

The University of Dublin

Trinity College

Minutes of Audit Committee, Friday 14 May 2004

Present Mr D Kingston (Chairman), Mr T Forsyth, Professor D Dickson, Dr S Allwright, Professor J McGilp.

(ex officio) Internal Auditor, Assistant Secretary

The Chairman welcomed Mr Forsyth, the Chairman-elect, attending his first meeting.

2003/34 **Minutes** The Minutes of the meetings held on 16 December 2003 were approved and signed.

2003/35 **Appointment of Auditors for the Trust Funds (Benefactions)** The Internal Auditor advised the Committee that following the tender process conducted in 2003, the contract which had been awarded to KPMG covered the audit of the College's Financial Statements and those of Ghala Ltd. The Committee noted that at the time this contract had been awarded it had been decided to retain the former auditors to audit the Trust Funds (Benefactions) for the year ended 30 June 2003 and that it had been agreed that the matter would be reconsidered for future years.

The Internal Auditor invited the Committee's attention to a letter from KPMG which had been circulated outlining an indicative fee of €6,000 plus VAT for the audit of the Trust Funds (Benefactions).

Following a discussion in which a number of issues were clarified, the Committee agreed that a recommendation that KPMG be appointed to audit the Trust Funds (Benefactions) for 2003/2004 and 2004/2005, which are the two remaining years of their audit contract with the College, should be forwarded to the Board for its consideration.

2003/36 **Progress on 2004 Work Plan** The Internal Auditor invited the Committee's attention to a memorandum summarising progress on the 2004 Work Plan. The Internal Auditor advised the Committee of progress under the following headings:

Security Controls: An invitation to tender for a technical review of the security controls in IS Services has been drafted and it is anticipated that the work will be carried out during the summer of this year. It is hoped that the results will be available for inclusion in the Audit Committee's Annual Report to Board in December 2004. The Committee noted that the review would test security controls, including reporting any vulnerabilities identified in the security of the College's network perimeter, as well as testing or reviewing the internal network. It will also include a critical review of firewall configuration and of policies including back up, disaster recovery and others.

The Internal Auditor also advised the Committee that the College's IT Security Officer and the Information Systems Services Management Information Systems section are undertaking a rolling programme of investigations into all of the College's servers to review application controls including password protections, access controls and other related matters. The Committee noted that the documentation arising from this analysis would be available to the Internal Auditor.

In response to a query the secretary advised the Committee that the IT Security Officer's contract had been extended until the end of the calendar year 2004.

Haughton Institute: The Internal Auditor advised the Committee that, following a meeting with the Dean of Health Sciences, he understood that it was expected that the Working Group, comprising representatives of the Faculty and the two participating hospitals, which had been established to review the Haughton Institute would report to the Board of the Institute in the near future. The Internal Auditor stated that he had also been advised by the Dean that implementation of the Board's requirements in relation to continued participation in the Haughton Institute, which had been approved by Board on 9 July 2003, may have to be reconsidered in the context of any new Teaching Agreements between the College and the Hospitals. The Committee agreed that, in view of the apparent lack of progress in implementing the Board's recommendations, the Chairman would consider writing to the College's representatives on the Board of the Haughton Institute advising that an up-date would be required for the next meeting of the Audit Committee.

The Committee also agreed that the Internal Auditor would establish the status of the implementation of the Board's decisions and would ascertain whether or not an alternative strategy is being pursued to address the issues raised by the Board and that he would report on progress at the next Committee meeting.

DMMC: The Internal Auditor advised the Committee that a review of risk issues associated with the College's participation in the DMMC would commence in the near future. In response to a query, the Internal Auditor advised the Committee that similar risk issues are likely to arise as had arisen in relation to the Haughton Institute and that it had been a requirement of the HEA that the DMMC be established as a limited liability company.

Review of purchasing controls: A study on purchasing controls across the College had yielded inconsistent practices by individual departments which will require further investigation.

Code of Practice: The Internal Auditor advised the Committee that the application to the university sector of the Department of Finance's *Code of Practice for the Governance of State Bodies* was being considered again by the Department of Education and Science. The Committee noted that CHIU is preparing a sectoral response to the proposal.

External Audit Recommendations: The Internal Auditor advised the Committee that work is on-going in monitoring the implementation of recommendations arising from the external audit, noting that a full report would be available for the next meeting. The Committee noted specific issues in relation to following:

Internal financial controls: The Internal Auditor advised the Committee that, subsequent to the Committee's approval of the proposal to undertake a review of internal financial controls, discussions had taken place with Faculty Deans and that detailed reviews were being carried out in 25 academic departments and that discussions were scheduled to take place with the College Secretary in relation to controls in administrative areas. The Committee noted that this task had been given priority so that, along with the high level risk assessment being prepared by the College, appropriate advice could be provided to the Board for the preparation of its statement on internal controls which would be a requirement under the GAAP system of accounting currently being introduced across the sector.

Fixed Assets Register: The Internal Auditor advised the Committee that the external auditors had identified a number of difficulties associated with the accuracy of financial information generated from the College's fixed assets register, noting that there was an inconsistency across the College in the application of the recording criteria and that the problem was exacerbated by the decentralised maintenance of the register. The Internal Auditor invited the Committee's attention to the urgency with which these issues must now be addressed as the value of the College's fixed assets would be a more significant component of the College's accounts as reported according to GAAP. The Committee noted that a fully integrated purchasing and fixed asset computer system would address the key issues of concern.

Summer occupation of College residences: The Internal Auditor advised the Committee that a report had been prepared for the Accommodation Officer on controls in relation to the level of occupancy of summer lettings of College residences, noting that while current controls are informal there do not appear to be significant financial risks to the College arising from this activity.

The Internal Auditor advised the Committee that due to the pressure of other work, and in particular the study on internal financial controls, little progress had been made on completing the risk management assessment of administrative areas.

The Committee thanked the Internal Auditor for his report and commended him on his achievements with very limited resources.

2003/37 HEA Verification Letter The Chairman invited the Committee's attention to the following correspondence which had been circulated: (a) Verification Letter, which had been approved by Board at its meeting on 21 January 2004, and sent from the Provost to the Secretary/Chief Executive of the HEA on 22 January 2004; (b) letter from the Secretary/Chief Executive of the HEA to the Provost dated 16 March 2004 requesting the College's Verification Letter and additional information; (c) email from the HEA to the Provost dated 25 March 2004 clarifying the request for information; (d) draft letter from the Provost to Secretary/Chief Executive of the HEA.

In discussing the proposed draft response from the Provost to the HEA, the Committee agreed that all information requested by the HEA should be supplied and that, following consultation with the Treasurer on the status of discussions with the HEA in relation to the current financial crisis, the letter should be amended to include references to the following:

- (i) the on-going financial difficulties being experienced by the College
- (ii) the likelihood of a deficit in 2004/2005 if the current level of funding is not redressed
- (iii) that fact that a number of items of information which had been requested by the HEA on 16 March 2004, for inclusion in the Verification Letter, were not part of the agreement between the sector and the HEA under the 'Financial Governance of Irish Universities – Balancing Autonomy and Accountability'.

The Committee agreed that the revised letter should be forwarded to the Provost for consideration.

The Committee also agreed that there would be a report on the current status of discussions with the HEA on the funding crisis at the next meeting.

2003/38 College Governance The Chairman invited the Committee's attention to the following documents which had been circulated: (a) Final report of the Governance Working Group and accompanying letter from the Chairman, dated 27 February 2004; (b) Minute of the discussion at the Board meeting held on 10 March 2004; (c) Draft minute of the discussion at the Board meeting held on 14 April 2004. The Committee noted that the Working Group's recommendations had been accepted by the Board with minor amendments in relation to the timing of the introduction of Elected Board Members as Chairs of Principal Committees and the membership of the Executive Officers' Group.

The Committee, welcoming the adoption of the Working Group's report by the Board requested that the implementation of its recommendations be kept under review as part of the Committee's work programme.

Signed:

Date: