



Minutes of Audit Committee, Tuesday 14 February 2017

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

In Attendance Deputy Internal Auditor (Ms A Cooney), Ms M Thompson

The Chief Operating Officer (COO) attended for item AD/16-17/35

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

AD/16-17/27 Statement of Interest

The Chair invited members to declare any potential conflict of interest they may have in relation to items on the Agenda. There were no statements of interest.

AD/16-17/28 Minutes

The Minutes of the meeting held on 1 December 2016 were approved and signed.

AD/16-17/29 Call-over

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

AD/16-17/30 Update on College Business

The Chair drew the Committee's attention to the Update on College Business dated February 2017, which had been circulated. In particular the Committee noted recent discussions at Board in regard to the Senior Promotions Process and the arrangements developed in this regard.

In response to a query regarding the nature of assurances being sought by Trinity Foundation, the Secretary outlined the background and undertook to update the Committee at its next meeting.

In response to a query in regard to the Audit Committee Recommendations Log circulated to Board on 9 November 2016, the Board representative advised that it had been noted by Board as per the minutes circulated to the Committee, but that there had been no discussion of this item.

The Committee thanked the College Secretary and Board Representative and noted the Update on College Business.

SECTION A and B - Policy & Implementation Issues

AD/16-17/31 Report from Trinity Foundation Audit Committee

Introducing the item, the Chair informed members that Ms A FitzGerald, the Chair of the Trinity Foundation Audit Committee was unable to attend the meeting and invited the Internal Auditor to comment on the Report from the Trinity Foundation Audit Committee. Noting that the Report is largely self-explanatory, the Internal Auditor reminded members of the background to the Memorandum of Understanding setting out the audit reporting arrangements agreed with Trinity Foundation. He noted that the report from Trinity Foundation Audit Committee drew attention to good progress on risk management and internal audit and that there were no matters of concern to bring to the attention of the Committee.

In regard to the reference to the forthcoming Fundraising Campaign and the inter-dependency in the management of risks between the College and Trinity Foundation, the Committee noted that the activity, by its nature, gives rise to reputational risks to Trinity Foundation and ultimately to the university itself. The Committee enquired about the degree of reporting back to Trinity Foundation on how funds donated are applied and also queried whether the shared risks referred to in the report are also being evaluated in the College's own risk assessment process. The College Secretary noted that the scale of the Fundraising Campaign is such that the existing structures and arrangements may need to be overhauled and he advised that the upcoming meeting, referred to in the previous agenda item, will deal with the matter. He advised that he will report back on the outcome of that meeting to the next Audit Committee meeting.

During a discussion, the Committee emphasised the importance of ethical considerations in regard to the source of donations and the Board representative advised members that the issue had been raised a number of times at Board. The Internal Auditor advised that he understood Trinity Foundation is reviewing all its policies and developing policy in regard to ethics. A member noted the reference to the attendance of the Dean of Development and queried whether this satisfies the membership issue previously raised by the Committee.

The Committee agreed that it would be helpful to invite the Chair of the Trinity Foundation Audit Committee to a future meeting to discuss the points raised in greater detail.

Action:

- 31.1 The Internal Auditor to invite the Chair of the Trinity Foundation Audit Committee to a future meeting.
- 31.2 The College Secretary to report to the next meeting of the Committee on the outcome of the meeting with Trinity Foundation.

AD/16-17/32 Proposed Revised Reporting Arrangements

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The Chair drew the Committee's attention to the memorandum from the Internal Auditor dated 8 February 2017, which had been circulated.

Introducing the item, the Chair reminded members that the Audit Recommendations Log is both a management tool to keep EOG informed of audit recommendations by tracking the status of resolution of these recommendations, and also is used to provide updates to the Committee and, more recently Board, on their implementation. The Committee noted that the Log was originally divided into three sections for the three divisions but had increased to five sections and is divided into old and new recommendations for each section.

Drawing attention to the memorandum from the Internal Auditor, which had been circulated, the Chair outlined three interrelated issues of concern to the Committee in regard to current arrangements:

- (i) The layout of the Log has become unwieldy
- (ii) Lack of understanding of the process and roles, leading to poor engagement with it
- (iii) Ownership is not taken for the issues

The Committee agreed that a revised approach is needed for a more effective process.

