



**Minutes of Audit Committee, Thursday 12 February 2015**

**Present** Ms J O'Neill (Chair), Professor R Byrne, Mr O Cussen, Ms A Duffy,  
Professor J McGilp

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

**Apologies** Professor J Barry

**In Attendance** Ms M Thompson

The Chief Financial Officer, the Deputy Chief Financial Officer, the Financial Services Manager together with Ms Maureen Mulligan of the Office of the Comptroller and Auditor General and Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/14-15/32 and AD/14-15/33. The Chief Financial Officer also attended for items AD/14-15/34 to AD/14-15/36.

The Vice-Provost/Chief Academic Officer and the Chief Operating Officer attended for items AD/14-15/34 and AD/14-15/35

Mr Brian Gartlan of BDO attended for items AD/14-15/37 and AD/14-15/38

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

**AD/14-15/29 Minutes**

The Minutes of the meeting held on 11 December 2014 were approved, subject to an amendment.

**AD/14-15/30 Call-over**

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

**AD/14-15/31 Matters Arising**

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In regard to the Departures from Pay Framework, minute AD/14-15/20, the Internal Auditor confirmed that he had been in recent contact on a number of occasions with the Interim Director of HR and that he was advised that the matter is currently in progress. He undertook to update the Committee at the next meeting.

Action:

The Internal Auditor to update the Committee regarding the Departure from Pay Framework issue at the next meeting.

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

**AD/14-15/32 Audit of the Consolidated Financial Statements for 2013 and 2012**

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The Chair welcomed the Chief Financial Officer, the Deputy Chief Financial Officer, Mr S O'Keefe and Mr R Hobson of KPMG together with Ms M Mulligan from the C&AG to the meeting.

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

- Report from KPMG on the audits of the GAAP Financial Statements for the years ended 30 September 2013 and 30 September 2012
- Report on the Audits to the Audit Committee from the Office of the Comptroller and Auditor General, together with draft letters of representation
- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 6 February 2015, together with draft letters of representation
- Consolidated Financial Statements for the year ended 30 September 2013
- Consolidated Financial Statements for the year ended 30 September 2012

At the invitation of the Chair, the CFO introduced the item and the Deputy CFO presented the Consolidated GAAP Accounts for 2013 and 2012. The Deputy CFO advised that from 1 October 2011 College had voluntarily fully adopted the SORP (Statement of Recommended Practice), which required the inclusion of the Trinity Endowment Fund, Trinity Foundation, TCD Education Endowment Fund and TCD Trust and TCD Association in the Consolidated Financial Statements and this had added significant additional work to the preparation of the accounts, including a restatement of the 2010/11 comparative figures. The Deputy CFO advised of the outturn for each year and drew the Committee's attention to key highlights and trends and to the figures in the balance sheets. The CFO advised that Finance Committee had already noted the Financial Statements.

During a brief discussion, the CFO and Deputy CFO answered a number of technical queries from members. In response to a query in regard to the control environment and the pCard transaction review recently considered by the Committee, the CFO advised that he welcomed the findings of the review and had subsequently carried out an internal review of pCard use. He advised that it was expected that, following approval by Executive Officers, pCards would be re-launched shortly on a more limited ad-hoc basis and with tighter control and monitoring in place.

At the invitation of the Chair, Mr O'Keefe of KPMG summarised the KPMG Report, which had been circulated and in particular drew the Committee's attention to key audit issues as follows:

- Impact of full SORP adoption
- Accounting for Pensions - Qualification of Audit Report
- Calculation of Pension Liability
- Change in estimated useful lives of buildings
- Key differences between Funding Statements and GAAP Accounts

Mr O'Keefe advised that KPMG would continue to qualify their audit report due to the absence of adequate evidence that the State will fund the full pension liabilities. He drew the Committee's attention

to key assumptions in regard to the calculation of the pension liability and highlighted key differences between the Funding Statements and the GAAP accounts. In regard to a change in the estimated useful lives of buildings, he advised that the College had amended its estimate of useful lives for historic buildings and the revised 2013 and 2012 draft financial statements as presented reflect that change.

During a brief discussion, Mr O'Keefe answered a number of technical queries from members. He advised that KPMG had no significant issues to bring to the attention of the Committee and had identified no material control weaknesses during the audit. In response to a query, 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 audits and expect to issue audit opinions 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, Ms Mulligan of the C&AG, summarised the C&AG Report on the Consolidated Financial Statements which had been circulated and, in particular, drew the Committee's attention to the following key accounting issues:

- Extension of the useful life of historic buildings
- Endowment Funds

Ms Mulligan advised that the C&AG will be issuing unqualified audit opinions, taking a contrary view to KPMG in regard to the recognition of a pension asset. She confirmed that the C&AG accepts the change in the depreciation estimate of the useful life of historic buildings from 50 to 80 years. Ms Mulligan advised that significant audit findings have been brought to the attention of the management and responses received and that she expects the management letter to be issued formally shortly. In response to a query, she outlined briefly the nature of the issues, being payments for the Biosciences building, payroll issues and certain Internal Audit findings.

In response to a query, the Deputy CFO advised that KPMG had begun work on the audit of the 2014 Financial Statements and that work by the C&AG would follow.

In conclusion, the Committee agreed to recommend that the Consolidated Financial Statements for 2013 and 2012 be forwarded to Board for approval, together with the letters of representation.

Action:

Both sets of Consolidated Financial Statements to be forwarded to Board for approval, together with the letters of representation.

**AD/14-15/33 Trinity Endowment Funds (formerly Trust Funds (Benefactions))**  
**XXX** The Committee noted the Memorandum from the CFO/Deputy CFO dated 5 February 2015, together with the Draft Trinity Endowment Fund Financial Statements for the 15 month period ended 30 September 2014, which had been circulated.

During a brief discussion, the Committee noted the change of name to Trinity Endowment Funds and that the financial statements cover the 15 month period to 30 September 2014 to align them with the College's financial year end. KPMG reported that there were no unadjusted audit differences and there were no issues with regard to the qualitative aspects of the Trust Fund's accounting practice and financial reporting to bring to attention. The Committee noted that KPMG have 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.

The Committee noted the Trinity Endowment Funds as presented and agreed that the financial statements and letters of representation be recommended for approval by Board.

The Chair thanked the Deputy CFO, the Financial Resources Manager, Mr O'Keefe and Mr Hobson of KPMG for their input to discussions. In particular, the Chair thanked Ms Mulligan of the C&AG, who was attending her last meeting as the C&AG representative for the excellent working relationship and engagement with the Committee, after which they all withdrew from the meeting.

Action:

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

**AD/14-15/34 Audit Committee Recommendations**

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Introducing the item, the Chair welcomed the Vice-Provost/Chief Academic Officer and Chief Operating Officer to the meeting.

The Chair drew the Committee's attention to the Log of Outstanding Audit Committee Recommendations, which had been circulated. Noting that that the Committee takes its role of providing assurance to Board very seriously, the Chair advised that the Committee is concerned with delays over the implementation of its recommendations. The Chair acknowledged the challenges posed by the devolved structure of College but stressed the importance of action on this matter.

At the request of the Chair, the Internal Auditor reminded members of the background to the item. He advised that more streamlined quarterly reporting arrangements were agreed and introduced in early 2014, following extended consultation, to:

- Keep Executive Officers informed during the year of audit issues being reported to Heads of Area
- To inform Board of overall progress by the inclusion of the Log as an appendix to the Audit Committee Annual Report
- To incorporate the subsequent response of Executive Officers to the Annual Report;
- To provide quarterly updates to the Audit Committee on the progress on implementation of its recommendations.

He advised that it was agreed the three Heads of Division would attend the Committee on a quarterly basis, noting that in the case of academic issues it may be necessary to invite relevant Deans to attend where issues fall outside the remit of ASD.

Commenting that the format of the document circulated could be made more accessible and that the assurance the Committee can give to Board is dependent upon quality analysis, the Chair invited the Heads to present an overview of the Audit Committee Recommendations Log as circulated. Noting that it was a detailed working document, the COO advised that she had tried to make it as simple as possible but that there is a significant amount of detail to manage. Noting that it is divided by Division into three sections, the COO outlined the key issues in the CSD area and in particular drew the Committee's attention to HR issues and that the Interim Director of HR is taking steps to address them. In response to a query, the COO also advised of a stabilisation programme for the Academic Registry, which she advised should take 9-12 months to complete.

The CFO having been invited by the Chair to comment on the recommendations in his area drew the Committee's attention to pCards and Capital Projects. He advised that with the introduction of Oracle it will be possible to capture all budgetary information relating to Capital Projects in a single definitive record. In response to a query in regard to monitoring of pCard use, the CFO confirmed that monitoring procedures will be strengthened. Noting the planned re-launch of pCards, he advised that a lower number of pCards in use will make the monitoring process more straightforward. In response to a query, the CFO also advised that following an internal review of pCard transactions, a small number of pCards had been withdrawn. Whilst acknowledging the complexities of the College's devolved structure, the Committee reiterated the importance of having robust process controls in place to mitigate the risks and welcomed the positive steps being taken.

At the invitation of the Chair, the VP/CAO briefed the Committee on the status of recommendations in the academic area. The VP/CAO advised that a robust training programme for all Heads of School had been introduced and that a programme for on-going mentoring and coaching would be rolled out in 2015. She advised that the Heads of School had responded very positively to the initiative. The Committee, noting plans to extend such training to Deans and other Annual Officers in the future, welcomed this very positive progress on the issue, which had been highlighted in the Audit Committee's 2013 Annual Report to Board.

The VP/CAO drew the Committee's attention to recommendations relating to research governance and advised of plans for a new Research Integrity Policy, together with policies for Dual Purpose Research and Stem Cell Research. The VP/CAO advised that such significant issues will require very robust governance. Noting the importance of training in research governance and integrity, the VP/CAO advised that it is planned to gather all the current strands of academic training into one central 'academy' with a Director.

In response to a query, the VP/CAO also provided a comprehensive overview of the risks and actions in regard to internationalisation and achievement of targets.

Finally, the VP/CAO briefed the Committee on the recommendations concerning employment and contractual arrangements in the School of Medicine. Noting that there have been challenges in the past to

ensure compliance with College policies in that area, she assured the Committee that more robust monitoring is now in place and that the Dean and Head of School are very aware of the risks when considering new proposals. In response to a query, she advised that legacy issues are also being addressed as they present for renewal. During a detailed discussion, members welcomed the comprehensive update on the status of recommendations in the academic area.

In conclusion, members recommended a number of changes to the presentation of the Log for future iterations and which the COO agreed to implement. In summing up, the Chair noted the wide spread of activities and the difficulty in managing the process, especially in CSD, but that the Committee needs to see more timely action to deal with issues and clearer identification of persons who are accepting responsibility for actions. Members agreed that until recommendations are dealt with, areas are continuing to carry the risks. The Committee agreed that the cumulative effect of having many issues outstanding indicates a significant overall risk to College governance and that there needs to be much quicker action to deal with outstanding items.

Action:

- 34.1 The COO to refine the presentation format of the Log when next being presented to the Committee to facilitate reporting by exception and make it more concise.
- 34.2 The Heads of Division to review the ownership for issues and speed of responses for the next presentation to the Committee.

**AD/14-15/35 Risk Management**

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The Chair, drawing the attention of the Committee to the Risk Register, which had been circulated, invited the COO to brief the Committee on the current status of risk management in College. The COO advised that Phase I of the process was now complete, during which the 9 main goals of the Strategic Plan had been examined and key high-level risks identified, and that work on Phase II has begun, in which operational plans will be examined and risks identified. The Committee noted that work on Phase II of the process will take a further six months.

During a detailed discussion, members expressed concern that the Risk Register, as presented, is only a partial view of College level risks because it is derived from the Strategic Plan alone, is forward looking and does not capture all high level risks which are on-going such as Cyber risks, Data Protection, Compliance, Governance, etc. The COO agreed that at present the Risk Register was confined to those that flow naturally from the Strategic Plan and reassured the Committee that the intention is to pull all risks into the final Risk Register as the process evolves further.

In response to a query for clarification in regard to an item under Talent Acquisition and Development, the COO elaborated on the risk and planned action. The VP/CAO acknowledged that the wording of this item is misleading, that it does not refer to academic areas and the COO agreed to re-phrase the item to better reflect the risk and what action is intended.

Noting the importance to the Committee's work and the governance of the College of having robust risk management systems in place, including a comprehensive Risk Register, members expressed concern with the slow pace of progress on the overall risk management process and that the Committee is still waiting for a comprehensive College-wide Risk Register, which would only be a return to where matters were at two years ago, while the embedding of the process at lower levels continues to be outstanding. Noting that the Committee cannot comment on individual risks at this initial stage, having just been presented with the document, and that it recognises there was a significant process behind its production, the Committee agreed that the document appears to be well worked out and presented in regard to the risks around achievement of the Strategic Plan. Noting that the expectation of the Committee was that it would be a total Risk Register and that there had been a misunderstanding in that regard, the COO confirmed that the Risk Register as presented will be expanded to take account of all risks, as the process evolves, including those referred to by the Committee.

The Chair then drew the Committee's attention to the Draft Risk Management Policy, which had been circulated. The Chair expressed concern over the role outlined for the Audit Committee in the draft policy and, stressing that the Committee is not an Audit and Risk Committee, invited the COO to comment. The COO advised that the Risk Management Group had compiled the policy and had received advice from Mazars on the matter. Noting that the Audit Committee was not consulted on the draft, members agreed that the terms of reference for the Audit Committee are very clear on its role and that the policy needs to be consistent with them. During a subsequent discussion, members pointed to several issues where it was agreed that the draft policy needs revision. In conclusion, the Committee agreed that the Internal Auditor would liaise with the COO and College Secretary in regard to the policy and that a revised version should be brought back for the Committee to consider at a future meeting. The COO also advised that the role of a Risk Officer in the draft policy is a significant one, which will need to be considered in the future implementation of the Policy.

Action:

- 35.1 The Internal Auditor to provide feedback on the draft to the COO and College Secretary when amending the draft Risk Policy to take account of the points raised by the Committee
- 35.2 A revised draft Risk Policy to be considered by the Committee at a future meeting.

**AD/14-15/36 Audit Tender**

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The Chair drew the Committee's attention to the memorandum from the Internal Auditor dated 9 February 2015, which had been circulated. The Internal Auditor advised that when issuing the previous tender, provision was made for extending the contract if necessary, as it was expected that the end of the current contract could coincide with the transition to FIS. Following a brief discussion, the Committee agreed that it would be prudent to retain KPMG until this transition is completed and fully embedded. The Committee also noted that it will also allow additional time to engage with the C&AG on the audit arrangements. In conclusion, the

Committee agreed to recommend to Board an extension of two years based on a continuation of the current fee arrangements as agreed by KPMG.

Action:

The Committee to recommend to Board an extension for two years of the audit services contract with KPMG.

**AD/14-15/37 AMBER Review**

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The Chair welcomed Mr Brian Gartlan of BDO to the meeting, who has been contracted by Internal Audit to provide additional support on a short-term basis. The Chair invited him to brief the Committee on the findings of the review of the SFI-funded 'Advanced Materials and Bioengineering Research Centre' (AMBER), which had been circulated. The Committee noted that the focus of review was the governance of AMBER.

Mr Gartlan drew the Committee's attention to the main findings under the following headings as follows:

- No current full-time Director of AMBER
- Poor financial reporting capabilities
- AMBER management does not control recruitment and retention of key people
- Outstanding statement of assurance to SFI
- Risk Management processes not formally embedded

Mr Gartlan advised that a major governance challenge facing AMBER is that the Director position has been filled on an interim basis for some time and that the current Director of CRANN is also Acting Director of AMBER. He advised that this has potential implications for workload management and external perceptions but that at the time of the review recruitment was in progress that it was hoped would rectify this. Mr Gartlan also acknowledged that AMBER has been meeting and exceeding KPI targets nonetheless. He advised that another key challenge facing AMBER relates to the configuration of the new Financial Information System (FIS) which makes it difficult and cumbersome to maintain accurate and complete budgetary information and the work arounds in place run the risk of error arising in accounting and dealing with external funders. Mr Gartlan advised that AMBER management has been seeking resolution of this.

During a discussion, the Committee expressed concern at the findings in regard to the accounting issues, especially given that external funders are involved, noting also that the issues emerging in the AMBER review echo findings outlined in the FIS Implementation Review to be considered later in the meeting. The Committee noted with concern that this is a significant issue for the other Centres also. The Committee noted that such deficiencies in budgetary and management information generate, of necessity, highly cautious spending, which could result in implications for full utilisation of funds available and ultimately could potentially impact the scientific ambitions of AMBER.

The Committee also noted underlying funding issues in regard to staff recruitment and retention of key people by AMBER and that the



changes to the funding pattern and mix have given rise to increased difficulties with such issues, both for Centres and Schools.

In response to a query, Mr Gartlan confirmed that he had received good cooperation from AMBER personnel during the review.

In conclusion, the Committee welcomed the review and the constructive approach of AMBER management to its findings and recommendations and recommended that the FIS related issues be drawn to the attention of FSD and FIS for resolution.

Action:

FSD and FIS to be advised of the issues and requested to engage with AMBER and other Centres to resolve the issues urgently.

**AD/14-15/38**  
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**FIS Implementation Review**

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

- Memorandum from the Internal Auditor dated 10 February 2015
- FIS Project Management Response to the FIS Steering Committee dated 6 January 2015
- Email clarification from the Project Sponsor dated 10 February 2015
- Internal Audit Report dated 6 January 2015

At the invitation of the Chair, the Internal Auditor briefed the Committee on the background to the review. He advised that FIS was kept under review because of its significance to College in terms of spend and strategy and that an earlier governance review, in the first half of 2013, had been positive in regard to the set up and governance structures of the Project compared to previous projects. He advised that the independent QA reports then available did not give cause for any great concern, all of which generated a moderate risk assessment from an Internal Audit viewpoint. Noting that the work of Internal Audit is risk based, in order to concentrate scarce resources on the highest risk areas, he outlined to the Committee a number of factors in the period from May to October 2014 which raised the risk profile of the FIS Project from an audit perspective. He advised that the latest QA report then available, number 5 and dated the previous January, had also contained some indications of issues arising with users. The elevated risk assessment by the Internal Auditor necessitated a change to the work plan and FIS was identified as one a number of priority areas for review by Internal Audit. In October 2014, BDO who had been contracted to provide additional audit support services, were tasked with carrying out a review in cooperation with Internal Audit. He advised that the review was aimed at gaining a high-level forward looking view of the FIS Project to assess if it was reasonably on track in terms of deliverables and costs and likely to deliver the expected benefits so that assurance could be provided to the Audit Committee and Board. He advised that the detailed work was carried out between 13 October and 21 November 2014 and a first draft report issued on 27 November. Following several meetings and representations, a second draft, and this time a joint TCD Internal Audit and BDO report was issued for management comment on 15 January 2015.

Mr Gartlan then drew the Committee's attention to the detailed findings in the draft report and the recommendations in regard to:

- future stakeholder engagement
- benefits realisation
- budget to completion
- a business transformation stream
- new functionality roll out, testing and training
- improvements to monitoring and reporting.

The Internal Auditor advised that he had been informed that, until the FIS Steering Committee had considered the report, management responses would be unavailable. He advised that the FIS Steering Committee had met the previous day, 11 February. He drew the attention of the Committee to a document, which detailed comments of the Project Chair, Sponsor and Manager circulated to the FIS Steering Committee and which very strongly rebutted the scope of work, factual statements, the findings and the conclusions of the audit report. The Internal Auditor advised, however, that it did not necessarily reflect what the official management responses to the audit report would eventually be.

The Internal Auditor also informed the Committee that following the first draft Internal Audit report, a 6<sup>th</sup> PwC QA report had been commissioned by FIS and carried out in January 2015, which was also circulated to the FIS Steering Committee. He advised that he had been informed the Project Team regarded the QA report as reaching different conclusions from Internal Audit. He advised that, in his view and that of BDO, the latest QA report was identifying many similar issues, if ranking them lower in terms of risk, and pointing to much the same actions as the Internal Audit report while warning that the risk rankings could rise quickly. Hard copies of the PwC QA report were circulated to members at the meeting at the request of the Project Sponsor. Consideration of the PwC report findings was deferred to the next meeting to allow members time to read the document.

In response to a query the Internal Auditor agreed to circulate to members by email a copy of the FIS Project Update that was presented to the May 2014 Board meeting. The Committee agreed that in view of the significant audit findings the official response of the Project Sponsor was necessary before concluding its consideration of the Internal Audit report and deciding on what action to take. The Committee expressed serious concerns about the nature of the comments made to FIS Steering Committee in the document circulated and agreed that an official response to each of the six recommendation in the audit report should be sought.

The Committee agreed to defer a conclusion on the audit report findings and recommendations pending consideration of the responses of the Project Sponsor to the report.

Action:

38.1 The Internal Auditor to request a formal response to all six audit recommendations from the Project Sponsor for

consideration by the Committee at the earliest opportunity.

38.2 The Internal Auditor to circulate to members a copy of the FIS Project Update that was presented to the May 2014 Board meeting.

**Section C - Items for Noting**

**AD/14-15/39 FRS 12 - Audit Qualification Issue**

The Committee noted the correspondence between the Chief Financial Officer and the HEA which had been circulated.

**AD/14-15/40 Current Developments and Practice in Audit**

The Committee noted the KPMG article entitled 'On the Audit Committee Agenda' which had been circulated.

**AD/14-15/41 Board Papers**

The Committee noted the Board papers which had been circulated.