

The University of Dublin

Trinity College

Minutes of Audit Committee, Friday 19 December 2008

Present Mr T Forsyth (Chairman), Mr J Collins, Professor J McGilp, Professor B McGing, Professor J O'Hagan, Mr P. O'Reilly

(ex officio) Internal Auditor, College Secretary (Acting)

In Attendance Ms S Mac Bride

Apologies

The Vice-Provost/Chief Academic Officer, the Chief Operating Officer and Katrin Dreyer Gibney attended for minute AD/08-09/38

The Treasurer (Acting) and the Financial Resources Manager attended for minutes AD/08-09/39, 42 and 43 (part)

Ms L Gallagher, Mr R Hobson and Mr C Moran from KPMG attended for minutes AD/08-09/42 and 43 (part)

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

AD/08-09/35 **Minutes** The minutes of the meeting held on 1 December 2008 were approved and signed.

AD/08-09/36 **Call-over** The Committee noted the actions which had been implemented since the previous meeting and those which remained outstanding.

AD/08-09/37 **Matters arising** The Committee noted there were no matters arising.

SECTION A - Policy Issues

AD/08-09/38 **Risk Management in College** The Chairman welcomed the Vice-Provost /Chief Academic Officer, the Chief Operating Officer and Ms Katrin Dreyer Gibney to the meeting. He noted that the report which had been circulated, containing the College's High Level Risk Register, included overall risks judged to be critical to the College as identified by both the academic and the administrative and support areas. Inviting the Chief Operating Officer to introduce the report, the Chairman noted that the Committee focus at this point would be on the process that had been followed and to consider what future action should be taken in response to the issues identified. The Chief Operating Officer, advising the Committee that the report had been compiled following significant engagement across the College in order to identify the significant risks, advised that it had involved reviewing the individual supporting registers compiled by administrative units and the faculties. He outlined the procedures followed to assess all risks and to identify those of greatest significance in a College context. Drawing the attention of the Committee to the report, he referred in particular to four broad areas of risk to the College and noting the key actions attached to each risk, advised that these and other risks will be reviewed on an on-going basis.

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During the course of a detailed discussion, Committee members raised a number of issues which it was agreed were interlinked with the four broad

areas outlined by the Chief Operating Officer and it was noted that work on these areas would be on-going and should be facilitated by the new faculty structure.

In response to queries, the Chief Operating Officer and the Vice-Provost/Chief Academic Officer also clarified a number of issues relating to the process and future plans for management of the risks. The Committee noted that certain areas, such as Research Institutes and the Science Gallery, which have a semi-autonomous status have not yet been incorporated into the risk assessment process.

It was also noted that in order to achieve ambitious goals an increased degree of risk taking can be necessary and that the focus needs to be on how risk is managed rather than trying to eliminate it. In the course of a discussion on efforts made in the past to quantify an appropriate level of risk taking, the Internal Auditor undertook to provide the Vice-Provost/Chief Academic Officer with a copy of documentation produced by external consultants on the risk appetite of College.

The Committee welcomed the progress made in the assessment process and, noting that the challenge would now be to embed the management of the risks into routine management operations, recommended that a review of the risks and associated management actions be a regular item on the agenda for the Executive Officers' Group and that papers to Board requiring decision should, in future, include a risk assessment.

It was agreed that at a future date some of the individual risk assessments supporting the overall Risk Register should be reviewed by Internal Audit and by the Committee so as to assess the effectiveness of the management actions being taken. It was also agreed that the Internal Auditor would draft a report to Board on behalf of the Committee and circulate it to members for approval by email.

Action:

- 38.1 The Internal Auditor to provide a copy of the risk appetite information to the Vice-Provost/Chief Academic Officer.
- 38.2 The Internal Auditor to draft a report to Board on behalf of the Committee and circulate it to members.

AD/08-09/39
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Consideration of College financial flexibility The Committee, noting the memorandum from Professor J O'Hagan entitled: *Financial Flexibility and Balance - Issues for Audit Committee*, which had been circulated, considered the issues as presented by Professor O'Hagan. In the course of a comprehensive discussion on the current and expected economic climate and its potential impact on College, the Treasurer (Acting) advised the Committee that, due to the current national economic crisis, financial flexibility within College is essential to deal with the challenges that lie ahead. The Treasurer (Acting) advised that the College is putting measures in place to deal with these challenges, including the acceleration of the approved Action Plan and the establishment of the Funding Group to explore all options open to the College. The Treasurer (Acting) further advised that other areas may also need to be considered including:

- Generation and diversification of future income streams
- Future pruning or ceasing of activities
- Rationalisation within the sector
- Sharing of services

He also noted that the Provost has indicated to Board that all issues will be under review in order to ensure the College's continued level of success.

The Committee, noting that the new structures within College should allow College to deal with these challenges more speedily, welcomed the proposed actions and stressed the importance of prompt action to avoid events overtaking the proposed plans. In conclusion, the Committee noted that all future decisions must ultimately be strategically based in order to maintain the College's current strong position.

AD/08-09/40 Review of Strategic Plan 2003-2008 The Committee noted the correspondence from the Secretary of the Strategic Planning Group to the Chairman, dated 12 December 2008. After a discussion, the Committee agreed that the Internal Auditor would draft a response on behalf of the Committee.

Action

The Internal Auditor to make a response to the Strategic Planning Group on behalf of the Committee.

AD/08-09/41 Committee self-evaluation - Allocation of Audit Committee time The Committee acknowledged that it would continue to focus on its core functions and concentrate on allocating its resources appropriately. It was agreed that the development of the risk assessment process would ultimately enable the Committee to focus on the key risk areas and so optimise the effective use of its time.

SECTION B - Implementation Issues

AD/08-09/42 Consideration of Funding Statements for 2007/08 The Treasurer (Acting) and the Financial Resources Manager attended for this item along with Ms Gallagher, Mr Hobson and Mr Moran of KPMG.

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The Committee noted the following documents, which had been circulated for consideration under this item:

- a) Report from KPMG
- b) Funding Statements for year ended 30 September 2008
- c) Additional Information for the year ended 30 September 2008
- d) Draft Letter of Representation to KPMG (Appendix 1 to KPMG Report)
- e) Memorandum from the Treasurer, dated 8 December 2008

Ms Gallagher invited the Committee's attention to the report from KPMG, advising that the audit was now complete, and an unqualified audit report would be issued subject to the consideration and approval by the Board of the Funding Statements and receipt of the letter of representation. She confirmed that there was no change in the representations being sought compared to the previous year.

In presenting the key findings of the audit, Ms Gallagher invited the Committee's attention to the impacts on the Funding Statements arising from:

- a) Impact of once-off factors on the reported deficit
- b) Fixed term workers

- c) Pensions
- d) Research activity
- e) Provisions, accruals and contingencies
- f) Internal Balances
- g) Capital projects
- h) Risk management
- i) Systems of internal control
- j) Standardisation and the need for an integrated financial management system
- k) IT controls

She noted that there had been no changes from the decisions agreed at the previous meeting with the Committee which had considered key judgments and provisions in respect of those areas (minute AD/08-09/28 refers).

Ms Gallagher, stating that the accounting policies and format of the accounts are unchanged and that there were no unadjusted differences arising, assured the Committee that there were no audit issues of concern to be brought to its attention. She also stated that no issues of concern had been noted in the course of the audit in relation to the following:

- a) Compliance with laws and regulation
- b) Fraud and illegal acts
- c) Related party transactions
- d) Taxation

The Treasurer (Acting) invited the Committee's attention to a memorandum, dated 8 December 2008, which had been circulated, in which he presented his report on the Funding Statements for the year-ended 30 September 2008. He reviewed the financial performance of the year, noting the key outcomes. He also noted the impact of the decisions taken in relation to the provisions for the liabilities arising from the Fixed Term Workers Act and highlighted the key issues in relation to the College's capital programme. The Treasurer (Acting) noted the strength of the Balance Sheet and invited the Committee's attention to future developments and the steps that the College must take to meet its strategic objectives in the context of the expected challenging economic environment. He concluded by stating that the effective break-even for the year had been satisfactory from a financial perspective, noting the strong Balance Sheet at year-end.

The Treasurer (Acting) tabled a presentation on the Funding Statements including an analysis of trends and ratios. Following a detailed discussion, during which the Treasurer (Acting) responded to a number of queries, the Committee agreed that the Funding Statements together with the letter of representation and the draft unqualified audit opinion should be forwarded to the Board for consideration and approval. Noting the draft memorandum to Board to accompany the audit documents, which had been circulated, the Committee agreed that the Internal Auditor would finalise the memorandum and circulate it to Board.

Action

The Internal Auditor to finalise the memorandum and forward it to Board along with the audited 2007/08 Funding Statements and accompanying documents with a recommendation that they be approved.

AD/08-09/43 Evaluation of performance of audit In response to queries from the Chairman, Ms Gallagher advised that the audit had proceeded very smoothly and according to plan and that there had been very good support

and cooperation from the Treasurer's Office throughout. In response to a query, Ms Gallagher advised the Committee that KPMG ensure their continued independence through internal processes including control over acceptance of non-audit services and periodic partner rotation. She also confirmed that no non-audit services were provided to College during the year. Ms Gallagher, noting that the Chairman will be retiring from the Committee after this meeting, wished him well. The Chairman thanked KPMG for their work before they withdrew.

The Treasurer (Acting) and the Financial Resources Manager, joining the meeting, confirmed that the audit had proceeded well and that all broad risk areas, both financial and relevant non-financial, had been addressed appropriately and that the external audit team had been satisfactorily staffed.

The Chairman thanked the Treasurer (Acting) and the Financial Resource Manager for attending the meeting and their contribution to the discussions. He also expressed the Committee's appreciation to the staff in the Treasurer's Office for their work throughout the year before they withdrew. Following a further discussion on the conduct of the audit the Committee expressed satisfaction with the performance of the external auditors and the execution of the audit.

AD/08-09/44 **Update on ARAM** The Internal Auditor advised the Committee that ARAM was still at the design stage and parameters were still under review in efforts to develop it into a new forward facing Resource Planning Model (RPM). The Committee noted the need to finalise and implement the RPM but that its finalisation and implementation needs to be based on a risk assessment of the potential outcomes.
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SECTION C - Items for Noting

AD/08-09/45 **Annual Report considered by Board** The Committee noted the Annual Report to Board, which had been presented to Board on 9 December 2008. The Chairman advised the Committee that the report had been well received and that the Board had expressed its appreciation to the Committee for its work during the past year.

AD/08-09/46 **Audit of 2008/09 Funding Statements** The Committee noted the Letter to Mr Seamus McGrattan, Deputy Auditor, Office of the C&AG from the Audit Committee secretary dated 12 December 2008 and that no matters had been addressed to the Committee secretary for the attention of the Audit Committee. The Committee also noted the Prompt Payments of Accounts Act, 1997: Report from KPMG dated December 2008.

AD/08-09/47 **Ghala Limited** The Committee noted the financial statements of Ghala Limited, which had already been approved by the directors.

AD/08-09/48 **Current Developments and Practices in Audit** The Committee noted the Financial Reporting Council publications dated November 2008 entitled: *Challenges for Audit Committees arising from current economic conditions*.

AD/08-09/49 **Meeting Schedule** The Committee noted the updated Audit Committee meeting schedule for 2008/2009.

AD/08-09/50 **Board Papers** The Committee noted the documents which had been circulated and welcomed the new procedure, recently initiated by Board, to track the status of its decisions.

AD/08-09/51 **Committee membership** Under Other Business the Committee extended its appreciation to Mr Forsyth, who was attending his last Committee meeting after more than four years as Chairman and thanked him for his very significant and unstinting work in support of the Audit Committee in College and the very significant contribution he had made over that period.

Signed:

Date: