

The University of Dublin

Trinity College

Minutes of Audit Committee, Tuesday 24 May 2005

Present Mr T Forsyth (Chairman), Dr S Allwright, Professor J McGilp, Professor B McGing
(ex officio) Internal Auditor, Assistant Secretary

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

AD/04-05/28 Minutes The Minutes of the meeting held on 16 December 2004 were approved and signed.

AD/04-05/29 Consideration 2003/2004 Financial Statements (see minute AD/04-05/25 of 16 December 2004) In response to a query, the Internal Auditor advised the Committee that agreement had not yet been reached with the HEA and the State on the format of the accounts and on substantive pension-related issues. The meeting noted that it is likely that the consolidated accounts for 2003/2004 will be prepared without agreement having been reached, thus resulting in two sets of accounts awaiting finalisation and publication.

SECTION A

AD/04-05/30 Governance Issues – Revised Terms of Reference The Chairman invited the Committee's attention to a memorandum, dated 16 May 2005, which had been circulated and which presented revised Terms of Reference for the Audit Committee, taking into account the comments made at, and subsequent to, the last meeting, and the views of the partner in charge of the external audit. Following consideration of the amendments they were agreed by the Committee which further agreed that the revised Terms of Reference should be presented to the Provost for consideration prior to their submission to Board for approval. It was noted that their implementation is dependent on appropriate resources being made available to the Internal Audit function.

Action

The Chairman to present the revised Terms of Reference to the Provost for consideration.

AD/04-05/31 Resourcing the Internal Audit Function The Chairman invited the Committee's attention to a document dated 6 May 2005, which had been circulated, which he and the Internal Auditor had prepared in relation to the resourcing of the Internal Audit function. The Committee noted that the issue of resourcing the function has been a matter of concern for some time and one which had also been highlighted in the external auditors' management letter. It further noted that the external reporting requirements in relation to internal controls and other related matters have imposed an increasing work-load on the area. The Chairman invited the Committee's attention to the two approaches which had been adopted in preparing the report, namely a 'risk profile approach' and a 'comparative approach'.

Under the 'risk profile approach', an indicative risk map of the College had been prepared by the Internal Auditor and an estimate had been made of the resources required to inspect and test the College's risk areas in a manner appropriate to the significance of that risk. The Committee noted that the indicative risk map had been prepared by way of an example of what the College's risk map would possibly look like when completed by management. It was stressed that while the final risk map of the College would probably differ in some respects from the example tabled, it could still provide useful indications in relation to the

types of risks to which the College is exposed. The example had categorised the risks to the College under seven broad areas, within each of which the possible contributing factor to each risk, as well as key controls/mitigating factors and early warning indicators, had been identified. The Chairman advised the Committee that following a review of the risks, and the level of Internal Audit resources required to address them, the analysis had suggested that, at a minimum, the staffing of the Internal Audit function should comprise three persons - one Head of Internal Audit, one Senior Auditor (a person with some internal audit experience) and one Junior Auditor (a person with some finance background). In addition, it was noted that some 18 audit person-days should be bought-in to audit some of the more specialist areas in College.

The Committee then reviewed the 'comparative approach' which had involved a comparison of the resources allocated to the Internal Audit functions in other third level institutions. The Committee noted that the College's External Auditors had also been consulted in the course of this analysis for information on the internal audit situation in UK universities of comparable size. The Chairman advised the Committee that, notwithstanding the difficulty of obtaining comparable data across institutions, the analysis, had in broad terms, confirmed the outcome of the 'risk profile approach'.

In the course of a detailed discussion on the report, the Committee endorsed its findings and agreed that, in order to fulfil its terms of reference and give Board the assurances it requires in relation to internal controls across of the range of financial and non-financial risks to which the College is exposed, additional resources as indicated in the report are required by the College's Internal Audit function. The Committee further noted that the adoption of any new Code of Practice for the governance of the sector, as is currently planned, would add further to the work-load on the Internal Audit function.

In order to progress the issue, the Committee agreed that a paper be prepared proposing an increase in the resources in the Internal Audit function as set out in the report, but basing the risk profile approach on examples from the risk register returns received to date from management for inclusion in the College's register which is currently being compiled by the Assistant Secretary. The Committee also agreed that data from the 'comparative approach' would be used as an input to the proposal and that the additional non-pay allocation approved by the Finance Committee in March 2005 would be acknowledged.

The Committee agreed that the proposal on resources, in conjunction with the proposed Terms of Reference, should be presented to the Provost by the Chairman.

Action

The Chairman and the Internal Auditor to draft a proposal on behalf of the Committee on the resourcing of the Internal Audit function for consideration by the Provost, Executive Officers and Board.

AD/04-05/32 XXX **Draft Code of Practice for Governance of Third Level Institutions** The Internal Auditor invited the Committee's attention to his memorandum, dated 17 May 2005 which had been circulated, and which presented the background to the Department of Education and Science's Code of Practice for the governance of third level institutions and a proposed sectoral response on which the views of the Audit Committee were sought.

The Internal Auditor advised that the 'Code of Practice for the Governance of State Bodies', which had been considered previously by the Committee (minute 2002/9 of 30 April 2002 refers), had been amended by the Department of Education and Science (DES) to take account of the existing practices as contained in the report '*The Financial Governance of Irish Universities – Balancing Autonomy and Accountability*' which had been formally agreed and adopted by the HEA, CHIU and the individual institutions in 2001. He further noted that the HEA had also indicated that it intends to carry out a review of that report.

The meeting noted that the draft code produced by the DES is currently being considered by the CHIU Finance Officers Group and Secretaries Group and that it had been discussed at a

recent meeting of the sector's Internal Auditors. The Internal Auditor advised the Committee that the draft code is also being discussed by Audit Committees in other universities. In response to a query, the Internal Auditor advised the Committee that a sectoral response to the draft code is being prepared by CHIU in conjunction with its Finance Officers and Secretaries Groups. The Committee also noted that any final code would have to be approved by the Board before it could be adopted.

In discussing the draft DES code, the Committee strongly endorsed the view that one Code of Practice should apply to the university sector, noting that conforming to two such codes would place an onerous and unnecessary burden on the College. The Committee also expressed disquiet at the level of micro-management proposed in the draft code and the manner in which the proposals appeared to challenge the autonomy of universities in the management of their affairs, noting that this was counter to the principles enshrined in the Universities Act 1997. The Committee also noted that the draft code focussed almost exclusively on financial issues and paid little attention to the many non-financial matters which are relevant to the core business of the College.

The Committee agreed that the high level issues identified by the Internal Auditor would be forwarded to the College Secretary together with a memorandum from the secretary outlining the Audit Committee's concerns in relation to the draft code. It was also agreed that the Internal Auditor would discuss the detail of the proposed Appendices in the draft code with the College Secretary.

Actions

- 32.1 The secretary to send the high level elements of the Internal Auditor's report to the College Secretary with a memorandum emphasising the Audit Committee's concerns in relation to the proposed draft code.
- 32.2 The Internal Auditor to discuss his concerns with the details contained in the Appendices in the draft code with the College Secretary.

AD/04-05/33 External Auditors' Non-Audit Work Under Other Business the Chairman invited the Committee's attention to the decision which had been taken at its meeting on 21 September 2004 (minute AD/04-05/07 refers) whereby it had been agreed that all non-audit work undertaken by KPMG would be approved in advance by the Audit Committee. The Chairman apprised the Committee of a situation whereby a Faculty Dean had requested Ms Gallagher of KPMG to advise the Audit Committee that KPMG had been selected to develop a business plan for the Faculty and to seek the approval of the Audit Committee for this work.

The Chairman advised the Committee that following a discussion with Ms Gallagher on the work involved and on the basis that it presented no conflict of interest with their work as External Auditors, he, on behalf of the Audit Committee, had given permission for the work to proceed. The Committee ratified this decision.

The Committee noted the Chairman's concerns that there is no procedure in place to ensure that proposed non-audit work planned to be carried out by KPMG is notified to the Audit Committee in advance. In discussion, it was agreed that the most effective approach would be to require Ms Gallagher of KPMG to advise the College of all such work before final agreements are reached between the College and KPMG. It was agreed that the Internal Auditor would discuss the feasibility of this approach with Ms Gallagher and that this would be confirmed in writing once the procedures had been agreed. It was also agreed that once this procedure is in place it would be brought to the attention of the College Community.

Actions

- 33.1 The Internal Auditor to discuss the proposal that KPMG will, in the future, be responsible for advising the Audit Committee of all non-audit work being undertaken by KPMG on behalf of Trinity.
- 33.2 The secretary to confirm the procedures in writing with Ms Gallagher once agreement has been reached.

- 33.3 The secretary to advise the Heads of academic units and administrative areas of the new arrangements once they are in place.

AD/04-05/34 Academically Based Resource Allocation Model (ARAM) Under Other Business in response to a query it was agreed that the potential risks to the College resulting from the introduction of the ARAM would be considered at the next Committee meeting.

Action

The secretary to source a paper on ARAM which would be the basis for discussion at the next Committee meeting.

AD/04-05/35 College's Governance Procedures Under Other Business the Committee agreed to a proposal that the College's governance procedures which had been introduced in September 2004 would be reviewed during the next academic year.

SECTION B

AD/04-05/36 Proposed self-evaluation of the effectiveness of the Audit Committee The Chairman invited the Committee's attention to a memorandum, dated 13 May 2005, which had been circulated outlining a proposal that the Audit Committee would undertake a self-evaluation of its effectiveness on an annual basis. He advised the Committee that it was proposed that all responses would be sent directly to him and that he would collate them anonymously and report on the findings to the next Committee meeting. The Committee, having considered the draft questionnaire, agreed that all members would reply to him by 3 June 2005.

The Chairman also advised the Committee that he would appraise Ms Gallagher of KPMG of the evaluation process and seek her views on the operation of the Committee from the perspective of the external auditors.

Actions

- 36.1 The secretary to circulate an electronic copy of the questionnaire to members of the Committee.
- 36.2 Committee members to submit a response directly to the Chairman by 3 June 2005.
- 36.3 The Chairman to seek the views of Ms Gallagher of KPMG on the effectiveness of the Audit Committee.

AD/04-05/37 C&AG Audit The secretary invited the Committee's attention to correspondence between KPMG and the Board of the College in which the written permission of the Board was sought by KPMG to release their audit papers to the Comptroller and Auditor General (C&AG). The Committee noted that it had been agreed that, in future, the College Secretary would be requested to sign the Acknowledgement on behalf of the College.

It was agreed that the Audit Committee's role in the audit which is conducted annually by the C&AG would be discussed at the next meeting.

Action

The secretary to include the role of the Audit Committee in relation to the C&AG audit as a topic on the agenda for the next meeting.

SECTION C

AD/04-05/38 Verification letter to the HEA The Committee noted and, subject to some suggested amendments, approved the draft holding letter to the HEA in relation to the annual

verification process, further noting that a final letter would be issued once the required information on the triennial actuarial valuation has been considered by the appropriate College authorities.

Action

The Internal Auditor to forward to draft holding letter to the Provost with a recommendation that it be sent to the HEA by the deadline of 27 May 2005.

AD/04-05/39 Risk Assessment The Committee noted a memorandum from the College Secretary, dated 16 May 2005, which had been circulated advising the Committee that work on the College Risk Register was well advanced and that, apart from one area, submissions had been received from all key administrative areas and that these were now being collated and that it planned to have a document available for consideration by the Audit Committee in October 2005. The Committee noted that the Academic Secretary would be requested to address academic risks as part of the quality review procedures.

Action

The secretary to acknowledge the College Secretary's memorandum.

AD/04-05/40 2005 Budget The Committee noted a memorandum from the Treasurer's Office, dated 3 March 2005, which had been circulated advising of an additional allocation of €40,000 which had been made available to the Committee. The Committee welcomed the additional allocation of funds.

AD/04-05/41 Date of next meeting The Committee agreed that one further meeting would take place before the summer vacation on a date to be determined by the secretary.

Signed:

Date: