



Minutes of Audit Committee, Thursday 15 October 2015

- Present* Ms J O'Neill (Chair), Professor J Barry, Ms A Duffy, Professor J McGilp
(*ex officio*) Internal Auditor (secretary)
- Apologies* Professor R Byrne, Mr O Cussen, Mr John Coman
- In Attendance* Ms S McCormack

Mr S Carton and Mr D Mc Carrick of the Office of the Comptroller and Auditor General and Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/15-16/04 and AD/15-16/05. The Deputy Chief Financial Officer (Ms L Ryan) and the Management and Financial Accounting Manager (Ms E Farrell) attended for items AD/15-16/04 to AD/15-16/07 and AD/15-16/04 to AD/15-16/06 respectively.

The Chief Operating Officer (Ms G Ruane), the Vice-Provost/Chief Academic Officer (Professor L Hogan) and the Deputy Chief Financial Officer (Ms L Ryan) attended for items AD/15-16/07 and AD/15-16/08

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

AD/15-16/01 Minutes

The Minutes of the meeting held on 18 June 2015 were approved.

AD/15-16/02 Call-over

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

AD/15-16/03 Matters Arising

There were no matters arising

SECTION A and B - Policy & Implementation Issues

AD/15-16/04 Plan for Audit of the 2014/15 Accounts

The Chair welcomed the Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Mr O'Keefe and Mr Hobson of KPMG and Mr Carton and Mr McCarrick of the Office of the Comptroller and Auditor General to the meeting for the consideration of the Audit Plan and Audit Arrangements. At the request of the Chair, Mr O'Keefe of KPMG introduced the KPMG Plan for the Audit of the 2014/15 Accounts, drawing attention to the following issues in the Audit Planning Presentation from KPMG, which had been circulated: -

- Audit process
- Timetable
- Key Risks
- Internal controls and governance

- Arrangements with the Comptroller and Auditor General and KPMG

Mr O'Keefe advised that they would rely on specialist audit support for IT and pension issues and would involve a second audit partner for enhanced quality control. Mr O'Keefe outlined a number of other aspects of the audit plan, including administrative and compliance issues. At the invitation of the Chair, Mr Carton then outlined the C&AG plan, which had been circulated, drawing attention to the planning for the first time of an interim audit by the C&AG, which it was hoped would assist in meeting the agreed timelines by addressing the main probity and regularity work pending receipt of the final financial statements and completion by KPMG of their audit. He drew attention to the main areas of focus for the interim audit being: -

- Financial position
- Procurement
- Capital projects
- Payroll and pensions
- Risk management
- Student fees cut-off
- Funding provided to the Students Union

The Chair welcomed the availability of the C&AG audit plan and, noting the timelines, requested that both sets of auditors continue to communicate closely; in particular that KPMG advise the C&AG of the results of their interim work before the C&AG interim audit starts and that the C&AG advise KPMG similarly ahead of the start of the KPMG final audit.

Following discussions, the Committee agreed that the audit planning process was a significant improvement on previous years and that the plans as presented should lead to an efficient and thorough audit for 2015.

AD/15-16/05 Audit Arrangements

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Introducing the topic, the Chair invited the Deputy Chief Financial Officer to introduce the topic and the memos, which had been circulated. The Deputy Chief Financial Officer apprised the Committee of the C&AG letter of 28th July 2015, to each of the university presidents, regarding the introduction of agreed timelines for the submission of financial statements to the C&AG for audit. She confirmed that the timelines in the Audit Plans, as already presented for the 2015 audit, are well within the period requested by the C&AG and that she plans to respond to the C&AG to advise that Trinity will work to achieve the time schedule for 2015 as a pilot. It is proposed timelines for subsequent years will then be considered in light of the 2015 audit. The Deputy Chief Financial Officer informed the Committee that the C&AG is being requested to complete the audit and delivery of the audit certificate for 2015 and subsequent years to fit with Trinity's statutory obligation to bring its financial statements to Board in Hilary Term. Mr Carton confirmed, subject to the availability of the information and completion of the KPMG audit, that the C&AG planning is designed to achieve that reporting date.

The Deputy Chief Financial Officer also drew the Committees attention to a letter from the HEA to each of the university presidents, dated 19 August 2015, which had been circulated. The HEA requested that universities consider engaging the Office of the C&AG as sole auditor in respect of the consolidated financial statements in accordance with the C&AG's statutory obligation, which it termed the Model B option. However, in the event of choosing to continue with the use of a commercial firm, there would need to be close liaison and coordination between those auditors and the C&AG and the letter also set out a Model A process and timetable to achieve that.

During the subsequent discussion it was noted that both KPMG and the C&AG auditors attended a planning meeting in Trinity on 20 August 2015 and that satisfactory timelines for the completion of the 2015 audit and close coordination have been agreed. Mr Carton of the C&AG agreed that the engagement with Trinity had been positive and that the good working relationship and process, evolved over the years, was essentially what is envisaged under the Model A option. Having considered the matter and noting Trinity's requirements for a full service audit, including US GAAP financial statements which would not be available from the C&AG and the international nature of publication and loan certification required, the Committee agreed that as the current arrangements were working satisfactorily that it would recommend continuing with commercial auditors or Model A.

The Committee also noted the C&AG letter of engagement dated 21 September 2015, which had been circulated. Mr Carton confirmed that there were no specific issues in it to which he wished to draw the attention of the Committee.

Finally, the Deputy Chief Financial Officer drew attention to a proposal to amend the requirement for a full audit in regard to the Funding Statements, which are presently audited by KPMG. Noting that a small saving in the KPMG fee would result, as well as internal resources, she requested that the Committee consider amending the audit requirement similar to that being applied in UCD. Following a brief discussion, the Committee noted that the fee saving appears small and KPMG outlined what is involved. The precise nature of the audit certification that would be available under a new arrangement was discussed and it was agreed that KPMG would consider this matter in more detail with the Deputy Chief Financial Officer and a formal proposal would be brought back to the next Committee meeting.

The Chair thanked the audit teams from the C&AG and KPMG who then withdrew from the meeting.

Actions

05.1 The recommendation of the Committee to continue with commercial auditors and adopt Model A be brought to the attention of Board for approval.

05.2 The Deputy Chief Financial Officer to liaise with KPMG regarding the nature of the audit certification for the Funding Statements and bring a proposal to the next Committee meeting.

AD/15-16/06 Management Letters - FY13/14 Audit of the Consolidated Financial Statements

At the invitation of the Chair, the Deputy Chief Financial Officer drew attention to the Management Letter from the C&AG and the draft management responses, which had been circulated, noting that the Report from KPMG in June had included the KPMG management points, which had been considered already by the Committee.

Following a brief discussion, the Committee noted the points raised and the management responses. The Committee agreed that while some of the amounts involved were minor there was scope to improve processes and reduce such incidences where Trinity's own processes were not being fully observed. The Deputy Chief Financial Officer advised that the subsequent introduction of Oracle and the scaling back of the pCards would address several of the issues. In this regard, the Deputy Chief Financial Officer was asked to review possibilities for strengthening processes in the specific area in which the documentation lapses had occurred.

The Chair thanked the Management and Financial Accounting Manager for her contribution and she then withdrew from the meeting.

Action

06.1 The Deputy Chief Financial Officer to review the possibilities for strengthening processes in the area in which the documentation lapses had occurred and advise the Committee in due course.

AD/15-15/07 Audit Committee Recommendations

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The Chair welcomed the Vice-Provost/Chief Academic Officer and the Chief Operating Officer to the meeting. The Chair drew members' attention to the following documents, which had been circulated for consideration under this item: -

- Memorandum from the Chief Operating Officer dated 8 October 2015
- Audit Committee Recommendations Log
- Internal Audit Recommendations log Dashboard 08.10.2015

The Chair invited the Chief Operating Officer to introduce the Audit Recommendations Log, following which it was noted that the completed recommendations removed from the previous version of the log were not included and the Chief Operating Officer undertook to supply a list to the Internal Auditor. Noting the difference in numbers of outstanding recommendation in the log and the dashboard and the difficulty in linking the two documents, the Committee agreed that the presentation of the information in a workable format suitable for the Committee to review needed further work.

The Chair suggested that the Internal Auditor liaise with the Chief Operating Officer and design a template suitable to the Committee's purposes, which she then could use to populate all the required fields. Ms A Duffy was asked to assist in this task. The Chief Operating Officer

welcomed the suggestion and undertook to work with the Internal Auditor and Ms Duffy on a revised format.

The Chair thanked the Deputy Chief Financial Officer for her valuable contribution, who then withdrew from the meeting.

Action

- 07.1 The Internal Auditor and Ms A Duffy to collaborate and liaise with the Chief Operating Officer on a revised template for the Audit Recommendations Log.

AD/15-16/08 Risk Management in College

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Introduction the topic, the Chair drew the Committee's attention to the following documents, which had been circulated for consideration under this item:

- Memorandum from the Chief Operating Officer dated 9 October 2015
- TCD Risk Register Template
- TCD Operational Planning Template

The Chair invited the Chief Operating Officer to brief the Committee on the current status of the risk management process. The Chief Operating Officer advised the Committee that a high level review of risk management arrangements was carried out in March 2014; the review identified a number of areas for improvement. The Risk Management Group initiated a project which is being carried out over 2 phases:

- Phase 1: Prepare a College wide risk register linked to the new Strategic Plan and the associated nine strategic goals plus identified current high level risks in Trinity.
- Phase 2: Develop and roll out a more advanced risk management process integrated with the operational planning process.

Phase 1 has been completed and was presented to the Audit Committee and Board in June 2015. To support Phase 2 four areas in College were selected for a pilot project to prepare operational plans and functional risk registers. The Chief Operating Officer noted that in September 2015, with the support of Mazars, pilot sessions were held with each area to develop operational plans and the identification of risks, controls and actions. Final drafts from all areas are expected at the end of October, with their review at the Risk Management Group meeting on 28th October.

During a detailed discussion, the Committee reminded the Chief Operating Officer of the importance of developing a suitable process for academic areas and of the importance of providing a risk management system embedded at all levels within College.

Commenting on the plan, the Vice-Provost/Chief Academic Officer noted that the area around responsibility was not clear and asked for more clarity, especially on how the issues are monitored and how the information is organised and evaluated and emphasised the need for a structured approach and sign off. She advised the Committee that

between October and November each School is asked to review the previous year and to compile a report to go to Council and she will ask each school to include any issues around risks in these reports.

During a detailed discussion, the Chief Academic Officer/Vice-Provost advised the Committee that the Quality Committee meet eight times a year and University Council meet once a month at which all evaluations and implementation plans are reviewed and discussed. She suggested that a structure could be put in place to focus on risks, audit requirements and recommendations at these meetings and agreed to take this matter up with the Quality Office to investigate developing the existing academic processes further.

The Committee, welcoming the suggestion, agreed that it is essential to integrate with the existing academic processes as much as possible and requested the Chief Operating Officer to also consider the issues that had been discussed in the course of her work on Phase 2. The Committee stressed the importance of Heads of each area taking responsibility for the risk management process and that it should be of real value and assistance to them and avoid creating a bureaucratic administrative burden. The Committee also agreed that training and education was vital in moving forward and noted the role of Risk Officer, as defined in the Risk Policy, is important to embedding a successful risk management process that yields real benefits. Finally, the Chair stressed the need for now making speedy progress on embedding a fit for purpose system, noting that in overall terms the current position was no further advanced than had been achieved a number of years ago and that it is important the remaining work is completed as soon as possible.

The Chair thanked the Chief Academic Officer/Vice-Provost and the Chief Operating Officer for their valuable contribution and they withdrew from the meeting.

Action

08.1 The Chief Operating Officer to consider the existing academic processes during Phase 2.

08.2 The Chief Academic Officer/Vice-Provost to engage with Schools and the Quality Office to identify the potential to develop existing processes.

AD/15-16/09 Board Statement on Governance and Internal Control

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Introducing the item, the Internal Auditor drew the Committee's attention to the Board Statement on Governance and Internal Control for 2014, which had been circulated, noting some of the revisions that had been made to the format. The Committee also noted that the Statement, where mentioning risk management, referred to the ongoing evaluation and review of the system of risk management. The Committee agreed that it is important that significant progress on developing the system is made on risk management, as it will continue to be a major element of good governance for future Board statements of assurance.

AD/15-16/10 Strategic Audit Planning

At the invitation of the Chair, the Internal Auditor briefed the Committee on Strategic Audit Planning and drew attention to his memorandum dated 10 October 2015, which had been circulated. He also tabled a document detailing the nine strategic goals and the sub-goals for each, which had been identified in the Strategic Plan 2014-2019 and the various projects and strategies designed to achieve them. He advised that the Internal Audit strategy is to provide “active” internal audit service, as far as possible engaging on live issues rather than historic evaluations. He advised that the planning now being developed envisages engagement on the current strategic projects and strategies and the risks identified in the High-Level Risk Register.

Comparing the two documents, the Committee agreed with the two major common themes identified by the Internal Auditor, which are:

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- the scale of projects being undertaken and the associated demands on key personnel skills and resources, as well as funding, to deliver them; and
- the significant use of reserves for investment over the past number of years and the importance of realising the returns on those investments.

In conclusion, the Committee agreed that the Internal Auditor would develop detailed planning based mainly on an active focus on these two themes. The Committee also requested that attention be given to how the risk appetite is being set and monitored on an overall basis.

Action

The Internal Auditor to develop the audit planning to focus on the two themes as agreed, with attention to the risk appetite of the university.

Section C - Items for Noting

AD/15-16/11 Audit of the Financial Statements for 2014

The Committee noted the memorandum from the Chair of the Audit Committee dated 22 June 2015 to Board regarding the audit of the Annual Financial Statements for the year ended 30 September 2014, which had been circulated.

AD/15-16/12 Current Developments and Practices in Audit

The Committee noted the article entitled Culture under the Lens from Audit and Risk Issue 25 September/October 2015, which had been circulated.

AD/15-16/13 Board Papers

The Committee noted the Board papers, which had been circulated.