



## Trinity College Dublin

Coláiste na Tríonóide, Baile Átha Cliath

The University of Dublin

### Minutes of Audit Committee, Tuesday 10 December 2019

*Present* Mr D McCarthy (Acting Chair), Professor A Burke, Professor L Hogan, Professor R Reilly

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

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

The Interim Chief Financial Officer and the Chief Operating Officer attended for item AD/19-20/05

The Interim Chief Financial Officer and the Deputy Chief Financial Officer attended for items AD/19-20/06 and AD/19-20/07

The Chief Risk Officer attended for item AD/19-20/08

The Director of Human Resources attended for item AD/19-20/10

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

The Acting Chair expressed the Committee's deepest condolences to the family of Oliver Cussen, Chair of the Audit Committee, who had sadly passed away in October. On behalf of the Committee, he paid tribute to Mr Cussen, noting the significant contribution he had made to the Committee both as a member and then as Chair of the Audit Committee and that his expertise and wise advice would be sadly missed by both the Committee and by Trinity.

The Acting Chair welcomed Professor Linda Hogan to her first meeting as a member of the Committee.

#### **AD/19-20/01 Statements of Interest**

The Acting 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/19-20/02 Minutes**

The Minutes of the meeting held on 4 June 2019 were approved.

#### **AD/19-20/03 Call-over**

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

The Internal Auditor advised that he and the late Chair had attended the Board meeting in June 2019 and presented the Annual Report of

the Audit Committee.

The Internal Auditor reminded the Committee of previous discussions in relation to the request from the Provost to consider its role compared to that of an Audit and Risk Committee. The conclusion of those discussions, and based on advice received, was that the Committee currently fulfils the role of an Audit and Risk Committee. The Committee did recognise that there is a need to have a body engage with the management of the risks but that the Audit Committee could not have an executive role if it is to remain independent and fulfil the requirements of the Code of Governance and best practice. Following the last meeting, the late Chair met the Provost in this regard. He subsequently advised the Internal Auditor that the Provost had understood the issues and agreed that the independence of the Committee could not be compromised and had welcomed the idea of an Executive Risk Committee with both internal and external members. The late Chair offered the assistance of the Committee in identifying potential suitable external members for such a role.

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

##### **AD/19-20/04 Review of Completed and Risk Accepted Recommendations**

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The Acting Chair invited the Deputy Internal Auditor to brief the Committee on the Review of Completed and Risk Accepted Recommendations, which had been circulated. The Deputy Internal Auditor advised that the scope of the Review included Completed and Risk Accepted recommendations reported by the Chief Officers to the Audit Committee in the period from November 2018 to May 2019. She advised the Committee that, in the period there were four recommendations classified as Complete and one classified as Risk Accepted and all removed from the Log. She advised that, as per the normal procedure, the appropriateness of the classification of these recommendations was reviewed and it was found that all the recommendations had been appropriately classified.

Noting the small number of recommendations completed in the period, the Deputy Internal Auditor advised the Committee that significantly more were classified as complete in the current period, a sample of which will be examined over the coming weeks and the results will be brought to a future Committee meeting.

The Committee, noting the positive result of the review that the classifications were all valid, welcomed the progress made in accuracy compared to updates that had been presented to the Committee in the past.

##### **AD/19-20/05 Audit Committee Recommendations Log**

The Acting Chair welcomed the Interim Chief Financial Officer and the Chief Operating Officer to the meeting for consideration of the Audit Committee Recommendations Log. The Committee noted that this item had been scheduled for the November meeting, which had been cancelled, and due to a prior diary commitment the Vice-Provost/Chief Academic Officer was unable to attend this meeting. The Committee noted that there was only one outstanding recommendation in the Academic Services Division (ASD) and that in

the circumstances his presence was not essential on this occasion.

Introducing the Audit Committee Recommendations Log, the Chief Operating Officer advised that management are working on the recommendations and that it is a work in progress but that there are a number of projects underway which will address many of the issues. Noting that there are 38 outstanding recommendations across the three divisions, the Chief Operating Officer summarised a number of the actions planned with particular reference to GDPR and HR recruitment issues.

The Interim Chief Financial Officer briefed the Committee on the five outstanding recommendations in the Financial Services Division (FSD), two of which relate to the FIS Enhancement Project. The Committee noted a target completion date of January 2020 for these recommendations.

During a discussion, the Committee agreed that it may useful if the Recommendations Log included timelines for action, in particular for long-standing items. The Chief Operating Officer agreed to the Committee's suggestion and confirmed that she would develop this further in the future iterations of the Log.

Members expressed concern that if the current draft Casual Staff and Casual Pay Policy as prepared by HR were to be implemented in full it would not address all the risks and there is a need to take account of the wider risks. In particular, the Committee noted that there is the performance risk for the University if appropriate resources are not acquired, a danger of misclassification, that recruitment processes could be by-passed and inappropriately granting employment rights. In considering how best to address these concerns, the Committee noted that the current and future needs of the University may not fit neatly into existing processes and the Draft Policy should be reviewed in this context before being forwarded to Board for approval.

With reference to the SITS Review, a member asked the Chief Operating Officer if she was confident that ongoing issues in the Academic Registry can be addressed at the same time as significant growth in the area. The Chief Operating Officer acknowledged that it is a concern and that, following completion of a review by PwC, work is progressing to address the issues identified. The Chief Operating Officer advised the Committee that she would be happy to bring back a paper to the Committee to advise on how these issues are to be addressed. The Committee concurred that such a paper would be helpful to its understanding of the issues.

The Acting Chair thanked the Chief Operating Officer for her contributions to discussions and she withdrew from the meeting.

Action: Chief Operating Officer to provide paper to Audit Committee outlining the issues identified within Academic Registry and measures being taking to address them.

**AD/19-20/06- Plan for the Audit of the 2018/2019 Accounts  
and**

**AD/19-20/07 Review of the External Audit Process**

The Committee welcomed the Deputy Chief Financial Officer to the meeting for consideration of the Plan for the Audit of the 2018/19 accounts together with the next and interrelated agenda item: Review of the External Audit Process.

Introducing the item, the Acting Chair drew the Committee's attention to the KPMG Audit Strategy and Plan, together with the Audit Planning Memorandum from the Office of the Comptroller and Auditor General, for the audit of the 2018/19, both of which had been circulated. He briefed the Committee on a recent meeting he had attended to discuss the audit plans with the external auditors, KPMG and the C&AG together with the Internal Auditor and Interim Chief Financial Officer and Deputy Chief Financial Officer. He had advised that it had been the intention that KPMG and C&AG would attend the Committee for this item but because of scheduling difficulties and the cancellation of the October meeting it had been necessary to hold a separate meeting to review the Plan in detail and report back to the full Audit Committee with a recommendation.

Referring to the difficulties with timelines that arose during last year's audit, the Interim Chief Financial Officer assured the Committee that he and his team had taken the issues seriously, had carried out a full review of the audit process and had engaged early with all of the stakeholders. He advised that the audit process this year is going smoothly to date, including progress on the audit timelines. He confirmed that he expects to bring the final draft financial statements for 2018/19 to the Audit Committee in March as scheduled. With reference to the audit timelines, the Committee emphasised that audit sign off must be available to the Committee meeting in March if it is to recommend the financial statements to Board and the Interim Chief Financial Officer confirmed that this would be the case.

In regard to the Control Exception Report, which the Committee had considered at a recent meeting, the Interim Chief Financial Officer advised that FSD do not plan to change the process. The Internal Auditor had previously advised that it was a useful source of information but could not be classed as a source of assurance for consideration by the Audit Committee without strengthening the process. It was agreed that the report would continue to be circulated to Internal Audit for information as previously recommended.

The Internal Auditor drew the Committee's attention to the Management Letters from the C&AG and KPMG, which had been circulated under Section C for Noting. The Interim Chief Financial Officer advised that the letters were forwarded to Finance Committee in May 2019 and he had no further comment.

In conclusion, following the recommendation of the Acting Chair, the Committee approved the plans for the audit as presented.

**AD/19-20/08 College Risk Register**

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The Acting Chair welcomed the Chief Risk Officer to the meeting for consideration of the Trinity College Risk Register 2018/19, which had been circulated. The Chair invited the CRO to update the Committee on risk management since it was last considered by the Committee in October 2018. Noting that the process has been an arduous one, the CRO informed the Committee that she had worked with Faculties and Divisions to progress beyond the initial first drafts of risk register for all areas. She advised that:

- There are different levels of maturity in the understanding of risk across the University and one key process was ensuring that areas were looking at the level of risk for the University as a whole, rather than for individual areas.
- The Register is for the academic year 2018/19 and has been reviewed and approved by the Risk Management Group in September 2019 and by Executive Officers in November 2019 and that, following consideration by the Audit Committee, it will be forwarded to Board.
- Audit Committee recommendations will be taken on board in the next iteration, which will be more forward-looking and, in the future, Quality, Health & Safety and Internal Audit recommendations should be noted on the relevant underlying Risk Registers.
- The Academic Registry is a key area of risk, and the review of the Academic Registry will be included in the next Risk Register.
- Improvements are needed to information flow in the risk management process to improve the dynamic aspect of the document, but that automation will assist in that regard.

In response to a query from the Chair whether there were different attitudes to risk or risk appetite across the University, and if this was a matter of concern, the CRO confirmed that there are different levels of engagement across the University and that some areas may not give it sufficient consideration.

Noting that there are some systemic risks in a complex devolved organisation such as Trinity, the Chair asked whether the agility and responsiveness of the University will be adequate to face challenges and avail of opportunities, such as Brexit for example, or does this lack of agility pose a risk in itself. The CRO informed the Committee that a number of workshops have been held to identify processes impacted by Brexit and Procurement have undertaken an exercise to look at alternatives to existing distributors for all areas.

The Committee noted that it is difficult to focus on 19 wide-ranging high risks at once and it was suggested that the CRO might consider whether there would be merit in adding a time vector in the future so that those risks, which are likely to crystallise more immediately as opposed to still emerging, might be brought out in the reporting. If so, this would help Board and Committees to focus their attention on efforts and actions to manage the high risks facing the University.

The Committee also queried how the CRO is getting input from Schools and Faculties and the need to tap into information within the Schools,

given the rotating nature of the Head of School position. The Committee, noting that Internal Audit have been requesting one of the underlying risk registers for the past month, queried whether all Schools and Faculties have in fact risk registers in place as stated, but agreed that the engagement of EOG in the process is a critical input in the interim that could compensate for any gaps in information, as its membership spans the full spectrum of the University. The CRO confirmed that she had engaged with Deans, Heads of School, Faculty Executive and that the intention is to drill down further in future years. In addition, the CRO advised the Committee that a Risk Management website is being developed and she is liaising with Deans to see the best way to access information. The CRO advised that the role and information flow to the CRO is still new and incident management processes are not yet in place.

In response to a query whether there are inputs, other than individuals' perception of risks, which have led to the inclusion of these particular 19 risks, as opposed to the other significant risks that have been reported from various sources, the CRO advised that going forward, she intends that issues arising from areas such as Audit Committee, Quality Review, Health & Safety etc. will be reflected in addition to other risks. The CRO acknowledged that she receives Internal Audit reports as a matter of routine. The CRO also noted that she is committed to Board receiving at least one full risk register every year to ensure full oversight.

The Committee noted the difficulties associated with, and the work involved in compiling a College-wide register of risks and that the document in front of the Committee is a work-in-progress.

Noting the age of the inputs and the fact that a Risk Register is but a snapshot in time anyway which may be quickly out dated, the Committee interest is in how well the risks are being managed on an ongoing basis. In that regard, it was suggested that, while there is mention of tracking risks, it would be useful to see the inclusion of dates and a process for tracking and monitoring the actions. The Chair noted that the most benefit is provided when risk management is seamlessly integrated with management, and that the risk increase if an issue has been recognised but not dealt with appropriately.

In response to an observation that some of the risks identify controls which are not controls, and actions which are more in the nature of appeals, which possibly reflects the difficulty of compiling such a document given the nature of the organisation, the CRO agreed that the understanding of controls across the University is weak. She advised that the Risk Management Group do challenge the risks, controls and actions however. The CRO agreed that there are risks, which are not classified as high and reported, based on a reliance that existing controls are effective to manage them down to a lower level of risk, but that she does not have the capacity to go into all areas. She advised that there is a significant reliance on the input and expertise of Deans and Heads. The Committee agreed that it is the role of managers to identify and manage risks in their areas and take actions, not the CRO who must rely on information from those sources. The CRO advised that her intended automation of the system will greatly facilitate and improve the information flows.

Welcoming the Risk Register, the Committee agreed that while it welcomes and notes the contents with interest, for now it has little on which to base an evaluation of the process and that the reference in the document to “approval” by the Committee is inappropriate in presenting it to Board. The Committee noted that it has asked Internal Audit to conduct a review when the process is sufficiently mature, which will aim to provide assurance as to the effectiveness of risk management and, as a consequence, the degree to which the periodic risk registers can be relied upon as accurate representations of University-wide risks. The Committee agreed that, in the meantime, it will consider the risks reported in the Register in the context of the future work-plan for Internal Audit.

In conclusion, noting an apparent missing but important negative in risk description no. 5, the Committee requested that the CRO check this before forwarding the document to Board and thanked the CRO for her valuable contribution to the development of risk management in the University and her contribution to discussions at the meeting. The Committee welcomed the progress made to date and looks forward to future developments in this important aspect of the governance of the University.

#### **AD/19-20/09 Casual Payroll**

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Introducing the item, the Deputy Internal Auditor advised that a planned audit of Casual Pay had been deferred as management were involved in drafting new policies and procedures and the systems were due to change. She advised that seeking Board approval of the new policy was imminent. Under the circumstances, a review benchmarking the Draft Casual Pay Policy and related planned processes against basic principles of internal control and perceived key risks was performed instead, which identified significant control weaknesses. She advised that the intention is to assist management in considering effective internal controls when developing a final draft that can be brought forward for Board approval.

The Deputy Internal Auditor briefed the Committee, advising where the casual payroll policy and process as currently drafted does not include adequate internal controls and noting that also there is a lack of sufficient formal documented guidance to support the application of the eventual process.

During a detailed discussion, the Committee emphasised the importance of management considering the wider risks and taking account of the changing nature of this area. The Committee noted the performance risk for the University if appropriate resources are not acquired, the risk of misclassifying employees and independent contractors, the need to avoid conferring employment rights unless appropriate and emphasised the reputational risks that may result and the potential impact on the University’s rankings if these aspects are not carefully managed.

The Committee noted the main issue with the Draft Policy is of one of lack of sufficient controls but that there is equally a requirement for clearer definitions and it needs to be viewed in the wider context. The Committee recommended that the approach to this area should be reconsidered by management before bringing forward revised policies. In summarising the issues, the Acting Chair suggested that a

note of the Committee's concerns would be beneficial to management.

Action: The concerns and recommendation of the Committee to be conveyed to management

#### **AD/19-20/10 Update from the Director of Human Resources**

The Acting Chair welcomed the Director of Human Resources to the meeting for an update on human resource issues and progress being made towards improving recruitment processes and achieving the overall HR Strategy. The Committee noted the Audit Committee minute of 23 October 2018 (Reference AD/18-19/07) and the Internal Audit HR Recruitment Report dated October 2018, which had been re-circulated for reference. Introducing the item, the Acting Chair also alluded to the Casual Pay Policy discussion earlier in the meeting and invited the Director of HR to update the Committee accordingly.

The Director of HR advised the Committee that she welcomed the Internal Audit Report on Recruitment and agreed with the findings and recommendations contained therein. The Committee noted that a Quality Review of HR was conducted in April 2019 and will be considered at the Board meeting of 18 December 2019. The Director of HR noted that many of the recommendations arising from the Internal Audit Report will be addressed via workstreams established to address the outcome of that Quality Review.

The Committee noted that historically HR has been viewed as a service provider to the University and that, while not compromising the services provided, a move towards a more strategic approach will be required to fulfil the objectives in the Strategic Plan and HR Strategy. The Director of HR advised that European universities are more advanced in this regard and that the challenge is to remain competitive. The Director of HR outlined three main strands for achieving the overall HR Strategy as follows:

- Learning and Development
- Recruitment
- Efficiency / HR Structure and Governance

The Director of HR acknowledged that recruitment processes are currently cumbersome and take too long and are not driven by HR and that there is significant scope to elevate recruitment to a more professional and strategic level. Regarding the Talent Acquisition Strategy, she advised of plans to streamline the processes including the appointment of a senior professional to manage and drive the University's Chair recruitment. The Director of HR also acknowledged that the HR website requires a major overhaul and that plans are in place for a new website.

In response to a query, the Director of HR acknowledged that to gain support for strategic change and investment there is a need to build momentum by improving routine operations and recruitment practices and HR processes generally. In response to a query regarding prior investment in HR in 2012, the Director of HR acknowledged this but advised that, while changes were brought in, they were not fully implemented and adjustments are now needed to ensure HR can fulfil



its strategic and operational role.

The Committee emphasised that in the current climate of full employment, the University should strive to be an employer of choice for both academic and professional staff and that this will require a

high level of support and performance from HR, operationally as well as strategically.

In conclusion, the Acting Chair thanked the Director of HR for the update and she withdrew from the meeting. The Committee agreed to consider the issues further at a future meeting.

Action: The Committee to consider HR issues further at a future meeting

**AD/19-20/11 Audit Work-Plan**

The Deputy Internal Auditor briefed the Committee on the status of the 12 assignments on the Audit Work-Plan, noting that there are 7 completed assignments. She noted that progress to-date is in line with the schedule agreed with the Committee. In response to a query on the status of the Review of the Proposed Casual Payroll Process it was noted that the report was approved subject to communication of Committee's views to management.

The Committee noted that the draft Work Plan for 2020/2021 will be reviewed in the light of the University Risk Register as circulated to this meeting and will be brought to a future meeting of the Committee.

**AD/19-20/12 Audit Function Risk Register**

The Committee noted the memorandum from the Deputy Internal Auditor dated 19 November 2019 together with the updated Audit Function Risk Register, which had been circulated.

**Section C - For Noting**

**AD/19-20/13 Annual Report to Board 2018/2019**

The Committee noted the final version of the Committee' Annual Report to Board for 2018/2019, which had been circulated.

**AD/19-20/14 Management Letters from C&AG and KPMG**

The Committee noted the management letters from C&AG and KPMG which had been circulated.

**AD/19-20/15 Letter of Engagement - Audit of the Financial Statements 2018**

The Committee noted the C& AG Letter of Engagement - Audit of the Financial Statements 2018 dated 16 September 2019, which had been circulated.

**AD/19-20/16 Annual Assurance Statement**

The Committee noted the memorandum from the College Secretary dated 27 September 2019, which had been circulated.

**AD/19-20/17 Board Papers**

The Committee noted the Board Agendas and Minutes which had been circulated for noting.