

**THE UNIVERSITY OF DUBLIN
TRINITY COLLEGE**

CONFIDENTIAL

The Minutes of the Finance Committee Meeting of 5 November 2003

PRESENT: The Provost (in the Chair), the Bursar, the Registrar, the Dean of Arts (Letters), the Dean of Health Sciences, Professor C. Williams, Dr. L. Doyle, Dr. A. Ni Chasaide, the Treasurer (Secretary of the Finance Committee)

OBSERVERS: The Vice-Provost, the Senior Lecturer, Professor M. Marsh, Prof. E. McCabe, Miss A. Gatling, Mr. D. Scammell, the Secretary

IN ATTENDANCE: Deputy Treasurer

APOLOGIES: Mr. P. McCabe, Professor M. O'Moore

The Minutes of the Meeting of 1 October 2003 were approved and signed.

2004/20 Insurance Renewal – 2003/2004

(Minute 2003/108 of 25.06.2003 refers)

The Director of Buildings attended for this item.

The Committee had been circulated with and accepted a memorandum from the Director of Buildings and Treasurer dated 2.10.2003 along with the Coyle Hamilton Insurance Renewal Report for 1.10.2003 which had been considered by Executive Officers on 6.10.2003, arising from which a memorandum of the meeting had also been circulated to the Finance Committee. The Committee heard that the renewal process had been less fraught than for 2002/2003 and that the process had resulted in a premium increase of 4.3% despite reductions in the property rate which had been compensated for by cover in respect of the commissioning of new buildings. The attention of the Committee was drawn to the appendices I to V (pages 4 – 10) which outlined five-year cover and cost comparison by policy type, descriptions of the cover provided, uninsured risks, a risk reduction report and consideration of issues in relation to self insurance. The Committee considered the basis on which the College is charged broker fees and the very favourable comparison against the commission based approach. Arising from the completion of the renewal process the Committee was informed that the process of tendering for insurance broker services would commence in the near future in consultation with UCC.

The Committee expressed its appreciation to the Insurance Renewal Group and Coyle Hamilton for the detailed and exacting work required to bring this process to completion for 1 October.

2004/21 Haughton Institute

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The Financial Resources Manager attended for this item

In order to facilitate discussion on a memorandum from the Treasurer and the Financial Resources Manager, dated 29 October 2003, the Treasurer outlined the background to the setting up of the Haughton Institute as a separate legal entity intended to facilitate the achievement of partnership objectives between the College (through the Faculty of Health Sciences) with the College's two main teaching hospitals. In the context of various reports which had been considered by the Board at meetings on 18.12.2002 and 9.07.2003 the Committee considered the financial issues associated with the Haughton Institute which needed to be addressed in light of detailed discussions with the Executive Staff of the Haughton Institute. Issues associated with indirect costs, contract research activity, intellectual property policy issues, taxation matters, employment contracts, insurance issues

and ongoing liability considerations require further clarification. The Treasurer's Office had been requested by the College's Houghton Institute Directors to prepare a schedule of questions (tabled) which might facilitate clarification by them of the matters raised in the context of their legal obligations as company directors. The Committee endorsed this approach.

The Committee noted that past approaches/instruments to underpinning good working relationships with external entities may take a different form in the future and confirmed the need to resolve the day to day matters immediately. A possible changed structure for partnership approaches may to be considered in light of changing needs and initiatives that require the partners to respond in a changing and evolving way.

During the discussions the Finance Committee raised issues regarding the quality of financial control, legal obligations of the College in respect of a separate legal entity, responsibilities of College Directors, the balance of interest between College and partially owned entities with similar activities, competitive issues and skill-set of Directors.

Arising from the detailed discussion it was agreed to recommend that

- The College nominated directors of the Houghton Institute, with appropriate advice from the Treasurer's Office and Houghton Institute staff where necessary, should bring forward a report to the Finance Committee twice a year (initially) on financial matters including risks arising therefrom. The matter of reporting on non financial issues requires consideration elsewhere.
- That College nominated Houghton Directors should request the Board of the Houghton Institute to carry out a full risk review.
- The Board of the College needs to develop a policy in relation to College Directors' obligations regarding interaction with governance structures of the Board of the College and ongoing reporting arrangements associated with separate legal entities which are not 100% owned by College.
- The Board of the College needs to identify the range of skills that are required to be represented in directors nominated by College for major separate legal entities (other than campus companies). It was noted that this matter needs consideration in light of the conflict of interest which may arise between the two entities and where a director's first legal obligation is to the outside entity.

The Directors (all present) noted the significant support, which has been provided by the Financial Resources Manager, to help them towards fulfilling their obligations in relation to financial matters in their role as College nominated directors of the Houghton Institute.

2004/22
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Risk Management

The Internal Auditor attended for this item.

The Finance Committee had been circulated with and considered a memorandum from the Treasurer and Deputy Treasurer dated 20.10.2003 outlining the process of "Control Risk Self Assessment" within the Treasurer's area which had been facilitated by the Internal Auditor. The outcome of the process indicated that:

- No serious fundamental risks existed within the boundaries of the Treasurer's Office responsibility that required further action.
- Risks outside the boundaries of the Treasurer's Office responsibilities and control included a fundamental reliance on Information Systems Services and IT in general and a reliance on the College community to comply fully with the College's long and more recently established financial policies.
- The lack of an integrated and computerised control in purchase ordering system gives rise to a significant risk for the College.

The Committee noted that

- the Treasurer's Office was currently carrying out a review of the financial IT systems in the context of this risk and the SFI review (Minute 2004/2 of 1.10.2003) to identify what possibilities exist to introduce an appropriate system.
- the Finance Committee would receive a biannual report of known breaches of control in order that the College can form a view on the effectiveness of financially related controls.

The Treasurer briefed the Committee on the likely reporting and sign-off that would be required from Board in the next number of years which would require positive assurance to the readers of financial reports that risks in general (and not just financial) are managed and that appropriate controls are in place. The Treasurer indicated that at present it was unclear what process was in place in relation to overall risk recording, assessment, prioritisation and monitoring across the breadth and depth of College. The Secretary indicated to the Committee that he would bring a paper to Board which would outline a reporting mechanism through principal committees of area risk reviews and through heads of areas to executive officers who would then be in a position to prioritise risks and provide appropriate reporting to Board.

The Finance Committee noted the risks outlined above and requested that they be considered in the context of overall risks identified within the College along with the associated cost/benefit issues so that Board can be fully briefed on all risk matters in due course.

2004/23 Pension Fund and Pension Supplementation

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The Committee considered and discussed a memorandum to the Finance Committee and Board from the Secretary and Treasurer dated 22.10.2003. The memorandum considered issues associated with Pension Scheme structure and funding, retirement age, Financial Reporting Standard 17, Stock Markets, actuarial advice, competitiveness in the recruitment market, Benchmarking/pay inflation, unfunded pension liabilities, new legislation, recent actions of the Investment Committee, matters for future consideration by the University sector and recommendations regarding what actions TCD should be taking immediately. The Treasurer also tabled extracts of Investment Committee minutes outlining the actions which have been taken during the years since 25.11.2002.

Following some discussion and clarification and given the rate of growth of liabilities, the volatility of the investment market returns, the unprecedented level of pay awards and the uncertainty in relation to the underwriting of deficits currently arising on funded pension funds along with the implications for recognising pension supplementation liabilities under FRS17 the Committee recommends that the Board should:

1. Obtain professional assistance in pursuing discussions at whatever fora are necessary to bring clarity to the State's obligations in relation to pension matters in the context of all the legislative and historical facts and comparisons within the sector particularly the new universities.
2. Seek professional advice in order to make the relevant case to the State regarding the inadequacy of ongoing funding for the provision of future pensions. This can be done in the context of the now current actuarial knowledge available in TCD and elsewhere.
3. Obtain a full estimate at September 2003 of the estimated deficit on the pension fund along with an estimate of the actuarial implications of pension supplementation under FRS17 which is due to be dealt with as part of the College's GAAP financial reporting later this year.
4. Inform the HEA that it considers that pension supplementation should be a first call on the State grant.

2004/24 Trinity Hall

The Committee received and discussed a memorandum from the Director of Accommodation and Catering dated 28th October 2003 in relation to lower than expected applications for room availability in Trinity Hall along with proposals that might facilitate guaranteeing room occupancy.

The Treasurer briefed the Committee on the financial obligations associated with Trinity Hall which include a commitment of €2.22m in year one increasing at 4% per annum until full repayment has been made in year 33 along with the normal costs of running Trinity Hall on a day-to-day basis. The Committee was concerned to ensure a comprehensive approach to securing full occupancy of residential rooms and requested that a working group be convened to consider options open to the College within

- the already approved rental flows (arising from the review of residential rents - Finance Committee Minute 2001/78 of 28.05.2001)
- and
- the financial obligations as outlined above which relate directly to the provision of the Trinity Hall residences.

It was agreed that the working party membership would be the Vice-Provost (Chair), the Registrar, the Junior Dean, the Warden of Trinity Hall, the Dean of Graduate Studies, the President of the Students Union, the President of the Graduate Students Union and the Director of Accommodation and Catering (Secretary). It was noted that it may be necessary to invite others to inform various elements of the deliberations. The Committee requested that a report be brought back to the Finance Committee for its meeting of 7th January 2004.

2004/25 Comptroller & Auditor General

The Finance Committee noted the Comptroller and Auditor General's unqualified Audit Report (faxed version) in respect of the financial year ended 30 September 2002 and the Letter of Representation dated 16.10.2003 signed by the Vice-Provost and the Treasurer on behalf of the Board. A copy of the audit report is attached to the minutes as a matter of record. As in previous years, this certificate along with a copy of the Financial Statements will be circulated to the Department of Education and Science and the HEA when the original is received.

2004/26 Trust Funds (Benefactions)

The Finance Committee noted and approved the annual financial statements of the Trust Funds (Benefactions) in respect of the financial year ended 30 June 2003 in respect of which an unqualified audit opinion had been issued. The Committee noted correspondence dated 19.09.03 from PricewaterhouseCoopers indicating that no changes were recommended to the accounts as presented by the Treasurer and that the format of financial reporting had been reviewed and deemed appropriate in the context of the Common Investment Scheme (Trust Deed). The Committee noted a tabled copy of the draft minute of the Audit Committee indicating that it had no concerns that it wished to convey to the Finance Committee or Board.

2004/27 Recurrent Income & Expenditure Estimates - 2004

The Committee noted and approved the memorandum from the Deputy Treasurer and Financial Resources Manager dated 23.10.2003 setting out the detailed basis on which the 2004 Estimates will be prepared.

2004/28 Nursing
(Minute 2003/67 of 05.03.2003 refers)

The Finance Committee noted correspondence from the Treasurer dated 10.10.2003 to the Department of Health and Children in respect of the final agreed settlement in respect of the 2003/04 assimilation of Nurse Tutors, capital developments, benchmarking, unit funding increases for 2003/04, student intake, pensions, flow of recurrent funds, post-registration nursing courses and the Degree in Midwifery Studies.

2004/29 House Purchase Loan Scheme

The Finance Committee noted and approved the new House Purchase Loan Regulations and Application form as set out in a memorandum from the Treasurer dated 28.10.2003.

2004/30 Student Fees 2004/05 – Fee Status Criteria

Subject to consideration by Council, the Committee noted and approved the various criteria applied by all universities for determining the fee status of undergraduate applicants as set out in a memorandum from the Treasurer dated 22.10.2003. It was noted that the sector is currently examining common criteria for postgraduate admissions and that this will come forward from CHIU in due course.

2004/31 Indirect Costs – SFI and Other Sponsors and Responsibility and Accountability in relation to Financial Control
(Minute 2003/101 of 25.06.2003 refers)

In considering the minutes of the SFI Working Group meeting of 16.10.2003 as circulated, the Finance Committee noted the view of the Group with regard to the Report on Research Overheads (Indirect Costs), the College's allocation of Indirect Cost distributions and the responsibility and accountability of PI's in relation to financial control on SFI Grants.

The next meeting of the Finance Committee has been arranged for 3 December 2003 at 2.30 p.m., in the Board Room.

PROVOST.....

DATE.....

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