

**The University of Dublin**

**Trinity College**

**Minutes of Audit Committee, Tuesday 23 November 2004**

*Present* Mr T Forsyth (Chairman), Dr S Allwright, Professor J McGilp, Professor McGing  
*(ex officio)* Internal Auditor, Assistant Secretary

The Treasurer and Deputy Treasurer and Ms L Gallagher and Mr N Taylor from KPMG attended for minute AD/04-05/16.

**AD/04-05/10 Minutes** The Minutes of the meetings held on 21 September 2004 were approved and signed.

**AD/04-05/11 IT Security (see Minute AD/04-05/04.1 of 21 September 2004)** The Committee noted a memorandum from the Director of IS Services, dated 16 November 2004, which had been circulated advising that the appointment of a permanent IT Security Officer would be considered by Board at its meeting on 24 November 2004 and that, if approved, the appointee's contract would include provision for a special relationship with the Secretary to the College and the Internal Auditor to cover any potential situation where IS Service management was not reacting appropriately to incidents. The Committee also noted that all new College contracts now require staff to acknowledge, in writing, that they have read and agree to adhere, *inter alia*, to the College's IT Security Policy.

Action

The Committee noting that, if appointed, the IT Security Officer would be assigned responsibility to introduce a scheme whereby existing staff would confirm that they agree to adhere to the IT Security Policy, requested that the Internal Auditor keep this matter under review.

**AD/04-05/12 Insurance Tender (see Minute AD/04-05/05 of 21 September 2004)** The Committee noted a memorandum from the Procurement and Payments Manager, dated 1 November 2004, which had been circulated clarifying the College's Professional Indemnity Cover in respect of claims arising in the USA and Canada.

**SECTION A**

**AD/04-05/13 Annual Report to Board** The Chairman invited the Committee's attention to the draft Annual Report to Board, dated 18 November 2004, which had been circulated. The Chairman also invited attention to reports on the Haughton Institute (Item 4 on the Agenda), Departmental Equipment Registers (Item 8 on the Agenda) and the interim report on the Review of Internal Financial Controls in Academic Departments (Item 9 on the Agenda).

In the course of a detailed discussion, in which each section of the report was considered, amendments to, and clarifications of, the text were agreed. The Committee also agreed that the conclusions of the reports listed above would be incorporated into the Report.

Action

The Committee agreed that the report would be re-drafted on the basis of the suggested amendments and that it would be circulated by email to the Committee Members for approval prior to being sent to Board for consideration at the Board meeting on 14 December 2004.

**AD/04-05/14 Haughton Institute** The Chairman invited the Committee's attention to a report from the Internal Auditor, dated 12 November 2004, which had been circulated. The report presented an update on the implementation of the Board's recommendations in relation to the Haughton Institute. In considering the report, the Committee noted that, notwithstanding the considerable developments which have occurred and which impact upon the original context in which the Haughton Institute was initially reviewed by the Committee and Board, a good deal of progress with respect to the proposed actions appears to have been made. The Internal Auditor advised the Committee that two outstanding issues remain to be resolved, namely, procedures for reporting to the College Board and issues in relation to financial and reputational risk.

The Committee also noted that the Haughton Institute, which is continuing to function in a reduced capacity, is incurring operating losses and the future financial viability of the Institute remains uncertain. In discussion it was suggested that in order to avoid any possible inconsistency in accounting standards and practices between the Institute and the College, the Institute might consider appointing the College's external auditors to audit its financial statements.

Actions

- 14.1 The Committee should keep the overall situation under review.
- 14.2 The Internal Auditor should explore with the Haughton Institute the feasibility of the Institute appointing the College's external auditors to audit its financial statements.

**AD/04-05/15 Governance Issues** The Chairman invited the Committee's attention to memoranda from the College Secretary dated 4 October and 14 July 2004 and to the current Terms of Reference for the Audit Committee which had been circulated. In response to a query the secretary advised the Committee that points 3 and 4 of the memorandum dated 4 October 2004 do not relate to the Audit Committee.

