

The University of Dublin

Trinity College

Minutes of Audit Committee, Wednesday 26 April 2006

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

Present for: * AD/05-06/51-59

The Bursar, the Treasurer and the Deputy Treasurer attended for AD/05-06/55

The Senior Lecturer and the Secretary to the College attended for item AD/05-06/56

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

AD/05-06/51 Minutes The Minutes of the meeting held on 15 February 2006 were approved and signed.

AD/05-06/52 Tender for Audit Services (see minute AD/05-06/47 of 15 February 2006) The Internal Auditor advised the Committee that the Tender Questionnaire for audit services had been published on the Government's e-tender website and that, following the closing date on 27 March 2006, questionnaires would be assessed in accordance with the stated criteria by the Tender Panel and a shortlist of companies would be invited to submit full tenders. The Committee noted that the closing date for the submission of tenders would be 8 May and that these would be assessed by the Tender Panel on 23 May and that selected companies would be invited to attend an interview with the Tender Panel on 29 May 2006.

The Chairman advised that, following consultation with the members of the Committee after the last meeting, Professor McGilp and the Chairman had been nominated as the Committee's representatives on the Tender Panel and he noted that the Deputy Treasurer and the Financial Resources Manager would represent the Treasurer's Office for the short-listing stages and that the Treasurer would replace the Financial Resources Manager for the interviews.

Following consideration of the schedule of Board meetings and the requirement that the newly appointed External Auditors would undertake the audit of the Trust Funds (Benefactions) for the year ended 30 June 2006, the Committee agreed that every effort should be made to submit a recommendation for the appointment of External Auditors to the Board meeting on 31 May 2006. The Committee delegated its representatives on the Tender Panel to make a recommendation to the Board on its behalf.

AD/05-06/53 Staffing the Internal Function (see minute AD/05-06/48 of 15 February 2006) The secretary advised the Committee that post of Assistant Internal Auditor would be advertised in the near future and that it was intended to hold the interviews in early June 2006.

AD/05-06/54 Call-over The Committee noted the actions which had been implemented since the previous meeting and those which remained out-standing and which would be addressed in due course.

SECTION A – POLICY ISSUES

AD/05-06/55 College's relationship with the Comptroller and Auditor General (C&AG) The Bursar, the Treasurer and the Deputy Treasurer, present by invitation, attended for this item. The Internal Auditor invited the Committee's attention to his memorandum, dated 14 April 2006, which identified the role of the Audit Committee in relation to the Board appointed external auditors and his understanding of the audit work carried out by the C&AG, and to a letter dated 13 February 2006 from the C&AG Deputy Director of Audit to the Provost, both of which had been circulated. The Deputy Treasurer's response to the letter to the Provost was tabled to the meeting, as was a copy of a report from the C&AG to the Oireachtas in relation to his audit of the 2002/2003 financial statements.

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The Internal Auditor, the Treasurer and Deputy Treasurer invited the Committee's attention to the scope and operation of the audits carried out by the C&AG and the College's External Auditors, noting the key differences and similarities between the two.

In the course of a discussion on the issues raised, the Committee noted in particular, the importance of maintaining its independence and not becoming involved in audit-related matters which would be more appropriately dealt with by the College's management.

This meeting took place on 26 April 2006 and, following a thorough discussion of the relevant issues, the Committee agreed that it should have an advisory role in relation to the C&AG audit and it proposes the following procedures for consideration by Board:

- (i) The C&AG's annual Letter of Engagement, which is received by the Provost, would be considered by the Audit Committee, along with issues which the Treasurer's Office may wish to bring to its attention, and, if necessary, the Committee would advise the Board of its opinion in relation to the issues raised.
- (ii) The C&AG's report to the Oireachtas on completion of his audit, together with management's response to any issues raised by the C&AG in course of his audit, would be considered by the Audit Committee prior to the Board's consideration of the C&AG report.
- (iii) The Treasurer's Office would continue to maintain the day-to-day contact with the C&AG in relation to the operation of the audit.

The Chairman thanked the Bursar, the Treasurer and the Deputy Treasurer for attending the meeting and for their contribution to the discussion.

Action

The Chairman to write to the Board advising of the outcome of the discussion.

