Comptroller and Auditor General

Special Report

Department of Education and Skills

Matters Arising out of Education Audits

February 2012

This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Department of Education and Skills and the Higher Education Authority. Relevant extracts were sent to the named third level institutions. Where appropriate, the comments received were incorporated in the final version of the report.

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Report of the Comptroller and Auditor General

Department of Education and Skills

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out examinations of matters arising out of audits in the education sector and, in particular

- aspects of resource management in third level institutions
- activities conducted through campus companies and foundations in those institutions and
- certain matters relating to remuneration and accountability that are principally a follow up to matters reported in special report 75 issued on 10 September 2010.

I hereby submit my report on the above examinations for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

John Buckley
Comptroller and Auditor General

24 February 2012

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Chapter 1

Introduction

Introduction

1.1 The third level sector consists of universities, institutes of technology and a number of other institutions designated under the Higher Education Authority Act, 1971. The Department of Education and Skills (the Department) has responsibility for setting employment conditions in the sector.

1.2 In 2010, the third level sector received €1.45 billion from the Higher Education Authority (HEA) towards the cost of its research and education functions. The composition of the recurrent element of this funding is set out in Figure 1.

Figure 1 HEA Funding for Third Level Sector in 2010[a]

	Recurrent grants	Research grants
	€m	€m
Universities	675	74
Institutes of technology	484	16
Other third level institutions	72	13
Total	**1,231**	**103**

Source: HEA Financial Statements for the year ended 31 December 2010

Note: a In addition, the HEA allocated €117 million to the sector in 2010 in respect of capital works. The Department of Education and Skills paid capital grants of a further €52 million directly to institutes of technology in 2010.

1.3 The Department also provides annual funding for 33 VECs. These committees manage and operate second level schools, further education colleges, pilot community primary schools and a range of adult and further education centres. The Department paid grants of almost €913 million[1] to fund the operation of VECs in 2010.

1.4 The matters reported in the three chapters that follow arose out of financial audits across the education sector. These matters were followed up by way of enquiries to third level institutions, the Department and the HEA. The matters dealt with include

- the arrangements for the management of financial and other resources of third level education
- reporting and governance matters that relate to subsidiaries and foundations associated with third level institutions
- the updated position in respect of material set out in Special Report Number 75[2] on the finalisation of university financial statements, the extent to which the accounts of other educational bodies are up to date and the follow up by the HEA to establish the extent of payments to senior university staff in excess of remuneration levels approved by the Minister for Education and Skills.

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1 This figure excludes certain grants in respect of specialist colleges and student support.

2 Special Report Number 75 which examined resource management and performance in Irish universities was published in September 2010. It is available for download at www.audgen.irlgov.ie

Chapter 2

Resource Management

Resource Management

2.1 Third level institutions in receipt of State and other support should have systems in place to effectively manage the resources available to them and ensure compliance with employment ceilings set by the Department.

2.2 This chapter reviews the position in universities and institutes of technology in relation to those matters and, in particular, examines

- the extent of cash resources of the institutions and the implications for the wider treasury management of public resources
- the extent of concession income received by the institutions in recent years and how it has been used
- aspects of funding for pensions employed by the HEA in recent years and the implications for the economic use of State funding
- the operation of the Employment Control Framework in the sector and
- certain matters that arose in relation to expenses incurred in the office of the President at Waterford Institute of Technology.

Cash Management at Third Level Institutions

2.3 Considerable cash balances are held in third level institutions. Some of those funds are due to the build up of reserves, either out of assigned revenue such as fees paid in respect of bank concessions or advance State funding as instanced below.

2.4 At the end of the academic year 2011, the total cash on hands across all universities and institutes of technology was estimated at €706 million. The summarised position is set out in Figure 2.

Figure 2 Net Cash Balances at Universities and Institutes of Technology, 2008 to 2011[a]

	2008	2009	2010	2011
	€m	€m	€m	€m
Universities	351	388	386	479
Institutes of technology	159	184	187	227
Total	**510**	**572**	**573**	**706**

Source: Responses from third level institutions

Note: a The figures shown are as at the end of the academic year, which is 31 August for institutes of technology and 30 September for universities.

2.5 The HEA noted that while it was accepted that there are significant levels of cash across the system, this however does not imply that the sector is over-funded. It had established a working group in 2004 to examine the financial position of Irish universities and to make recommendations on the appropriate levels of cash reserves. The report of the working group recommended that third level institutions should have between 45 and 60 days income in cash to enable them to respond to opportunities and risks and to manage their day-to-day cash flow in an efficient manner. The report also concluded that universities need to make a surplus of the order of 3% of income to allow for essential investment.

2.6 In regard to the source and level of cash balances, the HEA noted that

- Not all cash balances are exchequer sourced. Third level institutions receive income from multiple sources and non-exchequer funding as a proportion of total funding has been increasing in recent years.
- Cash balances in many instances are as a result of timing factors. In particular, August and September are months that represent a high point in terms of liquidity since student fees or contributions are received in those months.
- Research funding received in advance from research agencies, while included in cash resources, represents deferred income against which there are contractual commitments.
- In certain instances, there may be cash associated with the drawdown of loan funding for capital projects not yet expended.
- Ancillary non-exchequer income in the form of students rents and deposits received in advance for the next academic financial year can also exist.
- The pension balances outlined later in the report contribute to the accumulated funds of the third level institutions.

2.7 The HEA stated that the cash position of third level institutions is already being affected by the fact that

- It has taken action to slow down payments in respect of the grant in lieu of fees and other grants to take account of cash flows at particular times of the year.
- There have been changes to the extent of advance research funding provided by some agencies.
- As a result of the economic downturn, institutions are increasingly required to facilitate phased payment arrangements for student related payments and, in addition, institutions have seen a marked increase in outstanding fees and bad debt provisions.

2.8 In response to my enquiries, the HEA stated that it had raised the issue with the third level education institutions and it agreed that they should avail of the central treasury service provided by the National Treasury Management Agency (NTMA) for public bodies[3], subject to the interest rates offered being competitive. It stated that the institutions are open to using the services of the NTMA where it makes commercial sense. An initial meeting has been held with representatives from the NTMA which suggests that the current rates obtained by the institutions are more favourable than those on offer in the NTMA. The HEA stated that it will examine this issue further in consultation with the institutions.

Conclusion – Cash Balances at Third Level Institutions

It is understood that the Department of Finance proposes to examine the feasibility of providing shared banking arrangements in the public sector, in the first instance for government departments.

