



**Minutes of Audit Committee, Tuesday 15 March 2016**

*Present* Ms J O'Neill (Chair), Professor J Barry, 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)

*In Attendance* Ms M Thompson

The Vice-Provost/Chief Academic Officer (Professor L Hogan), the Chief Financial Officer (Mr I Mathews) and the Chief Operating Officer (Ms G Ruane) attended for items AD/15-16/42 and AD/15-16/43

The Chief Financial Officer and the Deputy Chief Financial Officer (Ms L Ryan) attended for items AD/15-16/45 to AD/15-16/46

The Chief Financial Officer, Deputy Chief Financial Officer, the Management and Financial Accounting Manager (Ms E Farrell), together with Mr S O'Keefe and Mr R Hobson of KPMG and Mr S Carton and Mr D McCarrick of the Office of the Comptroller and Auditor General attended for items AD/15-16/47

The Chief Financial Officer, Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/15-16/48

Ms Aoife Cooney, Assistant Internal Auditor attended for items AD/15-16/44 to AD/15-16/51

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

**AD/15-16/39 Minutes**

The Minutes of the meeting held on 11 February 2016 were approved and signed.

**AD/15-16/40 Call-over**

The Committee noted the actions that had been implemented since the previous meeting and those that remained outstanding and welcomed the improved format of the document.

**AD/15-16/41 Matters Arising**

Referring to the challenging agenda and the number of serious issues before the Committee that had arisen in recent weeks, the Chair proposed deferral of the Committee's Annual Report to the Board meeting of 27 April 2016 and that a draft memorandum would be tabled for consideration later in the meeting.

## **SECTION A and B - Policy & Implementation Issues**

### **AD/15-16/42 Audit Committee Recommendations**

The Chair welcomed the Vice-Provost/Chief Academic Officer, the Chief Financial Officer and the Chief Operating Officer to the meeting for consideration of the Audit Committee Recommendations and the Risk Management items.

The Committee noted the following documents, which had been circulated for consideration under this item:

- Audit Committee Recommendations Log
- Internal Audit Review of Completed Items dated March 2016

Referring to the busy agenda, the Chair invited the Chief Operating Officer to briefly update members on the Audit Committee Recommendations.

Noting the improved template, the Chief Operating Officer advised that good progress has been made since the Committee last considered the Recommendations Log in January 2016. The Chief Operating Officer advised that her Office is working hard to reduce the number of outstanding recommendations and briefed the Committee on the number outstanding in the CSD area.

The Internal Auditor advised that the dashboard accompanying the Audit Recommendations Log as circulated reports a total of seventeen completed or merged recommendations since the previous log was presented in January 2016. He advised that following a review of these recommendations, he was satisfied that 14 of the 17 recommendations have been completed or their removal justified on other grounds. He advised that further work is required in relation to three recommendations as follows:

- Outside Earnings
- Research Governance
- Leaver Forms

The Chief Financial Officer briefed the Committee on outstanding recommendations in the FSD area and advised that steady progress is being made.

The Vice-Provost/CAO advised the Committee that the merging of certain items had helped to pinpoint core rather than operational issues and briefed the Committee in this regard. In regard to training for academic staff, the Vice-Provost/CAO advised that a new unit has been established lead by the Vice-Provost/CAO with responsibility for training in teaching and ethics and that this will result in a more co-ordinated approach. The Committee also noted plans for a new reporting tool in regard to plagiarism.

The Committee welcomed the update and acknowledged the progress made since January 2016. However, the Committee stressed that the

number of outstanding items remains of concern, that the risks remain until management action is completed and that it will continue to monitor the status of its recommendations closely.

**AD/15-16/43 Risk Management**

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The Committee noted the following documents, which had been circulated for consideration under this item:

- Memorandum from the Chief Operating Officer dated 8 March 2016
- Risk Register Phase 1b dated March 2016

Introducing the item, the Chair reiterated that the Committee remains seriously concerned at the lack of progress in establishing a robust embedded risk management system in the College and invited the Chief Operating Officer to brief the Committee on the current status of the risk management process.

The Chief Operating Officer advised that the Risk Register had been updated with inputs from ASD, FSD and CSD and that it is closely aligned with the goals of the College's Strategic Plan. She advised that the Risk Management Group (RMG) has approved the next phase of the risk management project, which will consist of the implementation of risk management across the university. She also advised that Mazars, in conjunction with her Office, facilitated a pilot introduction of operational planning and risk management processes in three areas in Q4 of 2015, and pilots are underway in three Schools, which will be completed in Q2 of 2016.

During a detailed discussion, the Committee emphasised the need for active risk monitoring of university-level risks, parallel to the work on the next phase of development, commenting that some risks and actions in the High-Level Risk Register appear not to have been updated for some time. In response to a query, the COO advised that the Risk Register had not been reviewed by the Risk Management Group but had been brought to Executive Officers. Members expressed concern that the COO, not having knowledge of all areas or ownership of all risks, needs significant input at senior management level into the Risk Register to fully capture the risk profile. During a discussion, members noted that academic risks arising from the quality process are not fully reflected; that some risks appeared to be local rather than university-level; that there appeared to be some duplications; that many of the dates for future actions had already passed; and that some of the current tools in place to manage risks were aspirational or future actions and are not yet currently in place. The COO advised that the CSD Finance Partner updates the Register quarterly in consultation with the other two divisions, but that there is no dedicated resource for risk management and that, in her view, the nature of the role of Chief Risk Officer is not compatible with her role as COO, particularly having regard to other priorities and demands on her time.

The Committee acknowledged that each of the three Divisional Heads have ambitious work-plans to deliver but noted with concern the Chief Operating Officer's view on resourcing and of the limitations on her role in relation to risk. Members also stressed that the risks need to

reflect the full scope of College, not just the three divisions. The Committee expressed concern that the Risk Management Group was not engaged in the updating process, that there is no clear statement of the organisation's appetite for risk and overall that there is not the level of committed ownership or oversight that would be expected. The Committee, noting initiatives in the past to develop and embed risk management with consultancy assistance, agreed the importance of internal ownership and action to develop and embed it properly. Noting the ambitious goals of the Trinity Strategic Plan, the Committee stressed the importance and urgency of full ownership and oversight of the risk management process at a senior level. The Committee emphasised that, because of the scale of strategic projects, there is a particular urgency to develop a fit-for-purpose risk management system, fully integrated into management processes and to ensure that the College risk appetite is clearly articulated and understood.

In conclusion, the Committee agreed to convey a strong message on the issues in its Annual Report to Board.

**Action**

**43.1** The Committee agreed to highlight its serious concerns in the Committee's Annual Report to Board

**AD/15-16/44 Report on Externally Contracted Services**

**XXX**

Introducing the item, the Internal Auditor drew the Committee's attention to a draft report on externally contracted services, which had been circulated. He briefed the Committee on the background to the audit, noting that the review had been included in the work-plan presented in January. He advised that because of the nature of the issues arising during the work, concurrent with the Committee considering its Annual Report to Board at this meeting, he had brought an early draft to the Committee so that they would be aware of the emerging issues.

Noting the report is still in draft form, the Chair invited Ms Cooney to present the findings to the Committee. Ms Cooney advised that the scope of the audit included all externally contracted services from October 2013 to December 2015 and covers the "Business Resources" framework with three firms as well as significant other non-framework expenditure. Ms Cooney advised that the review involved the examination of almost 1,000 invoices together with extensive supporting documentation. Ms Cooney summarised the audit process involved in the Review and the main findings, drawing attention to a number of findings in regard to poor internal controls and processes.

