

Audit & Risk Committee of Governing Body

Minutes of 23rd March, 2021

Present: Dr Fionnuala Anderson (Chairperson), Marie Carroll, Kieron Connolly, Maeve McConnon, Sam Dunwoody

In Attendance: David Smith, Bernard Mullarkey, Conor Logan, Elaine Dominguez (Minute-taker)

This one-item Agenda Meeting was held as a Video Conference Meeting due to the Government's restriction requirements as a result of the COVID-19 pandemic. The meeting commenced at 09.35hrs and concluded at 10.00hrs

1. Updates to Draft Financial Statements for year ended 31st August 2020

The Secretary/Financial Controller briefed the Committee members on the adjustments made to the Institute's Financial Statements for year ended 31st August 2020 since the version circulated at the Audit & Risk Committee meeting of 25th November 2020. It was reported that Deputy Director of the C&AG had given his permission for the updated Financial Statements to be brought to the Audit & Risk Committee.

1.1 Financial Statements 2020 Adjustments

- (i) **Capital Commitments restated as Accruals** – the DHKN auditor identified that some commitments totalling €188k required to be reclassified as Accruals, which resulted in a reduction of the Surplus by this amount.
- (ii) **Electricity Accrual** – an accrual for electricity did not initially carry through to the trial balance; this resulted in a reduction of the Surplus by €22k.
- (iii) **Correction of Deferred Student Support** – a sum of €9k was included in Accruals but has now been restated as Deferred Student Support (under Note 16); there was no effect on the Surplus as a result of this action.
- (iv) **Correction of Exam Costs** – in Note 12, a sum of €17k was reclassified from 'Other' to 'Enrolment, Exams & Conferring'; there was no effect on the Surplus as a result of this reclassification.
- (v) **Interview Fees Payable to Governing Body Members** – interview fees of €285 to Dr Fionnuala Anderson were inadvertently omitted from the original table on Page 4 'Corporate Governance Statement'.
- (vi) **COVID Funding** – details of COVID Funding provided by the HEA in December 2020 included as a narrative in Note 3; there was no effect on the Surplus as a result of this action. It was noted that, due to the timeframe of financial reporting, the COVID Funding received in December 2020 will appear in the Institute's Financial Statements for year ending 31st August 2021.
- (vii) **Capital Account Terminology** – the wording 'Capital Account' was replaced with 'Deferred State Capital Grants' in the Statement of Changes in Reserves on page 19, in the Statement of Financial Position on page 20, in Note 1(d)(i) State Grants on page 23, and in Note 17 on page 39. The rewording did not affect the Surplus.

- (viii) **Accounting Policy for Retirement Benefits** – amendment made to the referencing of the 'Department of Education & Skills' to 'Department of Further & Higher Education, Research, Innovation & Science' under Note 1(e)(i) Retirement Benefits (page 24)
- (ix) **Typos, Formatting, Rounding etc.** – a number of corrections/changes were made to minor typographical errors, formatting, rounding of totals and additions.

1.2 Analytical Review of Financial Statements 2019 to 2020

The following key differences were noted between the Financial Statements for year ended 31st August 2019 and the Financial Statements for year ended 31st August 2020:

- (i) **Recurrent Grant** – in 2020, the underlying Recurrent Grant increased to €11,041k from €10,102k in 2019. The amount of Recurrent Grant allocated to fixed asset expenditure (capital) in 2020 was €675k versus €1,376k in 2019. The combined impact of these items increased the State Grant in the Statement of Comprehensive Income by €1,640k with the remaining minor difference due to Minor Work Grant.
- (ii) **Tuition Fees** – in 2020, income from Tuition Fees was reduced by almost €200k, reflecting an overall reduction in student numbers. There was also a small reduction in the number of students paying international fees.
- (iii) **Research Income & Expenditure** – during 2020, Research Income increased by €74k, with increases in State funded projects (€125k), primarily due to the 1916 Bursaries. However, income from EU-funded projects reduced (€61k). The costs associated with Research increased by €90k, reflecting additional resources assigned to the research area.
- (iv) **Bank Interest** – due to historically low interest rates during 2020, IADT's interest income fell by €13k. The Institute is now being charged to hold monies on deposit.
- (v) **Other Income** – for 2020, Other Income reduced by €423k. This primarily relates to a series of one-off payments for the purchase of Notional Service to the Superannuation Scheme in 2019 (€300k), which did not occur in 2020. There was a significant reduction in standard earned incomes in the latter half of 2020 in respect of campus rentals, pitch rentals, print income, international students and animation project, to the total of €123k.
- (vi) **Salary Payments** – during 2020, there was a general increase in salaries between national increases and increments of approximately 2%, adding €320k to the Institute's costs.
- (vii) **Non-Pay Expenditure** – for 2020, Non-Pay Expenditure decreased by approximately €1,050k, with significant reductions noted in:
 - Asset Write Down: €336k No Asset Write Downs in 2020
 - Energy & Water: €157k A significant water leak was identified and repaired in 2020
 - Professional Fees: €102k The planning and process for the completion of the Institute's Strategic Plan was completed in 2019
 - Other expenditure: general expenditure reduced during 2020, due to reduced or alternative activities as a result of the Covid-19 pandemic, including: Travel & Subsistence, Cleaning, Maintenance, Publicity & Promotion, Communications; Marketing & PR.

There were some increases in Non-Pay Expenditure during 2020, such as: Library (moved to on-line systems); Security (due to Covid-19); and Legal Fees (HR Processes).

- (viii) **Receivables (Debtors)** – during 2020, there was an increase in the number of students owing Tuition Fees and Student Contributions (€87k). While this needs to continue to be monitored, it is not a significant issue, as the process for student progression ensures that Tuition Fees and Student Contributions are paid. The amount of €87k represents 29 students and €207k represents 69 students out a total student population of 2,500.
- (ix) **Payables (Creditors)** – during 2020, Payable increased by €1,515k. Included in this total is the early receipt of the Devolved Grant Payment (€590k) and up-front payments of research contracts (€201k), combining to make €760k of early income receipts. On the payment side, there was a late payment of PAYE/ PRSI €455k) and a timing issue in respect of trade creditors (€206k). These late payments were due to a technical issue with the new Agresso platform, and payments were made in early September.

1.3 Proposed Amendments to the Corporate Governance Statement and the Statement of Internal Control contained in the Financial Statements 2019 to 2020

As part of the review process, and prior to formally recommending the Financial Statements to the Governing Body, the Office of the Comptroller & Auditor General has requested that IADT considers some additions to the Statement of Internal Control (SIC). The C&AG has considered the proposals as set out below, and has indicated that these meet with their expectations. The details are as follows:

- (i) **Excess of Expenditure over Income** – it was proposed that the wording in the second last paragraph on page 6 of the Corporate Governance Statement be amended to: *"continually growing excess of expenditure over income per student"*. This is to reflect the continuing growth in the cost of education against the funding received, rather than a direct comparison to the annual income and expenditure account).
- (ii) **Remote Working** - it was proposed to include the following under Business Risks in the SIC: *"IADT has trailed and implemented remote working, both as a workplace initiative and as a consequence of Covid-19. IADT has reviewed the relevant approvals' processes to ensure that the control environment in respect to remote working is at a minimum equivalent to the control environment on campus."*
- (iii) **Risk Management** – it is proposed to recommend to the Governing Body that the following be included under Business Risks in the SIC:
"IADT acknowledges the importance of a well-developed Risk Management Structure. The Internal Auditor has made a number of recommendations in March 2020 to enhance the existing risk management structure in IADT, and the Institute is currently implementing these."

Arising from the impacts of the Covid-19 shutdowns in March 2020, the Institute's Executive moved to Risk Only Agendas, and reporting on the risks associated with Covid-19, which have been extensively reported to the Audit and Risk Committee and to the Governing Body at all meetings. Additionally,

the Audit and Risk Committee amended their Terms of Reference in September 2019 to include Risk, and added a specific Risk Agenda Item.”

It was reported that Covid-19 Support Income was not recorded in the Financial Statements for the year ended 31st August 2020, due to the fact that the Institute was not notified of the amount to be received until December 2020. The Covid-19 Support Income will be recorded in the Financial Statements for year ended 31st August 2021. It was also noted that the majority of expenditure due to Covid-19 was incurred after the 31st August 2020.

The Committee members were informed that, subject to the members approval, the updated Financial Statements will be sent to the C&AG and it is hoped that the final Financial Statements will be brought to the Governing Body for approval on 5th May 2021.

Proposer: SD
Secunder: FA

Signed: _____
Cllr. Michael Clark
Nominated by the Committee as
Meeting Chairperson

Date: _____22/09/2021_____