

The University of Dublin

Trinity College

Minutes of Audit Committee, Tuesday 21 November 2006

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

(ex officio) Internal Auditor, Assistant Secretary

Present for: * AD/06-07/15-17 and AD/06-07/20-22
** AD/06-07/15-24

The Assistant Internal Auditor was in attendance

The Treasurer, Deputy Treasurer, the Financial Resources Manager and Ms L Gallagher and Mr B Prior from KPMG attended for AD/06-07/20-22

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

The Chairman welcomed Mr Collins attending his first meeting as an external member of the Committee. He also welcomed Mr McGee, who had recently taken up his post as Assistant Internal Auditor in the College.

AD/06-07/15 Minutes The Minutes of the meeting held on 2 October 2006 were approved and signed.

AD/06-07/16 Call-over The Committee noted the actions which had been implemented since the last meeting and those which remained out-standing and which would be addressed in due course.

In response to a query, the secretary advised the Committee that, in accordance with the College's Risk Policy, individual administrative and support areas are up-dating their Risk Registers which will be submitted to the relevant Principal Committee in due course. She noted that arising from this exercise, the College's High Level Risk Register is also being up-dated and that it would be an item for consideration at a future Audit Committee meeting. As the Risk Policy is now being implemented, it was agreed that the out-standing action in relation to IT security would be removed from the Call-over and that the Chair of the Information Policy Committee and the Director of IS Services would be advised accordingly.

Action

The secretary to write to the Chair of the Information Policy Committee and the Director of IS Services.

SECTION A – POLICY ISSUES

AD/06-07/17 XXX Consideration of Draft Annual Report to Board The Chairman, introducing the topic, invited the Committee's attention to *Section C – Strategic Management Risks* in the draft Annual Report which had been prepared by the Internal Auditor. He also invited the Committee's attention to specific Board minutes from meetings held on 28 June 2006, 5 July 2006, 27 September 2006 and 25 October 2006 which had been circulated. He noted that Section C had been written to update the Committee on recent developments and that it was a matter for the Committee to decide how Strategic Management Risks would be addressed in the final Annual Report which would be considered by Board on 12 December 2006. The Chairman invited the Committee's attention to an email from the Internal Auditor, dated 17 November 2006, which had been circulated to Committee Members outlining options for the

presentation of issues in the final Annual Report.

Committee members noted a number of developments which are absorbing significant management resources in the College and which have impacts on academic restructuring which has been underway for a protracted period. The Committee noted in particular: (a) the decision in principle by the Board that the revised ARAM should be defined so that undergraduate fees would follow undergraduate numbers; and (b) the proposal that Schools would be grouped into a limited number of 'clusters' on which an initial discussion would take place at the Board meeting the following day.

Dr O'Donovan outlined the context of the Board's recent decision in relation to ARAM.

The Internal Auditor, noted that the Committee, which is an independent committee reporting directly to Board, is required to monitor the effectiveness of the management of risks to the achievement of the College's strategic objectives, and he invited the Committee's attention to the detailed text of Section C in the draft report. He advised the Committee that the combination of the absorption of the time and efforts of the Board, Officers, Heads of School because of the extended debate on restructuring and ARAM, the slow decision making system, the worsening financial situation, and the growing compliance and other demands may collectively constitute a high risk to the College.

In the course of a long discussion on the issues raised in the draft report, and how they might be best communicated to the Board, the following points were made by Committee members:

- (i) the Annual Report should deal with issues at a high level and its recommendations should be framed after consideration of the issues by the Committee;
- (ii) risk management offers the mechanism to prioritise initiatives and resource allocation associated with initiatives being considered by Board;
- (iii) there is a need for a cost benefit analysis of proposals to assist the Board in setting priorities;
- (iv) all proposals being presented for consideration by Board should be accompanied by a risk assessment which would address all risks, including financial, academic and reputational;
- (v) the Audit Committee would fail in its duty to the Board if it does not alert Board to its concerns in a timely manner.

The Committee, noting that it was anticipated that a decision on 'clusters' would be made by the Board at its meeting on 12 December 2006, agreed that:

- (a) its concerns in relation to the need for risk assessment in decision-making would be communicated to the Board by Dr O'Donovan at its meeting the following day as well as concerns about the on-going delay in reaching final decisions on restructuring and ARAM;
- (b) should it be considered necessary following the discussion at the Board on 22 November, the Chairman would seek a meeting with the Provost to discuss the Committee's concerns.;
- (c) because of the timing of decisions by the Board on 'clusters' and in the absence of a detailed analysis and review by the Committee of the associated management issues, the Annual Report should present a succinct and clear description of the issues and the Committee's concerns at a high level;
- (d) a more detailed review of risks to the strategic management of the College could be carried out in the New Year which, if necessary, could include consultation with the relevant Executive Officers.

In discussing the remainder of the report, a number of suggestions were made by members of the Committee for inclusion in the final draft. Committee members were invited to send any further editorial comments to the Internal Auditor as soon as possible.

It was agreed that the Internal Auditor would edit the report in light of the comments made

and that it would be circulated to the Committee for final comment prior to its submission to Board.

The Committee thanked the Internal Auditor for his excellent report.

Actions

- 17.1 Dr O'Donovan to advise Board at its meeting the following day of the Committee's concerns in relation to the need to incorporate a risk assessment in decision-making as well as its concerns about the impact on the management of the College of the on-going delay in reaching final decisions on restructuring and ARAM.
- 17.2 The Internal Auditor to re-draft the report and circulate it to the Committee for comment.
- 17.3 The report to be submitted to Board for consideration at its meeting on 12 December 2006.

AD/06-07/18 Self-evaluation of the Audit Committee The Chairman invited the Committee's attention to a memorandum which had been circulated detailing the results of the self-evaluation of the Committee which had been undertaken by the members of the Committee, the Internal Auditor and the secretary to the Committee. The Chairman advised the Committee that for the first time Ms Gallagher of KPMG had been invited to complete the questionnaire and he drew attention to the separate presentation of KPMG's scores and comments.

The Committee noted that overall there was a high level of satisfaction with the Committee and how it conducts its business. A number of weaknesses which had been identified in the evaluation had since been ameliorated through the appointment to the Committee of an additional external member with financial expertise and the appointment of an Assistant Internal Auditor. The Chairman invited the Committee's attention to a number of areas which the evaluation had suggested could be improved.

The Committee agreed the following actions to address specific areas of concern:

- (i) greater attention would be paid to the timing of discussions at Committee meetings to ensure that the agenda would be completed within the specified time;
- (ii) financial statements would be circulated to Committee members at least one week in advance of the meeting at which they will be considered;
- (iii) the Internal Auditor and Chairman will be more pro-active in providing appropriate briefing/orientation for new members of the Committee;
- (iv) opportunities for the on-going education of Committee members will be sought for this who wish to avail of such training;
- (v) a proposal would be presented to Board to amend the Statutes so that Funding Statements and Consolidated Financial Statements for any one year would be considered together by the Finance Committee, the Audit Committee and Board, thereby reducing the burden on the Treasurer's Office and increasing the efficiency of the committees and Board.

Action

The secretary to ensure that agreed actions for improvement are implemented.

AD/06-07/19 Charter for Internal Audit The Internal Auditor invited the Committee's attention to a memorandum and draft Charter for Internal Audit dated 8 November 2006 which had been circulated. He advised the Committee that prior to this the Internal Audit function had operated according to the requirements and scope of the Committee's Terms of Reference but that best practice suggests that a separate charter for the function should be developed and approved by Board. The Chairman invited Committee members to send comments on to the Internal Auditor and requested that the issue be considered at a future meeting.

Actions

- 19.1 Committee members to send comments on the draft Charter to the Internal Auditor
- 19.2 The secretary to include the topic on the agenda for a future Committee meeting

SECTION B – IMPLEMENTATION ISSUES

AD/06-07/20 XXX **Key judgements and provisioning planned for the audit of the 2005-2006 Funding Statements** The Treasurer, present by invitation, invited the Committee's attention to a paper which had been tabled outlining key areas in which judgements and provisions will be made in the preparation of the Funding Statements for 2005-2006.

The Treasurer, noting that the expected outturn for the year will be a deficit of €5.1m, advised the Committee that the Accounting Policies being applied in the preparation of the Funding Statements for 2005-2006 would be the same as those in the previous year and that the format of the Funding Statements had been approved by the HEA on 9 October 2006.

