

The University of Dublin

Trinity College

Minutes of Audit Committee, Wednesday 11 January 2012

Present Mr J Collins (Chair), Ms J O'Neill, Mr P O'Reilly, Professor J McGilp, Professor J O'Hagan, Professor J Horne

(*ex officio*) Internal Auditor (secretary), Secretary to the College

In Attendance Ms M Thompson

Mr S O'Keefe and Mr R Hobson of KPMG and the Treasurer and the Financial Resources Manager attended for items AD/11-12/46 to AD/11-12/48

The Vice-Provost/Chief Academic Officer and the Chief Operating Officer attended for items AD/11-12/49

The Chief Operating Officer attended for item AD/11-12/50

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

AD/11-12/43 Minutes
The Minutes of the meeting held on 24 November 2011 were approved and signed.

AD/11-12/44 Call-over
The Committee noted the actions which had been implemented since the previous meeting and those that remained outstanding.

AD/11-12/45 Matters Arising
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In reference to AD/11-12/23, the Internal Auditor advised the Committee that he understood a report from the Chief Operating Officer on e-Strategy, encompassing the GeneSIS project, would be brought to Board in the near future and would address the issues raised in the recent audit report. The Committee requested it be kept informed of developments and agreed that it would be important the Committee satisfy itself that the responses to the issues that existed in early November, when the audit was completed and the report issued, reflect the actual situation that existed at that time.

Action:

The Internal Auditor to keep the Committee apprised of the responses to the audit report on the GeneSIS project.

SECTION B - IMPLEMENTATION ISSUES

AD/11-12/46 Consideration of Funding Statements for 2010/11
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The KPMG team, present by invitation, advised that the audit had proceeded very efficiently and according to plan and that there had been very good support and cooperation from the Treasurer's Office throughout and that KPMG had no issues to raise other than as contained in their report. In response to the Chairman's request, KPMG agreed to consult the Chief Operating Officer in future audits at the planning stage.

The Chairman then invited the Treasurer and Financial Resources Manager to join the meeting and drew the Committee's attention to the following documents, which had been circulated for consideration:

- a) Treasurer's Report on Funding Statements for year ended 30 September 2011
- b) Funding Statements for the year ended 30 September 2011
- c) Funding Statements - Additional Information for year ended 30 September 2011
- d) Draft Letter of Representation to KPMG
- e) Report from KPMG on the Funding Statements Audit

The Treasurer invited the Committee's attention to the Treasurer's Report on the Funding Statements for the year ended 30 September 2011. He also drew the Committee's attention to a tabled presentation on the Funding Statements in which he highlighted key trends, together with the Finance Committee Minute of 14 December 2011 with regard to the Funding Statements. 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 August 2011, he advised that the external auditors expect to issue an unqualified audit opinion following approval by Board on 25 January 2012.

The Treasurer briefed the Committee on the financial performance for the year, noting that the College had balanced its budget and that the outturn for 2010/11 is effectively a break-even position. The Treasurer and the Financial Resources Manager provided the Committee with details of income and expenditure and key figures from the Balance Sheet. They drew the Committee's attention to key highlights in terms of net assets, fixed asset additions and new disclosures and advised that the College has no accumulated recurrent or capital deficit.

The Treasurer advised of the significant financial challenges facing College in the current economic climate and of the need to maintain financial flexibility in order to meet Strategic objectives.

The Committee noted the level of research activity for 2010/11 including the proportion of research investment from exchequer and other sources.

Mr O'Keefe 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 Audit Plan as presented to a previous Audit Committee meeting. Mr O'Keefe 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. Mr O'Keefe 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. He also drew attention to the adjusted differences, one of which, based on input from the College's solicitors, impacted on the Income and Expenditure Account and confirmed that there were no unadjusted audit differences.

In presenting the key findings of the audit, Mr O'Keefe invited the Committee's attention to the following significant issues:

- Capital Projects - Biosciences Claim
- Capital Projects - Property Valuations
- Capital Projects - Lir/Capital additions
- Research Projects
- Judgemental Provisions
- Voluntary Early Retirement Initiative (VERI)
- Funding Statements - presentation and disclosure

During a discussion that followed, the Treasurer and representatives of KPMG clarified a number of issues in response to comments by the

Committee members. In particular the Treasurer emphasised that, in order to achieve the College's strategies on a financially sustainable basis in the context of the financial challenges ahead, the College should continue to focus on the three main areas of non exchequer income generation - international student intake, commercialisation and philanthropy - coupled with strategic re-profiling/reductions in pay and non-pay expenditure.

The Committee, expressing caution about the income targets and the consequences of not achieving them and the need for investment to generate new sources of income, agreed that it is important to also keep costs under scrutiny noting that the College is relatively well placed to meet the future challenges.

The Committee noted that KPMG hoped to complete their audit of the 2009/2010 consolidated financial statements by mid-January 2012 and that these financial statements would be sent to the Finance Committee and Audit Committee on completion of the C&AG review of same.

In conclusion, the Committee, noting that the positive outturn for the year should be communicated to the College community, agreed that the Funding Statements, together with the letter of representation, should be recommended to Board for consideration and approval.

The Chairman thanked the Treasurer's Office staff and the KPMG team for completing the audit within such a tight time-frame.

The KPMG team then withdrew from the meeting for the remainder of this item.

The Treasurer confirmed that the audit had proceeded efficiently and that he was satisfied with the conduct of the audit. In response to a query, he confirmed that the rotation in audit partner had been seamless. The Chairman thanked the Treasurer and Financial Resources Manager for attending the meeting and their presentation and contributions to discussions.

The Committee expressed satisfaction with the conduct of the audit.

Action:

The Internal Auditor to forward the audited 2010/11 Funding Statements and accompanying documentation, together with a Memorandum from the Chairman, recommending that they be approved.

KPMG rejoined the meeting for the next two Agenda items.

AD/11-12/47 Ghala Limited

The Committee noted the Financial Statements for Ghala Limited for the year ended 30 September 2011 and the letter of representation, dated 1 December 2012, both of which had already been approved by the directors.

AD/11-12/48 Update on US GAAP Accounts

The Chairman invited the Treasurer and Financial Resources Manager to update the Committee on the proposal to prepare US GAAP Accounts. The Treasurer advised that, due to the significant income stream to College from the US Federal Student Aid Program, the Treasurer is of the view that US GAAP accounts would be prepared and audited notwithstanding the cost and other implications. The Financial Resources Manager advised that College will now have to coordinate the preparation of three sets of accounts and noted the challenges this will impose. The Treasurer confirmed that he is currently working with UCD to scope the exercise and get an approximation of costs that will be involved. He also advised that, as confirmed by KPMG, the US GAAP accounts will be prepared with an

unqualified FRS17 opinion. The Committee noted that the Treasurer will be sending a memo to Executive Officers in February outlining the issues to be considered and seeking their approval to proceed. The Committee welcomed the up-date and requested that they be kept informed as the matter progresses.

Action:

The Treasurer to keep the Committee informed on developments in regard to the preparation and audit of US GAAP accounts.

AD/10-11/49 Risk Management in College

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The Chairman welcomed the Chief Operating Officer and the 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 6 January 2012.
- b) College High-Level Risk Register

The Chief Operating Officer advised the Committee of the changes to the Risk Register since it was last presented to the Committee. In particular, she drew the Committee's attention to four new risks and the reclassification and transfer of two existing risks. Of 16 risks currently included in Risk Register, 12 are classified as high and 4 as medium risks.

During the discussion that followed, the Chief Operating Officer and Vice-Provost/Chief Academic Officer clarified a number of points in regard to the process undertaken and some of the individual risks. The Chief Operating Officer advised that the risk management and reporting process could be further refined and advised that she would liaise directly with the Internal Auditor in that regard.

The Committee, agreeing that the process and Risk Register was improving each year and was becoming more robust, welcomed in particular the practice of highlighting changes in risks from earlier reports. Noting the Register, the Committee agreed that the risks identified would be considered in finalising the Internal Audit work plan so that they could be reviewed in more detail and thereby allowing the Committee to express its opinion on the risk management system in the Committee's 2012 Annual Report to Board. The Committee thanked the Vice-Provost/Chief Academic Officer who then withdrew from the meeting.

Action:

- 49.1 The Internal Auditor to finalise a Memorandum for Board expressing the Committee's views as discussed
- 49.2 The Internal Auditor to finalise the work plan taking account of the Risk Register

AD/11-12/50 Audit Committee Recommendations

The Chairman drew the Committee's attention to a Memorandum dated 29 October 2011 from the Chief Operating Officer to Board responding to Audit Committee recommendations and the Annual Report, which had been circulated. The Chief Operating Officer advised that the recommendations and responses had been presented to Board in November 2011. Noting that there has been a degree of change since then, she advised that events had overtaken some recommendations, some had been resolved and that a number are still very valid and are being addressed.

Noting the importance of ensuring that issues raised by the Audit Committee are followed up, the Internal Auditor advised that the document represented a compilation of various recommendations over an extended period of time and welcomed the development of a co-ordinated response

by the Chief Operating Officer to the issues. The Committee, noting the document, welcomed the constructive responses and agreed that the Internal Auditor would update the register of outstanding recommendations to reflect the progress made. The Chairman thanked the Chief Operating Officer before she withdrew from the meeting.

Action:

The Internal Auditor to update the register of recommendations to reflect the progress made.

AD/11-12/51
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Self Evaluation of the Effectiveness of the Audit Committee

The Chairman invited the Committee's attention to a memorandum from the Internal Auditor, as Secretary to the Committee, which had been circulated and tabled, detailing the results of the recent self-evaluation exercise undertaken by Committee members, the Internal Auditor, External Auditors and the Secretary to the College.

At the invitation of the Chairman, the Internal Auditor advised that the overall assessment for 2011 remained at the same high level as in the previous year. He drew the Committee's attention to three areas that reflected a significant drop in scores since 2010 and which were adversely commented upon by respondents: reporting lines, Internal Audit resources and induction/briefings for new Committee members.

In regard to the reporting lines, the Internal Auditor advised that for professional work he reports only to the Audit Committee and has a right of access to the Provost and Board should the need arise and that he reports to the College Secretary only on administrative issues. The Committee, noting that the College Secretary attends the Committee meetings ex officio and not as a member, agreed that it would be important that when there is a change of College Secretary that the independence of the audit function be re-emphasised.

The Committee expressed strong concern that the imbalance between the resources available and the volume of work being undertaken each year is not tenable on a continuing basis. The Committee agreed that the scale and scope of current and future work-plans should be considered in that light and an assessment made of what can be reasonably delivered with the resources available and the result clearly communicated to Board so that there is not an expectation gap. The Committee agreed to monitor this situation closely and re-consider the resource issue at a future meeting.

In regard to induction and briefing of new members, the Internal Auditor advised that a comprehensive handbook was close to being finalised.

Action:

The Internal Auditor to include the resource issue on the agenda for the next meeting.

AD/11-12/52
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Capital Projects - Reporting and Monitoring

Introducing the item, the Internal Auditor drew the Committee's attention to a report on the system of financial reporting and monitoring of capital projects, which had been circulated. He advised that the objective of the report was to review the process and determine if adequate information is being presented in a timely manner to ensure adequate oversight. Referring to the main conclusions in the report, he advised that present reporting arrangements are not sufficient and that the responsibilities of the Finance and Estates Committees and, where they exist, Planning Committees, need to be better co-ordinated with one another and clearly defined before scoping the information requirements in detail. He drew the Committee's attention to the principles that should then be considered in

re-organising the reporting arrangements.

He also advised that, in line with several other internal audit reviews that had been carried out across College, and although outside the specific focus of this review, the need to strengthen the College's approach to project management in general was again evident.

During a discussion, the Committee welcomed the report, commenting that it is of particular significance given the potential risks involved with capital projects. Members endorsed the conclusions in the report and requested the Internal Auditor to advise the Chief Operating Officer of its concerns in regard to the risk implications.

Action:

The Internal Auditor to request the Chief Operating Officer to consider the concerns of the Committee in regard to capital projects in the risk assessment process.

SECTION C - ITEMS FOR NOTING

- AD/11-12/53 Control Exception Report**
The Committee noted the Control Exception Report, which had been circulated.
- AD/11-12/54 Committee Business and Conflict of Interest**
The Committee noted the memorandum from the Secretary to the College, dated 12 December 2011, which had been circulated.
- AD/11-12/55 Final Audit Committee Annual Report 2011**
The Committee noted the final Audit Committee Annual Report to Board for 2011, which had been circulated.
- AD/11-12/56 Audit of 2010/11 Funding Statements**
The Committee noted the report of the auditors in regard to the Prompt Payments of Accounts Act, 1997 dated 8 December 2010, which had been circulated.
- AD/11-12/57 Current Developments and Practices in Audit**
The Committee noted the Audit Committee Institute articles entitled: European Commission: Audit Report and Ten To-Do's for Audit Committees in 2012, which had been circulated.
- AD/11-12/58 Board Papers**
The Committee noted the Board Agenda and Board Minutes, which had been circulated.
- AD/11-12/59 Committee Membership**
Under any other business, the Committee extended its appreciation to Mr Collins, who was attending his last Committee meeting after five years on the Committee, three of which 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 has made over that period.