

**The University of Dublin**

**Trinity College**

**Minutes of Audit Committee, Friday 27 September 2002**

*Present* Mr David Kingston (Chairman), Dr M J Carroll, Dr S Allwright, Professor J McGilp

*(ex officio)* Internal Auditor, Assistant Secretary

Mr Paul O'Connor and Mr D Byrne of PricewaterhouseCoopers and the Treasurer attended for items 2002/20 and 2002/21.

**2002/19 Minutes** The Minutes of the meeting of 18 June 2002 were approved and signed.

**2002/20 Recent developments in financial issues**

*(a) Reporting financial statements:* The Treasurer invited the Committee's attention to a number of issues which have arisen in relation to the Comptroller and Auditor General's (C&AG) audit of the College's accounts for the year-ended 30 September 2001, noting in particular that the C&AG intends to issue a statement in his audit opinion for all individual universities, drawing attention to areas of the agreed basis of harmonised accounts adopted by the HEA and the sector which in his opinion are not in accordance with Financial Reporting Standards. The Treasurer advised the Committee of the areas of concern to the C&AG and drew attention to the details outlined in letters from the C&AG to the secretary of the sector's Finance Officers Group, dated 23 August 2002 and to the Treasurer dated 28 August 2002, both of which were tabled at the meeting.

Mr O'Connor advised the meeting that the implementation of FRS 17, one of the standards which the C&AG expects the sector to adopt, has been deferred by the accounting bodies and that in his opinion, as external auditor to the College, there is no substantive difference between the basis of the sector's harmonised accounts and Financial Reporting Standards.

The Committee in discussing the C&AG's draft letter of opinion, as tabled, expressed extreme disquiet that the harmonised basis of accounting which had been adopted by the HEA and the sector with the agreement of the C&AG was now being called into question in a manner which could be interpreted by the general reader as a qualification of the College's 2000/2001 financial statements. The Committee advised the Treasurer to write to the C&AG expressing the College's concern at his proposed opinion emphasising the fact that the College has complied in all respects with the basis for the presentation of financial statements agreed by the sector, the HEA and his office.

*(b) College's financial position* The Treasurer invited the Committee's attention to a number of recent developments which have put the College's finances under severe strain for the current financial year, noting in particular:

- (i) The increase in student charge announced by the Minister for Education and Science effective from 1 October 2002 which is accompanied by an equivalent cut in the College's recurrent grant for the year 2002, thus resulting in an unexpected net reduction of approximately €1.8 million in the College's recurrent grant for the period 1 January to 30 September 2002.

- (ii) A significant increase in the cost of insurance for all of the College's activities with a reduction in cover and an increase in excess levels in almost all areas, noting in particular difficulties being experienced in securing adequate professional indemnity cover.
- (iii) The need to fund the recurrent costs of a number of new buildings which will become operational over the coming months.
- (iv) The excess in the number of Nurse Tutors automatically assimilated on the College staff is significantly in excess of requirements for year 1 of the degree programme; despite previous sectoral agreements with the Department of Health and Children regarding funding for such excesses, difficulties are being encountered in furthering these negotiations.

The Committee, noting the extreme pressure currently being placed on the College's finances, supported the Treasurer's proposal that it might be appropriate to make a presentation to the HEA on the implications of the insurance industry's current difficulties for the sector as a whole.

**2002/21 Audit issues** Mr P O'Connor and Mr D Byrne of PricewaterhouseCoopers advised the Committee of the approach they intend to take to their audit of the College's financial statements which, in addition to examining the College's financial statements, will report to the shareholders on the financial statements of Ghala Limited, the College's property subsidiary, and will also report on the College's compliance with the provisions of the Prompt Payments of Accounts Act, 1997. Mr O'Connor invited the Committee's attention to additional reporting requirements under the Company Law Enforcement Act 2001 and the Criminal Justice (Theft and Fraud Offences) Act, 2001. The Committee noted that the audit will also focus on the controls in place to address key risk exposures taking account of materiality. The Auditors also advised the meeting that they were in agreement with the Treasurer's proposals for the treatment in the College's accounts of: (a) the reduction in the baseline grant for the calendar year 2002; (b) transactions associated with the financing of the Ussher Library; and (c) Section 843/Section 50 transactions.

The Auditors also invited the Committee's attention to the audit time-scale and deliverables. It was agreed that:

- (a) the Auditors would advise the Audit Committee of areas of concern which they might encounter in carrying out the audit and that the Committee would be available to them in the course of their audit should the need arise.
- (b) a letter, including any control issues, would be sent to the Audit Committee, with a copy to the Treasurer, in advance of the post-audit meeting which will be held with the Audit Committee prior to the accounts being submitted to the Board; this meeting would also consider a draft of the Auditor's post-audit letter to the Board
- (c) a post-audit letter would be submitted to the Secretary to the College for transmission to the Board as part of its consideration of the annual financial statements at its meeting on 22 January 2003

Mr Byrne advised the Committee that no significant findings had resulted from an initial systems exercise carried out as part of the interim audit.

**2002/21 Report to the Board on College Governance** The Chairman invited the Committee's attention to the working draft report on governance procedures with specific reference to College's principal committees which had been circulated together with a memorandum from the Internal Auditor, dated 23 September 2002 together with a summary presentation of the main findings to date. The Chairman advised the Committee of the

consultative process undertaken in the preparation of this report including meetings with the College's Annual Officers and a forthcoming presentation to the Executive Officers. It was agreed that Dr Allwright, as the Board representative on the Audit Committee, would request Board members to nominate at least one member from each of the constituencies represented at the Board to meet with the Chairman and the Internal Auditor as part of the consultation process.

In considering the findings to date, the Committee agreed that greater clarity is needed in defining the mechanisms whereby decisions are reached in the College. The Committee noted that the emergence of the Executive Officers group as a key decision-making body in College offers opportunities for Principal Committees to be more representative of the Board than was possible heretofore. The Chairman invited the Committee's attention to the proposal that the primary function of the Principal Committees would be to ensure, on the Board's behalf, that proposals coming from the Executive Officers were in keeping with stated Board policy, noting that it would be responsibility of these Committees to refer to Board any issues which deviated from stated Board policy. The proposal that the Principal Committees would be the main forum at which policy would be formulated for ultimate consideration by Board was also noted. The Committee agreed that any proposed changes to the membership and structure of Principal Committee would have to be considered on a committee-by-committee basis given the diverse nature of their functions and responsibilities.

In the discussion which followed, Committee members, endorsing the broad thrust of the report as presented, made specific comments on a number of the issues raised and requested that a final version of the report be prepared for its consideration prior to submitting it to Board for its meeting on 20 November 2002.

**2002/22      Audit Fee 2001/2002**    The Committee noted a memorandum from the Deputy Treasurer, dated 19 June 2002, advising that the total fee for the audit of the College's financial statements for 2001/2002 will be €43,500 to include the audit of the Trust Funds to 30 June 2002, the interim and final audit of the College's financial statements to 30 September 2002 and the audit of Ghala Limited, the College's 100% subsidiary.

**2002/23      Next meeting**    The next meeting of the Committee will take place on Friday 4 October 2002 at 8.30am to consider the draft report on the Haughton Institute which had been tabled.

Signed: .....

Date: .....