

**The University of Dublin**

**Trinity College**

**Minutes of Audit Committee, Wednesday 21 June 2006**

*Present* Mr T Forsyth (Chairman), Professor J McGilp, Professor B McGing, Dr D O'Donovan\*

*(ex officio)* Internal Auditor, Assistant Secretary

Present for: \* AD/05-06/65-70 (part of)

The Registrar and the Secretary to the College attended for item AD/05-06/69

The Director of IS Services and the IT Security Specialist attended for AD/05-06/70

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

**AD/05-06/65 Minutes** The Minutes of the meeting held on 26 April 2006 were approved and signed subject to a number of editorial amendments.

**AD/05-06/66 Tender for Audit Services (see minute AD/05-06/52 of 26 April 2006)** The secretary advised the Committee that following the tender process, the Audit Committee members on the Tender Panel, in accordance with the powers delegated to them by the Committee, had recommended the appointment of KPMG as College auditors for a period of four years, noting that the Board had approved this recommendation at its meeting on 31 May 2006. The Committee noted that draft letters of engagement had been received and would be presented to the Committee for approval at its next meeting. The secretary advised the Committee that feed-back had been given to both the successful and unsuccessful companies.

**AD/05-06/67 Staffing the Internal Function (see minute AD/05-06/53 of 26 April 2006)** The secretary advised the Committee that following the interviews for the post of Assistant Internal Auditor references were now being sought for the preferred candidate and that it was hoped that he would be in a position to start in September 2006.

**AD/05-06/68 Call-over** The Committee noted the actions which had been implemented since the previous meeting and those which remained out-standing and which would be addressed in due course.

**SECTION A – POLICY ISSUES**

**AD/05-06/69 Report on the implementation of the Governance Working Group's recommendations**  
**XXX** The Secretary to the College and the Registrar, present by invitation, attended for this item. The Chairman, introducing the item, noted that good progress had been made in many areas to implement the Board's decisions on governance and Principal Committees but that there were a number of issues which still remained to be addressed.

The Secretary to the College invited the Committee's attention to a memorandum, dated 12 June 2006, which had been circulated outlining the Executive Officers' responses to the issues raised in the Internal Auditor's review of the implementation of the Board's

recommendations in relation to Principal Committees. He advised the Committee that, while a number of the Board's decisions had been implemented, it was acknowledged that a number of matters had not been addressed. He outlined the work which was on-going in relation to the re-structuring of academic areas and administrative and support services and advised the Committee that in the opinion of the Executive Officers the uncertainties surrounding these future structures militated against the implementation of a number of the Board's recommendations, particularly in relation to the role and function of Annual Officers and Executive Officers. The Committee was advised that, following the work of the two Task Forces established by the Provost to address administrative and support structures and reporting arrangements during the current academic year, it had become clear that there will be another year of consultation and decision-making before these structures are finalised. The Secretary to the College also advised the Committee that recent discussions at the Heads of School Committee had indicated that proposals for further academic restructuring may be developed over the coming months.

The Secretary to the College advised the Committee that the issues raised in the Internal Auditor's review in relation to specific Principal Committees had been accepted by the Executive Officers and that these matters would be raised with the Chairs and Secretaries of individual committees as soon as possible. In response to a query, he stated that the context and role of Principal Committees would form part of any such discussion. He also advised the Committee that the revised Terms of Reference of all Principal Committees would be reviewed by Executive Officers and that Principal Committees' delegated powers would be clarified in each case. The Committee noted the Chairman's comments on the potential value of an external review of the terms of reference and delegated powers of Principal Committees.

On the issue of Elected Board Members chairing Principal Committees, the Committee noted that Executive Officers, while accepting the principle agreed by Board, are of the view that in this period of change it would be best to continue with the College's current practice in this regard, but that active consideration was being given to appointing an Elected Board Member as chair of one Principal Committee for 2006/2007, on a pilot basis.

Following a discussion on the role of the Audit Committee in the consultation process leading to decisions on restructuring, the Committee agreed that the Committee would be available to audit the outcomes of the restructuring as and when implemented.

The Secretary to the College left the meeting.

The Registrar invited the Committee's attention to proposals which Executive Officers were developing in relation to the Research Committee. He noted the challenge which the Research Committee faces in developing research policy while at the same time reviewing such policy on behalf on Board in accordance with the role of a Principal Committee. The Registrar advised the Committee that Executive Officers were considering establishing a Research Planning sub-committee of the Research Committee which could have a broadly-based membership, thus facilitating the development of research policy, which would then be referred to the Research Committee and Board in due course. In response to issues raised in the Internal Auditor's review in relation to the Research Committee, the Registrar advised that, while it might be preferable to address all issues at this time, the Executive Officers felt that care had to be taken to ensure that the on-going work of the Research Committee was not subjected to damaging interruption which would be detrimental to the College.

The Registrar noted that Executive Officers were reviewing the relationship between the Resource Management Committee and the Finance Committee and would advise the Audit Committee of the outcome in due course.

The Registrar left the meeting.

The Committee, discussing the issues raised by the Secretary to the College and the Registrar, agreed that, while there were difficulties in implementing some of the Board's

decisions on governance due to the on-going restructuring, there were a number of high-level decisions which could be implemented independently of these discussions. The Committee noted the importance of Principal Committees' terms of reference in determining the optimum membership of committees and it was also noted that it appeared that some Principal Committees do not seem to fully understand their role in the governance of the College.

Following a detailed discussion, the Committee decided that it would prepare a summary memorandum to Board outlining the areas where the College was not yet in compliance with the Board's decisions in relation to Principal Committees and their role in the governance of the College. The memorandum would take due account of the impact which restructuring is having on the College in this context and would also advise Board of the Executive Officers' response to the issues raised.

Actions

The Internal Auditor to draft a memorandum to Board addressing the issues outlined above.

**AD/05-06/70** **IT Security: PWC Audit Update** Mr Michael Nowlan, the Director of IS Services, and Ms Sara McAneney, the College's IT Security Specialist, present by invitation, attended for this item. Ms McAneney invited the Committee's attention to a progress report on implementing the PWC recommendations on IT security which had been circulated. She advised the Committee that, in the twelve months since PWC had delivered their report, considerable progress had been made in addressing the issues which they had raised.

**XXX**

Ms McAneney invited the Committee's attention to the out-standing risks in relation to:

- Network security
- e-mail security
- physical security
- domain security
- server security
- application security
- IT policy

The Committee noted the nature of these risks and the time-scale within which it was proposed to address them. It also noted that IS Services do not have ownership or control of a number of systems which are considered to be at risk from a security point of view and agreed that this would have to be brought to the attention of the College's management.

In response to a query, Mr Nowlan outlined the procedures which are in place to test disaster recovery procedures in the event of a complete failure of the College's IT systems. The Committee noted the Internal Auditor's recommendation that in order for any disaster recovery programme to work effectively, a schedule identifying the priorities for the recovery of the College's IT systems should have been agreed in advance by the Executive Officers.

Following a discussion on the implications of the out-standing security issues, the Committee congratulated Mr Nowlan and Ms McAneney on their achievements over the past year, noting that very significant progress had been made in enhancing the security of the College's IT systems.

It was agreed that a further up-date in progress would be considered by the Committee at its meeting in April 2007 and that consideration would be given to inviting PWC to repeat their comprehensive audit of IT systems during the latter half of 2007.

The Committee, having noted previously that the Secretary to the College is responsible for coordinating risk management in College, agreed that the secretary would write to the Secretary to the College advising of the specific IT security risks which need immediate

attention and which are not within the control of IS Services.

Actions

- 70.1 An up-date on progress to be considered by the Audit Committee in April 2007
- 70.2 The Internal Auditor to discuss with IS Services the feasibility of PWC repeating their audit of IT systems during 2007
- 70.3 The secretary to write to the Secretary to the College advising of out-standing IT risks which need to be addressed at College level.

**AD/05-06/71 Review on compliance with College Tendering Procedures** The Internal Auditor invited the Committee's attention to a report which he had prepared on compliance with the College's tendering procedures. He outlined the methodology used in the review and invited the Committee's attention to the conclusion that the degree of compliance with tendering requirements in the sample period was reasonably satisfactory in respect of individual transactions in excess of the threshold, particularly when account is taken on the devolved purchasing authority and the extent of the College's operations.

The Internal Auditor invited the Committee's attention to a number of suppliers being paid amounts of money in the course of a year, which in aggregate might be significant, although individually the invoices are small, and noted that there may be opportunities to improve the delivery of service to the College and to secure greater value for money in respect of some of these goods and services. The Committee noted that in view of the very high volume of purchase transactions each year and the resources available to it, the capacity of the Treasurer's Office is limited in how much it can achieve in enforcing total compliance with the College's tendering procedures. In order to address this issue the Committee agreed that the secretary would write to the Secretary to the College with a recommendation that consideration be given to conducting a more formal review of the historical spend pattern to identify whether better value for money and greater competitiveness could be obtained in respect of suppliers or commodities and services.

Action

The secretary to write to the Secretary to the College recommending a more formal review of historical spending patterns in the context of the College's procurement guidelines.

**SECTION B – IMPLEMENTATION ISSUES**

**AD/05-06/72 Membership of the Audit Committee** The Chairman invited the Committee's attention to a memorandum outlining proposals for the inclusion of one additional External Member as a member of the Audit Committee. He noted that, in his opinion, consideration should be given to ensuring that at least one of the External Members should have strong financial expertise but that he or she need not necessarily be an accountant. The Committee noted the recommendation that the timing of the appointment of an additional External Member should be such that that person would be in a position to be considered eligible to assume the role of Chair of the Committee in due course. The Chairman invited the Committee's attention to the proposal that External Members should serve a total of four years on the Committee, the final two of which would be as Chair. He noted that in an ideal world a five-year term might be more effective but noted that this tenure militated against a smooth transition from Committee member to Chair for external appointees.

Following some discussion, the Committee agreed to the Chairman's proposal that:

- (a) an additional External Member be appointed to the Committee who should have strong financial expertise but who would not necessarily need to be an accountant;
- (b) that person would be appointed for a two-year term, in the first instance, on the understanding that he or she might be expected to be eligible to assume the position of

Chair for a further two years.

The Committee recommended that the Chairman discuss this proposal with the Provost, with a view to having the second External Member in place by the start of the next academic year.

Action

The Chairman to discuss the Committee's proposals with the Provost.

**AD/05-06/73 Proposed self-evaluation of the effectiveness of the Audit Committee** The Chairman invited the Committee's attention to the proposed self-evaluation of the effectiveness of the Audit Committee. He advised the Committee that he proposed using the same form as the previous year, which had proved successful and would allow some element of benchmarking by comparison with the previous year's responses. The Committee agreed that this would be an appropriate way to proceed and agreed to submit their responses to the Chairman by 27 June 2006. On receipt of the responses the Chairman will collate same on a 'no names' basis and prepare a report for consideration by the Committee in due course.

Actions

- 73.1 Members of the Committee to return their self-evaluation forms to the Chairman
- 73.2 The Chairman to prepare a report based on the responses

**AD/05-06/74 Code of Practice for the governance of third level institutions** Under Other Business, the Internal Auditor briefed the Committee on a meeting which had taken place between representatives of the IUA, Secretaries Group and the HEA in relation to the introduction of the Code of Practice for governance in the university sector. The meeting had been attended by the HEA's expert consultant, and the Treasurer and the Internal Auditor had also been in attendance.

**XXX**

The Internal Auditor advised the Committee that should the full requirements of the Code of Practice be applied to the sector there would be a very significant resource burden on the College, and on the Internal Audit in particular, to give assurances of compliance. He also noted that the concept of a risk-based approach to governance and management was currently not included in the draft document being considered by the HEA. He advised the Committee that the Secretaries Group had been invited to make a further submission to the HEA and its expert consultant and that there would be a further meeting before the end of July.

In discussing the implications for the College arising from a possible implementation of the public sector Code of Practice, the value and appropriateness of the approach used in the UK whereby a 'governance statement' is included in annual financial statements was noted.

**SECTION C – ITEMS FOR NOTING**

**AD/05-06/75 Meeting Schedule 2006-07** The Committee noted the revised meeting schedule for 2006-2007 which was tabled. Further amendments were noted.

Action

The secretary to circulate a revised schedule

**AD/05-06/76 Audit of Financial Statements** The Committee noted a letter from the Deputy Director of Audit in the Office of the Comptroller & Auditor General, confirming details in relation to the C&AG audit of funding statements and consolidated financial statements for the years ended 30 September 2003 and 2004.

**AD/05-06/77 Additional meeting of the Audit Committee** The Committee noted that there would be an additional meeting of the Audit Committee at 8.30am on Tuesday 27 June 2006, to consider the audited Consolidated Financial Statements for the year ended 30 September 2005.

Signed: .....

Date: .....