

The University of Dublin

Trinity College

Minutes of Special Audit Committee, Thursday 19 April 2012

Present Ms J O'Neill (Chair), Professor J McGilp, Professor J O'Hagan, Professor J Horne, Mr J Cunningham (by conference call for part)

Apologies Mr P O'Reilly

(ex officio) Internal Auditor (secretary), Secretary to the College

In Attendance Ms M Thompson

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

SECTION A - Policy Issues

AD/11-12/74 C&AG Special Report

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Introducing the topic, the Chair referred to the Audit Committee meeting of 7 March 2012, at which the Deputy Director of Audit, Office of the C&AG, had advised the Committee of an imminent Special Report on the education sector that will include references to the College. The Chair drew the Committee's attention to a memorandum from the Internal Auditor dated 17 April 2012, which had been circulated that summarised the background, outlined issues for consideration by the Committee and detailed the following issues specific to College that will be mentioned in the C&AG Report:

- Excess remuneration
- Promotions outside the ECF
- Funding of Trinity Foundation

Following the concerns expressed by the Committee at its meeting of 7 March, she advised that the Internal Auditor had immediately alerted the Director of HR as to the issues and had emailed an update to the Committee on 21 March and that she had informed the Provost of the issues, prior to the Board meeting of 28 March. Advising that information on the make up of the figure for excess remuneration of almost €1.5m had been received from the HEA only very recently, she drew the Committee's attention to the summary by category outlined in the Internal Auditor's memorandum.

In particular, the Chair drew the Committee's attention to the main issues that required further clarification including how the payment of allowances came about in the first instance, the approval status of the allowances, a number of process issues concerning timeliness of and the manner in which this matter was brought to the Audit Committee's attention, and if the issues raised by the Report are also applicable to grades not covered by the Review Body.

During a discussion, members expressed concern that the issues raised in the report were brought to the attention of the Committee at such a late stage and that internal processes need to be examined to prevent such a situation occurring in the future. In view of the reputational and financial exposure that may arise, the Committee agreed that there is an urgent need for College to engage directly with the HEA on the position of the College with regards to the allowances, as noted in the memorandum, and to finalise the figures contained in the analysis. In respect of the promotions issue, Professor McGilp informed the Committee that, to protect staff resources, Board had made the decision to proceed with the promotions in full knowledge of all the issues, but effective from the end of the ECF, and that for it to be classified as a breach now would be regarded by College as a serious issue and not an accurate representation of the facts. The Committee agreed that clarity is needed as to whether it is the view of the C&AG that it was a breach or whether the C&AG is merely presenting the view of the ECF Monitoring Committee. The Committee agreed that more information is required on both the issues of allowances and promotions before it can determine what actions are needed.

The Chair then welcomed the Chief Operating Officer, the Treasurer and the Director of Human Resources to the meeting. Following a summary of the issues of concern to the Committee, the Chair invited the Director of HR to elaborate on matters.

The Director of HR outlined the historical background to the payment of all allowances, noting that since 1997 Section 25 (4) and (5) of the Universities Act, 1997 provided for Ministerial approval of rates of pay and allowances and departures from approved rates. In response to a query, the Director of HR confirmed that as far as College was concerned, a schedule of allowances was in place so that the HEA was aware of the position. It had been considered appropriate for College to use the schedule of allowances in the context of the 2005 academic re-structuring and College had never received any correspondence from HEA to the contrary. In response to a number of queries, he confirmed that he had been aware of

the work of the C&AG in reviewing the data supplied to the HEA but had been surprised at the report and the position taken. He also confirmed that in respect of a few allowances in the HEA list the College had not informed the HEA as they were not considered a departure that required notification.

Noting that these matters had not been brought to the Committee's attention by the C&AG in its financial audits to date and the small amount reported in the previous C&AG Report in 2010 of €6,944, which College had acted upon, the Committee noted that the current issues appear to have arisen due to the position now being taken by the HEA. The Committee, expressing concern about the divergence in views and the seriousness of the matters, agreed that it is important the College engage urgently with the HEA to clarify the issues and present its position and advise the C&AG of the outcome.

In response to a query, the Director of HR confirmed that allowances will not be awarded in the future without a letter of approval from the HEA. The Committee noted that allowances identified as unapproved by the HEA are all discontinued except in a very small number of cases and that there are contractual implications for College with regard to these cases. The Committee also noted that the C&AG Report deals with Review Body grades only and that allowances for other grades, notably tutors' allowances, are currently under discussion with the Department. The Committee agreed that the Internal Auditor scope the work to carry out a review of these allowances and present a report to the Committee at its next meeting.

In terms of strengthening internal processes and having such matters brought to the Committee's attention, the Committee requested the Chief Operating Officer to alert the Committee at an early stage to matters of audit relevance such as queries like those received from the C&AG and HEA. In reference to the Risk Register, the Director of HR noted that it refers to the tutors' allowances, which are currently under discussion with the Department, but it did not refer to the allowances which are the subject of the C&AG report, as it was believed they had been resolved and that there was not a risk issue to report and bring to the Committee's attention.

Following further detailed discussion, the Committee recommended that

- there be immediate engagement with HEA to clarify figures pertaining to allowances
- clarification is also sought from the C&AG concerning the promotions issue mentioned in the report
- the Director of HR and the Treasurer, in drafting a response to the C&AG letter to the Provost dated 3

- April, liaise with the Internal Auditor
- the Internal Auditor, in drafting a response to the C&AG letter to the Chair of the Audit Committee dated 12 April 2012, liaise with the Chair
 - the Risk Register be reviewed taking account of the C&AG report.

The Committee stressed the urgency of matters given the likely imminent publication of the C&AG report and, noting that while the College may have acted knowingly and in good faith, concluded that internal processes needed to be strengthened and any outstanding issues re approvals resolved with the HEA and the Department. The Committee will retain the matter under review and will re-consider the situation following the outcome of discussions with the HEA.

Actions:

- 74.1 The Internal Auditor to clarify if the C&AG regard the promotions as a breach or whether the report will present it as the view of the Monitoring Committee.
- 74.2 The Internal Auditor to scope the work to review the extent of allowances to other grades not covered by the Review Body and report to the next meeting.
- 74.3 The Treasurer and the Director of HR, in drafting a response to the C&AG letter to the Provost of 3 April, to liaise with the Internal Auditor.
- 74.4 The Internal Auditor to liaise with the Chair on a response to the C&AG letter of 12 April.
- 74.5 The Chair of the Audit Committee to report to the Board by 25 April.

SECTION B - Implementation Issues

AD/11-12/75 US GAAP Accounts and Audit

Introducing the item, the Chair invited the Treasurer to update the Committee on the status of the proposal to prepare US GAAP accounts, which would be audited, as had been noted at several previous meetings.

The Treasurer drew the Committee's attention to his memorandum dated 17 April 2012, which had been circulated. He advised the Committee that he had now consulted with Executive Officers on the implementation process and that the Finance Committee had also considered the matter at its meeting on 23 March 2012. He advised of two key aspects to implementation, namely the preparation and the audit of the US GAAP accounts. Having consulted the Procurement Officer on the tender currently in place with KPMG, he advised that the Procurement Officer is of the view that the current tender

would allow College to invite KPMG to submit a fee proposal for the audit as an extension of services, subject to the approval of the Audit Committee. In regard to accounts preparation, he advised that his Office has had discussions with UK universities in relation to their experience with US GAAP implementation and following these discussions, it is proposed to appoint a seconded US GAAP expert from KPMG UK, noting the expertise will not be drawn from the KPMG office appointed to audit the financial statements.

In answer to a query as to the potential cost of the audit, the Treasurer advised that the audit costs need to be explored further. Following a discussion, the Committee agreed that the Treasurer consult with Mr Cunningham and the Internal Auditor to advance a proposal.

The Committee, noting the tight time-frame involved, and the possible need to progress the matter in advance of the next Audit Committee meeting, agreed that the Internal Auditor could if necessary circulate final implementation proposals to the Committee before its next meeting on 19 June.

Actions:

- 75.1 The Treasurer, Mr Cunningham and the Internal Auditor to liaise on the audit arrangements.
- 75.2 The Internal Auditor to advise the Committee by email of any proposals for the audit services.

SECTION C - ITEMS FOR NOTING

AD/11-12/76 Consolidated GAAP Accounts 2010/11

The Committee noted the memorandum from the Treasurer dated 17 April 2012, which had been circulated.