



Minutes of Audit Committee, Tuesday 17 October 2017

Present Mr O Cussen (Chair), Professor J Barry, Professor R Byrne, 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

Mr S Carton and Ms N Kilkenny of the Office of the Comptroller and Auditor General and Mr S O'Keefe, Mr R Hobson and Ms Mullen of KPMG attended for items AD/17-18/16 together with the Chief Financial Officer (Mr I Mathews), the Deputy Chief Financial Officer (Ms L Ryan) and the Financial and Management Accounting Manager (Ms E Farrell).

Mr S O'Keefe, Mr R Hobson and Ms Mullen of KPMG attended for items AD/17-18/17 together with the Chief Financial Officer (Mr I Mathews), the Deputy Chief Financial Officer (Ms L Ryan) and the Financial and Management Accounting Manager (Ms E Farrell).

The Chief Financial Officer (Mr I Mathews), the Deputy Chief Financial Officer (Ms L Ryan) together with the Director of Financial Planning and Risk Management (Ms D Savage attend for item AD/17-18/18

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

AD/17-18/12 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.

SECTION A and B - Policy & Implementation Issues

AD/17-18/13 Audit Committee Self-Evaluation

The Chair invited the Committee's attention to the documents re-circulated for consideration under this item as follows:

- Memorandum from the Internal Auditor dated 9 March 2017 together with the results of the self-evaluation process
- Audit Committee Terms of Reference
- Audit Committee Minute AD/16-17/51 Self-Evaluation dated 14 March 2017

Noting that the topic had been deferred on a number of occasions due

to the volume of business before the Committee at recent meetings, the Chair invited the Internal Auditor to brief the Committee on the results of the self-evaluation process.

The Internal Auditor outlined the methodology used and summarised the scores with particular reference to changes since the last self-evaluation process in 2014. In particular, he drew the Committee's attention to areas where scores had declined, noting that some of these are not directly in the control of the Committee to improve. He invited the Committee to consider the results and identify areas for improvement or further consideration.

During a discussion, the Committee identified the main areas for improvement and, in particular, emphasised the importance of maintaining the independence and autonomy of the Audit Committee. Members stressed the importance of obtaining clarification on who has budgetary responsibility for Internal Audit and that it should be seen to be independent for its budget from management who are affected by the recommendations of the Committee. Whilst acknowledging that the budget should be subject to management and control like any other, the Committee recommended that a mechanism be found to resolve the perception that could arise and discussed a number of possible approaches. The Internal Auditor advised that, as agreed at the previous Committee meeting, the Secretary to the College would update the Committee later in the meeting over ownership of the Internal Audit budget.

The Chair invited members to consider the number and duration of meetings per year and the Committee agreed to reflect on this further. The Internal Auditor requested that the Committee expand its comments in the evaluation process on Internal Audit by conducting in the future a formalised evaluation of the function. The Internal Auditor suggested he would circulate an evaluation questionnaire in this regard, which he would arrange to have summarised and a report compiled independently of his Office.

In conclusion, the Committee noted the results of the self-evaluation process.

Professor J Barry withdrew from the meeting.

Action:

- 13.1 The Committee to reflect on the number and duration of meetings during the year
- 13.2 The Internal Auditor to develop a formalised evaluation process for the Internal Audit function

AD/17-18/14 Audit Function Risk Assessment

Introducing the item the Chair invited the Internal Auditor to brief the Committee on his memorandum dated 10 October 2017 on the Risk Register for the Audit function, which had been circulated.

The Internal Auditor advised the Committee that in accordance with good practice the risks to the to the audit function are assessed and the document presented the current assessment of those risks. He advised that for the purpose of the exercise a combined view of the Audit Committee and Internal Audit as a single function is being

taken because the main strategic goal of Internal Audit is to enable the Committee to fulfil its objectives. He invited members to consider the approach taken and the risks and their rankings as a basis for discussion and to consider the action points.

The Committee considered the draft document presented and discussed the main risks to the Audit Function. Members agreed that the document was a valuable one and captures the risks effectively and agreed to keep the topic on the Committee's Agenda.

Action:

The Committee agreed to consider the topic again at its next meeting and to keep the Audit Function Risk Assessment on the Agenda as a standing item.

The Secretary to the College joined the meeting

AD/17-18/15 Update on College Business

The Chair invited the Secretary to the College and Professor Gilligan, the Board representative, to verbally update the Committee on recent business under consideration by Board and Executive Officers.

The Secretary to the College verbally briefed members on a number of projects and strategies under discussion at recent Board meetings. Professor Gilligan also referred to a range of other issues.

The Committee noted and thanked the Secretary to the College and Professor Gilligan for their updates, commenting that although the Board minutes are circulated to the Committee it was valuable for the Committee to get a flavour for the main issues.

