



Minutes of Audit Committee, 13 February 2018

Present Mr O Cussen (Chair), Professor J Barry, Professor R Byrne, Professor R Gilligan, Mr D McCarthy

Apologies Ms Ann Duffy

(ex officio) Internal Auditor/Secretary (Mr F Sheeran), Secretary to the College (Mr J Coman)

In Attendance Deputy Internal Auditor (Ms A Cooney), Senior Internal Auditor (Ms F McAuliffe), Ms M Thompson

The Chair of the Trinity Foundation Trustees (Mr D Went), the Acting Director of the Trinity Foundation (Ms K Bond), together with the Chief Financial Officer (Mr I Mathews) and the Project Accounting Manager (Mr D O'Shea) attended for items AD/17-18/49 to AD/17-18/50

The Chief Financial Officer attended for item AD/17-18/51

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

AD/17-18/45 Statement of Interest

The Chair invited members to declare any potential conflict of interest they may have in relation to items on the Agenda. There were no statements of interest.

AD/17-18/46 Minutes

The draft minutes of the meetings held on 5 and 15 December 2017 were approved.

AD/17-18/47 Call-Over

Following a brief discussion by the Committee, without any management present, the Secretary to the College then joined the meeting for the call-over items. The Committee noted the actions that had been implemented since the previous meeting and those that remained outstanding.

The Secretary to the College advised the Committee that at its meeting on 31 January 2018, Board requested changes to the Draft Fraud Policy. In response to a query as to whether the Audit Committee will need to review the Fraud Policy again the Secretary agreed to liaise with the Internal Auditor.

The Secretary to the College advised the Committee that the preparations for GDPR are at the remediation planning stage with a detailed review required for Academic and Human Resources areas. The Secretary confirmed an update would be provided at the next

Audit Committee meeting. The Committee welcomed this and noted that a substantive update with a detailed workplan would be expected given the proximity of the effective date for GDPR in May.

Actions:

47.1 The Secretary to liaise with the Internal Auditor as to whether the Audit Committee will need to review the Fraud Policy again.

47.2 The Secretary to the College to provide an update on readiness for GDPR at the next Audit Committee meeting.

AD/17-18/48 Matters Arising

There were no matters arising

SECTION A and B - Policy & Implementation Issues

AD/17-18/49 Trinity Foundation

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The Chair welcomed the Chair of the Trinity Foundation Trustees and the Acting Director of the Trinity Foundation, together with the Chief Financial Officer and the Project Accounting Manager to the meeting for consideration of this item.

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

- Internal Audit Report dated February 2018
- Memorandum to TCDAC from the Chair of the Trustees dated 31 January 2018

The Chair invited the Internal Auditor to brief the Committee on the Internal Audit Report as circulated. Noting that a draft of the Report had been considered by the Audit Committee on 15 December 2017, the Internal Auditor outlined the main changes made to finalise the Report and summarised the Report's main findings and recommendations.

The Chair of the Trinity Foundation Trustees advised the Committee that they are appreciative of the work carried out by Internal Audit and the Audit Committee and fully endorse the Report's findings and recommendations. He advised the Committee that KPMG have now completed their external audit and for the first time the audit included a detailed review of internal controls. He briefed the Committee on developments since the Committee meeting of 15 December 2017 and advised that a detailed Remediation Plan has been prepared. The Committee noted that the Trinity Foundation Audit Committee (TFAC) has reviewed the Plan and its implementation will remain a standing item on the TFAC Agenda in the future. The Committee also noted the secondment of the Project Accounting Manager to the Foundation as Director of Operations for a period of six months. The Internal Auditor advised that he had reviewed a draft of the action plan and discussed it with the Acting Director and was satisfied it addressed the issues and that he would review the progress towards implementation and report to the Committee at a future date.

During a subsequent discussion, the Committee reiterated its grave concern in regard to the Internal Audit Report's findings but welcomed the prompt action being taken by the Foundation's Trustees and the Chief Financial Officer to resolve the issues. Noting that FSD has acted as paymasters to the Foundation since the Fraud incident in April 2017, the Committee noted that long term arrangements are to be considered as part of the Remediation Plan.

In conclusion, the Committee welcomed the response of Trinity Foundation Trustees and Management and the assurances received from the Chair of the Trustees. The Committee stressed that while it is important to learn the lessons and correct the mistakes of the past it is also important to move forward and focus on ensuring that there is an effective control framework and good staff morale that supports the Foundation and the fundraising Campaign which is critical to the university's Strategic Plan. The Committee agreed to revisit the matter at a future meeting.

Action:

The Committee to revisit the implementation of the Remediation Plan for Trinity Foundation at a future meeting.

AD/17-18/50 Report from the Trinity Foundation Audit Committee

The Chair invited the Committee's attention to the Report from the Trinity Foundation Audit Committee (TFAC) dated 31 January 2018, which had been circulated. The Committee noted that in accordance with the terms of the Memorandum of Understanding (MOU) between TFAC and TCDAC, the TFAC presents its report annually to the TCDAC. Noting that Ms A FitzGerald, Chair of the TFAC was unable to attend the meeting, the Chair invited the Chair of the Trustees to present the TFAC Report. The Chair of the Trustees briefly summarised the Report for the Committee, noting that KPMG have concluded their external audit and that the issues raised by them mirrors those highlighted in the Internal Audit Report.

During a subsequent discussion, the Chair of the Trustees and the Acting Director of the Trinity Foundation clarified a number of points from members.

The Committee also noted that current audit arrangements will need to be explored and the Committee agreed to consider the matter at a future meeting.

In conclusion, the Committee noted the TFAC Report as presented.

The Chair thanked the Chair of the Trinity Foundation Trustees and the Acting Director of the Foundation for their valuable contributions to discussions and they withdrew from the meeting along with the Project Accounting Manager.

AD/17-18/51 FIS Benefits Realisation

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Introducing the topic, the Chair drew the Committee's attention to the extract from the Business Case for the Formal Closure of the FIS Project and Progression to the FIS Transition Programme, which had been circulated as a basis for a discussion. He reminded members that following a reference at a previous meeting that a reduction of

50 FTE posts could not be realised the Committee had requested an update from the Chief Financial Officer on the matter.

Noting that Trinity is a large and diverse organisation, the Chief Financial Officer advised that it was necessary to transition from a paper based financial system to a financial system fit for purpose and that the Business Case for FIS had both identified quantitative and qualitative benefits. He advised that the Business Case did not refer to a reduction of 50 FTE posts but to a release of staff time across the College equivalent to 50 FTE posts. This calculation was based on high level estimates at the time.

He noted FIS has delivered many benefits but due to Trinity's complex and devolved governance structure, not all process improvements identified were fully implemented across all areas. He advised that it is difficult to quantify the benefits realised in relation to staff time saved across the University.

During a detailed discussion, the Committee expressed concern that it appears that the benefits of such an important project for the University cannot be adequately measured. The Committee stressed that this again highlights governance issues and the role of the CFO in a devolved governance environment. The Committee agreed to highlight the issues again in their Annual Report to Board for 2017/18. The CFO agreed that in retrospect the estimations in the Business Case were not sufficiently detailed and lessons had been learned from the process that would be addressed by the establishment of the Project Management Office.

The Committee also enquired if it would be useful to look at a representative sample of Schools and the Chief Financial Officer agreed to liaise with the Internal Auditor to establish the feasibility of such a review.

In conclusion, the Committee thanked the Chief Financial Officer for the update and he withdrew from the meeting.

Action:

The Chief Financial Officer to liaise with the Internal Auditor to establish the feasibility of a review of benefits realised for a representative sample of Schools.

AD/17-18/52 Externally Contracted Services Report

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

- Memorandum from the Internal Auditor to Audit Committee dated 8 February 2018
- Externally Contracted Services Follow-up Report dated February 2018
- Policy and Procedures on Externally Contracted Service Providers
- Memorandum from the College Secretary to EOG dated 5 October 2017 Re Policy and Procedures on Externally Contracted Service Providers
- Memorandum from the College Secretary to the Internal Auditor dated 14 December 2017 re Response to Externally Contracted Services Follow-up Audit

Introducing the topic, the Chair reminded members that in response to the findings of a previous audit on Externally Contracted Resources in June 2016, the Provost had requested that a policy and procedures be put in place. The Committee noted that a policy was drafted by the Secretary's Office, approved by Board in January 2017 and formally communicated to Approving Officers in May 2017 and that this follow-up audit is to review the implementation of the audit recommendations and compliance with the new Policy.

The Chair invited the Secretary to the College to comment on the Externally Contracted Services follow up Report. Noting the background to the Report, the Secretary to the College informed the Committee that since the introduction of the Policy in May 2017 there has been a reduction in engagements. He advised that the Policy is now due for review after a year and he assured the Committee that he is satisfied that the revised Policy will be an improvement. He advised the Committee that he fully accepts the follow-up Report's findings and recommendations. In response to a query, the Chief Financial Officer confirmed that FIS can fully capture the engagement of external consultants as was recommended.

The Chief Financial Officer and the Secretary to the College then withdrew from the meeting.

The Chair invited Ms McAuliffe to brief the Committee on the findings and recommendations contained in the Externally Contracted Services Follow-up Report.

Ms McAuliffe advised that the audit identified a number of areas where individual areas did not fully adhere to the management controls set out in the Policy. Ms McAuliffe stated that while the incidence and gravity of the exceptions has declined significantly since the previous audit, verification and monitoring needs to be more rigorous to enforce the Policy as it did not identify any of the lapses and was not carried out on a timely basis. The Committee noted that the findings included a lack of appropriate approval of engagements, lack of business cases and lack of appropriate approval of POs. Ms McAuliffe informed the Committee that the main conclusion of the audit is that control processes need to be strengthened and that a small number of changes to the Policy and more rigorous monitoring and verification will lead to effective control.

During a brief discussion, the Internal Auditor advised that the internal control objective is to ensure effective controls are in place where

such services are necessary, not to contain the activity, but that the reduction had been seen as proof of effective control which had unfortunately caused some difficulty in finalising the report. He advised that the reduction had mainly been due to plans which pre-existed the new policy but that it was likely the policy had helped to raise awareness in general. He advised that the findings were now fully accepted and the recommendations agreed for implementation.

In conclusion, the Committee noted the follow-up Report on Externally Contracted Services and that recommendations will be monitored as part of the Audit Committee Recommendations Log.

AD/17-18/53

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Audit Committee Recommendations Log

The Chair drew the Committee's attention to the Review of Completed and Risk Accepted Items dated February 2018, which had been circulated and invited Ms McAuliffe to update the Committee.

Ms McAuliffe reminded members that, as part of the revised reporting arrangements, it was agreed that the Committee would accept the categorisation of items as accurate on the Audit Committee Recommendations Log when it is presented to it but would require Internal Audit to conduct a subsequent review of a sample of those removed from the Log. The Committee had agreed that in the event that an item is found not to have been completed on review it would be regarded as a serious matter and exceptions will be brought to the attention of the Provost and Board.

Ms McAuliffe advised that the scope of this review includes Completed and Risk Accepted recommendations reported by Chief Officers to the Audit Committee in the period from November 2016 to December 2017. The Committee noted that there was a total of 66 recommendations removed from the Outstanding Log with 48 classified as Completed and 18 classified as Risk Accepted. Ms McAuliffe advised that for the purpose of the review a sample of 20 of the 48 recommendations classified as Completed and 10 of the 18 recommendations classified as Risk Accepted were selected for detailed examination.

The Committee noted that a recommendation is to be classified as Completed only when action has been taken to address the specific risk. Ms McAuliffe advised that, for the sample of 20 Completed recommendations examined in the review, there was sufficient evidence to support the classification as Completed for 14 recommendations but not for the remaining six. Ms McAuliffe briefed the Committee on those six recommendations.

Ms McAuliffe also advised that of the 10 Risk Accepted recommendations reviewed, the rationale for the classification of 8 of them was not appropriate as there are on-going actions being taken or planned by management to address the specific risks and that these 8 recommendations should not be classified as Risk Accepted. She noted that there had been some confusion regarding the basis for risk accepting items and that the recent memo, circulated to the Divisional Heads, should be of assistance to them in correcting the Log for the next update.

During a discussion, the Committee welcomed the significant efforts and good progress made to reduce the number of items outstanding. The Committee expressed concern, however, that out of the sample of 20 reviewed, 6 had been incorrectly classified as Completed and need to be re-instated on the Outstanding Log. The Committee also noted that, as only a sample of 20 out of the 48 items was reviewed, there was potential for more than 6 being incorrectly removed and that the remaining 28 should be reviewed by the Divisional Heads with their managers before the March update of the Log. The Committee stressed that it is a matter for the three Divisional Heads to satisfy themselves that the managers in their respective areas take responsibility to ensure they report accurately to the Office of the Chief Operating Officer so that the process is robust and the Divisional Heads can rely on the data which they in turn report to the Committee. In conclusion, the Committee agreed that the matter be brought to the attention of the three Divisional Heads and that the issues be highlighted in their forthcoming Annual Report to Board and to the Provost as per the agreed process.

Actions:

53.1 The views of the Committee on the Log and the inappropriate removal of six items to be brought to the attention of the Divisional Heads, Provost and Board in the Annual Report.

53.2 The Divisional Heads to revisit the 28 items removed as Completed with their managers in compiling the next update of the Log and give assurance to the Committee that they are satisfied with their removal.

53.3 The classification of items in the next update of the Log as Risk Accepted to be based on the clarification memo circulated to Divisional Heads.

AD/17-18/54 Draft Annual Report to Board 2017/2018

Introducing the item, the Chair reminded members that the draft of the Committee's Annual Report to Board for 2017/18 will be considered at its meeting on 20 March 2018 after which the final Report will be forwarded to Board for consideration at its meeting on 28 March 2018. The Chair invited the Committee to reflect on the issues it would like to highlight in their Annual Report and if they wished to make any changes to the presentation or format of the Report.

The Committee noted that the practice to date has been to draw Board's attention to key issues of concern to the Committee and its recommendations in relation to same in Part I and that Part II is a report of record for the year, setting out a summary of work carried out during the year, as reported in the Committee minutes.

During a detailed discussion, members considered a number of issues and themes to be highlighted in the Annual Report for 2017/18. The Internal Auditor agreed to draft the Annual Report in conjunction with the Chair, taking account of all the points discussed and circulate a draft Annual Report inviting members' comments for the next Committee meeting on 20 March 2018.

Action:

The Internal Auditor and Chair to draft the Annual Report and circulate to members for comment for the next Committee meeting on 20 March 2018.

AD/17-18/55 Audit Function Risk Register

The Committee noted the memorandum from the Deputy Internal Auditor dated 6 February 2018 which had been circulated together with the Updated Audit Function Risk Register. The Deputy Internal Auditor drew the Committee's attention to a number of proposed changes to the Risk Register since it was last considered by the Committee. Members noted and approved the proposed changes.

Section C - Items for Noting / Standing Items

AD/17-18/56 Control Exception Report

The Committee noted the Control Exception Report dated November 2017 which had been circulated.

AD/17-18/57 University Internal Audit Group (UIAG)

The Committee noted the UIAG Bulletin 2018 which had been circulated.

AD/17-18/58 Board Papers

The Committee noted the Board papers which had been circulated.