The Committee referred to the meeting of 1 December, at which the Provost stressed that the three divisional heads are responsible for their areas but span the whole of the university, in collaboration with the Deans, and that the divisional heads have responsibility and authority to address all outstanding recommendations. The Committee agreed that the role of the divisional heads therefore needs to be reinforced to underline that they are attending the Committee as representatives of EOG, not just of their own areas, and that they have overall responsibility for dealing with the Log on behalf of EOG. The Committee noted that the COO has responsibility to coordinate the Log on behalf of EOG.

The Committee agreed the revisions to the reporting format as proposed, specifically:

- To improve the current presentation of the Audit Recommendations Log by distinguishing between its use as a reporting tool to the Audit Committee and Board and its use as a management tool by the divisional heads for tracking progress. The Committee endorsed the proposed layout in the memorandum from the Internal Auditor for a simplified reporting format to Audit Committee.
- The Committee stressed that, following the advice of the Provost, a divisional head should be responsible for each item in the Log and this needs to be clear in the reporting format presented to Audit Committee and Board.
- The Committee also stressed that it is for the divisional heads to ensure the persons reporting to them take responsibility for delegated actions.

- Internal Audit should not be drawn into the detail of resolving issues or authorising items to be categorised as complete unless satisfied following validation work. It was noted that the timing of the Log presented to the Committee needs to be as current as possible and that does not permit time for auditing it before it is presented.
- When considering the Log, the Audit Committee will accept the categorisation of items as accurate but will require Internal Audit to conduct a subsequent review of a sample of those reported as completed. In the event that an item is found not to have been completed it will be regarded as a serious matter and an exception report will be brought to the attention of the Provost and Board.
- The proposal to reduce reporting to bi-annual, with reporting in November and March to synchronise with the Committee's work cycle and reporting schedule was agreed.
- The proposal to remove the sectioning of the log by division and old/new for reporting purposes but to sequence the items by Officer to facilitate discussions was agreed.
- The original implementation dates to be retained as per the proposed layout.
- Where management decide not to implement a recommendation, but to accept the risk, it can be removed from future Logs. To better inform such decisions the risks associated with the recommendations should be added to the Log. As there is not an effective risk system in place, the risk accepted items removed from the Log should be retained for the present in a separate listing in the proposed format.

The Committee also agreed that the reporting would be made available to the Provost and Board in the same format as to the Committee.

The Committee stressed that for management purposes the Log could be formatted to incorporate the information needs of management, as outlined in the memorandum from the Internal Auditor but that for reporting purposes to the Committee the proposed layout should be used in future.

Action:

The Internal Auditor to communicate the revised arrangements to the three Divisional Heads and to engage with the CSD Finance Partner in regard to the detailed layout.

AD/16-17/33
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Internal Audit Resources

The Internal Auditor drew the Committee's attention to his memorandum dated 9 February 2017, which had been circulated. The Internal Auditor advised the Committee that the backfill of the Assistant Internal Auditor post is still unsuccessful and drew attention to other budgetary issues. He also drew the Committee's attention to his memorandum, dated 9 December 2016 to the Strategic Staffing Sub-Group (SSIG), requesting approval to re-advertise the post on the full Admin 1 scale. The Committee noted that this memo has not yet been submitted to the SSIG as it requires the prior approval of the COO. He advised that these matters have now been taken up by the

College Secretary with the COO.

During a detailed discussion, the Committee considered the appropriateness of Internal Audit resources being under the remit of the Office of the COO and that this arrangement could give rise to a perceived conflict of interest. The Committee stressed the importance of the independence of the Internal Audit function and that it may be more appropriate for its budget to be outside the normal administrative structures. In particular, members proposed that the Internal Audit budget should be ringfenced and protected and emphasised that Internal Audit is a crucial governance function.

Noting that the College Secretary has taken up the matter of the budget and the backfill of the Assistant Internal Auditor post with the COO, the Committee agreed to reconsider the matter at its meeting on 14 March.

