

**The University of Dublin**

**Trinity College**

**Minutes of Audit Committee, Tuesday 18 September 2007**

*Present* Mr T Forsyth (Chairman), Professor J O'Hagan, Professor B McGing, Dr D O'Donovan, Mr J Collins

*Apologies*

*(ex officio)* Internal Auditor, Assistant Secretary

The Chairman welcomed Professor John O'Hagan, former Bursar of the College, to his first meeting as a member of the Committee.

The Treasurer and the Deputy Treasurer attended for items AD/07-08/04, AD/07-08/07 and AD/07-08/09

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

**AD/07-08/01 Minutes** The Minutes of the meeting held on 25 June 2007 were approved and signed subject to an editorial amendment.

**AD/07-08/02 Call-over** The Committee noted the actions which had been implemented since the last meeting and those which remained out-standing and which would be addressed in due course.

**SECTION A – Policy Issues**

**AD/07-08/03 Overview of the Internal Audit work programme** The Internal Auditor invited the Committee's attention to a memorandum, dated 11 September 2007, which had been circulated, outlining progress on the Internal Audit's priority work plan for 2007. He advised the Committee that the Board's request for a report on the Student Administration System in April 2007 had resulted in the extension of the completion date for some projects. He noted in particular, that testing and reporting on the effectiveness of the operation of key controls at departmental and School level had to be deferred pending the completion of the SAS report, and that, while work in this regard was now underway, it was unlikely that it would be completed by the end of the year. The Committee noted that it was expected that all other projects would be completed according to the planned schedule.

In response to a query, the Internal Auditor advised the Committee that an assessment of internal controls would form part of the Board's reporting to the HEA under the agreed Code of Governance but that the Board, in approving the Code, had advised the HEA that due to the short time for implementation, the College may have to evolve towards giving assurance of full compliance over a longer period of time than the first reporting period of 2006/2007. The Committee noted that the Board would also have to report to the HEA on compliance in relation to a number of governance issues as defined in the Code.

The Committee noted the progress report as presented.

**AD/07-08/04 XXX Consideration of Audited Trust Funds (Benefactions) Financial Statements 2006/2007**

The Treasurer and the Deputy Treasurer, attended for this item. The Treasurer invited the Committee's attention to the Trust Funds (Benefactions) Financial Statements for year 2006/2007 which had been circulated. She highlighted issues in relation to the legal structure of the benefactions and the role of the Investment Committee in managing the funds.

The Committee, noting the College's investment objectives for income and capital growth, indicated that investment targets should be seen as being realistic while at the same time offering sufficient incentives for expansion and growth. The Treasurer advised the Committee that the new investment objectives would continue to be monitored closely during the coming year. She also advised on the capital returns and income deriving from the investments, expressing satisfaction with the funds' achievements in a difficult investment environment.

In response to queries, the Treasurer advised the Committee that the terms of benefactions to the College determine the use to which the funds are put, noting that there is a very wide variation in the size of the individual Trust Funds held by the College. The Committee noted that the primary responsibility for the appropriate use of Trust Funds lies with the Heads of School. The Committee recommended that every opportunity be used to assist Heads of School in the management of funds under their control, noting the important role that the Treasurer's Office, through the financial advisors working with Schools, plays in this regard.

The Treasurer clarified a number of technical issues in relation to the financial statements in response to queries from Committee members.

The Committee, noting that KPMG had indicated that an unqualified audit opinion would be issued, approved the submission of the accounts to Board for approval, following their consideration by the Finance Committee.

Action

The financial statements to be forwarded to Board for approval, following consideration by the Finance Committee.

**AD/07-08/05 XXX IT Security: Review of Recovery and Testing and Procedures**

The Internal Auditor invited the Committee's attention to an interim report on the current status of the College's IT disaster recovery planning and testing, noting that it was intended to include a definitive report in the Committee's Annual Report to Board in December 2007.

The Internal Auditor advised the Committee that, to date, the testing of database and server recoveries had not been part of a structured plan and had been prompted mostly by difficulties which had arisen. He indicated that no significant problems have been encountered in the associated restoration work.

The Committee noted that there is an urgent need to ensure that all critical data and servers are tested as soon as possible in a planned manner. The Internal Auditor advised the Committee that the financial and HR databases and servers had been identified as major critical systems to be tested and that it has been agreed with the relevant personnel that they would be tested shortly.

The Committee, noting that IT security risks will be considered by the Information Policy Committee as part of its review of the IS Services' Risk Register, expressed concern that planned disaster recovery testing had not yet taken place and agreed that this matter would be considered again when the College's internal controls and overall risk management would be reviewed. It was agreed that, if necessary, the Committee's concerns in this regard would be referred to the Information Policy Committee.

Action

The implementation of the College's IT disaster recovery plan to be kept under review and,

if necessary, concerns in this regard to be communicated to the Information Policy Committee.

**AD/07-08/06 XXX Student Administration System** The Chairman invited the Committee's attention to the following documents which had been circulated:

- (a) Memorandum from the Chairman to the Board dated 28 June 2007
- (b) Final Internal Audit Report presented to Board on 4 July 2007
- (c) Draft minute of Board meeting held on 4 July 2007

The Chairman advised the Committee that, following the discussion at the Audit Committee on 25 June 2007 (minute AD/06-07/59 refers), the agreed amendments had been made to the Report and a copy had been circulated to the relevant people in College, prior to the Board meeting on 4 July, together with a memorandum advising of the main changes to the Report compared to the previous draft on which they had been consulted. The Chairman also advised that he, together with Mr Collins and the Internal Auditor, had met with the Provost and the Secretary to the College prior to that Board meeting and discussed the key issues arising from the Report. It was also agreed at that meeting that Mr Collins would present the report to the Board as the Chairman would be out of the country at the time of the Board meeting.

Mr Collins invited the Committee's attention to the main issues which had arisen during the Board's consideration of the Committee's report. He noted that the Board had adopted the recommendation that the College interact with the external consultants as a matter of urgency and that the Audit Committee would develop guidelines to assist the College in the development of procedures for the management of complex projects, noting that these procedures will be considered by Board in due course. It was noted that the assessment for the future options for SAS would be the responsibility of the Bursar and IS Services and would be considered by the Information Policy Committee in due course. In response to a query, the Internal Auditor advised that unless the College proceeded with the development of the SAS in a timely fashion it would not be in a position to exploit and capitalise on the information and knowledge acquired in the developments to date, with the result that the overall financial loss to the College in relation to the work already undertaken would be higher than previously estimated.

The Chairman advised the Committee that on his return from leave in late July, he had met with the Provost to check that there were no outstanding issues in relation to the report on which the Provost required further clarification. At this meeting the Provost commended the Audit Committee, and in particular the Internal Auditor, on the comprehensive SAS report to Board, which he acknowledged had been professionally produced within a very short timescale. The Provost had also advised that, since the Board meeting, he had progressed the recommendation in relation to the College's relationship with the external consultants and had met with the relevant Managing Partner. The Committee noted that the Provost was now satisfied that there should be no ongoing difficulties in the College's relationship with the consultants, who had confirmed that they believed that the new management posts of Chief Operating Officer and Chief Academic Officer should facilitate progressing major projects such as SAS in the future.

The Provost had advised the Chairman, that, following his meeting with the consultants and a subsequent meeting with the Internal Auditor, he had fully satisfied himself in relation to all aspects of the Audit Committee's Report. The Chairman advised the Committee that the Provost had indicated that while the College had suffered a set-back in relation to the SAS project it had, through the detailed analysis of what had gone wrong, was now well positioned for the management and implementation of future projects.

The Committee thanked the Chairman, Mr Collins and the Internal Auditor for progressing matters so effectively with the Board and the Provost since the previous meeting.

Action

The Internal Auditor to draft guidelines to assist the College in the development of procedures for the management of complex projects for consideration by the Committee at its next meeting.

**SECTION B – IMPLEMENTATION ISSUES**

**AD/07-08/07 Engagement with the C&AG** The Treasurer and the Deputy Treasurer attended for this item. The Chairman, by way of introduction, invited the Committee's attention to the discussions which had taken place with the Office of the C&AG's Director of Audit at a meeting of the Committee on 27 February 2007 (minute AD/06-07/46 refers) and to the proposals for the future involvement of the C&AG in the College's audit procedures which had been sent to the Director of Audit on 18 June 2007 and to which, as yet, no reply had been received. The Committee, noting that the audit cycle for the year ended 30 September 2007 will commence at the next Committee meeting on 2 October 2007, requested the secretary to the Committee to contact the C&AG's Director of Audit to confirm that as no reply has been received, the proposals for interaction as outlined on 18 June will be taken as agreed, and that they will come into effect forthwith.

The Deputy Treasurer invited the Committee's attention to the Letter of Engagement which had been received from the C&AG in relation to the audit of the 2005/2006 consolidated Financial Statements. He noted that such a letter had not been received for 2004/2005. He then invited the Committee's particular attention to a requirement that the C&AG 'clear' accounts prior to signature by the Directors. The Committee noted that this requirement would not be possible as the College is obliged to meet the Statutory deadline for the consideration of the Funding Statements by the Board at the first meeting of Hilary Term. In discussion, the Committee agreed that the proposals presented to the Director of Audit in the letter of June 2007 would offer an equivalent, if not greater, opportunity to the C&AG to participate in the College's audit procedures than the 'clearance' requirements as outlined in the Letter of Engagement. Accordingly it was agreed that, following the issuing of the proposed letter to the C&AG from the secretary, the Treasurer's Office should interact with the C&AG Audit Team on the basis set out in the letter of 18 June 2007.

Actions

- 7.1 The secretary to the Committee to write to the C&AG's Director of Audit to confirm arrangements for the future involvement of the C&AG in the College's audit process, copying the letter to the Treasurer
- 7.2 The Treasurer's Office to address the C&AG's requirement to 'clear' accounts prior to signature through the operation of the procedures advised to the Director of Audit on 18 June 2007 and now deemed to be agreed.

**AD/07-08/08 Self-Evaluation of the effectiveness of the Audit Committee** The Chairman invited the Committee's attention to the proposed self-evaluation of the effectiveness of the Audit Committee, noting that the format was the same as that used in previous years. The Committee agreed that members would complete the form and return it to the Chairman for analysis by Friday 5 October.

Action

The secretary to the Committee to forward an electronic copy of the form to Committee members.

**SECTION C – ITEMS FOR NOTING**

- AD/07-08/09 C&AG Reports on Financial Statements for the years ended 30 September 2003 and 2004** The Treasurer and the Deputy Treasurer attended for this item. The Committee noted the letter from the Senior Auditor in the Office of the C&AG to the Treasurer, dated 12 July 2007, accompanied by the Audit Reports for the years ended 30 September 2003 and 2004. The Deputy Treasurer invited the Committee’s attention to the fact that an unqualified audit opinion had been issued for both years and that, as a result, there were no points arising from the audits that warranted the issuing of a Management Letter in either case. The Chairman commended the Treasurer’s Office for their role in managing audit processes spanning a period from 2002/2003 to the present.
- AD/07-08/10 Schedule of Audit Committee meetings for 2007/2008** The Committee noted the schedule of Committee meetings for 2007/2008 as circulated.
- AD/07-08/11 Membership and Terms of Reference** The Committee noted the memorandum from the Assistant Secretary, dated 9 July 2007, outlining the Committee’s membership for 2007/2008 and its Terms of Reference as approved by Board at its meeting on 4 July 2007.
- AD/07-08/12 Training** The Chairman invited the Committee’s attention to a seminar on Financial Risk Management which was being run by the Audit Committee Institute on Friday 21 September 2007 which might provide a useful training session for members.

Signed: .....

Date: .....