



Waterford Institute of Technology
Briefing for Public Accounts Committee

27th September, 2012

**Special Report of the Comptroller and Auditor General – Matters
Arising out of Education Audits (Chapters 2 and 3)**

The Institute welcomes the opportunity to advise the Public Accounts Committee in relation to matters referred to in the Comptroller and Auditor General's Special Report, referred to above. Three specific matters have been raised in relation to the Institute, namely:

- a) Expenses Incurred by the Office of the President at Waterford Institute of Technology (pages 18 & 19)
- b) Non-Academic Services at Waterford Institute of Technology (pages 25 & 26)
- c) Financial Transactions with Foundations (pages 29 & 30)

The Institute accepts the conclusions of the report and wants to emphasise the priority it has given to addressing matters arising from a) and b) above. In relation to item c) The Foundation, established originally as a company limited by Guarantee, was wound up in 2011.

a) Expenses Incurred by the Office of the President.

The Institute's Governing Body commissioned external consultants, Deloitte, to carry out a review of non-pay expenses incurred by the Office of the President between January, 2004, and March, 2011. It is recognised by the Institute, the Comptroller and Auditor General and Deloitte that breaches of procedure did occur. However, such breaches were confined to the Office of the then President as a further review of internal financial controls across the Institute, commissioned by the Governing Body's Audit Committee in 2011 did not identify any issues which caused concern to the Audit Committee.

Since these matters were brought to light, enhanced control procedures have been put in place which include:

- Travel and related expenditure, in respect of the President, is pre-approved by the Secretary/Financial Controller
- Travel expenses, including the use of taxis, incurred by the Office of President, are in line with Public Sector travel circulars and guidelines
- All other expenditure in respect of the Office of the President is co-authorised by the Secretary/Financial Controller
- At regular intervals during the financial year the Governing Body is provided with a finance report detailing expenditure incurred in the Office of the President for its review and monitoring
- Consultancy costs have been significantly reduced and any remaining consultancy fee rates have been renegotiated downwards
- WIT Corporate Cards, which were used to cover in-house hospitality, have been withdrawn not only in the Office of the President but throughout the Institute
- Flowers and gifts are no longer procured by the Office of the President

At an Institute level and in line with the Comptroller and Auditor General's recommendations, a number of other actions have been taken:

- Procedures and policies in respect of

- a. travel and hospitality,
- b. mobile phone use,
- c. credit cards and
- d. procurement

have been reviewed, revised where necessary, and approved by Governing Body.

- Adherence to all finance policies is being closely monitored by the Finance Office with corrective action being taken, as appropriate
- All finance policies are easily assessable to all staff and are redistributed on a cyclical basis by the Finance Office
- An increased emphasis on the review of Internal financial controls by the Internal Audit team has been implemented at the request of the Institute's Audit Committee
- Additional control procedures have been implemented in respect of the purchase order approval process; these include the following:
 - a. final approval of all purchase orders now resides with the procurement function, under the control of the Finance Office
 - b. the President, in conjunction with the Finance Office, reviews all orders above €3,000

Annual Non Pay expenditure within the Office of the President has been reduced significantly, as reflected below:

2006	€603,652
2007	€583,166
2008	€634,308
2009	€390,459*
2010	€455,183*
2011	€253,569
2012 (to date)	€180,270

**The above excludes a number of high value transactions related to banking franchise arrangements with the Institute.*

b) Non-Academic Services at Waterford Institute of Technology

It may be helpful to provide the members with some background information in relation to the establishment of non-academic services in the Institutes.

In 1990, the then Institute's Board of Management agreed to provide a franchise to a small group of staff members, to enable the Institute to provide student services that could not otherwise be provided. Four staff members, including the President (formerly 'Director'), came together, on a voluntary basis, to develop and manage a range of services for the Institute's students. The model was largely based on similar models within the university sector and proved extremely successful. Over the intervening years a wide range of excellent facilities including canteen, accommodation, sporting and recreation services have been developed.

The committee subsequently established a company structure to meet the legal and financial demands of the time. Funding from student capitation was transferred by the Institute to the committee to ensure, inter alia, the continued provision, through the company structure, of necessary student services. Part of this funding was earmarked for capital development programmes such as sporting facilities, accommodation blocks and restaurants on campus. Representatives of the committee attended Governing Body meetings at least once a year to appraise the members of the companies' financial results and to review their future strategic development plans.

The Institute accepts the conclusion in the report of the C&AG which states that "The patterns of interaction between WIT and ... companies that provide services ... 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 ..." Following consideration of the C&AG report and the Higher Education Authority's request to consolidate, the Institute's Governing Body has now commenced that process.

The actions taken to date, on the approval of the Governing Body, include:

- The secondment of the Institute's Finance Manager to oversee the consolidation process which is expected to be substantially completed within an eighteen month period.
- The appointment of an external contractor to carry out a review of the WIT Development Committee (Diverse Campus Services Ltd.), its activities, financial controls and governance since its establishment. This review was completed by Grant Thornton and presented to the Governing Body in June, 2012. Grant Thornton's preferred option is to "revise the structures of DCS (Diverse Campus Services Ltd.) making them subsidiary undertakings of WIT." The Institute's Governing Body has formally adopted the Grant Thornton report including its preferred option.

The Institute has also taken a number of other actions including:

- Communication to the HEA, WIT staff and DCS staff of the decision to proceed with implementing the Grant Thornton recommendation.
- Liaison with legal advisors to review potential implications regarding:
 - a. The legal basis for consolidation in the context of the legislation governing the institutes of technology

- b. Proposed change of membership of companies required to bring them under the control of WIT;
 - c. Proposed change of Board members of companies to include additional members who are Institute employees;
 - d. Proposed change in chairperson of the Board of Directors;
 - e. Status of employees of DCS were the companies to come under the control of the Institute
- Engagement with the HEA including provision of status reports and legal advice at key intervals in the process
 - Review of the financial, human resources and legal arrangements of the companies
 - Commissioning of Grant Thornton to carry out a two step process, firstly, to review the current operations across all activities including the structures, staff, policies and procedures of DCS; secondly, to complete a cost benefit and risk analysis of all operations to identify the most appropriate model for the future operation of these student service activities.

c) Financial Transactions with Foundations

The establishment of Foundations is a common practice in third level institutions. The Comptroller and Auditor General's Report acknowledges that "foundations exist to fulfil philanthropic goals that support the objectives of the related third level education institutions. This is usually achieved through encouraging the donation of funds and assets."

The Institute established a Foundation in 2005 with similar objectives in mind. At a time when other third level institutions were generating substantial philanthropic income, senior Institute management were confident that a Foundation would do likewise for Waterford Institute of Technology, it was planned that any income generated would be ring fenced to support a number of proposed capital development and student support initiatives.

As stated in the C&AG report, "The Foundation has not been successful in that it failed to raise significant funds for the Institute and its activities have since ceased." The company was wound up in 2011, having met its financial and legal obligations in full.

The timing of the initiative was poor and the subsequent economic downturn meant that the Foundation ultimately did not succeed and the Comptroller and Auditor General's report acknowledged the circumstances prevailing at the time.

In conclusion, the Institute wishes to assure the members of the Public Accounts Committee that all issues raised by the Comptroller and Auditor General have been addressed and continue to be monitored on an ongoing basis.