Actions

- 15.1 The Committee, noting the College Secretary's request that it undertake a review of its terms of reference, agreed that the Chairman in consultation with the Internal Auditor would prepare a draft for discussion at the next meeting.
- 15.2 The secretary would reply to the College Secretary advising that revised Terms of Reference are currently being considered.

**AD/04-05/16 Consideration of Consolidated Accounts** The Chairman welcomed the Treasurer and the Deputy Treasurer and Ms Gallagher and Mr Taylor from KPMG, present by invitation. Ms Gallagher invited the Committee's attention to the current status of the consolidated financial statements prepared in accordance with the Irish Generally Accepted Accounting Principles (GAAP) and advised the Committee that the approval of GAAP accounts by the Board would be delayed until the final format of the accounts would be agreed at sectoral level, noting that as yet there is no indication of when this would occur. Ms Gallagher also advised the Committee that the College is not in a position to comply with pension disclosures under FRS 17 and SSAP 24 until discussions are concluded with the State in relation to pension liabilities. The Committee also noted that, notwithstanding the out-standing matters in relation to pension liabilities, a qualified audit opinion must be issued in relation to these initial GAAP accounts. This is because the College is not in a position to prepare either a cash-flow funding statement as required by FRS1 or a comparative year consolidated income and expenditure for 2001/2002, due to resource constraints and the time-scale in which the task had to be completed.

Ms Gallagher invited the Committee's attention to a report which had been circulated and which addressed the background to, and the key characteristics of, GAAP accounts and which also presented a reconciliation of the College's funding statement to the consolidated

income and expenditure account. The Committee noted that the key differences between the funding statement and consolidated accounts relate to:

- the treatment of reserve movements
- the treatment of profits/losses arising on ancillary activities
- the requirement to apply full accruals accounting
- the consolidation of subsidiaries.

Ms Gallagher advised the Committee that while the financial transactions of Ghala Ltd. were included in the accounts, those of the Haughton Institute (an associate) and the DMMC (a subsidiary) had been excluded on the grounds they are not financially material. The Committee also noted other exclusions which fall outside the remit of GAAP accounts.

In response to queries raised by members of the Committee, Ms Gallagher and Mr Taylor advised that over a period of time GAAP accounts will show trends in the College's activities in a more transparent way than is possible with the Funding Statement and although year-on-year outcomes are likely to appear more volatile, they could provide indicators on future funding requirements. The Committee noted that the information provided by GAAP accounts relates to the College's entire activity and does not distinguish between State-funded and non-State-funded activities. The Treasurer advised the Committee that arising from variations between universities and the approaches each has taken in the preparation of its GAAP accounts, it is possible that the HEA may require a further set of financial information to assist in the allocation of resources across the sector. The Treasurer also advised the Committee that the Comptroller and Auditor General is requesting additional disclosures within the accounts, which are not GAAP requirements, noting that this is likely to be addressed in the final agreed format of the consolidated accounts.

The Treasurer invited the Committee's attention to the draft Consolidated Financial Statements for the year ended September 2003 which had been circulated drawing particular attention to the reconciliation of the Consolidated Income and Expenditure account and the Income and Expenditure Account as presented in the Funding Statement.

In response to queries, the Treasurer clarified issues in relation to the College's pension liabilities and how the College's pension arrangements compare to the public sector generally, noting in particular that the College's current practice is to fund pension supplementation as the first call on its recurrent grant each year. The Treasurer also invited the Committee's attention to discussions which are on-going with the Government at a sectoral level in relation to pension matters

In a discussion of the issues raised, the Committee agreed that a sectoral approach to the timing of the publication of the GAAP accounts should be pursued, noting that GAAP accounts would be more meaningful and better understood if two years' accounts could be published simultaneously so that year on year comparative figures would be available.

The Treasurer advised the Committee that the preparation of GAAP accounts had required a substantial amount of manual work by staff in the Treasurer's Office as the financial information systems currently in place were developed to prepare the Funding Statement and do not have the functionality to produce the consolidated GAAP accounts. The Treasurer also invited the Committee's attention to a schedule which was tabled, outlining the impact of the preparation of the consolidated accounts on her area's work programme, noting that these issues had been identified in the Treasurer's Office risk assessment. In conclusion, the Treasurer drew particular attention to the significant contribution which the Deputy Treasurer and his team had made to preparation of the accounts.

The Chairman thanked Ms Gallagher and Mr Taylor and the Treasurer and the Deputy Treasurer who then withdrew from the meeting.

#### Actions

- 16.1 The Committee, noting the draft GAAP accounts, agreed that they would not formally consider them until all out-standing matters had been resolved at a sectoral level and their format finally agreed, and that they should not be forwarded to

- Board for consideration until that process had been completed.
- 16.2 The Committee, noting the additional, resource intensive demands which have been placed on the Treasurer's Office as a result of the requirement to prepare GAAP accounts, expressed concern at the possible risks to the College arising from this material reallocation of resources which had resulted in the deferral of other work in the Treasurer's Office and agreed that reference should be made to this matter in the Committee's Annual Report.

## SECTION B

**AD/04-05/17 Departmental Equipment Registers** The Chairman invited the Committee's attention to a report on departmental equipment registers, prepared by the Internal Auditor, dated 15 November 2004, which had been circulated. The report presented an overview of control issues and highlighted a number of the key problem areas in maintaining an accurate and up-to-date register.

In discussing the report's findings, members of the Committee expressed the view that the relatively high level of insurance excess makes it difficult for departments, which are already under-resourced, to allocate resources to maintain registers for assets which are not now insured.

The Internal Auditor invited the Committee's attention to the main problems arising from the structure of the existing system and the lack of integration between the financial systems and the individual registers. The Internal Auditor advised the Committee that the Treasurer's Office had to conduct a manual exercise to establish the information needed for the Financial Statements noting that this was necessitated by the lack of conformity between the financial CODA system and the asset register. The Internal Auditor also advised the Committee that, while there are proposals to develop a new financial information system, including provision for an integrated asset register, given the inherent difficulties of maintaining asset registers in large, geographically spread organisations, it is likely that even if a new integrated system were to be developed some of the current difficulties would persist.

The Committee agreed that the report's conclusions should propose that, until new systems are in place, a balance needs to be achieved between the costs of investing more resources in attempting to redress the current problems and the risks of continuing with the present situation.

### Action

The Committee agreed that a copy of the Internal Auditor's Report, as amended, would be forwarded to the College Secretary for consideration and co-ordination of a decision and response.

**AD/04-05/18 Interim Report on the Review of Internal Financial Controls in Academic Departments** The Committee noted the Internal Auditor's interim report on internal financial controls in academic departments, dated 16 November 2004, which had been circulated. The Committee noted the interim conclusion that in general, departments are making strong efforts to manage their affairs well, despite having very little administrative capacity at their disposal. It further noted that individual problems exist and certain aspects of centrally developed policies, such as the approved procurement procedures, are not being uniformly applied and that this is not acceptable. Another issue noted was that some departments are in need of greater support and assistance than others and that this will become more acute in the near future when requirements for strong budgeting processes and financial management capability will be essential in the changed funding climate.

### Action

The Committee agreed that the Internal Auditor should conclude the review and present a final report for consideration by the Committee in due course.

**SECTION C**

**AD/04-05/19 Risk Assessment in College** The Chairman invited the Committee's attention to a memorandum from the College Secretary advising that the annual administrative risk review, as approved by Board in November 2003, was initiated in September of this year. The Committee noted that the Secretary had advised that the risk review process had been well received, but that, while risk assessments have been completed, or are nearing completion, in six administrative areas, because of a number of factors including changes in the senior management, it will not be possible to conclude the assessments in the remaining areas during this calendar year.

The Committee noted that it is hoped that the Executive Officers will be in a position to complete the risk assessment exercise in time to present a high level consolidated report to Board before the end of this academic year. It was also noted that the Executive Officers' report would be reviewed by the Committee prior to it being brought to the Board for its approval.

Action

The secretary to write to the College Secretary noting the delay and recommending that every effort be made to ensure that the original time-table for the process will be met in respect of 2004/2005.

Signed: .....

Date: .....