



**Minutes of Audit Committee, Tuesday 14 June 2016**

**Present** Ms J O'Neill (Chair), Professor J Barry, Professor R Byrne, Mr O Cussen, Ms A Duffy, Professor J McGilp,  
  
(*ex officio*) Internal Auditor (secretary - Mr F Sheeran), Secretary to the College (Mr J Coman)

**In Attendance** Ms M Thompson

The Chief Financial Officer, Mr I Mathews attended for items AD/15-16/56

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

The Chair congratulated Ms Cooney on her recent appointment to the position of Deputy Internal Auditor.

**AD/15-16/52 Statement of Interest**

The Chair invited members to declare any conflicts of interest that they may have in relation to any items on the Agenda. The Secretary to the College advised of a conflict of interest in relation to Agenda item 5.4 "Externally Contracted Services - Report No. 3 - Legal Services Framework", as legal services fall within his remit. The Committee agreed to consider this item during his temporary absence from the meeting to attend another meeting.

**AD/15-16/53 Minutes**

The Minutes of the meeting held on 15 March 2016 were approved and signed.

**AD/15-16/54 Call-over**

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

**AD/15-16/55 Matters Arising**

Referring to minute AD/15-16/46 of 15 March 2016, the Internal Auditor updated the Committee on developments in regard to FIS. He drew the Committee's attention to a copy of a memorandum from the Chief Financial Officer to Executive Officers dated 10 June 2016 regarding plans for the closure of the FIS Project. In regard to the reference to Internal Audit recommendations he clarified that the commissioning of a new project to integrate the systems with FIS is a management proposal to deal with the issues raised in the Internal Audit report. During a discussion, members observed that there was no reference in the memorandum to a technical evaluation, one of the key recommendations contained in the recent Internal Audit

report. The Committee stressed the importance of carrying out an independent review of the FIS Project against the original Business Plan and that the current manual operations to interface with CORE and other systems need to be closely monitored. The Committee reiterated that its role is to highlight significant issues for management and that it is a matter for management to take the appropriate action. Noting that the Chief Financial Officer would be joining the meeting for a later agenda item, the Committee agreed to invite him to comment on the plans for FIS.

**AD/15-16/56 Update on College Business**

The Chair welcomed the Chief Financial Officer to the meeting for this item. Introducing the item, the Chair advised that it was a new standing item on the Agenda and had been introduced to formalise the updating of the Committee on university business by the appropriate College Officers.

The Chair invited the Secretary to the College to update members on recent Executive Officer business, to be followed by updates from the Committee's Board representative, Professor McGilp on Board business and the Chief Financial Officer on pertinent financial issues.

The Secretary tabled a list of topics and projects on the recent agendas of Executive Officers, including Capital Projects and Strategies currently being considered by Executive Officers. Noting the Secretary's briefing, the Chair drew the Committee's attention to the "Strategic Estates Review" by Turnberry Consulting dated March 2016, which had been circulated under this item as some of the issues highlighted in that Review echoed issues highlighted in the Committee's recent Annual Report. The Committee noted that Board had considered the Turnberry Report in March 2016. The Secretary to the College advised that Board had endorsed the Review's recommendations and that an implementation plan would be presented to Board by the Bursar/Director of Strategic Initiatives in June 2016.

Professor McGilp then briefed the Committee on recent Board business of relevance to the Committee. In particular, he advised members that Board had agreed that the Risk Management Group be chaired by an external member and also briefed the Committee on recent discussions at Board concerning the GeneSIS project. Professor McGilp briefed members on a recent presentation to Board on gender equality and the awareness of Board to the issues and the risks in this area. The Committee noted also improvements in the way revisions to College Policies are being processed and approved by Board.

The Secretary to the College withdrew temporarily from the meeting.

Referring to the summary of Executive Officer business tabled by the Secretary to the College, the Chief Financial Officer advised that he would comment on similar issues but from the financial perspective.

Noting escalating inflation in the construction market, the Chief Financial Officer advised that it may be necessary to revisit the business cases of a number of current projects and that budgets and projects in some instances may have to be re-assessed. Noting the University's strategic targets, he stressed the importance of

prioritising projects in light of funding and other constraints and that continued vigilance is vital. He emphasised that philanthropy has a key role to play in this regard.

The Chief Financial Officer also briefed the Committee on the current financial position of the university and drew the Committee's attention to a detailed Board minute of 25 May 2016 (BD/15-16/276/x). The Chief Financial Officer advised that at the annual HEA Budget and Accountability meeting, he had highlighted the University's budgetary position and advised the Committee on the amount of the expected GAAP deficit for 2016. The Chief Financial Officer advised the Committee that the University will be asked by the HEA to issue a Section 37 letter and to provide a financial plan to address the deficit within a reasonable timeframe. The Committee noted the Finance Committee views on the financial position and the financial performance of some of the other universities as advised by the Chief Financial Officer. In conclusion, the Chief Financial Officer advised that both Global Relations and the Commercial Revenue Unit are performing well.

The Chair welcomed the contributions from all three Officers and invited members to comment on the updates.

During a detailed discussion, the Committee welcomed the updates and the introduction of the new agenda item to formalise the process. The Committee reiterated its serious concern in regard to the budgetary deficit and that such a financial position was not sustainable in the long-term. The Committee stressed the need to prioritise projects in light of current funding and budgetary constraints. In response to a query, the Chief Financial Officer briefed the Committee on the projected timescale for a return to a break-even outturn, noting that the biggest issue will be to grow international students.

In conclusion, the Committee noted with concern that the budgetary deficit will run for longer than anticipated and noted the issuing of a Section 37 letter, which the Committee agreed puts emphasis on tight cost control and income generation and the importance of control over capital budgets. The Committee reiterated its serious concern at the lack of progress in establishing a robust embedded risk management system in the College and that it was even more vital at a time of budgetary constraint while engaging in major projects.

Referring to the memorandum regarding plans for the closure of the FIS Project discussed earlier in the meeting under Matters Arising, the Chair invited the Chief Financial Officer to comment on the memorandum and in particular how plans for the closure of the FIS Project will impact on the following recent Audit Committee recommendations, as follows:

- Technical evaluation
- Process re-engineering in user departments
- More holistic approach to training

The Chief Financial Officer advised that the FIS Project Manager had brought a project closure proposal to the FIS Steering Committee for approval. He advised that the FIS Steering Committee had some

concerns and that, in an effort to address these concerns, FSD/FIS have now developed a detailed roadmap for the development and enhancement of the Project. He advised that further resources will be required for that additional development and to support embedding the application and to meet Oracle licence costs. With specific reference to the technical evaluation recommended by the Committee, he advised that there are currently no additional resources remaining in the budget to cover the cost of such an evaluation but that external opinion would be sought on the project closure proposal.

In regard to the project closure proposal, the Committee stressed the importance of carrying out an independent review of the FIS Project against the original objectives of the Business Plan.

The Chair thanked the Chief Financial Officer and he withdrew from the meeting.

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

#### **AD/15-16/57 Reports on Externally Contracted Services**

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

- Memorandum from the Internal Auditor dated 7 June 2016
- Final Report on Externally Contracted Services, dated March 2016
- Externally Contracted Services - Report No 2. - Business Resources in earlier years, dated June 2016
- Externally Contracted Services - Report No 3 - Legal Services Framework, dated June 2016

As agreed at the beginning of the meeting, the Chair reminded members that they would consider Report No. 3 - Legal Services Framework first before the Secretary to the College re-joined the meeting and invited Ms Cooney to brief the Committee on the Report. Ms Cooney advised that in general the risks are low but that elements of the policy for the management of legal services in the university have not been compiled with since its introduction and that the policy should be compiled with or changed where necessary. The Committee noted a small number of breaches of the framework and that detailed documentation in respect of some payments was not available. Ms Cooney advised that a number of invoices attracted interest for late payment in line with the requirements of the Prompt Payment Acts.

The Committee noted that the Draft Report on Externally Contracted Services as considered by the Committee at its last meeting on 15 March 2016 had now been finalised and management had been afforded the opportunity to re-consider their responses.

The Chair invited Ms Cooney to brief the Committee on the Final Report and Ms Cooney advised that it had been revised as agreed by the Committee at its March meeting and that final management

responses had been received and incorporated into the Final Report.

The Secretary to the College re-joined the meeting.

Commenting on the final management responses, the Committee stressed that it continues to have serious concerns in regard to some of the management responses, which seem to disregard or deny the serious issues highlighted. The Committee noted with concern that there appears to be a lack of ownership of the recommendations and stressed that greater clarity is needed on how the recommendations are to be addressed. The Committee stressed that it expects to see positive engagement from management in regard to its recommendations.

During a detailed discussion, the Committee agreed that the report highlights significant governance issues and stressed the importance of accountability and adherence to College procedures and policies. In particular, the Committee stressed that the weaknesses highlighted in report also pose reputational risks for the university.

The Chair invited the Secretary to the College to brief members on recent work in response to the Report's findings and recommendations. The Secretary advised that a new policy will be introduced shortly on the use of external consultants and that this would include rules governing their engagement, how to deal with conflicts of interest as well as procurement issues. The Secretary advised members that he will receive a monthly report on such expenditure and a six-monthly report will be considered by the Executive Officer Group.

The Committee welcomed the update from the Secretary to the College on steps being taken to strengthen processes. The Committee stressed that its concerns were on the internal control and compliance aspects and not with the use of external consultants. However, the Committee reiterated its serious concern in regard to the management responses to the control and compliance issues and stressed that more robust procedures need to be accompanied by a mind-set change to achieve proper control.

Finally, the Chair invited Ms Cooney to brief the Committee on the findings contained in the Externally Contracted Services - Report No 2 - Business Resources for earlier years, which had been circulated. Ms Cooney advised that while some similar issues were evident no new ones were identified and documentation was better than in later years.

During a brief discussion, the Committee expressed concern that the current control environment appeared to have weakened from the past but stressed that with appropriate management action it should be possible to strengthen current controls.

**AD/15-16/58 Oracle Manual Operations**

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The Chair drew the Committee's attention to the Internal Audit report on Oracle Manual Operations dated June 2016, which had been circulated. The Internal Auditor reminded the Committee that following a query from the Audit Committee about the extent of

manual manipulation of the data in Oracle (AD/15-16/46 FIS Implementation Follow-up Review) and the delivery of commitment accounting, Internal Audit had obtained further information on the issue and decided to perform a deeper review. Ms Cooney advised the Committee that there are a number of manual interventions required to upload information into the Oracle system and users continue to perform manual manipulation of data for budgetary information to be accurate. In particular, Ms Cooney drew the Committee's attention to detailed audit findings and recommendations, together with management responses in the following areas:

Manual Interventions  
Commitment Accounting  
Order processing

In regard to manual interventions, Ms Cooney advised that there is no documentation available for end-to-end processes required to upload data from other information systems to Oracle thus giving rise to control weaknesses in those processes. The Committee also noted with concern that Oracle does not deliver real-time reporting or commitment accounting and the issues highlighted in regard to the interface with other systems.

During a discussion, the Committee expressed concern over the issues emerging from the Report and the weak control environment.

Professor Joe Barry withdrew from meeting.

In conclusion, the Committee noted the Report and expressed its serious concern in regard to the weaknesses in Oracle that the report highlights and that it further illustrates the importance of an independent technical review of FIS.

The Committee noted with concern the timeframe of April 2017 for action for a number of recommendations and that the university is carrying a significant risk in this regard. The Committee also stressed its concern in regard to a banking issue highlighted in Report and emphasised that this needs to be addressed as a matter of urgency.

#### **AD/15-16/59 Trinity Foundation Audit Committee Self-Evaluation**

Introducing the item, the Internal Auditor drew the Committee's attention to his memorandum dated 7 June 2016, which had been circulated. He advised that the Trinity Foundation Audit Committee (TFAC) has sought input from the Trinity Audit Committee in regard to the self-evaluation of effectiveness that is being conducted. He invited the Committee to consider what comment, if any, it wishes to make and agree the wording and drew members' attention to the proposed wording contained in his memorandum.

Following a brief discussion, the Committee agreed the wording subject to minor amendments.

#### **Action:**

Internal Auditor to forward the input of the Committee to TFAC

**AD/15-16/60 Audit Committee Recommendations Log**

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The Internal Auditor drew the Committee's attention to his memorandum dated 7 June 2016, which had been circulated. He advised that when Board was considering the Audit Committee Annual Report to Board in April 2016, they had expressed concern in regard to the number and age of outstanding Audit Committee recommendations. The Committee noted that Board members had asked to be circulated with the details in future in order to understand the issues and why they are outstanding and to promote timely action. The Internal Auditor advised that he proposes to make the next iteration of the Recommendations Log available to Board, after the Audit Committee has considered it. In addition, he advised that the response to the Committee's Annual Report is currently being finalised and will be circulated to the next meeting of the Committee in October. The Committee noted that in consultation with the Chair, it was decided to defer the quarterly consideration of the Log until the autumn. He advised that he would remind the Divisional Heads of the inclusion of Board in the reporting process. The Committee noted and welcomed the update, commenting that the Committee expects to see a significant reduction in the number of outstanding recommendations at the next iteration.

Action:

The Internal Auditor to remind Divisional Heads of the Board request for a copy of the outstanding recommendations log.

**AD/15-16/61 Audit Work-Plan**

The Internal Auditor drew the Committee's attention to his memorandum dated 4 June 2016 together with a brief status report on the work-plan for 2016/17, as well as the agreed full three-year work-plan, which had been circulated. Commenting that the work-plan is on target, he invited members for their comments and if they wished to make any additions to the work-plan.

In response to a query on the inclusion of internationalisation and the academic effects arising from this strategy in the work-plan, the Internal Auditor confirmed that the Vice-President for Global Relations will attend the October Audit Committee to update the Committee. He also advised that Internal Audit will conduct a review of the Academic Registry and he expects to bring the Report to the December meeting of the Audit Committee.

In conclusion, the Committee noted and welcomed the status report and agreed that the work-plan continue as presented.

**AD/15-16/62 Audit Committee Meeting Schedule 2016/17**

The Internal Auditor drew the Committee's attention to the proposed Committee meeting schedule for 2016/17 which had been circulated and invited members to consider the dates and advise if any of the dates are unsuitable. In response to a request from a member, the Committee agreed that meetings take place where possible on Tuesdays instead of Thursdays. The Committee also agreed that meetings continue to start at 8.00 am in the morning.

Action:

The Internal Auditor to finalise the meeting schedule for 2016/17 as discussed and circulate the dates to members by email.

### **Section C - For Noting**

- AD/15-16/63 Revised Statement of Governance and Internal Control**  
The Committee noted the memorandum from the Internal Auditor dated 7 June 2016 together with the Revised Statement of Governance and Internal Control, which had been circulated.
- AD/15-16/64 Clarification on Future Requirements regarding the Auditing of the Funding Statements**  
The Committee noted the letter from the Higher Education Authority dated 31 May 2016 to the Chief Financial Officer, which had been circulated.
- AD/15-16/65 Audit of the Financial Statements for 2015**  
The Committee noted the memorandum from the Chair of the Audit Committee to Board dated 16 March 2016, which had been circulated.
- AD/15-16/66 Audit of the Trinity Endowment Funds - year ended 30 September 2015**  
The Committee noted the memorandum from the Chair of the Audit Committee to Board dated 16 March 2016, which had been circulated.
- AD/15-16/67 Board Papers**  
The Committee noted the Board agenda and minutes which had been circulated.
- AD/15-16/68 Any Other Business - Membership**  
The Chair informed members that Professor McGilp was attending his last Committee meeting. The Chair and Committee members extended their deep appreciation to Professor McGilp for his unstinting service on the Committee and thanked him for his valuable and very significant work in support of the Committee over a long period and wished him well in the future.