial Officer and the Financial Resources Manager dated 14 November 2012;
- Audit Working Paper from Ms M Mulligan, C&AG (Confidential)

At the invitation of the Chair, the Treasurer advised that an issue had arisen in regard to the treatment of the Trust Funds and Trinity Foundation during the C&AG audit of the 2010/11 Consolidated Accounts. He advised that the Trust Funds have never been consolidated, on the basis that College does not control them. Referring to recent meetings with KPMG and the Internal Auditor, he advised that all the issues were re-examined in detail and he drew the Committee's attention to the conclusion on page 6 of the circulated paper, which outlines the basis for non-consolidation. Members also noted that other institutions in the sector do not consolidate and that the UK Statement of Recommended Practice (SORP), which is not mandatory in Ireland, has been adopted by the College, except in regard to the consolidation of the Trust Funds, and that this is disclosed in the Accounts approved by the HEA. Referring to the HEA role in annually approving the format of the Accounts, the Treasurer confirmed that the HEA has never requested consolidation of the Trust Funds or Trinity Foundation.

At the invitation of the Chair, Mr Keefe of KPMG advised that having

re-considered all the issues afresh, KPMG continue to agree with the College position that it is not appropriate to consolidate the Trust Funds or Trinity Foundation under GAAP. In response to a query, Mr O'Keefe confirmed that KPMG are in full agreement with the paper circulated by the Treasurer and confirmed that KPMG will issue an unqualified opinion on the Consolidated Accounts as drafted. Mr O'Keefe confirmed that KPMG would state in writing its agreement and support for the current accounting treatment if that would be of assistance to the C&AG.

At the invitation of the Chair, Ms M Mulligan of the C&AG then advised that the C&AG had decided this year to review the treatment of the Trust Funds and Trinity Foundation. She advised that it was her understanding that the HEA instruction was to prepare the Consolidated Accounts in accordance with both GAAP and the SORP. She advised that the C&AG has not been given the information requested during the audit, without which the C&AG is unable to come to a view on the issues as presented to the Committee or form an opinion on the validity of the reasons for non-consolidation. She commented that the C&AG, as the College's statutory auditors should be entitled to the information and not be expected to rely on a management representation. In response to a query, she advised that the approach is generally to rely on the work of the Board appointed auditors, where possible, but that, in respect of the Trust Funds, all the papers available to KPMG are not seen by the C&AG and, as a result, the C&AG audit is limited in scope. She advised that, having raised this in the past, and having noted certain transactions between the Trust and the College, a decision was made to examine the matter in greater detail during the 2010/11 audit. In response to a query, Ms Mulligan advised that it is ultimately for the C&AG to decide on a course of action or form of qualification if information requested is not forthcoming.

In response to Ms Mulligan's summary, the Treasurer commented that he was not aware of a HEA requirement to follow the SORP but that he would review the discussions that had taken place in 2003 if required. Given that the accounts for 2010/11 were now long overdue, he commented that the timing of the issue was unfortunate and that perhaps the matter could have been brought to College's attention at an earlier stage. In response to a query as to his view on the withholding of information from the C&AG, he advised that Board acts only as Trustees of the Trust Funds, that there is only one College person on the Board of Trustees of Trinity Foundation, that given the lack of control they are not within the scope of the C&AG audit of the Consolidated Accounts and that to grant access would require the approval of the Trustees.

During a discussion that followed, members noted the commercially sensitive nature of the Trust Funds and Trinity Foundation, potential donor concerns and how such information could enter the public domain. In response to a query, Ms Mulligan advised that clients' working papers are completely confidential. She also advised, however, that the information could form part of a special report of the education sector.

The Chair thanked Ms Mulligan, the Chief Operating Officer together with the Treasurer's Office and KPMG teams before they withdrew from the meeting.

During a detailed discussion, members discussed the various views that had been expressed during the meeting. After careful consideration of the matter and cognisant of the concerns and risks advised to it, the Audit Committee concluded that it would advise Board that the best course of action, in its opinion, would be to ask the Trustees to grant access to the C&AG, as requested, in regard to the Trust Funds, with appropriate confidentiality conditions attached and to make available in the first instance the Trust Deed of Trinity Foundation, subject to Trustee approval.

The Committee agreed that Board should also be advised that the possibility existed that the C&AG, on examining the same information as KPMG, may not reach the same audit conclusion on the accounting treatment. Following some discussion of the possible implications of a difference of audit opinion between KPMG and the C&AG, the Committee agreed that, should a difference arise, a number of options would then need to be considered by Board.

In conclusion, members recommended that a memorandum be drafted to advise Board of the Committee's views.

Action:

The Internal Auditor to prepare a memorandum to Board and circulate to members electronically for approval, after which a final memorandum will be forwarded to Board for consideration.

## Section B - Implementation Issues

- AD/12-13/24 Expenses - Review of Compliance with College Policies**  
Introducing the topic, the Internal Auditor invited Mr B McGee, Assistant Internal Auditor to update the Committee on the report on Expenses - Review of Compliance with College Policies, which had been circulated. Referring to the introduction of a new Policy in regard to Hospitality and Entertainment and a revised Travel policy in 2011, Mr McGee advised that Internal Audit had reviewed a sample of transactions over a six month period representative of the College community and found that there was good compliance with both policies. He also advised that a review of the procedure for approval of the Provost's expenses had been similarly satisfactory. The Committee welcomed the review and the assurance that these policies are being complied with across College.
- AD/12-13/25 Trinity Research and Innovation**  
Introducing the item, the Chair invited the Internal Auditor to update the Committee on the status of the review of Trinity Research and Innovation. The Internal Auditor summarised work completed to-date and advised that the final report would be presented to the Committee at its next meeting. The main issues arising were in regard to the reliance on external funding of staff and the risks associated with the fragmented support for non-

research contracts. Both of these issues are resource related and have been under review by Officers for some time.

**AD/12-13/26 Health and Safety Processes in College**

Introducing the item, the Internal Auditor invited Mr B McGee, Assistant Internal Auditor to brief the Committee on the report on Health and Safety Processes in College, which had been circulated. Mr McGee advised that it was a high-level review focused on the inputs, workings and outputs of the College's Safety Committee. He advised that there is room to improve the operations of the Safety Committee in terms of its monitoring and co-ordination role, drawing attention to a number of recommendations, which had been accepted for action. During a brief discussion, the Committee stressed the importance of guarding against overlaps or gaps in monitoring by the various sub-committees at local level and the need to address IT systems needs. The Committee welcomed the report and, noting the findings, thanked Mr McGee for his presentations who then withdrew from the meeting.

**AD/12-13/27 School of Medicine - Remuneration and Expenses**

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Introducing the item, the Internal Auditor referred to the matters arising in the School of Medicine, which had previously come to the attention of the Committee and advised that as a result a review had been carried out focused on remuneration and expenses in the School. Ms Cooney, Assistant Internal Auditor then briefed the Committee on the findings of the report, School of Medicine - Remuneration and Expenses, which had been circulated. Ms Cooney summarised the main findings and conclusions in the report and drew members' attention to the grading of audit findings employed. In particular, she drew the Committee's attention to the lack of sufficient information in the School to confirm the fulfilment of contractual duties by the hospital staff employed by the School. The Committee also noted several other issues, including poor governance over the payment of a stipend by the School to hospital consultants, the lack of signed contracts for some staff and incomplete casual pay forms.

During a discussion, members expressed serious concern about the poor governance and agreed that while the lack of signed contracts arises from historic events it is not an acceptable situation. The Committee, acknowledging the complexities posed by a devolved governance structure, also agreed that the role of HR needs to be reviewed. In response to a query, Ms Cooney advised that she had been unable to elicit management responses to a number of issues, despite several attempts. The Committee expressed concern at this and agreed that the report be forwarded to Officers for consideration, also drawing attention to the lack of management responses and the role of HR highlighted in the Annual Report.

Action:

- 27.1 Report to be forwarded to Executive Officers for consideration.
- 27.2 The role of HR in a devolved system to be highlighted in the Annual Report.

**AD/12-13/28 Disability Service**

Introducing the item, the Internal Auditor invited Ms Cooney, Assistant Internal Auditor to update the Committee on the findings of the report, The Disability Service, which had been circulated. Ms Cooney drew the Committee's attention to an issue in regard to compliance with the College accessible information policy and a number of lower ranking issues that were identified in the report and the recommendations in relation to same. The Committee noting the report agreed that it should be forwarded to the Chief Operating Officer.

Action:

Report to be forwarded to the Chief Operating Officer for consideration.

**AD/12-13/29 Update on GeneSIS**

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The Internal Auditor, introducing the item reminded the Committee of four issues relating to GeneSIS about which it had expressed serious concern in the 2011 Annual Report to Board: project planning, project ownership, project governance and management and quality assurance. The Internal Auditor advised the Committee of where remedial action had been taken since last year. During a discussion, the Committee acknowledged the difficulty in resolving some problems once a project has gone beyond the planning and initiation stages but stressed the importance of continuing to monitor the project closely to mitigate risks. The Committee noted and welcomed the development of a Policy on Major Projects by the Chief Operating Officer, which should contribute to improved processes for the management of large-scale projects.

