

The University of Dublin

Trinity College

Draft Minutes of Audit Committee, Wednesday 12 January 2011

- Present* Mr P O'Reilly (Chair), Ms J O'Neill, Professor J McGilp, Professor J O'Hagan, Professor J Horne
- Apologies* Mr J Collins
- (ex officio)* Internal Auditor (secretary), Secretary to the College
- In Attendance* Ms M Thompson
- The Treasurer, Research Accounting Manager and Financial Accountant attended for items AD/10-11/41 and AD/10-11/42
- Ms L Gallagher, Mr S O'Keefe, Mr R Hobson and Mr S Hearn of KPMG attended for items AD/10-11/41 and AD/10-11/42
- The Chief Operating Officer attended for items AD/10-11/41, AD/10-11/42 and AD/10-11/43.
- The Pro-Vice-Provost/Chief Academic Officer attended for items AD/10-11/43.
- (Items of specific interest to the Board are denoted XXX)
- AD/10-11/38 Minutes**
The Minutes of the meeting held on 30 November 2011 were approved and signed.
- AD/10-11/39 Call-over**
The Committee noted the actions which had been implemented since the previous meeting and those that remained outstanding.
- AD/10-11/40 Matters Arising**
The Committee noted there were no matters arising.

SECTION B - IMPLEMENTATION ISSUES

- AD/10-11/41 XXX Consideration of Funding Statements for 2009/2010**
The KPMG team, present by invitation, advised that the audit had proceeded satisfactorily and according to plan and that they had no matters of a material nature to bring to the attention of the Committee.
- The Chairman then invited the Chief Operating Officer, Treasurer, Financial Accountant and Research Accounting Manager to join the meeting and drew the Committee's attention to the following documents, which had been circulated for consideration:
- a) Memorandum from the Treasurer, dated 5 January 2011 - draft Finance Committee minute
 - b) Treasurer's Report on Funding Statements for 2010
 - c) Funding Statements for the year ended 30 September 2010
 - d) Funding Statements - Additional Information for year ended 30 September 2010

- e) Draft Letter of Representation to KPMG
- f) Report from KPMG on the Funding Statements Audit
- g) Draft summary letter to Chairman from KPMG

The Treasurer invited the Committee's attention to the Treasurer's Report on the Funding Statements for the year ended 30 September 2010. He also drew the Committee's attention to a tabled presentation on the Funding Statements in which he summarised key trends and ratios. Noting that the Funding Statements represent the first stage of the College's financial reporting requirements, the format of which had been approved by the HEA in November 2010, he advised that the external auditors expect to issue an unqualified audit opinion following approval by Board on 26 January 2011. In response to a query he confirmed that the format and content of the accounts, as previously discussed by the Committee, would be reviewed now that matters were up to date.

The Treasurer briefed the Committee on the financial performance for the year, noting that the outturn for 2009/10 is effectively a break-even position. He provided the Committee with details of income and expenditure, key figures from the Balance Sheet, and details of the pay to non-pay ratio for the years 2006 to 2010. He drew the Committee's attention to key highlights in terms of net assets, fixed asset additions, new disclosures and advised that the College has no accumulated capital deficit.

The Committee noted the level of research activity for 2009/10 including the proportion of research investment from exchequer and other sources in the 2006 to 2010 period, as well research funding projections and trends covering a five period up to 2014/15.

Ms Gallagher invited the Committee's attention to the Report from KPMG and advised the Committee that the audit was now substantially complete and they were satisfied that it was conducted in accordance with the Plan as presented to a previous Committee meeting. Ms Gallagher confirmed that an unqualified audit report would be issued subject to consideration and approval by Board of the Funding Statements and receipt of the letter of representation. Ms Gallagher advised that there are no audit issues of concern to be brought to the attention of the Committee and that no material control weaknesses had been identified. She also advised that there were no adjusted differences, which impacted on the Income and Expenditure Account and that there were no unadjusted audit differences.

In presenting the key findings of the audit, Ms Gallagher invited the Committee's attention to the following significant issues:

- Pension scheme liabilities and credit to I&E
- Financial implications of a possible future Voluntary Early Retirement Initiative (VERI)
- Capital Projects
- Bank Loan/Covenant compliance
- Research activity
- Provisions and accruals

In response to a query concerning setting aside funds for a strategic initiative, a possible Incentivised Early Retirement Initiative (VERI), Ms Gallagher advised that the deferral of €7.3m of state grant income together with the reallocation of the pension accrual is in accordance with the Harmonised Basis rules.

Ms Gallagher advised the Committee that as part of the audit process, a specialist team also examines IT issues and she invited Mr Hearn their IT expert to comment on this aspect of their Report. Mr Hearn advised the Committee that given the importance of IT to College, they made some

observations and recommendations in regard to the structure and governance of IT for the College as a whole, as well as specific comments on the e-strategy project, a major IT initiative for College at present. He advised that significant progress had been made in past year and that the observations offered in their Report were additional to the audit and did not impact on their audit opinion.

Following a discussion in which the Treasurer and representatives of KPMG, clarified a number of issues, the Committee agreed that the Funding Statements, together with the letter of representation, should be recommended to Board for consideration and approval.

The Chairman thanked the KPMG team for their work before they withdrew from the meeting.

The Treasurer confirmed that the audit had proceeded efficiently and that he was satisfied with the conduct of the audit. The Chairman thanked the Treasurer, Financial Accountant and Research Accounting Manager for attending meeting and their contributions to discussions.

Following a discussion, it was agreed that the Chairman's memorandum to Board on the Funding Statements would refer to certain specific issues mentioned in the KPMG Report that are relevant to Board.

Action:

- 41.1 The Internal Auditor to finalise a Memorandum to Board and forward it along with the audited 2009/10 Funding Statements and accompanying documentation with a recommendation that they be approved.
- 41.2 The Treasurer to review opportunities to improve the format and content of the accounts.

AD/10-11/42 Ghala Limited

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The Committee noted the Financial Statements for Ghala Limited for the year ended 30 September 2010 and the letter of representation, dated 30 November 2010, which have already approved by the directors.

AD/10-11/43 Risk Management in College

The Chairman welcomed the Chief Operating Officer and Pro Vice-Provost/Chief Academic Officer to the meeting. Introducing the item, the Chief Operating Officer drew the Committee's attention to the following documents, which had been circulated for consideration:

- a) Memorandum from the Chief Operating Officer, dated 5 January 2011
- b) College High Level Risk Register
- c) Summary to changes to High Level Risk Register

The Chief Operating Officer advised the Committee that the High Level Risk Register is the result of an active process of engagement across College. The Chief Operating Officer briefed the Committee on the status of individual risks, advising that of the seventeen College Risks identified, one risk is classified as "critical", nine risks classified as "high" and seven classified as "medium". In particular, she drew the attention of the Committee to the general funding risk, classified as critical and the steps in place to manage this risk effectively.

The Pro Vice-Provost/Chief Academic Officer briefed the Committee on the academic risks identified in Register and the Chief Operating Officer confirmed that Executive Officers Group will continue to monitor risks and updates will continue to be provided on a quarterly basis.

During a discussion, Committee members welcomed the document and

progress made to date but reiterated the importance of embedding the process in College's management procedures at all levels. Committee members also reiterated the need for the inclusion of robust risk assessments in all proposals going to Board for approval. The need to align resource allocation with risk assessment was also emphasised. It was also noted by members that some risks are not easily resolved and that the purpose of risk management is not to eliminate risk but to manage it effectively. In this regard, the Committee also noted that "risk appetite" is another factor to consider and that an acceptance of a high risk may be justified by the potential rewards and benefits.

The Chairman thanked the Chief Operating Officer and Pro Vice-Provost/Chief Academic Officer for attending the meeting and their contributions to discussions.

In a discussion that followed, the Committee noted certain areas identified in the Risk Register for consideration in finalising the internal audit work plan to be brought to the next meeting. The Committee agreed that the Internal Auditor would finalise a memorandum to Board expressing the views of the Committee on risk management and taking account of the Committee's views, as expressed in its 2010 Annual Report recently presented to Board.

Action:

- 43.1 The Internal Auditor to finalise a Memorandum for Board expressing its views as discussed
- 43.2 The Internal Auditor to finalise the work plan taking account of the Risk Register

SECTION C - ITEMS FOR NOTING

- AD/10-11/44 Audit of 2009/10 Funding Statements**
The Committee noted and approved the Prompt Payments of Accounts Act, 1997: Report from KPMG dated 8 December 2010, which had been circulated.
- AD/10-11/45 Current Developments and Practices in Audit**
The Committee noted the extract from the 2010 International Audit Committee member survey results, which had been circulated, commenting that this was an interesting and useful document.
- AD/10-11/46 Board Papers**
The Committee noted the Board Agenda and Board Minutes, which had been circulated, with particular reference to:

BD/10-11/058 Mid-term Academic Review - Final report from Task Force
The Committee, noting the context for the issues raised in this minute and the revised structure for Academic Committees reporting to Council, noted Dr McGilp's dissension from the Board's decision that the Dean of Research would replace an elected Board Member as chair of the Research Committee.