AD/17-18/16 Plan for the Audit of the 2016/2017 Accounts

The Chair drew the Committee's attention to the following documents which had been circulated for consideration under this item:

- KPMG Audit Plan for the 2016/2017 External Audit
- Office of the C&AG - Overview of Audit Approach

The Chair welcomed the Chief Financial Officer, the Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Mr O'Keefe, Mr Hobson and Ms Mullen of KPMG and Mr Carton and Ms Kilkenny of the Office of the Comptroller and Auditor General to the meeting for consideration of the Audit Plan for the 2016/17 financial statements.

Introducing the Audit Plan, Mr O'Keefe advised the Committee that this would be his last year auditing Trinity's financial statements and he introduced Ms Mullen, who will be replacing him as audit partner for the 2017/18 financial statements.

Mr O'Keefe outlined the approach KPMG intend to take in their audit of the university's 2016/17 financial statements. In particular, Mr

O'Keefe drew the Committee's attention to significant audit issues and the proposed audit approaches associated with them. Mr O'Keefe advised that as part of the audit they would liaise with their internal consultants on IT and pension issues.

Mr O'Keefe drew the Committee's attention to key risk factors and the proposed audit approaches associated with them. In regard to pension obligations, Mr O'Keefe advised that KPMG as in previous years will, in the absence of a letter of confirmation from the HEA, continue to issue a qualification in their audit report for part of the pension asset. He advised that this area is identified as a significant audit risk for the university because of the level of judgement involved and the financial statement impact. The Deputy Chief Financial Officer advised that discussions were on-going with the HEA on the pension issue and an update may be available before Christmas.

Mr O'Keefe informed the Committee that materiality for the financial statements has been set at the lower end of the range, which would give greater assurance to the University, is consistent with the audit approach in other universities and there has been no change in this regard since last year's audit.

Mr O'Keefe also answered a number of queries in regard to the impact of the Trinity Foundation cyber breach on the audit plan. During a subsequent discussion in regard to internal control issues, the Internal Auditor stressed that it is important that KPMG alert the Committee to any issues that may emerge during their work and to highlight any gaps in processes or controls they may identify during the course of the audit even if they are not relying on internal control systems. Noting that the Committee had received representations from Trinity Foundation and was unaware of the issues that have since emerged, the Chair advised that there was unease amongst members about the control environment and what is being done about it. KPMG advised that the audit will include closer attention to the issue of allocations. Mr O'Keefe noted the comments of the Committee. The Chief Financial Officer also advised that he will be looking at establishing a process around allocations.

The Chair then invited Mr Carton and Ms Kilkenny of the Office of the Comptroller and Auditor General to comment on the Audit Plan and the overview of their audit approach document which had been circulated. Mr Carton advised the Committee that the C&AG relies on the audit work performed by KPMG but will carry out additional testing on propriety and regularity in line with their remit. He advised that their audit planning cannot be finalised until the KPMG working files have been reviewed. He noted that the efficiency of the process has improved in recent years and that there is good communication.

Mr Carton advised that he expects to follow up on Investment property issues during the audit and he also referenced specific Special Reports in the third level sector as follows:

- Public Section financial reporting for 2015
- Non-progression rates in higher education
- Capital projects at third level institutions

The Committee noted the timelines for completion of the audit and Mr Carton's view that as in previous years the timelines are tight.

Mr Carton confirmed that he would engage at an early stage with FSD in advance of any proposals affecting depreciation being implemented.

In conclusion, the Committee noted and approved the KPMG Audit Plan for 2016/17 financial statements as presented.

The Chair thanked Mr Carton and Ms Kilkenny for their contributions to the discussion and they withdrew from the meeting.

AD/17-18/17 Plan for the Audit of the 2016/17 Trinity Foundation Accounts

The Chair invited the Committee's attention to the KPMG Plan for the Audit of the 2016/17 Trinity Foundation Accounts which had been circulated and which had been presented to the Foundation's Audit Committee.

Ms Mullen advised the Committee that KPMG had presented the plan to the Trinity Foundation Audit Committee on 12 October 2017 where there had been detailed discussions on a number of issues.

The Chief Financial Officer advised the Committee that financial services for the Foundation have now been provided by the FSD since April 2017 and that a broad framework has been set for FSD involvement in the future.

The Committee noted the Plan for the Audit of the 2016/17 Trinity Foundation financial statements as presented.

The Chair thanked Mr O'Keefe, Mr Hobson and Ms Mullen for their contributions to discussions and they withdrew from the meeting together with the Financial and Management Accounting Manager.

AD/17-18/18 Financial Sustainability

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The Director of Financial Planning and Risk Management joined the meeting for this topic.

The Chair invited the Chief Financial Officer to update the Committee on the issue of overall financial sustainability, a key issue highlighted in the Committee's Annual Report to Board.

Tabling a number of documents as background information, the Chief Financial Officer briefed the Committee on the main financial challenges facing the university as well as key growth strategies. Noting the five-year projections together with a sustainability graph included in the tabled documents, he advised that while State funding has stabilised in effect it continues to decline in real terms because the full cost of pay restoration is having to be borne by the university with no discretion. The Chief Financial Officer informed the Committee that the university has issued a Section 37 letter, notifying the HEA of the forecasted deficit and that there are on-going discussions with HEA on the budgetary position and the university's

plans to reverse the deficit. He advised the Committee of an upcoming meeting with the HEA Finance Committee to discuss the financial position. The Chief Financial Officer emphasised that income generation and growth is key to returning the university to surplus and financial sustainability but that growth in certain cases requires investment. He informed the Committee of a number of growth strategies where revenue is increasing, stressing the importance of ensuring those revenues flow through to reduce the deficit and the responsibility of all areas to meet targets in the common interests of the university as a whole.

In response to a query, he outlined the projected timelines for achieving a breakeven budgetary position, noting that this was contingent on achieving significant growth in revenue. In response to a query the Chief Financial Officer outlined the process for forecasting cash flows which he introduced during the year. He advised that depreciation, which is not funded in the State grant, is a real cost reflecting the need to renew assets and that there is a need to achieve a small level of surplus after all costs equivalent to the OECD guidelines of 3% of revenues.

The Committee, reiterating its concern about the projected duration of continuing deficits, stressed that the university has been incurring deficits for many years, that this position is not indefinitely sustainable and that the realisation of the strategic goals is now critical.

Noting that the university's Strategic Plan is ambitious, the Chief Financial Officer stressed it is important not to underestimate the implementation challenges of the goals it contains. In response to a query in regard to capacity and capability issues, the Chief Financial Officer advised the Committee that prioritisation is vital to realise them and that financial sustainability is dependent on the success of the income generating strategies in which the university has been investing.

During a subsequent discussion, the Committee noted that growth may require investment in infrastructure and supports and, noting the impact of various growth strategies on Schools, members emphasised that is vital to protect the quality of the university's core functions and the quality of the student experience. Whilst acknowledging these challenges, the Chief Financial Officer advised that in his view growth and income is key and that the university has to close the sustainability gap and protect the quality of its core functions while optimising the use of existing resources. He stressed that that the issues are very serious and it is vital that the university realises its objectives in order to achieve financial sustainability.

In conclusion, the Committee thanked the Chief Financial Officer for his comprehensive update, commenting that the university management has a significant task ahead the Committee agreed to reflect on the matter further.

AD/17-18/19 Any other Business

Under any other business, with regard to where the budget for Internal Audit sits, the Secretary to the College advised that the Provost's Directorate, which encompasses the Secretary's Office is separate from CSD. The FSD attendees advised that for budgetary purposes there are only the three divisions and that the Provost's Directorate is an allocation from the CSD budget. The Chair requested the Internal Auditor to engage with the College Secretary to explore mechanisms to address its concerns as expressed at the previous meeting and to report back to the Committee.

In response to a request by a member, the Committee agreed that because the General Data Protection Regulation (GDPR) will come into effect in May 2018 and having regard to relevant issues raised in past audit reports that it would be timely for the Committee to receive an update from the College Secretary, as Data Controller, on the university's readiness. The Secretary to the College, advising that a Data Protection Officer has been appointed and a working group established which reports to the Library and Information Policy Committee, agreed to provide a report to the 5 December meeting assessing the university's state of readiness for GDPR.

The Committee thanked the Chief Financial Officer, Deputy Chief Financial Officer and the Director of Financial Planning and Risk Management for their contributions to discussions upon which they withdrew from the meeting.

The Committee noted that since the previous meeting the Director of Student Services has given notice of resignation with effect from the end of January 2018. The Committee queried whether the departure of senior managers is recognised in the College risk register as a threat to completion of plans and strategies.

In light of the mounting level of follow-up issues that are arising it was agreed an additional meeting for December or January would be necessary and the Internal Auditor would circulate members with possible dates.

Action:

- 19.1 The Internal Auditor and the Secretary to the College to engage on a mechanism to resolve the perception issues over ownership of the Internal Audit budget and to report back to the Committee.
- 19.2 The Secretary to the College, as the university's Data Controller, to provide the Committee with a report on the state of readiness for GDPR at its next meeting on 5 December 2017.
- 19.3 The Internal Auditor to circulate members with possible dates for an additional meeting in December or January.