AD/05-06/56 Risk Management in College The Chairman welcomed the Senior Lecturer and the Secretary to the College, present by invitation, to the meeting. The Senior Lecturer introduced the topic and invited the Committee's attention to the process which had been used to develop the high-level risk register including the employment of Mazars as consultants and the involvement of Heads of academic and administrative areas. He stated that the development of the risk register had been considered on a number of occasions by Executive Officers culminating in a detailed consideration of the risks and their mitigating factors at a meeting held on 24 April 2006.

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The Secretary to the College then invited the Committee's attention to his memorandum to Executive Officers, dated 20 April 2006, which had been circulated. He advised that it was intended to submit the high level risk register and the risk management policy to Board for consideration at its meeting on 3 May 2006, noting that this represented Stage 1 of the process. Stage 2 would involve identifying time-scales for the implementation of the controls to mitigate the identified risks and an analysis of how those issues which had been identified as high risk to the College would be accommodated within the College's defined risk appetite.

The Secretary to the College noted that while risks have always been managed by the

College the High Level Risk Register now being brought forward for consideration by Board, represents a more formalised basis for identifying and reporting the risks which are an inherent part of the College's operations rather than a new initiative. He addressed each of the individual risks, as presented in the memorandum, and noted those amendments which had been agreed by Executive Officers at their meeting on 24 April. He also acknowledged the assistance of the Audit Committee, the Internal Auditor, the Assistant Auditor and Mazars in bringing the work to its current stage of development.

The Chairman congratulated the Executive Officers on the comprehensive High Level Risk Register and the proposed Risk Management Policy, noting that the clarity of the documentation and comprehensiveness of the process reflected the very substantial effort which had been invested in their preparation. He summarised the role of the Audit Committee as being concerned, in the first instance, with reviewing the process whereby the risk register had been produced and that, at a later stage, the Committee plans to provide an opinion to Board on the effectiveness of the risk management system in place. He stated that to arrive at such an opinion, following the adoption of the Register by the College, the Internal Auditor would be required to review the controls which were in place to mitigate the risks. The coverage of such a review will be a function of the resources available at that time. The Committee and Board would be advised of the outcomes of such a review when complete.

In the course of a discussion, the Secretary informed the Committee that the concerns it had expressed previously (minute AD/05-06/45 of 15 February 2006 refers), in relation to the weight given to mitigating factors which are planned to be put in place in the future, had been taken into account in the revised Register as presented. In response to queries from Committee members, the Secretary to the College clarified a number of technical matters.

In response to a query, the Secretary to the College advised the Committee that the 'owners' of the risks as identified in the High Level Risk Register would be responsible for ensuring that the actions identified in the Register to strengthen the management of the identified risks would be implemented and he noted that a review of high-level risks would be included on the agenda of Executive Officers' meetings on a regular basis. He also advised the Committee that it was envisaged that the Risk Register would be up-dated on an annual basis and brought to the Audit Committee and then to the Board at a time which would enable the Committee to table its views to Board on how the risks were being controlled, noting that this would be prior to the Board's consideration of the annual financial statements.

The Committee noted that it was expected that the Board's Principal Committees would have a key role in the definition of risks associated with the areas within their remit, and that the Secretary's Office would also work with Heads of administrative and service areas in the management and control of College-wide risks.

The Secretary to the College invited attention to the draft Risk Management Policy which had also been circulated and advised the Committee that apart from a minor textual change it would be presented in that form to Board for approval at its next meeting.

The Senior Lecturer advised the Committee that the value of the Risk Register as a management tool had been greatly appreciated by Executive Officers and that work would commence as soon as possible to address the compatibility between the College's "risk appetite" and the level of risk being managed by the College.

The Committee expressed satisfaction with the process and procedures which had been employed to prepare the Risk Register and the Risk Management Policy. The Committee noted that significant on-going effort will be required in order to embed the risk identification and risk management process into general management procedures properly. It noted that the Secretary's Office has been assigned overall responsibility for this task and it recommended that this task be appropriately resourced in order to ensure that the full potential of the very good work undertaken to date would be realised for the overall good of the College.

In conclusion, the Secretary to the College advised the Committee that the two revised documents would be circulated to Board with a covering memorandum providing the context for risk management in the College.

The Committee agreed that the draft minute of the discussion would be circulated to the Board for its meeting on 3 May 2006.

The Committee thanked the Secretary to the College and the Senior Lecturer for their comprehensive presentation.

Action

The secretary to circulate the draft minute to the Board for its meeting on 3 May 2006.

AD/05-06/57 Report on the implementation of the Governance Working Group's recommendations
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The Internal Auditor invited the Committee's attention to a status report which he had prepared reviewing the implementation of the Governance Working Group's recommendations on Principal Committees and their relationship with the Board. He advised the Committee that, in general, good progress had been made in many areas and that in his view the relationship between Principal Committees and the Board was working better than it had done previously.

The Internal Auditor noted some departures from the Board approved recommendations and some areas where work is still outstanding and noted that in the case of one specific Principal Committee its operation and reporting to the Board fell short of that agreed by the Board at its meeting on 14 April 2004 (minute 9/246 refers). The Committee noted that the Board's recommendation that consideration be given to the appointment of Elected Board Members as chairpersons of Principal Committees had not been implemented.

In the course of a detailed discussion, several mechanisms were suggested to improve reporting from Principal Committees to the Board.

The Committee agreed that in order to progress consideration of the issues raised in the report, it would be forwarded to the Secretary to the College for comment by Executive Officers, with a request that a response from Executive Officers be received by the Committee in time for discussion at the next Audit Committee meeting on 21 June 2006, after which the report together with a commentary from the Audit Committee would be submitted to the Board.

It was also agreed that the Internal Auditor would draft a summary of the key points for inclusion in the report prior to its circulation to the Executive Officers.

Actions

- 47.1 The Internal Auditor to draft a summary of the key points for inclusion in the report.
- 47.1 The secretary to send the report to the Secretary to the College with a request that comments from Executive Officers be received in time for consideration by the Audit Committee at its next meeting.

AD/05-06/58 Composition of the Audit Committee Under Other Business, the Chairman invited the Committee's attention to a note which he had tabled concerning the composition of the Audit Committee, with particular reference to the possibility of increasing the number of external members to two, as provided for in the revised Terms of Reference. Following a brief discussion on the continuity which a second external member could bring to the function of Chairperson and on the need to ensure that any external member would have skills and experience appropriate to the scope of the Committee's work, it was agreed that the

Chairman would develop the ideas presented in his note and that the matter would be considered in more detail at the next meeting, with a view to making a proposal to the Provost in this regard.

Action

The Chairman to prepare a paper for consideration at the next meeting of the Committee.

AD/05-06/59 Consolidated Financial Statements 2004/2005 Under Other Business the secretary advised the Committee that it may be necessary to hold an additional meeting at the end of June to consider the Consolidated Financial Statements for 2004/2005.

Action

The secretary to convene an additional meeting at the end of June if required.

SECTION B – IMPLEMENTATION ISSUES

AD/05-06/60 Internal Audit Work Plan – Risk Management The Committee noted a memorandum from the Internal Auditor, dated 12 April 2006, which had been circulated and agreed that monitoring the management College's high level risks would be a priority work area for the Internal Auditor in the future.

Action

The Internal Auditor to include monitoring the management of the College's high level risks in his work plan.

AD/05-06/61 Progress Report from the Internal Auditor The Internal Auditor invited the Committee's attention to a memorandum, dated 13 April 2006, which outlined progress on the area's work plan as approved by Board. The Committee noted those tasks which have to be undertaken to meet the College's auditing and compliance requirements. The Committee agreed that of the remaining tasks the priority should be to focus on the effectiveness of the risk management system. The Internal Auditor also invited attention to those tasks which are currently in progress and on which further work would be carried out during the year. The Committee noted a number of tasks on which work will commence when the Assistant Auditor is appointed.

The Committee, noting the work plan as presented, noted in particular the importance of the proposed work on assessing the implementation of ARAM. It was agreed that this work should commence as soon as resources permitted.

Action

The Internal Auditor to give priority to the areas as discussed.

SECTION C – ITEMS FOR NOTING

AD/05-06/62 Verification Letter to HEA The Committee noted the College's Verification Letter from the Provost to the HEA, dated 6 April 2006 and the HEA's acknowledgement dated 10 April 2006.

AD/05-06/63 Statements to accompany Accounts for 2002/2003 and 2003/2004 The Committee noted the Statements to accompany the Accounts for 2002/2003 and 2003/2004 as approved by the Board on 5 April 2006.

AD/05-06/64 Estimates for 2006 and 2007 The Committee noted the letter dated 7 March 2006 which, in accordance with Section 37 of the Universities Act, the Provost sent to the HEA. The Committee did not consider the accompanying estimates for 2006 and 2007 as they do not fall within the scope of the Committee's work.

Signed:

Date: