

The University of Dublin

Trinity College

Minutes of Audit Committee, Tuesday 30 November 2010

- Present* Mr J Collins (Chairman), Ms J O'Neill, Mr P O'Reilly, Professor J McGilp, Professor J O'Hagan, Professor J Horne.
- (ex officio)* Internal Auditor (secretary), Secretary to the College
- In Attendance* Ms M Thompson
- The Treasurer and Ms L Galligan, Accountant, attended for items AD/10-11/28 and AD/10-11/29
- Ms L Gallagher, Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/10-11/28 and AD/10-11/29
- Ms Maureen Mulligan and Mr Brian Hill of the C&AG attended for items AD/10-11/28 and AD/10-11/29
- (Items of specific interest to the Board are denoted XXX)
- AD/10-11/24 Minutes**
The Minutes of the meeting held on 6 October 2010 were approved and signed.
- AD/10-11/25 Call-over**
The Committee noted the actions which had been implemented since the previous meeting and those that remained outstanding.
- AD/10-11/26 Matters Arising**
In reference to AD/10-11/11, the Secretary to the College confirmed that the Committee should receive a response to the recommendations contained in its Annual Report by March/April 2011.

SECTION B - IMPLEMENTATION ISSUES

- AD/10-11/27 Policy on Hospitality and Entertainment**
XXX
The Chairman, introducing the item invited the Internal Auditor to update the Committee on progress since their last meeting. The Internal Auditor advised that a policy on hospitality and entertainment, which was recommended in the internal audit report be put in place, has now been finalised by Executive Officers and is going through the approval process. The Committee noted that a copy of the final policy will be circulated to the Committee after it has been approved by Board. Following a discussion concerning the recommendations to clarify and further strengthen procedures for travel and subsistence, the Committee agreed that the Internal Auditor would update them on progress at a future meeting.
- Action
The Internal Auditor to brief the Committee on the recommendations regarding travel and subsistence at a future meeting and circulate a copy of the policy on hospitality and entertainment when approved by Board.
- AD/10-11/28 Consideration of key judgements and provisions planned for the Audit of the 2009/10 Funding Statements**
The Treasurer and Accountant joined the meeting, by invitation.

Ms Gallagher, Mr O'Keefe and Mr Hobson of KPMG and Ms Mulligan and Mr Hill of the C&AG also joined the meeting.

The Treasurer drew the Committee's attention to a paper that had been tabled, outlining the key areas in which judgements and provisions will be made in the preparation of the Funding Statements for 2009/10. The Treasurer advised that the expected outturn for the year is circa €180k. He confirmed that the format of the Funding Statements had been approved by the HEA on 1 November 2010.

The Treasurer invited the Committee's attention to key judgements and provisions which have been made to-date in the Funding Statements in relation to the following issues:

- (i) Treatment of provision for unfunded pension liabilities
- (ii) College Incentivised Voluntary Early Retirement Initiative
- (iii) Income - Supplementary Grant for 2010
- (iv) Provisions
 - General Research Bad Debt Provision
 - Legal Provision
 - Bad Debt Provision Debtors

The Treasurer highlighted the significant issues associated with the Funding Statements and in the course of a discussion, the Treasurer and Ms Gallagher from KPMG clarified a number of technical queries. In relation to the pension credit and the proposed early retirement initiative, the Treasurer confirmed that the pension credit was a matter under discussion at a sectoral level and was yet to be finalised and that Board has not yet considered an early retirement proposal, which would require the approval of the HEA as well. The Committee noted that as a result the proposals were still tentative at this stage and that other options may need to be looked at before reaching a final position.

Ms Gallagher advised the Committee that KPMG were satisfied that the judgements and provisions had been correctly stated in the Funding Statements and that there were no material issues that they wished to bring to the attention of the Committee.

AD/10-11/29 **Consideration of the Draft Consolidated Financial Statements for year**
XXX **ended 30 September 2009**

The Chairman invited the Treasurer to comment on the audit of the Consolidated Financial Statements 2008/09 in advance of the external auditors joining the meeting for the consideration of key judgements. The Treasurer advised that the audit had been completed satisfactorily but it had been challenging for all concerned to deliver the Consolidated Financial Statements using a manual system of preparation and dealing with both sets of auditors simultaneously. He commented that with the completion of the accounts for 2008/09 the Consolidated GAAP accounts are now up to date, noting a new financial system will be needed to achieve a more efficient process.

At the invitation of the Chairman, the Treasurer presented the Consolidated Financial Statements for the year ended 30 September 2009 prepared in accordance with generally accepted accounting principles (GAAP). The Committee noted the following documents, which had been circulated for consideration under this item: -

- (i) Memorandum from the Treasurer dated 23 November 2010
- (ii) Draft Consolidated Financial Statements (including KPMG Audit Report) for the year 2008/09
- (iii) Draft Letter of Representation to KPMG 2008/09
- (iv) Draft Letter of Representation to the Comptroller & Auditor

General 2008/09

- (v) Finance Committee Minute (FN/10-11/15 of 3 November 2010)
- (vi) KPMG Report on the Audit of the Consolidated Financial Statements for the year ended 30 November 2009
- (vii) Copy of Treasurer's Presentation on Consolidated Financial Statements

Referring to the presentation that had been circulated, he summarised the reporting requirements and outlined the following:

- (i) Financial Reporting Requirements including the main differences to the Funding Statements
- (ii) Audit Status
- (iii) Pension Issues
- (iv) Overall Financial Position
- (v) Next Steps

The Treasurer advised that the audit has been completed by KPMG and will be finalised shortly by the C&AG. He drew the Committee's attention to the reconciliation with the Funding Statements, which highlights the results of differing accounting treatments and the timing differences that arise regarding the impact of transactions under GAAP compared to the Harmonised Basis used for the Funding Statements.

The Treasurer advised that KPMG intend to qualify their audit reports in regard to the recognition of a pension asset in the balance sheet while the C&AG will be issuing an unqualified report in this regard. In response to a query concerning the ongoing qualification, the Treasurer advised that every effort is being made to resolve this issue and find a form of wording that will be acceptable to KPMG.

Ms Gallagher, referring to the KPMG Report that had been circulated, advised that the position taken by KPMG, of qualifying the audit report due to the absence of a letter from the HEA that the State will fund full pension liabilities, was consistent with that taken by internally appointed auditors in the sector. In conclusion, Ms Gallagher confirmed that they are satisfied with the accounts as presented and would welcome the introduction of a new financial system to reduce the risk of error.

Ms Mulligan of the C&AG advised that the situation of having separately appointed external auditors was unusual but they would continue to rely on their work and she was satisfied with arrangements for the present. She advised that the C&AG has additional responsibilities in regard to regularity and probity testing. Ms Mulligan confirmed that the C&AG only audit the Consolidated GAAP accounts and not the Funding Statements. She advised that the C&AG would be issuing an unqualified report, as in previous years, in regard to the recognition of a pension asset but will include an explanatory note on this in their report.

In response to a query, the Treasurer advised the Committee of additions to the draft letters of representation.

Following a brief discussion, the Committee agreed to recommend the accounts and letters of representations to Board for approval.

The teams from the Treasurer's Office and the C&AG withdraw from the meeting. At the invitation of the Chairman to comment on the conduct of the audit, Ms Gallagher advised that the manual production of the GAAP accounts continues to be a significant drain on resources but that the audit had been completed satisfactorily and that there were no issues to bring to the attention of the Committee.

After KPGM withdrew, the C&AG team rejoined the meeting. Ms Mulligan advised that the audit had been completed satisfactorily and in response to a query, commented that they were satisfied with the co-operation they received from KPMG. She advised that the C&AG would continue to work with the HEA on a sectoral basis to formalise current arrangements. Ms Mulligan advised that a management letter would be issued shortly but would contain nothing of a material nature that needed to be brought to the attention of the Committee at this stage.

The Committee, noting the comments received from the Treasurer's Office, KPMG and the C&AG in relation to the audit expressed satisfaction with the process.

Action

The Chairman to recommend the accounts and letters of representation to Board for approval.

AD/10-11/30 Consideration of Draft Annual Report to Board

The Chairman, introducing the item, invited the Committee's attention to the Draft Annual Report of the Committee for 2010, which had been circulated. The Committee, noting that the final version of Report will be considered by Board at its meeting on 8 December 2010, also noted that the document is in two main parts: one being a report of record for the year and the other inviting Board's attention to key strategic issues facing the College and the Audit Committee's recommendations in relation to same.

In the course of a detailed discussion of the Draft Annual Report, a number of issues including funding risks were discussed and the Committee agreed that the Internal Auditor would finalise the Report taking account of these issues. Noting the proximity of the circulation date for Board papers, the Committee agreed that the final version of Report would be circulated to members by email for comment prior to its circulation to Board.

Action

30.1 The Internal Auditor to finalise the Annual Report and email it to members for final approval and the Final Report to be presented to Board on 8 December 2010.

30.2 The possibility of holding an additional Committee meeting early in 2011 to consider funding and other significant risks to be investigated.

AD/10-11/31 Opinion on Internal Control

The Chairman, introducing the item, invited the Internal Auditor to comment on the memorandum dated 24 November 2010 which had been circulated. The Internal Auditor advised that the memorandum sets out his overall opinion on internal control, which he is required by the Internal Audit Charter to prepare annually. He advised that the document is similar to last year and invited the Committee to consider whether its own opinion as set out in the Annual Report is appropriate.

The Committee noted and approved the Internal Auditor's opinion on Internal Control and agreed the Committee's opinion, as reflected in the Annual Report.

AD/10-11/32 Consideration of Internal Audit Work-plan

The Internal Auditor, invited the Committee's attention to a memorandum dated 23 November 2010 outlining progress to date on the Internal Audit Work Plan, which had been circulated. Drawing the Committee's attention to future projects as set out in Section D of the 2010 Annual Report, he advised that when the updated College Risk Register becomes available in January the Committee would be invited to re-consider how the work

schedule should be prioritised in response to the risks identified and that a more focused work-plan can then be prepared. The Committee noted the Internal Audit Work-plan as circulated.

Action

The Committee to reconsider the Internal Audit Work-plan after the updated Risk Register becomes available in January 2011.

AD/10-11/33 Inter-Institutional Arrangements (Separate Legal Entities) - Update
XXX
The Chairman, introducing the item, drew the Committee's attention to a report from the Internal Auditor dated November 2010, which had been circulated. Referring to the past concerns of the Committee in this regard, he invited the Internal Auditor to comment on the report. The Internal Auditor advised that since the last internal audit report, a new separate legal entity had been registered, the Trinity College Dublin Academy of Dramatic Art (TCDADA). The Internal Auditor advised that the scope of work undertaken in this audit also covered National Institute for Bioprocessing Research and Training Limited (NIBRT), National Digital Research Centre (NDRC) and Molecular Medicine Ireland Limited (MMI). The College Secretary advised that she had written to each of the research ventures requesting information and had not yet received a formal response from the MMI. The Committee welcomed progress made to-date but expressed strong concern that action is still outstanding in regard to certain specific cases.

AD/10-11/34 Self-Evaluation of the Effectiveness of the Audit Committee
The Chairman invited members' attention to the memorandum and self-evaluation form which had been circulated. Commenting that it followed the same format as previous years, he requested the Committee Secretary to send the form electronically to members and advise them of date for completion.

Action

The Committee Secretary to forward self-evaluation form electronically to Committee members and advise of deadline for completion.

SECTION C - ITEMS FOR NOTING

AD/10-11/35 Funding Risks/Developments
The Committee noted the confidential memorandum from the Provost to Board members dated 10 November 2010 Financial Projections 2011-15, which had been circulated.

AD/10-11/36 Current Developments and Practices in Audit
The Committee noted the Audit Committee Quarterly - Issue 19, which had been circulated.

AD/10-11/37 Board Papers
The Committee noted the Board agenda and minutes which had been circulated.