Action:

The Secretary to the College to update the Committee on the budgetary arrangements and the backfill of the Assistant Internal Auditor post at its next meeting on 14 March 2017.

AD/16-17/34
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Internal Audit Work-Plan

The Chair invited the Internal Auditor to update the Committee on the current status of the Internal Audit Work-Plan. The Internal Auditor advised the Committee that the work-plan is significantly delayed due to difficulty scheduling the work. He advised that audit work is scheduled in consultation with the area concerned to avoid busy periods where possible. However, the long delays being encountered in obtaining information and access to personnel for initial scoping meetings was now inhibiting even the initial planning stages.

The Internal Auditor also advised members that increasingly it appears as if the role of Internal Audit, as the third line of defence, is not understood. The Committee reiterated the well-established principle that it is the responsibility of management to manage and make decisions, with oversight committees or functions to supervise as the second line. The Committee emphasised that the independence and objectivity of the audit function must not be compromised by requests that would draw it into a management role.

The Committee, noting the lack of progress on risk management and audit recommendations, also commented on the difficulty it had observed in the past where Internal Audit had difficulty in closing out audit reports and obtaining management responses. The Committee noted that the nature of some responses indicated denial and/or a lack of understanding of the seriousness of issues or an awareness of responsibility for addressing them. The Committee agreed that it should articulate clearly the role of Internal Audit and the Audit Committee in the Annual Report. The Committee also requested the Internal Auditor to advise it at the next meeting on the situation regarding the current delays being experienced and that it would reconsider the matter then.

Action:

The Internal Auditor to update the Committee on progress on the Work-Plan at its meeting on 14 March.

AD/16-17/35 Update on Risk Management in College

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The Chair welcomed the COO to the meeting. Noting the concern of the Committee in regard to the risk management process in College, the Chair invited the COO to update the Committee and drew members' attention to the memorandum from the COO, which had been circulated.

The COO advised that the Risk Management Group (RMG) had met in November 2016 and that a subgroup of the RMG had met by way of workshop in January 2017 to review the risk register. She advised that the conclusion reached is that the layout of the current Risk Register is unwieldy and the content is in need of significant updating and that RMG will meet again on 1 March 2017, following which an updated risk register will be available for consideration by the Audit Committee on 14 March.

Noting that the Committee's Annual Report will be considered at the meeting of 14 March and then circulated to Board on the 15 March, the Chair commented that the Committee will only be in a position to note the risk register at its meeting on 14 March. The Committee noted with concern the gap since the Committee has had sight of a comprehensive College-wide risk register. With reference to the document submitted in March 2016, the Committee noted at the time that it was not properly updated and fit-for-purpose. The Committee reiterated its concern at the lack of progress in finalising a comprehensive College-wide Risk Register and embedding a robust risk management system in College. The Committee restated its view that there is an urgent need to develop a fit-for-purpose risk management system, fully integrated into management processes, and to ensure that the College risk appetite is clearly defined and reflected in that process. The COO advised that risk management is implemented and working well across CSD and that the pilots would be used as a basis to implement it in academic areas.

The Committee, referring to the draft Statement of Governance and Internal Control (SGIC), stressed that it has not seen any evidence to-date to support the statements of progress to-date and that it would be useful to have sight of some examples of good local risk registers, to know what areas have fully implemented risk management, together with details on the output from recent pilots and a plan for the remaining areas. The COO undertook to provide examples to the Committee at its next meeting. The Chair thanked the COO for attending the meeting before she withdrew.

During a subsequent discussion and noting that the draft SGIC is to be considered later in the meeting, members agreed to await until the next meeting for evidence of progress on risk to support the relevant section in the draft SGIC. Members agreed that it would be necessary to then have Internal Audit review the risk management process as part of the work plan.

Action:

The Internal Auditor to include a review of the effectiveness of the risk management process in the work-plan.

AD/16-17/36 Statement of Governance and Internal Control

Introducing the item, the Internal Auditor drew the Committee's attention to his memorandum dated 9 February 2017 together with a revised draft Statement of Governance and Internal Control (SGIC) which had been circulated. He reminded members that the Board's draft SGIC, as prepared by the Secretary with input from FSD, was considered by the Committee at its last meeting on 1 December and they had made a number of comments on the draft. The Internal Auditor advised that the draft was then revised and he drew the Committee's attention to the changes from the previous version, tracked in red. The Committee noted that the final version of the SGIC will be presented as part of the financial statements at the Committee meeting on 14 March. The Internal Auditor invited the Committee to review the revised draft and make any comments subject to sight of the final SGIC. During a discussion, the Committee considered the draft with particular reference to the sections concerning Risk Management. In light of discussions earlier in the meeting on this topic, the Committee stressed that the SGIC has to be consistent with the facts as known to the Committee. The Committee suggested that the wording be amended to better reflect the current status of risk management in the College but that it would await the outcome from the previous discussion. The Committee also considered the sections referring to the Audit Committee recommendations and Government Pay Policy and suggested some minor changes.

The Secretary to the College agreed to take account of the views of the Committee when finalising the draft SGIC.

Action:

The Secretary to the College to take account of the Committee's views when finalising the Statement of Governance and Internal Control.

AD/16-17/37 Draft Annual Report to Board 2016/17

The Internal Auditor drew the Committee's attention to his memorandum dated 9 February 2017 together with a preliminary draft of Part I of the Annual Report to Board, which had been circulated. The Committee noted that Part I of the Report draws Board's attention to key issues of concern to the Committee and its recommendations in relation to same and that Part II is a report of record for the year, setting out a summary of work carried out during the year, as reported in the Committee minutes.

The Internal Auditor invited the Committee to consider the preliminary draft of Part I as circulated and to reflect on the issues they wished to highlight in the Report this year. He reminded members that the draft Annual Report to Board will be presented to the Committee meeting of 14 March and the final Report to the Board meeting of 22 March 2017.

During a detailed discussion, members considered the content of the Annual Report and made a number of recommendations. The Internal Auditor undertook to finalise a draft Annual Report, in conjunction with the Chair, taking account of all the points discussed. Given that the circulation date to Board is the day after the Audit Committee meeting of 14 March, the Committee agreed that the Internal Auditor circulate a draft by email ahead of the

March meeting and take feedback so that the draft considered by the Committee on 14 March will be as close to final as possible.

Action:

37.1 The Internal Auditor and Chair to finalise a draft Annual Report to Board taking account of the points discussed and circulate a draft by email to members.

AD/16-17/38 Tender for External Audit Services

The Internal Auditor drew the Committee's attention to his memorandum dated 9 February 2017, which had been circulated. He advised that the current contract for external audit services was due to expire on completion of the audit for 2015/16. He advised that it is now necessary to re-tender for a new audit services contract for the financial year 2016/17 onwards and that it is proposed to tender for four years, with a similar extension option as previously in case of exceptional circumstances arising. The Committee noted that the Office of Government Procurement now administer all tenders for audit services. He invited members to consider the proposed timetable and agree the composition of an Evaluation Panel. Following a brief discussion, the Committee approved the proposals and agreed that the Internal Auditor proceed with the Tender for External Audit Services as presented.

AD/16-17/39 Self-Evaluation of the Audit Committee and Terms of Reference

The Internal Auditor drew the Committee's attention to his memorandum dated 9 February 2017, which had been circulated. He reminded the Committee that as part of its terms of reference the Committee performs regular self-evaluations and reviews its terms of reference. He invited the Committee to consider if the process followed in the past remains satisfactory. Following a brief discussion, the Committee agreed with the proposal for its self-evaluation. The Internal Auditor advised that he would circulate the electronic form to members after the meeting requesting that they complete the form and return it to him by 28 February 2017. The Committee noted that the results of the process would be considered at its meeting on 14 March.

Action:

The Internal Auditor to circulate the electronic form to members after the meeting, requesting that they complete and return the form to him by 28 February 2017.

Section C - Items for Noting

AD/16-17/40 Current Developments and Practices in Audit

The Committee noted KPMG's Audit Committee Institute 2017 Global Audit Committee Pulse Survey, which had been circulated.

AD/16-17/41 Board Papers

The Committee noted the Board Agendas and Minutes, which had been circulated.