



**Comptroller and Auditor General  
Special Report**

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**Accountability and Governance at the  
National College of Art and Design**



# Report of the Comptroller and Auditor General

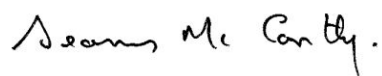
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## **Accountability and Governance at the National College of Art and Design**

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a review of accountability and governance at the National College of Art and Design.

This report was prepared on the basis of information, documentation and explanations obtained from the bodies and persons referred to in the report. The National College of Art and Design, the Higher Education Authority and the Department of Education and Skills were asked to review and comment on the draft report. Where appropriate, the comments received were incorporated in the final version of the report.

I hereby submit my report for presentation to Dáil Éireann in accordance with Section 11 of the Act.



**Seamus McCarthy**  
**Comptroller and Auditor General**  
29 August 2014



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## Summary

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# Summary

The National College of Art and Design (the College) has existed for over 250 years. Its current structure was established under the National College of Art and Design Act 1971 and it is governed by a board (An Bord) appointed by the Minister for Education and Skills (the Minister).

The College's annual turnover is in the region of €20 million. Its major sources of revenue are State grants allocated by the Higher Education Authority (HEA) and academic fees.

## Financial Accountability

The 1971 Act provides for the preparation of financial statements by the College and for the audit of the financial statements by the Comptroller and Auditor General. The Act also requires the College to report to the Minister on an annual basis on its proceedings during the previous academic year.

The most recent audited financial statements for the College relate to the year ended 30 September 2010. Following the audit, these were certified on 21 December 2012.

The preparation and audit of financial statements is a key mechanism in ensuring accountability in respect of State funding. The senior management and An Bord have allowed a situation to develop whereby this basic requirement is effectively not being met. This is despite a report of the Comptroller and Auditor General in 2012 which drew attention to delays in the finalisation of the audit of the financial statements of the College for the financial years ending in 2009 and 2010.

## Governance Systems

Senior management and An Bord have not, on a timely basis, addressed deficiencies or taken mitigating actions with regard to its procurement practices, assessment of the adequacy of its statement on internal financial control, or the role of its audit committee.

The College provides the Minister with its annual report together with the audited financial statements. The annual reports for 2009 and 2010 were submitted together to the Minister in February 2013.

The audit opinions on the College's 2009 and 2010 financial statements drew attention to non-compliance with national procurement guidelines and the lack of review of the effectiveness of the system of internal financial control, copies of which are received by the HEA. Subsequent audit work established that the College also failed to follow national procurement guidelines for the year ended 30 September 2011.

A review of the effectiveness of the system of internal financial control was not performed by An Bord in any of the five accounting years ended 30 September 2012.

A key feature of internal governance is the establishment of an audit committee and a properly constituted internal audit function. In both the financial years 2010/2011 and 2011/2012, there was only one meeting held by the audit committee.

### **Oversight by the Higher Education Authority**

As part of its ongoing oversight and monitoring of the third level education system, the HEA reviews compliance with relevant statutory provisions and delivery on national policy goals. In 2009, the HEA requested third level institutions, including the College, to submit annual governance statements intended to provide the HEA with assurance about the operation of governance and accountability at the level of individual institutions.

In each of the years 2009 - 2013, the College submitted an annual governance statement to the HEA on a timely basis. In the statements submitted, the College disclosed the status of accounts production. In 2011 and 2012, the College highlighted issues regarding its failure to comply with procurement guidelines. The College also disclosed that there was no review of the effectiveness of the system of internal financial control in 2009.

HEA staff collate the information contained in the governance statements received and prepare a report annually for the Board of the Authority to consider. Between 2009 and 2013, no issues were highlighted to the Board in respect of the College's governance.

The HEA should have been more active in requiring the College to remedy the situation. It was only upon commencement of this examination that the HEA escalated this issue to the appropriate level with the College, in February 2014.

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## **Accountability and Governance at the National College of Art and Design**

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# 1 Background

- 1.1** The National College of Art and Design (the College) has existed in different forms for over 250 years. Its current structure was established under the National College of Art and Design Act 1971 and it is governed by a board (An Bord) appointed by the Minister for Education and Skills (the Minister).
- 1.2** The College has been a recognised college of the National University of Ireland since 1996. In 2010, an academic alliance between the College and University College Dublin (UCD) was created. From September 2011, NCAD is a recognised college of UCD and its degrees are validated by UCD.
- 1.3** In the 2012/2013 academic year, the College had 784 undergraduate students and 189 post graduate students. In addition, close to 750 students were enrolled on continuing education courses, mostly on extramural short courses.

## College Funding

- 1.4** The College's annual turnover is in the region of €20 million. Its major sources of revenue are State grants allocated by the Higher Education Authority (HEA) and academic fees. The HEA awards grants on a calendar year basis. In the eight years ended 31 December 2013, the HEA provided total grant funding to the College amounting to over €100 million.

**Figure 1.1 Summary of all HEA grants to the College, 2006 – 2013**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Recurrent	9,901	10,409	11,405	11,644	12,753	13,815	12,848	12,722
Capital	–	–	–	–	741	2,689	1,408	694
Erasmus	91	73	95	110	124	98	59	43
Research	11	26	63	284	325	224	447	–
Access	78	118	141	93	72	152	177	163
<b>Total</b>	<b>10,081</b>	<b>10,626</b>	<b>11,704</b>	<b>12,131</b>	<b>14,015</b>	<b>16,978</b>	<b>14,939</b>	<b>13,622</b>

Source: Higher Education Authority

## **Governance Requirements**

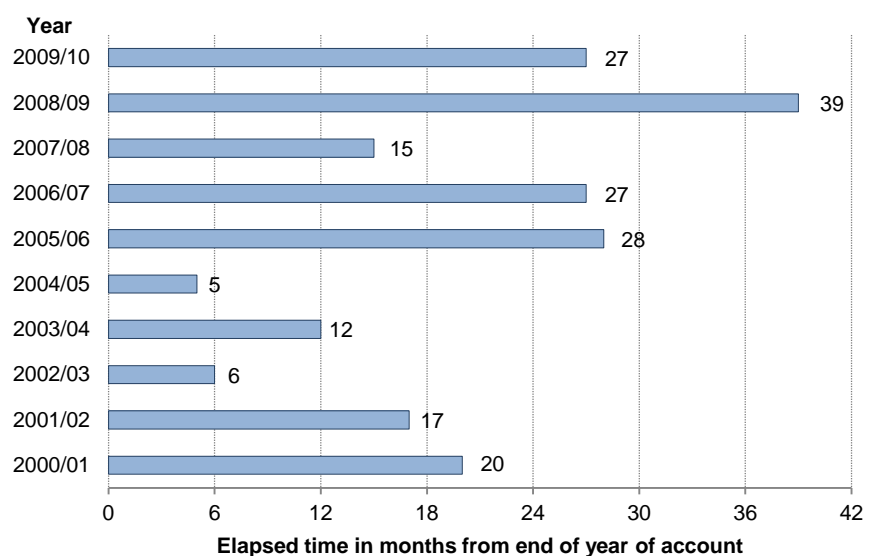
- 1.5** The 1971 Act provides for the preparation of financial statements by the College and for the audit of the accounts by the Comptroller and Auditor General. There is a separate requirement in the Act for the College to report to the Minister annually on its proceedings during the previous academic year.
- 1.6** The HEA is the statutory funding authority and the principal oversight body of the higher education system, with responsibility for ensuring the sustainability of the higher education system and that it is operating efficiently, effectively and coherently.

## 2 Issues Arising from Audit

### Preparation of Financial Statements

- 2.1** Achievement of effective financial accountability includes
- the keeping of proper books of account
  - the preparation of annual financial statements submitted on a timely basis for independent audit, and
  - the maintenance of an effective system of internal financial control.
- 2.2** A 2012 special report on matters arising out of education audits included a section dealing with accounting by education bodies, including the College.<sup>1</sup> The report noted that there were delays in the finalisation of the audit of the financial statements of the College for the financial years ending in 2009 and 2010. These delays were mainly due to accounts production difficulties in the College.
- 2.3** Significant delays in accounts production by the College have continued. The College presented draft financial statements for the year ended 30 September 2011 on 16 December 2013, 27 months after the period-end.<sup>2</sup> Draft financial statements for the years ended 30 September 2012 or 30 September 2013 have not yet been produced. Figure 2.1 illustrates the lack of timeliness by the College in preparing financial statements over many years, but especially since 2005/2006.
- 2.4** The most recent audited financial statements for the College relate to the year ended 30 September 2010 which were certified by me on 21 December 2012.<sup>3</sup> Those financial statements are presented as an appendix to this report, for reference purposes.

**Figure 2.1 Elapsed time in months between end of year and account certification**



<sup>1</sup> Comptroller and Auditor General Special Report 78: Matters Arising out of Education Audits (February 2012).

<sup>2</sup> The results of the audit of the 2010/2011 financial statements are currently being reviewed.

<sup>3</sup> The 2008/2009 financial statements were certified on the same day.

Source: NCAD audited financial statements

- 2.5** The College provides the Minister with its annual report together with the audited financial statements. Because of the delays in preparation of financial statements, there have been considerable delays also in the College reporting to the Minister. The annual reports for 2009 and 2010 were submitted together to the Minister in February 2013.

### Internal Governance

- 2.6** Despite the adoption by the universities of a code of governance in 2007, the College did not formally adopt a code of governance until October 2013 when it adopted the Code of Practice for the Governance of State Bodies (the Governance Code). Notwithstanding this, its governance statements submitted annually to the HEA in the past confirmed adherence to this Code.
- 2.7** A key feature of internal governance is the establishment of an audit committee with written terms of reference and a properly constituted internal audit function. The Code of Practice for the Governance of State Bodies recommends that audit committees meet at least four times a year.
- 2.8** Key functions of an audit committee include the review of the effectiveness of internal controls, the monitoring of the work of internal audit and review of the operation of risk management systems.
- 2.9** Figure 2.2 details the number of meetings held by An Bord, the audit committee and the number of internal audit examinations completed in the last three years.

**Figure 2.2 Number of board and audit committee meetings, and number of internal audit reports**

Financial Year	No. of meetings of An Bord	No. of meetings of Audit Committee	No. of internal audit reports
2010/2011	7	1 <sup>a</sup>	1
2011/2012	6	1	1
2012/2013	8	3	2

Source: National College of Art and Design

Note: a No minutes can be located for this audit committee meeting.

- 2.10** A review of the effectiveness of the system of internal financial control, as required by the Governance Code, was not performed by An Bord in any of the five accounting years ended 30 September 2012.



## Procurement Practice

- 2.11** The audits for the years ended 30 September 2009 and 30 September 2010 found that tenders or quotes had not been sought for most goods and services purchased by the College, including class equipment, maintenance and professional services, and that consequently, the College had not followed national guidelines in respect of procurement. This finding, together with the failure of An Bord to undertake a review of the College's system of internal financial control are reflected in the statements on the system of internal financial control included in the audited financial statements and in the audit opinions.
- 2.12** Subsequent audit work has established that the College also failed to follow national procurement guidelines in the year ended 30 September 2011.

## Views of the Director of the College

- 2.13** The audit formally sought the views of the Director of the College as to the reasons for the delay in the preparation of the financial statements for the last two accounting years and requested information on why
- a review of the effectiveness of the system of internal financial control, as required by the Governance Code, was not performed by An Bord in any of the five financial years from 2007/2008 to 2011/2012
  - national procurement guidelines were not followed in respect of tendering for the years ended 30 September 2009 and 30 September 2010 and if the College is currently complying with procurement guidelines.

## *Delays in the Preparation of Financial Statements*

- 2.14** The Director stated that the College has not had the resources to upgrade the functionality of its financial systems which are less than fit for purpose, or to up-skill a very small cohort of accounts staff in line with increased pressures and demands.
- 2.15** He stated that the current financial and student registration systems are perhaps a decade or so behind state of the art systems. The College's systems necessitate a significant degree of manual inputs and outputs. A combination of limited staffing, exacerbated by staff illness and ongoing human resource issues, together with the on-going increase in demand for regulatory and other information from State bodies has created fundamental difficulties in achieving agreed objectives on finalising financial reports.
- 2.16** He also stated that the College was, from late 2012, in active discussion with UCD about a merger and the possibility that the College would benefit from inclusion in a range of UCD back-office systems. The College has negotiated agreement in principle on a range of possible working relationships in the areas of human resource management, payroll and admissions. While still following through on the merger process for which the HEA has allocated some development funding for this year, the process has slowed for the moment while UCD undertakes a strategic review. In the meantime, and specifically in the context of the accounts production, the College has recently appointed a new finance officer with significant public sector experience. He also indicated that some measures already taken include improvements to reporting, systems and policies.

***Failure to Review the Effectiveness of the System of Internal Financial Control***

- 2.17** The Director indicated that resourcing problems were the key reason why no formal review of the effectiveness of the system of internal financial control was carried out for the years 2008 to 2012. A review for the financial year 2012/2013 is underway. He stated however, that financial processes were, in effect, under regular scrutiny by An Bord because of ongoing cuts in State funding, constant reconfiguration of budgets and the need to generate income and make necessary savings.
- 2.18** He stated the audit committee has scheduled to meet on four dates in the period June 2014 to March 2015 and internal audit will submit draft reports to committee members at least one week ahead of the meeting dates.

***Non-Compliance with National Procurement Guidelines***

- 2.19** The Director stated that resourcing problems were the key reason why national procurement guidelines were not followed for the years ended 30 September 2009 and 30 September 2010. He stated that in March 2014, the College engaged a procurement consultant with experience in the third level sector to assist the College in becoming totally compliant. The plan for compliance includes
- the approval of the College's procurement policy by the audit committee and An Bord on 11 April 2014
  - a mandatory training day for all budget holders and their administrative assistants which took place in May 2014, and
  - the updating of College policy statements.
- 2.20** In addition, tenders for cleaning and security services will be completed by the end of September 2014. A tender document for waste disposal services should be on the e-tenders website by mid September 2014. Current procurement arrangements were based on original tenders which were continued on the calculation that greater value for money was achievable by negotiating with existing providers, one example being where a substantial cash discount on the insurance premium was negotiated in 2011 with an existing provider.
- 2.21** He stated the College is trying to avoid entering into any onerous long-term contracts where there may be a possibility of securing near-term savings through participation in existing UCD contracts in any new structural arrangement.
- 2.22** He further stated that the College's information systems are generally unfit for purpose in relation to monitoring and reporting. The College is considering replacing its human resource/payroll system and has discussed its needs and requirements with the HEA. While financial and human resourcing is still a problem, some positive movement has occurred. The Department of Education and Skills has initiated a process on shared services and College staff attended a workshop on this subject on 30 April 2014.

### 3 Oversight by the Higher Education Authority

- 3.1** As part of its ongoing monitoring of the third level education system, the HEA reviews compliance with relevant statutory provisions and delivery on national policy goals.
- 3.2** In 2007, the HEA together with the Irish Universities Association published a code of governance for universities based on the principles applied to all State bodies.<sup>1</sup>
- 3.3** In 2009, the HEA provided copies of the university code of governance to smaller third level institutions, including the College, indicating that it was not intended to produce a separate governance code for such bodies but asked them to ensure similar processes were in place and to submit annual governance statements to the HEA. The annual reports are intended to provide assurance to the HEA that third level institutions are operating to a high standard of governance and accountability in relation to their activities.
- 3.4** In May 2011, the HEA wrote again to the various institutions, asking for the annual governance statement to cover seven specified areas. The HEA also asked the institutions to provide each year a copy of the statement on the system of internal control (included in the financial statements prepared for audit).
- 3.5** The seven reporting areas specified in the HEA correspondence were
- a statement confirming that a code of governance and a code of conduct for members and employees have been adopted
  - details of financially significant developments in the past year
  - a statement affirming that Government policy on pay is being complied with
  - a statement affirming that all appropriate procedures for financial reporting, internal audit, procurement and asset disposal are being carried out
  - confirmation that the Department of Public Expenditure and Reform's *Guidelines for the Appraisal and Management of Capital Proposals* are being adhered to, where appropriate
  - confirmation that the Department of Public Expenditure and Reform's *Guidelines for Achieving Value for Money in Public Expenditure* are being followed and
  - a statement affirming compliance with tax laws.
- 3.6** The HEA correspondence in May 2011 also made reference to the need to revise the (2007) universities' governance code and associated reporting requirements to take account of revisions made in 2009 to the Code of Practice for the Governance of State Bodies. Pending this, the HEA instructed that institutions should provide the HEA with details of fees paid (if any) to each of the members of the governing authority, the expenses paid to the members, broken down by category and the salary paid to the Director.<sup>2</sup> These were not required by the universities' code.

1 Governance of Irish Universities – A Governance Code of Legislation, Principles, Best Practice and Guidelines.

2 The Code of Practice for the Governance of State Bodies (2009) requires publication in annual reports of details of fees paid to each of their directors, the expenses paid to board members and the salary of the chief executive officer. The Governance of Irish Universities (2012) requires universities to confirm that fees and/or expenses paid to members of the governing authority are in accordance with the guidelines from the Department of Public Expenditure and Reform and are presented in the university's annual report. A note on the schedule of fees and aggregate expenses payable to external governing authority members should be included.

## Governance Statements Submitted to the HEA

- 3.7** In each of the years 2009 – 2013, the College submitted an annual governance statement to the HEA on a timely basis.
- 3.8** In the statements submitted for the last five years, the College made disclosures regarding certain issues (see analysis in Figure 3.1). In every year, the delay in producing audited accounts was documented. In 2011 and 2012, issues were highlighted regarding compliance with procurement guidelines. The College also disclosed that there was no review of the effectiveness of the system of internal financial control in 2009.

**Figure 3.1 Annual governance statements provided by the College to the HEA**

Academic year	Date submitted to the HEA	Statement on internal financial control (SIFC) attached	Observations on content of annual governance statements
2008/2009	10 August 2009	Signed 2006 SIFC	<p>Noted that audits for 2007 and 2008 nearing completion. SIFC for 2006 attached with comment that SIFC for 2007 and 2008 will not differ greatly from what was the case in 2006.</p> <p>Confirmation that there were no matters of non-compliance with regard to governance.</p> <p>No statement affirming that all appropriate procedures for procurement were undertaken.</p>
2009/2010	3 August 2010	Unsigned 2008 SIFC	<p>Noted that accounts for 2009 not yet audited.</p> <p>Confirmation that there were no matters of non-compliance with regard to governance.</p> <p>No statement affirming that all appropriate procedures for procurement were undertaken.</p>
2010/2011	4 July 2011	Draft SIFC for the year ended 2010. Includes statement that a review of the effectiveness of the system of internal financial control was conducted by An Bord.	<p>Noted that audit of the two years 30 September 2009 and 30 September 2010 is underway.</p> <p>Statement that it was not always possible to go out to tender for procurement because of time constraints.</p>
2011/2012	22 October 2012	Unsigned SIFC for 2009 & 2010. These contain disclosures (sought by audit) that national procurement guidelines were not followed in 2009 and 2010 and that no review of the effectiveness of the system of internal financial control was conducted by An Bord for 2009. The draft SIFC for 2010 states a review of the effectiveness of the system of internal financial control was conducted by An Bord.	<p>Noted that audits for 2009 and 2010 expected to be completed in the coming weeks and in discussions with the Office of the Comptroller and Auditor General regarding the 2011 and 2012 audits.</p> <p>Statement that the College adheres to the Code of Practice for the Governance of State Bodies.</p> <p>Statement that NCAD enjoys the benefits of being part of UCD's procurement agreements which is helping to reduce non-pay costs.</p>
2012/2013	7 November 2013	Draft SIFC for 2012. This statement is positive as regards review of the effectiveness of the system of internal financial control conducted by An Bord.	<p>Noted that the audit of the accounts for 2009 and 2010 were completed and signed by the Comptroller and Auditor General. College stated to be preparing the audit file to allow the 2011 audit to commence. Plan to complete this audit and the 2012 and 2013 audits in quick succession.</p> <p>Statement that the College adheres to the Code of Practice for the Governance of State Bodies.</p> <p>No statement affirming that all appropriate procedures for procurement were undertaken.</p>

Source: Higher Education Authority

- 3.9** The audit opinions on the College's 2009 and 2010 financial statements drew attention to issues surrounding procurement and the lack of review of the effectiveness of the system of internal financial control. Copies of the audit opinion are received by the HEA.

### **Response of the HEA to these Issues**

- 3.10** The HEA accepts that there was some delay in following up with the College initially in relation to some issues. This was to a significant extent due to difficulties and confusion caused by draft statements of internal control submitted by the College, which were subsequently significantly changed following completion of the audits. As noted, in each of the years from 2009 to 2013 (with the exception of 2011), the College in its annual governance statement confirmed that there were either no matters of non-compliance with regard to governance or that the College adheres to the Code of Practice for the Governance of State Bodies. The HEA accepted these statements in good faith and reported accordingly to the HEA board. In relation to the governance statement provided for 2011, the HEA understood this to mean that there were no issues of non-compliance.
- 3.11** The HEA collates the information contained in the governance statements received and prepares a report annually for the Board of the Authority to consider. Between 2009 and 2013, no issues were highlighted to the Board in respect of the College.
- 3.12** The HEA has stated that it expressed concerns on a number of occasions to College management about the timeliness of its annual accounts production. However, the HEA issued no formal correspondence on the matter.
- 3.13** In April 2011, the HEA contacted the College and expressed concerns regarding the delay in producing financial statements. The College indicated that draft financial statements for 2009 and 2010 would be available for audit in early May 2011.
- 3.14** The draft special report drawing attention to account production difficulties was sent to the HEA in December 2011. In January 2012, the HEA was advised by the College that the 2009 and 2010 financial statements were currently being reviewed and that sign-off was expected in a number of weeks. In the event, the financial statements were not finalised until December 2012.
- 3.15** On 24 September 2013, the Office of the Comptroller and Auditor General issued an audit query regarding accountability and governance issues to the Director of the College.
- 3.16** In late 2013, the HEA again contacted the College expressing concern about the delay in finalising the financial statements for 2011 and 2012. The College indicated the delay was due to resourcing issues. In February 2014, the HEA met with the Director of the College, the Secretary and Registrar, Chair of An Bord and the Chair of An Bord's audit committee. At this meeting, the HEA strongly emphasised the need for urgent action in relation to getting financial statements signed off and resolving any internal control issues which had been identified.

- 3.17** The College subsequently advised the HEA of the actions it had taken in relation to addressing the issues identified. In summary, the College has given an undertaking to complete the financial statements for 2011, 2012 and 2013 before the end of 2014. In addition, the College has provided details of how it proposes to address the deficiencies identified in relation to internal control procedures. The HEA requested an update on progress in relation to these matters by the end of June 2014, and has indicated that it will require regular updates from the College during the year.
- 3.18** In addition, the HEA advises that it regularly reminds all institutions of the importance of good governance arrangements, emphasising that the governing authority of each institution is primarily responsible for ensuring that its activities are governed by the ethical and other considerations enshrined in the code of governance. Institutions have also been reminded that it is important that their governing authorities are fully aware of their responsibility with regard to their oversight role in the disbursement of moneys and that chief officers, being the accountable persons for the governing authority, are answerable to the Committee of Public Accounts in relation to the disbursements of such moneys.
- 3.19** The HEA also circulates all procurement circulars to the sector, including the College.
- 3.20** The HEA confirmed that no financial penalty or other sanction has been imposed on the College for late production of financial statements.
- 3.21** The HEA has advised that its capacity to impose financial penalties is limited and that it has no explicit statutory power to do so. However, it states that as of this year the situation is evolving. Arising from the implementation of the National Strategy for Higher Education, the HEA is further developing its oversight role in relation to higher education institutions. An important part of the revised approach is the agreement of an annual compact with each higher education institution, which will set out targets to be achieved in respect of specified national objectives for higher education. The funding model is being revised to support this new approach and will include a performance related element, which will be linked to the achievement of targets agreed for each higher education institution. As the process of performance funding goes forward in successive years from 2015, the HEA stressed that it will take into account institutional compliance with governance requirements and procedures and other statutory requirements. In its opinion, this, for the first time, will give a meaningful capacity to penalise non-compliance or poor performance.

## 4 Conclusions and Recommendations

- 4.1** Governance arrangements are contained in provisions of relevant legislation and are supplemented by principles and good practice espoused in governance codes concerned with internal practices and accountability.
- 4.2** The College receives a substantial amount of funding from the State – over €100 million in the eight years ended 31 December 2013. The preparation and audit of financial statements is a key mechanism in ensuring accountability in respect of such State funding. The senior management and An Bord have allowed a situation to develop whereby this basic requirement is not being met.
- 4.3** In addition, senior management and An Bord did not, on a timely basis, address deficiencies and take mitigating actions with regard to
- the procurement processes followed
  - the absence of annual reviews on the effectiveness of the system of internal financial control by An Bord
  - the role performed by the audit committee.

### Recommendation 4.1

College management and An Bord need in the short term to eliminate delays in accounting for College activities and to address the deficiencies in administrative practices and oversight arrangements.

### Director's response

Agreed. We acknowledge that there is work to be done to achieve compliance in the variety of areas through which the College works and this is now being taken up energetically, to be fully resolved within a reasonable timeframe. We undertake to prepare 2011, 2012 and 2013 financial statements in sufficient time so that the audit of these statements can be completed in 2014.

- 4.4** The HEA should have been more active in requiring the College to remedy the situation. It was only upon commencement of this examination that the HEA escalated this issue to the appropriate level within the College, in February 2014.

### Recommendation 4.2

The HEA needs to put in place structures to identify problems within institutions and to actively engage with such bodies, to ensure timely accountability for State funds. The HEA should also review the options available to it, in the event that a body cannot or will not promptly address such deficiencies.

### **Response of Chief Executive of HEA**

Agreed. The HEA accepts the need to strengthen processes in this area and proposes, during 2014, to put in place enhanced processes in relation to its oversight of the annual governance statements and statements of internal control received from the higher education institutions. This will include the expansion of the format for the required returns, more detailed analysis of institutional responses and appropriate follow-up, and the development of best practice approaches.

In addition, the HEA funding model is being revised to include a performance related element, which will be linked to the achievement of targets agreed for each higher education institution. As part of this development, performance funding will take into account institutional compliance with governance requirements and procedures and other statutory requirements.



# **Appendix**

**National College of Art and Design**

**Audited Financial Statements for the year ended 30 September 2010**



COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTHA  
 NATIONAL COLLEGE OF ART AND DESIGN  
 ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

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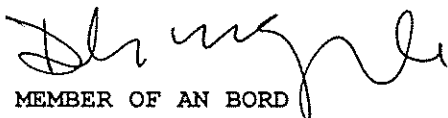
COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
STATEMENT OF RESPONSIBILITIES OF AN BORD

Under Section 15 (1) of the National College of Art and Design Act, 1971, AN BORD is required to prepare financial statements in such form as may be approved by the Minister for Education and Skills with the consent of the Minister for Public Expenditure and Reform.

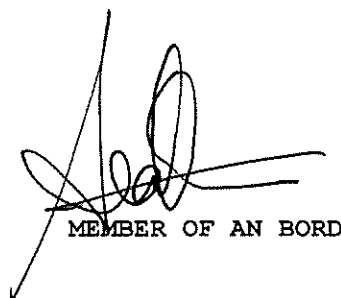
In preparing the financial statements, An Bord is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to do so.
- Follow applicable accounting standards, subject to any material departures disclosed and explained in the financial statements.

AN BÓRD is responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the National College of Art and Design and which enable it to ensure that the financial statements comply with the statutory requirements. An Bord is also responsible for safeguarding the assets of the National College of Art and Design and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



MEMBER OF AN BORD



MEMBER OF AN BORD



## Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

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### Coláiste Náisiunta Ealaíne is Dearthá

I have audited the financial statements of Coláiste Náisiunta Ealaíne is Dearthá for the year ended 30 September 2010 under the National College of Art and Design Act 1971. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the capital income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and generally accepted accounting practice in Ireland.

#### Responsibilities of the Board

The Board is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the College's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

#### Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to bodies in receipt of substantial funding from the State in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the College's circumstances, and have been consistently applied and adequately disclosed

- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I assess the consistency of the other information presented with the financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

#### Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the College's affairs at 30 September 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the College. The financial statements are in agreement with the books of account.

#### Future pension arrangements

The defined benefit pension arrangements operated by the College consist of an unfunded superannuation scheme.

Without qualifying my opinion on the financial statements, I draw attention to Note 17 and to the recognition as at 30 September 2010 of an asset of €58 million in respect of deferred pension.

The recognition of this asset anticipates that funding will be provided by the State to meet pension liabilities as they fall due. Inherent in this accounting treatment is an assumption that any income generated by the College will in the first instance be applied towards current expenses and that State funding will meet any shortfall in resources to fund future pension liabilities.

**Matters on which I report by exception**

I report by exception if

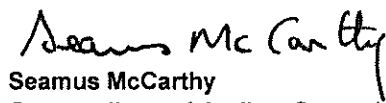
- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the Statement on Internal Financial Control does not reflect the College's compliance with the governance arrangements set out in the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

**Internal Control Review**

The Statement on the System of Internal Financial Control discloses that the Board did not undertake a review of the effectiveness of the College's system of internal financial control for the year.

In addition, the College has disclosed in its Statement on the System of Internal Financial Control that national procurement guidelines were not followed in respect of procurement.

I have nothing to report in regard to other matters.

  
Seamus McCarthy  
Comptroller and Auditor General

21 December 2012

COLÁISTE NAÍSIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2010  
STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

**Responsibility for System of Internal Financial Control**

On behalf of the members of AN BORD of the National College of Art and Design I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in the College.

Such a system can only provide reasonable but not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or other irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

An Bord has taken steps to ensure an appropriately controlled environment by:

- Defining management responsibilities of the Director and Registrar.
- Approving formal procedures for reporting significant control failures and ensuring appropriate corrective action.
- Formal Director's report to each meeting of An Bord on each area of the College's major activities.
- An Bord has established an Audit Committee, to support quality assurance on financial procedures. The Committee reported to An Bord formally on three occasions during the year.
- To assist it in its responsibilities, the Audit Committee appointed an independent firm of Chartered Accountants to provide internal audit service to the National College of Art and Design.

Internal Review of Controls

The Internal Audit Service was in place for all of the year ended 30 September 2010, An Bord has also relied on the existing system of internal financial control. This is based on a framework of regular management information, administrative procedures including segregation of duties (within the limitations of a small staff) and a system of delegation and accountability. In particular, it includes the following:

- A comprehensive budgeting system with an annual budget which is reviewed and approved by An Bord.
- An Bord receives a monthly set of management accounts comparing the actual performance with the budgeted performance, an assessment of the cumulative results to date and identification of any particular problems that are being experienced.
- Setting targets to measure financial and other performances.

The Internal Audit Service reviewed the following areas during the accounting period:

- Systems in place for control of Premises, Maintenance and Improvements Expenditure (2009 accounting records examined)
- Income and Student Fees Reconciliation (2009 accounting records examined)
- Review of Payroll Systems (2010 accounting records examined)

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTH  
NATIONAL COLLEGE OF ART AND DESIGN  
ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2010  
STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL - CONT'D

The meetings of the Audit Committee are minuted and the Committee report to An Bord as required. An Bord's monitoring and review of the effectiveness of the system of internal financial control is also informed by the size of the operation, the number of staff employed and the length of service of the key staff involved in the financial matters and the method of reporting financial issues to An Bord on a regular basis. In addition An Bord receives details of comments made by the Comptroller and Auditor General in any management letters received.

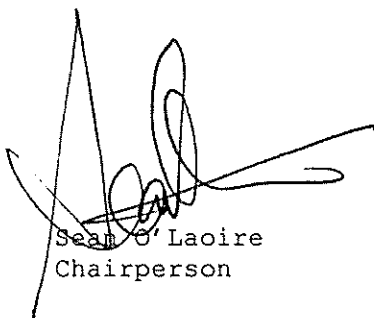
An Bord acknowledges that, during the year 2009/2010 (or 2008/2009), national procurement guidelines were not followed in respect of tendering. Since December 2011, the College, through its alliance with University College Dublin, will benefit from all new procurement agreements entered into by that university and expects to be in full compliance with national procurement guidelines in 2012.

The College operates under the Code of Practice for the Governance of Semi State Bodies.

Annual Review

I confirm that in respect of the year ended 30 September 2010 no review of the effectiveness of the System of Internal Financial Control was conducted by An Bord.

Signed on behalf of An Bord



Sean O'Laioire  
Chairperson



COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
 NATIONAL COLLEGE OF ART AND DESIGN  
 ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2010  
 STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies adopted by the College are as follows:

(a) Accounting Convention

The Financial Statements have been prepared on an accruals basis, under the historical cost convention and in accordance with Generally Accepted Accounting Practice. Financial reporting standards recommended by the recognised accounting bodies are adopted as they become applicable.

(b) State Grants

State Grants for recurrent expenditure are allocated by an tÚdarás um Ard-Oideachas on a calendar year basis. The grant reported in the Income and Expenditure Account is the amount determined to be appropriate to the relevant academic year. State grants for capital expenditure, including parts of the recurrent grant used for capital purposes are recognised in the Capital Income and Expenditure Account in the year that they are receivable.

(c) Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of the Fixed Assets over their estimated useful lives. The Capital Account is amortised in line with depreciation.

Building work in progress is included at cost. Depreciation is not calculated until handover of building.

Computer software is capitalised with Furniture & Equipment and depreciated accordingly.

Assets are depreciated using the following rates:

	Buildings	Furniture & Equipment
In the year of purchase	1.5%	10%
Other years	3%	20%

(d) Capital Account

The Capital Account represents the unamortised value of Capital and Current Income used for Capital purposes.

(e) Leased Assets

The amounts in respect of assets, which are held under finance leases together with depreciation thereon, are integrated with owned fixed assets.

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2010  
STATEMENT OF ACCOUNTING POLICIES - CONT'D

(f) Pension Schemes

The National College of Art and Design operates a defined benefit pension scheme, which is funded annually on a pay as you go basis from monies available to it including monies provided by the Higher Education Authority and from pension contributions deducted from staff salaries.

Pension costs reflect pension benefits earned by employees in the period and are shown net of staff contributions which are retained by the College. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable and offset by grants received in the year to discharge pension payments.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Total Recognised Gains and Losses and a corresponding adjustment is recognised in the amount recoverable from the Higher Education Authority.

Pension Liabilities represent the present value of future payments earned by staff to date. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Higher Education Authority.

(g) Taxation

No provision is made for taxation as the College holds tax-exempt status.

(h) Continuing Education in Art and Design

Continuing Education in Art and Design (CEAD) funds are included in the income of the year in which the related expenditure is incurred. When a deficit/surplus arises it is carried forward to the following year.

(i) Erasmus

Erasmus funds are included in the income of the year in which the related expenditure is incurred.

(j) NIVAL

The National College of Art and Design holds a collection (known as the National Irish Visual Arts Library) of books, manuscripts, and art work that it has acquired mainly through donations and bequests. These items are not treated as fixed assets in the financial statements as the College considers that the inclusion of such assets in the financial statements would not provide reliable and relevant financial information.

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

INCOME	Notes	2010 €	2009 €
State Grants	1	9,658,312	11,534,516
Academic Fees	2	5,248,186	4,436,648
Other Income	3	281,659	180,000
Erasmus Grant	4	338,736	224,970
Continuing Education in Art and Design	11	311,650	327,647
Amortisation of Capital Funds	15	1,151,385	818,708
Net Deferred Funding for Pensions	17c	4,252,000	3,652,000
Total Income		<u>21,241,928</u> =====	<u>21,174,489</u> =====
<b>EXPENDITURE</b>			
Academic Departments	4	8,272,074	8,817,245
Academic and Other Central Services	5	959,086	1,064,155
Premises	6	2,084,278	3,544,367
Central Administration	7	2,007,666	2,289,115
General Education Expenditure	8	56,551	68,752
Student Facilities and Amenities	9	492,205	547,004
Miscellaneous Expenditure	10	501,496	433,840
Continuing Education in Art and Design	11	311,650	327,647
Depreciation	12	1,151,385	818,708
Pensions	17a	5,197,175	4,186,602
		<u>21,033,566</u> =====	<u>22,097,435</u> =====
Surplus/(Deficit) for the year		208,362	(922,946)
Balance at beginning of year		(192,269)	730,677
Balance at end of year		<u>16,093</u> =====	<u>(192,269)</u> =====

There are no recognised gains or losses, other than those dealt with in the Income and Expenditure Accounts and in the Statement of Total Recognised Gains and Losses.

The Statement of Accounting Policies, and Notes 1-22 form part of the Financial Statements.

MEMBER OF AN BORD

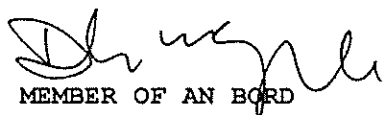
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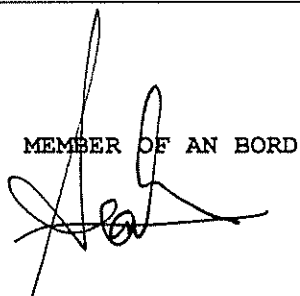
COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
 NATIONAL COLLEGE OF ART AND DESIGN  
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
 FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Notes	2010 €	2009 €
<b>Statement of Total Recognised Gains and Losses</b>			
Income and Expenditure Account			
Surplus/(Deficit) for the year		208,362	(922,946)
Actuarial gain/(loss) on Pension Liabilities	17b	4,252,000	(8,348,000)
Adjustment to Deferred Pension Funding	17b	(4,252,000)	8,348,000
		<hr/>	<hr/>
Total Recognised Gains and (Losses) for the year		208,362	(922,946)
		<hr/>	<hr/>

There are no recognised gains or losses, other than those dealt with in the Income and Expenditure Accounts and in the Statement of Total Recognised Gains and Losses.

The Statement of Accounting Policies, and Notes 1-22 form part of the Financial Statements.

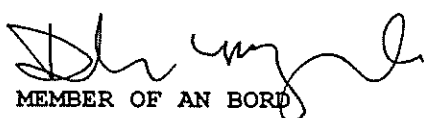
  
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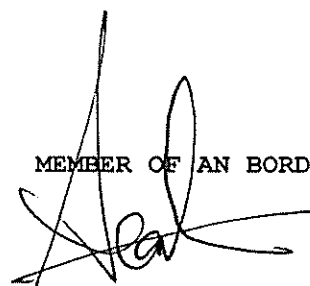
  
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COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
CAPITAL INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2010

INCOME	Notes	2010 €	2009 €
Grants received from an tÚdarás um Ard-Oideachas	1	43,186	388,219
Grant from Dublin City Council		-	436,513
		<hr/>	<hr/>
		43,186	824,732
<b>EXPENDITURE</b>		<hr/>	<hr/>
Land and Buildings	12,15	27,156	881,376
Furniture and Equipment	12	16,030	174,187
		<hr/>	<hr/>
		43,186	1,055,563
		<hr/>	<hr/>
Surplus/(Deficit) for the year		-	(230,831)
Balance at beginning of year		-	230,831
		<hr/>	<hr/>
Balance at end of year	16	-	-
		<hr/>	<hr/>

The Statement of Accounting Policies, and Notes 1-22 form part of the Financial Statements.

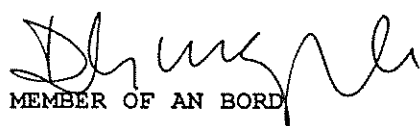
  
MEMBER OF AN BORD

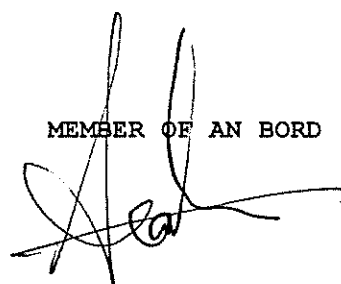
  
MEMBER OF AN BORD

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
BALANCE SHEET FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Notes	2010 €	2009 €
Fixed Assets	12	16,844,575	17,992,774
<b>Current Assets</b>			
Debtors and Prepayments	13	447,390	679,037
Bank Balances and Cash		2,896,125	4,153,275
		3,343,515	4,832,312
<b>Current Liabilities</b>			
State Grants Received in Advance		492,496	1,160,222
Creditors and Accrued Expenses	14	2,834,926	3,864,359
		3,327,422	5,024,581
Net Current Assets/(Liabilities)		16,093	(192,269)
Total Assets less Current Liabilities before Pensions		16,860,668	17,800,505
Deferred Pension funding		58,300,000	58,300,000
Pension Liabilities	17d	(58,300,000)	(58,300,000)
Total Assets less Current Liabilities		16,860,668	17,800,505
<b>Funded By:</b>			
Capital Account	15	16,844,575	17,992,774
Income and Expenditure Account		16,093	(192,269)
		16,860,668	17,800,505

The Statement of Accounting Policies, and Notes 1-22 form part of the Financial Statements.

  
MEMBER OF AN BORD

  
MEMBER OF AN BORD

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010

Reconciliation of Net Movement for the year to	Note	2010	2009
Net cash inflow from operating activities		€	€
Surplus/Deficit) for year		208,362	(922,946)
Bank Interest Received	3	(113,054)	(56,118)
Decrease in Debtors & Prepayments		231,647	279,732
(Decrease)/Increase in Current Liabilities		(1,697,159)	292,193
<b>Net cash outflows from operating activities</b>		<b>(1,370,204)</b>	<b>(407,139)</b>
<b>Cash Flow Statement</b>			
Net cash inflow/(outflow) from operating activities		(1,370,204)	(407,139)
Returns on investments and servicing of finance			
Interest received		113,054	56,118
Capital Expenditure and financial investment			
Purchase of fixed assets	12,15	(43,186)	(1,055,563)
Cash Inflow/Outflow) before use of liquid resources and financing		(1,300,336)	(1,406,584)
Management of liquid resources			
Decrease/(Increase) in short term deposits		243,809	1,616,195
Financing		43,186	824,732
<b>(Decrease)/Increase in cash</b>		<b>(1,013,341)</b>	<b>1,034,343</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease)/Increase in cash in year	20	(1,013,341)	1,034,343
Cash used to(decrease)/increase liquid resources	20	(243,809)	(1,616,195)
Net funds at start of year		4,153,275	4,735,127
<b>Net Funds at 30 September</b>		<b>2,896,125</b>	<b>4,153,275</b>

The Statement of Accounting Policies, and Notes 1-22 form part of the Financial Statements.

