



Minutes of Audit Committee, Tuesday 9 March 2021

The meeting was conducted remotely by Zoom

Present Mr D McCarthy (Chair), Ms M Fulton, Ms B Collins, Professor A Burke, Professor R Reilly

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

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

The Vice-Provost/Chief Academic Officer (Professor J Barkhoff), the Chief Financial Officer (Mr P Reynolds), and the Interim Chief Operating Officer (Mr P Magee) attended for item AD/20-21/69

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/20-21/70

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 items AD/20-21/71 and AD/20-21/72

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

AD/20-21/66 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 conflicts of interest declared by members.

The Secretary to the College joined the meeting by invitation

AD/20-21/67 Minutes

The draft minutes of 16 February 2021 were approved.

AD/20-21/68 Call-over

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

Ms B Collins joined the meeting

AD/20-21/69 Audit Recommendations Log

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The Chair welcomed the Vice-Provost/CAO, the Chief Financial Officer and the Interim Chief Operating Officer to the meeting for consideration of the Audit Recommendations Log, which had been circulated. The Committee welcomed the addition of timelines to completion of actions but noted that this information was not available for a significant number of outstanding recommendations. Noting the presentation and summary table which had been circulated, the Committee noted that there were 71 outstanding items on the Log in February 2021 compared with 69 in November 2020. The Chair invited the Divisional Heads to brief the Committee on the status of items in their respective areas.

The Chief Financial Officer advised that of the 20 outstanding items in his division, 16 relate to the recent Audit of Procurement and that all of these are scheduled to be resolved by the end of the year. He drew the Committee's attention to one new item in relation to the Audit of Employment Framework Management. He advised that the number of items outstanding for more than a year has reduced to 3 from 6 since last the iteration of the Log and briefed the Committee on steps being taken to address them.

The Interim Chief Operating Officer briefed the Committee on the outstanding items in the CSD division, with particular reference to the Audit of Trinity Brand Commercial Services Ltd together with Estates and Facilities and HR items. He advised the Committee that a new Commercial Director has been appointed and progress is being made in relation to Trinity Brand Commercial Services. The Committee noted that of the 44 outstanding items in the CSD, 12 have been outstanding for more than one year.

The Secretary to the College advised the Committee of actions being taken to address a number of outstanding items within his remit, including Data Protection and Policy management. The Committee noted that an external review of the University's Emergency Response Plan is underway.

The Vice-Provost/Chief Academic Officer summarised the outstanding items in his division, of which there are 7 in total. He advised the Committee that work is ongoing in relation to the financial sustainability of TRIs, that it is quite a complex matter and is on the call-over of the Planning Group. The Committee noted that the Dean of Research is responsible for the monitoring this item, but the position is currently vacant, which may impact progress. The Vice-Provost/Chief Academic Officer advised of a delay in addressing Oversight Compliance items. The Committee noted that the Institutional Review has been postponed from November 2020 to October 2021 and it is expected that this Report will be presented to Council and Board in February 2022.

During a brief discussion, the Committee welcomed the management update on the Audit Recommendations Log. The Committee raised some queries on actions being taken to address the outstanding recommendations, reiterating the importance of completing outstanding items in a timely manner. Whilst acknowledging the progress made on the Log, the Committee expressed concern that they are still a significant number of items that have been on the Log for more than 12 months. The Internal Auditor confirmed that Internal Audit would engage directly with management in relation to long outstanding items over the coming months to ascertain the reasons for delay in implementation.

In conclusion, the Committee noted that, in line with the agreed process, Internal Audit will conduct a Review of Completed and Risk Accepted Recommendations.

The Chair thanked the Vice-Provost/Chief Academic Officer and the Interim Chief Operating Officer for their work on the Log and they withdrew from the meeting.

The Chief Financial Officer remained for the next three Agenda items.

AD/20-21/70 Audit of the Consolidated Financial Statements for 2019/2020

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The Committee noted the following documents, which had been circulated for consideration as follows:

- Presentation on the Consolidated Financial Statements 2019/2020
- Memorandum from the Chief Financial Officer and Deputy Chief Financial Officer dated 05 March 2021
- Draft Consolidated Financial Statements for the year ended 30 September 2020
- KPMG Report to the Audit Committee – Audit Findings for the year ended 30 September 2020
- Draft Letter of Representation to KPMG re the Audit of Consolidated Financial Statements for the year ended 30 September 2020
- Report from the Office of the Comptroller & Auditor General
- Draft Letter of Representation to the Office of the Comptroller & Auditor General re the Audit of the Consolidated Financial Statements for the year ended 30 September 2020
- Draft Audit Certificate for 2019/2020
- Draft Management Letter from the Office of the Comptroller & Auditor General

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

At the invitation of the Chair, the Chief Financial Officer presented the draft Consolidated Financial Statements.

Referring to a presentation, which had been circulated, the CFO advised that Finance Committee had noted the draft Consolidated Financial Statements on 04 March 2021 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 that the University reported a deficit for 2019/2020 compared to surpluses in the preceding two years. He advised that this deficit was partly due to a decrease in commercial income due to the impact of Covid-19. The Committee noted that academic fee income in the period was not materially impacted by the pandemic. The CFO advised that further losses were mitigated by a growth in philanthropy and a Government Covid-19 grant.

The CFO advised the Committee that the audit had run smoothly, all audit deadlines were met and there were no material delays in the audit process.

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
- Impact of Covid-19 pandemic and consideration of going concern
- Management override of controls
- Capital expenditure, depreciation and impairment
- Investment properties 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 and confirmed that the audit had run smoothly.

Ms Mullen confirmed that KPMG, as in previous years, would continue to qualify their 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”.

Referring to the impact of the Covid-19 Pandemic on the assessment of the University as a going concern, Ms Mullen advised that KPMG considered the steps taken by Trinity and reviewed management’s assessment of the ability of the University to continue as a going concern covering a period of at least 12 months from the date of the financial statements. Ms Mullen advised that KPMG had examined budgetary forecasts for 2021 in detail and that KPMG are satisfied that the assumptions used by management in the going concern assessment projections are reasonable. Ms Mullen also advised that KPMG had not observed any material impact on internal controls due to the pandemic during the course of their audit.

In response to a query from Ms Mullen as to whether any matters of fraud had been brought to the Committee’s attention during the year, the Chair confirmed they were not aware of any fraud incidents arising during the year under review.

Referring to a communication received by and considered by the Audit Committee during the year, Ms Mullen advised the Committee that KPMG had reviewed the matter and were satisfied that all the steps taken by University were appropriate.

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 26 February 2021. 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 but noted that there was a significant decrease from the previous year.

Mr Kinsley advised that the C&AG had reviewed the going concern assessment due to the impact of Covid-19 and were satisfied with the assumptions made by University management. He also confirmed that the C&AG had not observed any material impact on internal controls due to the pandemic during the course of their audit.

Mr Kinsley advised that the C&AG recommended that the Statement of Governance and Internal Control (SGIC) should reference the communication received by the Audit Committee during the year and that there were some operational matters referred to management for consideration.

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.

During a subsequent discussion, the FSD team and external auditors answered a number of technical queries from members on the financial statements.

In particular, the CFO outlined the University's position in relation to the pension qualification 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. He advised that the HEA has indicated that it is appropriate for the University sector to account for pension assets on this basis and the legal advisors consider it reasonable, to refer to the State providing a "de facto" guarantee in respect of the Model Scheme.

In conclusion, the Committee thanked the auditors and FSD, welcoming the successful completion of the audit to schedule in a challenging year, and 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 of the C&AG for their contributions to discussion and they withdrew from the meeting.

The Secretary to the College withdrew from the meeting due to previous commitment

AD/20-21/71 Trinity Endowment Fund Financial Statements for the year ended 30 September 2020

The Committee noted the following documents, which had been circulated for consideration as follows:

- Presentation on the Trinity Endowment Fund Financial Statements 2019/2020
- Memorandum from Chief Financial Officer and Deputy Chief Financial Officer dated 05 March 2021
- Draft Trinity Endowment Fund Financial Statements for the year ended 30 September 2020
- Draft Letter of Representation to KPMG re the Trinity Endowment Fund Audit for the year ended 30 September 2020

The Deputy CFO advised the Committee that Finance Committee noted the Trinity Endowment Fund Financial Statements on 04 March 2021 and, subject to recommendation by the Audit Committee, they would be forwarded to Board for approval. She highlighted key areas in the performance of the fund during the year.

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/20-21/72 Audit of the US GAAP Financial Statements for the year ended 30 September 2020

The Committee noted the following documents, which had been circulated for consideration as follows:

- Presentation on US GAAP Consolidated Financial Statements 2019/2020
- Memorandum from Deputy Chief Financial Officer dated 05 March 2021
- Draft US GAAP Consolidated Financial Statements for the year ended 30 September 2020
- Draft Letter of Representation to KPMG re the Audit of US GAAP Consolidated Financial Statements for the year ended 30 September 2020

The Deputy Chief Financial Officer outlined the background to the requirement to prepare financial statements in accordance with US GAAP and drew the Committee's attention to key reconciling items when converting from Irish to US GAAP. She advised that these financial statements are prepared solely to satisfy a condition for US Student Aid and are only made available to the US Department of Education. The Deputy Chief Financial Officer informed the Committee that KPMG have completed their audit fieldwork for the US GAAP Financial Statements, that there are no material issues outstanding and are awaiting final sign-off from KPMG. The Committee noted that the KPMG Report on the US GAAP Financial Statements is to follow and will be noted by members via email prior to the Board meeting on 24 March.

The Committee noted the strict timeline imposed by the US Department of Education is challenging for all Irish universities and that it may necessary in future to prepare the US GAAP financial statements on an annual basis.

The Committee noted the US GAAP Consolidated Financial Statements for the year ended 30 September 2020, along with the draft Letter of Representation and recommended that they be forwarded to Board for approval, subject to confirmation of unqualified opinion in KPMG Audit Report.

AD/20-21/73 Conduct of Audits

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 and Deputy Internal Auditor 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. Noting that their contract to provide external audit services to the University is due to conclude following the completion of the audit of the financial statements for 2019/2020, he thanked them for their work and advice to the Audit Committee during their term as external auditors. Ms Mullen and Mr Hobson then withdrew from the meeting.

The Internal Auditor and Deputy Internal Auditor re-joined the meeting.

In conclusion, the Committee agreed to recommend the Consolidated Financial Statements for 2019/2020 and the Trinity Endowment Fund Financial Statements for the year ended 30 September 2020 together with the Letters of Representation be forwarded to Board for approval. The Committee also agreed to recommend the US GAAP Consolidated Financial Statements for the year ended 30 September 2020 to Board for approval, subject to confirmation of unqualified opinion within the KPMG Audit Report.

Action:

- 73.1 The Annual Consolidated Financial Statements for the year ended 30 September 2020 to be forwarded to Board with a recommendation that they be approved and signed along with the Letters of Representation.
- 73.2 The Trinity Endowment Fund Financial Statements for the year ended 30 September 2020 and the Letter of Representation to be forwarded to Board with a recommendation that they be approved and signed.

- 73.3 The US GAAP Consolidated Financial Statements for the year ended 30 September 2020 and the Letter of Representation to be forwarded to Board with a recommendation that they be approved and signed, subject to confirmation of unqualified opinion within the KPMG Audit Report.
- 73.4 The Internal Auditor to circulate the draft KPMG Audit Report to Audit Committee members prior to Board meeting on 24 March 2021.

AD/20-21/74 Audit Committee Annual Report 2020/2021

Introducing the topic, the Chair drew the Committee's attention to the draft Annual Report for 2021/2021, together with Draft EOG Response to the Committee's Annual Report 2019/2020, which had been circulated. He invited members to reflect on the Draft Annual Report and advise if they had any comments on the overall message it conveys or if they wished to make any amendments to the text

During a detailed discussion, the Committee considered the Draft Annual Report and agreed that they were satisfied with the overall message, particularly in relation to the impact of the Covid-19 Pandemic on the University. Members also discussed and agreed several amendments to the text. The Committee agreed that, should information in relation to risk management ratings be available in the future, this could be incorporated within the Annual Report. The Committee noted that Part II of Report is a report of record for the year, setting out a summary of work carried out during the year together with the Committee's overall opinion on the effectiveness of Internal Control.

In conclusion, the Committee welcomed the Draft Annual Report and recommended it be finalised taking account of the points discussed.

Action:

- 74.1** The Chair and Internal Auditor to finalise the Draft Annual Report for 2020/2021 as discussed and forward it to Board for consideration.

Section C – For Noting

AD/20-21/75 Subsidiary Undertakings

The Committee noted the following documents, which had been circulated for noting:

- Ghala Limited Financial Statements for the year ended 30 September 2020
- Trinity Online Services Limited Financial Statements for the year ended 30 September 2020
- Trinity Brand Commercial Services Limited Financial Statements for the year ended 30 September 2020
- Trinity Asia Services Limited Financial Statements for the year ended 30 September 2020
- Trinity Foundation Financial Statements for the year ended 30 September 2020

AD/20-21/77 Board Papers

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

AD/20-21/76 Any other Business

On behalf of the Committee, the Chair congratulated Ms McAuliffe on her appointment as Internal Auditor and Secretary to the Audit Committee and wished her well in the role.