The Treasurer invited the Committee's attention to judgements and provisions which have been made in the Funding Statements in relation to the following issues:

- (i) Fixed Term Workers Act 2003
- (ii) Supplementary Grant for 2006
- (iii) SFI overhead provision
- (iv) Information Communications Technology Course provision
- (v) General Research Bad debt provision
- (vi) Legal Provision
- (vii) Debtors Provisions

The Treasurer also advised the Committee that the Funding Statements would be accompanied by a memorandum highlighting the significant issues associated with the Statements.

In the course of a discussion on each issue, the Treasurer and Ms Gallagher, from KPMG, present by invitation, clarified technical queries.

Ms Gallagher advised the Committee that the auditors were satisfied that the judgements and provisions had been made in accordance with best accounting practice and represented a prudent and realistic approach to the issues.

AD/06-07/21 XXX **Non-Audit Services** Under Other Business the Chairman invited the Committee's attention to a situation which had arisen during the summer period, whereby, following a tender process, KPMG had been employed by the College to assist in the recruitment of a senior member of staff, but that contrary to agreed procedures with KPMG, the approval of the Audit Committee had not been secured before KPMG entered into the contract with the College. He noted that due to the urgency of the situation the Committee had been consulted by written procedure as soon as the secretary to the Committee had become aware of the situation and that approval for the contract had been given.

Ms Gallagher, noting that the contract in question was between a non-accounting/audit area in KPMG and the College, advised the Committee that KPMG's Risk Management Department had addressed their breach in internal procedures and that a similar situation would not occur again.

AD/06-07/22 **KPMG Audit Team** Under Other Business Ms Gallagher updated the Committee on the Trinity Audit Team arising from Mr Taylor's recent resignation from KPMG.

The Chairman thanked the Treasurer, the Deputy Treasurer and the Financial Resources Manager, Ms Gallagher and Mr Prior who then left the meeting.

AD/06-07/23 Work Plan for Internal Audit The Internal Auditor invited the Committee's attention to the draft proposals for future work in the Internal Audit function which had been circulated in a memorandum dated 8 November 2006. The Committee noted the tasks which were outstanding from the previous year's programme and the plans which are in place to address them. The Internal Auditor invited the Committee's particular attention to the proposals for new work as outlined in Appendix 2 of the document which would be included in the Committee's Annual Report to Board. Following a brief review of the proposals the Committee agreed that greater priority should be given to reviewing the implementation of ARAM and the structural reorganisation.

Subject to the agreed amendments, the Committee approved the work plan as presented.

Action

The Internal Auditor to include a final version of the work plan in the Annual Report being considered by Board on 12 December 2006.

AD/06-07/24 Multi-Institutional Research Ventures The Internal Auditor invited the Committee's attention to a report on Multi-Institutional Research Joint Ventures dated 30 October 2006 which had been circulated. The Internal Auditor invited the Committee's attention to the status of the Haughton Institute and the Dublin Molecular Medicine Centre with specific reference to the recommendations arising from reports on the two entities which had been considered by the Committee previously. He also noted that there has been an increase in the College's participation in such joint ventures and that the application of the Board's policy in this regard has been included in the work plan for next year.

XXX

The importance of Principal Committees in reviewing proposals for joint research ventures was noted.

Professor McGilp withdrew from the meeting

AD/06-07/25 Research Accounts The Internal Auditor invited the Committee's attention to a memorandum, dated 10 November 2006, which had been circulated. He advised the Committee that, arising from difficulties in relation to the management of one Principal Investigator's research accounts, which have been the subject of discussion by the Finance Committee and the Board, he had queried the likelihood of any other such incidents with the Research Accounts Manager and had been assured that this had been an isolated incident.

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The Committee, noting that there are numerous audits of research accounts carried out on behalf of the various funding agencies (more than 89 audits in 2005), and in light of the assurances received and the resources available to the Internal Audit function, agreed that no further action was required for the present.

SECTION C – ITEMS FOR NOTING

AD/06-07/26 Audited Consolidated Financial Statements for year ended 30 September 2006 The Committee noted a Memorandum from Chairman to the Board dated 27 June 2006 which had been circulated and the text from the College's Annual Report 2004-2005 in relation to the financial position which had been tabled.

Draft Minutes of Audit Committee Meeting 21 November 2006

Signed:

Date: