

The University of Dublin

Trinity College

Minutes of Audit Committee, Monday 12 February 2007

Present Mr T Forsyth (Chairman), Professor J McGilp, Professor B McGing*, Dr D O'Donovan,
Apologies Mr J Collins
(ex officio) Internal Auditor, Assistant Secretary
Present for: * AD/06-07/42-43

The Secretary to the College, the Treasurer and the Deputy Treasurer attended for AD/06-07/42-43

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

AD/06-07/40 Minutes The Minutes of the meeting held on 20 December 2006 were approved and signed.

AD/06-07/41 Call-over The Committee noted the actions which had been implemented since the last meeting and those which remained out-standing and which would be addressed in due course. The Committee agreed that the Internal Auditor would develop a proposal for a review of ARAM and the appropriate timing of any such review for consideration by the Committee.

Action

The Internal Auditor to prepare a proposal for a consideration by the Committee for a review of ARAM and the appropriate timing of any such review.

SECTION A – POLICY ISSUES

AD/06-07/42 Code of Governance for the University Sector The Secretary to the College, the Treasurer and the Deputy Treasurer attended for this item.
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The Committee noted the following documents which had been circulated:

- (i) a memorandum from the Internal Auditor, dated 5 February 2007;
- (ii) the agreed report of the HEA/IUA Working Group on Governance 'Governance of Irish Universities', and the accompanying letter from the Chief Executive of the HEA, dated 17 January 2007.

The Internal Auditor invited the Committee's attention to the three sections in the HEA/IUA Report as follows:

- Part 1: University legislation and related legislative frameworks
- Part 2: Voluntary universities code: Principles and Best Practice
- Part 3: Governance guidelines

The Committee noted that the HEA has requested that the Code of Governance be approved by each institution's governing authority and that the first reporting under the Code will apply to the 2006/2007 GAAP accounts.

The Secretary to the College, who together with the Treasurer and the Internal Auditor, had participated in the discussions at IUA/HEA Working Party, advised the Committee that

much of what was proposed in the voluntary code was already in place in Trinity, but that it is not currently presented in the format recommended by the Code. He stated that while he felt that the College would not have a difficulty in complying with the voluntary code and the associated guidelines, it may not be able to do so fully in the immediate term.

In response to a query, the Internal Auditor advised the Committee that the External Auditors would have to comment on compliance with the Code as part of their audit of the College's financial statements. The Committee noted that the Code provides for the provision of an explanation in the annual governance statement as to why any university might not be fully compliant with Part 2 of the Code.

The Committee noted that a plan for the full implementation of the Code, which will involve a large number of areas in College, will be developed by the College's management over the coming months and that a report on its implementation will be made available to the Committee in due course. The importance of advising the Board on the implications for the College of implementing the Code was also noted.

In discussing the Code, the Committee welcomed the document as representing good governance practice. The Secretary noted that while a large element of what is required is already in place in the College, the short time-scale over which the HEA requires the Code to be implemented, would impose additional workload on resources which are already stretched and as a result could expose the College to risk if resources had to be diverted from the College's core functions to meet the current deadline. The Committee expressed concern at this possibility.

It was noted that several sections of the Code relate to the Internal Audit function and the operation of the Audit Committee, and it was agreed that these matters would be addressed by both parties as part of the overall implementation plan.

In response to a query, the Secretary to the College advised the Committee that it was intended to present the Code to the Board for approval at its meeting on 4 April 2007 and that it would be accompanied by a memorandum, recommending that it be adopted. He stated that the difficulties with the short time-scale required for its full implementation would be highlighted for the attention of the Board. The Board would also be advised of the need to develop an implementation plan to ensure full compliance.

Following a discussion on some of the detailed aspects of the Code, the Committee agreed that a memorandum would be sent to Board noting the Committee's support for the Code, and acknowledging the extent to which the majority of its recommendations are already in place in the College. The Committee also expressed support for the management's approach to the adoption and implementation of the Code. The Committee agreed that the Board should be made aware of the resource implications for the College, including those of the Internal Audit function.

Action

A memorandum to be submitted to Board for consideration together with the Code of Governance.

SECTION B – IMPLEMENTATION ISSUES

AD/06-07/43 Consideration of Comptroller and Auditor General (C&AG) Correspondence

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Chairman invited the Committee's attention to the following documents which had been circulated:

- (i) Letter from C&AG dated 31 January 2007, together with draft Audit Reports in the Accounts for 2002/2003 and 2003/2004;

- (ii) Minutes of the Board discussion of 25 January 2006 and 5 April 2006;
- (iii) Statements by Board to accompany the Accounts for 2002/2003 and 2003/2004.

The Committee noted that the C&AG's Director of Audit had expressed concern in his letter about some aspects of the content of the Explanatory Statements which accompanied the two sets of financial accounts for each of the periods 2002/2003 and 2003/2004 and that he had requested a meeting with the Audit Committee in this regard. The Treasurer also invited the Committee's attention to a number of concerns which had been raised by the C&AG's Director of Audit at a recent meeting which she and the Deputy Treasurer had attended.

By way of introduction, the Chairman and the Treasurer rehearsed the genesis of the Explanatory Statements for 2002/2003 and 2003/2004. The Chairman clarified the role of the Audit Committee as being an advisory one and confirmed that the Committee at its meeting on 24 November 2005 (minute AD/05-06/29 refers) had recommended that an Explanatory Statement could be beneficial to non-technical readers seeking to interpret two sets of accounts prepared on different bases (i.e. the GAAP Financial Statements and the Harmonised Funding Statements) which describe the same financial period and reveal different financial out-turns. The Committee confirmed its view in respect of the benefits of such an Explanatory Statement.

The Treasurer advised the Committee that in preparing the Explanatory Statements for consideration by Board at its meeting on 25 January 2006, individual members of the College had been consulted and that the Executive Officers had approved the final text for consideration by Board. The Committee noted that the Chairman had referred to the draft Explanatory Statements in discussions with the Board at that meeting. He stated that he had emphasised the importance of the Board satisfying itself that the draft Explanatory Statements fulfilled their intended role (minute BD/05-06/132 refers). The Treasurer advised the Committee that, following the Board meeting, further comments on the text of the Explanatory Statements had been collated by the Secretary to the College and a final version had been considered by the Finance Committee on 22 March 2006 and had been approved by the Board on 5 April 2006.

In the course of a discussion on the issues raised by the C&AG, the Committee confirmed its belief that it would be inappropriate for two sets of accounts, describing the same financial period, to be issued without a covering Explanatory Statement. It was also agreed, having regard to some of the points raised in the C&AG letter, that in future such Statements could in some instances be more tightly worded, but noted that the existing Statements for 2002/2003 and 2003/2004 had been agreed by Board almost a year ago and questioned whether amendments to their wording were warranted at this time.

The Committee noted that the C&AG has indicated that he does not intend to qualify the College's Financial Statements for non-compliance with SSAP 24, a view which is at variance with the position of the College's external auditors, KPMG. The Chairman advised that, on enquiry, the external audit partner had re-confirmed that it remains KPMG's professional opinion that, as the accounts are prepared according to GAAP, and as SSAP 24 is applicable to all pension schemes, whether they be funded or unfunded, KPMG have had to qualify their report for non compliance with the required standard.

In response to a query, the Secretary to the College and the Treasurer advised the Committee that management would respond to the C&AG outlining its views in relation to the issues raised in the C&AG's letter following this discussion at the Audit Committee.

In regard to the C&AG's request to meet with the Committee, it was agreed that the secretary would arrange a meeting with the C&AG's Director of Audit over the next few weeks.

Action

The secretary to arrange a meeting between the Committee and the C&AG's Director of

Audit.

SECTION C – ITEMS FOR NOTING

AD/06-07/44 Minute of Board discussion on Funding Statements for 2005/2006 The Committee noted the minute of Board discussion on the Funding Statements for 2005/2006 on 24 January 2007.

AD/06-07/45 Minute of the Board discussion on the College High Level Risk Register The Committee noted the minute of Board discussion on the College High Level Risk Register on 24 January 2007.

Signed:

Date: