



Minutes of Audit Committee, Thursday 11 February 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

Ms Anne FitzGerald, Chair of the Trinity Foundation Audit Committee
attended for item AD/15-16/31

Ms Aoife Cooney, Assistant Internal Auditor attended for items AD/15-
16/32 - AD/15-16/38

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

AD/15-16/28 Minutes

The Minutes of the meeting held on 7 January 2016 were approved
and signed.

AD/15-16/29 Call-over

The Committee noted the actions that had been implemented since
the previous meeting and those that remained outstanding.
Commenting on the layout of the Call-over document, the
Committee proposed that it would be useful to add an extra column
illustrating the status of each item and the Internal Auditor
confirmed that he would amend the document accordingly.

Action

Internal Auditor to amend the layout of call-over

AD/15-16/30 Matters Arising

There were no matters arising

SECTION A and B - Policy & Implementation Issues

AD/15-16/31 Report from the Trinity Foundation Audit Committee

Introducing the item, the Chair welcomed Ms FitzGerald, Chair of
the Trinity Foundation Audit Committee (TFAC) to the meeting for
consideration of the Report of TFAC, which had been circulated. The
Chair invited Ms FitzGerald to brief members on the Report.

Ms FitzGerald thanked the Committee for inviting her to the
meeting and for the advice of the Chair and Internal Auditor leading
to the establishment of TFAC.

Ms Fitzgerald drew attention to the terms of reference of TFAC and the Memorandum of Understanding (MoU) with the Trinity Audit Committee in the attachments to the Report. Ms FitzGerald advised that TFAC has focussed on four broad areas in its work to date:

- External Audit
- Internal Audit
- Governance
- Policy Development

Noting that KPMG are the Foundation's external auditors, Ms FitzGerald advised that TFAC has now overseen the preparation and reporting on the Foundation's financial statements for 2014 and 2015 and that an unqualified opinion was issued for the 2014 financial statements. Ms FitzGerald advised that no issues of concern had been identified in the course of the 2015 audit and that, subject to the approval of the financial statements and letter of representation by the Foundation Trustees in March 2016, KPMG would be issuing an unqualified audit opinion. Ms FitzGerald confirmed that accounts, once approved by the Trustees, will be forwarded to the TCD Audit Committee for information. The Committee noted that under the terms of the MoU the same firm of auditors will be appointed for the same duration in the future to the Foundation as for Trinity.

Ms FitzGerald advised that a priority focus for TFAC's work programme since its inception has been the Foundation's internal audit work programme. The Committee noted that, prior to the establishment of TFAC, the Foundation had engaged Grant Thornton to assist in developing a risk-based approach. In particular, Ms FitzGerald advised of progress made in relation to data protection and other IT security issues and of the progress made in embedding risk management. Ms FitzGerald also advised that another significant governance development during 2014/15 was the restructuring of the Foundation itself to align more directly with its objectives. The Committee also noted a number of policies approved by the Foundation's Trustees in the course of 2015.

During a detailed discussion, Ms FitzGerald clarified a number of queries for members. In response to a specific query in regard to whether donations made in the UK are recognised as charitable donations for tax purposes, Ms FitzGerald advised that she would check on the matter and revert to the Committee.

In conclusion, the Committee welcomed the TFAC Report and the significant progress made to-date by TFAC since its establishment and under her direction. The Committee recommended that Ms FitzGerald and the Internal Auditor liaise further on the points discussed during the meeting. Finally, the Committee agreed to include the topic in their Annual Report to Board for 2015/16.

The Chair thanked Ms FitzGerald for attending the meeting and for her valuable contribution to discussions.

Action

31.1. Ms FitzGerald to clarify the tax status of donations made in the UK to the Trinity Foundation.

31.2 Ms FitzGerald and the Internal Auditor to liaise further on the points discussed during the meeting.

AD/15-16/32 Global Relations Strategy II

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The Chair welcomed Ms Cooney, Assistant Internal Auditor, to the meeting.

Introducing the item, the Internal Auditor advised that the university is currently pursuing a number of investment strategies that were expected to return Trinity to a historical surplus by 2018/19 and one of the key ones is GRS II. He reminded the Committee that a review of key income strategies is one of the principal themes in the audit work-plan, which is aligned to the College strategic objectives.

The Committee noted that GRS II is the successor to the Global Relations Strategy approved by Board in 2011. Noting the target in the Strategic Plan to double the number of non-EU students, the Internal Auditor advised that the main objectives of the audit were to review the governance structures in place, risk management and the finance and funding. He advised that there had been good engagement by management during the course of the audit, management responses to recommendations had been welcoming and positive and that the audit had highlighted the need for a more co-ordinated response to the College-wide risks.

During a detailed discussion, members welcomed the report commenting that it is timely and touches on the key issues in regard to GRS II. Commenting that it is only the second year in operation for GRS II, the Committee acknowledged that it is still in the early stages of the strategy. The Committee noted the audit findings in relation to governance, risk management and financial reporting. In particular, the Committee commented that while the university is very good at introducing new strategies, the report appears to point to a need for greater awareness of the knock-on consequences across College. For such key strategic initiatives, where success depends on a number of areas across the university, the Committee agreed that there is a need for more coordination of planning and actions and endorsed the report's recommendations.

The Committee noted the need for consideration of the broader aspects of the strategy, the management of the risks beyond the remit of Global Relations Office (GRO), the adequacy of actions to mitigate those risks and the dual ownership of related recommendations. The Committee stressed the importance of clarity as to who owns the risks that fall outside the remit of the GRO and who will be accountable for their management. The Committee, noting the report's recommendations and the number of timelines for action falling in mid-2016, agreed to review progress on the recommendations at its meeting in October 2016 and also agreed to invite the Vice-President for Global Relations to that meeting. The Internal Auditor reminded members that the recommendations outlined in the report will be included in the Audit Committee's Recommendations Log by the COO for regular reporting to the Committee.

In conclusion, the Committee welcomed the Report on GRS II and

agreed to review progress in October 2016.

Action

- 32.1** The Committee agreed to review progress on the report's recommendations at its meeting in October 2016.
- 32.2** The Vice-President for Global Relations to be invited to attend the October Committee meeting.

AD/15-16/33 FIS Implementation Follow-up Review

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The Internal Auditor drew the Committee's attention to his memorandum dated 5 February 2016, which had been circulated together with a copy of the internal audit report already circulated to the Committee for its meeting on 7 January. Referring to the Audit Committee minute of 7 January 2016 (Ref: AD/15-16/17), the Internal Auditor reminded members that the Committee had agreed to reflect further on FIS and the recommendations in the report. He invited members for their views and to reach a decision as to the recommendations of the Committee in regard to FIS. The Internal Auditor advised that findings emerging from two subsequent internal audit reports have given rise to concerns over the adequacy of internal controls in the system. The Committee noted that the report on internal control in the Interim Workflow Process will be considered later in the meeting and that an internal audit report on the use of external consultants is not yet complete but will be considered at the Committee meeting on 15 March 2016.

Noting the detailed discussions of the Committee at the meeting of 7 January, the Chair invited members to consider if they had any further observations and comments and if they agreed with or wished to add to the recommendations contained in the follow-up review.

Professor McGilp advised members that he had brought the serious concerns of the Committee to the attention of Board at its meeting of 27 January 2016 and that Board is aware of the issues and awaiting a response from the Executive.

During a detailed discussion, the Committee reiterated its serious concern in relation to FIS. In particular, the Committee emphasised that it is not its role to offer detailed solutions but to highlight serious issues and it is now for College management to take action to resolve the problems. In addition, members reiterated the importance of an on-going role for the CFO and FSD in the effective delivery of the project as well as realisation of the benefits. The Committee expressed concern that rolling responsibility for the benefits strand into the 21st Century Administration project will make tracking of benefits more difficult and negate accountability. Members also reiterated the importance of lessons for the future, particularly in the light of the number of large-scale projects foreseen as part of the College's Strategic Plan. The Committee commented that it has now made its views on the issues clear yet remains dissatisfied with FIS management responses which appear to continue to deny problems and the real issues that exist and that it would await the result of the EOG meeting.

In conclusion, the Committee agreed a number of points to highlight

its serious concern on the issues in Part I of their Annual Report to Board. The Chair assured members that she would convey the Committee's views in the strongest terms when presenting the Annual Report to Board on 23 March 2016. Finally, the Committee agreed to continue to monitor the matter closely, endorsing the recommendations in the internal audit report.

Action

33.1 The Internal Auditor to highlight the Committee's continuing serious concern in relation to FIS in the draft of the Annual Report to Board for 2015/16 for consideration at the next meeting.

AD/15-16/34 Internal Controls over the Interim Workflow Process

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The Chair drew the Committee's attention to the report entitled Internal Controls over the Interim Workflow Process which had been circulated and invited the Internal Auditor and Ms Cooney to update the Committee on its findings. Introducing the report, the Internal Auditor advised that an issue was noted in the Control Exception Report, circulated to Finance Committee by FSD in November 2015 and circulated to the Committee for noting on 7 January 2016. He advised that the circumstances of the exception gave rise to a question as to the adequacy of internal controls and how the system allowed the exception to occur, but that this aspect had not been considered in the Control Exception Report so that Internal Audit decided to investigate the matter from a systems control perspective.

The Internal Auditor briefed the Committee on the engagement with management on the issues. He advised that lengthy management responses were received very late and reference was made to factual inaccuracies in the report but were not yet made available. As the report recommendations were accepted he had to conclude that, if there were any inaccuracies, they could not be substantive. In view of the significance of the control weakness, he had decided to proceed with circulation of the report to the Committee, with the addition of an audit comment in reply to each management response, which he believed was necessary.

He invited Ms Cooney to brief the Committee on the detailed findings of the report. Ms Cooney gave an overview of the iProcurement and Interim Workflow processes. She advised that there are three areas in the university not on iProcurement, which use the interim workflow as their usual method of approving invoices for payment. Ms Cooney also advised that the Interim Workflow is also used to process invoices for areas which are live on iProcurement but for which there is no PO. Ms Cooney advised that there are no statistics currently available to quantify how many invoices are being paid through the interim workflow due to lack of POs but was informed during the course of the audit that it is too frequent to monitor. In particular, Ms Cooney advised that the interim workflow key control weakness is that there are 47 PO Administrators (POAs) across College with unlimited approval authority. There is no control, which would stop or guarantee detecting the creation of a PO, receiving the goods and approving the payment by a POA, all without a system limit on the value. She

advised that as a result there is not effective oversight or control over the Interim Workflow.

During a subsequent detailed discussion, the Committee expressed its deep concern at the findings contained in the report and stressed that urgent action is required to strengthen processes and ensure that robust and effective internal financial controls are in place at all levels in the university. The Committee agreed that it would need to see the final report with any factual inaccuracies and corrections at the next meeting. In the meantime, the Committee agreed that the CFO and Deputy CFO be invited to the next meeting to discuss the issues and emphasised that remedial action must be taken as a matter of urgency. In addition, members expressed further concern at other aspects that were evident such as the approach to system design, the focus on the transaction only and the management responses and agreed to also discuss these at the next meeting.

In conclusion, the Committee agreed to consider the matter again at its meeting on 15 March and to highlight the issues in their Annual Report to Board for 2015/16.

Action

- 34.1 The CFO and Deputy CFO to be invited to the next Committee meeting to discuss the issues arising from the report on Internal Controls over the Interim Workflow Process.
- 34.2 The Internal Auditor to highlight the issues in the Annual Report to Board for 2015/16.

AD/15-16/35 Annual Report to Board - Part I 2015/16

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At the invitation of the Chair, the Internal Auditor invited the Committee's attention to the draft outline of Part I of the Committee's Annual Report to Board, which had been circulated. The Committee noted that that the draft of the Annual Report will be considered by the Committee at its meeting on 15 March 2016 prior to its circulation to Board for the meeting on 23 March 2016. The Committee noted that Part II of the Report is a report of record for the year, while Part I invites Board's attention to key issues of concern to the Committee and its recommendations in relation to same. The Internal Auditor invited the Committee to reflect on the issues and themes they wished to highlight in Part I of Report.

In the course of a detailed discussion, several issues were raised by members. In particular, the Committee recommended that its serious concerns in relation to the Risk Management process, FIS Project as well as issues surrounding the internal control framework should be highlighted in the Report in the context of the College strategic aims. The Committee also discussed a number of issues relating to governance for inclusion in Part I of the Report. Noting that the circulation date for Board papers falls on 16 March only one day after the next Committee meeting, members agreed that the Annual Report be drafted by the Internal Auditor and emailed to members for feedback ahead of the next meeting so that the draft under consideration on 5 March be as close to final as possible.

Action

35.1 The Internal Auditor to draft the Annual Report as discussed and forward it to members by email for feedback.

AD/15-16/36 Audit Work-Plan

The Committee noted the memorandum from the Internal Auditor dated 4 January 2016 which had been circulated again and agreed that the Internal Auditor proceed with the work as outlined in the Audit Work-Plan.

Section C - Items for Noting

AD/15-16/37 Current Developments and Practices in Audit

The Committee noted the Audit Committee Institute Quarterly 30, which had been circulated.

AD/15-16/38 Board Papers

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