

The University of Dublin

Trinity College

Minutes of Audit Committee, Wednesday 14 October 2009

Present Mr J Collins (Chairman), Professor J McGilp, Professor J O'Hagan, Mr P O'Reilly

(ex officio) Internal Auditor (secretary), Secretary to the College

Apologies Professor B McGing

The Interim Chief Operating Officer attended for AD/09-10/4 to AD/09-10/6 and AD/09-10/12.

The Financial Accountant attended for items AD/09-10/5 and AD/09-10/6.

The Treasurer and Ms Gallagher, Mr Hobson and Mr Moran from KPMG attended for items AD/09-10/5, AD/09-10/6 and AD/09-10/12.

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

AD/09-10/01 Minutes The Minutes of the meeting held on 27 May 2009 were approved.

AD/09-10/02 Matters arising In response to a query, the Internal Auditor advised that he had attended the Executive Officers' Group (EOG) on the issues of Inter-Institutional Arrangements and the Trinity Research Institutes as discussed at the last meeting of the Committee and that he understood that action is to be taken to address the concerns raised. The Chairman reminded the Committee that certain information requested by the Internal Auditor had been withheld by one of the ventures and the Committee agreed that this was a serious matter and that it should be followed up again as a matter of priority.

Action:

The Internal Auditor to bring the views of the Committee to the attention of the Executive Officers and the College representatives on the board of the venture concerned.

AD/09-10/03 Call-over The Committee noted the actions which had been implemented since the previous meeting and those which remained out-standing.

SECTION A - POLICY ISSUES

AD/09-10/04 Risk Management Process in College Introducing the item, the Chairman invited the Internal Auditor to give an overview of the risk management process in College. The Internal Auditor advised that for the past two years the Committee had indicated to Board that College did not have an effective system in place to visibly manage and report on risk on an on-going basis. The process was considered resource intensive and focussed on the compilation of the Risk Register for annual reporting purposes rather than being part of the normal management processes. He also advised that during this year the Risk Register was updated and efforts are underway to strengthen the process significantly. He advised that he had met the Interim COO on a number of occasions to discuss substantial revisions to the process that are designed to simplify it, enable greater emphasis on the management of high risks and promote embedding it into the routine management systems on a regular basis. He indicated that he was very supportive of the changes being proposed by the Interim COO and that he understood the EOG had also recently approved the changes

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The Chairman welcomed the Interim COO to the meeting and commented on the importance of risk management to the College and the role of the Committee in that regard. The Interim COO advised the Committee that proposals for refining the risk management process had been presented to a recent EOG meeting and that he had also consulted the Internal Auditor on the revisions. The Interim COO advised that the risk management policy in place is becoming more firmly embedded in the College's standard management procedures but there is a need to make the process more user-friendly and to move from identifying and evaluating risks to giving more visibility to the management of those risks. He identified the need to have consistent application of the policy on risk management across all academic and administrative and support areas. The Committee, discussing the reporting lines for risk in academic and administrative and support areas, noted that some changes to the Risk Policy would be required. Referring to a document which had been tabled and is yet to be finalised, the Interim COO drew the Committee's attention to the revised template for the Risk Register and the risk evaluation methodology. The Committee, welcoming the changes, particularly the association of risks with individuals, commented that clarity of ownership of risk is a key consideration in its management. In response to a query, the Interim COO confirmed that as facilitator to the process his role is to ensure that the process takes place in accordance with the College policy but that individuals, whether in academic or administrative and support areas, would continue to be responsible for the identification, evaluation and management of their risks.

The Interim COO advised that, in future, risk management will be a standing item at the Senior Administrators' Management Group meetings, noting that the Risk Register will be used as a call over and updated to reflect the decisions taken or issues arising and will be reported on annually to Board.

In response to a suggestion from members that examples would be useful in the document, the Interim COO undertook to incorporate examples into the final document. It was also suggested that the experience of KPMG in other sectors might provide feedback useful to the initiative underway.

The Committee welcomed the developments as a significant step towards embedding policy in the College's standard management processes. The Chairman, thanking the Interim COO for his presentation, noted that the final document would be circulated to the Committee in due course.

Action:

- 4.1 The secretary to include the final risk management procedures on a future agenda.
- 4.2 The secretary to seek the views of KPMG on the revisions.

AD/09-10/5

Plan for Audit of 2008/2009 Accounts Ms Gallagher of KPMG invited the Committee's attention to a planning document, which had been circulated, outlining the approach they intend to take in their audits of the College's Funding Statements and Consolidated GAAP Accounts. Ms Gallagher advised that the plan is broadly consistent with previous years. Commenting on the plan, Ms Gallagher indicated that, following the planning stage, there would be three further distinct phases: evaluating key internal controls, year-end substantive testing and reporting. Noting the timetable for the various stages of the audit, which is consistent with previous years, she drew the Committee's attention to key issues, noting in particular:

- (i) Financial performance
- (ii) Pension arrangements and FRS 17
- (iii) FTWA Liability and provisions
- (iv) Accounting for Research Projects
- (v) Capital projects

In the course of a discussion, Ms Gallagher advised that pension legislation has been enacted and that KPMG are working through the implications of this with the Treasurer's Office and other College Officers.

Referring to the letter from KPMG dated 28 September 2009 that had been circulated, Ms Gallagher advised that KPMG would be reducing their fees relative to the prior year notwithstanding the fees previously agreed when the contract was awarded. She confirmed that the reduction would not impact on the quality of the audit work or the level of service.

The Committee, noting Ms Gallagher's confirmation that the engagement letters for the College, Ghala Limited and the Trust Funds (Benefactions) which had been circulated were standard letters with only a minor change from the previous versions, agreed to recommend them for approval and signature as appropriate.

Action

The secretary to forward the engagement letters for approval and signature.

AD/09-10/6

Update on Consolidated GAAP Accounts 2005/06 to 2007/08 The Treasurer advised that it is intended a corresponding asset will be booked in respect of all pension liabilities transferred to the State following the enactment of the legislation and that clarification was being sought on the Model Scheme and pension supplementation liabilities. The Committee noted that it is hoped to bring the Consolidated GAAP Accounts for 2005/06, 2006/07 and 2007/08 to the Finance Committee in the near future, following which the Audit Committee will consider them. Ms Gallagher advised that KPMG would have to ensure that evidence, in accordance with auditing and accounting standards, exists to substantiate the existence of such assets as otherwise a qualification in their audit report would be necessary. Referring to the email correspondence from the Deputy Director of Audit, C&AG, which had been circulated, the Committee noted the approach that will be taken by the C&AG in regard to the audit opinion and the proposals for finalising outstanding years. Ms Gallagher confirmed that, apart from a decision on the pensions issues, KPMG had completed their audit work for the three years subject to approval by Board and review of the Statement of Internal Control and that, as normal, KPMG would make their files available to the C&AG auditors to facilitate the completion of their work. The Treasurer advised the Committee that his Office is engaging with the C&AG audit teams in respect of each of the years. The Treasurer and College Secretary confirmed that the process, in accordance with the assurance framework as previously agreed, was nearing completion and the Statement of Internal Control is currently being drafted. The Committee noted that a process to facilitate interaction with the C&AG auditors on audit issues had been agreed in 2007 and that relevant correspondence is circulated to them but that due to the delay caused by the pension issues the process was not in keeping with the timing originally envisaged. The Committee agreed that it would welcome the C&AG's attendance at a future Audit Committee meeting to discuss audit related matters.

Ms Gallagher reminded the Committee of the significant amount of work involved for the Treasurer's Office and the high level of manual input required to produce these accounts with the existing IT systems and that

this carried a risk of error as a result.

Action:

The secretary to communicate the outcome of the discussions to the C&AG Deputy Director of Audit.

AD/09-10/07 **Review of Admin and Service Areas - Treasurer's Office** The Chairman invited the Internal Auditor to summarise the report, which had already been circulated. The Internal Auditor advised that a programme of reviews of academic and administrative and support areas was underway to provide greater assurance to Board when considering the effectiveness of internal controls which are devolved across many areas. The Treasurer's Office was the first administrative area selected, mainly because its interconnections with other areas could highlight issues for follow up more generally. The Internal Auditor advised that because of the annual financial audit work by KPMG the report concentrated mainly on operational issues rather than financial matters. All functions were briefly reviewed and four areas had been identified for further appraisal:

- (i) Accounts Payable
- (ii) Procurement
- (iii) Accounts Receivable
- (iv) Treasury Management

Overall, the audit conclusion is that operational controls in the Treasurer's Office are effective but there is scope for improving efficiency of systems, yielding enhanced value for money for College and improving the control environment further if the necessary investment can be made and policy decisions on procurement strategy at a College level agreed. He drew the Committee's attention to the recommendations set out in the report stating that these had been agreed with the Treasurer and that action had already been taken to implement some of them.

Discussing the findings, the Committee commented that it was a reassuring report overall but that the recommendations need to be addressed at College level as soon as possible to improve efficiencies. The Committee, welcoming the actions already taken, agreed that a further development of Procurement Policy at College level is required and that the remaining steps to improve security controls over funds need to be implemented as soon as possible and that the Internal Auditor should communicate the views of the Committee to the Treasurer.

Action:

The views of the Committee to be brought to the attention of the Treasurer.

AD/09-10/08 **Update on Review of Schools and Academic Areas** The Chairman invited the Internal Auditor to update the Committee on the parallel review of Schools and Academic areas, which is also being undertaken to enhance the assurance level being given to Board. Advising the Committee that work is in progress on five Schools, the Internal Auditor outlined some preliminary findings that seemed to be common issues in the academic areas. He also advised that work was underway on the remaining Trinity Research Institute, the Long Room Hub, as had been planned, the other two TRIs having been reviewed earlier in the year. A report will be brought to the Committee as soon as possible.

AD/09-10/9 **Compliance with the College Code of Governance** At the invitation of
XXX the Chairman, the Internal Auditor advised the Committee that the main purpose of this review was to assess the degree of compliance with the

College Code of Governance and subsidiary objectives were to:-

- (i) verify that the College Code is a reasonable embodiment of the principles set forth in the sectoral code; and
- (ii) to review the College Code in the light of the recently revised Code for State Bodies to identify possible additional governance arrangements that could arise for consideration as part of any future review of the IUA/HEA Guidelines.

Noting that it was recognised by Board, when it adopted the Code, that progress to full compliance with the approximately 200 provisions in the Code would need to evolve over a period, the Internal Auditor advised that College is substantially, but not yet fully, compliant with the College Code of Governance in the ten areas identified in the report. This is mainly due to the need to formalise certain procedures and documents which are currently being worked on and it is proposed that a follow up report will be brought to the Committee early in 2010. He also advised that the College Code is a reasonable embodiment of the principles in the sectoral document issued by the IUA/HEA as guidance. The Committee noted that because the sectoral Code was developed later than the former State Code, it already includes many of the changes made in the updated 2009 State Code, but there are a number of minor areas that could be considered during the next review of the Code that would strengthen the College Code.

Action:

The Internal Auditor to bring an updated report to the Committee at a later date.

AD/09-10/10 **SAS - Risks prevalent in the current system** At the invitation of the
XXX Chairman, the Internal Auditor gave a brief summary of past developments in regard to the replacement of SAS and referred to the discussion with the Interim COO about the risks associated with the continued reliance on the existing system at the meeting of 27 May 2009, [AD/08-09/66 refers]. Drawing the attention of the Committee to the report, which had been circulated, he advised that work was underway to replace the system as soon as possible under e-strategy but that significant risks are associated with the existing SAS and that the scope for new course codes is likely to be exhausted in a little over three years. The Internal Auditor advised the Committee that the Interim COO and IS Services are acutely aware of the urgency of the situation. The Committee, noting that it has been suggested at Board that a new system will not be in place until 2012, expressed concern about the risks and the need to ensure the project moves forward quickly as IT projects are prone to delays at the implementation stage.

Action:

The Committee to be updated regularly on the status of this project, and of the management of the risks involved.

AD/09-10/11 **Audit Tender** Referring to a memo from the Internal Auditor, the Committee confirmed that a new tender process should be initiated once the current audit is complete early in 2010 with a view to recommending an appointment to Board by mid-2010.

Action:

The Internal Auditor to draft a plan for the tender process for consideration by the Committee.

SECTION B - IMPLEMENTATION ISSUES

AD/09-10/12 Funding Risk Update Referring to the discussions at the last meeting, the Chairman invited the Treasurer to give an update on how the College is dealing with the difficult economic climate. Referring to a tabled document on funding risk and the work of the Planning Group, the Treasurer summarised the College's current financial position, advising the Committee that the College had managed its activity within budgetary constraints due to reductions of €7.9m in expenditure and that the expected outturn for 2008/2009 is to breakeven. He advised that the Planning Group had also projected a deficit for 2009/10, although based on assumed levels of State funding which remain uncertain, and that plans to address this deficit had been approved by Board and are being implemented. In response to a query, the Treasurer clarified that although the expenditure reductions were mainly opportunistic rather than strategic the Planning Group is looking to targeted savings in 2009/10. The Treasurer outlined a number of possible threats and the impact of the external environment on the financial outlook, noting that there is a significant level of uncertainty associated with factors outside the control of College, which makes financial planning difficult. Advising the Committee that good progress is being made on achieving the targets set out by the Planning Group and, in response to a query, the Treasurer clarified that the plan for implementation of RPM is being progressed on a pilot basis.

The Committee noted that the College has a record of prudent financial management and is in a relatively strong financial position, which should allow it to take advantage of the strategic opportunities that currently exist. The Committee agreed that this is the optimum time to focus on achieving greater efficiencies and, in order to manage financial affairs strategically, actions should be taken consistent with medium/long term objectives and financial projections rather than reacting on an annual basis.

On behalf of the Committee, the Chairman thanked the Treasurer and KPMG for their contribution.

In the course of a brief discussion, the Committee expressed satisfaction with the encouraging progress being made on risk management and financial planning in a difficult time but noted the importance of completing the implementation of RPM as soon as possible. It was agreed that this issue should be addressed at a future meeting.

Action:

RPM to be re-considered at a future meeting.

AD/09-10/13 Proposed self-evaluation of the effectiveness of the Audit Committee Introducing the item, the Chairman reminded the Committee of the process for evaluating the effectiveness of the Committee that has been followed to date and drawing attention to the document which had been circulated, invited the Committee to consider if changes to the form would be appropriate. The Committee considered that no change to the questionnaire is necessary, noting also that the consistency facilitates comparison over the years. The Chairman requested that it be circulated to members electronically for completion and that it should be returned to the secretary within two weeks for collation of the results.

Action:

The Committee secretary to circulate the form electronically and members to respond within 2 weeks.

SECTION C - ITEMS FOR NOTING

- AD/09-10/14** **Current Developments and Practices in Audit -Audit Committee Institute Quarterly Issue No 17.** The Committee welcomed the circulation of this report and thanked the secretary for keeping them informed of developments, many of which were very relevant.
- AD/09-10/15** **Board Papers**
The Committee noted the Agenda and Minutes which had been circulated.
- AD/09-10/16** **Meeting Schedule 2009-10**
The Committee noted the Meeting Schedule for 2009-2010 and that the start time for the meeting on 30 November would be 11.00 am.