



Minutes of Audit Committee, Thursday 7 January 2016

- Present** Ms J O'Neill (Chair), Professor R Byrne, Mr O Cussen, Ms A Duffy, Professor J McGilp,
- (*ex officio*) Internal Auditor (secretary - Mr F Sheeran), Secretary to the College (Mr J Coman)
- Apologies** Professor J Barry
- In Attendance** Ms M Thompson

Mr Brían Gartlan of BDO attended for item AD/15-16/17

Mr S O'Keefe and Mr R Hobson of KPMG together with the Chief Financial Officer (Mr I Mathews), the Deputy Chief Financial Officer (Ms L Ryan) and the Management and Financial Accounting Manager (Ms E Farrell) attended for items AD/15-16/18 to AD/15-16/20

The Chief Operating Officer (Ms G Ruane), the Vice-Provost/Chief Academic Officer (Professor L Hogan) and the Chief Financial Officer (Mr I Mathews) attended for items AD/15-16/22 and AD/15-16/23

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

AD/15-16/14 Minutes

The Minutes of the meeting held on 15 October 2015 were approved and signed.

AD/15-16/15 Call-over

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

AD/15-16/16 Matters Arising

There were no matters arising

SECTION A and B - Policy & Implementation Issues

AD/15-16/17 FIS Implementation Follow up Review

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Introducing the item, the Chair welcomed Mr Brían Gartlan of BDO to the meeting for consideration of the report "FIS Implementation Follow up Review", which had been circulated. The Chair reminded the Committee that, in January 2015, BDO and Internal Audit had completed a report on the implementation of the FIS Project that had highlighted significant issues. Following the Committee meeting on 14 April 2015, members had requested that a follow-up review take place after six months to assess how the recommendations of the first report were being implemented and the overall status of

the project implementation.

At the invitation of the Chair, Mr Gartlan briefed the Committee on the findings and highlights contained in the follow-up Review. In particular, Mr Gartlan drew the Committee's attention to the Executive Summary and advised members that the Review had identified a number of significant challenges for the Project in the following areas:

- Business Process Re-Design, including the PO Admin role
- Reporting and Commitments
- Fixed Assets Solution
- Helpdesk and on-going support
- Benefits Realisation
- Understanding of the system
- Increased workload due to system inefficiencies

Mr Gartlan advised that as in the previous review, they had met with a broad and representative group of FIS stakeholders and had also conducted a survey of a large number of users across the university to elicit their views on the system. The Committee noted that the Review presents the results of work undertaken over a 3-month period from 9 October to 8 December 2015.

Mr Gartlan drew the Committee's attention to the survey results which highlight user frustration as they carry out their day-to-day work and which illustrate deficiencies in the system. The Committee also noted with concern the continued difficulties in financial reporting and that this issue has been acknowledged by FIS management.

Mr Gartlan advised that at this stage of the Project, some benefits realisation would be expected but he advised that there have been no identifiable headcount or monetary savings to date and that it is highly likely that additional costs will be incurred.

Notwithstanding the significant challenges highlighted, Mr Gartlan advised of some improvements in the approach taken to the implementation of FIS over the past year including more positive engagement in the process from the FIS team and FSD and improvements in stakeholder engagement, user training and the formation of User Groups. The Committee also noted that the iExpenses module has been successfully rolled out across the university and had received positive feedback in the interviews.

Regarding the next steps, Mr Gartlan drew the Committee's attention to Section 3 of the Report which outlines a number of recommendations and ways that the most significant problems identified might be addressed. Noting plans by the FIS Project Team to close the project, he recommended that a plan of action be put in place to assess and address the most significant challenges and inefficiencies that remain in the system and in the business processes. In particular, Mr Gartlan suggested positive action could be taken in the following areas, as detailed in the report:

- Business Process engineering

- A more holistic approach to user training
- Technical Review of Oracle

The Internal Auditor, commenting on the recommendations, reminded the Committee that FIS Project was conceived as a College-wide transformational project to be enabled by a new IT system. He advised that the focus to date has been mainly on the IT system, principally from an FSD perspective, which, unless addressed, would be a significant narrowing of the scope. He advised that the potential benefits of looking at business processes, as recommended in the report, would be to broaden the project and support the benefit realisation. He explained that such a process would require strong leadership across College and could not be achieved by FSD alone who would need support in this.

The Committee members expressed strong dissatisfaction with the management response to the user survey results, commenting that it was a benign interpretation of the facts and indicates a continuing denial of the difficulties users are experiencing in their day to day work and of the real issues that exist. Members agreed that the management response, as presented, welcomes survey results that are clearly unsatisfactory and ignores the negative feedback on meeting business requirements, ease of use and improvements and efficiencies. The Committee also commented that the response to the lack of realisation of benefits ignores the central point and that moving responsibility for a key project deliverable, that justified the considerable investment in FIS, to a new project called 21st Century Administration, would prevent subsequent tracking of benefits realisation and negate accountability. The Committee stressed the importance of moving forward positively, although they remained concerned at the apparent tendency of FIS management to now view the Project as largely complete when there are still very significant challenges to overcome.

During a detailed discussion, the Committee acknowledged that it was not its role to specify detailed solutions to the problems identified but to outline issues worthy of consideration. However, members stressed that FIS will continue to require leadership at senior level that is prepared to recognise and deal with the real issues but that putting that in place represents a challenge given the governance structures. The Committee agreed that realistically a level of resources to address the current deficiencies will also be needed and that this needs to be highlighted. In particular, the Committee expressed serious concern that the benefits may never be realised and that rolling responsibility for this important element into a different project would likely make tracking impossible. The Committee agreed that it will need to reflect further on FIS and will consider its response again at the next meeting in February.

Members also stressed the importance of lessons for the future, particularly in light of the number of large-scale projects foreseen as part of the College's Strategic Plan. Whilst recognising the challenges posed by the university's devolved governance structure, members stressed the importance of accountability in the management of such large-scale projects and that there needs to be a mechanism to capture and disseminate the important lessons and create a corporate memory for the future. The Committee also

agreed that there should be a process governing the closure of FIS and other large projects and that closing a project should not be a decision for the project team alone. Some measure of the degree of success and learning points should be captured for each project, and benefits realisation should be included in that assessment. The Committee agreed that it will reflect further on these issues also at the next meeting and that its concerns on FIS should be highlighted in Part I of the Committee's Annual Report to Board.

The Chair thanked Mr Brian Gartlan of BDO for his contribution to discussions and he withdrew from the meeting.

Action

- 17.1 The Internal Auditor to include the concerns of the Committee in Part I of the Annual Report to Board.
- 17.2 The Internal Auditor to include FIS as an agenda item for the next meeting.

AD/15-16/18 XXX Audit of the US GAAP Financial Statements for the year ended 30 September 2014

The Chair welcomed the Chief Financial Officer, the Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Mr O'Keefe and Mr Hobson of KPMG to the meeting for the consideration of the US GAAP Financial Statements and Revised Audit Arrangements.

The Deputy Chief Financial Officer drew the Committee's attention to the following documents which had been circulated for consideration under this item:

- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 21 December 2015, together with Appendices 1-3
- KPMG Draft Letter of Representation
- US GAAP Consolidated Financial Statements for the year ended 30 September 2014
- KPMG Document - Audit Findings from the US GAAP Financial Statements Audit for the year ended 30 September 2014

The Deputy Chief Financial advised that following enactment of legislation by the US Government in 2011, foreign institutions in receipt of the Federal Student Aid Programme within a certain range are required to submit financial statements prepared in accordance with US GAAP once every three years. She advised that the financial statements are prepared solely to satisfy a requirement of the US Student Aid Programme and are submitted to the US Department of Education and will not be published or otherwise distributed. The Committee noted that annual US GAAP financial statements are required if the assistance exceeds US\$10 m per annum.

In particular, the Deputy Chief Financial Officer drew the Committee's attention to the key reconciling items when converting from Irish to US GAAP. The Committee noted that the financial statements were considered by Finance Committee on 20 October 2015 (Ref FN/15-16/35) and that once they are approved by Board they will be submitted to the US Department of Education.

During a subsequent discussion, the Chief Financial Officer and Deputy Chief Financial Officer answered a number of technical queries from members. In reference to Appendix 2, the Committee suggested that it would be useful for this type of information to be presented in a different format, which the Deputy Chief Financial Officer agreed to amend for future presentations.

Mr O'Keefe of KPMG advised that the audit had proceeded smoothly and they had no matters of concern to bring to the attention of the Committee. Mr O'Keefe confirmed that KPMG intend to issue an unqualified audit opinion following Board approval on 27 January 2016.

In conclusion the Committee recommended that the US GAAP Financial Statements for the year ended 30 September 2014 together with the KPMG Letter of Representation be forwarded to Board for approval.

Action

18.1 The US GAAP Financial Statements for the year ended 30 September 2014 together with the letter of representation to be forwarded to Board for approval.

AD/15-16/19 Revised Audit Arrangements

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The Deputy Chief Financial Officer drew the Committee's attention to the following documents which had been circulated:

- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 21 December 2015 regarding the Annual Audit of the HEA Funding Statements
- Letter to the HEA from the Chief Financial Officer dated 25 November 2015
- Acknowledgement letter from the HEA dated 3 December 2015

The Chair reminded members of discussions at the previous meeting at which it was agreed that the Deputy Chief Financial Officer liaise with KPMG regarding the nature of the audit certification for the Funding Statements and bring a formal proposal back to the Committee for consideration. The Deputy Chief Financial Officer briefed the Committee on the main elements of the proposal as presented, noting that the revised wording of the auditors' certification of the financial statements was similar to that used in another institution. Following a brief discussion, the Committee welcomed progress on the matter and approved the proposal and agreed to recommend to Board the discontinuance of the full annual audit of Trinity's Funding Statements with effect from FY2015.

Action

19.1 The Committee approved the proposal to discontinue the full annual audit of Trinity's Funding Statements with effect from FY2015 and to make a recommendation to Board.

AD/15-16/20 Management Letter - FY13/14 Audit of the Consolidated Financial Statements

The Chair drew the Committee's attention to the additional auditors' comments in the extracts from the finalised Management Letter from the Office of the Comptroller and Auditor General's Office which had been circulated. The Committee stressed the importance of having robust processes in place to ensure compliance with College policies and that the documentation and explanations given to the C&AG would have been better incorporated into the supporting documentation rather than having to be supplied after the event. The Deputy Chief Financial Officer advised the Committee that the scaling back of P-cards together with the recent introduction of iExpenses should strengthen processes significantly in this area. The Committee noted that the documentation issues arose mostly in respect of two credit cards and that steps would be taken to strengthen the administrative process around documenting their use.

During a detailed discussion, the Committee noted the maximum rates published by the Department of Finance Circular for hospitality and for subsistence. The Committee recommended that these published rates should be embedded in both the hospitality and entertainment policy and the travel and subsistence policy for the guidance of staff. The Committee acknowledged that, given the wide diversity of activity and circumstances that arise in the course of the university's business, a degree of flexibility is necessary and the rates may need to be exceeded at times. The Committee recommended that the policies be amended to also recognise this possibility and that, in those limited circumstances, clear and robust evidence to support any departure from the maximum rates should be provided at the time of incurring the cost or claiming reimbursement. In conclusion, the Chief Financial Officer and Deputy Chief Financial Officer agreed to amend the policies to reflect the issues discussed during the meeting.

Noting that the Chief Financial Officer will re-join the meeting for items agenda items 7 and 8, the Chair thanked the FSD and KPMG teams for their contribution to discussions and they withdrew from the meeting.

Action

- 20.1 The Chief Financial Officer and Deputy Chief Financial Officer to amend the policies to reflect the maximum rates and process where there is a departure.
- 20.2 The Chief Financial Officer to devise an administrative process to achieve earlier and better documentation on the use of credit cards.

AD/15-16/21 Public Interest Disclosure (Whistleblowing) Policy

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Introducing the topic, the Chair drew the Committee's attention to the following documents which had been circulated for consideration:

- Memorandum from the Internal Auditor dated 22 December 2015
- Memorandum from the Secretary to the College and the Assistant Secretary dated 27 November 2015
- Draft Public Interest Disclosure (Whistleblowing) Policy

At the invitation of the Chair, the Secretary to the College briefed the Committee on the background to the introduction of the Public Interest Disclosure Policy, with specific reference to the Protected Disclosures Act 2014 commonly referred to as the “Whistleblowers Act” which came into operation on 15 July 2014, as well as the Trinity Code of Governance adopted in June 2013. In light of the new legislation he advised that it was decided to put in place a policy based on the new Act. Noting that the Executive Officer Group and the HR Committee have considered the draft policy, he summarised the main provisions of the policy.

During a subsequent discussion, members recommended a number of refinements to the draft policy, particularly regarding the role of the Internal Auditor and interaction with the Disclosure Group. The Committee also noted that the wording in regard to vexatious complaints should be more explicit and the Secretary agreed to examine this wording again. Finally, the Committee stressed the importance of adhering to the legal definitions contained in the Act and recommended obtaining a legal opinion of the draft policy before it is finalised. The Secretary to the College agreed to work with the Internal Auditor and amend the draft policy to reflect the points raised by the Committee.

In conclusion, the Committee welcomed the development of a policy in this important area and thanked the Secretary to the College and Assistant Secretary for their work in bringing it to fruition. The Committee agreed that the policy be amended as discussed and then forwarded to Board for approval. The Committee recommended that the policy be reviewed after one year in operation.

Action

21.1 The Secretary to the College to liaise with the Internal Auditor and amend the Draft Public Interest Disclosure Policy as discussed before forwarding it to Board for approval.

AD/15-16/22 Audit Committee Recommendations

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The Chair welcomed the Vice-Provost/Chief Academic Officer and the Chief Operating Officer to the meeting, together with the Chief Financial Officer who was re-joining the meeting for agenda items 7 and 8. The Chair drew the Committee’s attention to the following documents, which had been circulated for consideration:

- Memorandum from the Internal Auditor dated 4 January 2016
- Audit Committee Recommendations Log
- Internal Audit Review of Completed Items dated December 2015

Introducing the item, the Chair reminded members that at the last meeting it had mandated the Internal Auditor, together with assistance from Ms Duffy, to review and revise the template to be used by the Chief Operating Officer in reporting the status of outstanding recommendations. Commenting on the revised template, the Internal Auditor advised they had taken out many of the columns to simplify the log and make it more readable and user friendly. He also advised that the template now includes an overall summary of the movement in numbers of recommendations and an aged analysis of them. The Chair invited the Committee to consider

if the revised template is satisfactory. Members expressed satisfaction with the new layout, commenting that the content is now much clearer and easier to digest and highlights the changes to the status very effectively. The Committee requested the Chief Operating Officer to bring a fully updated version in the new format to the March meeting in time for inclusion in the Committee's Annual Report to Board. The Committee expressed concern at the high number of outstanding recommendations and urged that efforts be made to clear as many items as possible between now and the Committee's Annual Report to Board. Commenting on the number of outstanding recommendations, the Vice-Provost/Chief Academic Officer advised that some of these items were major issues that had required significant work. The Chief Operating Officer confirmed that she would update the recommendations log in advance of the Annual Report and that for items that are to be marked as completed she would liaise closely with the Internal Auditor and his team. In conclusion, the Committee approved the revised template as presented and agreed to consider the next iteration of the Recommendations Log in detail at its meeting in March.

Referring to the Internal Audit Review of Completed Items which had been circulated, the Internal Auditor reminded members that the dashboard accompanying the Internal Audit Recommendations Log presented to the Committee on 15 October 2015 had reported a total of thirteen completed recommendations since the previous version presented to them on 18 June 2015. Commenting on the findings of the review, he advised that eleven of the thirteen recommendations have been completed but that two items are not in fact fully complete. In particular, he drew members' attention to the recommendation regarding an annual declaration by staff of compliance with all College policies. The Secretary to the College advised of steps being taken to implement this recommendation, including the issuing of an email communication to all staff on 6 January 2016 to highlight College policies.

The Committee concluded by reiterating the importance of implementing its recommendations in a timely manner and of the risks associated with outstanding recommendations. The Committee also stressed that it would be vigilant in checking that all completed recommendations have been correctly reported as such.

Action

- 22.1 The Chief Operating Officer to update the log as discussed for the March meeting.
- 22.2 The Chief Operating Officer to liaise with the Internal Auditor in regard to completed items in advance of the Committee's meeting in March.

AD/15-16/23 Risk Management

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The Chair invited the Internal Auditor to introduce the item. Noting Phase 1 and Phase 2 of the risk management process being undertaken by the Chief Operating Officer, he reminded members that while Phase 2 is being developed the College-level Risk Register needs to be also updated, noting that the last update available to the Committee was in June 2015. He expressed concern at the gap, particularly in light of the Committee's dependence on it for

determining the risk-based audit plan and the desirability of making progress because of the impending Annual Report to Board in March. Referring to Phase 2, he drew attention to the memo from the Vice-Provost/Chief Academic Officer dated 15 December 2015, that had been circulated. He reminded members of the discussion at the previous meeting, when it was agreed that existing processes should be used in developing a suitable process in academic areas and that the processes as outlined provide a very useful source for risk identification, as well as a basis for their management

The Chair then invited the Chief Operating Officer to comment on the current status of the risk management progress. She briefed the Committee on the status of the four pilot projects, commenting that they should be completed in all four areas within weeks and that the updated College-level Risk Register would be presented to the next Audit Committee meeting in February.

In regard to the memorandum on academic risks from the Vice-Provost/Chief Academic Officer, the Chair invited the Vice-Provost/Chief Academic Officer to comment on the document. Referring to discussions at the last Audit Committee meeting regarding how best to maximise use of existing processes in the development of risk management in academic areas, the Vice-Provost/Chief Academic Officer advised that she asked the Quality Officer to summarise for the Committee the existing quality assurance and enhancement processes, many which address key areas of academic risk. She advised that the objective should be to assess how existing processes can be used in the context of risk management and to avoid duplication of work and effort.

During a detailed discussion, the Committee stressed the need to integrate the risk process with those practices, both to identify risks and as a basis for developing an appropriate form of risk management in academic areas. The Committee considered the impact of a number of specific and significant risk issues in the discussion with the Vice-Provost/Chief Academic Officer. Noting that these are due to both system deficiencies and structural impediments, the Vice-Provost/Chief Academic Officer briefed members on measures to resolve the issues in these areas.

In conclusion, the Committee expressed concern at the extent to which there are significant academic risks that need to be integrated into the overall risk management system and be reflected in the College-level Risk Register. Noting the proximity of the Committee's Annual Report to Board, the Committee requested that they be provided with an updated College-level Risk Register and the proposals for Phase 2 of the risk management process for the next meeting on 11 February 2016. The Chief Operating Officer confirmed that the updates would be available for this meeting.

The Chair thanked the Vice-Provost/Chief Academic Officer for her memo that provided a very useful insight, noting that it would be invaluable to the Chief Operating Officer in developing the risk processes. The Chair also thanked the Chief Operating Officer and the Chief Financial Officer for their valuable contributions to discussions and they withdrew from the meeting.

Action

- 23.1 The Chief Operating Officer to present the updated College-level Risk Register at the February meeting.
- 23.2 The Chief Operating Officer to present the results of Phase 2 and proposals for risk management at the February meeting.

AD/15-16/24 Audit Work-Plan

Given time constraints, after a brief consideration the Committee decided to defer further discussion of the Audit Work-Plan until its next meeting on 11 February 2016, agreeing that the Internal Auditor should proceed with the work as outlined in the interim.

Section C - Items for Noting

AD/15-16/25 Control Exception Report

The Committee noted the Control Exception Report for November 2015, which had been circulated.

AD/15-16/26 Current Developments and Practices in Audit

The Committee noted the Irish Times article entitled “Funding Cuts putting Irish third-level section under pressure as never before” dated 4 January 2016, which had been circulated.

AD/15-16/27 Board Papers

The Committee noted the Board papers, which had been circulated.