

**The University of Dublin**

**Trinity College**

**Minutes of Special Meeting of the Audit Committee, Tuesday 27 February 2007**

*Present* Mr T Forsyth (Chairman), Mr J Collins, Professor J McGilp, Professor B McGing, Dr D O'Donovan,

*(ex officio)* Internal Auditor, Assistant Secretary

Mr G Smyth, Director of Audit, and Mr M Brady, both from the Comptroller and Auditor General's Office were in attendance.

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

**SECTION B – IMPLEMENTATION ISSUES**

**AD/06-07/46 XXX** **Consideration of Comptroller and Auditor General (C&AG) Correspondence** The Chairman welcomed Mr Smyth and Mr Brady from the Comptroller and Auditor General's Office to the meeting. Noting that a regular programme of meetings is in place with the Board-appointed auditors, (currently KPMG), the Chairman stated that it would be beneficial to the Committee to meet with all external auditors of the College's financial statements and that he hoped that this could be the first of such meetings with the C&AG which might take place on an annual basis in the future.

Mr Smyth advised the Committee that universities, by having private firms as their Board appointed auditors, differ from agencies in the non-commercial state-sponsored sector where the C&AG is the only auditor reviewing and providing an opinion on their financial statements. The Committee noted issues raised by Mr Smyth arising from the C&AG having to conduct an audit of the College's financial statements after the Board-appointed auditors have completed their work and issued their audit opinion. Mr Smyth also advised the Committee of the background to the introduction of GAAP as the basis for the preparation of university financial statements. He also recognised the need for the university sector to have management-style accounts to meet the HEA's requirements and to provide transparency on the sector's sources of funds.

Mr Smyth invited the Committee's attention to a number of issues raised in his letter, dated 31 January 2007. He stated that he had some concerns about the interpretation of the Explanatory Statements by the non-expert reader, particularly in relation to the GAAP Consolidated Financial Statements. Members of the Committee stated that, in their opinion, it would be inappropriate for two sets of accounts, describing the same financial period, to be issued without an Explanatory Statement.

The Committee noted the Treasurer's letter to the C&AG, dated 13 February 2007, in which the rationale for the Explanatory Statements was outlined and Mr Smyth's specific concerns addressed. Mr Smyth advised the Committee that, following the clarification received from the Treasurer, apart from issues in relation to SSAP 24, he had no difficulty with the publication of the Explanatory Statements together with the relevant Financial Statements. The Committee agreed, having regard to some of the points raised by Mr Smyth, that future such Statements could, in some instances, be more tightly worded.

Mr Smyth advised the Committee that the C&AG had 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 that of KPMG. He outlined in some detail the rationale for the C&AG's position in this regard. The Committee, noting the points raised by Mr Smyth, stated that it did not see the two positions being taken by KPMG and the C&AG in relation to SSAP 24 as being a major issue for the College as it is a matter of professional judgements that arises because two auditors have very clear but differing reasons for their decisions. It noted Mr Smyth's comments that the two approaches may require explanation should it be raised at some future meeting of the Public Accounts Committee. In order to clarify explicitly that the College's External Auditors, and not the C&AG, had qualified the accounts as a result of non-compliance with SSAP 24, the Committee agreed to propose to Board that the Explanatory Statements for 2002/2003 and 2003/2004 be amended to reflect this. It was noted that the Explanatory Statement accompanying the 2004/2005 financial statements already included this clarification.

In the course of a general and wide-ranging discussion, the impact of pension-related accounting standards on universities' financial statements was noted, in particular, the difficulties associated with the application of FRS 17. The Chairman advised the meeting that it was hoped that the recommendations of the HEA's Working Party on pensions would address some of these matters. The Committee noted Mr Smyth's comments on the need for a consistent, sectoral approach to handling pension issues in financial statements.

In considering how best to develop an effective working relationship with the Committee and the College, Mr Smyth stated that the C&AG wished to change its current procedures so that it would interact with the College before the Board-appointed auditors would have completed their audit and issued their opinion. He noted that, in particular, they would be interested in reviewing and reaching agreement on the key auditing judgements at an early stage in the process and subsequently relying more on the audit work already done by the Board appointed auditors so as to focus their effort on the areas of specific interest to them when carrying out their own fieldwork.

In response to a query, Mr Smyth and Mr Brady advised the Committee that work had commenced on their audit of the 2004/2005 financial statements and that it was hoped to complete their audit of the 2005/2006 financial statements during the summer of 2007.

The Committee, noting the very severe time constraints imposed by the College's Statutes for the consideration of financial statements by Board, and the consequent pressure on the Treasurer's Office, agreed that it would develop proposals, in consultation with the Treasurer and KPMG, for the timing of meeting(s) with the C&AG. It was agreed that, if necessary, there would be a further meeting with the C&AG to discuss and agree procedures for the future.

Actions:

- 46.1 The Chairman to write to the Board to propose an amendment to the Explanatory Statements for 2002/2003 and 2003/2004 to clarify that KPMG and not the C&AG had qualified the financial statements for non-compliance with SSAP 24.
- 46.2 The Chairman to initiate discussions with the Treasurer and KPMG on the development of procedures for interacting with the C&AG in the future.

Signed: .....

Date: .....