

The University of Dublin

Trinity College

Draft Minutes of Audit Committee, Tuesday 14 January 2014

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

Apologies Professor R Byrne

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

In Attendance Ms M Thompson

The Chief Financial Officer and the Financial Resources Manager attended for items AD/13-14/37 to AD/13-14/39.

Mr S O'Keefe and Mr R Hobson of KPMG attended for items AD/13-14/37 and AD/13-14/38.

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

AD/13-14/34 Minutes

The Minutes of the meetings held on 12 and 21 November 2013 were approved and signed.

AD/13-14/35 Call-over

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

AD/13-14/36 Matter Arising

There were no matters arising.

SECTION A and B - POLICY AND IMPLEMENTATION ISSUES

AD/13-14/37 Consideration of Funding Statements for 2012/13

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The KPMG team, present by invitation, advised that the audit had proceeded efficiently and according to plan and that there had been very good support and cooperation from the Financial Services Division throughout and that KPMG had no areas of disagreement with management and no issues to raise other than those contained in their report.

The Chair then invited the Chief Financial Officer and the Financial Resources Manager to join the meeting and drew the Committee's attention to the following documents, which had been circulated for consideration:

a) Report of the Chief Financial Officer on the Funding Statements

- for the year ended 30 September 2013
- b) Funding Statements for the year ended 30 September 2013
- c) Funding Statements - Additional Information for the year ended 30 September 2013
- d) Memorandum from the Chief Financial Officer containing Finance Committee Minute FN/13-14/39 of 18 December 2013
- e) Draft Letter of Representation to KPMG
- f) Report from KPMG on the Funding Statements Audit for the year ended 30 September 2013

The Chief Financial Officer invited the Committee's attention to his Report on the Funding Statements in which he highlighted key issues and figures. The Committee noted that the Funding Statements represent Part I of the College's financial reporting requirements and have been prepared in accordance with the agreed Harmonisation Policy adopted by all Irish Universities, the format of which was approved by the Higher Education Authority in October 2013. The Chief Financial Officer advised that the External Auditors intend to issue an unqualified audit opinion following approval of the Funding Statements by Board on 22 January 2014.

The Chief Financial Officer briefed the Committee on the financial performance for the year, advising that the College is reporting a break-even outturn on core activity for 2012/13. He advised that this was achieved through the planned use of resources that had previously been retained for strategic purposes. The Chief Financial Officer and the Financial Resources Manager provided the Committee with details of income and expenditure and key figures from the Balance Sheet. The Chief Financial Officer drew the Committee's attention to the main financial highlights for 2012/13 as well as key financial risks. Tabling a document from the IUA, illustrating total exchequer funding of the Higher Education sector and its composition, he drew the Committee's attention to the funding challenges and important strategic decisions that will need to be made. The Committee, welcoming the document and noting that the figures could be adjusted to reflect the net position taking account of cuts and savings, expressed concern about the funding risk and implications of the trends in State funding. The Chief Financial Officer advised of the income generation and cost management strategies put in place to increase financial independence and the importance of securing the expected return in the future on the investments that have been made in them to date. In conclusion, the Chief Financial Officer advised that College continues to manage its finances effectively and has no accumulated recurrent deficit and stressed the importance of maintaining a prudent approach to financial management.

At the invitation of the Chair, Mr O'Keefe invited the Committee's attention to the report from KPMG and advised that the audit was now complete and they were satisfied that it was conducted in accordance with the Plan as presented to the Audit Committee in November. Mr O'Keefe confirmed that an unqualified audit report would be issued, subject to consideration and approval by Board of the Funding Statements, receipt of the letter of representation and completion of a post balance sheet date review. Mr O'Keefe advised that there were no significant issues in respect of financial reporting

with which they disagreed, no adjusted or unadjusted audit differences and that no material weaknesses in internal control came to their attention during the audit.

In presenting the key findings of the audit, Mr O'Keefe invited the Committee's attention to the following significant issues:

- Investment Property Valuations and Capital Projects (including IT expenditure)
- Student Fees
- Pension Arrangements
- Research Projects
- Judgemental Provisions
- Funding Statements - Presentation and Disclosure

He also drew the Committee's attention to a revision in the form of the audit opinion for technical reasons to reflect the special basis of preparation of the Funding Statements.

During a detailed discussion that followed, the Chief Financial Officer, Financial Resources Manager and the representatives of KPMG clarified a number of queries and technical issues for members. In particular, the Committee noted with concern the planned use of reserves, as in recent years, to balance the core budget and stressed that this practice could not be sustained indefinitely. The Committee noted and welcomed the various strategies in place to increase and diversify revenue streams and reduce the College's dependency on state funding but acknowledged that many of these initiatives were in the early stage of implementation. The Committee endorsed the Chief Financial Officer's recommendation that College take a prudent approach to financial management and supported the recommendation of the Chief Financial Officer to plan for breaking even in future years on a sustainable basis.

In regard to the level of cash balances currently held by the sector, the Committee, noting that cash balances do not represent surplus funding and that the level is influenced by the timing of grant payments and expenditures and include own resource as well as State monies, recommended that the note in the Funding Statements on cash balances be expanded to reflect a fuller picture of the position.

The Committee took the opportunity, in the presence of the Chief Financial Officer and external auditors to discuss the recent correspondence in regard to audit arrangements with the C&AG, which had been circulated under Section C for noting. Mr O'Keefe advised that KPMG had met with the C&AG in the past regarding the terms of engagement but agreed that they would do so again to establish if the issues with which the C&AG has a difficulty can be resolved on a tripartite engagement basis. The Committee, noting that resolution of the issue requires agreement between KPMG and the C&AG and expressing concern that despite the best efforts of College to date the matter remains unresolved, agreed that the situation is unsatisfactory and requested that further engagement with the C&AG take place as soon as possible and the Committee be

apprised of the outcome.

Noting also the correspondence, which had been circulated under Section C in regard to the continuing pension qualification, the Chief Financial Officer advised that no progress had been made on this matter but that he would continue to pursue it at a sectoral level.

In conclusion, the Committee agreed that the Funding Statements, together with the letter of representation, should be recommended to Board for consideration and approval, subject to elaboration of the note on cash balances as discussed.

Action:

The Internal Auditor to finalise a memorandum to Board and forward it along with the audited 2012/13 Funding Statements and letter of representation with a recommendation that they be approved.

AD/13-14/38 Update on EIB Loan

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The Chair invited the Chief Financial Officer to update the Committee on previous discussions regarding the EIB Loan. The Chief Financial Officer advised of options in regard to the loan and the views of the EIB and the HEA in relation to same. He advised of a proposal that will be submitted to Board shortly in regard to the EIB loan and that he would also be meeting with the EIB to keep them informed on the matter. The Committee welcomed the update and requested that they be updated on the status again after the proposal has been considered by Board.

AD/13-14/39 Conduct of the Audit

The Chair thanked the KPMG team for their work on the audit and they withdrew from the meeting.

At the invitation of the Chair, the Chief Financial Officer commented on the audit carried out and confirmed that it had proceeded very efficiently and that he was satisfied with the conduct of the audit. The Committee noted that there had been a change in the KPMG audit team for College and that this had not impacted on the audit.

In response to a query the Chief Financial Officer advised that FIS is being implemented on schedule and that problems involving document scanning were being actively addressed, processing delays had reduced and suppliers were being kept informed.

The Chair thanked the Chief Financial Officer and Financial Resources Manager as well as the staff in Financial Services Division for their work in completing the financial statements and audit in a short timeframe. The Chief Financial Officer and the Financial Resources Manager then withdrew from the meeting.

The Committee expressed satisfaction with the conduct of the audit.

AD/13-14/40 Audit Committee Effectiveness

Introducing the item, the Internal Auditor drew the Committee's attention to his memorandum dated 8 January 2014, which had been

circulated. Referring to previous discussions, in which the Committee had discussed a need to improve the effectiveness of communications between the Committee/Internal Audit and the Executive Officers Group and the timeliness of responses to recommendations, he outlined a number of options for the Committee's consideration. The Committee, having discussed the issues in detail and the proposed arrangements, agreed that the Internal Auditor discuss those with the relevant College Officers and agree a final proposal for consideration by the Committee at its next meeting.

Action:

The Internal Auditor to discuss the proposal with relevant College Officers and present a final proposal for consideration by the Committee at its next meeting.

AD/13-14/41 Committee Self-Evaluation

The Internal Auditor, drawing the Committee's attention to his memorandum and the self-evaluation form, which had been circulated, invited the Committee to consider if they wished to make any changes in the process this year. Given that two new members had recently joined the Committee, the Committee agreed that no changes were necessary at this time and agreed to complete and return the electronic form as circulated and consider the results in detail at a future meeting. The Committee also agreed to consider the evaluation method as part of that process.

SECTION C - ITEMS FOR NOTING

AD/13-14/42 Ghala Limited

The Committee noted the Ghala Limited Financial Statements for the year ended 30 September 2013 as circulated, and which had already been approved by the Directors.

AD/13-14/43 Correspondence with the Comptroller and Auditor General re. Audit Arrangements

The Committee noted the recent correspondence with the Comptroller and Auditor General, which had been circulated.

AD/13-14/44 FRS 12 - Audit Qualification Issue

The Committee noted the recent correspondence between the HEA and the Chief Financial Officer in regard to the pension qualification issue, which had been circulated.

AD/13-14/45 Control Exception Report

The Committee noted the Control Exception Report for November 2013, which had been circulated and in particular the casual payroll issues which the Internal Auditor advised would be investigated as part of the follow up to the recent audit reports on that area.

AD/13-14/46 Final Audit Committee Annual Report to Board 2013

The Committee noted the final Audit Committee Report to Board 2013, which had been circulated.

AD/13-14/47 Board Papers

The Committee noted the Board agenda and minutes, which had been circulated.