

The University of Dublin

Trinity College

Minutes of Audit Committee, Monday 1 December 2008

- Present* Mr T Forsyth (Chairman), Mr J Collins, Professor J McGilp, Professor B McGing, Mr P O'Reilly
- (ex officio)* Internal Auditor (secretary), College Secretary (Acting)
- In attendance:* Ms S Mac Bride
- Apologies* Professor J O'Hagan

The Treasurer (Acting), the Financial Resources Manager and Ms L Gallagher, Mr R Hobson and Mr C Moran from KPMG attended for minute AD/08-09/28.

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

AD/08-09/24 Minutes The Minutes of the meeting held on 6 November 2008 were approved and signed.

AD/08-09/25 Call-over The Committee noted the actions which had been implemented since the previous meeting and those which remained out-standing.

SECTION A - POLICY ISSUES

AD/08-09/26 Consideration of Draft Annual Report to Board The Chairman, introducing the topic, invited the Committee's attention to a memorandum from the Internal Auditor, which had been circulated, together with the draft Annual Report of the Committee for 2008. The Committee, noting that the final version of the Report will be considered by Board at its meeting on 9 December 2008, also noted that the document is in two main parts: one being a report of record for the year and the other inviting Board's attention to key strategic management risks facing the College which have been raised in previous years by the Committee.

The Committee, noting that it had considered the response of the Executive Officers' Group to the Mid-Term Report at its meeting on 6 November [AD/08-09/21 refers], agreed that the Annual Report, as drafted, reflected fairly the positive actions proposed by Executive Officers to address the key strategic management risks while also recognising those actions which have yet to be implemented. In the context of a discussion on the Student Administration System, the Committee noted the advice of the College Secretary (Acting) that there have been recent developments in regard to plans for developing the College e-strategy. In the course of a detailed discussion on the draft Report, a number of other issues were raised and the Committee agreed that the Internal Auditor would complete the Report taking account of those issues. Noting the proximity of the circulation date for Board papers, the Committee also agreed that the final Draft Report would be circulated to the Committee Members by email for comment prior to its circulation to Board.

Action

The Internal Auditor to complete the report and circulate it to the Committee Members by email for comment.

AD/08-09/27
XXX

Consideration of draft College Assurance Framework At the invitation of the Chairman, the Internal Auditor drew the attention of the Committee to a memorandum and a document entitled: *Draft Assurance Framework*, both of which he had prepared and which had been circulated and he also referred to the Committee's discussions at its meeting of 15 October 2008 [Minute AD/08-09/07 refers]. He outlined the rationale behind the document as being:

- (i) to contribute to the process in College leading to the formation of the Board's Statement on Internal Control; and
- (ii) to provide the Board with a framework, outlining the supports available, to facilitate it in making as robust a Statement on Internal Control as possible.

He proposed that, following consideration by the Committee, the draft framework would be forwarded to Board for consideration along with the Annual Report.

The Committee, noting that the ultimate function of these assurances is to support Board in meeting its obligations under the Code of Governance, agreed that:

- (i) assurance should be provided to Board from all appropriate sources across College;
- (ii) that such assurance should encompass compliance with legislative and regulatory requirements;
- (iii) adopting procedures as outlined in the framework would facilitate Board in issuing the most robust Statement possible, underpinned by a transparent process.

The Committee, also agreeing that the draft framework could be useful to Executive Officers in initiating a process leading to the Statement on Internal Control, approved the recommendations and proposals in the document.

Action

The Internal Auditor to incorporate the issues raised by the Committee in the draft framework, for circulation to Board, to accompany the Committee's Annual Report.

SECTION B - IMPLEMENTATION ISSUES

AD/08-09/28
XXX

Audit of the 2007/08 Funding Statements - Key Judgements and Provisions
The Treasurer (Acting), present by invitation, noted that the expected outturn for the year will be a deficit of €0.9m. He advised the Committee that the Accounting Policies being applied in the preparation of the Funding Statements for 2007/08 would be the same as those in the previous year and that the format of the Funding Statements had been approved by the HEA on 4 September 2008. The Treasurer (Acting) invited the Committee's attention to a paper, which had been tabled, outlining key areas in which judgements, provisions and allocations will be made in the preparation of the Funding Statements for 2007/08 as follows:

Income

- (i) Fixed Term Workers Act 2003
- (ii) Supplementary Grant for 2008

Provisions

- (iii) Fixed Term Workers Act 2003
- (iv) General Research Provision
- (v) Legal Provision
- (vi) Review Body on Higher Remuneration pay awards

Allocations

- (vii) Faculty Strategic Allocation
- (viii) Student Services Allocation
- (ix) Purchase of property
- (x) IT Business Continuity/Disaster Recovery
- (xi) Contribution to Capital Projects

The Treasurer (Acting) also advised the Committee that when presenting the Funding Statements he will highlight the significant issues associated with the Statements, including key ratios and trends.

In the course of a discussion on each issue, the Treasurer (Acting) and Ms Gallagher, from KPMG, present by invitation, clarified a number of technical queries.

Referring to the provision for obligations under the Fixed Term Workers Act, 2003, the Treasurer (Acting) advised the Committee that:

- (i) College had taken a conservative approach and set aside significant amounts that it would have otherwise invested in strategic initiatives;
- (ii) by curtailing its strategic spending in order to avoid large deficits, College is now relatively well positioned to meet the challenges presented by the current economic climate;
- (iii) it is anticipated that the pension assets and liabilities (including those related to Fixed Term Workers) will transfer to the State in the near future, which will allow College to release the provision for re-investment in strategic initiatives.

In response to a query, the Treasurer (Acting) stated that it is imperative for the Board to commit the once off funding from the release of the provision to strategic purposes in order that the College is not disadvantaged within the sector in the future for prudent financial management and making best efforts to comply with the Universities legislation with regard to deficits.

Ms Gallagher advised the Committee that the Auditors were satisfied that the judgements and provisions had been correctly stated in the draft Funding Statement and that there were no other issues which needed to be brought to the Committee's attention at this stage.

The Chairman thanked the Treasurer (Acting) and KPMG for their presentation to the Committee.

AD/08-09/29
XXX

ARAM The Chairman invited the Committee's attention to the report of PA Consultants and a paper from Professor O'Hagan, both of which had been circulated.

The College Secretary (Acting) advised the Committee that the PA Consultants' report was presented to Board on 19 November 2008 and, tabling a copy of the

draft minute, advised that Board had agreed to proceed in principle with the proposals contained in the report. She further noted that there would be a report to the next Board meeting on the adjustments and weightings to be used following which an orderly timescale would be adopted to implement the model.

The Committee noted that the Consultants' recommendations relating to: the establishment of a strategic planning unit; moving to a future facing model; and the need for new software to service management's requirements had all been envisaged in the original ARAM concept but not implemented. The Committee, agreeing that it is important that all aspects of ARAM are finalised and implemented as soon as possible, welcomed the fact that the Taskforce will also be reporting to the next Board meeting. The Committee, agreeing that it would be necessary to review developments again at its next meeting on 19 December, agreed that its role is not to comment on the detailed mechanics of ARAM but on the overall process and its implementation.

In the course of a long and detailed discussion, concerns were raised about the need to ensure changes to the model would not result in unforeseen outcomes, such as rewarding already over-funded areas, or in undue delay in completing the implementation of a system to strategically allocate resources. The Committee agreed that, as previously recommended in its Mid-Term Report to Board, a full assessment should be carried out of the risks involved in implementation of the final model and a review of the implications and plans to deal with them should be brought to Board. The Committee, agreeing that such a review should measure the impact on the grant allocation, which is determined by the HEA on a different basis, concluded that the allocation of funds received should follow College's own strategy, in the full knowledge of the implications for College of its future share of State funds.

Noting that academic units have been making staff appointments based on the current ARAM parameters, the Committee agreed that it will be important that the finalisation of the model and the timing of its implementation would be achieved in tandem with the Strategic Planning process so that a cohesive link between strategic planning and strategic decisions can be maintained.

Action

The Committee secretary to include consideration of ARAM developments on the agenda for the next meeting of the Committee.

AD/08-09/30
XXX

Committee self-evaluation The Chairman invited the Committee's attention to a memorandum, which had been circulated, detailing the results of the self-evaluation of the Committee which had been undertaken by the members of the Committee, the Internal Auditor, the External Auditors, and the College Secretary (Acting). The Chairman drew attention to the separate presentation of KPMG's scores and comments.

The Chairman, noting that the results of the Committee's self-evaluation indicated a high level of satisfaction in its effectiveness, invited attention to a number of areas, which the evaluation had suggested could be improved. The Internal Auditor, referring to the 2008 International Audit Committee Member Survey, which had been circulated for another agenda item, drew the attention of the Committee to a number of areas that may also offer scope for improvement in effectiveness.

- (i) The Committee, discussing the results of the evaluation, agreed a

number of actions and that further consideration would be given to others at a later date.

Actions:

- 30.1 The Committee secretary and the Chairman to ensure that agreed actions for improvement are implemented and to incorporate consideration of the Committee's effectiveness on a future agenda.
- 30.2 The Chairman to report to the next meeting of the Committee.

SECTION C - ITEMS FOR NOTING

AD/08-09/31 Insurance - Officers and Directors Liability Policy The Committee noted the memorandum from the Committee secretary of 21 November 2008, which had been circulated.

AD/08-09/32 Correspondence with C&AG The Committee noted the letter from the Committee secretary to the Vice-Provost/Chief Academic Officer and the Chief Operating Officer dated 18 November 2008, which had been circulated.

AD/08-09/33 Board papers The Committee noted the Board agendas and minutes which had been circulated.

AD/08-09/34 Current Developments and Practices in Audit The Committee noted the Audit Committee Institute Quarterly Bulletin and the 2008 International Audit Committee Member Survey, both of which had been circulated.

Signed:

Date: