

**The University of Dublin**

**Trinity College**

**Minutes of Audit Committee, Wednesday 30 April 2002**

*Present* Mr David Kingston (Chairman), Dr M J Carroll, Professor J McGilp

*Apologies* Dr S Allwright

*(ex officio)* Internal Auditor, Assistant Secretary

The Treasurer attended for items 2002/9 and 2002/10.

The Director of Information Systems Services and the IT Security Specialist attended for item 2002/11.

**2002/7 Minutes** The Minutes of the meeting of 16 January 2002 were approved and signed subject to the following amendment:

**2002/1 Presentation of Financial Accounts and matters arising from the Audit** 'shouls' was replaced with 'should' in paragraph 5, line 2.

**2002/8 Circulation of Audit Committee papers** The Committee requested that the Agenda and Minutes of Audit Committee meetings for the current and future years be placed on the College's globally-accessible website.

**2002/9 HEA Report on Financial Governance and Impact on Audit Function** The Treasurer attended for this item. The Chairman invited the Committee's attention to the following documentation which had been circulated:

- a) '*Financial Governance of Irish Universities – Balancing Autonomy and Accountability*' and covering letter from the HEA dated 10 December 2001
- b) Memorandum from the Internal Auditor to the Audit Committee dated 23 April 2002 and summary of HEA report
- c) Memorandum from the Secretary to the College to Board, dated 12 February 2002 and minute of Board decision

The Chairman advised the Committee that the Board of the College had adopted the HEA/CHIU report *Financial Governance of Irish Universities – Balancing Autonomy and Accountability* noting that the approach to governance in the university sector, proposed by the HEA, is similar to that advocated by the Audit Committee. The Committee, welcoming the report, noted that the scope of the HEA guidelines is limited to financial governance and consequently the approach to internal control is not as inclusive as the approach recommended in the Turnbull Report and approved by the Board for implementation in College. The Chairman invited the Committee's attention to letter from Secretary to the College to the HEA, dated 1 March 2002, which had been circulated, confirming the Board's acceptance of the HEA's report on financial governance and the commitment to supply a verification by the Provost of the issues specified in the report by the end of May each year. The Chairman noted that such verification is to be provided following approval by the Board of the statement of the Provost. It is envisaged that such a statement would be prepared by the Provost following consultation with the Audit Committee.

The Internal Auditor invited the Committee's attention to the following issues to be addressed in the Provost's verification to the HEA which were summarised in a document which was tabled:

1. Whether the internal audit service or the Audit Committee has notified the Board of any material weaknesses in internal control systems.
2. To confirm that there is an effective Audit Committee and internal audit function in place
3. Every three years, to advise whether the triennial actuarial certificate has confirmed that the resources for the pension fund are sufficient to meet the liabilities and administration costs

Following consideration of the issues, the Committee agreed that a recommendation would be made to the Provost to send a letter to the HEA in order to comply with the verification requirements of the report.

The report recommended that the annual report should refer to the existence of an ongoing process for identifying, evaluating and managing the College's key risks to be reviewed regularly by the Board, noting that when the introduction of a risk-based approach to management is complete in all areas of the College, material risks will be monitored and reported to Board on an on-going basis; until this process is completed a high level approach to the management of risks will be required.

The Committee also noted that the HEA/CHIU guidelines identified as a responsibility of the Board, ensuring funds are applied and expended in accordance with the purposes for which they were provided, noting that the block-grant allocation mechanism by the HEA to the College for recurrent funds does not disaggregate allocated funds into specific objectives.

The Committee noted that the duties of Audit Committees, as outlined in the HEA/CHIU guidelines, are similar to its own Terms of Reference with the addition of one issue, namely to advise Board on the provision of non-audit services by the external auditors. The Committee also noted the recommendation that there should be a well-resourced internal audit function, including as part of its brief monitoring of best audit practice.

The Chairman invited the Committee's attention to a memorandum from the secretary, dated 23 April 2002, and an extract from a letter from the HEA seeking submissions for funding under its Targeted Initiatives Programme, which had been circulated. The Committee agreed that a proposal should be prepared seeking funds under the heading of 'Accountability and Financial Governance' which, if successful, would support the completion of the College's risk management exercise and could then be proposed as a possible role model for the sector. The Committee noted that if the application were to be successful the funds would be available for one year.

The Chairman invited the Committee's attention to a letter from the Office of the Comptroller and Auditor General to the Provost, dated 9 April 2002, which had been circulated advising of the basis on which its audit of the financial statements will be based, noting in particular the proposals in relation to internal financial control based on the *Code of Practice for the Governance of State Bodies* issued by the Department of Finance in October 2001. The Internal Auditor invited the Committee's attention to his memorandum, dated 30 April 2002, which had been tabled summarising the main points arising from the Code of Practice. The Treasurer and the Internal Auditor also invited the Committee's attention to a number of potential conflicts between the Department of Finance's Code of Practice and the provisions of the Universities Act, 1997 in relation to the governance of universities. Following consideration of the issues, the Committee agreed that it would recommend to the Provost that he seek clarification from the HEA on the applicability of the Code of Practice to the sector with the suggestion that he might consider raising the matter at CHIU.

**2002/10 Tender for Audit of Financial Statements** The Treasurer attended for this item. The Internal Auditor invited the Committee's attention to the documentation associated with the invitations to tender for the audit of the College's financial statements, and those of Ghala Limited, which had been circulated. In response to a query, the Internal Auditor advised the Committee that the value of the contract for which tenders were being sought was below the level necessitating advertising in the EU Journal. The Committee, noting that the terms of the proposed tender would apply to the audit of the financial statements for the year ended 30 September 2003, approved the documentation as presented

and agreed that it would be submitted to Board with a recommendation that an advertisement be placed in Irish newspapers inviting the submission of tenders.

**2002/11 Information Systems Services: Security/BS7799 issues** The Director of Information Systems Services and the College's IT Security Specialist, present by invitation, invited the Committee's attention to the IT security work programme and future plans as outlined in a paper which was tabled. The Director invited the Committee's particular attention to the risk assessment work which had been carried out with the assistance of the Internal Auditor, the activities of the IT Security Officer and contingency planning currently underway. In response to queries from Committee members, the Director and the IT Security Officer addressed a number of technical issues in which the role of individual staff members in ensuring password and related computer security was emphasised.

The Director advised the Committee that an IT Security Policy is currently being prepared which, following consideration by the Information Policy Committee, will be sent to the Audit Committee for comment before being submitted to Board for approval.

**2002/12 Staff Office Issues** The Internal Auditor invited the Committee's attention to his Memorandum dated 23 April 2002, which had been circulated, together with a memorandum from the Vice-Provost dated 15 April 2002 and report on Staff Retention and, by way of background, a memorandum from the Staff Secretary dated 16 October 2001. The Internal Auditor invited the Committee's attention to the findings of the study undertaken on Staff Retention which had been carried out under the auspices of the Audit Committee (minute 2001/19 of the Audit Committee meeting on 17 October 2001 refers).

Following a discussion of the issues raised in the report, and the subsequent actions being undertaken to address the reported bullying in the work-place as advised by the Vice-Provost, the Committee welcomed the report and agreed that a recommendation would be made to the Vice-Provost that the follow-up survey of staff would address all issues relating to staff retention with a view to the bringing forward of policies on staff retention.

The secretary invited the Committee's attention to issues in relation to operational and structural arrangements in the Staff Office which Dr Allwright had requested be raised in her absence. The Committee agreed that the Internal Auditor, as part of the planned risk assessment of the Staff Office due to be conducted later this year, would specifically address the administration of appointments in College and identify the current and possible future risks to College in this regard.

**2002/13 Haughton Institute** The Internal Auditor invited the Committee's attention to the on-going review of the Haughton Institute, noting that this work was being carried out at the direct request of the Board. The Internal Auditor advised the Committee that a full report on the operation of the Institute and any associated risks to College will be presented to it for consideration in due course.

**2002/14 Recent Developments** The Committee noted the Report on AIB Fraud and the Report of the Review Group on Auditing both of which had been published recently.

The Internal Auditor then withdrew.

**2002/15 Organisation of the Internal Audit Function** The Committee, noting that the Internal Auditor's contract is due to expire in January 2003, discussed the resourcing of the Internal Audit function and agreed that in order to fulfil its terms of reference it requires the support of a permanent, professional Internal Audit function. This need is further underlined by the ever-increasing emphasis on the role of Internal Audit function and Audit Committees in all sectors of the economy and the pressures on Boards, including that of the College, to achieve best-practice in the area of corporate governance.

The Committee agreed a proposal should be submitted to the Personnel and Appointments Committee to convert the contract Internal Auditor post to a permanent one at the grade of Senior Administrator 3, noting that funds for this post would be available from the *cista communis* allocation to the Audit

Committee. The Committee also agreed that a proposal be submitted as part of the 2003 Estimates for funding for a staff member at Executive Officer 1/Administrative Grade 3 level to support the work of the Internal Auditor.

The Committee recorded its appreciation and thanks to the Internal Auditor for his very significant contribution to the establishment of the audit function in College since his appointment.

Signed .....

Date .....