It may be worthwhile reviewing the State's wider treasury management policy and considering the merits of providing for a sweeping up of surplus funding in third level institutions and other State bodies. Any such review would need to take account of the return to the institutions and the impact on the banking system as well as the level of government borrowing.

[3] In accordance with Section 14 of the Markets in Financial Instruments and Miscellaneous Provisions Act, 2007, the NTMA provides central treasury services for all institutes of technology and universities, with the exception of Trinity College Dublin.

Bank Concession Income

2.9 Commercial banks pay concession fees, including premises rental, to many third level education institutions for the right (frequently the exclusive right) to operate a branch on campus. Contractual arrangements vary but they typically cover periods of five to ten years. In a number of cases examined, a time lapse of up to two years occurred between the end of one concession period and the agreement of contract terms for the next concession period.

2.10 Figure 3 indicates the accrued income for each year.

Figure 3 Bank Concession Income for Universities and Institutes of Technology, 2009 to 2011

	2008/2009	2009/2010	2010/2011
	€m	€m	€m
Universities	6.2	7.4	6.4
Institutes of technology	3.2	3.7	3.5
Total	**9.4**	**11.1**	**9.9**

Source: Responses from third level institutions

2.11 In many of the institutes of technology, the entire concession fee was received as a lump sum when a contract was signed. In recent years, some institutes of technology have transferred these lump sums to a subsidiary company or to a restricted reserve, rather than treating the income as revenue funds.

2.12 In August 2010, the HEA informed the institutes of technology that, subject to agreement on the details of implementation, lump sum concession fees will in the future be taken to account as income of the institute over the period of the concession. However, the HEA agreed that fees could (in whole or in part) subsequently be transferred to a reserve specified for capital development purposes.

Conclusion – Bank Concession Income

Third level institutions are regulated by statute and receive substantial funding from the State. The size of campus populations offers an opportunity to generate income in respect of concessions to third parties. The practice has evolved of assigning revenue from bank concessions for a range of current and future development activities. There would be merit in a review of the application of such concession income across the sector so as to ensure that there is an agreed State policy covering its use in accordance with wider education objectives.

Pension Related Reserves

2.13 Funded pensions schemes in five universities closed to new entrants in early 2005. Thereafter, new staff joined a university ‘pay-as-you-go’ model pension scheme. Under the Financial Measures (Miscellaneous Provisions) Act 2009, assets of the funds of the closed pension schemes of the five universities were transferred to the National Pensions Reserve Fund (NPRF). The associated pension schemes continue for existing members with no impact on benefits. The value of each fund transferred is set out in Figure 4.

Figure 4 University Pension Assets Transferred to the NPRF in 2009 and 2010

University	Year	Value €m
National University of Ireland, Maynooth	2009	58.5
Trinity College Dublin	2009	279.0
National University of Ireland, Galway	2010	215.7
University College Dublin	2010	501.1
University College Cork	2010	312.7
Total Value Transferred		**1,367.0**

Source: HEA

2.14 The core grant received from the HEA historically included provision of 15% of related salary costs by way of state pension contributions and this funding has continued in respect of all staff, including those who are members of unfunded model schemes[4]. While it was a legislative requirement that third level institutions as employers continue to make contributions as previously in the case of funded schemes[5], it is not a requirement in the case of model schemes. In addition, the legislation provided for such contributions to be paid into or disposed of for the benefit of the Exchequer in accordance with the directions of the Minister for Public Expenditure and Reform or otherwise disposed of as the Minister for Public Expenditure and Reform may direct.

2.15 The normal accounting practice for model schemes is for employee contributions to be offset against costs or taken to income, with no employer contribution being made. However, the HEA did not reduce the level of funding provided to the universities following the introduction of the new pension schemes, but instead continued to make the 15% contribution in respect of all staff including those covered by the model pension schemes.

2.16 The HEA instructed the universities to place model scheme pension contributions (employer and employee) in a separate fund. On the basis of data received from the universities, the HEA estimated that the accumulated funds in the five universities concerned stood at €46 million at 30 September 2010[6].

2.17 The Chief Executive of the HEA noted that although there is currently a surplus in the pension funds held by universities as a result of this practice, it is projected that the overall position will move into deficit from 2011/2012. He stated that the accumulation of funds in the pension control account was intended as a temporary measure only and the allocation of those funds to pension control accounts was made within overall available resources for the sector as a prudent and transparent means of providing for projected deficits.

2.18 The Accounting Officer agreed that appropriate new arrangements are now required to provide for post-2005 employees in the relevant universities. He stated that the Department has commenced discussions with the HEA and the Department of Public Expenditure and Reform with a view to having new arrangements in place for the 2013 recurrent grant allocations.

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4 The newer universities (University of Limerick and Dublin City University) receive about 95% of the cost of salaries as employee contributions are retained and not paid over to a third party.

5 Financial Measures (Miscellaneous Provisions) Act, 2009.

6 The HEA also estimated the deficit on the closed pension schemes to be €11.8 million on the same date, so the estimated net surplus on all pensions was €34.2 million.

Conclusion – Pension Related Reserves

While 15% of pay costs is being set aside for pensions since 2005, it was not the intention that pre-funding would apply to pensions covered by 'pay-as-you-go' model schemes. On the transfer of pension funds for other personnel to the NPRF, it was a legislative requirement that existing levels of employer contribution by universities be maintained in respect of closed schemes. The payment by the HEA of 15% in respect of staff covered by the model schemes represented an advance of funding in excess of current requirements.

Employment Control Frameworks

2.19 An Employment Control Framework system was introduced in the higher education sector in July 2009, replacing a blanket Government moratorium on all recruitment and promotion in the public sector. The Framework restricted the number of core staff employed by individual third level education institutions in each grade to specified levels for the period up to 31 December 2010. An Employment Control Framework Monitoring Committee chaired by the HEA and including representation from the Department and the Department of Public Expenditure and Reform was established to oversee the implementation of the Framework.

Staff Numbers

2.20 Overall, the HEA has stated that during the period December 2008 to December 2010, staff numbers reduced by 7.3%, which is in excess of the 6% requirement under the Framework. Over the same period, full-time student numbers had increased by 10.5%. The aggregate staff and student numbers for all third level institutions over the period in question are set out in Figure 5.

Figure 5 Staff and Student Numbers at Third Level Institutions

	December 2008	December 2010
Staff numbers	19,356	17,944
Full-time student numbers	145,690	160,972

Source: HEA

Promotions in Trinity College Dublin

2.21 Trinity College Dublin informed the HEA in April 2010 that it proposed to promote 27 academic staff, following an internal restricted promotion process. In May 2010, the HEA informed all third level education institutions that the issue of promotional schemes had been considered by the Monitoring Committee and that the clear view of the Committee was that academic promotion schemes were not permissible under the Framework. However, it sought additional information from the institutions so that the matter could be considered further.

2.22 The HEA has stated that, at a meeting with Trinity College in June 2010, the University indicated that it proposed to inform the staff concerned that the promotions would be implemented when the Framework ceased i.e. with effect from 1 January 2011. In July 2010, the Chief Executive Officer of the HEA wrote to the University, stating again that the operation of internal promotion schemes was not permissible under the Framework, and that the Monitoring Committee considered that the University would be acting outside the terms of the Framework in making those promotional appointments. He asked the University to withdraw the promotions until further notice and stated that, if they proceeded, financial penalties in the form of a reduced 2011 recurrent grant for the University could apply. In response, the University stated that it considered itself under an obligation to continue with the promotion process. The promotions took effect from 1 January 2011. In its grant allocation letter for 2011 (dated 14

February 2011), the HEA informed the University that it had considered issues relating to unauthorised payments in deciding on allocations for each third level institution. While the allocations had not been reduced in respect of such unauthorised payments, the HEA advised the University that it should separately identify the amounts concerned when framing its budget for 2011.

2.23 A further Framework covering the period 2011 to 2014 was adopted as part of the EU/IMF supported Programme for Financial Support. The scope of that Framework extended to all staff employed in third level education institutions who are members of public sector pension schemes, including those on research contracts. It also permitted promotions subject to certain conditions.

Conclusion – Employment Control Frameworks

Overall, the Employment Control Framework has succeeded in reducing numbers within the third level education sector. However, one university has breached the Framework terms by promoting academic staff. The Chief Executive Officer stated that the HEA is not aware of any infringements of the Framework, apart from the case outlined above.

The HEA has decided that the costs associated with the breaches of the Employment Control Framework at Trinity College will be considered in the context of a separate exercise in relation to the costs of excess remuneration paid by a number of universities, as set out in Chapter 4 of this report. The allocation of the recurrent grant for 2012 will therefore take into account any action proposed in relation to the cost of the promotions at Trinity College.

Expenses Incurred by the Office of the President at Waterford Institute of Technology

2.24 A number of matters relating to expenses incurred by the Office of the President arose during the course of the audit of the 2010 financial statements of Waterford Institute of Technology (WIT). They included

- vouching in respect of expenditure charged to the corporate credit card allocated to the President did not contain sufficient details of goods or services acquired or donations made and payments were made without the necessary approval, as required in the Institute's policies and procedures
- one instance was noted where subsistence appeared to have been paid in respect of a period during which restaurant meals and room service had been charged to the credit card
- Institute procurement guidelines appeared to be deficient in that they did not require a statement as to the business purpose of goods/services acquired
- the corporate credit card was used to purchase gifts.

2.25 In relation to the findings of the audit, the Acting President stated that there is a procedure in place to check, on a sample basis, for instances where both the cost of meals and subsistence allowances have been claimed in respect of the same period. He stated that the instance noted in the audit findings was an isolated case. He acknowledged that gifts should only be purchased in accordance with the Institute's policy on hospitality and gifts.

2.26 In response to the audit findings, it has been agreed that the Secretary/Financial Controller will review and approve future monthly invoices in respect of the President's credit card. The Acting President stated that the Finance Office had identified two instances of the credit card being used for non-Institute purposes and that the former President, when advised, had reimbursed the appropriate amounts in full. He informed me that the former President's credit card had been cancelled since May 2011.

2.27 Subsequent to the audit, the Chairman of the WIT Governing Authority commissioned an accountancy firm to carry out an in-depth review of the non-pay expenses incurred by the Office of the President in the period January 2004 to March 2011. This review concluded that there were a number of instances of non-compliance with Institute policies and procedures, particularly with regard to the procurement of services and expenses relating to travel and hospitality. The instances noted included

- a number of services (e.g. public relations, marketing, taxis) being provided by suppliers that had not been engaged through formal processes, as required by the procurement policy of the Institute
- the use of taxis rather than other public transport which was considered to be potentially in breach of the Institute's travel policy
- travel expenses claimed by the President without formal pre-approval, as required under the travel policy and with limited details of the purpose of the travel
- examples of expenditure on hospitality (e.g. €18,452 on flowers and €3,067 on gifts) where insufficient details were provided or monetary limits were breached which is not compliant with the Institute's hospitality policy.

2.28 The Acting President stated that the findings of the review commissioned by the Governing Authority were a source of serious disquiet and a comprehensive report was submitted to the HEA, in June 2011, designed to address the issues identified in the consultant's report. He affirmed the Institute's commitment to ensuring that policies and procedures are adhered to and his personal commitment to ensuring that the breaches identified will not recur.

2.29 In June 2011, the Governing Authority commissioned the same accountancy firm to carry out a further in-depth review of all expenditure incurred by the Office of the President over the past two years. The report on this review has yet to be received by the Governing Authority.

Views of the HEA and the Department

2.30 The HEA noted that it wrote to WIT on 17 May 2011 to express concern at reports in relation to payments in the Office of the President and to stress the importance of those reports being investigated and that any appropriate changes to systems and policies be put in place.

2.31 WIT reported to the HEA on 3 June 2011, drawing on the consultant's report it had commissioned. A further report has been commissioned by WIT to examine expenses incurred by the President's office in the last two years in more detail. The HEA stated that it will continue to liaise with WIT in relation to the outcome of this report and to ensure that appropriate processes and procedures are in place and being adhered to.

Conclusion – WIT President's Office Expenses

Both the audit by my Office and an investigation by the Institute revealed breaches of procedures and lack of economy in the transactions administered through the President's Office at WIT. The Accounting Officer of the Department stated that he shared the concerns expressed in relation to expenses incurred by the Office of the President at WIT and the HEA will continue to liaise with WIT on the matter. Overall, the Institute and the supervising authorities have taken appropriate steps to address the matter since the issues were surfaced.

Chapter 3

Subsidiaries and Foundations

Subsidiaries and Foundations

3.1 Many universities and institutes of technology have established subsidiary companies for a variety of purposes including the operation of certain campus services (such as catering) within a commercial environment, or to benefit from tax efficient schemes such as those pertaining to the provision of student accommodation for rent. Subsidiary companies are also established for the provision of commercial academic services and research commercialisation.

3.2 In addition, certain higher education foundations have been established as entities that are legally distinct from, but associated with specific universities, institutes of technology and colleges of education. In general, the foundations exist to fulfil philanthropic goals that support the objectives of the related third level education institution. This is usually achieved through encouraging the donation of funds and assets.

3.3 Accordingly, this chapter reviews

- the consistency of reporting of third level activity arising out of the use of subsidiaries and other vehicles
- arrangements for the provision of non-academic services at Waterford Institute of Technology
- the general results of certain activities administered through subsidiaries
- the transfer of public resources from third level institutions to foundations.

Accounting for Subsidiary Undertakings

3.4 Universities present their financial statements on a consolidated basis, incorporating the results of subsidiary company activities. While most institutes of technology with subsidiary companies also adopt the consolidated approach to accounting, others do not reflect the results of subsidiary companies in their financial statements.

3.5 Separate companies provide a substantial level of campus services at Waterford and Athlone Institutes of Technology. In both cases, income such as unspent student registration charges and bank concession fees are transferred to or received directly by those companies. The results of the companies are not consolidated in the financial statements of either institute. Accordingly, cash balances held or borrowings undertaken by the companies are not reflected in the reported cash balances of the institutes.

3.6 The Chief Executive of the HEA stated that both the Universities Act 1997 and the Institutes of Technology Act 2006 set out conditions under which it is permissible for third level institutions to establish subsidiary companies. In addition, there is a requirement[7] for institutions to adopt codes of governance in respect of their subsidiaries and the Chief Executive reported that those codes are now in place across the sector. The formal application of the codes of governance varies across institutions but the following general arrangements apply in all cases

- subsidiaries have a board of directors which is responsible for governance and includes institutional employees and may include senior officers of the third level institution
- subsidiaries produce financial statements which are independently audited[8]

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[7] The requirement is contained in "Governance in Irish Universities", published jointly by the HEA and the Irish Universities Association in 2007.

[8] The financial statements of all subsidiaries are audited by private sector auditors, with the exception of the DIT subsidiary, An Chéim which provides services across the institutes of technology and is audited by me.

- formal institutional arrangements are in place for reporting, including reporting to the Finance Committee, Audit Committee and the Governing Authority.

3.7 The HEA stated that discussions with the university sector on the updating of the Code of Governance for Irish Universities are nearing completion. It is hoped that a revised code for the university sector will be brought to the HEA Board at its meeting in March 2012. In relation to the application of the code of governance to subsidiaries of universities, the HEA stated that it had advised the universities that in its view, it would be desirable if there was greater clarity and transparency in relation to the application of the code. The HEA hopes to progress this matter with the universities in the near future.

3.8 In relation to the institutes of technology, the HEA stated that it has recently agreed a revised code with the representative body for the institutes. The code will be brought to the governing bodies of the institutes for their approval. The HEA stated that it will engage with institutes to examine whether further enhancements are necessary to ensure clarity and transparency in relation to the application of the code to subsidiaries of the institutes.

3.9 In relation to non-exchequer core budget income (e.g. non-EU fee income and some postgraduate fee income), the Chief Executive stated that third level institutions do not generally apply this income to subsidiaries except where specifically provided for e.g. funds collected through student levies for application to student related activities. However, he stated that it is the view of the HEA that third level institutions are free to apply such income to subsidiaries in the context of furthering the development of the institution.

3.10 The HEA would, however, consider that such funding should not normally be provided on an ongoing basis and that subsidiaries should generally aim to be self-financing. In exceptional circumstances where subsidisation is appropriate, it is the view of the HEA that the rationale for subsidisation should be clearly set out by the third level institution following a rigorous risk assessment and should be agreed by its governing authority.

Conclusion – Accounting for Subsidiary Companies

Some institutes of technology do not consolidate certain campus services in their accounts. In all instances where campus services are administered through companies, the transactions, assets and liabilities should be consolidated into the accounts presented as part of the public accountability process. The maximum transparency and comparability across institutions should be sought in this process.

The Chief Executive of the HEA has stated that the consolidation of the accounts of subsidiary companies is being discussed with institutes of technology. A proposed template for consolidation will shortly be circulated with the aim of moving to consolidation for the financial accounts for 2012/2013.

The Department's Accounting Officer agreed that the activities of subsidiary companies should be consolidated within institutions' financial statements. He stated that this will provide for improved transparency in relation to activities within the institutes of technology sector and will ensure coherence with the approach adopted in the university sector.

Non-Academic Services at Waterford Institute of Technology

3.11 In 1990, Waterford Institute of Technology (WIT) granted a sole franchise to a Development Committee to provide non-academic services on campus. The Development Committee has gradually expanded the range of services provided and is now responsible for the operation of a student canteen, student residences, recreational facilities, a retail outlet and a sports hall.

3.12 In November 2001, the Development Committee was incorporated as a limited company, WIT Diverse Campus Services Limited (DCS Limited) and campus services are now carried out through five subsidiary companies of DCS Limited with a total staff complement of approximately 200 people. It was historically the practice to appoint the President of WIT as Chairman of the Development Committee. The President was a member of the boards of DCS Limited and its subsidiaries and was deemed to be Chairman of the boards. The Acting President did not accept a directorship of any of the companies, following his appointment in May 2011.

3.13 At each year-end, any operating surplus or deficit for each of the five subsidiaries, together with their assets and liabilities, transfer to DCS Limited. The draft WIT financial statements for the 2010/2011 academic year show payments totalling €3.37 million to DCS Limited in respect of student registration and bank concession fees[9].

3.14 The draft financial statements for DCS Limited in respect of the year ended 30 June 2010 show that the company has a capital base of €19.3 million.

3.15 The financial statements of DCS Limited and its subsidiaries do not form part of the accounts of WIT and are not audited by me. Cash balances held by DCS Limited[10] are not reflected in the Institute's cash balances.

3.16 Prior to May 2011, the former President of WIT and the Chief Executive of DCS Limited were directors of each of the group companies and WIT Foundation Limited[11]. A senior member of WIT staff fulfilled the role of company secretary for all of the companies, including the Foundation.

3.17 In May 2011, the former President terminated his position as director of each of the companies. The resulting vacancies were filled by appointing a senior WIT staff member as director for each company. The General Manager of DCS Limited was then given the role of company secretary for each company.

Views of the Acting President

3.18 I sought the views of the Acting President of WIT in relation to the matters noted above and requested specific information on the following

- an explanation of why the Institute does not prepare consolidated financial statements incorporating the results of the DCS companies
- details of any remuneration or fees, including consultancy fees, paid to Institute employees by DCS Limited or any of the five subsidiary companies in 2009 and 2010

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9 It is unclear whether and to what extent adjustments to the student registration funding arrangements may impact on the funding base of DCS Limited.

10 Cash held by DCS Limited at 30 June 2010 was €1.11 million.

11 WIT Foundation also appointed a third director, who held a senior post in WIT.

3.19 The Acting President stated that WIT does not prepare consolidated financial statements incorporating the results of DCS Limited or its subsidiary companies because they are independent of the Institute and are not controlled by it. He stated that WIT has no equity stake in DCS Limited, does not hold voting rights and does not appoint directors or other members to the various companies. The practice has been to disclose the results of the DCS companies in a note to the financial statements of the Institute.

3.20 The Acting President informed me that the Chief Executive Officer of DCS Limited is an employee of WIT and has been on secondment to the company and its subsidiaries for more than ten years. He is in receipt of a lecturer's salary from WIT and, in recognition of his increased level of responsibility within DCS Limited, he also receives an 'acting up' allowance from the company which places him on remuneration equivalent to that of a head of department in the Institute. No other Institute employee receives any remuneration or fees from DCS Limited.

Conclusion – Non-Academic Services at WIT

The patterns of interaction between WIT and a range of companies that provide services (canteen, residences, recreation facilities, retail outlet and sports hall) on campus suggest that the related activities are part of the normal services typically provided on the campuses of third level institutions and that they should be included in consolidated accounts produced by the Institute.

In relation to this, the HEA stated that it shares the view that there are issues to be considered and it has engaged with the Institute setting out its concerns in relation to the operation of the company and requesting that WIT review the position and submit proposals for any necessary changes in the Institute's corporate governance.

Results of Certain Subsidiary Companies

3.21 The range of activities at third level institutions now being managed through subsidiary and related companies extends to a wide variety of developmental, commercial and service activities including campus services, academic services and research commercialisation. It would be appropriate to review the emerging pattern of activity managed through subsidiary companies to ensure that third level activity is reported in a consistent, transparent and comparable manner.

3.22 An example of the use of companies to conduct ancillary activities is provided by Dublin City University (DCU). In DCU, the creation of subsidiary undertakings requires approval from the Governing Authority based on consideration of the business case. DCU owns 100% of the equity in a company (DCU Commercial Ltd) which has eleven subsidiary companies. In addition, the University has controlling interest in two other subsidiary companies and associated undertakings in two more companies. The results of all subsidiary companies are consolidated into the annual financial statements of DCU.

3.23 There is a diverse range of activities being pursued through the subsidiaries of DCU Commercial Ltd. The principal categories of operation include property, accommodation, student services, entrepreneurship/business incubation and the arts[12].

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12 Details of group activities are set out in the Directors' Report in respect of the DCU Commercial Ltd financial statements for the year ended 30 September 2010.

3.24 Three of the subsidiary companies had accumulated substantial losses as set out in Figure 6.

Figure 6 Accumulated Losses of Selected DCU Subsidiary Companies, 2007 to 2010

Subsidiary company	2007	2008	2009	2010
	€m	€m	€m	€m
UAC Management Ltd	7.2	7.4	7.3	-
DCU Ryan Academy Ltd	1.4	1.9	2.1	-
Invent DCU Ltd	0.7	0.6	0.6	0.6

Source: Financial statements of DCU and subsidiary companies

The Helix Theatre

3.25 UAC Management Ltd (UAC) is the Arts Centre on the DCU Campus whose main facility is the Helix Theatre. In each of the years 2008 and 2009, DCU made a contribution of €500,000 to UAC Management Ltd which was charged to the University income and expenditure account and described as a 'contribution to the arts'. The audit team was informed that the €1 million was funded from non-State sources. The DCU Director of Finance stated that the sources of non-exchequer income for the University include fees from postgraduate students, research students and international students as well as bank interest.

3.26 The Director of Finance stated that the UAC balance sheet was repaired at September 2010 through a capital contribution of €7.4 million from DCU which had been agreed and approved by the University's Governing Authority. The capital contribution was funded from subsidiary company profits which had been remitted to the University in previous years.

3.27 DCU stated that the University receives considerable benefits from its association with the Helix and its presence on campus raises the overall profile and attractiveness of the University. As owner, it receives prioritised access to the Helix and receives a discount on its use. UAC incurred significant losses in its early years and, at that time, DCU was not making any contribution to the company. At the same time, the DCU group of companies did not incur losses and the Group had a positive balance sheet after taking account of losses of some individual companies.

3.28 From an accounting perspective, UAC had going concern issues which were overcome through the support of the University.

The Ryan Academy

3.29 The DCU Ryan Academy Ltd incorporates the Tony Ryan Academy for Entrepreneurship. The Academy is a non-profit, joint venture between DCU and the family of the late Mr Tony Ryan.

3.30 The Academy operates from a building in Citywest Business Campus. The construction cost of the building (which was completed and occupied in October 2005) was financed under Section 843 of the Taxes Consolidation Act, 1997 which provides for capital allowances for buildings used for third level educational purposes[13]. Ownership of the building rests with the Ryan family for the first seven years after construction, as required under tax legislation, but will revert to DCU thereafter.

[13] The cost to the Exchequer arising from the financing under Section 843 is spread over seven years.

3.31 The Ryan Academy has been loss-making since its inception, with accumulated losses to the end of the academic year 2008/2009 standing at €2.1 million. The Academy's turnover in 2008/2009 was €29,000 (2007/2008: €15,000) compared to administration costs of €240,000. The administration costs for 2007/2008 had been at a similar level, but in addition, the Academy incurred costs of €265,000 related to a restructuring of the business, mainly for employee contract termination costs.

3.32 DCU noted that the background to the Academy was that the Ryan family had sought to facilitate the creation of a School of Entrepreneurship in association with DCU. Under the arrangement, the Ryan family agreed to build and donate the building and DCU agreed to operate the school. The Ryan family sought separately to avail of tax relief under Section 843 for the building works which was granted.

3.33 The Ryan Academy balance sheet was repaired at September 2010 following a capital contribution of €2.4 million from the University, which was agreed and approved by DCU's Governing Authority. The capital contribution was funded from previously distributed subsidiary company reserves.

3.34 DCU stated that while the Ryan Academy has been loss making to date, revenues are increasing significantly and in the eight month period to May 2011, turnover achieved was over €860,000. DCU views the Academy as a vital element of DCU's enterprise and engagement strategy.

Invent DCU

3.35 Invent DCU (Invent) is an innovation and enterprise centre located on the DCU main campus. Invent works with DCU researchers to identify innovations with commercial potential. Its role includes evaluating the University's research based intellectual property and managing access to it through technology transfer, licensing and spin-out companies. It aims to support the transformation of research outputs into innovative and commercially exploitable products and services. Its income is derived from the rental of office space and facilities to start-up and university companies.

3.36 In response to an enquiry from my Office, the University provided details of the process used by Invent to assess prospective clients. If the proposed client is a spin-out company from the University, a business plan is developed and agreed with the promoters. For other clients, the product/service to be developed is discussed with the promoters to ensure there is a fit with the University's ongoing research activity. The decision on whether to admit a company to the centre is an operational one taken by the Invent CEO in consultation with the operations manager. All clients are required to sign a formal standard licence agreement giving limited short term rights to occupy space.

3.37 The Chief Executive of the HEA noted that Invent was established in 2001 to provide a link between DCU and the marketplace. The concept involved forging links with industry to help create business and research partnerships and to market DCU's commercialisation opportunities and research capabilities both nationally and internationally.

3.38 The Invent facility was developed with the support of DCU, AIB, Enterprise Ireland and other donations. The capital funding model that was envisaged comprised three strands, namely an Enterprise Ireland grant of €1.9 million, a single donor grant of €1.9 million and a patronage arrangement worth €3.17 million. It was anticipated that five patrons would each donate €635,000. In return, patrons would receive an equity share in each company following negotiation by Invent management[14].

3.39 Only two patrons subscribed, thus creating an under-subscription of €1.9 million. Because the support from outside patrons has been less than anticipated, DCU is committed to providing €100,000 per

[14] Invent management seek to negotiate up to 5% of the equity in each approved tenant, with each patron receiving one fifth share of the equity negotiated.

annum for 19 years to meet the Invent subscription shortfall. Three annual payments of €100,000 have been made since 2009.

Conclusion - Disposal of Accumulated Losses in DCU Companies

The accumulated losses on individual companies within the DCU group were disposed of as follows

- Capital contributions of €7.4 million and €2.4 million were made by DCU to UAC and the Ryan Academy respectively, with the approval of the University's Governing Authority.
- In regard to the under subscription in Invent DCU, with the agreement of its Governing Authority, DCU is subscribing for further shares in the patronage at the rate of €100,000 per annum.

All contributions were funded from subsidiary company profits which had been remitted to the University in previous years.

The consolidated net worth of the DCU Commercial Ltd group of companies at 30 September 2010 was estimated at €65.8 million, comprising €6.8 million in accumulated reserves as well as deferred capital grants of €59 million.

Financial Transactions with Foundations

3.40 The financial statements of third level institutions do not consolidate the results of associated foundations and generally, do not disclose details of financial transactions between the institutions and associated foundations. In general, income is expected to flow from foundations to the associated institutions, but in the course of audit, a number of instances were noted where institutional funds were paid to foundations.

Waterford Institute of Technology

3.41 WIT Foundation Limited was established in 2005 to, *inter alia*, raise funds for the Institute. The Institute has treated the Foundation as independent of WIT and it has an external chairman. Transfers of monies between WIT and the Foundation are reflected in the Institution's financial statements, by way of note.

3.42 In 2007, WIT received a social contribution donation of €1 million from AIB Bank, to be used to support the Institute's programme for widening participation in education. €400,000 of the donation was transferred to the newly formed WIT Foundation, to meet set-up and initial operating costs. The financial statements of the Institute noted that the €400,000 was transferred on the agreed understanding that future benefits would be derived by the Institute, when the Foundation had begun generating income[15]. In 2008, the Institute provided the Foundation with an additional €150,000 in the form of a grant. At the close of 2008, the €550,000 was substantially spent. The Foundation has not been successful in that it failed to raise any significant funds for the Institute and its activities have since ceased.

3.43 The Acting President informed me that the Foundation has been wound up. An employee of the Foundation was made redundant in April 2010.

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15 The €400,000 was charged in full to the Income and Expenditure Account in the Institute's financial statements for the year ended 31 August 2007.

3.44 The Acting President confirmed that no remuneration or fees were paid by the Foundation to any Institute employees in the years in question. The Institute advised that no travel or subsistence expenses were charged to the Foundation in respect of employees of the Institute.

3.45 In regard to the application of the social contribution, the Acting President stated that whilst the Institute received a social contribution of €1 million from the bank to, *inter alia*, support the widening of participation in education, both parties recognised that it should also foster the aims of the Foundation. The contribution was made at a time when considerable efforts were being made to attract philanthropists and it followed a series of meetings between the Institute and the bank in question. The funds transferred to the Foundation were intended to provide an initial financial injection, by way of seed funding, to enable it to embark on its fundraising mission for the benefit of the Institute.

3.46 The Acting President stated that the Foundation had been established at a time when the country's economy was in a much healthier state. The Institute forged strong links with Waterford Crystal and one of the major shareholders in Waterford Wedgewood became the Chairman of the Foundation. However, Waterford Crystal subsequently decided to close its operation in Waterford with the loss of many jobs.

3.47 A voluntary board was established consisting of many high profile persons in the South East region and beyond. Explicit commitments of support were made but not subsequently realised. The collapse of the Waterford Crystal Group, the downturn in the economy generally and an over reliance on the property sector were all factors. The Acting President stated that the timing of the Foundation's establishment was, in retrospect, unfortunate.

3.48 As the directors of the Foundation had already decided that it would cease operations, the Foundation's financial statements for the year ended 30 June 2010 were not prepared on a going concern basis. The financial statements provided for all liabilities arising from the cessation of the business. The deficit absorbed for the year in the Income and Expenditure Account was €1,130 and the Balance Sheet showed a cumulative deficit absorbed of €18,702.

Mary Immaculate College

3.49 During 2009 and 2010, Mary Immaculate College, Limerick loaned a total of €3.84 million to the Mary Immaculate College Foundation which was sourced from the College's accumulated reserves and bank concession fee income. The stated purpose of the funds transfers was for the acquisition by the Foundation of properties along the perimeter of the College grounds. €1.79 million was repaid by the Foundation to the College in December 2010.

3.50 A number of properties were purchased which were strategically adjacent to the campus. These properties were purchased using funds held by the Foundation and were registered in the name of the Foundation.

3.51 The College has stated that the Foundation was not set up as a property-holding company and the intention was always that the properties would become College assets. The properties were purchased as part of the campus development plan and for their strategic location.

3.52 The College has indicated that the intention is that the properties will transfer to it.

Trinity College Dublin

3.53 In September 2007, the Governing Authority of Trinity College approved a provision of €1.3 million per annum for five years to the related Foundation. The funding is to provide for the operational costs incurred in the achievement of the Foundation's stated objectives of supporting the College's implementation of educational, research and outreach programmes. The funds paid to the Foundation are sourced from trust funds, the income from which may be used to support capital developments.

University of Limerick

3.54 Transfers to the value of €15 million were made to the University of Limerick from a related foundation over three academic years ending in 2007/2008. Any assets acquired are owned by the University and included in its Balance Sheet.

3.55 The University has provided an annual subvention to the Foundation towards its administration costs. The subvention for 2010/2011 is €427,000 which will cover about 55% of the operating costs of the Foundation.

Views of the Department and the HEA

3.56 The Chief Executive of the HEA stated that foundations are a significant source of income for universities. In regard to why third level institutions were making payments to foundations, he stated that, in most cases, donors specify the purpose of their gift, so there is little or no discretionary income available to meet the management and administration costs of the foundation. Consequently, most institutions provide funding or administrative and management support to their respective foundations. In general, this support is provided from non-exchequer income.

3.57 While the making of payments to fund the operating costs of foundations may not have been envisaged historically, it is the view of the HEA that this funding is reasonable, on the understanding that the benefit to the sector exceeds the investment over the longer term. The HEA considers that the 'return' on the resources provided by third level institutions to foundations, in the form of philanthropic donations acquired, more than justifies the outlay and represents real value for the State.

3.58 The HEA stated that it considered that, in some instances, start-up or seed funding from institutions' core budgets may be required to encourage or develop fund raising activities, particularly in the smaller institutions. This should not occur, however, in the absence of a robust risk analysis of all relevant factors and advance approval of the Governing Authority should be obtained. In the longer term the benefit to the institution should exceed the initial investment.

3.59 In relation to the ownership of assets, the Chief Executive stated that foundations do not generally acquire assets in their own right, other than cash or investment holdings from donors. In view of their status as charitable bodies, there are restrictions on the distributions of assets held by foundations. In relation to the cited case of property purchases by the Mary Immaculate College Foundation, the HEA is satisfied that the authorities acted in good faith and that the College was always the beneficial owner of the properties.

3.60 With regard to financial transactions between third level institutions and their associated foundations, the Chief Executive stated that a significant level of transparency already exists. When a foundation makes a distribution to its associated institution, whether it is a transfer of funds or assets, the receipt will be included in the financial statements of the institution, although the individual source details may not be disclosed. In addition, foundations are subject to audit and in most cases they have been established as companies limited by guarantee, so audited financial statements are available in the Companies Registration Office.

3.61 Given the sensitivities around donations and the fact that anonymity is a prerequisite for much philanthropic support, the Chief Executive stated that any moves to increase the level of details that are made publicly known would need to be considered carefully. The HEA will explore with the sector whether there are any significant areas of risk associated with the current accountability regime.

3.62 The Accounting Officer acknowledged the necessity for arrangements in place to be transparent and effective and expressed the Department's commitment to supporting the HEA in its work with the sector to achieve this.

Conclusion – Financial Transactions with Foundations

Philanthropic funding is potentially an important resource in helping to widen the funding base of third level institutions. However, it would be desirable to ensure that

- funding provided to foundations by third level institutions is allocated on the basis of a business case that specifies the overall objectives of the funding and the benefits sought
- the financial statements of the institution outline the arrangements with associated foundations in a comprehensive and transparent way.

Chapter 4

Remuneration and Accountability

Remuneration and Accountability

4.1 Special Report Number 75, published in September 2010, included material in relation to payments in excess of entitlement which had been made to senior university staff and delays in the finalisation of university financial statements. This chapter provides updates on

- the outcome of a review undertaken by the HEA to estimate the extent of the excess payments made and a related validation process carried out by my Office
- the progress towards finalisation of university financial statements and the factors contributing to any ongoing delays
- the status of accounting by other educational bodies.

Senior University Staff Remuneration

4.2 Special Report 75 noted a number of instances where payments in excess of remuneration levels approved by the Minister were made to university staff. Excess remuneration payments had been made over an extended period and to varying degrees in the different universities. Steps had been taken by the universities to end such payments but in most cases, the decision to do so did not have retrospective effect.

4.3 The HEA proposed to recoup the excess payments from the universities through reductions in the level of recurrent grants. However, because the level of excess remuneration payments was not definitively known, the Department asked the HEA to carry out a review to estimate the amount at issue.

4.4 The scope of the review involved examination of the total remuneration paid to senior staff in the seven universities between 3 June 2005 and 28 February 2011. The start date selected was the date on which the HEA wrote to the universities to draw attention to the requirement for remuneration rates to be approved by the Minister, and to specifically ask for confirmation that senior post remuneration was within approved levels.

4.5 The staff posts within the scope of the review included all those posts in universities covered by the Review Body on Higher Remuneration. This included university presidents, vice presidents, registrars, bursars, secretaries, heads of schools and functions, professors and academic consultants. The review excluded postholders employed under terms agreed in a special framework for remuneration of senior staff for specific and exceptional circumstances.

4.6 The review process involved the compilation of formally-approved rates for each of the relevant grades in each of the universities over the full period for review. Universities were asked to complete electronic forms, indicating the rates actually paid to each individual in each relevant grade at any stage over the period of review, including all allowances and/or benefits in kind. The forms were returned to the HEA, where they were compared to the approved rates, and estimates of excess payments calculated. The results of the HEA's review are set out in Figure 7.

4.7 I agreed that my Office would support the review by carrying out a validation process. This involved the provision of assistance in the design of the review approach, an examination of the approved remuneration listings to establish their accuracy, and sample-based testing of the accuracy and completeness of the returns submitted by the universities.

Figure 7 Net Excess Remuneration of Senior University Staff, June 2005 to February 2011

University	Estimated excess payments
	€000
University College Dublin	3,583
University College Cork	1,526
Trinity College Dublin	1,383
National University of Ireland, Galway	578
University of Limerick	448
National University of Ireland, Maynooth	272
Dublin City University	53
Total	**7,843**

Source: Higher Education Authority.

4.8 The verification testing found that senior staff remuneration over the specified period was accurately reported by the universities, and that in most cases, the estimates of payment in excess of approved levels were correct. In a small number of cases, staff had been paid less than the rates approved by the Minister. Such differences were netted against the excess payments to other staff - in effect, understating the total excess payments in certain universities. The revised estimates for the affected universities are: UCD - €3.61 million; UCC - €1.64 million and TCD - €1.5 million. When these adjustments are made, the gross excess payments are of the order of €8.1 million.

4.9 For a small number of cases in some universities, there was uncertainty about the approved level of remuneration. Those cases have been referred back to the HEA for further review and investigation. The HEA is still in discussion with the universities about the circumstances surrounding such unresolved cases. It has indicated that it may adjust the estimates of excess payment in light of the outcome of those discussions, to arrive at final sums which would be subject to recoupment through grant reductions or restrictions on funding allocations.

Conclusion – Senior University Staff Remuneration

Follow-up work has identified payments to senior university staff estimated at around €8 million in excess of ministerially approved rates over the period June 2005 to February 2011. The Department has indicated that, in light of the result of the review and subject to the agreement of the Minister and the Minister for Public Expenditure and Reform, the HEA will take steps to re-allocate or attach conditions on the use of an appropriate level of funding in each university.

Accountability and Audit of Universities

4.10 Under the Universities Act 1997, the HEA approves the form of the financial statements and records kept by universities. The financial statements produced by the universities comprise

- funding statements which record how money provided for core university activities is expended, but which are not compiled in accordance with generally accepted accounting principles (GAAP) in Ireland
- consolidated accounts of the university presented on a GAAP basis, which have been produced since 2005
- a reconciliation statement which identifies the differences between the two sets of statements.

4.11 There have been ongoing delays in the production of financial statements for the universities. This gave rise to a backlog in accounting for multiple years in most universities. Special Report 75 reported on the cause of delays in completion of university audits. Following the enactment of legislation in 2009, and the subsequent transfer of university pension fund assets to the National Pensions Reserve Fund, most of the delayed financial statements were finalised and accounts that comply with the financial reporting standard (FRS 17) in relation to pensions accounting have been adopted by governing authorities and audited by me.

4.12 While the multiple year backlog had been virtually eliminated at 24 February 2012, there were arrears of audited financial statements for the universities as follows

- University of Limerick - 2009 and 2010
- Trinity College Dublin - 2010
- National University of Ireland, Galway - 2010
- University College Cork - 2010
- Dublin City University - 2010.

4.13 Apart from the delay that arose while pension accounting issues were being resolved, there are certain other factors relating to the production and rendering of accounts that militate against early accounting. Factors that contribute to ongoing delays in the production of university financial statements include

- the requirement to present university financial statements in two formats, which in many cases are produced sequentially
- the practice in the universities of appointing firms of accountants to carry out audits of the financial statements of the universities and of their subsidiaries, and reporting to their governing bodies.

4.14 The 1997 Act provides that the financial statements of the universities, to the extent directed by the Comptroller and Auditor General, be submitted annually for audit to him or her. In order to avoid confusion in presenting two sets of financial statements prepared under different accounting bases, I decided to attach an audit report to the annual consolidated financial statements only.

4.15 Given the practice in universities of appointing auditors to undertake full scale audits in accordance with International Auditing Standards, I have, in undertaking my audit sought to rely on the work of the internally appointed auditors in order to avoid unnecessary duplication and expense. To the extent that it is appropriate to do so, my audit takes account of their audit work and conclusions reached, and my Office undertakes any additional work considered necessary, usually designed to test obligations which attach to bodies in receipt of substantial funding from the State.

4.16 In 2010, I proposed that more formal arrangements should be put in place between each university, my Office and the internally appointed auditors in order to ensure that there are clear provisions on audit planning and access by my Office to their working papers, reports and management letters. I suggested that this might be achieved by inclusion of appropriate terms in the contracts between universities and their internally appointed auditors. Because contracts were already in place, limited progress has been made to date in formalising the arrangements.

Conclusion – Accountability and Audit of Universities

The reduction in the arrears of accounts in universities to a backlog of a single year in most instances is to be welcomed. It is necessary in the interest of timely public accountability to build on this and explore how processes of production and audit can be completed more expeditiously.

Accounting by Other Educational Bodies

4.17 The current position in respect of the finalisation of accounting by VECs, institutes of technology and other educational bodies is set out in Figure 8.

Figure 8 Status[a] of Accounting - Other Educational Bodies

Type of institution	Number of entities	Number of audits outstanding
VECs	33	-
Institutes of technology	14	1
Other bodies	15	3[b]

Notes: a The figure reflects the position as at 24 February 2012.
b Two of the outstanding audits relate to 2010 and one to 2009.

4.18 The audit of financial statements up to and including the year ended 31 December 2010 has been completed for all VECs. Reports under Section 7(4) of the Comptroller and Auditor General (Amendment) Act 1993 in respect of County Cork VEC (2008), City of Cork VEC (2009) and County Kildare VEC (2011) were considered by the Public Accounts Committee on 9 February 2012.

4.19 Audits of the financial statements of all institutes of technology up to the year ended 31 August 2010 have been completed, with the exception of WIT which has been delayed while the matters outlined in earlier sections of this report were being examined.

4.20 In relation to the other bodies in the sector, there are three audits yet to be finalised, two relating to the accounts of the National College of Art and Design (NCAD) and one relating to the accounts of the Further Education Training and Awards Council (FETAC).

- Finalisation of the audit of financial statements of NCAD for the financial years ending in 2009 and 2010 has been delayed mainly due to accounts production difficulties. Financial statements for both years are currently at final audit review stage.
- The audit of the 2010 financial statements of FETAC will be completed following the receipt of a reply to a formal audit query issued in relation to the development of a major ICT system.

Conclusion – Accounting by Other Educational Bodies

All accounts of VECs for financial years up to end 2010 have been produced and audited. In the case of the institutes of technology, one account has yet to be finalised. This relates to WIT and has been delayed while the factors set out in Chapter 3 were being examined. In the case of two other bodies, NCAD and FETAC, accounting will be finalised in the coming months.