

The University of Dublin

Trinity College

Minutes of Audit Committee, Thursday 23 October 2003

Present Mr D Kingston (Chairman), Professor D Dickson, Dr S Allwright, Professor J McGilp.

(ex officio) Internal Auditor, Assistant Secretary

The Treasurer and the Deputy Treasurer attended for items 2003/19 and 2003/20.

Ms Laura Gallagher, Mr Jon D'Arcy and Mr Neal Taylor of KPMG attended for item 2003/20.

The Chairman welcomed Professor Dickson to the Committee and paid tribute to Dr J Carroll for his contribution to the work of the Committee since its inception in 1998.

2003/18 Minutes The Minutes of the meetings held on:

(a) 15 April 2003

(b) 20 June 2003

were approved and signed.

2003/19 Audit of Trust Funds (Benefactions) Financial Statements for the year ended 30 June 2003 The Treasurer, present by invitation, invited the Committee's attention to a letter from PricewaterhouseCoopers dated 19 September 2003 and the Trust Funds (Benefactions) Financial Statements for the year ended 30 June 2003, which had been circulated.

The Treasurer advised the Committee that, following approval by the Charity Commissioners, investment managers had been appointed by the Investment Committee, on behalf of the Board, to re-profile and manage the College's investment portfolio. The Committee noted that the work of the investment managers will be monitored by the Investment Committee and that the impact of the re-profiling will not be apparent until at least the end of the second quarter of the financial year.

The Committee, noting that the external auditors had issued an unqualified audit report on the Trust Funds (Benefactions) Financial Statements, agreed that it had no concerns that it wished to convey to the Finance Committee or Board in this regard.

2003/20 Audit of 2002/2003 Accounts Ms Gallagher, Mr D'Arcy and Mr Taylor of KPMG invited the Committee's attention to a document, which had been circulated, outlining the approach they intend to take in their audit of the College's financial statements the aim of which is to issues reports:

- (a) that the funding statements have been properly prepared in accordance with the most recent Harmonisation of Accounts issued by the HEA
- (b) that the consolidated financial statements have been prepared in accordance with generally accepted accounting principles and consolidated financial reporting template and that they show a true and fair view of the state of affairs of the College; 2002/2003 is the first year for which such statements are required.

The Auditors invited the Committee's attention to the stages in their audit process highlighting the critical risk areas for the College and how they will be addressed in the audit.

The Auditors advised the Committee that on the basis of their interim audit they consider the College's control environment to be strong and that in carrying out their audit they will seek to rely, wherever possible, on the work of the Internal Auditor.

The Auditors invited the Committee's attention to areas in College on which the preparation of consolidated financial statements will have a specific impact, noting that the form and content of

these financial statements are still under discussion with the HEA. The Auditors advised the Committee that as this will be the first year in which consolidated financial statements will be prepared and as it will not be possible to reconstruct GAAP compliant accounts for the year 2001/2002 they will be qualifying their audit opinion in relation to the profit and loss account comparatives. An opening balance sheet for 2001/2002 will be reconstructed according to GAAP principles which will allow for an unqualified audit opinion for the 2002/2003 profit and loss account.

The Auditors also invited the Committee's attention to other areas on which it will be reporting:

- (a) The College's compliance with the Prompt Payments of Accounts Act 1997
- (b) Confirmation of statements made on financial governance in the Treasurer's report
- (c) Financial statements of Ghala Ltd.
- (d) Compliance with relevant laws and regulations

The Committee noted the Auditors' intention to involve specialists from KPMG to assist with specific areas of the audit.

In conclusion, the Auditors invited the Committee's attention to the time-scales for the audit process, noting that the audit clearance meeting in relation to the HEA Funding Statement will take place on 4 December prior to a meeting with the Audit Committee on 16 December and that it was hoped to complete the consolidated financial statements early in 2004.

It was agreed that the format for reporting to the Audit Committee and the College would be agreed between the Auditors and the Internal Auditor.

In discussing the audit approach, concern was expressed that the application of FRS 17 *Retirement Benefits* could present a misleading picture of the College's financial situation in this regard if the pension liabilities were not matched with both elements of the funding, viz. the College's Pension Fund and government's contribution to post-retirement increases.

In response to queries from Committee members in relation to the risks to the College arising from the late notification of the annual block-grant and the lack of clarity in relation to the elements of the College's financial commitments covered by the grant, the Auditors agreed to take these issues into account as part of their risk assessment.

The Treasurer and the Deputy Treasurer withdrew from the meeting.

In response to a query from the Chairman, Ms Gallagher advised the Committee that the Treasurer and her staff had been very generous with their time in briefing the new audit team on the financial aspects of the College's business, noting that they were very satisfied with the level of financial controls operated by the Treasurer's office. The Committee thanked the Auditors for their contributions.

2003/21 Working Group on Governance The Chairman advised the Committee that the Board had requested at its meeting on 2 July 2003 that a working group comprising two Elected Board Members (Professor James Lunney and Dr Linda Doyle), two Executive Officers (the Bursar and the Secretary to the College) and two representatives of the Audit Committee (Chairman and Professor John McGilp) to prepare a report on the implementation of the Audit Committee's governance report for consideration by Board by the end of Michaelmas Term or the beginning of Hilary Term.

The Chairman advised the Committee that Executive Officers had identified a number of areas of concern in the Audit Committee's report particularly in relation to membership and chairing of committees and the role of Executive Officers. The Committee noted that the Working Group had defined a number of operating principles which were now being applied to all Principal Committees in the context of the three possible functions of committees – review, decision-making and communication.

The Committee noted Professor Dickson's comments in relation to any potential loss of collegiality which might result from a new committee structure.

The Chairman advised the Committee that the Working Group's draft report would be considered by the Audit Committee and the Executive Officers prior to it being submitted to Board.

2003/22 Work in progress The Internal Auditor invited the Committee's attention to a note outlining the current work plan which had been tabled.

Risk Management and purchasing controls: The Internal Auditor invited the Committee's attention to risk assessment exercises which had been carried out in the Treasurer's Office and Research and Innovation Services. The Committee noted that the assessment in the Treasurer's Office had prompted some further work throughout the College in relation to purchasing procedures being applied outside the sphere of the Treasurer's Office. The Internal Auditor advised the Committee that on the basis of this additional work he would be recommending that a revised approach to purchasing procedures and controls should be developed.

The Committee noted the Internal Auditor's comments in relation to the overall management of risk in College in which he emphasised the importance of identifying clearly who, within the College structures, would be responsible for the management of risk, especially risk-related issues which span a number of administrative areas. The Internal Auditor advised the Committee that the College's report on risk management which had been funded under the HEA's targeted initiatives programme was complete apart from the resolution of the above risk management issue, noting that four other universities were using targeted initiative funding to employ consultants to advise on risk management in their institutions.

The Committee also noted that the Treasurer will present a paper on the management of financial risk to the next Finance Committee meeting.

Campus companies: The Committee noted that a review of campus companies' filing practices revealed that all companies are up-to-date in their returns to the Companies Office but noted that there is no College register of such companies and that there is no formal mechanism by which they report to Board.

IT security: The Internal Auditor invited the Committee's attention to work which is being carried out by the College's IT Security Officer to address risks associated with IT security.

Emerging regulations: The Committee noted that the application to the university sector of the *Code of Practice for the Governance of State Bodies* was again being considered by the Department of Education and Sciencel and that CHIU was preparing a sectoral response to the proposal. The Internal Auditor also advised the Committee that it was anticipated that the Ethics in Public Office Acts, 1995 and 2001 would be applied to the university sector in the near future which would impose additional reporting responsibilities on the College.

Haughton Institute: The Internal Auditor advised the Committee that the Board at its meeting on 9 July 2003 had referred a number of conditions to the Board of the Haughton Institute which it required to be fulfilled in order to ensure the College's continued participation in the Institute. The Committee requested the Internal Auditor to consult with the College's Directors of the Haughton Institute in order to be able to submit a progress report to Board as part of the Audit Committee's annual report.

DMMC: The Committee noted the Internal Auditor's recommendation that a review of the DMMC be deferred until next year by which time its operating systems would be fully in place.

2003/23 Staffing of Internal Audit function The Committee agreed that a proposal for the recruitment of part-time support for the Internal Auditor would be prepared for consideration at the next meeting.

2203/24 Research overheads The Committee noted Dr Allwright's comments in relation to research overheads and agreed that the operation of new policies in this regard be kept under review.

Signed:

Date: