

The University of Dublin

Trinity College

Minutes of Audit Committee, Thursday 24 April 2014

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

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

AD/13-14/48 Minutes

The Minutes of the meetings held on 14 January 2014 were approved and signed.

AD/13-14/49 Call-over

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

AD/13-14/50 Matter Arising

There were no matters arising.

SECTION A and B - POLICY AND IMPLEMENTATION ISSUES

AD/13-14/51 Response to Audit Committee Annual Report to Board

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The Chair welcomed the CFO to the meeting and invited him to brief the Committee on the response of Executive Officers to the Audit Committee's recommendations, as contained in the Annual Report presented to Board in December 2013. Referring to the document circulated, the CFO advised that it had been considered by Board on 26 March 2014. The CFO then summarised the responses to the recommendations and outlined the current status of same. In particular, he highlighted the Executive Officers' response to the following issues that had been highlighted by the Committee in its report:

- GeneSIS
- Leadership and Challenges
- Strategy and Risk Management

Referring to the Committee's past concerns in regard to Genesis, the CFO advised of the current status of the G1 stage of the project and responded to a number of queries from members and discussions on possible future enhancements that may be undertaken as discrete

projects under G2. He advised that a workshop had been held in early March 2014 to review the original business cases for Genesis, FIS and START and that a Benefits User Group would be formed shortly. He advised that realisation of the benefits would require strong leadership and outlined certain arrangements which will need to be in place to facilitate that process. The Committee noted that a Genesis User Group had also been established.

The Committee, welcomed the progress made on the project, which has been of long-standing concern to the Committee, as well as noting the need to finish embedding G1 and the plans for future discrete enhancement projects and that some additional resources may still be required. The CFO advised that a significant number of challenges remain, including avoiding project fatigue and the Committee agreed that communication is important to gain user acceptance given the number of change projects underway. Noting that the difficulties in realising the benefits had not been envisaged at the project planning stage and will now be a challenge to realise, the Committee agreed that it may return to review the benefits realisation in the future.

With reference to the leadership challenges highlighted in the Annual Report, the CFO advised that the issues raised are of concern and under active consideration. He further advised that the Planning Group Report No. 10, considered by Board on 26 February 2014, also made some high-level recommendations in this regard and a proposal will be presented to Board in due course. The Committee welcomed the introduction of health and safety training for Heads of School while noting that proposals for extending support and training for Heads of School to cover other areas are still under consideration.

The CFO advised that the COO has taken over the task of implementing an improved risk management system and policy and the Committee noted that it is envisaged the work will be completed and a new Risk Register drafted by May 2014. In response to a query, the CFO assured members that the Committee would have the opportunity to review the proposals before they are finalised and presented to Board for approval and he undertook to pass on the Committee's request to the COO.

The Committee also noted the on-going efforts to resolve the pension qualification issue in the audit opinion. The CFO advised that he would continue to try and secure the necessary audit evidence from the HEA in order to satisfy the external auditors.

In response to a query regarding the timescale for implementation of the HR strategy, the CFO advised that at the moment the implementation of the strategy is the focus of a small working group under START but he did not have a specific date yet. He undertook to pass on the Committee's enquiry to the Director of HR.

In response to a query concerning the data protection audit recommendations, the Secretary to the College advised that he expects a revised Records Management Policy to be reviewed by the Library and Information Policy Committee this term.

In regard to the development of a users guide for data protection, the CFO responded to a query regarding similar guidance manuals in the financial area and undertook to liaise further on the matter outside the Committee.

In conclusion, the Committee welcomed the comprehensive nature of the Executive Officers' response to their recommendations subject to the points raised in relation to:

- Delivery of Genesis benefits
- Initiatives to meet leadership challenges
- HR Implementation Strategy
- Risk Management
- Data Protection Policy

The Chair thanked the CFO for his valuable contribution to discussions before he withdrew from the meeting.

Actions:

51.1 The Committee recommended the inclusion of certain items in the Committee's Call-over document.

51.2 The CFO to liaise with the COO and the Director of HR regarding the Committee's requests and to liaise on the issue of a user manual in financial areas with the Committee member.

AD/13-14/52 Audit Committee Recommendations Status Log

At the invitation of the Chair and referring to the log of outstanding recommendations which had been circulated, the Internal Auditor advised the Committee that recommendations had been grouped into higher, medium and lower risk categories within which issues had been ranked from oldest to newest. He invited the Committee to consider the status log in conjunction with the reporting arrangements proposal and the Response to the Annual Report document.

During a discussion, the Committee noted the overlap between the status log and the Annual Report, as well as the link with the reporting arrangements item to be discussed later in the meeting. In particular, the Committee emphasised the importance of clarity of ownership in regard to individual recommendations together with having specific time-frames for resolution. The Committee emphasised the importance of tracking actions effectively and having a mechanism in place to convey the Committee's findings to Board and College management and agreed that the status log would in future form an Appendix to the Annual Report.

AD/13-14/53 Risk Management in College

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Introducing the item, the Internal Auditor reminded the Committee that the Risk Register had last been considered by them in January 2013 and only briefly in June 2013 due to the late receipt of the documentation. He advised that the COO had commissioned a review of the risk management system and drew the Committee's attention to documentation circulated in this regard, including a report by Mazars reviewing College risk management arrangements. The

Committee noted that work on a modified Risk Register and risk management structure will be completed by May 2014.

During a detailed discussion, the Committee re-expressed its views on risk management and the need to embed the process at all levels and that there be a clear link between the risk management process and strategic objectives. In particular the Committee noted that a robust risk process at School level could have mitigated recent issues in regard to student numbers. The Committee also emphasised the importance of having a champion for risk management in College and that the role of the College risk officer should be clearly defined.

The Committee, acknowledging that the new COO has only recently been appointed and that a timeline is now in place to complete a review of the risk register and risk management systems, noted progress to-date and the steps being taken. It emphasised the importance of having a clear link between risk management and the College's strategic objectives and local operational plans and that clarity of ownership of individual risks is vital to embed the process fully. The Committee requested that the Internal Auditor discuss the issues with the COO and that the three divisional heads be invited to the Committee meeting in June.

Action:

The Heads of three Divisions to be invited to attend the June Audit Committee meeting.

AD/13-14/54 Reporting Arrangements

Introducing the item, the Internal Auditor referred to previous Committee discussions on the need to amend reporting arrangements and to reflect changes to structures under the START initiative. He advised that he had discussed these matters with the VP/CAO, the COO and CFO and summarised the proposal, which had been circulated. He advised that it is proposed that the COO (or other person in the future with responsibility at EOG level for compilation of the risk register) will be copied with all audit reports with the VP/CAO/Faculty Deans and CFO being copied on reports on areas within their remit. In addition, he advised that it is proposed that the COO would coordinate feedback by way of a quarterly update on the status of recommendations to be reviewed by the Committee at the January, March, June and November meetings with the November update being included as an appendix to the Annual Report.

During a discussion, the Committee noted the practical value of having one central point of contact for the Committee but that such an arrangement should not give rise to the perception that the Committee's recommendations fall within the remit of one area of College. The Committee stressed the importance of the attendance of the Heads of all three divisions at the Committee when updates are being considered, as the responsibility in this regard does not rest solely with the COO.

In conclusion, the Committee endorsed the proposal, recommending that it be amended to reflect the issue discussed.

AD/13-14/55 Self-Evaluation of the Effectiveness of the Audit Committee

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The Internal Auditor, drew the Committee's attention to his memorandum and the summary of the self-evaluation process, which had been circulated and invited the Committee to consider the results and also if they wished to make any changes to the process in future evaluations.

Following consideration of the results, the Committee agreed that the two main areas identified for improvement, adequacy of resources and implementation of recommendations, are being addressed and it will consider progress as they develop.

Noting that the last self-evaluation by Board had been very positive but was in 2012, the Committee agreed that it would welcome an updated feedback from Board.

Following a discussion, the Committee noted the results and agreed that it would be useful to widen the process, possibly to include external/peer review of the Committee. The Internal Auditor agreed to investigate options for external evaluation and update the Committee at a future meeting.

Action:

The Internal Auditor to investigate options for external evaluation and update the Committee at a future meeting.

AD/13-14/56 C&AG - Audit Arrangements

At the invitation of the Chair, the Internal Auditor updated the Committee on discussions with the C&AG concerning audit arrangements. Referring to past discussions regarding the C&AG's dissatisfaction with current arrangements, he advised that KPMG are to draft a tri-partite letter of engagement for discussion, which it is hoped will resolve the issues and that he had discussed this initiative with Ms M Mulligan of the C&AG. The Internal Auditor advised that further progress will await the draft letter of engagement. In conclusion, the Committee noted the update and agreed to keep the matter under review.

AD/13-14/57 Catering Stock Control

The Chair invited the Internal Auditor to brief the Committee on the Catering Stock Control Report, which had been circulated. He advised that the objective of the audit was to assess whether effective stock control systems were in place and that the review identified a need to strengthen existing systems. Noting the report, the Committee welcomed the positive response by management to act on the recommendations made and agreed to review progress at a future meeting.

AD/13-14/58 Policy on Non-Audit Services

Introducing the topic, the Internal Auditor invited the Committee's attention to his memorandum on a policy for non-audit services, which had been circulated. He also made reference to an EU directive imposing mandatory rotation of auditors for certain entities, which had been circulated under Section C for noting.

Following a brief discussion, the Committee decided that the provision of non-audit services by the external auditors should be prohibited except in exceptional circumstances. The Committee agreed to review the current auditor rotation policy at a future date.

Following this item, Professor John McGilp withdrew from the meeting due to a prior commitment.

Action:

58.1 The Internal Auditor to draft a policy in regard to non-audit services as discussed.

58.2 The policy on auditor rotation to be reviewed at a future date.

AD/13-14/59 Internal Audit Resources

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Referring to his memorandum, the Internal Auditor advised that the purpose of the document was to promote discussion, highlight the issues particularly for the benefit of new members and invite the Committee's views in advance of formulating a business case for the Internal Audit function.

During a discussion, the Committee expressed concern about Internal Audit's limited resources, whilst acknowledging the excellent work carried out by the Internal Audit team and recognising the overall resource constraints within College. Members commented on the level at which Internal Audit is pitched in other organisations and emphasised the importance of having a robust Internal Audit function in the current climate. Noting the importance of the topic and given time constraints, the Committee agreed that the Internal Auditor liaise with the Chair to finalise a proposal to be discussed in depth at an additional special meeting to be held in May.

Action:

The Internal Auditor to consult with Chair to finalise a proposal for Internal Audit Resources, to be presented to an additional special meeting of the Committee in May.

AD/13-14/60 Internal Audit Work-plan

At the invitation of the Chair, the Internal Auditor drew the attention of the Committee to his memorandum on the audit work-plan dated 21 April 2014, which had been circulated. He advised that it is an interim plan contingent on the completion of the College High-Level Risk Register and the outcome of the Internal Audit resources proposal. He summarised the interim work-plan for members, outlining mandatory audit work as well as drawing their attention to certain discretionary work to include the following topics: -

Trinity Foundation

AMBER

Review of Data Protection in selected sensitive areas

Academic Risks

Follow up on IT Security

He also advised that in the short term, pending the return from maternity leave of Ms Cooney, internal audit services would be bought in to supplement resources over the Summer period and that a framework tender is being prepared.

He invited the Committee to consider if there were any other areas they wished to include at this stage and to approve the interim work-plan pending the development of a full plan after the College High Level Risk Register is completed in June.

In response to a query as to how the work-plan is drawn up, the Internal Auditor outlined the planning process, commenting that the process is not ideal due to the capacity issue and he outlined best practice in this regard. He also advised that an “active internal audit” approach is taken where possible to try and address issues while current rather than carrying out historic reviews. He noted that while being more meaningful to College, this is also more demanding to deliver and requires flexibility in the work-plan and allocation of the audit resource which is difficult to provide.

Following a request from the Internal Auditor, Ms Duffy and Mr O’Reilly agreed to assist him in evaluating the framework tender for the supply of internal audit services.

The Committee requested that Professor O’Hagan’s paper on Academic Risks presented to the Committee in June 2013 be circulated to them again.

In conclusion, the Committee approved the interim work-plan, noting that a full work-plan would be finalised later in the year.

Action:

The Internal Auditor to circulate Professor O’Hagan’s paper on academic risks to members.

SECTION C - ITEMS FOR NOTING

AD/13-14/61 Current Developments and Practices in Audit

The Committee noted the article entitled “EU Enacts 10-Year Auditor Rotation”, which had been circulated.

AD/13-14/62 Funding Statements for the year ended 30 September 2013

The Committee noted the memorandum from the Chair of the Audit Committee to Board, dated 15 January 2014, which had been circulated.

AD/13-14/63 Board Papers

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