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Letterkenny Institute of Technology

Financial Statements

For the year ended 31 August 2017



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Statement of Responsibility of the Institute

The Institutes of Technology Acts 1992 to 2006 require the Institute to prepare Financial Statements in such form as may be approved by the Higher Education Authority and to submit them for audit to the Comptroller and Auditor General. In preparing these Financial Statements, the Institute is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare Financial Statements on the going concern basis, unless it is inappropriate to presume that the Institute will continue in operation.
- Disclose and explain any material departures from applicable accounting standards.

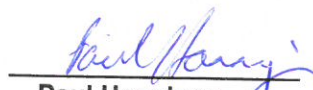
The Institute is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and which enables it to ensure that the Financial Statements comply with the Institutes of Technology Acts 1992 to 2006.

The Institute is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

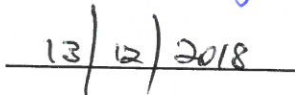
Chairman:


Mr. Fintan Moloney

President:


Paul Hannigan

Date:


13/12/2018



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Statement on Internal Control

Responsibility for the System of Internal Control

The Governing Body of Letterkenny Institute of Technology acknowledges its responsibility for ensuring that an effective system of internal control, based on compliance with the Code of Governance of Irish Institutes of Technology and the Code of Practice for the Governance of State Bodies published in August 2016, with effect from 1 September 2016, is maintained and operated. The system of internal control consists of those processes used to identify, evaluate, prioritise and manage the significant risks faced by Letterkenny Institute of Technology in the management of its affairs. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected on a timely basis.

Key Control Procedures

The Governing Body has taken steps to ensure an appropriate control environment, including the following:

- Procedures and regulations are documented, implemented and up to date. The Institute is engaged in an ongoing process to update existing procedures and to introduce new policies and procedures where appropriate.
- Regular reviews of periodic and annual reports, including financial performance against budgets, are performed by the Governing Body. Timeliness of preparation of draft statutory accounts has improved in recent years.
- An Audit and Risk Committee operates with clear terms of reference, dealing with significant control issues and receiving the reports of the internal and external auditors.
- Clearly defined capital investment control guidelines are in place.

Letterkenny Institute of Technology has an outsourced internal audit function, which operates in accordance with the Code of Governance of Irish Institutes of Technology. Annual internal audit plans take account of areas of potential risk identified by management and the Audit and Risk Committee. The Internal Audit Plan for 2016/2017/2018 was approved by the Audit and Risk Committee in March 2016.

Risk Management

In October 2015, the Governing Body reviewed and approved the Institute's Risk Management Policy. An Institute-wide risk register has been developed and is subject to bi-annual review by the Institute's Executive Board. Responsibility for risk management oversight and maintenance of the Institute's risk register has been



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assigned to a member of the Executive Board and the Audit and Risk Committee review the risk register bi-annually.

Annual Review of Controls

The Governing Body's review of the effectiveness of the system of internal control is informed by:

- Senior officers within the Institute, who have responsibility for the development and maintenance of an internal control framework.
 - Work processes and procedures across key Institute activities are designed to ensure adequate and appropriate segregation of duties.
 - The Executive Board reviews the Institute's financial performance during the year, including comparisons against budget.
- The Audit and Risk Committee, which assists the Governing Body in fulfilling its oversight responsibilities;
 - The Audit and Risk Committee oversees the work of the Internal Auditors and, at a minimum of once each year, meets the Internal Auditors to review their plans and activities.
 - Deliberations of the Audit and Risk Committee and any issues of concern are reported to the Governing Body.
 - The Audit and Risk Committee's Annual Report for year ended 31 August 2017 was presented to the Governing Body in September 2017.
- The Institute's Internal Auditors.
 - The Internal Audit plan considers risk when identifying areas for review.
 - The Internal Auditors perform their work in accordance with the Internal Audit plan. Where the work relates to the Institute's system of internal control, the Internal Auditors submit reports which provide independent assurance on the adequacy and effectiveness of the Institute's system of internal control, with recommendations for improvement. These reports are provided to the Institute's Audit and Risk Committee, which reports directly to the Governing Body.
- The comments made by the Comptroller and Auditor General in his Report on the audit to the Audit and Risk Committee, management letter and other reports.

We confirm that the Governing Body conducted a review of the effectiveness of the system of internal controls for the year ended 31 August 2017 in February 2018.

To reflect the Code of Practice for the Governance of State Bodies (2016) a revised Code of Governance for Institutes of Technology was published by THEA, which is effective from 1st January, 2018; this code was approved by the Governing Body of



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Letterkenny Institute of Technology on the 5th April, 2018. The 2012 Code continued to apply during the 2016/17 financial year.

Activities in progress

- The Institute incurred operating deficits for each of the six years beginning the year ended 31 August 2011 up to the year ended 31 August 2016. The Institute is engaged in ongoing consultation with the Higher Education Authority regarding its financial position, with particular focus on the financial challenges associated with the School of Tourism, Killybegs. The Institute had an operating surplus in the year ended 31 August 2017 due primarily to additional funding received from the HEA and growth in student numbers.
- The Institute's Risk Management Policy was approved by Governing Body in December 2015. The Institute has been working towards full implementation of the policy across all activities.
- The Institute is working towards full implementation of the Internal Controls Framework.
- The Institute is working towards full compliance with procurement rules and guidelines as set out by the Office of Government Procurement.
- The Institute continues to work towards broader compliance with the revised Code of Practice for the Governance of State Bodies 2016, adopted the 2018 THEA Code of Governance for Institutes of Technology on April 5th 2018 and will work towards full compliance.

Fintan Moloney
Chairperson

13/12/2018

Date

Paul Hannigan
President

13/12/2018

Date



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Letterkenny Institute of Technology

Opinion on financial statements

I have audited the financial statements of Letterkenny Institute of Technology for the year ending 31 August 2017 as required under the provisions of the Institutes of Technology Acts 1992 to 2006. The financial statements comprise

- the statement of comprehensive income
- the statement of changes in reserves and capital account
- the statement of financial position
- the statement of cash flows, and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Institute at 31 August 2017 and of its income and expenditure for the year then ended in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Institute and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Institute has presented certain other information together with the financial statements. This comprises the statement of Institute's responsibilities and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Colette Drinan
For and on behalf of the
Comptroller and Auditor General

17 December 2018

Appendix to the report

Responsibilities of Governing Body members

The statement of Institute's responsibilities sets out the Governing Body members' responsibilities. The Governing Body members are responsible for

- the preparation of financial statements in the form prescribed under the Institutes of Technology Acts 1992 to 2006
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under the Institutes of Technology Acts 1992 to 2006 to audit the financial statements of the Institute and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

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. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

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Statement of Comprehensive Income Year ended 31 August 2017

	Note	31/08/17 €000's	31/08/16 €000's
Income			
State Grants	3	13,812	12,413
Tuition Fees and Student Contributions	4	11,248	11,170
Research Grants & Contracts	5	1,368	1,595
Student Support Funding	7	531	413
Other Income	8	2,597	2,451
Other Income Generating Activities	10	517	455
Amortisation of Deferred State Capital Grants	19	2,277	2,261
Deferred Pension Funding	26	8,963	-
Interest Income		1	1
Total Income		41,314	30,759
Expenditure			
Staff costs	9	23,164	22,663
Retirement Benefit Cost	26	8,963	-
Other Operating Expenses	11	6,214	5,972
Depreciation	13	2,279	2,261
Total Expenditure		40,620	30,896
Operating Surplus / (Deficit)		694	(137)
Actuarial Gains			
Changes in Assumptions underlying the Present Value of Retirement Benefit Obligations	26	3,545	-
Total Actuarial Gains in the year		3,545	-
Adjustment to Deferred Retirement Benefits Funding	26	(3,545)	-
Total Comprehensive Income		694	(137)

The Statement of Comprehensive Income includes all gains and losses recognised in the year.

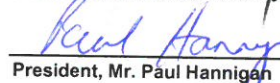
Notes 1 - 27 form part of the financial statements.

Signed on behalf of the Governing Body:


Chairman, Mr. Fintan Moloney

Date

13/12/2018


President, Mr. Paul Hannigan

Date

13/12/2018



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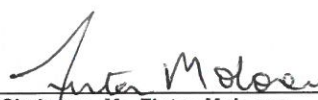
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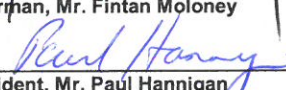
Statement of Changes in Reserves and Capital Account Year ended 31 August 2017

	Deferred State Capital Grants €000's	Development Reserve €000's	Revenue Reserves €000's	Total €000's
Balance at 31 August 2015	74,926	1,659	1,735	78,320
Operating Deficit			(137)	(137)
Amortisation of Deferred State Capital Grants	(2,261)			(2,261)
State Grant Allocated to Capital	384			384
Student Support Funding allocated to Capital	44			44
Other Capital Grants	1			1
Balance at 31 August 2016	73,094	1,659	1,598	76,351
Operating Surplus			694	694
Amortisation of Deferred State Capital Grants	(2,277)			(2,277)
State Grant Allocated to Capital	357			357
Student Support Funding allocated to Capital	27			27
Other Capital Grants				
Balance at 31 August 2017	71,201	1,659	2,292	75,152

Notes 1 - 27 form part of the financial statements.

Signed on behalf of the Governing Body:


Chairman, Mr. Fintan Moloney


President, Mr. Paul Hannigan

13/12/2018
Date

13/12/2018
Date



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Statement of Financial Position
Year ended 31 August 2017

	Note	31/08/17 €000's	31/08/16 €000's
Non Current Assets			
Fixed Assets	13	71,212	73,100
		<u>71,212</u>	<u>73,100</u>
Current Assets			
Receivables	14	1,552	1,556
Cash and Cash Equivalents	15	5,930	4,434
		<u>7,482</u>	<u>5,990</u>
Less Payables; Amounts due within 1 year	16	(3,542)	(2,739)
		<u>3,940</u>	<u>3,251</u>
Net Current Assets			
Retirement Benefits			
Retirement Benefit Obligations	26	(139,217)	(132,755)
Deferred Retirement Benefit Funding Asset	26	139,217	132,755
		<u>75,152</u>	<u>76,351</u>
Total Assets less Current Liabilities			
		<u>75,152</u>	<u>76,351</u>
Total Net Assets			
		<u>75,152</u>	<u>76,351</u>
Represented by:			
Deferred State Capital Grants	19	71,201	73,094
Capital Development Reserve	20	1,659	1,659
Income & Expenditure Reserve		2,292	1,598
Total		<u>75,152</u>	<u>76,351</u>

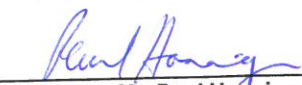
Notes 1 - 27 form part of the financial statements.

Signed on behalf of the Governing Body:


 Chairman, Mr. Fintan Moloney

Date

13/12/2018


 President, Mr. Paul Hannigan

Date

13/12/2018



Letterkenny Institute of Technology

Statement of Cash Flows Year ended 31 August 2017

	Year Ended 31/08/17 €000's	Year Ended 31/08/16 €000's
Net Cash flow from Operating Activities		
Excess expenditure over income	694	(137)
Depreciation of fixed assets	2,279	2,261
Amortisation of deferred state capital grants	(2,277)	(2,261)
Decrease in receivables	4	1,058
Increase in payables	803	129
Interest Income	(1)	(1)
Net Cash Inflow from Operating Activities	1,502	1,049
Cash Flows from Investing Activities		
Payments to acquire Fixed Assets	(391)	(435)
Interest Received	1	1
Net Cash Outflow for Investing Activities	(390)	(434)
Cash Flows from Financing Activities		
State Recurrent Grants spent on Fixed Assets	357	384
Other funds spent on Fixed Assets	27	45
Net Cash Inflow from Financing Activities	384	429
Net Increase in cash and Cash Equivalents in the year	1,496	1,044
Cash & Cash Equivalents at 1 September	4,434	3,390
Cash & Cash Equivalents at 31 August	5,930	4,434

Notes 1 - 27 form part of the financial statements.

Signed on behalf of the Governing Body

	13/12/2018
Chairman, Mr. Fintan Moloney	Date
	13/12/2018
President, Mr. Paul Hannigan	Date



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Notes to the financial statements

For the year ended 31 August 2017

1. Significant accounting policies

The accounting policies which are considered material in relation to the financial statements are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and statement of compliance

The primary objective of the Institute is to provide third level education.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland and with the requirements of the Higher Education Authority.

The functional currency of FRS 102 financial statements for Letterkenny Institute of Technology is considered to be Euro because that is the currency of the primary economic environment in which the Institute operates.

b. Going concern

Letterkenny Institute of Technology incurred operating deficits in each of the six years beginning the year ended 31 August 2011 up until the year ended 31 August 2016. However, the Institute returned a surplus for the year ended 31 August 2017, due primarily to additional funding received from the Higher Education Authority and growth in student numbers.

Given the return to surplus in the year ended 31 August 2017, the restoration of funding for minor capital works in recent years, and anticipated increased funding going forward, the Governing Body is satisfied that the Institute has adequate resources to meet its obligations as they fall due for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.



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Notes to the financial statements – (continued)

For the year ended 31 August 2017

1. Significant accounting policies (continued)

c. Tangible Fixed Assets

(i) Land and buildings

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Leased Land & Buildings	Over the term of the lease

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(ii) Equipment

From 1 September 2009, equipment costing less than €3,000 per individual item is written off to the income and expenditure account in the year of acquisition. Where individual items of equipment purchased are below the capitalisation limit (€3,000) and the total purchase invoice is in excess of the limit, these items are individually capitalised in the normal way. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Fixtures & Fittings including Prefabs	10 years
Computer equipment	3 years
Plant & Machinery	10 years
Equipment	5 years
Motor Vehicles	5 years

All equipment funded from Research Grants and Contracts is depreciated over the life of the assets in line with the policy for all other Fixed Assets.

d. Stocks

Expenditure on books and consumable stocks is charged to the Statement of Comprehensive Income as incurred.

e. Taxation

As an exempt charity, the Institute is not liable for corporation tax or income tax on any of its charitable activities. It is registered for value added tax, but since the supply of education is an exempt activity on which no output tax is charged it is unable to recover input tax on the majority of its purchases. Certain research and commercial activities within the Institute falls into the VAT net, any input or output tax relating to these activities is returned to the Revenue by the Institute.

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Notes to the financial statements – (continued) For the year ended 31 August 2017

1. Significant accounting policies (continued)

f. Recognition of income

State Grants

Recurrent State grants from the Higher Education Authority and other State bodies are recognised in the period in which they are receivable. Non Recurrent Grants from the Higher Education Authority or other State bodies received in respect of the acquisition or construction of Fixed Assets are treated as Deferred State Capital Grants and amortised in line with the depreciation over the life of the assets.

Fee Income

Fee income is accounted for on an accruals basis.

Research grants and contracts

Income from research grants and contracts is matched to expenditure and is included in the income of the year in which the related expenditure has been incurred. The most common classes of such transactions are:

(i) Donations with no restrictions

Donations with no restrictions include amounts given to the Institute by way of cash or asset with no restriction as to how the donation should be used. Such donations are recorded in the Statement of Comprehensive Income on entitlement to the income.

(ii) Donations with restrictions

Donations with restrictions are recorded within the Statement of Comprehensive Income on entitlement to the income. The restricted income received is held in a restricted reserve until such time that the expenditure is incurred in accordance with the restrictions.

(iii) Research grants from non-government sources

Income from grants from non-government sources is recognised in the Statement of Comprehensive Income when performance related conditions are met. If there is a restriction in use but no performance related condition exists, the income is recorded in the Statement of Comprehensive Income when the Institute becomes entitled to the income.

Grants with unfulfilled performance related conditions are held as deferred income until such time as the conditions are met, at which point the income is recorded in the Statement of Comprehensive Income.

Grants with restrictions are recorded within the Statement of Comprehensive Income on entitlement to the income and subsequently retained within a restricted reserve until such time that the expenditure is incurred in line with the restriction.

Other Income from non-State sources used for capital purposes

Income from non-government sources used for capital purposes is recognised in the Statement of Comprehensive Income when performance related conditions are met. If a restriction in use but no performance related condition exists, the income is recorded in the Statement of Comprehensive Income when the Institute becomes entitled to the income.

Income from non-government sources used for capital purposes with unfulfilled performance related conditions are held as deferred income until such time as the conditions are met, at which point the income is recorded in the Statement of Comprehensive Income.



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Notes to the financial statements – (continued)

For the year ended 31 August 2017

1. Significant accounting policies (continued)

Income from non-government sources used for capital purposes with restrictions are recorded within the Statement of Comprehensive Income on entitlement to the income and subsequently retained within a restricted reserve until such time that the expenditure is incurred in line with the restriction

Minor Capital Works

The Minister for Education and Skills introduced a scheme to devolve responsibility to the Institute for Summer and other Capital Works.

In all cases Minor Capital Works funding is recognised in the period received.

Income from short-term deposits

All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

g. Employee benefits

(i) Retirement Benefits

Pension entitlements of staff recruited prior to 1 January 2013 are conferred under a defined benefit pension scheme established under the Education Sector Superannuation Scheme 2015. The scheme is operated on a Pay-as-You-Go basis, with superannuation deductions made from employees being retained by the Institute as an agreed part of its funding.

The Institute also operates the Single Public Service Pension Scheme ("Single Scheme"), which is the defined benefit scheme for pensionable public servants appointed on or after 1 January 2013 in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. Single Scheme members' contributions are paid over by the Institute to the Department of Public Expenditure and Reform (DPER).

Pension costs charged to expenditure in the year reflect the benefits earned by current employees during the year and are shown net of staff pension contributions which, in respect of (i) the Education Sector Superannuation Scheme 2015, are retained by the Institute and (ii) the Single Scheme, are remitted to DPER. An amount corresponding to the pension cost is recognised as income to the extent that it is recoverable.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Comprehensive Income and a corresponding adjustment is recognised in the amount recoverable by the Institute from the Higher Education Authority.

The financial statements reflect, at fair value, the assets and liabilities arising from the Institute's pension obligations in respect of its current staff only and any related funding. The costs of providing pension benefits are recognised in the accounting periods in which they are earned by employees. Pension liabilities in respect of former employees who are in receipt of pensions are excluded. Retirement benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method.

(ii) Short-term benefits

Short-term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position. There is no accrual for holiday pay for Academic staff at year-end due to the nature of their contracts.



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Notes to the financial statements – (continued)

For the year ended 31 August 2017

1. Significant accounting policies (continued)

h. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are reported at the rates of exchange prevailing at that date.

i. Leases

Rentals under operating leases are charged to the Statement of Comprehensive Income in the period in which the expenditure is incurred.

j. Deferred State Capital Grants

Deferred state capital grants represent unamortised value of accumulated funds allocated for fixed assets.

k. Capital Development Reserve

The capital development reserve represents funds set aside by the Institute for specified capital development purposes. Such funds arise from Student contributions, non-State capital donations, banking facility fees and transfers from Revenue Reserves, in the latter case, which have had the prior approval of the Higher Education Authority, together with bank interest earned on these monies. Such funds shall be retained in the Capital Development Reserve Account provided the defined projects to which they are committed are in line with the Institute's Capital Development plan, have been approved by the Governing Body, time phased and with estimates of costs.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Institute's accounting policies, which are described in note 1, the Governing Body is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Institute's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Governing Body has made in the process of applying the Institute's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The Governing body has determined that the going concern basis remains appropriate as outlined in note 1b. to the financial statements.



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Notes to the financial statements – (continued)

For the year ended 31 August 2017

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty:

Holiday Pay Accrual

The holiday pay accrual is calculated by reference to the days holidays outstanding at the year-end. Academic staff do not require an accrual at year-end due to the nature of their contract. There is no need for a transition adjustment in respect of holiday pay, if the accrual at 31 August is less than 5% of the salaries and wages cost for the year ended 31 August 2016.

Provision for Bad Debts

We have estimated the bad debt provision using historical collection rates, particularly in relation to tuition fee and student contribution receivables.

Retirement Benefit Obligation

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the pension and post-retirement plans.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions
- (iii) health-care cost trend rates, the rate of medical cost inflation in the relevant region



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Notes to the Financial statements - (Continued) Year ended 31 August 2017

3. State Grants

	Allocated for Recurrent Expenditure €000's	Allocated for Capital Expenditure €000's	2017 Total €000's	2016 Total €000's
State Grant for Recurrent Expenditure - HEA	12,646	357	13,003	11,403
State Grant for Recurrent Expenditure - HEA (Nursing)	576		576	523
State Grant for Capital Expenditure - Department of Education and Skills				
State Grant for Minor Capital Works	590		590	871
Total 2017	13,812	357	14,169	12,797
Total 2016	12,413	384	12,797	

4. Tuition Fees and Student Contributions

	2017 Students WTE	2017 State Funded	2017 Non State Funded	2017 Total €000's	2016 Students WTE	2016 State Funded	2016 Non State Funded	2016 Total €000's
Fees paid by State	2,550	2,121		2,121	2,654	1,891		1,891
Non EU Fees	39		279	279	21		94	94
Fees paid by students or on behalf of students	541		368	368	429		392	392
Life Long Learning and other fees	394		325	325	313		330	330
Student Contributions		5,836	2,319	8,155		6,018	2,445	8,463
Student Numbers / Net Fee Income	3,524	7,957	3,291	11,248	3,417	7,909	3,261	11,170

The Higher Education Authority paid tuition fees in the year of €1,770,778 (2016: €1,576,988) for full-time Degree courses, and €303,375 (2016: €313,625) for Higher Certificate and Ordinary Degree courses, the total costs of which are part funded by the European Social Fund.

Student numbers are stated as wholetime equivalents based on enrolled credits.



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Notes to the Financial statements - (Continued) Year ended 31 August 2017

5. Research Grants & Contracts

	2017 Total €000's	2016 Total €000's
Income		
State & semi state	1,001	1,347
European Union	262	162
Industry	22	21
IOTI	2	25
Other	85	40
Less: Research Grants and Contract Income allocated to capital	(4)	0
Net Income	1,368	1,595
Expenditure		
Pay Costs	657	920
Non Pay Costs	711	675
	1,368	1,595
Net Outcome	0	0

6 Analysis of State Derived Income

Name of Grantor	Opening Deferral 01/09/16	Grant received	Closing Deferral 31/08/17	I&E 2017
Note 3 - State Grant				
HEA	(382)	12,806	579	13,003
HEA - Nursing		576		576
Allocated for Capital expenditure		(357)		(357)
State Grant Minor Capital Works Allocated for Recurrent Expenditure		590		590
Total State Income	(382)	13,615	579	13,812
Note 4 - Tuition Fees & Student Contributions				
HEA		2,121		2,121
Failte Ireland		282		282
Dept. of Education & Skills		3		3
SUSI		5,551		5,551
Total State Income	0	7,957	0	7,957
Note 5 - Research & Contracts				
Enterprise Ireland	(255)	489	143	377
HEA	56	214	(122)	148
HSE	35	0	(33)	2
Department of Education & Skills	(24)	346	84	406
Bord Iascaigh Mhara	1	60	3	64
Other		4		4
Total State Income	(187)	1,113	75	1,001

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Notes to the Financial statements - (Continued) Year ended 31 August 2017

7. Student Support Funding

	2017 Disabilities €000's	2017 Assistance €000's	2017 Total €000's	2016 Total €000's
Balance at 1 September	8	(3)	5	(38)
Receipts				
Higher Education Authority	381	171	552	452
Other	6		6	5
Less: Receipts allocated to capital	(27)		(27)	(44)
Net Receipts	360	171	531	413
Amounts Applied				
Pay Costs	140	0	140	120
Non Pay Costs	127	171	298	250
Total Expenditure	267	171	438	370
Balance at 31 August	101	(3)	98	5

Funding is provided by the Higher Education Authority under the National Development Plan and is part funded by the European Social Fund.

8. Other Income

	2017 Total €000's	2016 Total €000's
Superannuation Deductions retained	1,155	1,166
Rental of Facilities	98	101
Central Research Overhead	97	109
Proceeds on Disposal of Fixed Assets	2	
Sundry Income	1,245	1,075
Net Outcome	2,597	2,451



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Notes to the financial statements - (continued)

For the year ended 31 August 2017

9. Staff Costs

The average number of persons (including senior post-holders) employed by the Institute during the year, expressed in full time equivalent is:

	2017 No. of employees	2016 No. of employees
Teaching and research	194	193
Technical	49	45
Central administration and services	106	106
	349	344
	2017 €'000	2016 €'000
Salaries and wages	23,164	22,663
	23,164	22,663

Key management compensation

The total remuneration for key management personnel for the year 2017 totalled €158,792 (2016: €155,677). Key management personnel of the Institute consist of the President and the Governing Body. The remuneration of the President paid in the year was €143,049 (2016: €141,638).

Higher paid staff

The Institute has adopted a starting value of €60,000 to identify higher paid staff. Staff remuneration, in salary bands of €10,000, using €60,000 as the starting value, is as follows:

Total Remuneration Levels	Year Ended 31 August 2017	Year Ended 31 August 2016
60,000 - 70,000	35	36
70,001 - 80,000	40	76
80,001 - 90,000	61	17
90,001 - 100,000	16	9
100,001 - 110,000	3	2
110,001 - 120,000	-	-
120,001 - 130,000	-	-
130,001 - 140,000	-	-
140,001 - 150,000	1	1
€150,001 +	-	-
Grand Total	156	141

The overall figure for employer pension contribution in the year was €131,000

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Notes to the Financial statements - (Continued) Year ended 31 August 2017

10. Other Income Generating Activities

	2017 €000's	2016 €000's
Income		
CoLab	304	233
An Danlann Student Centre	213	222
Total Income	517	455
Expenditure		
Pay Costs	266	279
Non-Pay Costs	216	155
	482	434
Net Outcome	35	21

11. Other Operating Expenses

	2017 Pay Costs €000's	2017 Depreciation €000's	2017 Other Operating Expenses €000's	2017 Total €000's	2016 Total €000's
Research Grants & Contracts	657	50	711	1,418	1,642
Academic Departments	17,614	475	1,193	19,282	18,350
Academic Services	544	5	135	684	724
Facilities	460	1,688	1,409	3,557	3,340
Central Admin	2,889	53	1,066	4,008	4,076
General Education	435		476	911	1,110
Other Income Generating Activities	266	6	216	488	434
Student Support Funding	140		298	438	370
Student Services	159	2	710	871	850
Total Expenditure	23,164	2,279	6,214	31,657	30,896
Total 2016	22,663	2,261	5,972	30,896	-



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Notes to the Financial statements - (Continued) Year ended 31 August 2017

11. Other Operating Expenses - Continued

	2017 €000's	2016 €000's
Materials and Other Consumables	387	342
Light, Heat and Power	392	396
Repairs and Maintenance Costs	734	705
Printed material, books and periodicals	127	159
Travel and Subsistence	515	487
Printing, Stationary, Postage and other Office Expenses	183	168
Rent, Rates and Insurance costs	235	205
Recruitment, training etc.	468	546
Auditors Remuneration in respect of Audit Services	64	24
Consultancy costs	179	185
Equipment (non capitalised) purchases	143	132
Computer Maintenance, Software and Licenses	318	325
Security and Grounds Maintenance	113	97
Medical service	79	78
Communications	65	70
Advertising and Marketing	243	201
Institute Management Service	63	53
Waste Disposal	21	21
Health and safety	16	26
Student Support Funding	298	250
Student Registration Charges	632	614
Course development and validation	64	35
Bad Debts	148	420
Project Transfers	121	91
Contractor Payments	282	43
Other Expenses	324	299
Total Other Operating Expenses	6,214	5,972

Other Operating Expenses include:

	2017 €000's	2016 €000's
<u>Auditors Remuneration:</u>		
External Audit of Institute	29	24
Internal Audit Services provided by a 3rd Party	34	
Other Audit Services	1	
	64	24

12. Taxation

Letterkenny Institute of Technology is exempt from Corporation Tax under a charitable status order.



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Notes to the financial statements - (continued) For the year ended 31 August 2017

13. Tangible Fixed Assets

	Land & Buildings €'000	Assets in course of construction €'000	Fixtures & fittings €'000	Computer equipment €'000	Plant & machinery €'000	Equipment €'000	Motor Vehicles €'000	Total €'000
Cost								
At 1 September 2016	94,388	0	467	12,001	515	9,848	40	117,259
Additions in year	30		20	275		66		391
Trfs Assets in Construction								
Disposals in year				(102)		(38)		(140)
At 31 August 2017	94,418	0	487	12,174	515	9,876	40	117,510
Depreciation								
At 1 September 2016	22,473	0	158	11,624	281	9,583	40	44,159
Transfers								
Charge for year	1,662		48	383	52	134		2,279
Eliminated on disposals				(102)		(38)		(140)
At 31 August 2017	24,135	0	206	11,905	333	9,679	40	46,298
Net book value								
At 31 August 2017	70,283	0	281	269	182	197	0	71,212
At 1 September 2016	71,915	0	309	377	234	265	0	73,100



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Notes to the financial statements - (continued) For the year ended 31 August 2017

14. Receivables

	2017 €'000	2017 €'000	2016 €'000	2016 €'000
State Grant receivable		579		382
Other capital funding receivable			761	
Tuition and Other Fees receivable	654		(533)	228
Less Provision for Bad debts	(454)	200		328
Research grants and contracts receivable		280		38
Self Funded Activities		100		239
Prepayments & Accrued Income		241		
Other receivables	164		345	
Less Provision for Bad debts	(12)	152	(4)	341
		1,552		1,556

15. Cash & cash equivalents

	2017 €'000	2016 €'000
Cash at bank including balances held on short term deposit	5,930	4,434
	5,930	4,434

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Notes to the financial statements - (continued) For the year ended 31 August 2017

16. Payables: amounts falling due within one year

	2017 €000's	2016 €000's
Trade payables	166	46
Research grants and contracts received in advance	500	253
Self Funded Activities	111	177
Tuition fees received in advance	393	445
Deferred Income Student Support Funding	50	50
Accruals and Deferred Income	1,566	1,100
Other tax and social security	627	542
Other payables	129	126
Total Creditors	3,542	2,739

17. Student Maintenance Grants

	2017 €000's	2016 €000's
Receipts from Department of Education and Skills (Colleges Section)	1	4
Receipts from Department of Education and Skills (Student Support Unit)	-	-
Payments to students	(1)	(4)
Payments to students (top ups)	-	-
Net Cash (Outflow) / Inflow	-	-
Opening Balance	-	-
Closing Balance	-	-

From September 2012 responsibility for the payment of Third Level Training and Top up Grants was allocated to SUSI (Student Universal Support Ireland). For students that had commenced study prior to this date, the payment of the Third Level Training Grant continues to be processed by the Institute. The level of grants processed by the Institute is therefore reducing in each period and from September 2017 all payments will be made by SUSI.

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**Notes to the financial statements - (continued)
 For the year ended 31 August 2017**
18. Commitments under Property Leases

At the year end the Institute had commitments under property leases expiring as follows:

	2017 €000's	2016 €000's
Within 1 Year	7	32
Between 2 & 5 Years	-	-
Greater than 5 years	-	-
Total Commitments	7	32

19. Deferred State Capital Grants

	2017 €000's	2016 €000's
At 1 September		
Opening Balance	73,094	74,926
Capital Grants Receivable		
Allocated from State Recurrent Grant - HEA	357	384
Allocated from Research Grants & Contracts		
Allocated from Student Support Funding	27	44
Other Capital Grants/Funding		1
Total	384	429
Disposals	(140)	(173)
Amortised to Income and expenditure in year		
Amortised in line with depreciation	(2,277)	(2,261)
Total	(2,277)	(2,261)
Disposals	140	173
At 31 August		
Closing Balance	71,201	73,094



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Notes to the financial statements - (continued) For the year ended 31 August 2017

20. Capital Development Reserve

	2017 €000's	2016 €000's
Opening Balance	1,659	1,659
Contribution to Capital (Used in Year)	-	-
Closing Balance	<u>1,659</u>	<u>1,659</u>

21. Capital Commitments

	2017 €000's	2016 €000's
Contracted for but not provided	265	19
	<u>265</u>	<u>19</u>

22. Related Parties

In the normal course of business the Institute may enter into contractual arrangements with undertakings in which the Institute's Governing Body members are employed or otherwise interested. The Institute has adopted procedures in accordance with the Code of Governance of Irish Institute's of Technology in relation to the disclosure of interests by members of the Board and the Institute has complied with these procedures during the year.

23. Contingent Liabilities

There were no contingent liabilities existing at 31 August 2017.

24. Post Statement of Financial Position Events

There were no significant events since the Statement of Financial Position date which could have implications for these financial statements.

25. Technological University: Connacht-Ulster Alliance

By collaborating together Galway-Mayo Institute of Technology, Letterkenny Institute of Technology and Institute of Technology Sligo will achieve the criteria required to become a technological university (TU) and thereby enhance the ability of the higher education system in the region to support economic, social and cultural developments across a geographically dispersed, mostly rural community. The current timeline is 5 years to achieving re-designation as a TU. Cumulative cost projections for the 3 institutions up to 2019 is €11.8m as outlined in a recent funding submission to the HEA. Any changes to the proposed legislation on technological universities may have implications for the Connacht-Ulster Alliance project.

LYIT's strategic plan 2014-17 states "The Connacht-Ulster Alliance (CUA) was signed in July 2012 to cover collaborative activity between LYIT, IT Sligo and GMIT; through this alliance LYIT is committed to delivering on jointly agreed strategic objectives that meet the needs of the Connacht-Ulster region".

During 2017, the CUA, at the request of the Dept of Education and Skills, met with Dundalk IT, Athlone IT and Limerick IT to explore the level of interest from these three IOTs in joining the CUA. In all cases, the final decision was not to join the CUA at this point in time.

Cumulative cost projections for the three institutions up to 2019 is €11.8m as outlined in the 2016 funding submission to the HEA.

To date, the HEA has committed funding of €922,000 to the project.

In the current year IT Sligo received €857,000 from the HEA and the funding was used as follows; GMIT received €230,000 and Letterkenny IT and IT Sligo received €216,500 each. The balance of €194,000 was allocated to salaries and other expenses directly related to the running of the CUA office.



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Notes to the financial statements - (continued) For the year ended 31 August 2017

26. Retirement Benefit Costs

(i) Staffing

New entrant staff, employed by the Institute after 1 January 2013 are members of the Single Public Service Pension Scheme in accordance with Public Sector Pensions (Single Scheme and Other Provisions) Acts 2012. Deductions from staff salaries under the Single Scheme are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the act.

(ii) Description of Scheme

Retirement benefit obligations are accounted for the first time in the 2016/2017 financial statements. The opening position at 1 September 2016 has been estimated by the actuary, based on market conditions at that time.

Institute Scheme

The pension scheme is a defined benefit final salary pension arrangement with benefits and contributions defined by reference to current "model" public sector scheme regulations. The scheme provides a pension (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse's and children's pensions. Normal Retirement Age is a member's 65th 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 salary inflation.

Single Scheme

The Single Scheme is the occupational pension scheme for new entrant public servants hired since 1 January 2013. It is a defined benefit scheme, with retirement benefits based on career-average pay. The scheme generates pension credits and retirement lump sum credits for each scheme member. These money credits, known as "referable amounts", accrue as percentages of pay on an ongoing basis. The referable amounts accrued each year are revalued annually until retirement in line with inflation increases (Consumer Price Index). The annual pension awarded on retirement is the cumulative total of a scheme member's pension referable amounts, and the retirement lump sum awarded is, similarly, the total of the scheme member's lump sum referable amounts.

Valuation

The valuation used for FRS 102 disclosures has been based on a full actuarial valuation by a qualified independent actuary taking account of the requirements of the FRS in order to assess the scheme liabilities at 31 August 2017. Former employees of the Institute who are in receipt of a pension have been excluded from the valuation.

The principal actuarial assumptions used to calculate the components of the defined benefit cost for the year ended 31 August 2017 were as follows:

	2017	2016
Discount rate	2.15%	1.85%
Inflation rate	1.75%	1.55%
Salary increases	3.25%	3.05%
Pension increases	2.75%	2.55%

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of Technology**Letterkenny Institute of Technology****Notes to the financial statements - (continued)**
For the year ended 31 August 2017**26. Retirement Benefit Costs (continued)**

The mortality basis adopted allows for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The number of members in the Scheme and the number of deaths are too small to analyse and produce any meaningful Scheme-specific estimates of future levels of mortality. Average future life expectancy according to the mortality tables used to determine the pension liabilities are:

	2017	2016
	Years	Years
Male aged 65	21.4	-
Female aged 65	23.9	-

(iii) Analysis of total retirement benefit costs charged to the Statement of Comprehensive Income

	2017	2016
	€'000	€'000
Current service cost including employee contributions	7,482	-
Interest on retirement benefit scheme liabilities	2,525	-
Employee contributions	(1,044)	-
	<u>8,963</u>	-

(iv) Movement in net retirement benefit obligations during the financial year

	2017	2016
	€'000	€'000
Net retirement benefit obligation at 1 September	132,755	-
Current service costs	6,438	-
Employee contributions	1,044	-
Interest costs	2,525	-
Changes in actuarial assumptions	(3,545)	-
	<u>139,217</u>	-
Net retirement benefit obligations at 31 August	<u>139,217</u>	-
Split between		
Single Public Sector Pension Scheme	2,110	-
Education Sector Superannuation Scheme	137,107	-
	<u>139,217</u>	-

(v) Deferred funding asset for retirement benefits

The Institute is prescribed in S.I. No 581 of 2012 as a relevant authority for the purposes of the single scheme. It is the Institute's opinion (in accordance with Section 44 of the 2012 Act) that any liability in respect of the Single Scheme would be offset by an equivalent asset in respect of future state funding.

The Institute recognises amounts owing from the State for the unfunded deferred liability for retirement benefits relating to the Education Sector Superannuation Scheme 2015 on the basis of the set of assumptions described above and a number of past events. These events include the statutory basis for the establishment of the retirement benefit 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. The Institute has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

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Notes to the financial statements - (continued) For the year ended 31 August 2017

26. Retirement Benefit Costs (continued)

The net deferred funding for retirement benefits recognised in the Statement of Comprehensive Income was as follows:

	2017 €'000	2016 €'000
Funding recoverable in respect of current year retirement		
Benefit costs	8,963	-
Benefits paid in Year	-	-

The deferred funding liabilities for retirement benefit as at 31 August 2017 amounted to €139,217,000
(2016: €132,755,000)

(vi) History of defined benefits obligations

	2017 €'000
Defined benefit obligations	139,217

27. Approval of Financial Statements

The financial statements were approved by the Governing Body on December 13, 2018.