

The University of Dublin

Trinity College

Draft Minutes of Audit Committee, Tuesday 9 April 2013

Present Ms J O'Neill (Chair), Mr P O'Reilly, Professor J McGilp,
Professor J O'Hagan, Professor J Barry

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

In Attendance Ms M Thompson, Ms A Cooney Assistant Internal Auditor

The Treasurer/Chief Financial Officer, together with Ms Maureen Mulligan and Mr Brian Hill of the Office of the Comptroller and Auditor General, attended for item AD/12-13/57.

Mr Colin Rooney of Arthur Cox attended for item AD/12-13/58

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

AD/12-13/52 Minutes

The Minutes of the meeting held on 15 January 2013 were approved.

AD/12-13/53 Call-over

The Committee noted the actions that had been implemented since the previous meeting and those that remained outstanding.

AD/12-13/54 Matter Arising

There were no matters arising.

SECTION A and B - Policy & Implementation Issues

AD/12-13/55 Sharepoint for Audit Committee Members

At the invitation of the Chair, Ms Cooney, Assistant Internal Auditor, demonstrated the Internal Audit Sharepoint site to the Committee. Ms Cooney outlined the main features of Sharepoint and advised that a separate file library for Audit Committee papers, which may be accessed by members from any location, had been created within the existing Internal Audit Sharepoint site. Welcoming this development, the Committee agreed to continue with a parallel paper circulation until the end of the year, after which time the matter would be reviewed. The Committee thanked Ms Cooney for her presentation.

AD/12-13/56 Update on GeneSIS

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Referring to previous meetings, at which the Committee had expressed serious concerns about the GeneSIS Project, together with the prominence given to the issue in the Committee's last Annual Report to Board, the Chair invited the Internal Auditor to update the Committee on recent developments. The Internal Auditor advised that, following a review by external consultants of the Project

budget, it has been estimated that a very significant sum will be required to complete the Project. The Committee noted that the matter has been under very active consideration by Executive Officers. The Internal Auditor advised of current proposals by the Project Team to divide the project into two stages, to finalise core or critical elements first, with the remainder of the project being deferred for later implementation. Advising that Ernst & Young have been engaged to review both the project status and the proposal to sub-divide the project, he informed the Committee that it is expected a recommendation on the matter will be made to the next Board meeting.

During an extended discussion, the Committee noted three main areas of concern in regard to the Project:-

- (i) Project budget
- (ii) Project execution
- (iii) Project governance

The Committee noted that a significant escalation in costs has now been projected and members expressed concern that there is no certainty that budget drift will not continue unless governance and capacity to deliver issues are addressed. The Committee expressed its concern that steps are identified and taken to ensure that there is full capability and expertise within the project team to implement the project properly.

The Committee welcomed the appointment of Ernst & Young to carry out an independent review of the project and members strongly supported the proposal to appoint an independent external chair to the project board with the relevant skills and experience. The Committee also requested the Internal Auditor to make Ernst & Young aware of the depth and nature of the Committee's concerns prior to the finalisation of their report. The Committee agreed that the Chair should also write to the Provost, summarising the views of the Committee on the matter.

Action:

- 56.1 The Internal Auditor to draft a memorandum to the Provost expressing the serious concerns of the Committee as discussed.
- 56.2 The Internal Auditor to bring the Committee's concerns to the attention of Ernst & Young, prior to finalisation of their Report.

AD/12-13/57 Liaison with the Comptroller and Auditor General

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At the invitation of the Chair, the Internal Auditor advised that Ms Mulligan would join the meeting for a general discussion on recent information requests to College and possible exploration of ways in which the Committee's interaction with the Office of the C&AG might be enhanced. He also advised that the C&AG had reached a view in regard to the accounting treatment of the Trust Funds and Trinity Foundation and that her attendance would provide an opportunity to obtain an update on the matter, in advance of the formal Committee meeting to consider the financial statements. Advising that it is the C&AG's view that the Trust Funds should be consolidated under FRS 2, which differs from the opinion of KPMG on the matter, he explained that there is an option to adopt the UK

Statement of Recommended Practice (SORP) in full as a basis for the preparation of the accounts. Advising that the SORP, which requires consolidation of endowment funds would overcome the difference of opinion arising in relation to FRS 2, he informed the Committee that such action could lead to having to consolidate Trinity Foundation as well. He advised that the Treasurer's Office is exploring with the C&AG the possibility of finalising the delayed 2010/11 financial statements on the current basis and to only change the basis for 2011/12 and onwards. The Committee agreed that such a solution would only be acceptable provided it did not result in a qualification of the audit report in 2010/11. During a brief discussion on the accounting treatment, the Committee stressed the importance of maintaining confidentiality in regard to donor information.

The Committee also noted recent queries from the C&AG in regard to special work outside of the audit and that the College had responded to these queries.