During a detailed discussion, the Internal Auditor and Ms Cooney answered a number of specific queries and the Committee expressed its concern at the audit findings. Members acknowledged that the use of consultants is justified when the required skills and expertise are not available internally and cannot be otherwise acquired. The Committee also recognised the need to ensure that major projects have the requisite skills and experience available to minimise the risks. However, the Committee stressed that it is important that key internal controls are not by-passed in the process and that there is robust monitoring and oversight of the recruitment and continued use

of consultants.

Noting the period covered by the review, the Committee requested the Internal Auditor to scope a review of the significant expenditure prior to October 2013, with a view to proceeding with work on that earlier period also.

Requesting some re-sequencing of the findings with the responses to improve the readability of the draft report, the Committee asked that the draft report be finalised and management afforded an opportunity to re-consider it and their responses before it is brought back to the Committee as a final report.

In conclusion, the Committee reiterated its concern at the findings emerging from the audit and agreed that the Annual Report to Board would have to include these matters. The Committee also agreed that the draft Board Statement on Governance and Internal Control would need to be refined to ensure it was consistent with regard to outstanding audit recommendations, the position on risk management and the findings in the draft report under consideration on externally contracted services.

#### Action

- 44.1 The Internal Auditor to finalise the draft report on externally contracted services as discussed
- 44.2 The Committee to include its concerns over the issues in its Annual Report to Board.

#### **AD/15-16/45 Interim Controls over the Interim Workflow Process**

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The Chair welcomed the Chief Financial Officer, Deputy Chief Financial Officer and the Management and Financial Accounting Manager to the meeting. Introducing the item, the Chair drew the Committee's attention to the following documents, which had been circulated:

- Memorandum from the Internal Auditor dated 7 March 2016
- Final report from the Internal Auditor dated February 2016

The Internal Auditor reminded the Committee that a draft report on the Interim Controls over the Interim Workflow Process had been considered at the meeting on 11 February 2016. Pending receipt of information on references to some factual inaccuracies, the report although described as draft had been considered by the Committee because the findings and recommendations had been accepted by management. He drew the Committee's attention to the final Internal Audit report circulated, together with a small number of tracked changes which were not substantive. The Committee noted that FSD has now advised all staff that the interim workflow will be closed from 21 March 2016 for areas on iprocurement. The Deputy CFO advised that of the three areas outside iprocurement, one area will move to iprocurement and that FSD will engage with the remaining two areas to strengthen processes.

In conclusion, the Committee noted and welcomed the prompt and decisive action taken by management in regard to the Interim Workflow Process. The Committee requested the Internal Auditor to

keep the matter under review and advise the Committee, in due course, on the outcome of management actions to address the remaining issues.

Action

The Internal Auditor to advise the Committee on the outcome of management actions to address the remaining Interim Workflow issues.

**AD/15-16/46 FIS Implementation Follow-up Review - Update**

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Introducing the item, the Internal Auditor invited the Committee's attention to the following items, which had been circulated for consideration:

- Memorandum from the Internal Auditor dated 8 March 2016
- Draft Minute EOG Ref EO/15-16/226 on FIS Implementation
- Finance Committee Minutes FN/15-16/97 and 99 dated 15 February 2016
- Minutes of FIS User Group FUG 15-16/13.2(b) and 16.1(a) dated 14 January 2016
- Minute of Board BD/15-16/143 FIS Implementation
- FIS User Survey

The Internal Auditor drew the Committee's attention to the draft EOG Minute (Ref EO/15-16/226) and the email clarifications from the CFO in regard to the action point and the reference to the survey. The Committee noted that the CFO was attending the meeting to address its concerns about the findings in FIS being accepted and acted upon. In regard to the user responses to two survey questions, which were included in the Finance Committee papers circulated for the Audit Committee meeting, the Internal Auditor advised that, for completeness, he had now circulated to the Audit Committee all the responses to the six main survey questions that had invited comments. He also drew the Committee's attention to the decision regarding the process that will be followed before closing the FIS project, which the Committee welcomed.

The Internal Auditor advised that following a query raised about manual manipulation of data at the previous meeting, he had obtained further information on the issue and briefed the Committee accordingly, advising that when the work is completed a report will be brought to the Committee.

In regard to the FIS Project, he advised that the main issues to be addressed are improving the way the system meets user requirements and, interlinked with that, the realisation of the benefits. He reminded members that the audit report had identified a need to broaden the approach to look at process re-engineering across College and the technical configuration of Oracle but that there was very limited resource availability.

Commenting on a number of interrelated issues before the Committee, which were causing concern, the Chair invited the CFO to update the Committee on FIS and what assurance he could give on actions being taken to address the issues. The CFO advised that an

Oversight Group has been established and Open Days had been run successfully but that engagement is needed from users also, noting the disappointing turnout to training offered recently in one area. He assured the Committee that the issues highlighted in the Internal Audit report are being taken seriously and negative feedback will be addressed, while noting that there has also been positive feedback. The CFO advised that in the early stages of the project better relationships with users might have been harnessed and acknowledged that improvements are necessary in Oracle, particularly in regard to reporting, and that these are being actively managed. He advised that broader support and direction from College is needed and that the current annual budget is small and will not be sufficient to deal with the future enhancements that will be required as well as address the issues raised in the audit. He also advised that the IT platform has only a five year lifetime which is short and that he was working with IT Services to plan for that.

During a detailed discussion, members noted that many of the survey comments were from frequent users of the system and that there was a need to tailor training to ensure it targeted specific user needs and types rather than rely solely on generalised training. In response to a query on the operation of the User Group, and how changes would be identified and prioritised, the CFO advised that there would be a two-way process that would include feeding up issues from users and that he would ultimately be responsible for making decisions on change priorities.

The Committee, welcoming the assurances received from the CFO, agreed that FIS is a critical system for College and that the serious issues must be addressed. Regarding the issues and recommendations, the Committee noted that having brought them to management's attention it is now a matter for management to decide how best to structure and manage its response to them and the need for broader involvement outside of FSD in doing so.

The Committee, welcoming the positive assurances from the CFO, agreed that it will review progress at a future date.

Action

The Internal Auditor to advise the Audit Committee on progress on FIS at a future date.

**AD/15-16/47 Audit of the Financial Statements for 2014/15**

The Committee noted the following documents, which had been circulated for consideration under this item:

- Presentation on the Consolidated Financial Statements 2014/15 by the Deputy Chief Financial Officer, dated 8 March 2016
- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 8 March 2016
- Draft Financial Statements for the year ended 30 September 2015 (incorporating Consolidated Financial Statements and Funding Statements)
- Draft Report from KPMG on the audit for the year ended 30 September 2015

- Draft Report from the C&AG on the audit of the Consolidated Financial Statements for 2015
- Draft Letter of Representation to KPMG re the Audit of the Consolidated Financial Statements for the year ended 30 September 2015
- Draft Letter of Representation to the Office of the Comptroller and Auditor General re the Audit of the Consolidated Financial Statements for the year ended 30 September 2015

At the invitation of the Chair, the Internal Auditor drew attention to a number of assertions in the draft Board Statement on Governance and Internal Control which needed to be considered by the Committee in the light of the actual position on outstanding audit recommendations and risk management and the findings in the report on externally contracted services. The Committee agreed that changes would be required before it could recommend Board to approve the financial statements that contain the Statement. After a brief discussion, the Committee agreed a number of amendments to the Board Statement as currently drafted, and that the Internal Auditor would finalise the wording of the amendments with the CFO and College Secretary subsequent to the meeting.

The Chair noted that as in previous years and, in accordance with good practice, the visitor arrangements were designed to afford FSD, KPMG and the C&AG each time by themselves with the Committee should they wish to raise any issues alone with the Committee. The Chair then invited the CFO and Deputy CFO to comment on the conduct of the audits before the C&AG and KPMG teams joined the meeting. The CFO advised that the audits had gone well and no major issues had been identified. Commenting that Trinity is the first educational institution to be audited by the C&AG this year, the Deputy CFO advised that the engagement by the C&AG and KPMG teams had operated very well and he tabled the draft C&AG management letter. At the request of the Chair, the CFO and Deputy CFO then withdrew temporarily from the meeting.

The Chair welcomed Mr Carton and Mr McCarrick of the Office of the Comptroller and Auditor General to the meeting and invited Mr Carton to comment on the conduct of the audit. Mr Carton advised that there were a number of improvements to the audit process this year that had enabled meeting the reporting timelines, which they hope to repeat next year. He advised that timelines are very tight however and do not allow for unforeseen events. He assured the Committee that engagement with FSD and the commercial auditors had been very good during the audit and that they were satisfied with the co-operation and the conduct of the audit. In response to a query, Mr Carton advised that the C&AG were satisfied with their involvement in the audit planning stage also.

The Chair then welcomed Mr O'Keefe and Mr Hobson of KPMG to the meeting for consideration of the financial statements.. The Chief Financial Officer, Deputy Chief Financial Officer and the Management and Financial Accounting Manager also re-joined the meeting.

The Chair invited the Chief Financial Officer to introduce the draft Consolidated Financial Statements. Referring to the Deputy Chief Financial Officer's presentation, which had been circulated, he



advised that the draft Financial Statements had been noted by Finance Committee on 7 March 2016 and, subject to the approval of the Audit Committee, would be forwarded to Board for approval. The Deputy Chief Financial Officer drew the Committee's attention to key highlights and trends and to the figures in the balance sheet. The Committee noted the total planned deficit for 2014/15.

At the invitation of the Chair, Mr O'Keefe of KPMG summarised the KPMG Report, which had been circulated and drew particular attention to a number of significant audit risk areas that they had considered during the audit.

Mr O'Keefe advised that KPMG would continue to qualify their audit opinion due to the absence of adequate audit evidence that the State will fund the full pension liabilities.

During a brief discussion, Mr O'Keefe answered a number of queries from members. He advised that, other than as outlined, KPMG had no significant audit issues to bring to the attention of the Committee and had identified no material control weaknesses during the audit. Mr O'Keefe confirmed that there were no new items in the draft letters of representation to bring to the attention of the Committee. The Committee noted that KPMG have completed their audit and expect to issue an audit opinion qualified only in regard to the pension asset, subject to approval of the financial statements by Board and receipt of the letters of representation.

At the invitation of the Chair, Mr Carton of the C&AG summarised the C&AG position in regard to the audit. He confirmed that he expects that the C&AG will continue to take a contrary view to KPMG in regard to the recognition of a pension asset and issue an unqualified audit opinion.

During a brief discussion, the Committee expressed concern at the on-going audit qualification in regard to the recognition of a pension asset. The Deputy Chief Financial Officer advised that the College is seeking legal advice on the matter and hopes to have an update for Board shortly.

During a subsequent discussion, the FSD and KPMG teams answered a number of queries from members in regard to the audit of the financial statements.

The Chair advised KPMG and the C&AG auditors that a number of amendments would be required to the draft Board Statement on Governance and Internal Control and that these would be advised following the meeting. In conclusion, subject to the Internal Auditor agreeing the amendments to the Board Statement with FSD, the College Secretary and the auditors, the Committee agreed to recommend that the Annual Financial Statements for 2015 be forwarded to Board for approval, together with the letters of representation.

The CFO thanked his staff together with the teams from KPMG and the C&AG for their hard work and co-operation in finalising the audit of the financial statements.

The Chair thanked Mr Carton and Mr McCarrick of the C&AG and they withdrew from the meeting.

**Action**

47.1 The Internal Auditor to agree the amendments to the draft Board Statement on Governance and Internal Control with the College Secretary and FSD.

47.2 The Annual Financial Statements for the year ended 30 September 2015 to be forwarded to Board for approval together with the letters of representation, subject to revisions to the Board Statement on Governance and Internal Control.

**AD/15-16/48 Trinity Endowment Fund Financial Statements for 30 September 2015**

The Committee noted the Memorandum from the CFO and Deputy CFO dated 8 March 2016, together with the Draft Trinity Endowment Fund Financial Statements for the year ended 30 September 2015, which had been circulated.

Mr O’Keefe advised the Committee that KPMG had completed their audit and expect to issue an unqualified audit opinion, subject to approval of the financial statements by Board and receipt of the letter of representation.

During a brief discussion, the FSD and KPMG teams answered a number of queries from members. The Committee noted the Trinity Endowment Funds as presented and agreed that the financial statements and letters of representation be recommended to Board for approval.

The Chair thanked the CFO, Deputy CFO, and the Management and Financial Accounting Manager for their input to discussions and they withdrew from the meeting.

The Chair then invited Mr O’Keefe and Mr Hobson to comment on the audits. Mr O’Keefe advised that the audits had gone smoothly and that the arrangements with the C&AG had worked well. He advised that KPMG were satisfied with the progress made on implementing their recommendations from the previous year and that, from their perspective, internal financial controls had been strengthened. In response to a query, KPMG advised that they were satisfied with the data input to Oracle from other College systems by a manual process.

During a brief and general discussion about concerns regarding internal control that had come to light in other work being considered by the Committee, it was agreed that those issues were not relevant to the audit opinion on the financial statements. Having referred to the issues emerging in the draft Report on Externally Contracted Services with KPMG, it was also agreed that the Internal Auditor would brief the C&AG’s Office informally and out of courtesy, on the issues that had arisen in the discussion with KPMG.

The Chair thanked the KPMG team and they withdrew from the meeting.

The Committee expressed satisfaction with the performance of the audits, the operation of the revised arrangements for interaction between the two sets of auditors and FSD and the conclusion of the audit to a very tight timescale, and expressed its appreciation of the work of all concerned in achieving that.

**Action:**

The financial statements and letter of representation to be forwarded to Board with a recommendation that they be approved.

**AD/15-16/49 Annual Report to Board 2015**

The Chair drew the Committee's attention to the Draft of the Annual Report to Board, which had been circulated. The Committee noted that Part I of the Annual Report draws Board's attention to key issues of concern and the Committee's recommendations in relation to same and that Part II is a report of record for the year.

The Internal Auditor advised that the draft was a preliminary one due to the unexpected volume of work that arose in regard to the review on external contracted services and the need to finalise that report. He invited the Committee to reflect on the Draft Annual Report as presented, particularly in the light of earlier discussions at the meeting.

During a detailed discussion, members considered the Draft Annual Report and recommended a number of amendments. The Committee agreed that under the circumstances it should defer the submission of an Annual Report. The Internal Auditor tabled a draft memorandum to Board, which was approved by the Committee, that outlined the reasons for the deferral of the presentation of the Annual Report to the Board meeting of 27 April 2016 from that of 23 March as originally planned.

The Internal Auditor and Chair agreed to amend the Annual Report as discussed and to finalise the Annual Report by written procedure, before forwarding it to Board for consideration at its meeting on 27 April 2016.

**Action**

49.1 The Internal Auditor and Chair to finalise the Annual Report to Board as discussed and forward it to members by email for final comments.

49.2 The Internal Auditor to forward the memorandum to Board explaining the deferral of the presentation of the Committee's Annual Report.

**Section C - For Noting**

**AD/15-16/50 Trinity Foundation Audit Committee Report (TFAC)**

The Committee noted the memorandum from Ms A FitzGerald, Chair of the TFAC dated 24 February 2016, which had been circulated.

AD/15-16/51 **Board Papers**

The Committee noted the Board agenda and minutes, which had been circulated.