



Minutes of Audit Committee, Monday 11 December 2018

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

(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

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

AD/18-19/22 Statements 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/18-19/23 Minutes

The Minutes of the meeting held on 12 November 2018 were approved, subject to an amendment to incorporate an issue raised by Professor Burke in relation to contract staff and use of self-employed contractors.

AD/18-19/24 Call-over

The Committee deferred consideration of the call-over until the next meeting.

SECTION A and B - Policy & Implementation Issues

AD/18-19/25 Annual Report - Update

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Introducing the item, the Chair referred to the previous meeting at which the Committee sought to address the allegation that had been made to Board that the Committee's Annual Report to Board was wrong due to factual inaccuracies. It was noted that at the time of the last meeting no document or evidence to support the allegation had been made available to the Committee despite the lapse of more than 6 months since the date of the meeting of Board at which the allegations were first made. He advised that following that meeting, and in response to the Committee's request, a document had since been received and was included in the papers circulated for this meeting. The Chair advised that he had since met the Vice-Provost/Chief Academic Officer who had been unable to attend for the full discussion at the previous Audit Committee meeting. It was a positive and constructive meeting about the Annual Report and the Recommendations Log.

At the invitation of the Chair, the Internal Auditor commented on the issues that were raised in the document and members then considered and discussed those issues.

The Committee concluded that:

- The issues set out in the document did not constitute factual inaccuracies
- The Board minute in May recorded the assertion of inaccuracies and that any that existed would be brought to Board. The Board record needs to be updated to reflect the consideration and conclusion of the Committee that the report does not contain factual inaccuracies.
- It was regrettable that the document had not been made available to the Committee sooner.
- The role of the audit function is to provide an independent, external view and to question and challenge management processes where it believes it is necessary and helpful to the protection of the university.

The Committee discussed how to bring matters to a satisfactory and productive conclusion and to have attention re-focused on audit work and the message in the Annual Report. The Committee agreed that as an initial step the Chair should meet the Provost.

Action:

25.1 The Chair to meet the Provost.

AD/18-19/26 Items reinstated on Recommendations Log

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The Committee noted the paper circulated listing the items that were reinstated on the Logs following verification reviews of the items that had been removed as completed, or risk accepted. The Committee had requested Internal Audit to summarise the amendments and circulate to the meeting details of the corrections made to the Logs arising from the reviews. Invited to summarise the document, the Internal Auditor advised that 19 of the 20 items removed but reinstated at the request of Internal Audit were still open when the reviews took place: 12 were future planned actions, 7 were not complete and 2 had no action planned or taken. The remaining one item had been removed based on internal audit work, which was not relevant to the outstanding recommendation, and the relevant manager had accepted this. The Committee noted that removing items, yet to be dealt with, defeated the purpose of the Log as a record of outstanding items. It was also noted that management should be reminded to refer to the original audit report to fully understand the control issue identified and the action recommended. The Committee noted that the updated Log, received at the last meeting, is being reviewed and a report will be brought to the Committee. There will be a further opportunity to discuss the issues with management following this review.

AD/18-19/27 Cash Handling Report

At the invitation of the Chair, the Acting Deputy Internal Auditor drew the Committee's attention to the audit report on cash handling which had been circulated. She outlined the background to the report and noted that although a move to cashless transactions had been made

the level of cash being handled was still very significant and required strong control processes. She advised that guidance was needed to assist those in devolved areas and to provide a more consistent and stronger control environment. Noting the recommendations in relation to guidance, specific operating procedures and monitoring, she advised that FSD agreed to implement them in consultation with CSD.

The Committee also noted the comments of the Internal Auditor as to the additional significance of ensuring there is strong control over cash from a reputational point of view as well as from a financial control and custody one.

AD/18-19/28 Fraud Policy

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At the invitation of the Chair, the College Secretary drew the attention of the Committee to the changes that had been made to the draft Fraud Policy since last presented to the Committee. After a brief discussion, the Committee noted the Policy and that it would be brought to Board for approval.

AD/18-19/29 Risk Management

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Referring to a previous meeting at which the Committee had agreed to develop a basis for appropriate coordination and cooperation with the risk management function, the Chair invited the Internal Auditor to introduce the paper that had been circulated. The Internal Auditor, advised that the appointment of a Chief Risk Officer offers the opportunity for an effective risk management system that could assist in the strategic direction and management of the university and that would also be of significant benefit to the Committee in shaping the audit work plan. He advised that it was important however, that no confusion arises over where ownership of risks lies or responsibility for management supervision and oversight. Referring to the well established Three Lines of Defence model, he advised that, in any organisation, those charged with a task are the first line responsible for managing risks in carrying out their day-to-day work and that management's own monitoring and supervisory duty of its front line staff is part of that 1st line of defence. Risk Management, Compliance functions, CFO, Quality, Safety, etc. are all components of management's vital 2nd line of defence for monitoring and oversight and that Audit is the 3rd line providing assurance independently from management. In response to a query from the College Secretary he advised that, as with any dynamic, if there were opportunities to strengthen the cooperation with the risk function by Audit, as the 3rd line of defence, he would of course include them where it made sense to do so. He further advised that he expects the risk system to mature and evolve in the future and would be consulting from time to time with the Chief Risk Officer on progress on risk and would bring any further proposals to the Committee as appropriate. He then outlined the principles underpinning the basis for interaction and the Committee approved the document as presented.

The Chair noted that the Board agenda in November included a revised Risk Policy for the approval of Board, circulated under the heading "Policy matters for discussion already considered by Principal Committees" and that he understood it was also listed similarly for the December Board meeting on the day following this meeting, but that the revision of the Risk Policy had not been brought to the Committee's attention. The Chair expressed his surprise that policy,

involving a role for a Principal Committee, could be brought forward to Board in this manner but without the Committee having had an opportunity to consider it. In response, the College Secretary advised that the Policy could be brought to the Committee if it wished and that he would raise the matter with the Provost before the Board meeting.

Action:

The Committee to re-visit the matter of the development of revisions to the Policy at its next meeting.

AD/18-19/30 Audit Work-Plan

The Chair, referring to a previous meeting at which the Committee had agreed a broad spectrum of areas for consideration in its audit planning process, invited the Internal Auditor to update the Committee on progress in developing the schedule of work. The Internal Auditor drew the Committee's attention to the work schedule for the remainder of 2018/19 and for 2019/20, emphasising that the selection and prioritisation of work is risk based but is always subject to change as circumstances arise and will be reviewed when the new risk registers become available. He invited the Committee to consider if there were any additional areas to include, changes to the prioritisation of the work, or if the Committee wanted to bring forward to 2019/20 any items scheduled for later work. He advised that the planned work includes an element of focus on some 1st line monitoring and 2nd line defences to encourage developing and strengthening them, or to test their reliability, and that in time he hoped to see these grow stronger as the risk management and control systems evolve.

The Internal Auditor also drew the Committee's attention to the proposal to re-align the reporting cycle of the Committee with the financial reporting cycle, as had been the case in the past. The Committee approved the work plan as presented and the proposal to re-align the Committee's annual reporting cycle to March.

AD/18-19/31 Audit Function Risk Register

The Deputy Internal Auditor drew the Committee's attention to a change to the risk register.

The College Secretary queried the ranking of a risk relating to the budget, advising that he understood that management action had resolved this and that he was not aware of any issue. The Chair advised that the matter was partially dealt with and that the preference of the Committee had been to have the budget top-sliced before allocation to the three divisions. The Internal Auditor advised that the issue remained on the call-over as a perception issue but that the ranking of the risk could be routinely considered with the Committee before the next iteration. The Committee requested the Internal Auditor to confirm with FSD that the budget is top-sliced off the CSD budget as was advised to it.

Action:

The Internal Auditor to confirm the top-slicing arrangement with FSD and update the Committee.

Section C - Items for Noting

AD/18-19/32 Audit of the Financial Statements - 30 September 2018

The Committee noted the letter of engagement from the Office of the Comptroller and Auditor General dated 23 October 2018, which had been circulated.

AD/18-19/33 Board Papers

The Committee noted the Board papers which had been circulated.