

The University of Dublin

Trinity College

Minutes of Audit Committee, Monday 13 January 2003

Present Mr David Kingston (Chairman), Dr M J Carroll, Dr S Allwright, Professor J McGilp
(ex officio) Internal Auditor, Assistant Secretary
(by invitation) Bursar, Treasurer and Deputy Treasurer for items 2003/06 and 2003/07.
Mr Paul O'Connor and Mr D Byrne of PricewaterhouseCoopers for item 2003/07.

2003/01 Minutes The Minutes of the meeting of 12 December 2002 were approved and signed subject to the following amendments:

2002/38 Presentation of Financial Statements

2001/2002 accounts: Replace the phrase 'pre-budget' on line 2 with the phrase 'pre-audit'.

2002/2003 and following years: Replace the last sentence in paragraph 2 with 'The Treasurer also advised the Committee that the College's financial statements should not be used as management accounts.'

2003/02 Draft report on the Haughton Institute (see Minute 2002/36 of 12 December 2002)

The Chairman advised the Committee that there had been a brief discussion at the Board meeting held on 18 December 2002 on the Audit Committee's Report on the College's relationship with the Haughton Institute and that the Executive Officers had been requested by the Board to prepare, in consultation with the Dean of Health Sciences, a response to the issues raised for consideration at a future Board meeting.

2003/03 Report to the Board on College Governance (see Minute 2002/37 of 12 December 2002)

The Chairman advised the Committee that the presentation of the Audit Committee's 'Draft Report on College Governance Procedures with specific reference to Principal Committees' had been well received by the Board at its meeting on 18 December 2002, noting that many members had expressed support for the general thrust of the proposals. The Committee noted that the Executive Officers had been asked by the Board to prepare a response to the draft report's proposals taking account of the issues raised in the course of the Board's discussion.

2003/04 Annual Report to Board (see Minute 2002/40 of 12 December 2002)

The Committee noted that there will be a discussion of financially-related issues raised in its annual report at the next Board meeting.

2003/05 HEA Targetted Initiatives (see Minute 2002/41 of 12 December 2002)

The Internal Auditor advised the Committee that confirmation had been received from the Senior Lecturer's Office that funding had been approved for the project to review best practice in the area of risk assessment and that he would now initiate the recruitment of a temporary appointment as previously agreed.

The Bursar, Treasurer and Deputy Treasurer, present by invitation, joined the meeting.

2003/06 Tender for the provision of Audit Services

The Chairman invited the Committee's attention to a memorandum from the Internal Auditor, dated 6 January 2003, which had been circulated summarising the criteria which had been employed in short-listing firms which had expressed interest in submitting a tender for the provision of audit services to the College. The Committee, approving the criteria, agreed that those firms which had conformed to the criteria should be invited to submit a full

tender, noting that invitations would be issued at the conclusion of the current audit process and that an appointment would be made by early June 2003. The Committee also agreed that the evaluation of tenders would be undertaken by the Chairman, the Internal Auditor, Professor McGilp, the Assistant Secretary and two representatives of the Treasurer's Office.

2003/07 Presentation of Financial Accounts and matters arising from the Audit Mr P O'Connor and Mr D Byrne of PricewaterhouseCoopers joined the meeting. The Chairman invited the Committee's attention to the documentation which had been circulated: the Financial Statements for the year ended 30 September 2002, Additional Financial Information for the same year, Financial Statements for Ghala Limited for the year ended 30 September 2002, report from PricewaterhouseCoopers relating to the Prompt Payment of Accounts Act 1997 for the year ended 30 September 2002, Academic Faculties and departments - Analysis of Recurrent Expenditure and Research Accounts for the year ended 30 September 2002 and a report from PricewaterhouseCoopers to the Audit Committee.

The Treasurer, in presenting the accounts for the year ended 30 September 2002, advised the Committee that they had been prepared in accordance with the format approved by the HEA with the addition of a note to explain that, in providing for the grant reductions which had taken place during 2002 in the last quarter of that year as required by the HEA, the College is reporting a surplus of €831,000 for the year 2001/2002. The Committee noted that there will be a new format required of the College for the year 2002/2003 which will result in consolidated financial statements and a HEA funding statement (the existing Income and Expenditure format). The Treasurer invited Committee's attention to the changes in accounting policy and treatment which had taken place during the year 2001/2002 and also invited Committee's attention to the legislative and regulatory framework within which the College operates. The Committee noted that the final audit meeting had taken place on 4 December 2002.

The Treasurer invited the Committee's attention to financial issues in relation to the College's capital programme, research activities and the income and expenditure highlights for the year, drawing expenditure comparisons where appropriate with the university sector as whole. The Treasurer also invited the Committee's attention to a Faculty analysis of key indicators.

The Treasurer, in response to queries from members of the Committee, clarified a number of technical issues and invited the Committee's attention to the financial difficulties facing the College over the coming years. In response to a query from the Chairman, the Treasurer advised that Trinity has not experienced a drop in the number of students despite the fall in the number of school-leavers at national level, while at the same time, the Department of Education and Science had reduced the grant to the university sector in real terms resulting in a lack of flexibility in the College's finances to address the implications of the current fall in recurrent income. The Committee, noting the increase in pay costs as a share of total expenditure and the associated risks to the College, recommended that all possible steps be taken to revert to the stated Board policy of a ratio of 70:30.

The Treasurer invited the Committee's attention to a number of issues in relation to systems development, staffing pressures and timing issues as well as unresolved technical accounting issues associated with the new reporting requirements for 2002/2003. The Committee supported the Treasurer's proposal that the financial statements for the year 2002/2003 would be presented to the first Board meeting in Hilary Term in their current format and that the consolidated statements would be presented when all technical issues have been resolved either within the sector or with the HEA or other external parties. The Committee also noted that consideration may have to be given to amending the College's Statutes in relation to the timing of presenting financial statements to Board if the College will have to adopt fully consolidated accounts.

The financial statements for Ghala Limited for the year ended 30 September 2002 were noted.

Mr O'Connor and Mr Byrne from PricewaterhouseCoopers invited the Committee's attention to their report, dated 13 January 2003, which had been circulated summarising their reporting responsibilities, the key judgements underlying the financial statements, issues in relation to internal control and other accounting matters and a draft letter to the Chairman for transmittal to Board and the Internal Control Report.

Mr O'Connor advised the Committee that an unqualified report on the financial statements of the College and on Ghala Limited for the year ended 30 September 2003 had been issued and that no adjustments to the financial statements as presented by the Treasurer had been required, noting that the financial statements were presented in accordance with the format set out in the Agreement on Harmonisation of Accounts 1998 and correspondence from the HEA in relation to the 2002 State grant. The Committee also noted that the auditors had issued an unqualified report on the College's compliance with the Prompt Payment of Accounts Act 1997.

In response to a query from Dr Allwright, Mr O'Connor advised the Committee that the auditors had been satisfied that the treatment of the reduction in the State grant in the final quarter of 2002 was appropriate for the College, in view of the fact that it was in accordance with the instruction given by the HEA in this regard. The Treasurer advised the Committee that it would be advised if the reduction in State grant and the increase in student charge proved not to be cash neutral as advised by the HEA.

The Bursar, the Treasurer and the Deputy Treasurer withdrew from the meeting.

In response to a query, Mr O'Connor advised the Committee that the introduction of consolidated accounts would present difficulties in the preparation of financial statements within the short time available to the Treasurer's Office to present the accounts following the year end, also noting that consolidated accounts by their nature will result in surpluses and deficits from year to year which would be more of a reflection of the accounting conventions than changes in the College's financial situation.

Following a discussion on points raised by PWC the Committee expressed satisfaction that the issues raised are being considered and managed by the College, noting that the Committee will continue to monitor and report on their outcome. The Committee concluded that there were not any audit issues of concern which should be brought to the attention of Board when considering the approval of the financial statements for the year under review.

Mr O'Connor and Mr Byrne then withdrew from the meeting.

2003/08 Report to Board on Audit Issues The Chairman invited the Committee's attention to a draft report to the Board reporting on the financial statements for the year ended 30 September 2002, dated 13 January 2003, which had been circulated. In discussing the future reporting of financial statements, the Committee, noting that a sectoral report on the matter is currently being prepared, agreed that the potential for a disparity between the College's underlying business cycle and any new accounting treatment for income and expenditure, the treatment of which is not yet fully defined pending the report being prepared for the sector, is an issue of concern to the Committee and should be brought to the attention of Board. The Committee also agreed that a further issue of concern to be brought to the attention of Board is the short timescale involved to deliver the necessary changes and the associated resource implications. The Committee agreed that the Internal Auditor would prepare a final draft of the report, incorporating the suggestions made, which would be circulated to members of the Committee for approval prior to submitting it to Board together with the Audit letter from PricewaterhouseCoopers.

2003/09 Review of recruitment procedures in the Staff Office In response to a query, the Internal Auditor advised the Committee that work had commenced on reviewing recruitment procedures in the Staff Office which will include relevant organisational issues and that a report will be presented to the Committee for consideration in due course.

Signed:

Date: