

**The University of Dublin**

**Trinity College**

**Summary\* Minutes of Audit Committee, Tuesday 4 October 2005**

*Present* Mr T Forsyth (Chairman), Professor J McGilp, Professor B McGing, Dr D O'Donovan  
*(ex officio)* Internal Auditor, Assistant Secretary

The Treasurer, the Deputy Treasurer and Ms L Gallagher and Mr N Taylor from KPMG attended for minute AD/05-06/06.

Ms Sara McAneney, the College IT Security Officer, attended for minute AD/05-06/09.

The Chairman welcomed Dr O'Donovan to his first meeting of the Committee.

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

**AD/05-06/01 Minutes** The Minutes of the meetings held on 17 June 2005 were approved and signed subject to the following amendment:

**AD/04-05/49 Status of Work Programme** The word 'report' was inserted after the word 'progress' in the Action item.

The Committee noted that all actions agreed at the previous meeting had been executed.

**AD/05-06/02 Academically Based Resource Allocation Model (ARAM) (see minute AD/04-05/48 of 17 June 2005)** In response to a query, the Chairman advised the Committee that the concerns expressed at the June meeting in connection with the additional risks to which the College might be exposed during the implementation phase of the ARAM would be noted as an issue to return to a future meeting.

**SECTION A – POLICY ISSUES**

**AD/05-06/03 Resourcing the Internal Audit Function and Terms of Reference** The Chairman invited **XXX** the Committee's attention to a letter and the Committee's draft terms of reference, dated 21 June 2005, which had been the basis of discussion at two meetings with the Provost, noting that the latter meeting had also been attended by the Secretary to the College. The Chairman advised the Committee that the Provost, noting the increased levels of assurance and reporting now required of the College, had recognised the need for increased resources for the Internal Audit function but had advised that in a context of tight financial budgets it may not be possible to secure the two additional posts recommended by the Committee.

The Committee, noting that resourcing of the Internal Audit function is currently being considered by Executive Officers, agreed that the matter would be considered further at the Committee meeting at the end of November 2005.

Action

The Internal Audit work plan and the draft revision of the Committee's Terms of Reference

to be reconsidered in the light of decisions on resources.

**AD/05-06/04 XXX** **Review of the Dublin Molecular Medicine Centre** The Internal Auditor invited the Committee's attention to a report on the Dublin Molecular Medicine Centre (DMMC), dated September 2005, which had been circulated. The Committee noted that the DMMC had been incorporated into a company limited by guarantee in March 2002 arising from a HEA requirement linked to funding provided under Cycle 2 of the PRTL to UCD and TCD. In 2005, RCSI was admitted as an equal partner in response to Cycle 3 PRTL funding for an RCSI-led programme in collaboration with the DMMC. The Internal Auditor advised the Committee that the purpose of the review was to identify the nature and activities of the DMMC and to assess whether as a result of which there are any significant risks to College and whether these are being managed appropriately, noting that the issue of governance was also of concern.

The Internal Auditor invited the Committee's attention to a number of recommendations arising from the review of DMMC in relation to participation in joint ventures. In view of the likelihood that further cross-institutional initiatives will arise in the future with potential benefit to the College in achieving its strategic objectives, the Committee recommended that the Board consider on what basis the College should proceed with such ventures in the future and define a policy accordingly. The Committee noted that initiatives that devolve control outside of the normal College management structures or cede ownership to outside entities should be progressed with care, and that proposals for structuring a project in that way should be assessed in the overall context of the College and its policy and not just on the merits of an individual case. It was agreed that the Chairman would send a copy of the report to the Provost recommending that consideration be given to developing an appropriate joint-venture policy for the College, taking into account the concerns raised in the report and also recommending that the Board's prior approval be sought for the establishment of any future joint ventures.

The Internal Auditor also invited the Committee's attention to specific recommendations in relation to DMMC governance, funding, term of involvement, board, intellectual property, statutory filings and strategic planning.

The Committee thanked the Internal Auditor for his very comprehensive report, noting that the outcomes of the review would be included in the Committee's Annual Report to Board.

#### Action

The Chairman to send a copy of the report to the Provost with a recommendation that a policy on the College's involvement in joint ventures be developed taking into account the issues raised.

**AD/05-06/05** **Draft Tender for the Procurement of Audit Services** The Internal Auditor advised the Committee that the existing contract for the supply of audit services by KPMG will expire following the completion of the audits of the 2004/2005 financial statements. He invited the Committee's attention to a memorandum, dated 26 September 2005, in which he outlined proposals for the supply of audit services to the College and Ghala Limited, noting that a final draft tender would be brought to the Committee and subsequently to Board for approval.

Following a brief discussion of the issues, the Committee agreed that the Internal Auditor should proceed with the process along the lines proposed.

#### Action

The Internal Auditor, in consultation with the College's Procurement Officer and the Treasurer's Office to prepare a final draft tender for consideration by the Committee at its meeting on 21 December 2005.

## SECTION B – IMPLEMENTATION ISSUES

**AD/05-06/06 XXX** **Plan for Audit of 2004/2005 Accounts** Ms Gallagher and Mr Taylor of KPMG invited the Committee's attention to a document, which had been circulated, outlining the approach they intended to take in their audit of the College's financial statements for 2004/2005, noting that the plan addressed both the Funding Statement accounts and accounts prepared in accordance with GAAP requirements.

The Auditors invited the Committee's attention to the proposed stages in their audit process which were consistent with those followed in the previous two audits. Ms Gallagher advised the Committee that significant findings, if any, would be presented to the Audit Committee on 21 December 2005 and that observations and recommendations in respect of significant control and systems issues would be discussed with management and communicated to the Committee in their Management Letter, noting that they would also be summarised in their report to the Audit Committee. The Committee noted that this report would also address issues which have been raised in previous Management Letters, further noting that the audit team would rely, where appropriate, on the work of the Internal Auditor.

The Auditors invited the Committee's attention to the following key risk areas and the proposed audit approach associated with them:

- (i) Future financial performance
- (ii) Capital projects
- (iii) College restructuring - change management
- (iv) Research grants
- (v) Provisions
- (vi) IT systems
- (vii) GAAP accounts
- (viii) Ghala Limited/DMMC/Haughton Institute
- (ix) Debtor provision
- (x) Intellectual Property Rights
- (xi) Internal controls

The Auditors also invited the Committee's attention to other areas on which they would be reporting:

- (a) Corporate governance
- (b) Taxation
- (c) Fraud
- (d) Compliance with laws and regulations
- (e) Transactions with related parties

The Committee noted the Auditors' intention to involve specialists from KPMG to assist with specific areas of the audit.

In conclusion, the Auditors invited the Committee's attention to the time-scales for the audit process, noting that the audit clearance meeting in relation to the HEA Funding Statement would take place on 6 December 2005 prior to a meeting with the Audit Committee on 21 December and that these financial statements would be presented to Board on 25 January 2006.

In the course of a detailed discussion a number of issues were clarified particularly in relation to pension fund issues and their treatment in GAAP accounts and the treatment of creditors in research accounts. The Committee welcomed the inclusion of a review of the management of the implementation of the College's restructuring within the scope of the audit plan.

In response to the Committee's concerns about the short time period between the end of the audit and the submission of the accounts to Board for approval, it was agreed that, in common with the practice in other institutions, key judgemental issues and provisions would

be brought to the Committee's attention at the end of November thus allowing the Committee additional time to consider any significant issues which may have arisen in the course of the audit.

In response to a query, the Deputy Treasurer advised the Committee that no decision had been taken at a sectoral level as to the timing of the publication of the consolidated accounts prepared according to GAAP principles, noting that all universities were at different stages in the finalisation of these accounts.

Ms Gallagher invited the Committee's attention to the draft engagement letter. She indicated that there were no material differences in the content of the letter with the current engagement letter. However, in view of the fact that the forthcoming audit would be the third such audit, Board approval would be required. It was agreed that the letter should be forwarded to Board for approval at its meeting in October 2005.

The Chairman thanked the representatives of KPMG for their very clear report and also thanked the Treasurer and Deputy Treasurer for attending the meeting.

#### Actions

- 6.1 The Committee noted and agreed the audit plan as presented.
- 6.2 KPMG to submit their letter of engagement to Board for approval at its meeting on 26 October 2006.

**AD/05-06/07 Self-evaluation of the Audit Committee** The Chairman invited the Committee's attention to a memorandum, dated 27 September 2005, which had been circulated and which proposed a series of recommendations arising from the self-evaluation of the Committee which had been undertaken earlier in the year and discussed at the June meeting (minute AD/04-05/51 of 17 June 2005 refers). The Committee approved the following actions:

- (i) the number of Committee meetings should be increased if the volume of business so requires and this should be reflected in the annual schedule of meetings drawn up at the start of each year;
- (ii) more time should be allocated for consideration and discussion of the College's external reporting;
- (iii) all relevant issues, both financial and non-financial, should be reviewed/considered on a regular basis;
- (iv) the review of the independence of the External Auditors should become more formalised in future;
- (v) the Internal Audit Plan should be the subject of a separate discussion at a Committee meeting held in November each year;
- (vi) a more formalised training/induction should take place for new Committee members, noting that the late appointment of Board representatives to Principal Committees this year militated against timely briefing of the Committee's new Board representative;
- (vii) a register of issues which have been identified and/or addressed by the Committee should be maintained on an on-going basis and should be a standing item on the Agenda of Committee meetings.

#### Action

The secretary to ensure that meeting schedules and agenda reflect the decisions taken.

**AD/05-06/08 Code of Practice for the governance of third level institutions** The Internal Auditor invited the Committee's attention to a memorandum dated 27 September 2005 which had been circulated and which provided an up-date on the current status of discussions in relation to the proposed Code of Practice for the governance of third level institutions. The Committee noted that, following discussions between the Department of Education and Science and the HEA and representatives of CHIU, a sub-group of three university secretaries and three finance officers would review the Code and up-date the existing HEA/CHIU report as appropriate. An independent expert would then be invited to review  
**XXX**

the report which would serve as the agreed governance framework for the sector.

As the Code is of considerable significance to the remit of the Committee, it was agreed that the secretary would write to the Secretary to the College requesting that a copy of the draft revised HEA/CHIU report be made available to the Committee for comment before it is reviewed by the external expert.

Action

The secretary to write to the Secretary to the College to request a copy of the draft Code when it becomes available and before it is sent to the external expert.

**AD/05-06/09 IT Security Audit: Status of implementation of recommendations** Ms McAneney, the  
**XXX** College's IT Security Officer, invited the Committee's attention to a progress report on the implementation of recommendations in relation to the security of the College's IT system which had been circulated, dated October 2005. The Committee noted the detailed report in which progress on all the risks previously considered (minute AD/04-05/45 of 17 June 2005 refers) was presented under the following headings:

- (1) Network security
- (2) E-mail security
- (3) Physical security
- (4) Domain security
- (5) Server security
- (6) Application security

The Committee welcomed the progress which had been made in implementing the recommendations and noted that almost all Low Risks and more than two-thirds of the Medium Risks identified in the IT security audit had been addressed.

In the course of a review of each out-standing High Risk issue, Ms McAneney clarified queries and, where possible, provided estimated completion dates for their resolution.

The Committee, noting that comments on IT security would be included in its Annual Report to Board, agreed that the secretary would write to the Director of IS Services outlining the Committee's areas of concern with a recommendation that proposals in relation to the management of these risks should be presented to Executive Officers. The Committee also recommended that a Disaster Recovery Plan, including time-scales and priorities for the restoration of services, be prepared for consideration by Executive Officers and the Board.

Actions

- 9.1 The next progress report prepared for consideration by the Committee, requested for the end of the academic year, to contain estimated completion dates for out-standing items.
- 9.2 The secretary to write to the Director of IS Services outlining the Committee's areas of concern and recommending that proposals in relation to the management of the risks and including a Disaster Recovery Plan should be presented to Executive Officers for consideration.

**AD/05-06/10 Risk Management in College** The Committee noted a memorandum from the Secretary to  
**XXX** the College, dated 26 September 2005, which had been circulated and which advised that having reviewed the scale and complexity of compiling a Risk Register and extracting the high level College risks from the individual departmental risk assessments completed to date, external assistance would be required to complete the task. Invitations to tender for the necessary work had been issued to five professional firms one of whom would be selected to carry-out the work and it was anticipated that the first draft of the register would be completed by the end of this calendar year.

Action

The secretary to acknowledge the memorandum.

**SECTION C – ITEMS FOR NOTING**

**AD/05-06/11 Meeting Schedule 2005/2006** The Committee noted the draft schedule for meetings as tabled by the secretary. It was agreed that the schedule would be finalised and circulated to Committee members as soon as possible, noting that individual meetings would be scheduled to last for no more than two hours.

Signed: .....

Date: .....