



Minutes of Audit Committee, Thursday 1 December 2016

- Present* Ms J O'Neill (Chair), Professor J Barry, Mr O Cussen, Ms A Duffy, Professor R Gilligan
- (ex officio)* Internal Auditor/Secretary (Mr F Sheeran), Secretary to the College (Mr J Coman)
- Apologies* Professor R Byrne
- In Attendance* Deputy Internal Auditor (Ms A Cooney), Ms M Thompson

The Provost (Dr P Prendergast) attended for item AD/16-17/19

The Chief Financial Officer (Mr I Mathews) and the Chief Operating Officer (Ms G Ruane) attended for item AD/16-17/20

Mr J Bolger and Ms S Conway of BDO attended for items AD/16-17/21-22

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

AD/16-17/15 Statement of Interest

The Chair invited members to declare any potential conflict of interest they may have in relation to items on the Agenda. The Secretary to the College declared a conflict of interest in regard to Agenda Item 7 Data Protection. The Committee agreed that given its high importance the Secretary to the College should remain for part of the discussion and would withdraw from the meeting following the BDO presentation on this item.

AD/16-17/16 Minutes

The Minutes of the meeting held on 19 October 2016 were approved and signed.

AD/16-17/17 Call-over

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

AD/16-17/18 Update on College Business

The Committee noted the memorandum from the Secretary to the College dated 25 November 2016 re Update on Board and Executive Officer Group Business, which had been circulated.

The Committee welcomed the update and requested that a short paper be prepared as a matter of routine for this item in the future.

SECTION A and B - Policy & Implementation Issues

AD/16-17/19 Response to the Audit Committee Annual Report to Board 2015/16 XXX

The Committee noted the Executive Officer Response to the Audit Committee Annual Report to Board 2015/16 together with the Committee's Annual Report to Board 2015/16, which had been re-circulated for reference.

The Chair welcomed the Provost to the meeting for consideration of the Executive Officer Response to the Annual Report. The Chair reminded the Committee that they had considered the Executive Officer Response at the meeting of 19 October 2016 and had agreed to consider it further after meeting the Provost, who had been invited to attend this meeting on that subject.

In opening the discussion and referring to Trinity's Strategic Plan, the Chair assured the Provost that the Committee recognise and appreciate the scale of ambition and the need for action and vision. Noting the mix of external and internal members on the Audit Committee, who share common concerns and speak as one, she advised him that the Committee has a role to highlight significant issues that it believes pose risks to the success of that vision. The Chair also advised the Provost of a recent informal meeting with representatives of the Finance Committee to discuss the Annual Report and the role of the Finance Committee. The Chair then invited the Provost to comment on the issues raised in its Annual Report to Board and the Executive Officers' Response and events in the interim.

Commenting on the scale of ambition, the Provost advised that he believes it is not abnormally high and is in line with that of other universities and that ambition must be high to ensure Trinity does not fall behind. He opined that governance must be strengthened where necessary to accommodate the strategies and projects vital to secure the future of the College. He advised the Committee of recent positive developments for the university and briefed the Committee on current and future philanthropic activities, noting that such activities will play a key role in realising the university's ambitious goals. Highlighting a number of key projects for the benefit of members and the role of the Project Management Office, the Provost acknowledged that there are some capability and capacity issues that need to be brought into alignment and assured the Committee that the Chief Operating Officer is working to address these.

Noting the high academic reputation Trinity enjoys in Ireland and internationally, the Committee reiterated the importance of protecting and enhancing the university's core activities and its reputation. The Committee acknowledged that it is an exciting time for the university but that challenges often arise in the operational detail.

During a detailed discussion, the Committee considered a number of matters that were highlighted in the Annual Report, with particular reference to governance and capacity. The Committee stressed the importance of a strong governance platform and that there needs to

be synergy between governance and ambition. In particular, members noted that a strong governance platform will protect the organisation and manage the risks to its goals and should not be seen as a barrier to ambition. Members noted that as well as supporting the organisation in its aims, it is in the interests of the organisation to have a good governance platform as a governance failure can take a great deal of time to fix, damage reputation and deflect attention from strategic and business issues. The Committee stressed the importance of having a flexible and agile system that can support and encourage ambition and promote progress rather than be approached merely as a necessary function of that ambition. The Committee also agreed that the Provost and the university leaders need assurance that they are relying on a system that is robust. The Committee acknowledged that some of their reports focus on specific local issues but that these smaller issues can be indicative of deeper problems in governance and capacity. In regard to capacity and resource issues, members noted that planning is generally good but problems arise with execution and delivery, a pattern evident in many of the Committee's internal audit reports, the implications of which are summarised in the Annual Report highlights section.

The Provost acknowledged the points raised and assured the Committee that, in conjunction with the three divisional heads, he monitors projects closely and their wider impact on the university and is working actively on the capacity issues.

The Committee noted that certain themes arise repeatedly in the Annual Reports to Board, one of which is the lack of progress in regard to embedding a robust Risk Management system. The Committee welcomed plans to appoint a Chief Risk Officer, commenting that if the role is implemented correctly at the right level and with the proper authority, it will be of great assistance to the Provost and his management team.

The Committee acknowledged that, while there may be increasing rigour in regard to project management, with rising construction inflation it is vital that the university takes action quickly on projects that are at risk of overrunning their budgets and has a governance system to support the right decision-making in response, including re-prioritisation if necessary. Members stressed the importance of the university's core mission and their concern at the current financial position. Noting that it is possible to put in place special arrangements around large projects the Committee stressed the importance of focussing also on the day-to-day business and having oversight of this at a high level. In particular the Committee expressed concern at the lengthy list of long-outstanding Audit Committee Recommendations and that there appears to be a lack of urgency in clearing them. The Committee noted the difficulty in identifying an individual responsible for addressing certain issues and for taking action in regard to both audit reports and items on the Log.

The Provost assured the Committee that all three divisional heads are responsible for their own areas and span the entire College in collaboration with the Deans and report directly to him. The Provost assured the Committee that he values its work and that if such problems are encountered that they should be brought to his attention. In response to a query from the Provost as to whether he

should become more involved in monitoring the Recommendations Log, the Committee agreed to consider a periodic summary of the outstanding items as an appropriate way of updating the Provost on them.

The Chair thanked the Provost for giving his time to the Committee and for his valuable contributions to discussions. The Provost then withdrew from the meeting.

In a subsequent brief discussion, the Committee acknowledged the very difficult role of the Provost and the challenges to be faced. The Committee agreed that it cannot and should not stray into a management role but continues to have concerns over the issues it raised in its last Annual Report. The Committee agreed to reflect further on these issues before the next Annual Report to Board having regard to any further updates in the meantime and consider how to address them appropriately in that Report.

AD/16-17/20 Audit Committee Recommendations Log

XXX

The Chair drew the Committee's attention to the Audit Committee Recommendations Log, together with the Internal Audit Review of Completed Items dated November 2016, which had been circulated. The Chair welcomed the Chief Operating Officer and the Chief Financial Officer to the meeting. The Committee noted an apology from the Vice-Provost/Chief Academic Officer who was unable to attend this meeting.

The Chief Operating Officer advised the Committee that good progress is being made on the Recommendations Log and that her Office continues to work on reducing the number of outstanding recommendations in the CSD area.

Noting that the majority of outstanding items in the FSD area relate to FIS implementation, the Chief Financial Officer advised of a two-year transitional programme that will result in most of these items being resolved and removed from the Recommendations Log.

As agreed at the meeting of 19 October 2016, the Committee noted the title changes in the latest iteration of the Log.

The Committee also noted the Internal Review of Completed Items, which had been circulated. In particular, members expressed concern that 7 out of 8 items reported as complete, are in fact not complete and that this discrepancy needs to be addressed. Members also noted the risks posed by items remaining on the Log for a lengthy period and considered if in some cases items are in fact risk accepted by management. The Committee emphasised that a process needs to be found for tracking items on the Log and if items are removed that are not going to be implemented, this needs to be evidenced appropriately.

The Committee referred to discussions earlier in the meeting with the Provost, in which the Committee agreed to consider a periodic summary of the outstanding items as an appropriate way of updating the Provost on the Recommendations Log.

In conclusion, the Committee noted the latest version of the Recommendations Log reiterating its concern at the number of outstanding recommendations and agreed that there needs to be greater engagement from management in resolving them and that it would continue to highlight this issue.

The Chair thanked the Chief Financial Officer and the Chief Operating Officer who then withdrew from the meeting.

Action:

20.1 The Committee to consider an appropriate way to provide updates to the Provost on outstanding recommendations.

20.2 The Committee to consider an appropriate process to record removal of items from the Log where recommendations are not implemented but management are accepting the risk.

AD/16-17/21 Data Protection

XXX

The Chair welcomed Mr Bolger and Ms Conway of BDO to the meeting for consideration of the Internal Audit Review of Data Protection dated November 2016, which had been circulated.

Introducing the item, the Internal Auditor reminded members that Data Protection had been identified as an area for review in the 2016 Work-Plan. BDO, the co-sourced internal audit partner firm had been engaged to carry out a review, the purpose of which was to assess the level of compliance with current Irish Data Protection legislation and to review the approach the university is taking to prepare for the EU General Data Protection Regulations (GDPR) which will come into force in May 2018.

The Chair invited Mr Bolger and Ms Conway to brief the Committee on the findings and recommendations contained in the Data Protection Review.

Mr Bolger informed the Committee that the Review was conducted across various locations in Trinity, including core administration functions that process personal data and a sample of five Schools. He advised that there appears to be a sound understanding in Trinity of the need to handle personal data in a sensitive and confidential manner but that the Review highlighted a number of risks in relation to Data Protection in the university that need to be addressed. In addition, he advised that the Review identified gaps in relation to planning for the implementation of the EU Data Protection Regulations in 2018.

Mr Bolger drew the Committee's attention to the main findings and recommendations as follows:

- Requirement for a Data Protection Officer
- Collection, Storage and Disposal of Data
- Technical Security
- Medical Services Area
- Data Protection Training and Awareness
- Data Protection Documentation
- EU General Data Protection Regulations

As agreed at the start of the meeting, the Secretary to the College withdrew from the meeting for the remainder of the discussion of this item.

During a discussion, the Committee considered the findings of report and in particular stressed the importance of preparing adequately for the introduction of the EU General Data Protection Regulations, which are more onerous than existing requirements and pose challenges for the university.

Mr Bolger and Mr Conway also answered a number of technical questions from members in regard to issues highlighted in the Review.

In conclusion, the Committee noted the findings together with the management responses received and expressed concern at the significant level of risk. In response to a query, the Internal Auditor confirmed that the report will be brought to Executive Officers' attention through the normal process for dealing with audit recommendations. The Committee agreed to highlight the issues in its next Annual Report to Board.

AD/16-17/22 IT Risks

XXX

Introducing the item, the Chair drew the Committee's attention to the Cyber Security Risks Assessment dated 28 November 2016, which had been circulated.

The Internal Auditor advised that BDO were requested to conduct a high level risk assessment in relation to cyber security to identify areas where the university may be vulnerable to external and internal security threats and to provide guidance to the Committee as to the risks where audit effort should be directed.

The Chair invited Ms Conway to brief the Committee on the findings of the Risk Assessment. Ms Conway advised that they had conducted meetings with IT Services staff and IT management in a sample of Schools and that controls in place were assessed against best practice as defined by International Security Standards.

Ms Conway advised that cyber security risks are elevated due to the devolved nature of IT governance in Trinity. The Committee noted that the Review identified a number of end user related areas and permissions that also present significant levels of risk.

During a discussion, the Committee expressed concern at the risks highlighted in the assessment. The Committee acknowledged that all organisations are struggling to cope with issues of cyber security but stressed that it is important to engage with the issues and take steps to mitigate the risks. The Committee acknowledged the challenges posed by the university environment and noted that a balance must be maintained between academic freedom and the need for security but that this needed careful consideration and a nuanced approach given the high risks involved.

The Committee, noting the overlap between the Data Protection Review and the Cyber Security Risk Assessment, stressed that there needs to be a clear line of responsibility for addressing the governance gap and the risks in this complex and rapidly changing area. Referring

to the earlier discussion with the Provost, who had stressed that the three divisional heads, in conjunction with the Deans, had responsibility spanning all areas, the Committee agreed that a governance gap should not exist. The Committee requested the Internal Auditor to forward the report to the Chief Operating Officer for inclusion in the risk assessment process.

The Chair thanked Mr Bolger and Ms Conway of BDO for attending the meeting upon which they withdrew from the meeting.

In conclusion, the Committee noted the Risk Assessment and the management responses and agreed to include the topic in their next Annual Report to Board. The Internal Auditor advised that he would discuss with BDO what benefit there could be in carrying out further work until the significant issues identified are addressed and would advise the Committee at a future meeting.

Action:

- 22.1 The Internal Auditor to forward the report to the Chief Operating Officer for inclusion in the risk assessment process.
- 22.2 The Internal Auditor to discuss with BDO deferring any further work in this area until the issues identified are addressed.

AD/16-17/23 Audit Work-Plan - Status

Introducing the item, the Internal Auditor drew the Committee's attention his memorandum dated 24 November 2016, which had been circulated together with the proposed revisions to the Work-Plan. The Committee noted and approved the changes to the Work-Plan as presented.

AD/16-17/24 Statement of Governance and Internal Control

The Internal Auditor drew the Committee's attention to his memorandum dated 28 November 2016, together with the draft Statement of Governance and Internal Control (SGIC), which had been circulated. He advised that the SGIC is prepared by the Secretary to the College on behalf of Board, with inputs from FSD and will form part of the financial statements for 2015/16 to be presented to Board for approval. He reminded members that, in accordance with the Board agreed Assurance Framework, the Audit Committee provides annual confirmation that all issues of which it is aware have been brought to Board's attention, as do Heads of Area and Chairs of Principal Committees. He advised that the Committee's role, in reviewing and recommending the financial statements, has been to ensure that there is no direct inconsistency in the SGIC with information of which it is aware, as occurred when the financial statements for 2014/15 were presented to the Committee and which lead to some last-minute re-wording. He advised that the final SGIC is not yet available but that FSD had requested that the draft SGIC be presented to the Committee for their initial comments.

In conclusion, he drew the Committee's attention to two highlighted sections yet to be updated and to his own comments marked on the draft. He invited the Committee to consider the draft SGIC and make provisional comments, subject to the circulation of the final version

in March 2017.

During a discussion, the Committee stressed that any statements made in the SGIC relevant to the Audit Committee and its work, particularly as regards risk management, should be consistent with the Committee's views elsewhere.

In conclusion, the Committee noted the draft SGIC as presented and agreed that the Internal Auditor's comments reflected the views of the Committee on it. The Committee noted that it would review the final version of the SGIC at its meeting in March 2017.

Action

The Internal Auditor to send the Committee's comments to the Secretary to the College for further consideration.

Section C - For Noting

AD/16-17/25 Audit of the Financial Statements 2016 - Letters of Engagement
The Committee noted the KPMG letter of engagement dated 11 October 2016 and the Office of the Comptroller and Auditor General's letter of engagement dated 18 October 2016, which had been circulated and agreed that they be forwarded to Board for approval.

Action

The KPMG and the Office of the Comptroller and Auditor General's Letters of Engagement to be forwarded to Board for approval.

AD/16-17/26 Board Papers
The Committee noted the Board Agenda and Board Minutes which had been circulated for noting.