



Minutes of Audit Committee, Monday 12 November 2018

Present Mr O Cussen (Chair), Professor A Burke, Ms A Duffy, Mr D McCarthy
Professor R Reilly

Apologies Professor R Byrne

(ex officio) Internal Auditor/Secretary (Mr F Sheeran), Secretary to the College
(Mr J Coman)

In Attendance Acting Deputy Internal Auditor (Ms F McAuliffe), Ms M Thompson

The Chief Financial Officer (Mr I Mathews) and the Chief Operating Officer (Ms G Ruane), attended for items AD/18-19/19 and AD/18-19/20. The Vice-Provost/Chief Academic Officer (Professor C Morash) attended for part of item AD/18-19/20.

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

Introducing the meeting, the Chair reminded members that the three Divisional Heads had been invited to attend for a discussion of the Executive Officers' response to the Committee's Annual Report to Board and briefly summarised the background to the item for the benefit of the new members.

AD/18-19/16 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/18-19/17 Minutes

The Minutes of the meeting held on 23 October 2018 were approved and signed.

AD/18-19/18 Call-over

The Committee deferred consideration of the call-over until the meeting of 11 December 2018.

SECTION A and B - Policy & Implementation Issues

AD/18-19/19 Annual Report - Update

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The Chair welcomed the Chief Financial Officer and the Chief Operating Officer, together with the Secretary to the College to the meeting. The Committee noted that, due to an unforeseen commitment, the Vice-Provost/Chief Academic Officer would join the discussions at a later point. He thanked the two Officers for making themselves available at short notice to attend the meeting. Referring to the memorandum, which had been circulated for this agenda item, he outlined the objectives of this part of the meeting were to: -

- Discuss with the Divisional Heads their response and follow up actions in regard to the recommendation in the Annual Report;
- Explore ways of enhancing engagement and communication between the Audit Committee/Internal Audit and the Divisional Heads.

Opening the discussion, the Chair invited the Internal Auditor to outline the purpose, format and history of the Annual Report and to highlight its central message.

The Internal Auditor advised that the Annual Report is an overview and summary in which the Committee steps back from the detail during the year and that the issue of an Annual Report by Audit Committees is standard practice. The Annual Report, supported by the minutes throughout the year, is the principal way by which the Trinity Audit Committee fulfils its assurance duty to Board under the Assurance Framework, in existence for ten years, which is designed to support Board in making its annual Statement on Governance and Internal Control. He summarised the Report's recommendation as one that urges taking advantage of the opportunity, when developing the next Strategic Plan, to look at ways to better integrate the strategic vision into operational planning and to reinforce day-to-day processes to better support the existing structures.

The Chair then invited the Divisional Heads to first comment in relation to the Annual Report and that a discussion on enhancing engagement and communication could follow later in the meeting.

The Chief Financial Officer noted that the university has made significant strides in strategic planning. He commented that, although not a business, the university needs to be "business-like". He acknowledged that the Report highlights positive aspects but, like any audit report, highlights issues and risks and "holds up a mirror" from the perspective of a group of independent internal and external members. In regard to the allegation of factual inaccuracies, which had been raised during the discussion at Board in May, he commented that this matter should be dealt with. He stated that the themes highlighted are similar to previous Annual Reports and that the issues highlighted are not new. Noting that examples can be helpful, he acknowledged that there is also a risk that the focus is on them and not the overall key message. He welcomed the positives in the Annual Report and agreed that the university can always do things better.

The Chair thanked the Chief Financial Officer for his views and invited the Chief Operating Officer to give her views on the Annual Report.

The Chief Operating Officer commented that in her view, the Report was incorrect because of factual inaccuracies, goes into too much detail, is fault-finding and is too negative in tone, and should have been run past management first. She advised that Officers have no oversight of Audit Committee and, as a result, the Report supplied to Board was wrong.

The Chair commented that it is disappointing that it appears a body of work on supposed factual inaccuracies has been done but not made

available to the Committee. He stated that the Audit Committee has not concluded that there were any inaccuracies and cannot discuss the matter further until a document is made available to it that states what they are.

The Chair said that the Committee is always open to considering suggestions to improve the audit function. However, independent commentary on management processes, based on the evidence before it, is a key role of the audit function in the governance structure and the Committee's duty in providing appropriate assurance to the Board.

In discussion a number of comments were made by members:

- There is an increasing burden of compliance across all organisations and an unforgiving environment. All organisations are struggling to cope with escalating standards of expectation, which can be a draw away from the core business of the university. The challenge is how the university can maintain its academic identity and structure and negotiate such a complex environment. The Annual Report should be seen as advice in that context rather than as a criticism of management. Members give their time voluntarily and their only agenda is to help the university.
- Six months have elapsed since the Report was presented to Board, when the allegation of inaccuracies was first made, but the Committee has still not been presented with any details to support this allegation. Referring to the minute of the 23 May Board meeting, which had been circulated, members commented that it was important that the Audit Committee has an opportunity to review a document that spells out what the inaccuracies are supposed to be before the matter is taken back to Board.
- The triangular relationship between the Board, Executive and Audit Committee, by its nature, creates potential for awkward relationships. It was also noted that in most organisations the Chair of the Audit Committee would also be a senior member of the board and closer to the centre of governance, which can provide a bridge between the relationships.
- The appointment of a Chief Risk Officer is a significant development and a first in the university sector. This should facilitate the fuller development of risk management approaches. An effective risk management system should also assist the Heads with the implementation of the recommendation in the Report.
- The Audit Committee function is not to find fault, but it has a duty to present challenges to management. The Committee reports to Board independently of management. In this context, while every effort is made to engage with management, management oversight would be completely inappropriate.

The Chief Financial Officer advised that a document had been provided to Executive Officers during the summer regarding factual inaccuracies. He assured the Committee that he would provide a document to the Committee before the end of week after allowing an opportunity for final revisions, if any, to be made.

Invited to comment, the Internal Auditor advised that he could make no comment on inaccuracies until he has sight of the document. He advised that audit reports involve a process of extensive engagement with management to ensure they are factually accurate. He advised that the role of audit is to report facts, it is not about finding fault or criticism. He advised that Part 1 of the Annual Report reflects the overall opinion of the Committee, as informed by the results of audit work and other matters brought to the attention of the Audit Committee during the year. He advised that Part 1 is not a statement of facts, but a view offered by the Committee, and that its views are well documented in the minutes of Committee meetings throughout the year.

Summing up, Chair said that the references to inaccuracies in the Annual Report, asserted strongly by management and recorded in the Board minutes, is a matter which the Committee takes extremely seriously. This will have to be resolved when a document is presented. Unfortunately, raising this without the Committee having any information to consider was deflecting the meeting from its purpose.

Turning to management's views on the recommendation that planning could be better integrated with strategy and day-to-day processes improved to better support the university's devolved structures, the Chair noted that the Officers did not appear to be expressing disagreement with the recommendation. In this context the Committee would return to the recommendation, particularly follow-up actions, as it had not been possible to address it properly at the meeting.

He then moved that a discussion on the second issue of opportunities to improve engagement and communication between Audit Committee / Internal Audit and the Divisional Heads be taken without further delay. This is an important matter for the Committee, which it had raised in the Annual Report.

The Secretary to the College said that despite management responses in audit reports it does not stop Internal Audit issuing sometimes hard-hitting reports. He advised that it would be useful if there were more front loading of the issues in the Annual Report so that there would be no surprises, with which the Chief Operating Officer agreed.

In discussion, on foot of these points, it was noted that GDPR and the SITS/TEP issues had been fully discussed at Committee meetings, with management present, during 2017/2018, prior to the Annual Report. The minutes would capture these discussions. In this context, it was difficult to understand that management would not have been aware of the Committee's strong views on the planning for, and risks arising in relation to, both these projects.

The Internal Auditor advised that all issues arising in audit work are fully communicated with the relevant managers prior to issuing a report and are circulated to the relevant Officers but that attention should be paid to the views of the Committee to have a complete picture. The Internal Auditor suggested that perhaps the minutes of the Audit Committee should be circulated to Executive Officers in future, as they summarise the audit work, but also provide an

accurate reflection of the views of the Committee and therefore notice of the issues that are of concern to it throughout the year. He suggested that for significant or sensitive items that Executive Officers might wish to discuss, the relevant Officer could circulate the audit report as well, rather than every audit report having to go to a Group that is already heavily burdened.

Mr McCarthy, withdrawing from the meeting, commented that it had been a helpful discussion and he regretted having to leave the meeting at this stage.

Action:

- 19.1 The Committee to consider again at a future meeting with the Divisional Heads what actions are proposed in response to the recommendation in the Annual Report
- 19.2 The Chief Financial Officer to provide the Committee with the document alleging factual inaccuracies in the Annual Report later in the week.

AD/18-19/20 Audit Committee Recommendations Log

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Introducing the item, the Chair thanked the Officers for the updated Log and their work to reduce the number of outstanding issues. He advised that the Committee would request Internal Audit to undertake a verification review of the Log as per normal practice and would consider the result at a future meeting. He invited the Officers present to comment if they wished to draw any matters in particular to the Committee's attention at this stage.

The Chief Financial Officer advised that Executive Officers is a large group and recommendations need to be targeted to individuals but that some of the macro recommendations are not capable of being dealt with by one or two Officers alone.

The Chief Operating Officer stated that management views, as the "subject matter experts", are not accepted in closing off items due to different interpretations by Internal Audit and that she is named responsible in the Log for macro issues which are not solely within her remit, some of which are vague in meaning.

The Chair reminded the Committee that the Provost had identified the three Heads of Division as having collective responsibility for the Log and that the Committee had already discussed this with the Heads on a number of occasions.

The Internal Auditor disagreed that items are being re-instated due to differences in interpretation. He advised that items were removed as completed when management were referring to future actions they intended to take. This creates the risk of losing track of outstanding items as they would no longer be listed.

In discussion, it was agreed that some examples of items reinstated would be presented at a future meeting to increase mutual understanding of the process.

On the issue of who carries responsibility for an item, the Internal Auditor advised that the Log is compiled in the Office of the Chief

Operating Officer and neither the Audit Committee nor Internal Audit allocate names to the issues arising in the Annual Report. He advised that it is his understanding that the names allocated were based on the written responses that Executive Officers made in the past, which assigned responsibilities.

The Vice-Provost/Chief Academic Officer, who had joined the meeting during this item agreed to meet with the Chair separately to discuss the points raised at the meeting.

The Committee noted the comments of a member on the importance of being able to hire temporary contract staff and it was agreed that a copy of the 2007 audit report on casual pay would be made available to provide further information to current members on the recommendation in the Log.

Action:

- 20.1 A sample of items previously reinstated on the Log to be discussed at a future meeting
- 20.2 The Committee to consider the Log again following a review by Internal Audit
- 20.3 The Chair to meet the Vice-Provost/Chief Academic Officer to discuss the points raised at the meeting.
- 20.4 A copy of the 2007 audit report on casual pay to be provided to current members as background to the Log recommendation.

AD/18-19/21 Any Other Business

Under Any other Business, the Chair informed the Committee that the Chief Financial Officer is attending his last Audit Committee and will be leaving Trinity in December to take up a new role. On behalf of the Committee, he thanked the Chief Financial Officer for his significant contribution to the Audit Committee over the years. Noting his record of service to the university, the Chair wished him and his family every success and happiness in the future. The Chief Financial Officer thanked the Committee for its support over the years.

In response to a query as to succession arrangements, the Chief Financial Officer advised that arrangements are still to be finalised. The Committee, noting the crucial importance of the role, asked that it be kept informed of steps being taken to address the vacancy.

The three Divisional Heads and the Secretary to the College withdrew from the meeting.

The Internal Auditor briefly discussed with the Board representative the item marked in the October minutes to be brought to the attention of Board.

There were no items for noting and the meeting then concluded.