The Minutes of the Finance Committee Meeting of 2nd November 2005

PRESENT: The Bursar (in the Chair), The Registrar, Professor J. Parnell, Mr H. Kearns, Mr J. Mannion, The Senior Lecturer, The Treasurer (Secretary of the Finance Committee)

IN ATTENDANCE: The Deputy Treasurer

APOLOGIES The Provost, The Secretary

(PRESENT FOR) The Minutes of the Meeting and associated Aide Memoire of 19th October 2005 were approved and signed.

The Treasurer outlined the progress to date on the actions agreed by the Committee arising from Minute FN/05-06/20 and noted that significant reports would be brought forward to the next meeting of the Finance Committee on 30 November 2005.

Section A

No items

Section B

FN/05-06/23 Consolidated Financial Statements for the year to 30 September 2003 and Consolidated Financial Statements for the year to 30 September 2004

The Financial Resources Manager attended for this item.

The Treasurer outlined for the Committee the background to the current financial reporting requirements which now consist of the preparation of a Funding Statement (covering core teaching and non-funded research activity) on a harmonised basis across the University sector along with GAAP Consolidated Financial Statements (covering all activities of the University and its subsidiary undertakings) prepared in accordance with generally accepted accounting principles (GAAP) in Ireland as published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board and the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

The Committee noted the very different accounting rules applying to the Funding Statement and the Consolidated Financial Statements and noted the technical nature of the GAAP Consolidated Financial Statements which leads to the deterioration in the comparability of such Statements across the sector arising from the inclusion of all university activity both publicly and privately funded which varies in breadth and structure across the institutions within the sector. The Committee reviewed a tabled summary from the HEA Report on “The Financial Position of Irish Universities at 30 September 2003” and noted the view expressed by the report in relation to Consolidated Accounts as follows:
"The new Consolidated University Accounts (while an accurate accounting record according with best international standards) could be misleading in terms of providing accessible forward planning information for the universities and funding agencies. The treatment of depreciation, which is a real cost to the universities but is not funded by the Government, needs to be interpreted carefully. There is a danger that this can lead those unfamiliar with the accounting details to believe that the universities are making adequate surpluses, when in fact, as the capital review report has shown, they are not maintaining their assets on a sustainable basis”.

The Committee noted that the bringing forward of the 2003 and 2004 GAAP Consolidated Financial Statements was delayed because of significant outstanding disclosure issues which were subject to discussion with the HEA in relation to State grant, student fee/charges and retirement benefits (Financial Reporting Standard 17) matters.

The Committee received tabled copies of the draft final KPMG Audit Report and noted audit qualifications in relation to:

- Non-disclosure of comparative year consolidated income and expenditure for 2001/02 (arising from the very late notification of the requirement for Consolidated Financial Statements and the very significant resourcing implications of compiling the auditable data).

The Committee noted that these two qualifications applied only to the Financial Statements for the year to 30 September 2003 and that the approach had been agreed by six of the seven colleges in the sector.

- Non-compliance with Accounting and Disclosure Requirements of Statement of Standard Accounting Practice 24 for Pension Costs. The Committee noted that this qualification arises from the HEA restriction on the level of contributions to fund the Pension Scheme deficit.

HEA correspondence dated 5 September 2005 was tabled confirming the format of accounts to be followed by the College in accordance with Section 39 (i) of the Universities Act 1997.
The Deputy Treasurer explained in detail for the Committee various elements of the GAAP Consolidated Financial Statements with particular emphasis on the reconciliation of the outturns produced by the different reporting arrangements. Individual elements of the reconciling items were reviewed and full explanations given. The Committee noted book surpluses arising from technical rules, timing issues and noted that the surpluses reflected on the GAAP Consolidated Financial Statements were not "free or discretionary" surpluses. Furthermore the Committee expressed its concern that the true picture in relation to the adequacy or otherwise of the funding of core teaching and unfunded research was not visible in the Consolidated Financial Statements and therefore hindered the transparent comparison of State-funded activity across the sector. The Committee further noted that certain disclosures in relation to State grant and student fees are beyond GAAP requirements but are being required under the approved format. The Committee further noted the retirement benefits note to the Financial Statements covering both pension liabilities at date of retirement (funded by the Pension Fund) and post-retirement increases (funded by State Grant) as outlined. The Committee was briefed that the Comptroller & Auditor General had raised issues with External Auditors in relation to State pension guarantees and related receivables. The Committee agreed that the resolution of such issues might take some considerable time and accordingly felt that this matter should only impact on financial statements where the matter had been clarified by the Department of Finance.

The Finance Committee also noted the very different approach between the Funding Statement which compiles costs based on an activity/cost centre approach and the GAAP Consolidated Financial Statements which gathers costs across all activity by cost type. The Committee considered the potential issues which might arise in relation to ensuring appropriate cost coding.

The Committee requested that Board be informed that

(1) The surpluses appearing on the GAAP Consolidated Financial Statements were pre-committed and did not represent surpluses/discretionary funds available for spending.

(2) GAAP Financial Statement comparisons across the sector will not be possible without intimate knowledge of the range and depth of activities undertaken by each institution.

(3) The Funding Statement is required as part of an overall reporting package in order that the harmonised financial outturns for core activity can be identified in a transparent way across the sector by all stakeholders including the HEA. This report also forms the basis of the unit cost data submissions which currently inform funding.

(4) The potential of GAAP Consolidated Financial Statements to be misleading had been identified by the HEA in its report “The Financial Position of the Universities at 30 September 2003” (see above).

(5) Certain note disclosures have been imposed on the University which are of a management information nature rather than being a GAAP requirement.

(6) The estimated cost of the preparation of the GAAP Financial Statements is in excess of €100,000 p.a.
The Committee recommends that

(a) the GAAP Consolidated Financial Statements (and related Funding Statements) for the years ended 30 September 2003 and 2004 as presented be forwarded to the Audit Committee for consideration and sign-off at its meeting of 9 November 2005 with the recommendation that any C&AG issues in relation to State pension guarantees to be dealt with when appropriate documentation is in place.

(b) GAAP Consolidated Financial Statements for all years only be published on receipt of final audit certificates from the C&AG.

The Committee expressed its appreciation to the Financial Resources Manager and her team for their commitment in delivering these Financial Statements.

**FN/05-06/24 Trust Funds (Benefactions) Financial Statements for the year ended 30 June 2005**

The Committee noted the Trust Funds Financial Statements for the year ended 30 June 2005 as circulated. The Committee recommends that the Financial Statements be sent for consideration at the Audit Committee meeting on 9 November 2005.

**FN/05-06/25 Conferences – Tariff for 2005/06**

The Committee noted and approved the proposed amendments to the Conference Tariffs for 2005/06 as outlined in a memorandum dated 21 November 2005 from the Director of Accommodation & Catering which had been circulated to the Committee.

**FN/05-06/26 House Purchase Loans**

The Committee approved the house purchase loans as presented.

The next meeting of the Finance Committee has been arranged for 30th November 2005 at 2.00 pm, in the Board Room.