The Chair then welcomed the Treasurer and Ms Mulligan and Mr Hill to the meeting and invited Ms Mulligan to brief the Committee on the issue of the accounting treatment of the Trust Funds, as discussed at previous meetings.

Ms Mulligan confirmed that, having reviewed the information made available, it is the C&AG's opinion that the College's Trust Funds should be consolidated under FRS 2. On the matter of Trinity Foundation, she advised that the position was less clear-cut and arguments could be made both for and against consolidation, such that the C&AG would have no objection to the exclusion of Trinity Foundation. She advised that the form of the audit report on the 2010/11 accounts would be considered in the light of a commitment by College to consolidate the Trust Funds for accounting years from 2011/12 onwards. Noting that an "emphasis of matter" paragraph may be inserted in the report, drawing attention to the accounting policy and the intention to change the basis in the future, she confirmed that the C&AG is in discussions with the Treasurer's Office to find a form of wording agreeable to both parties. The Chair advised Ms Mulligan that a key issue of concern to Committee members was the confidentiality of donor information and Ms Mulligan confirmed that no information on individual donors would be disclosed and that only amounts would appear in the accounts. The Committee welcomed the assurance of confidentiality with regard to individual donor information.

The Treasurer advised that the draft 2010/11 accounts had been prepared as normal in accordance with FRS 2 and for which the C&AG had not qualified the audit opinion in previous years. He advised that the question of control under the accounting standard was a matter of opinion but that the SORP, being a different basis, would allow for consolidation of the Trust Funds and that the full adoption of the SORP would give rise to consolidating Trinity Foundation as well. He noted the importance of finding a form of words agreeable to both College and the C&AG so that the outstanding accounts could be finalised as soon as possible. The Committee agreed to review progress on the form of wording at their next meeting.

In a following discussion on special reviews being carried out, Ms Mulligan advised the Committee that the C&AG may produce a Report on the third level sector and queries relating to credit cards and accumulated annual leave have been sent to the Universities and Institutes of Technology. She confirmed that College has responded to these requests for information and that no significant issues had emerged. In addition, Ms Mulligan also advised the Committee of two further matters that are being reviewed by the C&AG:

- i) payments to senior personnel in St James's Hospital; and
- ii) sabbatical leave across the University sector.

In response to a query, Ms Mulligan confirmed that she understood the issue of non-Review Body allowances, as discussed at a previous meeting, had now been resolved with the Department of Education and Science and that it was agreed that these allowances were in the nature of core pay.

During a discussion regarding the arrangements for audit between College and the Office of the C&AG, Ms Mulligan advised that they have had discussions with the IUA on this topic and that the IUA Finance Officers Group will be considering the matter shortly. Referring to the C&AG's reliance on the work of externally appointed auditors in the sector, Ms Mulligan advised that the C&AG would like to see included in future contracts for audit services a duty of care clause and a role for the C&AG in the planning of the work of the externally appointed auditors. The Internal Auditor, observing that College put in place a protocol several years ago, under which the C&AG receives a copy of the KPMG audit plan and is free to make an input and attend the audit planning meeting to discuss it, confirmed that the arrangement continues to be in place should the C&AG wish to avail of it.

On behalf of the Committee, the Chair thanked Ms Mulligan and Mr Hill and the Treasurer for the very useful engagement and discussions before they withdrew from the meeting.

Action:

The Committee to review progress at its next meeting on the form of words proposed to deal with the issues related to the endowment funds.

AD/12-13/58 Legislative Issues

The Chair welcomed Mr Rooney of Arthur Cox to the meeting and invited him to brief the Committee on legislative issues in the following areas:

- i) Data Protection
- ii) Criminal Justice Act, 2011

Mr Rooney briefed the Committee on current Data Protection legislation and new legislation expected in 2014/15 which may have far reaching implications and pose significant challenges for College.

Following a brief discussion, Mr Rooney answered a number of queries from members. Given time constraints, the Committee decided to defer discussion of the Criminal Justice Act, 2011 to another occasion. The Chair thanked Mr Rooney for his presentation and he withdrew from the meeting.

AD/12-13/59 Audit Committee Terms of Reference

The Committee noted and approved the amendment to the Audit Committee's Terms of Reference, which had been circulated.

Action:

The Internal Auditor to forward a memorandum to Board seeking approval for the amendment to the Committee's Terms of Reference.

AD/12-13/60 Non-Audit Services

The Committee, noting the memorandum from the Internal Auditor dated 2 April 2013, which had been circulated, approved the proposal to develop policy in this area.

Action:

The Internal Auditor to draft a policy on the provision of non-audit services by the auditors for consideration by the Committee at a future meeting.

AD/12-13/61 Next Meeting

Due to the extended discussion on GeneSIS, the Committee decided to defer discussions of the remaining agenda items until the next meeting of the Committee. Members agreed to hold an additional meeting in early May. It was agreed that after the meeting Ms Thompson would circulate members with possible dates for the additional meeting.