



Minutes of Audit Committee, Tuesday 14 March 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 Financial Officer (Mr I Mathews), Deputy Chief Financial Officer (Ms D Savage), the Management and Financial Accounting Manager (Ms E Farrell), together with Mr S O'Keefe and Mr R Hobson of KPMG and Mr S Carton and Mr D McCarrick of the Office of the Comptroller and Auditor General (C&AG) attended for items AD/16-17/46

The Chief Financial Officer, Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/16-17/47

The Vice-Provost/Chief Academic Officer (Professor C Morash), the Chief Financial Officer (Mr Ian Mathews) and the Chief Operating Officer (Ms G Ruane) attended for item AD/16-17/48

The Chief Operating Officer (Ms G Ruane) and the CSD Project Accountant (Mr P Foran) attended for items AD/16-17/49

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

AD/16-17/42 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/16-17/43 Minutes

The Minutes of the meeting held on 14 February 2017 were approved and signed.

AD/16-17/44 Call-over

The Committee noted the actions that had been implemented since the previous meeting and those that remained outstanding. The Committee noted, in particular, that the review of financial sustainability of TRIs by the Dean of Research is still awaited.

AD/16-17/45 Update on College Business

The Chair drew the Committee's attention to the Update on College Business dated March 2017, which had been circulated. The Board representative outlined the matters for the attention of the

Committee. Following from the action point arising at the previous meeting of the Committee, the College Secretary briefed members on the recent meeting with Trinity Foundation. He outlined briefly some future actions planned to coordinate fund raising efforts with Trinity Foundation and to review and update arrangements in light of the increase in scale expected due to the forthcoming Campaign Strategy.

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

SECTION A and B - Policy & Implementation Issues

AD/16-17/46 Audit of the Consolidated Financial Statements for 2015/16

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The Committee noted the following documents which had been circulated for consideration under this item:

- Presentation on the Consolidated Financial Statements 2015/16 dated 6 March 2017
- Memorandum from the Chief Financial Officer and Director of Financial Services (Interim) dated 9 March 2017
- Draft Consolidated Financial Statements for year ended 30 September 2016
- KPMG Report to the Audit Committee: Audit Findings for the year ended 30 September 2016 and draft letter of representation
- Draft Letter of Representation to the C&AG re the Audit of the Consolidated Financial Statements for the year ended 30 September 2016
- Draft Audit Report from the C&AG

Introducing the item, the Chair noted that as in previous years and, in accordance with good practice, the visitor arrangements were designed to afford FSD, KPMG and the C&AG each time by themselves with the Committee should they wish to raise any issues alone with the Committee. The Chair then welcomed the Chief Financial Officer (CFO), Deputy CFO and the Management and Financial Accounting Manager to the meeting. The Chair invited the CFO and his team to comment on the conduct of the audit before the C&AG and KPMG teams joined the meeting. The CFO advised that the audit had been challenging, due to the transition to FRS102 that had taken a significant amount of work to adopt, which contributed to delays against the planned timetable. He advised that the auditors had also encountered delays in obtaining information and cooperation from some areas, outside of FSD, and that due to the devolved nature of the College the priorities of individual areas may not always be aligned with a College-wide need. He advised that FSD plan to conduct a follow-up communication exercise with areas relevant to the audit based on learning points from this year to avoid a repetition in the future. He advised that the delays impacted particularly on the timetable of the C&AG, who require the KPMG audit to be completed before relying on that work. He informed the Committee that the C&AG had made significant efforts in order to compensate for those delays and complete their work in time. He assured the Committee the audits had been conducted properly despite these challenges. The CFO and his team then withdrew temporarily from the meeting.

The Chair welcomed the C&AG team, Mr Carton and Mr McCarrick, to the meeting and invited Mr Carton to comment on the conduct of the audit. Mr Carton advised that there had been difficulty in meeting the tight timeline, which did not allow for any delays, and that this had put the overall timeline in jeopardy. He cautioned that extra resources were deployed to meet the deadline but that this may not be possible in future if a similar delay occurs, with the result that the timetable may not be achieved.

In response to a query, Mr Carton confirmed that the C&AG were satisfied with the arrangements and co-operation with KPMG and FSD and the conduct of the audit.

The Chair then welcomed Mr O'Keefe and Mr Hobson of KPMG to the meeting for consideration of the financial statements. The CFO and his team also re-joined the meeting.

The Chair invited the CFO to introduce the draft Consolidated Financial Statements. Referring to presentation on the financial statements, which had been circulated, the CFO advised that the draft Financial Statements had been noted by Finance Committee on 6 March 2017 and, subject to consideration by the Audit Committee, would be forwarded to Board for approval. The Financial and Accounting Manager drew the Committee's attention to key highlights and trends and to the figures in the Balance Sheet

At the invitation of the Chair, Mr O'Keefe of KPMG presented in detail the KPMG Audit Report, drawing particular attention to a number of significant issues that they had considered during the audit. He advised that the transition to FRS 102 had contributed to delays in the audit and an abnormally high level of audit adjustments. He also advised that there had been serious delays in obtaining information and responses to audit queries from some areas, outside of FSD, which had delayed their work. He noted that errors had occurred because FSD must rely on other areas to supply timely and complete information; a process that had not operated as well as it should have during this year.

He also advised that KPMG continue to be unable to rely on the student and financial IT systems for audit purposes, but carry out other work to compensate. He noted that the systems are assessed by the KPMG in-house IT experts but do not meet the internal control standards necessary to permit reliance on them. He advised that the level of risk due to a lack of general IT controls is high but that most of the recommendations made in the past remain to be implemented. He further advised that, while the audit may be less efficient and more costly as a result of the compensating work undertaken, the more worrying aspect is the tolerance of a high degree of risk and consequent fallibility in the College's key systems.

Mr O'Keefe advised that KPMG would continue to qualify their audit opinion due to the absence of adequate audit evidence that the State will fund the full pension liabilities.

He confirmed that, other than as outlined, KPMG had no significant audit issues to bring to the attention of the Committee. Mr Hobson

confirmed that there were no new items in the draft letters of representation to bring to the attention of the Committee.

In conclusion, Mr O'Keefe confirmed that KPMG have completed their audit and expect to issue an audit opinion qualified only in regard to the pension asset, subject to approval of the financial statements by Board and receipt of the letter of representation.

At the invitation of the Chair, Mr Carton of the C&AG summarised the C&AG audit, which he confirmed is now complete. He also confirmed that, as in the past, the C&AG continues to take a contrary view to KPMG in regard to the recognition of the full pension asset and will issue an unqualified audit opinion. Mr Carton also advised that normally at stage the Committee should have sight of their management letter but, due to the audit delays, this had not been possible. Mr McCarrick summarised the content of the draft management letter, confirming it will be made available to the Committee when finalised and with management responses included.

The Committee also noted that the Internal Auditor had agreed with the C&AG an amendment to the draft letter of representation circulated and that the final letter forwarded to Board for signature would be revised to include that amendment.

The Committee expressed concern at the on-going audit qualification in regard to the recognition of a pension asset despite the communication from the HEA that had been circulated to a previous meeting. The Committee also expressed concern that the amount of the asset which is the subject of qualification is growing substantially. The CFO advised that he had no further update on this issue at this time and was continuing to pursue the matter with the HEA.

The Chair thanked the C&AG team and they withdrew from the meeting. The Committee agreed to consider if it was satisfied with the conduct of the audits after meeting with KPMG in private following the next agenda item.

Action:

The Annual Consolidated Financial Statements for the year ended 30 September 2016 to be forwarded to Board for approval, together with the letters of representation, subject to amendments agreed to the draft C&AG letter of representation and the Statement on Governance and Internal Control.

**AD/16-17/47 Trinity Endowment Fund Financial Statements for the year ended
XXX 30 September 2016**

The Committee noted the following documents, which had been circulated for consideration under this item:

- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 7 March 2017
- Draft Trinity Endowment Fund Financial Statements for the year ended 30 September 2016
- Draft Letter of Representation to KPMG re the Trinity Endowment Fund - Audit for the year ended 30 September 2016

- KPMG Letter re Audit of the Financial Statements of Trinity Endowment Fund dated 31 January 2017
- Finance Committee Minute FN/16-17/79

Mr O’Keefe advised the Committee that KPMG had completed their audit and expect to issue an unqualified audit opinion, subject to approval of the financial statements by Board and receipt of the letter of representation.

Following a brief discussion, the Committee noted the Trinity Endowment Funds as presented and agreed that the financial statements and letters of representation be recommended to Board for approval.

The Chair thanked the CFO and his team and they withdrew from the meeting.

The Chair then invited Mr O’Keefe and Mr Hobson to comment on the audits of both sets of financial statements. Mr O’Keefe advised that, apart from some areas outside FSD during the audit of the consolidated financial statements as referred to earlier, they had received good cooperation and that they were satisfied with the audits. They referred to a number of areas for improvement in the production of the accounts and that production of a Balance Sheet at regular intervals throughout the year could reduce the year-end difficulties and delays.

The Chair thanked the KPMG team and they withdrew from the meeting.

As agreed under the previous agenda item, the Committee then considered the conduct of the audits. The Committee expressed satisfaction with the performance of the audits of both sets of financial statements, whilst noting with concern the delays in meeting audit requests for information. The Committee also noted with concern the KPMG comments on the fallibility of key IT systems and that this, along with the concerns raised by Internal Audit during the year in regard to general IT governance and security, should be strongly emphasised in the Annual Report.

The Committee agreed to recommend that the financial statements and letter of representation be forwarded to Board for approval, subject to the revision to the draft letter of representation to the C&AG and consideration under a later item of the Statement of Governance and Internal Control

Action:

- 47.1 The financial statements of the Endowment Funds and the letter of representation to be forwarded to Board with a recommendation that they be approved.
- 47.2 The Annual Report to draw attention to the continued fallibility in key IT systems and the delays in engaging with information requests from the external auditors.

Chief Operating Officer to the meeting. The Chief Financial Officer re-joined the meeting for this item.

Noting and welcoming the revised format of the Audit Committee Recommendations Log, the Chair reminded the Officers of their role as representatives of Executive Officers in presenting the Log and the clear statements by the Provost at the Committee's meeting in December with regard to their authority to address the recommendations across all areas.

Following updates by the Officers on individual recommendations, a general discussion ensued about the process, during which the Officers expressed concern at the difficulty of being accountable for recommendations outside their areas in a devolved environment. The Committee observed that their role is to coordinate responses to ensure action by those responsible is taken, even if it falls outside their immediate area of responsibility. It was agreed that the broad nature of some of the recommendations, as for example in the Annual Report, might require a cross-College response or collective action by the Executive Officers' Group or a Board decision or policy. The Committee stressed that, in such cases, a single individual has to be responsible for driving the process and ensuring the issue is brought to the appropriate forum for a decision or action. As an example, the Committee noted that the response of Executive Officers to the Annual Report nominates individual Officers as responsible for taking the agreed actions and that this is reflected in the Log. The Committee stressed the importance for practical purposes of identifying a small number of individuals to report to it and that the advice of the Provost was very clear as to the role of the division heads in that regard.

The Committee agreed that the outstanding issues in the Log need to be tracked into a risk assessment process and reflected as appropriate in risk registers but that the risk management system is a separate process that will include other matters, not just issues arising from audit work.

In response to a query, the Internal Auditor advised that the risks associated with the recommendations are detailed in the Log and that regard should be had to the risk if deciding not to implement a recommendation. He stressed that the risk is the key issue and that there may be other actions management can take to address a risk.

The Internal Auditor also advised that a number of recommendations had been removed from the Log which he believed may not yet be fully completed and that a number had been treated as risk accepted that management may wish to reconsider. He advised that because of the revisions to the Log there was some misunderstanding of the process. Accordingly, he proposed that prior to conducting an audit of the Log, the Office of the COO would have the opportunity to compile a revised version and that he would report on the revised version at the next six-monthly review by the Committee in November.

The Chair thanked the Officers for their input to the discussion before the Vice Provost/Chief Academic Officer and the CFO withdrew from the meeting.

Action:

The Office of the COO to re-consider the Log classifications before Internal Audit reviews a sample of the completed items and reports to the November meeting.

AD/16-17/49 Risk Management

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The Chair welcomed the CSD Project Accountant to the meeting, who joined the COO for consideration of this topic.

At the invitation of the Chair, the COO presented her memorandum dated 14 March to the Committee, which had been circulated. In response to a query she confirmed that the Risk Register had been prepared by the Risk Management Group (RMG), a subset of Executive Officers with participation by others. She confirmed that it had not yet been considered by the Executive Officers' Group (EOG) and was at this stage still a work-in-progress. She advised that further refinement would be needed and that she was bringing it to the Committee for information purposes, to update the Committee on progress to date. She advised that the completion of a high-level risk register would require a major investment of time and resources which will be enhanced by the appointment of a Chief Risk Officer (CRO).

Drawing attention to the job specification for the CRO role appended to her memo, she advised that the post had been advertised and it was hoped to make an appointment by May. The Committee welcomed this development and its potential to make real progress on risk management. The Committee, querying the potential for a conflict of interest between the role as CRO and as programme manager for strategic projects, agreed to note this concern in the Annual Report. The Committee cautioned that the CRO role is not a solution by itself and it will need support and recognition that the management of risks is the responsibility of all staff. In response to a query, the COO confirmed that her area will provide support to the CRO and the College Secretary advised that such a senior post will need to be adequately supported to ensure value for money.

Commenting on the preliminary draft risk register, the Committee welcomed the categorisation of risks and the general direction it is taking in presenting the risks but stressed it needs to be based on a comprehensive process of risk identification, assessment and evaluation with input from Executive Officers. The Committee also agreed that the inclusion of Internal Audit assurances as mitigating controls in a number of places is erroneous. The Committee stressed that Internal Audit is the third line of defence, tasked to review controls put in place by management and provide assurances that they are working as expected, and that assurances are not part of management's systems of control to mitigate risks.

The Chair thanked the COO and the Project Accountant for their valuable input to the discussion before they withdrew from the meeting.

Referring to the previous meeting, at which the Committee had requested evidence from the COO to support the statements being

made in the Board Statement on Governance and Internal Control (SGIC), the Chair invited members to consider the update. The Committee noted that only three areas in CSD had prepared risk registers and that so far only pilots had been completed in the academic areas for three Schools in two Faculties. The Committee also noted that the risk register is still a work-in-progress and that the COO had advised it will require a major investment of time and resources to complete. The Committee agreed that the status of the risk management system, as advised by the COO, did not support a number of statements in the SGIC and that it should be amended. The Committee agreed a number of changes and requested the Internal Auditor to advise the C&AG and KPMG of the changes that will be incorporated in the statement.

Action:

- 49.1 The Internal Auditor to ensure the Board SGIC is amended to reflect the changes agreed by the Committee following advising the auditors.
- 49.2 The Annual Report to draw attention to the potential for conflict in the role of CRO.

AD/16-17/50 Draft Annual Report to Board 2016/17

The Chair drew the Committee's attention to the latest draft of the Annual Report to Board, which had been circulated and reminded the Committee that the final version of the Annual Report would be circulated to Board the following day, for its meeting on 22 March 2017.

The Chair invited members to reflect on the Annual Report and ensure that it incorporates the key messages they wished to impart to Board. During a detailed discussion, members considered the Draft Annual Report and agreed a number of final amendments to the version presented.

In conclusion, the Internal Auditor and Chair agreed to amend the Annual Report as discussed and to finalise the Annual Report after the meeting and to copy the members by email with the final version.

Action:

The Internal Auditor and Chair to finalise the Annual Report and forward it to Board for consideration at its meeting on 22 March 2017.

AD/16-17/51 Self-Evaluation of the Audit Committee

The Chair drew the Committee's attention to the memorandum from the Internal Auditor dated 9 March 2017 summarising the results of the recent self-evaluation process and invited the Internal Auditor to comment on the results. Following a brief discussion, the Committee agreed to consider the matter more fully at its next meeting on 13 June 2017 and also the terms of reference.

Action:

The Committee agreed to consider the results of the self-evaluation and terms of reference in greater detail at its next meeting.

Section C - For Noting

- AD/16-17/52 Ghala Limited Financial Statements**
The Committee noted the Ghala Financial Statements for the year ended 30 September 2016 together with the letter of representation and KPMG report, which had been circulated.
- AD/16-17/53 Trinity Online Services Company Limited Financial Statements**
The Committee noted the Trinity Online Services Company Limited Financial Statements for the 17 months ended 30 September 2016 together with the letters of representation, and KPMG report which had been circulated.
- AD/16-17/54 Protected Disclosures Annual Report 2015 and 2016**
The Committee noted the memorandum from the Secretary to the College dated 8 March 2017 which had been circulated.
- AD/16-17/55 Tender for External Audit Services**
The Committee noted the memorandum from the Deputy Internal Auditor dated 9 March 2016. The Internal Auditor reminded the Committee of the policy on rotation of auditors and confirmed that, in the event that the incumbents win the tender for audit services, they will be eligible for appointment following an assessment of their independence as provided for in the policy.
- AD/16-17/56 Board Papers**
The Committee noted the Board Agendas and Minutes, which had been circulated.