The Internal Auditor also advised of the current status of the GeneSIS Project by summarising the Project Board minutes, the latest quality assurance reports and recent updates to the Executive Officers' Group. Discussing the grading of issues in the quality assurance reports, the Committee agreed that caution is needed in assessing the current status of the project as the grading takes account of future plans and intentions and the expected outcomes.

While expressing concern that the level of risk continues to be higher than it should be, the Committee acknowledged and welcomed the closer monitoring by the Chief Operating Officer, Executive Officers' Group and Finance Committee and the recently started work to review the project budget by the Treasurer/Chief Financial Officer. However, the Committee expressed its concern about the ability and capacity to deliver the necessary level of business process changes if the project is going to deliver the potential benefits envisaged when it was conceived.

In conclusion, the Committee expressed serious concern about the GensIS Project and recommended that the Project continues to be closely and independently monitored by Officers and that its status is subjected to regular critical analysis and scrutiny. The Committee agreed to highlight these concerns in their Annual Report to Board.

**AD/12-13/30 Research Governance**

The Internal Auditor, referring to previous discussions in regard to reviewing compliance with the College Research Ethics Policy, advised the Committee that an information gathering exercise undertaken by the Research Ethics Policy Group was nearing completion. He advised that, on completion of that work, it will be then possible to carry out an exercise to review the level of risks and to assess what audit work should be undertaken and that he would advise the Committee accordingly in due course.

**AD/12-13/31 Opinion on Internal Control**

The Internal Auditor invited the Committee's attention to his memorandum dated 14 November 2012 outlining his opinion on internal control, which had been circulated. The Internal Auditor advised that the memorandum sets out his overall opinion on internal control, which he is required by the Internal Audit Charter to prepare annually. He outlined the reasons for the type of opinion given and invited the Committee to consider whether its own opinion, to be relayed to Board in the Annual Report, should be similar.

The Committee, noting the Internal Auditor's overall opinion on internal control, agreed that its own opinion to Board would be identical.

Action:

The Internal Auditor to incorporate the Committee's opinion on internal control into the Annual Report.

**AD/12-13/32 Draft Audit Committee 2012 Annual Report to Board**

The Chair invited the Committee's attention to the Draft Annual Report to Board which had been circulated, noting that the final version of the report will be considered by Board at its meeting on 5 December 2012. The Committee noted that while Part 2 of the Annual Report is a report of record for the year, Part 1 invites Board's attention to key issues of concern to the Committee and its recommendations in relation to same.

The Internal Auditor also drew the Committee's attention to his draft opinion on internal control, which he advised is supported by the work completed during the year, as described in Part 2 of the report.

In the course of a detailed discussion, several issues were raised by members and the Committee agreed that the Internal Auditor would take account of those issues when finalising the report. Noting the proximity of the circulation date for Board papers, the Committee agreed that the Annual Report be finalised by the Internal Auditor and the Chair as discussed and emailed to members for final approval, after which the final version will be forwarded to Board for consideration.

Action:

The Internal Auditor to finalise the Annual Report as discussed for presentation to the Board meeting of 5 December 2012.

**AD/12-13/33 Discussion Document - Presentation of Audit Findings**

The Chair invited the Committee's attention to the discussion document, Presentation of Audit Findings, which had been circulated. Noting that the document had been deferred at the last meeting, the Chair proposed that the topic be again held over until the January meeting to allow adequate time for discussion and reflection on the issues which had arisen in its application on a pilot basis to recent reports presented to the Committee. The Committee concurred with this proposal.

**AD/12-13/34 Status of Internal Audit Work Plan**

The Internal Auditor drew the Committee's attention to his memorandum, dated 14 November 2012, outlining progress to-date on the Internal Audit Work Plan, which had been circulated. He advised that good progress had been made to date, despite a significant amount of time having to be diverted into unplanned work to investigate and report on the various remuneration issues that had arisen during the year. The Committee noted the update on the Internal Audit Work Plan.

**AD/12-13/35 Self-Evaluation of the Audit Committee**

The Internal Auditor, drawing the Committee's attention to his memorandum and the self-evaluation form, which had been circulated, invited the Committee to consider if they wished to make any changes to the process of self-evaluation this year. He also drew the Committee's attention to the results of the Board's evaluation of the Audit Committee, which had also been circulated. The Committee, noting an article on the topic, which had also been circulated, agreed that no changes were necessary and requested that the form be sent to them electronically for completion.

Action:

The form to be circulated to members for completion.

Section C - Items for Noting

**AD/12-13/36 Current Developments and Practices in Audit**

The Committee noted the Audit Committee Institute Quarterly 23, which had been circulated.

**AD/12-13/37 Board Papers**

The members present noted the Board Agenda and Minutes, which had been circulated.