

The University of Dublin

Trinity College

Minutes of Audit Committee, Friday 12 March 2010

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

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

In Attendance Ms M Thompson

Mr S James, Assistant Internal Auditor attended for item AD/09-10/51

Mr B McGee, Assistant Internal Auditor attended for items AD/09-10/52 and AD/09-10/54

The Treasurer and the Financial Planning Manager attended for item AD/09-10/55

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

AD/09-10/48 Minutes The Minutes of the meeting held on 13 January 2010 were approved and signed.

AD/09-10/49 Call-over The Committee noted the actions which had been implemented since the previous meeting and those that remained outstanding.

AD/09-10/50 Matter Arising In regard to the effective management of risk the use of insurance to transfer risk was raised. It was agreed that the Internal Auditor would provide an update to the Committee on College insurance.

Action:

The Internal Audit Work Plan be amended to incorporate an update to the Committee on College insurances.

SECTION A - POLICY ISSUES

AD/09-10/51 Audit of Travel and Subsistence and Hospitality and Entertainment
The Chairman invited the Committee's attention to a Report on the Audit of Travel and Subsistence and Hospitality and Entertainment dated March 2010 which had been circulated and invited the Internal Auditor to introduce the item. The Internal Auditor advised the Committee that expenditure in both areas was significant, noting in particular that if the risks inherent in these areas are not managed effectively, apart from not realising potential costs' saving there is a reputational risk to College. He advised that in the absence of defined guidelines the review of expenditure on hospitality and entertainment had to be subjective and that this is not a desirable situation for either the College or staff. The Chairman welcomed Mr James, Assistant Internal Auditor, to the meeting and invited him to summarise the findings of the Report and brief the Committee on its recommendations.

Mr James drew the Committee's attention to the lack of a formal policy on hospitality and entertainment expenses in particular, as well as noting a need for greater clarity on certain aspects of existing procedures for the reimbursement of travel and subsistence costs. Mr James advised the Committee that the findings of the audit provide assurance that expenditure on travel and subsistence is generally free from error but that

greater clarity is needed to avoid ambiguities. He also advised that policy and procedures on these matters could be considered in the wider context of the College's strategic aims and be consistent with other College policies, for example guidelines on transport use should reflect the College's policy on sustainability as set out in the Strategic Plan.

During a detailed discussion on certain aspects of the Report, Mr James outlined issues that had arisen and answered a number of specific queries in regard to current procedures in these areas.

The Committee welcomed the Report commenting that it is particularly important in the current economic climate that College refine and improve current procedures, and develops a policy on hospitality and entertainment that will provide clear guidance to staff.

Action:

The Internal Auditor to draw the issues raised by the Report to the attention of the Provost.

AD/09-10/52
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Haughton Institute - Review of Managed Funds

The Chairman invited the Committee's attention to the Internal Audit Review of the Haughton Institute's Managed Funds, which had been circulated. The Internal Auditor advised that the information which had been previously requested by the Committee from the Haughton Institute on an amount of circa €7m at 31 December 2008 under the heading "Funds under the Management of the Haughton Institute" had been provided [minutes AD/09-19/02, 18 and 26 refer], and was the principal subject of the review. He advised that the respective roles and responsibilities of funders, researchers and the Institute were not documented, that the Institute saw itself as providing accounting support but that there was a risk that the expectations of funders could differ.

The Chairman invited Mr McGee, Assistant Internal Auditor, to brief the Committee on the detailed findings of the Review. Mr McGee advised that the Institute relies largely on the income from managing the research funds and that it is now scaling back its operations in anticipation of the creation of the Trinity Academic Medical Centre (TAMC). The Committee agreed that it would be advisable that a clear wind-down plan be put in place at the appropriate time, and that the experience with the Haughton Institute provide lessons which should be taken into account by those engaged in the establishment of the much larger Trinity Academic Medical Centre (TAMC).

The Committee broadly welcomed the Report commenting that it has provided greater clarity and transparency in regard to the activities of the Institute and agreed that College has little option at this stage to deal with the issues of concern other than to prepare for the eventual wind-down of the Institute and the establishment of TAMC. The Committee emphasised in particular the need for ongoing and adequate reporting to College in order to provide assurance as the Institute is wound down and to mitigate any potential reputational risks. While noting that such ventures now feature on the College's High Level Risk Register and should be subject to monitoring in that process, the continuing inadequate reporting to College has been a constant issue of concern and the Committee decided that its concerns should be repeated for the attention of College Officers.

Action

The Secretary to the College to bring the views of the Committee to the attention of the relevant persons.

AD/09-10/53 Committee Membership

As part of the Committee's self-evaluation process, the Committee discussed the issue of an additional external member. The preferred profile of an additional external member was discussed and a number of suggestions explored in greater detail. The Committee agreed that this would be a positive and welcome development and that the matter should be pursued further. The Committee recommended that the suggestions as discussed for an additional external member be brought to the attention of the Provost.

Action:

The Secretary to the College to bring the views of the Committee to the attention of the Provost.

SECTION B - IMPLEMENTATION ISSUES

AD/09-10/54 Status of Audit Committee Recommendations

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The Chairman invited the Internal Auditor to summarise the status of the Audit Committee recommendations as outlined in a Report dated March 2010 which had been circulated. The Internal Auditor advised the Committee of the current status of audit recommendations not yet fully implemented. In particular, he suggested to the Committee that the principal recommendations that remain outstanding can be grouped under the following headings:

- Risk Management
- SAS
- ARAM/RPM
- IT Security
- Joint Ventures and Trinity Research Institutes

The Committee discussed the Report, in particular the recommendations pertaining to the five most important areas outlined above. In response to a query on the monitoring of the recommendations contained in the Report, the Internal Auditor advised that the Board had requested Executive Officers to prepare a response on its behalf to the Committee's Annual Report and that it would be opportune to link that response to the recommendations as the Annual report covered the same topics. The Secretary to the College advised that the Executive Officers Group is currently preparing the response to the Audit Committee's Annual Report, which will be presented to Board in the near future. The Committee requested that the status of the recommendations be included in the response to the Committee.

Action:

The Internal Auditor to cross-reference the recommendations to the relevant sections of the Annual Report and forward to the Secretary to the College who will co-ordinate a response.

AD/09-10/55 Biosciences Development - Funding and Finance

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The Chairman welcomed the Treasurer and Financial Planning Manager to the meeting and invited them to give an update on the funding of this project, with particular reference to the European Investment Bank loan and the associated risks. He noted that the objective of the Committee was to review the current and future risks rather than focussing on the past decisions and structuring of the funding. The Treasurer drew the Committee's attention to a paper dated 8 March 2010 from the Financial Planning Manager, which had been circulated and set out the background to the development, the financing of the academic and commercial buildings, and provided an update on the current status of the development.

The Treasurer summarised the background to the development, commenting that this is a flagship project for College. He advised the Committee that this was the first time such a development had been financed by a borrowing facility and outlined the terms and conditions of the loan from the European Investment Bank. He briefed the Committee on the commercial aspects of the development, and the various funding streams available to College, as well as any risks arising from any decline in future funding. He advised the Committee that the College had negotiated the best possible terms for the loan to maximise College's flexibility, noting that the development is a capital asset and will be owned by the College at all times.

During a detailed discussion on the paper, the Treasurer and Financial Planning Manager answered a number of queries on the terms of the loan, and its long term implications for College. The Committee expressed concern at the risk involved if the expected PRTL V funding is not forthcoming. In response to a request for clarification on how College would meet this challenge, the Treasurer advised the Committee on the options available to the College in that event. In regard to the use of available cash resources the Financial Planning Manager advised that, if it became necessary to access funds, options had been explored and would be available to the College.

The Committee also discussed the future running costs of the completed development, and the Treasurer clarified a number of points in this regard.

On behalf of Committee, the Chairman thanked the Treasurer and Financial Planning Manager for their presentation, commenting that this was an important and innovative project, but that its funding in the present economic climate would continue to be a matter of significant concern to the Committee and suggested that it would be useful to document the lessons from the project to aid in structuring future developments.

In a subsequent discussion concern was expressed at the impact on College's funding for many years to come should the expected PRTL V funding not materialise. Noting that the item is classified as a medium risk to College, the Committee agreed that the matter would be reconsidered as soon as the outcome of the PRTL V funding becomes known.

Action:

Updating the Committee on the funding status of the Biosciences Development to be incorporated into the Internal Audit Work Plan and a report brought to a future meeting.

AD/09-10/56 Internal Audit Work Plan

The Chairman invited the Committee's attention to the memorandum and Internal Audit Work Plan, which had been circulated. The Internal Auditor advised the Committee that the Work Plan set out the principal tasks as well as the target dates for the Committee to consider outcomes of work. The Internal Auditor asked the Committee to review the tasks contained in the Work Plan and advise if they agreed with targets and time-frame as outlined. He advised that given the current resources available, it will require some external assistance to complete. Commenting that it was an ambitious Work Plan, the Committee endorsed the tasks and target set out in the document, noting that two additional items would be added in response to issues discussed earlier in the meeting and agreed that external resources would be used where required.

AD/09-10/57 Update on Controls over Treasury Funds

The Committee noted the letter dated 28 October 2009 from the Treasurer

to the bank regarding cessation of telephonic instructions, which had been circulated.

SECTION C - ITEMS FOR NOTING

- AD/09-10/58 Audit of Funding Statements 2008/2009**
The Committee noted the memorandum of 13 January 2010 from the Chairman to Board regarding the audit of the Funding Statements 2008/2009 and the revision to the KPMG Report on the audit of Funding Statements 2008/2009, both of which had been circulated.
- AD/09-10/59 Risk Management**
The Committee noted the memorandum dated 20 January 2010 from the Chairman to Board on the College High Level Risk Register.
- The Committee also noted the revised reputational risk and the memorandum from the Vice-Provost/Chief Academic Officer to Board on risks and costings in the Strategic Plan, which had been circulated.
- AD/09-10/60 Correspondence with the Comptroller and Auditor General**
The Committee noted the correspondence with the Comptroller and Auditor General which had been circulated; the letter to the Provost dated 20 January 2010 and the reply from the Interim Chief Operating Officer.
- AD/09-10/61 Board Papers**
The Committee noted the Agenda and Minutes which had been circulated.