

The University of Dublin

Trinity College

Minutes of Audit Committee, Tuesday 12 November 2013

*Present* Ms J O'Neill (Chair), Professor J Barry, Professor R Byrne, Ms A Duffy, Professor J McGilp, Mr P O'Reilly.

*(ex officio)* Internal Auditor (secretary), Secretary to the College.

*In Attendance* Ms M Thompson

The Chief Financial Officer, Financial Resources Manager, together with Mr R Hobson of KPMG attended for items AD/13-14/05 to 07. Ms C Lynch attended for item AD/13-14/05.

Ms M Mulligan of the Office of the Comptroller and Auditor General attended for item AD/13-14/07.

Mr B McGee, Assistant Internal Auditor, attended for items AD/13-14/10 to 12.

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

**AD/13-14/01 Minutes**

The Minutes of the meeting held on 13 June 2013 were approved and signed.

**AD/13-14/02 Call-over**

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

**AD/13-14/03 Committee Membership**

The Chair welcomed Professor R Byrne and Ms A Duffy to their first Committee meeting, noting that Professor R Byrne replaces Professor J O'Hagan whose term of office had expired in June and that Ms A Duffy replaces Mr J Cunningham as an external member. The Chair, noting that some members had time constraints, outlined the order of business to ensure the key matters were addressed first.

**AD/13-14/04 Matters Arising**

There were no matters arising.

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

**AD/13-14/05 Consideration of Draft Trust Funds (Benefactions) Financial Statements for year to 30 June 2013**  
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The Committee noted the following documents which had been circulated for consideration under this item:

- Memorandum from the Financial Resources Manager dated 10 October 2013
- Draft Trust Funds (Benefactions) Financial Statements for the year ended 30 June 2013
- Draft Letter of Representation to KPMG for the year ended 30 June 2013

The Chair welcomed the Chief Financial Officer, Financial Resources Manager and Ms Lynch, together with Mr Hobson of KPMG to the meeting.

At the invitation of the Chair, the Chief Financial Officer drew the Committee's attention to the Draft Trust Funds (Benefactions) Financial Statements for the year ended 30 June 2013, which had been circulated together with a draft letter of representation, noting that the financial statements had been noted by Finance Committee on 19 September 2013 and, following approval by the Audit Committee, would be considered by Board on 11 December 2013. He invited Ms Lynch to update the Committee on the Draft Trust Funds Financial Statements.

Tabling a summary document, Ms Lynch drew the Committee's attention to the Chief Financial Officer's Report and highlighted issues in relation to the investment and governance aspects as well as outlining details of capital and income returns deriving from the investments. The Committee noted the key requirement that the funds continue to provide financial support to specific College activities in perpetuity. In response to a query, the Chief Financial Officer advised that the high level of investment in Irish bonds was a matter that is kept under review by the Investment Committee and that at present it is believed that the good return justifies the risk.

The Chief Financial Officer advised of proposals to be considered by Finance Committee to change the accounting date to align with the main College accounts, together with a proposal to amend the name from Trust Funds (Benefactions) to Endowment Funds.

Following a brief discussion, the Committee agreed that the financial statements and letter of representation should be recommended for approval by Board, subject to a number of minor editorial amendments to the letter of representation.

Action: The Internal Auditor to engage with KPMG on the changes to the letter of representation, following which the financial statements and amended letter of representation to be forwarded to Board with a recommendation that they be approved.

#### **AD/13-14/06 KPMG Letter of Engagement**

The Chair drew the Committee's attention to the KPMG letter of engagement dated 18 September 2013, which had been circulated. The Committee, confirming with Mr Hobson that the engagement letter for the College was a standard engagement letter similar to previous ones, agreed to recommend the letter for approval and signature.

Action: The secretary to forward the engagement letter to Board for approval and signature.

**AD/13-14/07 Plan for Audit of 2012/13 Accounts**

Introducing the item, the Internal Auditor drew the Committee's attention to the KPMG Audit Plan together with a planning document from the Office of the Comptroller & Auditor General, which had been circulated. He reminded the Committee of recent discussions about the C&AG dissatisfaction with current audit arrangements in the sector. He advised that the practice has been to furnish the C&AG with a copy of the KPMG audit plan and an invitation to contribute to it. In response to the discussion at the previous meeting in June, the C&AG auditors had this year been invited to the detailed annual audit planning meeting with KPMG and the Financial Services Division. The Internal Auditor also reminded the Committee of the College's statutory obligations to present accounts to Board during Hilary term and that from 2014 onwards the first set of accounts will be the GAAP Financial Statements and not the Funding Statements. As a result, the C&AG audit will need to be completed in a short timeframe. It had been hoped, as a trial run for the future, to have a unified audit plan and agreement on what additional work on probity and regulatory matters that the C&AG would want carried out, so as to coordinate the audit work and save time, but that this had not been possible this year.

The Chair welcomed Ms M Mulligan of the Office of the Comptroller and Auditor General to the meeting. Referring to discussions at previous meetings at which Ms Mulligan had expressed dissatisfaction with some aspects of arrangements in the sector, the Chair noted that the College had made every effort to facilitate the C&AG engagement in the audit planning process.

At the invitation of the Chair, Mr Hobson of KPMG outlined the approach that KPMG intend to take in their audits of the College's Funding Statements and Consolidated GAAP Accounts. Mr O'Keefe outlined the four phases to the audit plan, commenting that it was broadly consistent with previous years: planning stage, evaluation of key internal controls, substantive testing followed by audit completion. Mr Hobson confirmed that any key judgements and provisioning will be brought to the attention of the Committee and that the audit findings will be presented to the Committee on 14 January 2014.

Mr Hobson drew the Committee's attention to key risk factors and the proposed audit approaches associated with them, as follows:

- (i) Pension arrangements
- (ii) Recognition of revenue on SITS
- (iii) GAAP Financial Statements preparation process
- (iv) Expenditure on IT Projects and carrying value
- (v) Investment Properties
- (vi) Accounting for Research Projects
- (vii) Liabilities - judgemental estimates/completeness

Mr Hobson advised that as part of the audit they would consult with key College personnel to identify any significant issues emerging and would rely on external consultants to advise on pension issues and their internal consultants to advise on IT and tax issues. He acknowledged that the preparation of GAAP accounts will, for 2012/13, remain a manual and cumbersome exercise but that the new FIS system will streamline the process in the future.

In regard to pension arrangements, Mr Hobson advised that due to the absence of a letter of confirmation from the HEA that the State will fund the College's full pension liabilities, KPMG will continue to issue a qualification in their report on the Consolidated GAAP accounts. The Committee noted that the C&AG continue to take a different view on this matter.

The Chair invited Ms Mulligan to comment on the C&AG audit planning document and update the Committee on their involvement in the planning process.

Ms Mulligan advised that the planning process had highlighted the audit sequence for them in that they are last in line to perform their audit. Noting that the C&AG must also consider wider sectoral issues in planning the audit, Ms Mulligan advised that it was difficult to plan the 2013 audit when the 2012 audit has not been completed. Ms Mulligan acknowledged that, as a result, the audit planning document presented to the Committee is not as comprehensive as she would like. Ms Mulligan confirmed that the C&AG will continue to rely on the work of externally appointed firms in the sector but the C&AG will need to continue to carry out additional work. In particular, Ms Mulligan drew the Committee's attention to key accounting and audit issues that they will focus on during the audit:

- Accounts system - implications
- Consolidation of Trust Funds and Foundation
- Statement of Governance and Internal Control
- Accounting for research
- Travel subsistence and hospitality expenditure
- Credit and payment card expenditure
- Procurement
- Capital Projects procurement and performance, financing

In response to a query, Ms Mulligan advised that the C&AG had no issues with the Audit Plan as presented by KPMG and Ms Mulligan also confirmed that the C&AG were satisfied with the measures taken by the Financial Services Division to facilitate their involvement in the audit planning process. She advised, however, that until KPMG have a duty of care to the C&AG it is not possible to move forward with the proposal to have specific work carried out by KPMG during their audit on behalf of the C&AG. The Internal Auditor, advising that the resolution of the issue of a duty of care is complex and cannot be achieved by the College alone, stressed that the matter will have to be resolved between all parties by late 2014 as the arrangements will need to be reflected in the next audit services tender to be awarded in 2015.

In conclusion, the Committee approved the KPMG Audit Plan as

presented and noted that the C&AG and KPMG will engage further with the Internal Auditor on the audit arrangements with a view to achieving a unified audit planning and execution process for future years.

The Chair thanked the Chief Financial Officer's team, Mr Hobson of KPMG and Ms Mulligan of the C&AG for their valuable contributions to discussions and they withdrew from the meeting.

Action: The Internal Auditor to explore with KPMG and the C&AG possible solutions to the duty of care issue.

**AD/13-14/08 Risk Management Process in College**

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Referring to the audit report that had been circulated, the Chair invited the Internal Auditor to update the Committee on the risk management process in College. Noting that the College High-Level Risk Register has been improving steadily, he advised that the process needs more support and there is a need to update the current Risk Policy.

He advised that the most significant issue in the process at College level is that there could be more focus on the management of risks, which is not structured and visible as there is a lack of a direct connection between the Risk Register and subsequent actions and decisions.

He advised that at local levels there is a need to embed the process so as to better link local strategy with local decisions and actions. Commenting on the existing processes he stressed the need to avoid the process being overly bureaucratic and advised that there is scope to incorporate it into the meetings and minute recording procedures already in place.

Overall, he acknowledged the efforts that are being put into the process but advised that the lack of resourcing to carry out training and provide support impedes making further progress and obtaining the full benefits from those efforts.

The Committee stressed the importance of embedding the process further and in particular commented on the importance of having a clear champion of risk management in College. During a discussion, the Committee noted that planning for the process to develop the Strategic Plan 2014 -2019 is underway. Given the value of risk management in the context of strategic planning and the importance of a clear linkage between the two, the Committee agreed that the Chair alert the Provost before the process plans are finalised.

Action: The Chair to send a memorandum to the Provost regarding the planning process for the next Strategic Plan as discussed.

**AD/13-14/09 Annual Report 2013 - Input to Part 1**

The Internal Auditor advised that the final version of the Annual Report will be considered by Board at its meeting on 11 December

2013, noting that the Annual Report is in two main parts: one inviting Board's attention to key issues and the Audit Committee's recommendations in relation to same and the other being a report of record for the year. The Internal Auditor, outlining a number of issues, invited the Committee to reflect on the content of Part 1 of this year's Annual Report. In the course of a discussion, the Committee highlighted certain issues to be included by the Internal Auditor when preparing the draft Annual Report for consideration at the next meeting of the Committee.

Action: The Internal Auditor to finalise the draft Annual Report for consideration at the next meeting of the Audit Committee on 21 November.

Professor McGilp then withdrew from the meeting.

#### **AD/13-14/10 Academic Risks**

The Internal Auditor, referring to his memorandum which had been circulated, reminded the Committee of discussions at the previous meeting and the identification of possible areas of academic risk at School level by the Committee, which had since been incorporated into the audit work plan. He invited Mr B McGee, Assistant Internal Auditor who had joined the meeting, to brief the Committee on the four reports, dated November 2013, that had been circulated for consideration under this topic:

- Workload Management
- Academic Leave (Sabbaticals)
- Student Assessment
- Plagiarism

Mr McGee advised that in general processes exist to address the main issues in the Schools visited and the Committee noted that because of changes and developments some issues will need to be re-visited and further work carried out. Mr McGee advised, as an example, that issues may arise when the student survey process is complete and results available. The Committee noted the only recommendation arising out of the school reports at this stage relates to data collection and reporting on plagiarism.

The Internal Auditor advised that six Schools, representing all faculties, had been visited but that some information was still outstanding from one School which is being followed up and that he would report the outcome to the next meeting. The Committee noted the reports as presented, commenting that it was a useful foundation for further work on academic risks at School level.

Action: The Internal Auditor to report to the next meeting of the Committee the outcome of the follow-up on information outstanding from one School.

#### **AD/13-14/11 Management of College High-Level Risks**

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At the invitation of the Chair, Mr McGee drew the Committee's attention to two reports that had been circulated, one relating to quality risk and the other relating to three student risks. Mr McGee

advised that these risks were included in the May 2013 College High-Level Risk Register, which detailed tools currently in place to manage them and future planned actions. He advised that, as a means of assessing the effectiveness of the management of the risks, both the operation of the tools and the status of the planned actions as described in the Risk Register were assessed. The Committee noted the work done to manage the quality risk and the satisfactory conclusion in the report. In regard to the student risks, the Committee noted that, while efforts are underway to address the student risks, because of resourcing issues there are some significant steps still to be put in place and important mitigating factors are not yet functioning although described as current tools. Given the decisions made regarding student numbers and demographics and the importance accorded the student experience in the College Strategic Plan, the Committee concluded that this is an area that needs a faster rate of response to achieve effective management of the risks that College identified and agreed the matter should be included in the upcoming Annual Report for Board's attention.

**AD/13-14/12 Compliance with College Policies on Expenses**

The Internal Auditor, advising that because of the importance of good compliance with College policies on expenses, this area had been re-visited. He advised that the Financial Services Division has reinforced awareness of the responsibility of the approver to ensure expenditure is compliant and it now carries out random audits on a sample basis. Mr McGee then drew the Committee's attention to the report, advising that a smaller sample of transactions had been selected due to the regular audit process in place and the policies were complied with in all cases sampled and confirmed the results of the Financial Services Division process. The Committee welcomed and noted the findings of the review and thanked Mr McGee who then withdrew from the meeting.

**AD/13-14/13 Space Utilisation**

Referring to a memorandum dated 22 October 2013, which had been circulated, the Internal Auditor updated the Committee on developments since the topic was last discussed by the Committee in May. Advising that progress on the planned pilot space audit has been delayed, he noted that the Director of Buildings now plans to complete it in Hilary term. The Committee welcomed the update and agreed to discuss the topic at a future meeting when the space audit has been completed and more data is available.

**AD/13-14/14 Data Protection**

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Introducing the item, the Chair invited the Internal Auditor to summarise the findings of the Data Protection review, which had been circulated. The Internal Auditor advised that significant issues had emerged and that he had hoped to table a management response at the meeting but this was not yet available due to unavoidable circumstances. The Secretary to the College advised that a meeting to discuss responses, in his capacity as the College Data Controller, with the Director of IS Services and the Acting Librarian had to be postponed but would take place shortly. The Committee expressed concerns at the findings and agreed to discuss the topic in depth at its next meeting when the management responses would be available.

**AD/13-14/15 IT Governance Risk Assessment**

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Introducing the item, the Internal Auditor drew the Committee's attention to a report on IT Governance and Risk Assessment, which had been circulated. Noting the overlap with some of the findings of the data protection review, he advised that action was in progress in regard to disaster recovery and cloud computing. The Committee, welcoming the progress made, stressed that until work is complete the risks remain high and agreed that the issues be outlined in the upcoming Annual Report to Board. Ms Duffy and Professor Barry then withdrew from the meeting.

**AD/13-14/16 Research Governance**

Following a brief discussion, the Committee decided to defer consideration of this item until the next Committee meeting.

**AD/13-14/17 HR and Remuneration Issues - Update**

The Committee agreed to defer consideration of this item until the next Committee meeting.

**AD/13-14/18 Casual Payroll - Update**

The Committee agreed to defer consideration of this item until the next Committee meeting.

**AD/13-14/19 Self Evaluation**

The Committee agreed to defer consideration of this item until the next Committee meeting.

**AD/13-14/20 AOB**

Under AOB, the Internal Auditor advised that Ms Cooney, Assistant Internal Auditor, who is on maternity leave had given birth and the Committee recorded its congratulations and requested they be forward to her.

### **Section C - Items for Noting**

**AD/13-14/21 Annual Financial Statements of the College - Consolidated GAAP Accounts for the year ended 30 September 2013**

The Committee noted the memorandum from the Chair of the Audit Committee to Board dated 14 June 2013, which had been circulated.

**AD/13-14/22 Current Developments and Practices in Audit**

The Committee noted the article that had been circulated under this topic.

**AD/13-14/23 Board Papers**

The Committee noted the Board Agendas and Minutes that had been circulated.