



## Minutes of Audit Committee, Tuesday 10 March 2020

*Present* Mr D McCarthy (Chair), Professor A Burke, Ms B Collins, Professor L Hogan, Professor R Reilly

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

*In Attendance* Deputy Internal Auditor (Ms F McAuliffe), Deputy Internal Auditor (Ms A Cooney), Ms M Thompson

The Chief Financial Officer (Mr P Reynolds), Deputy Chief Financial Officer (Ms L Ryan), together with Ms C Mullen and Mr R Hobson of KPMG and Mr P Kinsley and Ms A Fennell of the Office of the Comptroller and Auditor General (C&AG) attended for item AD/19-20/42

The Chief Financial Officer (Mr P Reynolds), Deputy Chief Financial Officer (Ms L Ryan), together with Ms C Mullen and Mr R Hobson of KPMG attended for item AD/19-20/43

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

The College Secretary was invited to join the meeting

### **AD/19-20/37 Statements of Interest**

The Chair invited members to declare any potential conflict of interest they may have in relation to items on the Agenda. Professor Hogan declared a potential for a perceived conflict of interest in relation to Agenda Item 12 - Communication received by Chair, which was noted.

### **AD/19-20/38 Minutes**

The draft Minutes of the meeting held on 18 February 2020 were approved.

### **AD/19-20/39 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/19-20/40 Protected Disclosures Annual Report**

The Chair drew the Committee's attention to the Protected Disclosures Annual Report for 2018/19 from the Secretary to the College, which had been circulated and invited the Secretary to the College to present the Report.

Referring to the background to the Protected Disclosures Annual Report, the Secretary to the College advised the Committee that his

Office has published a report for the previous year, on its website which confirms that one protected disclosure was received for 2017/18 and he briefed members on the nature of the disclosure and the action taken. He advised the Committee that there was no impact on the University arising from the disclosure. The Committee noted that the Secretary's Office has also published the report presented to the Committee on its website, confirming that there were no protected disclosures received for the year ended 30 June 2019.

Following a discussion, the Committee suggested that it may be more consistent with the Act for reporting to be based on the calendar year, with a report coming to the Committee in Hilary term as per the policy, and subsequent publication before 30 June annually in accordance with the Act. The Secretary to the College confirmed that he will consider changing the reporting period for future Disclosure Reports which will be published annually as required under the Act and brought to the Committee in accordance with the policy.

The Committee noted the Protected Disclosures Annual Report for 2018/19 as presented.

#### **AD/19-20/41 Audit Committee Recommendations Log**

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Introducing the item, the Deputy Internal Auditor reminded members that in accordance with agreed procedures, the three Divisional Heads attend the Committee on a bi-annual basis, normally scheduled for November and March, to present an update on the Audit Committee Recommendations Log. The Committee noted that the update is collated by the Office of the Chief Operating Officer on behalf of the Divisional Heads and that the significance of the March update synchronising with the Committee's Annual Report to Board is noted in the agreed procedures. Ms McAuliffe informed the Committee that the Audit Committee meeting schedule had been sent to the Divisional Heads on 23 August 2019, together with several reminder notifications between then and February 2020. Ms McAuliffe advised that Internal Audit had requested sight of the updated Log by 26 February in order to carry out a pre-circulation check but was informed on 27 February that it had not been prepared. Ms McAuliffe informed the Committee it was subsequently confirmed by the Office of the COO that they would not be in a position to provide the Update on the Log for the March meeting as per agreed procedures. Ms McAuliffe advised that the Office of the COO propose to run a workshop to address the problems that led to this lapse in the agreed process and to bring the Log to the April meeting instead.

During a discussion, the Committee expressed concern that the update on the Log had not been provided as per the agreed schedule. Members noted that over time progress has been made in regard to definitions over which some misunderstanding had arisen in the past and that the current issues appears to relate to the co-ordination and overall responsibility for collating the Log. Members considered the challenges of the devolved structure in regard to resolving recommendations and if any changes were required to the process. The Committee noted that the Provost had assigned responsibility for the Audit Committee Recommendations Log to the three Divisional Heads.

In conclusion, the Committee agreed to discuss the matter of the

delay with the three Divisional Heads when considering the Update on the Audit Committee Recommendations Log at the next meeting of the Committee on 28 April 2020.

**Action:**

The Committee to discuss the matter of the delay with the three Divisional Heads when considering the Update on the Audit Committee Recommendations Log at the next meeting of the Committee on 28 April.

**AD/19-20/42 Audit of the Consolidated Financial Statements for 2018/2019**

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

- Presentation on the Consolidated Financial Statements 2019
- Memorandum from the Chief Financial Officer and the Deputy Chief Financial Officer dated 4 March 2020
- Draft Consolidated Financial Statements for year ended 30 September 2019
- KPMG Report to the Audit Committee: Audit Findings for the year ended 30 September 2019
- Draft Letter of Representation to KPMG re the Audit of the Consolidated Financial Statements for the year ended 30 September 2019
- Report from the Office of the Comptroller and Auditor General
- Draft Letter of Representation to the Office of the Comptroller and Auditor General re the Audit of the Consolidated Financial Statements for the year ended 30 September 2019
- Draft Audit Certificate for 2018/2019

Referring to the Draft Statement of Governance and Internal Control (SGIC) which forms part of the Consolidated Financial Statements, the Chair reminded members that it is part of the governance declaration that the University makes annually. He stressed it is significant, both in its own terms and for the university's stakeholders and is part of the assurance architecture. The Internal Auditor briefed the Committee on the SGIC contained in the consolidated financial statements and also made reference to a separate governance statement sent annually to the HEA. In particular, he drew the Committee's attention to a number of issues in regard to the SGIC and the Code of Governance, which could be improved for future years, noting that there needs to be one owner with overall responsibility for drafting it on behalf of Board. He also emphasised the importance of completion of the annual assurance framework, which was put in place to support Board in making the statements on internal control, but which seems to have lapsed. The Secretary to the College briefed the Committee on the background. Noting that there is currently a group formed to update the Trinity Code of Governance, the Committee considered that it may be timely to review the SGIC in this context, with particular reference to where responsibility for it resides and distinguishing between what is required in the two separate governance statements.

The Chair then welcomed the C&AG team, Mr Kinsley and Ms Fennell to the meeting, together with Ms Mullen and Mr Hobson of KPMG and the Chief Financial Officer and Deputy Chief Financial Officer.

The Chair invited the Chief Financial Officer to introduce the draft Consolidated Financial Statements. Referring to his presentation, which had been circulated, the CFO advised that Finance Committee had noted the draft Financial Statements on 3 March 2020 and, subject to recommendation by the Audit Committee, advised that they would be forwarded to Board for approval. The CFO drew the Committee's attention to key highlights and trends and to the figures in the Balance Sheet. In particular, he advised the Committee that the audit had run smoothly, all audit deadlines were met and there were no material delays in the audit process.

The CFO and Deputy CFO responded to a number of technical queries from members on the consolidated financial statements

At the invitation of the Chair, Ms Mullen and Mr Hobson of KPMG presented in detail the KPMG Audit Report, drawing particular attention to the key areas of focus they had considered during the audit as follows:-

- Pension Arrangements
- Management override of controls
- Capital expenditure, depreciation and impairment
- Investment property valuations
- Academic fees
- Completeness of liabilities
- Research projects
- Staff costs
- Consolidation of subsidiary entities

Ms Mullen advised the Committee that the KPMG audit was substantially complete subject to normal conditions: approval of the financial statements and letter of representation by Board and their review of any post balance sheet events.

Ms Mullen presented the KPMG Report and confirmed that KPMG had no significant additional audit issues to bring to the attention of the Committee. Ms Mullen advised that the audit had run smoothly and that unlike last year, there were no delays in the audit process.

Ms Mullen confirmed that KPMG, as in previous years, would continue to qualify the audit opinion due to the absence of a written guarantee from the HEA to support the recognition of the full amount of the pension asset as it relates to the Model pension scheme and pension supplementation. Ms Mullen advised the Committee that the KPMG position is based on accounting standard FRS102 under which the threshold for income recognition is "virtual certainty". The CFO and Deputy CFO outlined the University's position on this issue, which remains unchanged from previous years, and which is to recognise the funding due from the State in respect of all retirement benefits which are being funded on a 'pay-as-you-go' basis. They advised that the HEA has indicated that it is appropriate for the University sector to account for pension assets on this basis consistent and the legal advisors consider it reasonable, to refer to the State providing a "de facto" guarantee in respect of the Model Scheme.

In response to a query from Ms Mullen, the Chair and the Internal Auditor briefed the external auditors on allegations of fraud that had been brought to the attention of the Chair of Audit Committee and which had been notified to the C&AG and KPMG by the Internal Auditor. The Chair clarified a number of points on the matter for Ms Mullen and Mr Kinsley. In response to a query from Ms Mullen as to whether any other matters of fraud had been brought to the Committee's attention during the year, the Chair and Internal Auditor both confirmed they were not aware of any fraud incidents arising during the year under review.

At the invitation of the Chair, Mr Kinsley of the C&AG briefed the Committee on the C&AG audit, which he confirmed is now complete subject to approval of the accounts and letter of representation. He advised that the C&AG rely on the work of KPMG but continue to carry out additional work on regularity and propriety according to their remit.

Mr Kinsley informed the Committee that the accounts were cleared by the C&AG on 25 February 2020. He confirmed that, as in previous years, 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 with an emphasis of matter. He advised the Committee that the Audit Cert will refer to significant expenditure incurred on goods and services, the procurement of which was not compliant with relevant procedures.

He also advised that a draft management letter had been issued for management responses but that there was nothing to draw to the Committee's attention in terms of recommending the accounts to Board for approval. He advised that one of the high level items being reported to management is the risk attached to having a large number of long outstanding audit recommendations.

During the discussions, the Committee considered a number of issues raised during the presentations and welcomed the positive result for the year. The Committee expressed caution that the profit was matched, as in 2018, by an increase in unspent balances, a situation that could reverse in a future period and potentially having a large impact on results. In response, the CFO acknowledged the risk and outlined the extensive steps being taken to monitor budgeted expenditure and align it with the new Strategic Plan. The Committee noted that while the balance sheet targets are being met, income KPIs are behind and noted the plans to address this. The Committee also noted the work being performed in the Academic Registry in regard to fee balances and that the quality of management information might be a consideration when the Committee considers work in that area.

In conclusion, the Committee thanked the auditors and FSD and, welcoming the successful completion of the audit to schedule, recommended that the consolidated financial statements together with the letters of representation be forwarded to Board for approval.

The Chair thanked Mr Kinsley and Ms Fennell for their valuable contributions to discussions and they withdrew from the meeting.

**AD/19-20/43 Trinity Endowment Fund Financial Statements for the year ended 30 September 2019**

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

- Presentation on the Trinity Endowment Fund Financial Statements 2018/19
- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 4 March 2020
- Draft Trinity Endowment Fund Financial Statements for the year ended 30 September 2019
- Draft Letter of Representation to KPMG re the Trinity Endowment Fund - Audit for the year ended 30 September 2019
- KPMG Management Letter re Audit of the Financial Statements of Trinity Endowment Fund dated 25 March 2020

The Deputy CFO advised the Committee that Finance Committee noted the Trinity Endowment Fund Financial Statements on 3 March 2020 and, subject to recommendation by the Audit Committee, they would be forwarded to Board for approval.

Ms Mullen 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 and advised that there were no matters to bring to the attention of the Committee arising from their audit.

In conclusion, the Committee recommended that the Trinity Endowment Financial statements together with the letters of representation be forwarded to Board for approval.

**AD/19-20/44 Conduct of the Audits**

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The Chair advised members that as in previous years and, in accordance with good practice, visitor arrangements were designed to afford FSD, KPMG and the C&AG time by themselves privately with the Committee should they wish to raise any issues. He advised the Committee that KPMG had confirmed they wished to avail of the opportunity but the FSD and C&AG team had advised they did not require time alone with the Committee and the Committee had no issues either that it wished to raise with either of the auditors privately.

The Chair thanked the CFO and Deputy CFO and they withdrew from the meeting.

At the invitation of the Chair, the Internal Auditor, Deputy Internal Auditors, the Secretary to the College together with Ms Thompson withdrew temporarily from the meeting to allow the KPMG team time with the Committee members as they had requested.

The Chair thanked Ms Mullen and Mr Hobson for their valuable contributions to discussions and they then withdrew from the meeting.

The Internal Audit team together with the Secretary to the College and Ms Thompson re-joined the meeting.

In conclusion, the Committee agreed to recommend both sets of Financial Statements and the letters of representation be forwarded to Board for approval.

**Action:**

- 44.1 The Annual Consolidated Financial Statements for the year ended 30 September 2019 to be forwarded to Board with a recommendation that they be approved and signed along with the letters of representation.
- 44.2 The financial statements of the Endowment Funds Financial Statements for the year ended 30 September 2019 and the letter of representation to be forwarded to Board with a recommendation that they be approved and signed.

**AD/19-20/45 Review of Quality Compliance Oversight Internal Audit Report**

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The Chair invited the Deputy Internal Auditor to brief the Committee on the Review of Quality Compliance Oversight Report, which had been circulated.

Introducing the Review, Ms Cooney advised that the University's Code of Governance establishes quality assurance procedures and that the Qualifications and Quality Assurance (Education and Training) Act 2012 provides guidelines and establishes quality assurance procedures for higher education bodies to implement. Ms Cooney advised that a key element of the quality assurance process is the institutional review, noting that the last review was in 2012 and the next is scheduled for 2020. The Committee noted that the Quality Committee is a Compliance Committee of both Board and Council.

Ms Cooney advised members that the purpose of the audit was to assess the processes in place and the extent to which they meet the following objectives:

- Board and Council is provided with accurate, relevant and timely assurance regarding its quality obligations and compliance performance.
- The structure of the QC and the quality framework to ensure clear and relevant communication, reporting lines and timely escalation of issues from all areas of the University.
- Oversight and monitoring mechanisms have been put in place by the QC to ensure the University adheres to its quality policies and statutory obligations and effectively addresses the outcomes of quality reviews
- The QC monitors and evaluates the effectiveness of its own performance to reveal when and where improvement is needed.
- Structures and plans are in place to facilitate University obtaining a favourable Institutional Review in 2020

She advised that all five of the objectives were partially but not fully met and that the findings echoed some of the issues highlighted in the recent Health and Safety Oversight Report considered by the Committee on 28 January in regard to the effectiveness of the 2<sup>nd</sup> line of defence and the need to clarify responsibilities and terms of reference.

During a detailed discussion, the Committee acknowledged the significant volume and effort across the University in quality assurance processes but agreed that in order to profit fully from those efforts there is a need to have greater coordination and sharing. Commenting on the management responses, the Committee agreed that an impression could be formed that the issues raised in the audit were not fully accepted and that appropriate action might not be taken. Noting that apart from the compliance aspects, the University strives for the highest quality standards and that when issues are identified it is important that there is acceptance, so that learning and improvements can be made to the University's processes.

In conclusion, the Committee endorsed the findings of the Report and agreed to invite the Vice-Provost/Chief Academic Officer to a future meeting to discuss the responses to the findings.

**Action:**

The Committee agreed to invite the Vice-Provost/Chief Academic Officer to a future meeting to discuss the responses to the findings of the Review of Quality Compliance Oversight Report.

The Secretary to the College withdrew from the meeting by invitation

**AD/19-20/46 Draft Annual Report to Board 2019/20**

The Chair drew the Committee's attention to the draft of the 2019/20 Annual Report to Board, which had been circulated to members only.

The Chair invited members to reflect on the final draft of this year's Annual Report and advise if they wish to make any amendments to the text, prior to forwarding it to Board for consideration at its meeting on 25 March 2020. In particular, he invited members to consider if they were satisfied with the key issues highlighted in the draft Report. Due to time constraints and another diary commitment, Professor Burke advised that he had to withdraw from the meeting but would bring his comments to the attention of the Chair separately, following the meeting.

Following a discussion, members endorsed the Draft Report proposing a number of minor amendments. Noting the proximity of the circulation date for Board on 18 March, the Committee agreed that the Report be finalised by the Chair in conjunction with the Board representative and the Internal Auditor and the final changes brought to their attention by email.

**Action:**

The Draft Annual Report for 2019/20 to be finalised as agreed, after which the Chair will present the Committee's Report to Board on 25 March 2020.

As agreed, Professor Hogan withdrew from the meeting for the following item due to the potential for a perceived conflict of interest.

**AD/19/20/47 Communication received by the Chair**



The Committee discussed developments in regard to the item and agreed how to proceed.

**Action:**

The Internal Auditor to proceed as instructed by the Committee.

**Section C - For Noting**

**AD/19-20/48 Board Papers**

The Committee noted the Board Agenda and Minutes which had been circulated for noting.