



Minutes of Audit Committee, Tuesday 23 October 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

Mr P Kinsley and Mr J Byrne of the Office of the Comptroller and Auditor General and Ms C Mullen and Mr R Hobson of KPMG attended for items AD/18-19/04 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 Risk Officer (Ms J Carmichael) attended for item AD/18-19/05

The Finance Operations Manager (Ms A Mulcahy) attended for item AD/18-19/06

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

The Chair welcomed the two new members, Professor Burke and Professor Reilly who have replaced Professor Gilligan and Professor Barry respectively who had retired from the Committee.

AD/18-19/01 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/18-19/02 Minutes

The Minutes of the meeting held on 12 June 2018 were approved and signed.

AD/18-19/03 Call-over

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

SECTION A and B - Policy & Implementation Issues

AD/18-19/04 Plan for the Audit of the 2017/18 Accounts

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The Chair drew the Committee's attention to the following documents

which had been circulated for consideration under this item:

- KPMG Audit Strategy and Plan for the year ending 30 September 2018
- Audit Planning Memorandum from the Office of the Comptroller and Auditor General year ended 30 September 2018

The Chair welcomed the Chief Financial Officer, the Deputy Chief Financial Officer and the Management and Financial Accounting Manager, together with Ms Mullen and Mr Hobson of KPMG and Mr Kinsley and Mr Byrne of the Office of the Comptroller and Auditor General to the meeting for consideration of the Audit Plan for the 2017/18 financial statements. In particular, the Chair welcomed the new C&AG team to the meeting as well as Ms Mullen of KPMG, who replaced Mr O'Keefe as audit partner for the 2017/18 financial statements in line with the firm's partner rotation policy.

The Chair invited Ms Mullen to present the highlights of the KPMG Audit Strategy and Plan. Ms Mullen outlined the approach KPMG intend to take in their audit of the University's 2017/18 financial statements. In particular, Ms Mullen drew the Committee's attention to key audit risks and areas of audit focus.

In regard to pension obligations, Ms Mullen advised that KPMG in previous years, in the absence of a letter of confirmation from the State guaranteeing the liabilities of the University's Model Scheme and Supplementation arrangements, issued a qualification in their audit report. Ms Mullen advised that this area is identified as a significant audit risk for the University because of the level of judgement involved and the financial statements impact. Ms Mullen informed the Committee that a Statutory Instrument has recently been signed in regard to the Model Scheme and that the implication of this development for the audit qualification regarding the Model Scheme is being looked at but noted that it will not affect the Supplementation issue for which a qualification in the audit report is likely to continue.

Ms Mullen informed the Committee that the materiality for the financial statements has been set at the lower end of the range, which would give greater assurance to the University and is consistent with the audit approach in other universities and there has been no change in this regard since last year's audit. Mr Hobson clarified a technical query from a member in regard to how the materiality level is set and applied.

Mr Hobson advised the Committee that the University has given some consideration during the year to potentially changing the accounting policy for heritage assets but that the existing policy would remain in place for this audit. The Chief Financial Officer advised that a change may be considered by management in the future. Mr Hobson noted that while any such a change would significantly increase net assets in the balance sheet there would be significant implementation and maintenance challenges to consider. In response to a query, the Chief Financial Officer advised on the level of gearing for the University and its capacity for further borrowings. In response to another query, he advised that the current borrowing capacity is sufficient for currently

committed projects.

Mr Hobson confirmed that, as in previous years, KPMG will use a range of KPMG specialists during the audit in the areas of Pensions and IT and will deploy a second audit partner, for engagement quality purposes, in accordance with their internal procedure.

The Chair then invited Mr Kinsley and Mr Byrne of the Office of the Comptroller and Auditor General to comment on the Audit Plan and their Audit Planning memorandum which had been circulated. Mr Kinsley advised the Committee that the C&AG relies on the audit work performed by KPMG to the greatest extent possible but will also carry out testing on propriety and regularity in line with their specific remit. He advised that their audit plan will be updated after KPMG have completed their work.

With reference to an earlier query in regard to materiality levels, Mr Kinsley confirmed the materiality level employed the Office of the Comptroller and Auditor General, noting that it is consistent with their approach in the sector, although slightly different from KPMG's, but that this is not expected to cause a difficulty.

Mr Kinsley also drew the Committee's attention to a number of high-level risks that the C&AG expect to focus on during the audit, commenting that these will be updated as part of the C&AG planning once KPMG have completed their work. In response to a query, Mr Kinsley confirmed that he expects the good cooperation with KPMG to continue and, noting that the timelines for completion of the audit are similar to last year, Mr Kinsley advised that he does not foresee any problems with them.

The Committee noted that the issues that had arisen in the Trinity Foundation audit in the previous year would receive attention by KPMG in their work for 2017/18. In conclusion, the Committee noted the Audit Plans for 2017/18 as presented and concluded that the plans and approach being taken and the coordination between KPMG and the C&AG is satisfactory.

The Chair thanked the FSD, C&AG and KPMG teams and they withdrew from the meeting.

AD/18-19/05 Risk Management Update

Introducing the topic, the Chair drew the Committee's attention to the Enterprise Risk Management Work Programme dated September 2018 from the Chief Risk Officer, which had been circulated. He emphasised that while the Committee may note the document and give guidance and advice where appropriate it would be inappropriate to be approving or managing a work programme. The College Secretary advised that the Chief Risk Officer reports to him. The Chair welcomed the Chief Risk Officer to the meeting and invited her to present her document.

The Chief Risk Officer acknowledged the work carried out previous to her appointment and noted that Risk Registers are in place for the three divisions. In reference to academic areas, the Chief Risk Officer advised that she has received positive support and engagement from the Faculty Deans in relation to the establishment of Risk Registers

and hopes to have Risk Registers in place in all areas by January or February 2019.

The Chief Risk Officer stressed that it is important to acknowledge the high level of risk being carried by the University and emphasised that it is important to communicate the value of risk management to the University community as a whole. She advised that this will require an education element to be undertaken and noted that the 2nd line of defence will require support to develop.

The Chief Risk Officer informed the Committee of the establishment of a forum, comprising key staff involved in risk operationally and also changes to the terms of reference of the Risk Management Group. The Committee noted and welcomed that Chief Officers are members of that Group. She also advised she intends to establish a group of assurance providers to coordinate the approach to assurance and avoid potential duplication of work and to develop the risk profile and prioritisation of issues.

In response to a query as to how the current gaps in the process are to be addressed, the Chief Risk Officer noted that there are different levels of maturity in the understanding of risk across the University and that administrative areas are more advanced than academic areas but that this gap will be addressed by education and training. In particular, she also noted that automation of the process will be critical and will enhance the functionality of the process.

During a subsequent discussion, members welcomed the appointment of the Chief Risk Officer and the emphasis being given by the Provost to establishing an effective risk management system, the lack of which system has long been an area of concern to the Committee. The Committee agreed that the output from the work of the Chief Risk Officer should be very useful in informing its decisions on areas for the future work of the Committee, an element that has been lacking to date. In response to a query regarding the level of engagement at School rather than Faculty level, the Chief Risk Officer advised that support at School level will be a challenge.

The Internal Auditor advised that to realise the full benefit of risk management and gain entity-wide acceptance it needs to be useful as a local management tool, which will require local systems to be operating. He advised that, at the enterprise level, risks and actions are usually an amalgam of what is happening in several areas. Such high-level risks give an overall picture, essential for monitoring and reporting purposes, but local area registers, including in Schools, have greater capacity for use as a tool to aid management. Noting the history of risk management within the University, and that previous attempts to establish a system had not been successful in academic areas, the Committee stressed the desirability of building on the Schools existing processes as far as possible. It noted that it is important to help Schools to see the benefits and gain real value rather than the process be seen as adding simply another administrative burden.

Members also emphasised that, as well as day-to-day operations, it is important for risk management to be integrated with new projects at an early stage. The Committee noted that Board decided, several

years ago, that all proposals would include a risk assessment, which was a good development, but noted that there may be scope for significantly improving the quality of those now that a Chief Risk Officer is in place. In that regard, a member noted the importance of ensuring a clear distinction between budgets and targets in proposals and their risk assessment.

Referring to the Board approved assurance framework, the Internal Auditor advised that this was put in place 10 years ago to support the Board making its Statement on Internal Control and gathers assurance from all 3 lines of defence. He advised that it is essential that the risk owners, as well as the 2nd and 3rd lines, are included in providing Board with assurance. He noted that the existing assurance process could be developed and strengthened, as was intended after its introduction, especially in regard to the nature of the 1st line assurances that are sought by Board.

The Committee agreed that, just as with any other management process, the audit function's role is to review the effectiveness of risk management, not to own or direct it, but that it welcomes and will fully support the risk management process in an appropriate way that does not compromise its independence. In that regard, the Chair advised that the Committee would reflect further on appropriate means of cooperation and would return to this at a future meeting.

The Chair thanked the Chief Risk Officer for her presentation, noting that the Committee wishes her every success in her efforts and looks forward to being able to use the output for planning purposes in the future, which will be very useful to the Committee. The Chief Risk Officer withdrew from the meeting.

Action:

The Committee to consider at a future meeting appropriate means of co-operation and co-ordination with the risk management process that is being developed.

AD/18-19/06 Cash Controls

The Chair welcomed the Finance Operations Manager to the meeting for consideration of this item. The Internal Auditor briefed the Committee on the background to the matter, briefly outlining the lack of records and cash controls that had come to light in one area and that, as a result, the Committee had asked management for assurance on cash controls across all areas.

The Finance Operations Manager advised that CSD had conducted a review of cash operations within the CSD division and that FSD had now completed a review of cash controls in the three faculties and the two remaining divisions. The Finance Operations Manager advised that the main aim of the review was to move to cashless transactions wherever possible. She informed members that lodgement cards are used by non-commercial areas in the University to lodge small amounts of cash/cheques directly to the bank. Following a review of the lodgement cards and engagement with areas, it was agreed that areas would stop taking cash and use the TCard solution in dealing with the University community. The Finance Operations Manager advised that areas that still interact with members of the public and certain other transaction types will continue to operate in cash but

that such areas have signed up to Standard Operating Procedures to strengthen controls already in place. She assured the Committee that many areas already had strong cash controls in place but that the Standard Operating Procedures will strengthen existing controls and ensure standard procedures are in place across the University. She then drew the Committee's attention to one area not willing to implement the TCard solution due to the levy to cover the costs of the system. She advised that all controls have a cost and that it is the view of FSD that the cost of operating TCards is moderate and moving to cashless would greatly improve the controls in that area.

The Committee noted that Internal Audit is currently conducting an audit of a sample of areas and plans to circulate a report to the December meeting. The Internal Auditor advised that the area referred to by the Finance Operations Manager is included in the sample and the review would report on the effectiveness of the existing controls in place in that area. The Committee agreed to consider the matter further when the Internal Audit report is complete.

The Committee stressed the importance of having a consistent policy and robust controls in place for both the use of TCards and in the areas that continue to use cash. The Chair thanked the Finance Operations Manager for the update and she withdrew from the meeting.

Action:

The Committee to consider the topic again at a future meeting when the Internal Audit report is available.

AD/18-19/07 Human Resources Recruitment

Introducing the item, the Internal Auditor briefed the Committee on the background to report and summarised the audit findings. He advised that recruitment in Trinity is highly process driven and, whilst HR operates within the current policies and procedures, there is scope to elevate recruitment to a more professional and strategic level which will be necessary if it is to fulfil the role envisaged in its strategic plan as was approved by Board. He advised that recruitment is just one area of HR that was examined but that and that it is likely other HR operations would also need revision to fulfil the HR strategy. During a discussion, the Committee noted the audit findings and the positive management responses. In particular, the Committee suggested it may be useful for HR to conduct a benchmarking exercise against similar research universities as part of implementing its strategy. In conclusion, the Committee noted the report and agreed to invite the Director Head of HR to a future meeting to update the Committee on progress towards achieving the overall HR strategy.

Action:

The Director of HR to be invited to a future meeting to update the Committee on progress towards achieving the overall HR strategy.

AD/18-19/08 Audit Planning

Introducing the item, the Chair invited the Internal Auditor to brief the Committee on his Audit Planning memorandum dated 15 October 2018, which had been circulated. The Internal Auditor advised the

Committee that the purposes of the memorandum are twofold: to update the Committee on the completion status of work planned for 2017/18 and to propose areas for future audit work. He advised that the areas for future work will be used to form the basis for a new multi-annual plan following an exercise to map them against any existing assurances and prioritise them on a risk basis. He invited the Committee to consider the areas proposed for audit work and if there any additional areas that they wish to include. He also advised the Committee that audit planning will need to re-considered when a new Risk Register is completed and when the new Strategic Plan is available. Noting the areas identified, the Committee considered it a good framework and agreed that it addressed the appropriate areas and requested the Internal Auditor proceed to develop a multi-annual audit plan based on the areas identified.

Action:

The Internal Auditor to develop a multi-annual audit plan based on the areas identified.

AD/18-19/09 Terms of Reference

The Internal Auditor advised the Committee that the Registrar has requested that, in line with the Gender Equality Action Plan, Principal, Academic and Compliance Committees of Board and Council include a statement that no more than 60% of members will be of any one gender. He informed the Committee that the Registrar has acknowledged that due to the small size of the Audit Committee it is particularly vulnerable to large fluctuations in gender balance and he drew the Committee's attention to the Registrar's suggested addition to the membership paragraph outlined in bold in his memorandum. During a brief discussion, the Committee noted and endorsed the proposed text and agreed that the Committee's Terms of Reference be updated accordingly and forwarded to Board for approval.

Action:

The Internal Auditor to circulate the revised Audit Committee Terms of Reference to Board for approval.

AD/18-19/10 Audit Function Risk Register

The Committee noted the memorandum from the Acting Deputy Internal Auditor dated 23 October 2018, together with the updated Audit Function Risk Register, which had been circulated. The Committee noted the amendments made since the last iteration of the Audit Function Risk Register.

AD/18-19/11 Annual Report - Update

During a brief discussion with no management present, the Chair reminded members that the Audit Committee Annual Report to Board for 2017/18 had been presented to Board in May by Mr McCarthy on his behalf as he had been unable to attend the Board meeting. The Chair briefed the Committee on developments since the Board meeting and that on this occasion it is proposed to engage with management directly in regard to the issues identified in the Annual Report, rather than by a written response, an option that had been offered in the Annual Report. Following a discussion, the Committee agreed that the Chair write to the three Divisional Heads inviting them to attend the next Audit Committee meeting to discuss their response to the Annual Report.

Section C - For Noting

AD/18-19/12 Control Exception Report

The Committee noted the Control Exception Report dated May 2018 which had been circulated and queried what actions flow from it other than as outlined in the document.

Action:

The Internal Auditor to engage with FSD and report back to the Committee re actions flowing from the Control Exception Report.

AD/18-19/13 Management Letter from the C&AG following the 2017 Audit

The Committee noted the C&AG 2017 Management letter which had been circulated.

AD/18-19/14 Board Papers

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

AD/18-19/15 Any Other Business

The Chair advised the Committee that due to unforeseen difficulties in some members' diaries, it will be necessary to re-schedule the Committee meeting due to be held on 20 November. The Committee requested that alternative dates in November be circulated to them by email immediately following the meeting. The Committee also noted that it will be necessary to liaise with the Divisional Heads regarding the new date.

Action:

The Internal Auditor to circulate alternative dates for the November meeting.