  
MEMBER OF AN BORD

  
MEMBER OF AN BORD

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1. STATE GRANTS

	2010 Allocated For Recurrent Expenditure €	2010 Allocated For Capital Expenditure €	2010 Total €	2009 Total €
Higher Education Authority (HEA)				
Recurrent Grants	8,586,710	43,186	8,629,896	9,645,347
Information Technology	40,000	-	40,000	60,000
Disability & Financial				
Assistance Grants	100,877	-	100,877	176,070
Quality Assurance	82,559	-	82,559	102,105
Skills Conversion	105,500	-	105,500	89,945
Improved Access and Progression	104,334	-	104,334	116,357
Retention	-	-	-	38,000
Networking	9,524	-	9,524	-
Training of Trainers	59,179	-	59,179	46,771
Targeted Initiatives	-	-	-	22,635
FP7 Grant	14,929	-	14,929	-
GradCAM	248,620	-	248,620	417,600
Irish Language	5,857	-	5,857	-
Minor Works	-	-	-	1,068,706
Comenius	13,360	-	13,360	-
Leargas/Leonardo	71,383	-	71,383	2,028
EU/EACEA	61,917	-	61,917	-
IRCHSS	19,400	-	19,400	-
Other State Grants				
Enterprise Ireland	42,880	-	42,880	30,501
Arts Council	74,584	-	74,584	85,000
Heritage Council	4,000	-	4,000	6,600
Crafts Council	10,000	-	10,000	-
Other	2,699	-	2,699	15,070
Dublin City Council	-	-	-	436,513
Total 2010	<u>9,658,312</u>	<u>43,186</u>	<u>9,567,335</u>	<u>12,359,248</u>
Total 2009	<u>11,534,516</u>	<u>824,732</u>	<u>12,359,248</u>	

2. ACADEMIC FEES

	2010 €	2009 €
Full-Time Tuition Fees - 949 students (2009 - 877)	4,084,686	3,753,148
Full-Time Registration Fees - 761 students (2009 - 747)	1,141,500	672,300
Part-Time Tuition Fees - 12 students (2009 - 8)	22,000	11,200
	<u>5,248,186</u>	<u>4,436,648</u>

Included in the Registration Fees for 2010 is an amount of €703,925 being €925 per undergraduate student, which is allocated directly to the College and was spent by the College under various expenditure headings. The balance of the Registration charge of €437,575, being €575 per undergraduate student, was spent on student facilities and amenities (see note 9).

The College receives a Skills Conversion Grant in respect of approved postgraduate courses. The grant totalled €165,000 of which €57,500 is treated as full-time tuition fees.



COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTH  
NATIONAL COLLEGE OF ART AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

3. OTHER INCOME	2010 €	2009 €
EU Funding	4,028	1,500
Continuing Professional Development	32,288	15,867
Sponsorship	61,360	37,591
Event Income	8,571	7,745
Student Charges	22,130	22,638
Interest	113,054	56,118
Other Income	6,979	2,087
Photocopy Income	33,249	36,454
	<u>281,659</u>	<u>180,000</u>
	=====	=====
4. ACADEMIC DEPARTMENTS	2010 €	2009 €
Academic Staff	5,805,272	6,484,197
Technical Staff and Models	1,156,339	1,228,672
Faculty Administrative Staff	335,003	351,090
Erasmus Costs	338,736	224,970
Non-pay Costs	636,724	528,316
	<u>8,272,074</u>	<u>8,817,245</u>
	=====	=====
5. ACADEMIC AND OTHER CENTRAL SERVICES	2010 €	2009 €
Library Staff	561,861	569,862
Books, Catalogues, and Periodicals	277,765	396,607
Lease Charges	119,460	97,686
	<u>959,086</u>	<u>1,064,155</u>
	=====	=====
6. PREMISES	2010 €	2009 €
Attendants and Cleaner	597,782	633,010
Maintenance Staff	191,777	195,629
Light, Heat, and Power	235,042	291,247
Maintenance Materials	342,118	1,614,524
Cleaning Costs	298,191	335,372
Security	219,313	250,962
Rent and Rates	136,161	156,160
Telephone	63,894	67,463
	<u>2,084,278</u>	<u>3,544,367</u>
	=====	=====

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARHTHA  
NATIONAL COLLEGE OF ART AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

7. CENTRAL ADMINISTRATION	2010 €	2009 €
Administration Staff	1,116,871	1,247,502
Quality Assurance Staff	60,679	65,000
Quality Assurance (non-pay)	21,879	37,105
Stationery and Supplies	148,509	123,516
Postage	30,105	29,104
Professional Fees	69,123	236,421
Auditors' Remuneration	31,000	30,000
Travel and Subsistence	28,720	32,026
Advertising	23,145	18,322
Insurance	123,898	87,976
Photocopying Costs	13,948	16,364
Safety Costs	29,273	21,284
Gallery	103,583	93,810
Exhibitions, Seminars, and Catering	131,482	154,248
Miscellaneous	75,451	96,437
	<hr/>	<hr/>
	2,007,666	2,289,115
	=====	=====
8. GENERAL EDUCATION EXPENSES	2010 €	2009 €
Examiners' Fees and Expenses	7,372	9,387
Staff Development	49,179	59,365
	<hr/>	<hr/>
	56,551	68,752
	=====	=====
9. STUDENT FACILITIES AND AMENITIES	2010 €	2009 €
Examination and Registration Fees	105,780	100,430
Students' Union Subvention	65,339	61,665
Students Assistance Scheme	110,420	173,607
Health and Counselling Services	97,789	90,395
Materials Subvention	43,425	45,564
Student Travel	28,410	36,848
Sports and Leisure Facilities	41,042	38,495
	<hr/>	<hr/>
	492,205	547,004
	=====	=====

COLÁISTE NÁISIÚNTA EALAÍNE IS DEARTHA  
NATIONAL COLLEGE OF ART AND DESIGN  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

10. MISCELLANEOUS EXPENDITURE	2010 €	2009 €
Research Expenditure	501,496 =====	433,840 =====
11. CONTINUING EDUCATION IN ART AND DESIGN	2010 €	2009 €
Opening Balance	154,221	(75,244)
Income	300,667	557,112
Expenditure (details below)	(311,650)	(327,647)
Closing Balance (deferred)	143,238 =====	154,221 =====
Salaries	257,146	267,713
Administration	32,972	37,365
Materials	21,532	22,569
	311,650 =====	327,647 =====

The salary cost of €99,923 inclusive of employer PRSI (2009, €104,236) for the Head of CEAD is not reflected in the above salaries figure.

12. FIXED ASSETS	Land & Buildings €	Furniture & Equipment €	Total €
<b>COST</b>			
Balance at beginning of year	29,693,817	4,852,059	34,545,876
Additions	27,156	16,030	43,186
	29,720,973	4,868,089	34,589,062
<b>DEPRECIATION</b>			
Balance at beginning of year	12,493,178	4,059,924	16,553,102
Charge for year	891,221	260,164	1,151,385
	13,384,399 =====	4,320,088 =====	17,704,487 =====
Net Book Value 30 September 2010	16,336,574 =====	548,001 =====	16,844,575 =====
Net Book Value 30 September 2009	17,200,639 =====	792,135 =====	17,992,774 =====

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13. DEBTORS AND PREPAYMENTS	2010 €	2009 €
Current Grant	-	24,269
Capital Grant	-	-
Prepayments	447,390	654,768
	<hr/>	<hr/>
	447,390	679,037
	=====	=====

14. CREDITORS AND ACCRUED EXPENSES	2010 €	2009 €
Fees	1,138,010	1,219,343
PAYE	115,819	131,304
PRSI	86,945	97,158
Pension Levy	48,803	51,193
Creditors	194,887	686,452
Continuing Education in Art and Design (see note below)	143,238	154,221
Accrued Expenses	1,107,224	1,524,688
	<hr/>	<hr/>
	2,834,926	3,864,359
	=====	=====

The balance in Continuing Education in Art and Design represents funds on hand at year-end, which relate to courses in the academic year 2010/2011. When a deficit/surplus arises, it is carried forward with CEAD to the following year.

15. CAPITAL ACCOUNT	2010 €	2009 €
Balance at beginning of year	17,992,774	17,755,919
Grants used for Buildings Acquisition and Development	27,156	881,376
Grants applied to purchase fixed assets	16,030	174,187
	<hr/>	<hr/>
	18,035,960	18,811,482
Less: Amortisation	(1,151,385)	(818,708)
	<hr/>	<hr/>
	16,884,575	17,992,774
	=====	=====

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16. CAPITAL INCOME AND EXPENDITURE ACCOUNT

	2010 €	2009 €
Release of Surplus towards development of Fire Station Building	-	(230,831)
Net Surplus on Land Swap	-	230,831
	<hr/>	<hr/>
	-	-
	=====	=====

17. PENSION COSTS

(a) <u>Analysis of total pension costs charged to Expenditure</u>	2010 €'000	2009 €'000
Current service cost	2,700	2,400
Interest on scheme liabilities	3,200	2,550
Employee pension contributions	(703)	(764)
	<hr/>	<hr/>
	5,197	4,186
	<hr/>	<hr/>

(b) Analysis of movement in scheme liability during the year

	2010 €'000	2009 €'000
Scheme liability at 1 October	58,300	46,300
Current service cost	2,700	2,400
Interest on scheme liabilities	3,200	2,550
Benefits paid in the year	(1,648)	(1,298)
Actuarial (gain)/loss recognised in STRGL	(4,252)	8,348
	<hr/>	<hr/>
Scheme Liability at 30 September	58,300	58,300
	<hr/>	<hr/>

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17. PENSION COSTS (Cont'd)

(c) Deferred Funding for Pensions

The National College of Art and Design recognises these amounts as an asset corresponding to the unfunded deferred liability for pensions on the basis of a set of assumptions described in this note and a number of past events. These events include the statutory basis for the establishment of the pension scheme, and the policy and practice currently in place in relation to funding public service pensions, including contributions by employees and the annual estimates process. NCAD has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

The Net Deferred Funding for Pensions recognised in the Income and Expenditure Account was as follows:

	2010 €'000	2009 €'000
Funding recoverable in respect of current year costs	5,900	4,950
Grants from an tÚdarás um Ard-Oideachas applied to pay pension benefits	(1,648)	(1,298)
	<hr/>	<hr/>
Net Deferred Funding for Pensions in year	4,252	3,652
	<hr/>	<hr/>

The deferred funding asset for pensions as at 30 September 2010 amounted to € 58,300,000 (2009: €58,300,000)

(d) History of Deferred Benefit Obligations

	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Deferred Benefit Obligations	58,300	58,300	46,300	44,600
Experience (gains) losses on scheme liabilities				
Amount	(4,252)	(2,700)	(1,552)	(298)
Percentage of Scheme Liabilities	(7.29%)	(4.63%)	(3.35%)	(0.67%)

(e) General Description of the Scheme

A Staff Superannuation Scheme and a Spouses' and Children's Pension Scheme under Section 20 of the National College of Art and Design Act, 1971 were approved in January 1984 and September 1987 respectively. The College's pension schemes are unfunded schemes. Staff contribute at a rate of 5% to the Staff Superannuation Scheme and 1.5% to the Spouses' and Children's Pension Scheme. The scheme provides a pension (eightieths per year of service), a lump sum (three eightieths per year of service) and spouses' and children's pensions. Normal retirement age is a member's 65<sup>th</sup> birthday and pre-2004 members have an entitlement to retire without actuarial reduction from age 60. Pensions in payment (and deferment) normally increase in line with general public sector pay increases.

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The valuation used for FRS 17 (revised) disclosures has been based on a full actuarial valuation at 1 October 2010 by a qualified actuary taking account of the requirements of the FRS in order to assess the scheme liabilities at 30 September 2010.

The principal actuarial assumptions were as follows:

Assumption	2010	2009
Discount Rate	5.5%	5.5%
Salary increase assumption	4%	4%
Pension increase assumption	4%	4%
Price inflation	2%	2%

The mortality rates will be calculated in the 2011 accounts.

(f) Revised FRS 17 Disclosures

The information on pensions has been presented in line with new disclosure requirements required from 2007 under an amendment to FRS 17.

(g) Arrears

Under the Protection of Employees (Part-time Work) Act 2001, staff who had been non-full time and full time contract staff were permitted to join the College's main pension scheme and to pay arrears from the date they first entered the College. The vast majority of these arrears have been paid at the salary rate prevailing at 20 December 2001, but the use of this rate has been challenged on the basis that the historic rate should have been used rather than the 2001 rate.

Pending the resolution of this matter the arrears have not been accounted for and are shown as a liability in the accounts. At 30 September 2010 this liability was €332,000 (2009 - €453,000).

**18. CAPITAL COMMITMENTS**

Capital Commitments at 30 September 2010 amounted to €Nil(2009 €NIL).

**19. LEASE COMMITMENTS**

The College holds a premises at John Street West, Dublin 8 under an operating lease. The lease is for a period of 10 years from March 2006. The annual rent is €125,000 with a rent review every 5 years.

There were no finance lease commitments at 30 September 2010

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20. ANALYSIS OF CHANGES IN NET FUNDS DURING THE YEAR

	At 1/10/2009 €	Cashflows €	At 30/09/2010 €
Cash at Bank and on Hand	1,740,141	(1,013,341)	726,800
Short-Term Deposits	2,413,134	(243,809)	2,169,325
	<u>4,153,275</u> =====	<u>(1,257,150)</u> =====	<u>2,896,125</u> =====

21. BOARD MEMBERS

No member of An Bord had an interest in any contracts or awards given by the College during the year nor derived any interest or benefit or had any conflict of interest in relation to any of the College's operations during the year.

22. APPROVAL OF FINANCIAL STATEMENTS

The accounts for the year ended 30 September 2010 were approved by An Bord at its meeting on 7<sup>th</sup> December 2012.