



Comptroller and Auditor General

General Report

Education Sector

Matters arising out of Audit of 1995 Accounts

Baile Átha Cliath
Arna fhoilsiú ag Oifig an tSoláthair

Le ceannach díreach ón
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The report was prepared on the basis of information, documentation and explanations obtained from the bodies referred to in the report.

Drafts of relevant segments of the report were sent to the bodies concerned and their comments requested. Where appropriate, these comments were incorporated into the final version of the report.

Report of the Comptroller and Auditor General

Minister for Education

I have prepared a special report under Section 11 of the Comptroller and Auditor General (Amendment) Act, 1993 on matters arising in relation to audits carried out by me under Sections 5 and 7 of the Act and other enactments.

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

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a long horizontal stroke that ends in a small upward flick.

John Purcell
Comptroller and Auditor General

16 September 1997

Glossary

ACEO	Acting Chief Executive Officer
DCU	Dublin City University
ESF	European Social Fund
EU	European Union
FÁS	Foras Áiseanna Saothair
HEA	Higher Education Authority
ITC	Regional Telecommunications Information Technology Centre, Letterkenny
NMRC	National Microelectronics Research Centre
OEC	Outdoor Education Centre
RTC	Regional Technical College
SPM	St Patrick's College, Maynooth
TCD	The University of Dublin, Trinity College
UCC	University College Cork
UCD	University College Dublin
UCG	University College Galway
UL	University of Limerick
VEC	Vocational Education Committee
VTOS	Vocational Training Opportunities Scheme

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EDUCATION SECTOR

REPORT ON MATTERS ARISING OUT OF AUDITS

The accounts of universities, regional technical colleges, vocational education committees and other educational bodies for accounting years ending in 1995 have been audited by me.

I have reported my opinion on each account and, in addition, in the case of six vocational education committees I have issued a report under Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993 on matters arising out of audit. These reports are reproduced in the Appendix to this report.

General matters arising out of my audits in the education sector are set out hereunder.

University Sector

Universities are autonomous, independent bodies which receive the bulk of their funding from the State through the Higher Educational Authority (HEA). Subject to their operation within overall agreed balanced budgets, the detail of their expenditure is regarded by the HEA as a matter for internal management of the universities.

1. University Sector Expenditure

The total recurrent academic expenditure reported by universities for the year ended 30 September 1995 was £263m as set out in Table 1.1. While progress has been made in harmonising the accounts of universities, some work remains to be done on their income and expenditure headings in order to ensure that reported results are fully comparable.

There are, also, some fundamental differences in pension funding arrangements. In particular, the newer universities (DCU and UL) provide statutory pension entitlements from current revenue and offset staff contributions against salary charges in their accounts.¹

¹ *The remaining Colleges contribute to funded schemes in order to provide for benefits at retirement rates of pay and meet post-retirement increases from current revenue.*

Table 1.1
Recurrent Expenditure in University Sector 1994-95^a

	UCD £m	UCC £m	UCG £m	TCD £m	UL £m	DCU £m	SPM £m	TOTAL £m
Academic Departments	53.2	25.7	17.0	29.8	13.7	9.4	7.5	156.3
Academic Services	8.6	5.1	3.4	6.6	3.6	4.4	1.7	33.4
Premises Upkeep	10.0	5.8	4.2	8.6	3.8	1.9	2.0	36.3
Central Administration	2.8	2.7	2.1	2.8	2.1	2.2	1.1	15.8
General Education Costs	2.0	1.8	0.9	1.1	0.9	0.7	0.4	7.8
Student Services	1.4	1.2	0.8	1.3	0.9	0.8	0.8	7.2
Other Costs	2.0	1.8	0.6	1.2	-	-	0.2	5.8
Total Cost	80.0	44.1	29.0	51.4	25.0	19.4	13.7	262.6

^a Excludes research grants and contracts.

2. Unit Costs

The HEA introduced a formula-based funding system in 1991 which had been recommended by a working group on mechanisms and controls for university funding.

The objective of the unit cost mechanism was to bring about

- transparent and equitable distribution of resources across the universities
- greater flexibility and delegation to the universities in the management of their internal affairs, within agreed budgetary controls
- increased accountability to the State and the taxpayer.

A further objective of the unit costing mechanism was to assist university management achieve improved internal effectiveness in the use of resources while providing the HEA with an overall monitoring tool.

The model, as applied, established an annual cost per student per course. Universities calculate this cost based on their actual recurrent costs and student numbers in each academic year.²

The HEA uses the data to inform its grant allocation decisions. While allocations are not directly determined by the unit cost data, average unit costs across various academic subject groupings are taken into account in the determination of allocations.

The unit costs reported for the major academic categorisations for undergraduate teaching are set out in Table 2.1.³

Table 2.1
Universities - Undergraduate Unit Costs 1994-95^a

	UCD £	UCC £	UCG £	TCD £	UL £	DCU £	SPM £	Average £	Student Numbers ^b
Arts/Law	2,757	2,958	2,681	2,940	2,735	3,845	2,771	2,870	17,563
Commerce/Business	2,630	2,419	2,414	2,538	2,945	3,040	2,180	2,655	7,104
Science	4,718	4,385	4,156	4,848	4,344	3,798	3,970	4,386	9,053
Engineering	4,365	4,797	4,679	3,750	4,536	4,413	-	4,407	4,463
Medicine	2,965	4,773	3,382	4,144	-	-	-	3,721	3,067
Dentistry	-	10,877	-	-	-	-	-	-	189
Veterinary	11,990	-	-	-	-	-	-	-	358
Nursing Studies	-	-	4,947	-	-	-	-	-	58
Arts/Business (part-time)	1,623	2,277	1,912	1,977	2,488	4,091	2,072	1,975	2,417
Other part-time ^c	1,711	2,474	-	2,004	3,262	2,830	-	2,119	903

^a The figures are adjusted to offset the differences in superannuation funding approaches in universities.

^b Actual student numbers as calculated by the HEA based on returns by Universities.

^c Science, Engineering and Medicine.

² Unit costs are calculated by the universities based on a predetermined formula designed to spread actual recurrent costs across student numbers by type (e.g. Undergraduate, Postgraduate Taught or Research and Part-time) within specified subject categories on the basis of contact hours.

³ These costs have not been adjusted in respect of any subsequent calculation refinements introduced by the HEA.

The unit cost model is still being refined to ensure that comparisons across universities are valid and further adjustments have been made in 1995-96 in order to harmonise recurrent expenditure figures.

The HEA and the universities consider that additional work may need to be done to fully validate the unit costing mechanisms. For instance, analysis may be required to isolate and understand the effect of the following factors on the outturns reported

- the relative sizes of the institutions and the small pool of universities⁴
- the sensitivity of the model to short-term changes in student numbers
- the age of the institutions⁵
- the differences in reported contact hours for academic staff across the subject groupings and universities.

TCD has noted that full account needs to be taken of the impact of exceptional costs such as maintaining its Special Copyright Library and the rates levied on the College.

While it would be very difficult to design a model which could take into account the diversity of the range of courses offered by different universities within subject groupings, the model will provide a basis for informing judgments on the relative cost of university courses.

3. Capital Development

Capital development by universities is funded by State grants, internal funds⁶ and donations raised as a result of fundraising by or on behalf of universities

The principal capital works in progress in the course of 1994-95 which have been or will be assisted by State funding are set out in Table 3.1.

⁴ *It is suggested that these factors may impact on the stability of the averages generated.*

⁵ *Newer institutions with younger staff and modern infrastructure may have lower cost bases.*

⁶ *Internal funds include levies on students and rental income assigned to repay borrowing.*

Table 3.1
State-Assisted Capital Development at Universities 1994-95

Universities and Project	Estimated Total Costs £m	State Funding 1994-95 £m
UCD		
Micro-computers/Languages Building	3.55	0.12
Biotechnology Building	1.80	0.24
UCC		
Food Science Research Building	5.67	0.16
Applied Business/Languages Building	14.24	0.35
UCG		
Library Extension	2.00	0.31
Information Technology Building	3.10	0.13
St Anthony's College	1.90	1.00
TCD		
East End Development - Stages 4 & 5 ^a	16.88	0.04
Microelectronics Development	4.00	0.31
Infrastructure	2.00	2.00
SPM		
Science Building - Phase 2	9.07	0.54
UL		
Aeronautical and Environmental Technology Building	5.60	0.57
Library and Information Services Building ^b	14.00	0.00
DCU		
Business School Development ^c	5.50	0.50
Library Extension	0.50	0.12

^a 50% of this development will be funded from TCD resources.

^b An estimated £7m in respect of this building will be resourced by UL.

^c £4.5m of this development will be resourced by DCU.

In addition to the foregoing projects, major capital developments are in train which are fully funded from internal university or fundraising sources. The major projects involved and their estimated cost is as follows

	£m
UCC Student Centre	4.67
National Microelectronics Research Centre Phase VI (UCC)	2.60
UCG Student Centre	5.00
TCD Student Residences	8.50
TCD Mechanical Engineering Building	1.37
UL Student Residences	7.70

4. Harmonising of Accounting by Universities

In June 1993, the HEA commissioned a firm of accountants to draft a framework document for financial management and reporting in Irish universities. The overall

objectives of the framework as envisaged by the consultants was to make provision for

- comprehensive financial reporting of all university activities
- compatibility with accounting standards
- conformity with best practice
- consistency in detail across the sector so that comparisons would be valid
- transparency throughout all financial inputs
- accountability for the stewardship of assets.

The framework document which was published in June 1995 was intended by the HEA to operate for accounting years from 1995-96 onwards. However, while it has to date been implemented to the extent possible by universities, discussion is continuing on issues of presentation, consolidation and harmonisation. Matters remaining to be clarified include fixed asset valuation methods, depreciation mechanisms and contract research accounting procedures. It is expected that the work may be completed in time for the academic year 1997-98.

A particular deficiency which works against meaningful comparison arises from the fact that most universities do not have a consistent approach to fixed asset accounting and the maintenance of comprehensive registers of assets. This is illustrated by Table 4.1.

Table 4.1
Asset Accounting in Universities

	UCD	UCC	UCG	TCD	UL	DCU	SPM
Does the university have assets on its balance sheet?	Yes	Yes	Yes	No ^a	Yes	Yes	No ^a
Does the asset figure include assets from all sources?	No ^b	No ^b	No ^b	No ^b	No ^b	Yes	No ^b
Does the university depreciate assets?	No ^c	Yes	No ^c	No	Yes	Yes	No
Does the university have a fixed asset register?	No ^d	Yes	No	No ^e	Yes	Yes	Yes

^a These universities do however, publish separate statements of State-funded assets.

^b Assets acquired and used solely for research purposes are not capitalised or reflected in the balance sheet.

^c Leased assets are depreciated.

^d Since August 1996 UCD has commenced recording fixed assets for items valued in excess of £1,000.

^e TCD maintains a register of assets insured.

The absence of fixed asset registers militates against control since without such registers the university has no record against which to compare periodic inventories of its assets.

5. Contract Research

Universities encourage contract research work since it

- expands the knowledge base of their staff
- assists post-graduate development
- increases the university's prestige
- provides a valuable source of funding for new equipment.

Externally funded contract research has become an increasingly important source of funds with research project income almost doubling since 1989-90.

An analysis of the university research income by funding source is set out in Table 5.1.

Table 5.1
Contract Research and Related Expenditure in University Sector 1994-95

	UCD £m	UCC £m	UCG £m	TCD £m	UL £m	DCU £m	SPM £m	Total £m
European Union ^a	2.6	5.0	1.9	3.3	1.3	1.0	0.6	15.7
Industry	1.2	2.1	0.6	1.7	0.7	0.3	0.2	6.8
Forbairt ^b	1.5	1.0	1.7	2.4	1.5	0.7	-	8.8
Foreign Foundations	0.5	0.5	0.1	-	-	0.3	0.1	1.5
Other State Agencies	1.8	2.3	2.0	1.6	0.1	0.6	0.2	8.6
Miscellaneous	0.6	1.8	0.5	2.1	1.5	0.6	-	7.1
Total	8.2	12.7	6.8	11.1	5.1	3.5	1.1	48.5
Less Other Self-Funded Programmes ^c	0.5	1.2	1.9	0.9	1.7	1.0	0.1	7.3
Adjusted Research Expenditure	7.7	11.5	4.9	10.2	3.4	2.5	1.0	41.2

^a Direct EU research funding. In addition, certain moneys sourced from Forbairt and Programmes in Advanced Technology are EU funded.

^b Including Programmes in Advanced Technology.

^c Universities also categorise certain activities under this heading which, strictly, are not research. These have been adjusted for.

In view of the importance of commercial research and the level of research activity universities need to ensure that there are adequate internal controls and accounting in respect of research. In general, universities had installed good systems for the management of their research activity. However, some shortcomings were noted which need to be addressed by the universities concerned. Particular deficiencies noted in certain institutions included

- there were inadequate procedures for approval of new research accounts
- budgets and expenditure limits for individual accounts were not established and outturns monitored against them
- the central review of balances on research accounts was carried out at irregular intervals
- there was a lack of timely reporting of project income and expenditure to project leaders and insufficient analysis thereof
- there was a failure to finalise project accounting and dispose of dormant balances on research accounts.

Write-offs of £1m have been made by universities in recent years and provision has been made for non-recovery of a further £800,000 at 30 September 1995.

There is a general tendency to delay recognising bad debts in the research area until all hope of recovery or offset has disappeared.

6. Research Centres

In addition to administering research on a project basis there is an increasing trend towards the conduct of research through research centres. The administration of such centres is a matter which would merit attention since, by their nature, research centres require control and management procedures which are different from those applying to research carried out on a project basis. This is emphasised by the experience of the universities in the following cases.

In UCD, a centre was established in 1988 to operate a number of biotechnology research projects funded by Forbairt under an EU-funded Programme for Advanced Technology. The College had contributed £557,000 towards the running costs of the centre up to 30 September 1995 and an annual subsidy of £70,000 has been made available thereafter.

The centre, in its initial years, was not the subject of adequate control. It was treated for accounting purposes as a single entity leading to difficulty in identifying component projects and associated costs which, in turn, resulted in confusion with regard to the outturns on individual projects within the centre and misallocations of expenditure.

The centre which was reorganised in 1993 has since then been covering its direct costs but not all its overheads. I enquired of the College as to funding arrangements for the centre.

The College informed me that the biotechnology centre had been established as part of UCD's Life Science Concept⁷ and that the stimulation of development and research in molecular biology and biotechnology is a College policy priority. In regard to the level of subsidy to the centre the College informed me that:

- It became apparent at an early stage that without external support for indirect costs it would have been difficult to run the centre on a break-even basis.
- A number of anticipated funded projects had failed to materialise and consequently the contribution to overheads and operating costs between 1988 and 1995 was less than expected.
- The centre shared facilities with a subsidiary of Forbairt which did not subscribe to the overhead costs thus increasing the UCD financial burden.
- Certain advantages had been derived from the centre
 - ▶ equipment valued at £125,000 had been acquired and remained a valuable asset to the College's teaching and research missions
 - ▶ the College's Finance Committee is of the opinion that viewing the facility from the standpoint of postgraduate research, the non-monetary benefits of operating the centre outweigh the excess in running costs.

In UCC two centres experienced financial difficulties:

- A centre set up in 1991 using funds from the EU Stride programme was overdrawn⁸ to the extent of £181,000 by 30 September 1996.

⁷ *The concept envisaged research programmes in Human Health, Animal Health, Animal Production and Reproduction and Plant and Pharmaceutical Biotechnology with support from the relevant faculties of the College.*

⁸ *General College funds have been drawn on to fund its activities.*

Initially, UCC recognised that it would have to assist the centre financially and agreed to approve an overdraft facility of £105,000 over three years. The intention was that by 1995, the centre would be self-funding and the College would be a net beneficiary through a contribution to overheads. In January 1995, the Finance Committee authorised an increased overdraft facility of £125,000. The College has forgone any contribution to overheads generated by its projects.

- It was the initial intention that a centre, established in 1992, would forge strong links with the College's Sociology Department. These links did not develop and the centre was eventually located at an off-campus site. This, in turn, led to the centre having to absorb considerably more overheads than would otherwise have been the case. The funding shortfall at 30 September 1996 was £318,000 after allowing the centre to retain any contributions to overheads which its projects generate.

In January 1995, the Finance Committee of the College authorised an internal loan facility of £79,150 for the centre subject to a review of its operations after one year. The centre was reviewed by the Finance Committee in July 1996 when it was decided to allow it to continue until June 1997 when it would again be reviewed.

None of the excess expenditure in respect of the centres has as yet been provided for in the accounts of the College. I sought the College's views on the excess expenditure.

The College informed me that:

- The organisational structure relating to research centres is at present under review by a committee of the College's Academic Council. A more formal arrangement for the management of the centres is likely to be the outcome.
- The difficulty which arises in cases where research centres are overdrawn is under review by the Finance Committee. The implicit policy up to now is that these centres were being allowed to trade out of their financial difficulty by offsetting overhead contributions against deficits.
- The Finance Committee will in the near future be asked to review the situation and to approve a strategy for the financing of these centres, including the provision of some additional resources. The source of this additional finance is likely to be a combination of allocations from development funds and general College funds.
- These centres have been successful in providing services of significant advantage to their clients, many of whom are in the public sector. However, the level of activity is not yet high enough to cover all of the overheads. Basically, the centres are under-capitalised.

7. Recovery of Overheads from Contract Research Work

The proportion of academic time devoted to contract research is not separately identified by the universities. Unit costing is calculated on the basis that all staff costs are attributable to academic activities. Consequently, there is no separate costing of that element of academic time which is devoted to contract research. On this issue Irish universities are out of step with their European counterparts as noted in a recent research study commissioned by the HEA.⁹

In order to make provision for the recovery of some of the academic time devoted to research, the HEA issued a guideline in 1991 that 10% of overall contract research income should be credited to the overhead costs of each university. This was seen by the HEA as an initial step towards full cost recovery.

The actual contributions from contract research fall short of this target in all institutions as is indicated in Table 7.1.

Table 7.1
Contribution from Contract Research Activity 1994-95

Institution	Total Research £m	Contribution to Overheads £m	% Recovery
UCD	7.7	0.19	2.47
UCC	11.5	0.26	2.26
UCG	4.9	0.30	6.12
TCD	10.2	0.49	4.80
UL	3.4	0.15	4.41
DCU	2.5	0.00	0.00
SPM	1.0	0.01	1.00
Total	41.2	1.40	3.40

The reasons advanced by universities for the low recovery of overheads included:

- Forbairt and other State agencies as well as certain charitable institutions do not contribute any element of overhead recovery in their funding. TCD estimates that the level of its research income from such sources in 1994-95 was £5.3m (over 50% of its total research activity).

⁹ *A Comparative International Assessment of the Organisation, Management and Funding of University Research in Ireland and Europe - Circa Group Europe.*

- In UCC, the National Microelectronics Research Centre (NMRC) does not make any contribution to College overheads since its contribution is regarded as being satisfied by teaching at undergraduate and postgraduate level. The NMRC accounted for £5.3m of the total research income in UCC for the year to 30 September 1995. If account were taken of this arrangement the recovery rate would be 4.2%.
- In UCC, any project or centre which is in financial difficulty may not be required to surrender the overhead contribution it generates.

Universities pointed out that specific core funding is not available from State sources in respect of the development of research and they have informed me that the Committee of Heads of Irish Universities and their related Chief Finance Officers are currently in the process of addressing issues related to the costing of academic research.

8. Staff Consultancy

Staff consultancies are considered beneficial to universities from an academic and research perspective as they keep academic staff up to date regarding current and future business developments and they promote the university in the public and business communities both nationally and internationally. However, it is also important from the viewpoint of control that participation in such consultancies be subject to the overall guidance of the university authorities.

Guidelines adopted by universities in regard to consultancy services which may be provided by staff vary but, in general, they include terms such as

- the obtaining of prior permission from university authorities
- the consultancy should not interfere with the carrying out of wholetime duties of the staff member within the university
- the amount of consultancy work done should not be disproportionate in relation to university work in terms of time or remuneration
- any facilities of the university used in connection with the consultancy work should be paid for in the form of a recovery of overheads incurred on the outside work
- in making application for permission, full details of all aspects of the consultancy arrangement should be submitted.

One university had no written guidelines on this matter but is in the process of adopting them.

In the course of the audit of universities for the year ended 30 September 1995 it appeared that, on occasion, consultancy work was being carried out without the sanction of the university. There seemed to be difficulty in implementing the procedures since universities are reliant on the individuals to make full declarations. The level of declarations appeared abnormally low in most cases and in some instances monitoring had lapsed.

9. O'Reilly Hall - UCD

The O'Reilly Hall was planned as a commercial conference centre capable of accommodating over 1,000 people to be located on the College's Belfield campus. In addition to generating external commercial business it was the intention that the centre would be available to the College in respect of academic functions and conferrings. It was completed in 1994 at a cost of £4.0m which was funded as follows

Funding Source	Amount £m
Private Donations	2.0
Other Specific Funds	1.0
UCD Advances	<u>1.0</u>
Total	<u>4.0</u>

The initial projections indicated that the hall would be self-financing by 1995-96 and a commitment was given to the HEA that it would not be a charge on the funds provided by the HEA.

The College which had agreed with the HEA that the project would be separately administered initially structured its assistance through an internal loan on which it charged interest. In addition, it sought to recover an amount in respect of maintenance and asset usage.

The College has recently decided to convert the loan advances of £1m into an 'equity' investment thus retrospectively absorbing the funding shortfall from College funds.

This change also had the effect of replacing the existing charges which had accumulated to £182,000 by 30 September 1995 with an annual rental charge of £150,000 operative from 1 October 1995.

Following this restructuring, the accounts of the facility reported an operating deficit of £58,000 for the period to 30 September 1996.

The College officers have informed me that the hall functions as an Aula Maxima. The transfer of the bulk of the College activities to Belfield had involved the loss of the College's Aula Maxima. With the increase in the student population from 9,600 in 1980 to its present level of 17,000 degree/diploma students and 5,000 extra-mural places, there was an obvious need for a new Aula Maxima to accommodate graduations and other formal College functions. Consequently, the use of the premises by the College has increased.

10. Graduate Business School, Blackrock Campus - UCD

In 1989, following the receipt of an initial gift of £1.5 million from a private sector donor, UCD began setting up a dedicated Graduate Business School attached to its Faculty of Commerce. While the original intention was to develop a site for the school at Roebuck Castle on the College's Belfield campus, the school was ultimately sited on the campus of the former Carysfort College in Blackrock, County Dublin.

The HEA noted in June 1994¹⁰ that the Graduate Business School appeared to be significantly under-utilised. It requested UCD to submit proposals for the full utilisation of the Blackrock campus and suggested that this could be done by transferring existing students from the Belfield campus to Blackrock, thereby releasing capacity at Belfield and allowing additional students to be enrolled.

The matter of space utilisation was reviewed by a Committee established by the President which took the view that the Blackrock campus should be exclusively a postgraduate business college and that the introduction of undergraduates or non-business postgraduates would detract from that objective.

The College has informed me that the review committee on space utilisation found that much unutilised space is not suitable, in its present condition, for academic use and its development would require substantial capital expenditure which is not available from internal College resources.

The College is of the view that there are opportunities to bring some of the available usable space at Blackrock into commission but this is entirely dependent on the HEA meeting the capital costs involved.

¹⁰ *Based on a UCD Status Report of December 1993 on the Graduate Business School.*

The space utilisation of the buildings has been analysed by the College's Building Office as follows:

	1993-94	1996-97
Direct use by Graduate Business School	38%	43%
Common Areas (including restaurant, common lecture theatre, classroom and examination space)	29%	15%
Halls of Residence ¹¹	23%	23%
Drama Studies	0%	3%
Dedicated Examination Halls	0%	6%
Unused or occasional use ¹²	10%	10%

In regard to the intensity of use of teaching areas the College's Building Office reported in April 1996 that, from the data available to it, the existing teaching areas of the school had daytime utilisation rates of 55% to 58%¹³. The comparable utilisation rate for the Belfield facilities is 78% on average.

11. Capital Projects - UCC

Cost Overruns

It was noted on audit that overruns occurred on capital projects being developed by UCC

- a Food Science and Technology Extension with a projected final cost of £5.67m was ultimately completed for £6.53m
- the initial budget of £450,000 for the New Granary Theatre was subsequently revised to £750,000 in February 1994. The final completed cost was £911,000.

In reply to my inquiries the Planning Officer of the College stated that the projects were generally contained within budget in so far as the original concepts were concerned. However, he stated that in these cases, it became necessary to undertake, subsequent to tender, a wide range of additional work to provide for alterations to the requirements

¹¹ *Halls of Residence relate to the general student body.*

¹² *Some of these facilities are occasionally used for College exams.*

¹³ *Evening and Saturday utilisation rates ranged between 26% and 31%.*

first specified by user departments and to upgrade existing College infrastructure so that the new projects could be operationally integrated and serviced in a satisfactory long term manner.

He indicated that, in the light of the experience on these two projects, additional controls were put in place in order to ensure delivery of future capital projects within approved budgetary limits. Adjustments put in place by the College include:

- More comprehensive appraisal at pre-tender stage of budgetary needs in respect of items which have historically been the cause of additional expenditure. Specific steps envisaged would include increasing the allowance for commissioning and fit-out from the current level to around 25% of the building contract sum, especially in the case of information technology and laboratory fit-out works.
- It can no longer be assumed that fully serviced sites (water, gas, electricity, car parking, access roads etc.) are readily available for all future College buildings as the old established infrastructure throughout the College requires significant supplementation to meet the operational needs of the current capital building programme. The level of supplementation will depend on the nature of the building to be serviced and its location but could vary between 3% and 8% of the value of the building contract.
- Where it is decided that certain additions or alterations are desirable or necessary such adjustments should be individually costed and submitted for approval of both the Building and Finance Committees for budget adjustment prior to amended or additional work being undertaken.
- Prospective occupants will be required to acknowledge and 'sign off' on the adjusted range of their operational and service needs.
- The Building and Finance Committees will be kept regularly informed regarding progress on the development and the financial situation *vis-a-vis* the approved budget.

In the course of audit, a capital development known as the Student Centre was also reviewed.¹⁴ This project was originally conceived in 1990 and its design had been extensively developed projecting an estimated cost of £3m for a building on a site which ultimately had to be abandoned due to serious planning objections.

¹⁴ Since this project is fully funded from student levies no State Capital Grants have been provided.

An alternative acceptable site was chosen in 1993. This site required more expensive design work in order to ensure satisfactory integration with its environment. The revised budget established at this stage was £3.78m.

Subsequently, additional requirements were provided for, bringing the final adjusted budget to £4.34m. The additions included

- student service elements including multi-purpose hall, coffee unit, bar facilities and television area, estimated to cost £184,000
- fit-out extras for commercial retail units at a cost of £107,000
- external covered student recreation building at a cost of £215,000
- commissioning and fit-out works and services at a cost of £51,000 in respect of a radio station.

It was noted that the capital cost of the centre had reached £4.67m and some minor costs remained to be finalised.

While the various additions and alterations were all sanctioned as the project progressed, the experience with this project and with the Food Science and Technology extension and the New Granary Theatre suggests the need for more stringent analysis of requirements at an early stage of planning.

Funding of Project

Phase six of the development of the National Microelectronics Research Centre (NMRC) was a response to the perception that a lack of space was a major obstacle to the NMRC expanding its output of graduates. The development is a £2.6m project which was initially handled directly by the Director of the NMRC with the advice of a Design Team appointed by him. The appointment of the Design Team was not the subject of a tendering process. The project was taken over by the Planning Officer of the College from the date of acceptance of the lowest tender for the building contract and its endorsement by the College's Building Committee in December 1994.

At that time, the Director of the NMRC indicated that it had been possible to secure the necessary funding from a combination of fundraising from industry and funds from research activities, so that it would not be necessary to ask the HEA for financial support for the project.

Subsequently, it emerged that industrial clients had pledged £1.5m which amounts to 60% of the project cost and the College requested HEA funding for the remaining £1.1m. I understand that this funding was not forthcoming as the tender process did not include public advertisement, which is a requirement of Government Contracts Procedures. I sought information from the College on

- the reason tendering was not put in place for the Design Team
- the reason for departing from Government Contracts Procedures in regard to public tendering for building contracts
- the present status of funding of the project
- the progress of the project to date.

The College informed me that while all previous phases of the development were HEA assisted, this project was initially planned on the basis of it being entirely developed from private sector funding supplemented by moneys generated from research grants and contracts. It was not the intention at that time to seek HEA support for the project.

The Design Team appointments were made from established lists of suitable and competent firms which are particularly experienced in the type of work executed by the College. A suitable team was selected from this list and fee negotiations were entered into in accordance with Government procurement procedures. A satisfactory competitive fee was negotiated with the Design Team selected.

In relation to the appointment of a contractor, competitive tenders were invited from a list of competent and experienced contractors established in the College from previous public advertisements. Six tenders were invited and the contract was awarded to the lowest tenderer.

The subsequent application to the HEA for support funding was in essence an informal one in the light of information as to the possibility of funding being available for projects of this nature. However, as stated, the initial intention was and still is that the project will be totally funded from non-State sources.

This project was planned and executed in a minimum time frame in order to provide much needed facilities in a vital resource for both the College and the related computer industry. It was completed on time and within budget.

The present financial status of the project may be summarised as follows

	£m
Expenditure to date	2.44
Estimated remaining cost	<u>0.16</u>
Estimated cost to completion	2.60
Funding to date	<u>1.66</u>
Balance due to be funded	<u>0.94</u>

Overall, this project is regarded by the College as very successful and good value for money.

12. Cork University Press

The Cork University Press was established in 1925 to provide a publishing facility for academic work. Up to 1992 the number of books published annually varied between one and six and an annual subvention was necessary to keep the Press in operation.

In 1990 a report on the facility recommended

- increasing the level of publications to approximately 20 books per annum
- investing £210,000 in the operation over five years by which time it should be self-sufficient
- the appointment of an editor.

The report and its recommendations were accepted and an editor was appointed in 1992. Break-even point was to be reached in 1996-97.

The College incurred costs of £472,000 on the operation in the period 1993-1995 as follows

	£
1993	70,000
1994	170,000
1995	<u>232,000</u>
	<u>472,000</u>

No charge was made in respect of the share of utilities absorbed.

A business plan was prepared for the Press for the period 1996-1999 and a firm of consultants was commissioned in November 1996 to assess its viability.

The consultants' review raises serious questions about the future viability of the facility and may be summarised as follows

- the assumptions upon which management projections were based appeared ambitious and actual deficits are in their opinion likely to be higher
- the subvention from UCC, projected at £100,000 per annum, could be as high at £200,000
- in this scenario "UCC must assess whether the value of the Press to the College allows them to continue to fund the deficits"

- if the College decides to continue with its subvention to the facility the consultants recommend that, in order to encourage commercial ventures, the subvention takes the form of direct subsidies for specific titles rather than a general subsidy.

The view of the consultants was that Cork University Press is operating in a small specialised market and has not been overly successful in penetrating it. The size of the market at £2m makes it difficult to achieve sales of £1m, the level identified using a margin of 20% to make a modest return on investment.

Present sales are only £140,000 per annum and the consultants concluded that sales budgets are ambitious and heavily dependent on increased prices and volumes. A lack of achievement in either of these areas would lead to significant deficits.¹⁵

I sought information on the future plans for the Press, bearing in mind its previous operating performance and the views expressed in the 1996 consultancy report.

The Committee responsible for running the Press furnished the following observations:

- The Press is not, in its view, operating in a small specialised market with a total value of £2m as suggested by the consultants. With the exception of books published in the Irish language, the market is the English speaking market in Ireland, the UK, North America and the market for Irish studies in Europe.
- The start-up costs have been higher than anticipated, partly because of a major change in the publishing industry¹⁶ since the original report was commissioned. The Press was also hampered in the period 1992-95 because it lacked the resources necessary to appoint a marketing manager. This has been remedied from January 1996.

The Finance Officer and Secretary informed me that the College's Finance Committee has given consideration to the finances of the Press and is considering the findings in the consultants' report. In the meantime it has taken steps to limit the financial outlay of the Press and the impact of these decisions should be seen in the latter half of 1997. He informed me that trading results had improved and that it is confidently expected that the financial position will improve.

¹⁵ *The consultants carried out sensitivity analysis and found that, at a 30% reduction in sales, increased deficits of between £97,000 (1997) and £160,500 (1999) would arise.*

¹⁶ *The profit margins of publishers were reduced due to the increase in discounts to distributors and the general competition in the market.*

13. Dental School and Hospital - UCC

In 1968, UCC took over the administration and control of a dental hospital from the North Charitable Infirmary and a new dental school and hospital adjacent to Cork University Hospital at Wilton opened in 1982. The Cork University Dental School and Hospital functions primarily as a dental teaching institution under the direction and control of UCC. It also functions as a dental hospital providing dental care for patients from the Southern Health Board, South Eastern Health Board and Mid-Western Health Board areas.

As the Dental School and Hospital is a teaching institution, 60% of its funding is provided by the HEA and, in recognition of the provision of services to the public, 40% of its funding is provided through the Department of Health.

During the course of audit the following matters were noted:

- £46,000 of a potential income of £127,000 was deemed uncollectable. This appears to be mainly due to the fact that the system for billing used does not give the hospital the capacity to send timely and accurate statements to patients.
- There was no ongoing inventory of dental materials, the largest non-pay cost at the dental hospital. Such materials include precious metals. The estimated value of such materials at 31 December 1995 was £57,000.
- Some weekly wage payments are made at the Dental Hospital. The calculations were not reviewed and authorised.

I asked the College for information on steps taken or proposed to tackle the control deficiencies identified.

The College informed me that although £46,000 was deemed unlikely to be collected, based on a prudent accounting treatment, in practice, all bills are pursued. However, this process has not so far led to the institution of legal proceedings as it is felt that such proceedings could adversely affect the hospital's ability to attract patients, who are, in the main, treated by students under supervision.

As regards the inventory of dental materials, this is a matter which is at present being addressed. Professional advice is being sought on the best means of tracking items. As regards precious metals, these are no longer being used in the Hospital's laboratories. Any precious metals or metals on hand are stored in the safe in the Secretary/Manager's office.

Revised arrangements have been put in place in regard to the administration of the payroll. In late 1996, the hospital commenced paying clerical and administrative staff through the main payroll in UCC. In June 1997, dental craftsmen were transferred to the monthly payroll in UCC. It is expected that the last remaining group (dental surgery assistants) will shortly follow suit.

The hospital has been in a state of transition for a number of years and it is expected that its senior staffing will be strengthened shortly.

14. Funding Penalties

Upgrading of Staff - UCG

It was noted in the course of audit of UCG that the College had regraded a number of staff to higher levels. The staff upgraded included five senior administrative staff and 31 administrative and clerical posts. The upgrading had been effected without the prior approval of the HEA.

The HEA took the view that

- the upgrading of senior staff was not at the discretion of the College
- the grades had been linked to Civil Service grades for over twenty years and had since then automatically received all national and special awards given to civil servants
- the action taken by UCG could be viewed as a circumvention of approved national and special pay agreements.

I requested the observations of the College on the matter. In reply the College furnished me with the following information:

- Prior approval was not sought from the HEA since the upgrading was implemented under terms of a scheme or arrangement which had been in operation since the 1970s.
- Such provisions had remained in operation through the 1980s until the College's financial position temporarily prohibited their use. These structures were last used for senior posts in 1978 and for other posts in 1988. This situation led to unrest among staff and, following protracted negotiation with their representative bodies, agreement on the reintroduction of modified schemes or arrangements had been arrived at.

- Under the terms of the modified schemes five senior posts and 27 other posts were initially upgraded (highlighting the considerable backlog in applications). Only two upgradings were effected in each of the two subsequent years.
- The College, having acted in good faith in line with previously established practice, did not consider that it would be in breach, in any way, of national pay agreements.

The HEA penalised UCG by reducing its 1995 grant by £250,000 and it further penalised the College £125,000 in 1996. I understand that no further penalties are planned thereafter. The estimated annual cost of the upgrading is of the order of £209,500.

Pension Co-ordination -TCD

Following adjustments to social insurance arrangements for the staff of universities, the majority of the staff of TCD became members of a modified Social Welfare Scheme in 1980. This involved making PRSI contributions at a lower class D rate which carried no entitlement to contributory old age pensions. However, weekly paid staff continued to be insured at the full PRSI rate.

Since the university's occupational scheme was non-contributory the effect was that, for weekly paid staff, full employer contributions were being provided in respect of pensions under both schemes. The norm in the public sector was that pension schemes be co-ordinated in order to avoid double funding on the part of the Exchequer. The additional employer contribution in respect of the weekly paid staff was estimated to be £150,000 per annum.

The HEA decided in 1994 that the double funding of pension benefits should cease. It also imposed a once-off penalty of £300,000 on the university by reducing its grant in 1995. Following acceptance of a Labour Court recommendation, public sector norms have applied to staff recruited after 1995.

Regional Technical Colleges Sector

15. Background and Financial Outturn

The Regional Technical Colleges Act, 1992 sets out a statutory basis for the further development of Regional Technical Colleges (RTCs) established under the vocational education system from 1970 onwards. The legislation, while retaining a link with the Vocational Education Committee (VEC) structure provided

- that the Colleges would, through a Governing Body, a Director and an Academic Council have the direct authority to manage and administer their affairs within approved policies, programmes and budgets
- a framework for the operation of the Colleges within an annual budget subject to the approval of the relevant VEC and the Minister for Education
- for the participation of the Colleges in research and development activities.

State grants totalling £76m were made available in respect of running expenses in the academic year 1994-95.

The total assets employed by the Colleges at 31 August 1995 were valued at £163m. The details of the assets of the Colleges are set out in Table 15.1.

Table 15.1
Regional Technical Colleges - Assets

College	Land & Buildings £'000	Furniture, Fixtures & Equipment £'000	Construction in Progress £'000	Vehicles £'000	Total £'000
Athlone ^a	8,655	2,416	334	25	11,430
Carlow	10,598	1,419	-	-	12,017
Galway	18,403	3,854	-	-	22,257
Letterkenny	6,638	849	-	-	7,487
Sligo	7,255	1,579	-	-	8,834
Tallaght ^a	13,016	2,858	-	-	15,874
Cork ^a	30,425	2,290	-	-	32,715
Dundalk ^a	11,086	1,462	-	-	12,548
Waterford ^a	13,264	2,313	-	6	15,583
Tralee	9,561	1,294	-	-	10,855
Limerick ^a	7,010	2,795	3,327	-	13,132
Total	135,911	23,129	3,661	31	162,732

^a Land and buildings in existence at 1 January 1993 have been valued by the Valuation Office for six of the colleges. As an interim measure, the remaining colleges have valued land at nil and buildings on a depreciated replacement cost basis.

Table 15.2
Expenditure in RTC Sector 1994-95^a

	Athlone £'000	Carlow £'000	Galway £'000	Letterkenny £'000	Limerick £'000	Sligo £'000	Tallaght £'000	Cork £'000	Dundalk £'000	Waterford £'000	Tralee £'000	Total £'000
Academic Departments	5,062	5,346	8,855	3,693	6,234	5,271	3,585	14,501	5,389	7,678	4,441	70,055
Academic Services	210	112	261	82	202	247	153	313	218	449	231	2,478
Premises Upkeep	625	538	964	328	877	693	478	1,650	470	725	506	7,854
Central Administration	1,015	897	1,294	599	898	720	575	1,837	827	1,285	710	10,657
General Education Costs	244	254	347	81	236	268	121	164	216	32	196	2,159
Student Services	294	187	164	215	79	170	257	134	78	330	138	2,046
Other Costs	25	0	0	24	0	38	0	0	502	0	0	589
Total	7,475	7,334	11,885	5,022	8,526	7,407	5,169	18,599	7,700	10,499	6,222	95,838

Student Population 1994-95

Student Numbers^b												
Full-time	2,127	2,344	2,934	1,285	1,976	2,129	1,411	3,612	1,941	3,456	1,737	24,952
Part-time ^c	631	685	3,252	323	1,137	649	936	7,616	996	3,286	356	19,867

^a Research, Consultancy and Development costs are excluded.

^b Data extracted from Department of Education Statistical Report 1994-95.

^c Part-time enrolments in Third Level Courses, Second Level Vocational Professional Courses, Adult Education and Apprentices.

The principal capital commitments of the Colleges at 31 August 1995 were

- Athlone RTC - £2.3m, in respect of building to link existing campus facilities
- Letterkenny RTC - £1.1m, in respect of works to facilitate an extension to the campus
- Limerick RTC - £8.2m, for new buildings and refurbishment at Moylish Park and Clare Street
- Waterford RTC - £0.8m, in respect of refurbishment of the campus.

The academic expenditure and student population at the Regional Technical Colleges for the academic year 1994-95 is summarised in Table 15.2.

16. Letterkenny RTC

Management

In January 1994, the Minister for Education appointed an Inspector to report on matters relating to the administration of Letterkenny Regional Technical College. The Inspector's report was published in October 1994 and criticised

- employee selection, appointment and promotion procedures
- accounting and management information systems
- the accounting and funding of certain ancillary activities.

Following consideration of the report, the Minister was not satisfied that the affairs of the College were being managed in an effective manner, and in December 1994, appointed a Commission¹⁷ for a period of two years to carry out the combined functions of the Governing Body, the Chairman and the Director. The Commission ceased in December 1996 and a Governing Body was appointed. The sole member of the former Commission now holds the office of Director in a temporary capacity.

I sought information in regard to the actions taken by the College to address the problems identified in the report.

¹⁷ *The Commission consisted of one person only.*

The Director supplied me with the following information:

- The Commission sought and obtained any outstanding approvals from the Department for all appointments made before the Commission's establishment and all appointments made since that date have been in accordance with the governing legislation and the selection procedures laid down by the Minister for Education.
- Management and administrative procedures were reviewed by the Commission and either confirmed, amended or augmented. While the existing processes and procedures yield adequate information for management decisions, the College intends installing an integrated computer-based system which will be implemented as part of a planned sector-wide management information system.
- A restructuring of ancillary activities has occurred and adult education, specific projects and other ancillary activities now meet the self-financing requirement. The accounts of such activities are monitored as part of monthly financial reporting to management and the Governing Body.

Administration of Maintenance Grants

In the course of the audit, irregular payments of student maintenance grants were identified.

In response to my inquiries the Director informed me that, in addition to the two irregular payments totalling £1,299 identified in the audit sample, further investigation revealed additional irregular payments of the same nature amounting to £10,687. The payments were made between December 1990 and June 1993. He also stated that the irregularities were brought to the attention of the Garda Síochána and investigations are still continuing. The amount of £1,299 has been recovered and, pending the outcome of the Garda inquiries, it is difficult to estimate the likelihood of recovering the additional £10,687.

He also informed me that the weaknesses in the internal control system which allowed the irregularities to occur included inadequate segregation of functions, lack of supervision and the use of a computer application lacking inbuilt security controls and an audit trail. The independent checking that would be necessary to compensate for these control weaknesses was itself inadequate. In response to the identified system weaknesses, payment of the grants in question are now made through the College's payroll system which provides standard control and a full audit trail. The College, in addition, has introduced detailed procedures which include the standard safeguards of segregation of functions, full audit trail and signing-off by a senior officer.

Vocational Education Committees

17. Background and Financial Outturn

Vocational Education Committees were first established in 1930 and were, until the 1960s, the principal providers of technical and vocational training in the State. Since that time, this type of training has been increasingly provided by other State agencies and by the third level education sector. The decline in apprenticeships was matched by an increase in the provision of second level education.

Thirty eight VECs operate 243 schools catering for 96,000 students at second level which accounts for 26% of all second level students.

The VECs are providers of adult and second chance education and a variety of post-Leaving Certificate courses.

The expansion of VECs into activities outside of the basic second level cycle was facilitated by the allocation of EU funding for most of these activities.

Financial Results

The financial results of the VEC sector for 1995 are summarised at Table 17.1.

The total expenditure incurred by VECs in 1995 was applied on the following activities

	£m	£m
Main Scheme		
Instruction ¹⁸	170.2	
Maintenance	25.8	
Administration	<u>21.4</u>	217.4
Other Activities		
VTOS	21.2	
Youthreach	11.2	
Scholarships	7.9	
Free Books	1.4	
Sports	1.0	
Youth Affairs	4.7	
Adult Education	3.0	
Community Employment Projects	9.1	
Self Financing Projects	5.6	
Other	<u>2.5</u>	<u>67.6</u>
Total Expenditure		<u>285.0</u>

¹⁸ Included in Instruction expenditure are costs incurred by VECs in providing educational services to the Travelling Community, the Prisons and other institutions. In the academic year 1995-96, teaching hours equivalent to 620 whole-time teachers, were utilised in the delivery of such services.

Table 17.1
Financial Outturn of VECs - 1995

VEC	Main Scheme Grants £	Other Main Scheme Income £	Tuition Fees £	Income from Other Activities £	Total Receipts £	Administration Pay £	Administration Non-Pay £	Instruction Pay £	Instruction Non- Pay £	Maintenance Pay £	Maintenance Non- Pay £	Other Activities £	Total Payments £
Bray	1,875,470	138,398	209,890	1,769,697	3,993,455	145,841	157,898	1,646,954	11,279	78,639	181,689	1,869,280	4,091,580
Carlow	3,217,027	184,177	26,853	721,827	4,149,884	308,466	150,457	2,608,545	53,690	118,803	194,293	677,068	4,111,322
Clare	4,914,198	355,406	52,797	1,579,945	6,902,346	272,223	166,923	4,289,071	29,742	166,088	322,313	1,394,815	6,641,175
Cavan	3,374,257	162,672	63,031	591,702	4,191,662	221,699	160,843	2,790,992	22,326	95,766	240,270	668,485	4,200,381
Cork City	8,134,989	444,731	205,222	3,818,262	12,603,204	487,586	351,605	6,681,084	34,687	421,362	425,288	4,338,423	12,740,035
Cork Co.	15,651,639	901,906	168,900	2,390,267	19,112,712	650,051	527,409	13,742,893	85,392	630,331	1,046,527	2,264,682	18,947,285
Donegal	8,362,659	719,791	136,703	2,731,937	11,951,090	439,475	358,881	7,090,453	76,842	452,943	715,658	2,800,641	11,934,893
Dublin City	28,615,943	2,324,580	838,971	13,399,289	45,178,783	2,270,041	1,334,847	21,077,265	362,535	2,930,619	2,721,018	13,196,971	43,893,296
Dublin Co.	18,530,834	1,188,505	213,553	5,447,281	25,380,173	806,152	421,092	16,169,063	57,434	643,622	1,701,365	5,683,388	25,482,116
Dun Laoghaire	4,467,169	261,716	417,271	2,726,921	7,873,077	337,357	181,476	3,334,091	39,202	330,359	534,052	2,973,021	7,729,558
Drogheda	2,982,894	262,542	22,938	440,507	3,708,881	154,741	138,491	2,490,796	10,778	50,309	302,070	555,407	3,702,592
Galway City	3,019,819	244,337	35,366	2,245,288	5,544,810	201,222	164,073	2,581,171	23,668	85,594	203,213	2,240,616	5,499,557
Galway Co.	6,406,197	399,089	41,923	1,773,152	8,620,361	427,887	354,102	5,502,264	96,334	210,215	316,804	1,791,997	8,699,603
Kerry	5,553,501	466,902	91,506	1,021,894	7,133,803	336,045	182,417	4,897,323	32,840	199,873	423,113	1,014,977	7,086,588
Kildare	7,250,087	854,031	113,653	2,171,031	10,388,802	308,649	290,660	6,771,254	184,779	201,778	412,910	2,179,042	10,349,072
Kilkenny	4,102,867	204,820	52,461	637,290	4,997,438	253,916	185,586	3,442,638	27,374	220,333	393,320	609,876	5,133,043
Laois	2,885,807	155,654	33,207	1,074,059	4,148,727	203,501	147,541	2,389,451	51,638	116,464	134,015	1,047,478	4,090,088
Leitrim	2,422,702	140,255	18,690	369,636	2,951,283	205,456	113,984	1,933,014	22,798	99,436	192,000	362,171	2,928,859
Limerick City	4,747,194	253,521	165,518	2,366,795	7,533,028	310,513	164,035	3,918,299	25,118	170,589	364,775	2,333,374	7,286,703

VEC	Main Scheme Grants	Other Main Scheme Income	Tuition Fees	Income from Other Activities	Total Receipts	Administration Pay	Administration Non-Pay	Instruction Pay	Instruction Non- Pay	Maintenance Pay	Maintenance Non- Pay	Other Activities	Total Payments
	£	£	£	£	£	£	£	£	£	£	£	£	£
Limerick Co.	4,629,742	257,639	56,032	1,376,962	6,320,375	257,296	236,047	3,756,918	60,741	202,698	326,461	1,370,883	6,211,044
Longford	2,471,186	170,184	20,986	595,671	3,258,027	197,060	126,660	2,114,285	31,653	99,040	160,884	629,239	3,358,821
Louth	3,309,060	221,909	28,518	626,614	4,186,101	228,621	145,171	2,778,575	75,571	142,131	228,505	571,937	4,170,511
Mayo	5,015,962	637,912	78,181	1,930,867	7,662,922	442,921	102,709	4,646,971	35,865	214,718	421,741	2,125,021	7,989,946
Meath	5,073,258	332,087	63,902	809,896	6,279,143	267,179	201,957	4,313,467	48,365	240,085	329,533	845,855	6,246,441
Monaghan	4,401,663	226,890	53,975	681,930	5,364,458	228,380	248,890	3,651,860	37,999	156,035	266,291	732,235	5,321,690
Offaly	5,000,514	243,897	68,588	1,475,363	6,788,362	278,041	208,252	4,051,128	34,957	229,320	279,743	1,364,744	6,446,185
Roscommon	1,940,251	130,976	14,001	763,732	2,848,960	171,989	75,760	1,542,402	15,806	155,551	93,351	704,104	2,758,963
Sligo Co.	2,027,745	104,297	17,248	355,397	2,504,687	230,796	64,869	1,578,724	25,854	104,860	131,994	339,504	2,476,601
Sligo Town	970,864	63,721	39,281	1,076,635	2,150,501	175,127	63,785	692,835	8,479	70,101	74,006	939,396	2,023,729
Tipperary NR	4,382,676	237,635	71,102	958,235	5,649,648	247,044	210,461	3,732,517	47,417	141,637	290,422	1,034,422	5,703,920
Tipperary SR	4,789,737	273,863	40,440	948,837	6,052,877	250,116	157,469	3,991,680	39,102	204,328	367,290	976,318	5,986,303
Tralee	1,775,317	112,298	56,552	973,005	2,917,172	159,138	69,051	1,415,195	8,143	98,753	142,297	966,223	2,858,800
Waterford City	2,611,340	147,565	94,462	1,512,548	4,365,915	214,229	180,959	2,012,102	20,736	121,431	696,995	1,452,871	4,699,323
Waterford Co.	1,584,489	85,842	15,438	376,246	2,062,015	133,873	90,414	1,274,478	7,473	70,668	61,547	514,504	2,152,957
Westmeath	5,544,987	227,502	64,541	995,449	6,832,479	362,737	302,881	4,099,103	23,940	267,440	367,740	907,191	6,331,032
Wexford Co.	4,760,016	275,720	27,169	1,614,518	6,677,423	283,997	230,286	4,013,173	36,008	122,221	298,183	1,717,491	6,701,359
Wexford Town	1,296,523	78,478	30,734	533,914	1,939,649	114,279	76,846	1,085,420	16,633	42,765	93,312	509,139	1,938,394
Wicklow	4,934,381	316,283	21,984	1,824,874	7,097,522	263,509	219,204	4,257,070	63,709	112,838	295,835	1,949,620	7,161,785
Total	203,034,964	13,807,731	3,771,587	66,707,473	287,321,755	12,847,153	8,563,991	168,364,524	1,886,907	10,019,743	15,750,823	67,652,409	285,085,550

18. The Vocational Training Opportunities Scheme (VTOS)

The scheme is an intervention supported by the European Social Fund (ESF) designed to enable unemployed people who have been on the live register for at least six months to have access to education and training with a view to progression to employment. The scheme seeks to address a structural problem in the labour market whereby up to 87% of the long-term unemployed do not have a Leaving Certificate and 60% have no second level qualification. In 1993, the scheme was extended to include lone parents, disabled or handicapped persons and dependant spouses. An upper limit of 10% of places was reserved for the new categories, with lone parents having priority. In all cases, the minimum age for participation in VTOS is 21 years. The guidelines for operation are drawn up centrally by the Department and the scheme is managed and delivered locally by each VEC.

The specific objectives of the scheme are

- to develop the employability of participants by providing vocational education and training opportunities
- to prepare participants for further education and training.

There are two methods under which VECs deliver the programme

- Core Group Mode
- Dispersed Mode.

In the core group mode, courses provided are full-time up to 30 hours per week. Each group consists of a maximum of 20 participants. The courses lead to certification and students can take subjects in the Leaving Certificate and other examinations. The courses operate for 43 weeks in each academic year. A total of 196 core groups existed in 1995 catering for 3,132 participants.

Under the dispersed system, participants attend existing second level courses, such as Post Leaving Certificate courses. In 1995, 1,268 individuals participated in this mode of education.

Under both methods provision is made for project work and work experience during the summer months.

The VECs now provide short part-time feeder courses to give prospective participants an opportunity to attend the programme before making a full-time commitment. The courses are for a maximum of 12 weeks duration.

Numbers participating and the expenditure on the scheme for 1995 are set out in Table 18.1.

Departmental statistics indicate that 63% of participants on courses, which finished in the academic year 1994-95, completed their courses. The outcomes in respect of those participants were as follows

- 35% progressed to employment¹⁹
- 29% progressed to further education
- 26% returned to the Live Register or their original status²⁰
- 5% attended training courses
- the remaining 5% included persons who emigrated.

An evaluation of the programme²¹ found that

- the VEC practice of providing information on VTOS at Employment Exchanges was an effective form of outreach
- participants' reasons for joining VTOS coincided with the broad objectives of the measure
- overall, very high levels of satisfaction were expressed by participants regarding the quality of teaching, the structure of delivery and curricular options
- lower levels of satisfaction were expressed in relation to facilities within venues and guidance and support provision
- the majority of past participants obtained personal and social benefits as a result of participation
- 70% of participants who formally completed their course of study achieved certification.

¹⁹ *Includes persons who became self employed, availed of Enterprise Allowances and Back to Work Schemes or a Community Employment Project.*

²⁰ *Original status could include lone parent, disabled person, adult dependant.*

²¹ *An evaluation of the Vocational Training Opportunities Scheme, WRC Social and Economic Consultants Ltd. - June 1994.*

Table 18.1
VTOS Expenditure 1995

VEC	Instruction £	Administration £	Allowances £	Non-Pay £	Total^a £	Core Group Participants	Dispersed Mode Participants
Bray	136,302	25,848	351,445	96,667	610,262	86	37
Carlow	49,645	11,313	141,159	27,589	229,706	37	38
Clare	117,938	13,361	320,798	94,723	546,820	93	2
Cavan	13,005	2,450	67,516	19,666	102,637	0	21
Cork City	35,953	15,297	816,784	178,868	1,046,902	86	204
Cork Co.	53,364	14,986	170,214	51,667	290,231	29	39
Donegal	86,923	10,584	225,496	66,010	389,013	76	1
Dublin City	901,855	74,915	3,295,474	849,308	5,121,552	581	564
Dublin Co.	328,522	36,434	663,571	171,180	1,199,707	216	0
Dun Laoghaire	70,578	34,892	402,199	104,400	612,069	40	140
Drogheda	47,559	9,060	112,948	60,470	230,037	24	21
Galway City	285,385	26,117	846,531	97,338	1,255,371	212	0
Galway Co.	94,752	0	210,421	45,406	350,579	66	0
Kerry	72,914	11,884	101,642	27,633	214,073	32	2
Kildare	255,579	41,833	538,571	231,275	1,067,258	159	20
Kilkenny	81,118	8,248	183,144	64,314	336,824	54	23
Laois	119,883	15,880	215,934	62,827	414,524	60	7
Leitrim	15,933	5,554	90,775	22,768	135,030	12	15
Limerick City	217,159	13,336	617,573	163,872	1,011,940	172	8

VEC	Instruction £	Administration £	Allowances £	Non-Pay £	Total* £	Core Group Participants	Dispersed Mode Participants
Limerick Co.	24,296	5,840	91,600	22,464	144,200	16	19
Longford	45,062	6,227	110,900	27,137	189,326	31	0
Louth	62,351	10,427	92,653	32,202	197,633	35	6
Mayo	123,374	17,391	321,030	78,465	540,260	98	10
Meath	67,489	7,277	165,257	46,239	286,262	49	0
Monaghan	554	2,686	55,997	7,196	66,433	0	17
Offaly	128,622	17,604	313,956	75,987	536,169	71	8
Roscommon	44,812	0	149,731	44,959	239,502	47	0
Sligo Co.	10,906	0	48,085	15,316	74,307	18	0
Sligo Town	51,154	0	97,608	30,761	179,523	32	0
Tipperary NR	80,633	11,414	150,950	48,523	291,520	60	6
Tipperary SR	57,688	10,668	213,064	62,495	343,915	46	17
Tralee	117,218	16,373	175,463	65,310	374,364	64	6
Waterford City	133,980	17,672	387,260	64,964	603,876	143	0
Waterford Co.	94,652	14,154	127,390	66,374	302,570	61	0
Wexford Co.	153,793	22,483	298,227	96,283	570,786	125	5
Wexford Town	91,293	12,137	159,958	42,783	306,171	53	7
Wicklow	117,798	15,220	254,256	77,187	464,461	85	3
Westmeath	79,188	14,955	198,523	59,217	351,883	63	22
Total	4,469,230	574,520	12,784,103	3,399,843	21,227,696	3,132	1,268

* £67,986 expended on feeder courses is included in the total expenditure.

19. Outdoor Education Centres

In 1995 the Government provided VECs with £5.81m from the proceeds of the National Lottery. This money was applied as follows

	£m
Disadvantaged Youth Projects ²²	3.71
Sport Activities ²³	1.26
Outdoor Education Centres (OECs)	<u>0.84</u>
	<u>5.81</u>

The operation of OECs was specifically reviewed during the 1995 audit of the VECs. These centres were developed on an ad-hoc basis by the VEC sector in the late 1970s and throughout the 1980s. On occasion, centres were established as an alternative use for premises no longer required for formal educational purposes. While the centres mainly offer sporting facilities for students from all sectors and for the wider community, some have diversified into areas such as the provision of training in languages, computer skills and environmental studies. Accommodation and catering facilities are available in a number of the centres.

OECs are operated by eleven VECs. Nine of the centres receive an annual subvention towards the cost of staffing and equipment. In the years 1993 to 1996 the nine centres received grants for capital purposes totalling £1m.²⁴ The remaining two centres at Tanagh and Baltinglass have been subvented by the County Monaghan and County Wicklow VECs respectively.

The eleven centres occupy over 200 acres of land and buildings with an insured value of approximately £7.8m.

In approving the allocation of National Lottery funds to the OECs, the Department of Finance, in 1990, stipulated that no additional centres should receive funding until a review of the nine recognised centres was carried out.

The Department established the Outdoor Education Review Group in February 1996 to review

²² *Of all National Lottery grants for disadvantaged youth projects paid by the Department 62% are administered by VECs. VECs assess applications, make recommendations on the level of grant and monitor projects throughout their lifetime. The Department awards the grants.*

²³ *The sports allocation of £1.26m was used by the VECs to promote sporting activities and facilities and to support sporting organisations.*

²⁴ *The funding was sourced from the National Lottery.*

- the range and nature of the activities provided
- guidelines for the administration and operation of the centres
- safety requirements
- resourcing
- qualifications and registration of staff.

The Review Group is expected to report later this year.

The White Paper on Education,²⁵ indicates that it is intended that revised legislation will provide for the operation of OECs by VECs.

Generally, a sub-committee of the VEC is appointed to administer each centre and to make decisions on staffing, fees and the capital expenditure programme. Each centre is, in turn, run by a manager. The principal point of contact between the centre and the VEC is the Chief Executive Officer.

Staff are employed either as required for specific courses or on a seasonal basis.

The usage of the facilities in centres assisted by the Department is set out at Table 19.1.

Table 19.1
Usage of Outdoor Education Facilities 1995^a

VEC	Outdoor Education Centre	Day Usage Numbers			Residential Usage Numbers		
		Students	Youth Groups ^b	Adult/Tourist	Students	Youth Groups ^b	Adult/Tourist
Co. Donegal	Gartan	468	697	106	1,157	322	408
Co. Wexford	Shielbaggan	686	1,963	3	1,113	272	93
Co. Limerick	Kilfinane	698	207	107	2,041	164	229
Co. Clare	Burren	688	140	202	1,138	321	130
Co. Cork	Kinsale	942	1,504	252	191	306	107
Co. Mayo	Achill	377	1,031	224	775	254	155
Co. Kerry	Cappanalea	1,638	900	679	2,314	348	333
Co. Galway	Petersburg	727	521	465	1,335	636	325
Co. Offaly	Birr	2,062	92	1,374	1,187	881	77
Total		8,286	7,055	3,412	11,251	3,504	1,857

^a No data is available in respect of the OECs not funded by the Department

^b Numbers are for members of Youth Groups.

²⁵ *Charting our Education Future, 1995.*

The financial outturn of the centres assisted by the Department is set out in Table 19.2.

Table 19.2
Financial Outturn of Outdoor Education Centres 1995

VEC	Location	State Grants ^a £	Other Income ^b £	Total Receipts £	Total Payments ^c £
Co. Donegal	Gartan	95,000	160,556	255,556	200,196
Co. Wexford	Shielbaggan	94,500	77,801	172,301	171,554
Co. Limerick	Kilfinane	76,500	144,781	221,281	192,158
Co. Clare	Burren	76,500	74,641	151,141	128,826
Co. Cork	Kinsale	76,500	71,921	148,421	126,704
Co. Mayo	Achill	70,500	111,615	182,115	188,394
Co. Kerry	Cappanalea	100,500	184,300	284,800	274,720
Co. Galway	Petersburg	88,000	142,596	230,596	216,216
Co. Offaly	Birr	76,500	181,709	258,209	236,832
Total		754,500	1,149,920	1,904,420	1,735,600

^a Includes only current grants received by the centres in 1995. In addition, capital grants totalling £89,000 were made available to two of the centres.

^b Includes course fees totalling £1,019,837

^c Includes pay costs totalling £935,654.

20. Tax Clearance Arrangements

The Minister for Finance has directed by way of circular letter that, in the case of all persons contracting with public sector bodies, where the cumulative value of a contract is £5,000 or more²⁶ within any 12 month period, the contractor is required to submit a valid tax clearance or C2 certificate to the public body.

Following the audit of VECs for 1995 it was noted that 14 Committees did not comply in full with the procedures and I have taken the matter up with the relevant Chief Executive Officers.

²⁶ Inclusive of VAT

21. County Westmeath VEC - Report under Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993

On 12 June 1997 I reported under Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993 on the matter of an honorarium paid to an officer of the Committee. That report is reproduced at pages A7 to A9 of the Appendix to this report.

The report was in part based on a response by the VEC to matters raised by me and in this connection included certain information supplied to me by the Committee which the Committee has recently informed me is incorrect.

The sentence which reads "The VEC files indicated that no meetings of the Voluntary Youth Council took place in 1995" should read "The VEC files indicated that no meetings of the Sports Advisory Sub-Committee took place in 1995."

Appendix

Reports on vocational education committees issued under Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993, are set out at pages A.1 - A.14 beneath.

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**CITY OF WATERFORD VOCATIONAL EDUCATION COMMITTEE
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL**

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Deterioration in Financial Position

The financial position of the City of Waterford Vocational Education Committee (VEC) showed a deficit of £202,000 at the end of 1995. In addition, the Department of Education reduced the VEC's 1996 financial allocation by £234,000 in order to recover receipts in excess of the threshold allowed by the funding rules applying to VECs.

Information was sought from the Chief Executive Officer (CEO) as to how the VEC intends to address the effective shortfall of £436,000 (£202,000 plus £234,000).

VEC's Response

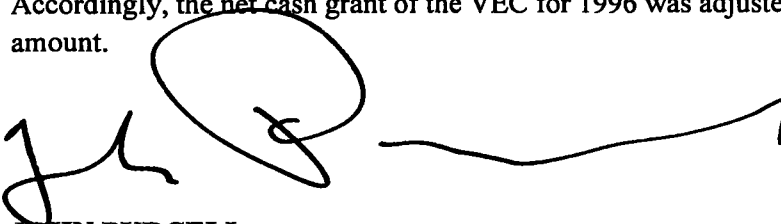
The CEO explained that the deficit at the end of 1995 reflected an undischarged liability of £250,000 identified for the first time on audit in the course of finalisation of the 1994 Financial Statement of the VEC in 1996.

The clawback of £234,000 by the Department is considered by the VEC as inappropriate and it has communicated with the Department to secure restoration of the 1996 allocation.

The CEO pointed out that expenditure was reduced in a severe retrenchment exercise carried out in the second half of 1996 and that the unaudited accounts of the VEC for 1996 record a cumulative deficit of £248,000 at the end of the year.

Department's Comments

The Accounting Officer stated that following a review of the statutory accounts and audit reports of the VEC for the four years ended 31 December 1993, it was noted that a receipt for £247,436, included in the 1993 accounts under the description Contingency Fund, was bank interest. Arising from the review, it was concluded that a net £234,000 was due for surrender to the Department in respect of surplus receipts in 1993. Accordingly, the net cash grant of the VEC for 1996 was adjusted downwards by this amount.

A large, stylized handwritten signature in black ink, appearing to be 'John Purcell', is written over the text of the Department's Comments.

**JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL**

18 JULY 1997

COUNTY DONEGAL VOCATIONAL EDUCATION COMMITTEE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Information Technology Centre

In 1988 the Regional Technical College, Letterkenny (RTC) operating under the aegis of County Donegal Vocational Education Committee (VEC), established a software development and training centre known as the Regional Telecommunications Information Technology Centre (ITC). European Union (EU) funding was received in respect of a number of its projects. While the RTC became an autonomous body in 1993, the ITC continued to report to the VEC and operated under a broadly based steering committee with representatives of industrial and educational interests.

The ITC operated successfully without recourse to financial assistance from the State for a number of years but by 1995 the expenditure of the Centre exceeded the available funding.

In early 1996 a commercial company, which had been involved with the ITC on EU funded projects, offered to purchase its assets. The offer was accepted by the VEC and agreed to by the Department of Education. Subsequently, however, the company revised its offer to an amount substantially less than that previously agreed. This was not acceptable to the VEC and it has initiated High Court proceedings seeking specific performance of the original agreement and damages for breach of contract.

In August 1996, EU auditors examined documents in respect of two projects co-funded by the EU during the years 1992, 1993 and 1994. In December 1996, the VEC received correspondence from the European Commission which stated that, on the basis of the audit findings, some £165,000 paid to the ITC was being disallowed and informed the VEC that, in the absence of justification, a recovery order for the amounts disallowed would follow.

I sought information from the Chief Executive Officer as to

- the financial controls and monitoring procedures exercised by the VEC over the activities of the ITC
- the present position in regard to claims disallowed by the EU
- whether the VEC was liable to further claims for recovery in respect of other projects co-funded by the EU.

VEC's Response

With regard to the financial controls and monitoring procedures exercised by the VEC over the activities of the ITC, the CEO informed me that the ITC was an innovative self financing technology transfer mechanism managed by a steering committee which

included representatives of the VEC, RTC, Eolas, Industrial Development Authority, Telecom Éireann and latterly, the Department of Education. The Director of the ITC reported to the Steering Committee on its activities and finances on a regular basis. In addition the finances of the ITC were monitored on a receipts and payments basis by the VEC and were included in the VEC financial returns to the Department.

In June 1995 the Director advised that the finances of the ITC would be in surplus at the end of 1995 and this forecast was conveyed in writing to the Department. During 1995 the ITC was successful in its application for cost sharing research contracts under the EU 4th Framework Programme to the value of £900,000 approximately.

In October 1995 the Director advised that contracts due to commence in 1995 would not commence until 1996 and that income from such contracts, scheduled for 1995, would not be received until 1996. The Director also stated that it was obvious that an in-depth look at the operation and cost structure, inclusive of overheads, of the ITC was required. This position was advised formally to the Department.

A business plan prepared by independent accountants in October 1995 had indicated that, in addition to funds generated through the ITC services, a balance of State funding of the order of £100,000 per annum would be required for each of the years 1996, 1997 and 1998. This funding was not forthcoming. The cumulative funding shortfall was £144,287 at 31 December 1995. The VEC decided on 29 December 1995 to discontinue its involvement in the Centre with immediate effect. Following that decision and in consultation with the Department the affairs of the ITC were finalised in an orderly fashion over a period of months during 1996. The cumulative funding shortfall at 31 December 1996 stood at £218,746.

The CEO indicated that, in the absence of the requested clarification from the EU authorities, it was not yet possible to furnish specific, accurate or reliable information on matters connected with the disallowance of costs relating to projects co-funded by the EU.

Department's Comments

The Accounting Officer stated that the Department views the matter with the greatest concern. VECs operate under the provisions of the Education Acts 1930 to 1970. A VEC is responsible for all activities carried out under its auspices. Day to day control of the VEC operations is vested in the CEO. The ITC was set up by the VEC under the provisions of the Acts, but without the specific approval of the Department. The Steering Committee established to manage the ITC was a sub-committee of the VEC with no other reporting responsibilities. Such a sub-committee would, in the Department's view be complementary to, rather than a substitute for, the normal management and control systems which an undertaking of this type would require.

The Department was made aware of the emerging deficit position in the ITC in October 1995 when it became clear to the VEC that a significant deficit would be incurred. Following consideration by the Department of a report of the accountants appointed by

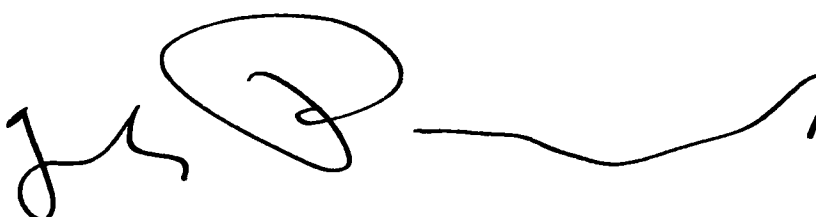
the VEC to examine the financial affairs of the ITC, the CEO and representatives of the ITC were informed that there were no funds available to the Department to meet ongoing losses at the ITC and that it was a matter for the VEC to decide its own position having regard for the overall financial position of the VEC and the likely effect any further deficit on the ITC would have on the VEC finances.

In regard to the proposed sale of the ITC, the Accounting Officer informed me that the Department approved the proposed sale following confirmation from the VEC that it was satisfied with legal and financial advice it had obtained to the effect that there were no other companies who would be prepared to match or improve on the financial and security of employment aspects of the offer.

The Department has taken advice from the Attorney General's Office in the matter of the continuation of legal proceedings by the VEC and has forwarded a copy of the advice to the VEC for the confidential information of the Committee. Following consideration of the matter, the VEC has been asked to notify the Department of its proposed course of action.

In regard to the proposed EU disallowance, the Accounting Officer stated that the issue was outside the control of the Department, as it had no direct role in the establishment or operation of the ITC, which was set up by the VEC on a self-financing basis. The Department wrote to the VEC on 20 January 1997 stating that the VEC and its CEO were responsible for the management and control of the ITC and for ensuring that its affairs were conducted in accordance with Department policy.

In view of the importance of the issues raised, the Minister for Education has appointed an Inspector under the provisions of the Vocational Education Act, 1930 to examine the involvement of the VEC in non-mainstream activities including the ITC.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke ending in a small upward flick.

JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL

7 JULY 1997

COUNTY OFFALY VOCATIONAL EDUCATION COMMITTEE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Suspension of an Officer

Section 7 of the Vocational Education (Amendment) Act, 1944 provides for the suspension of an officer of a vocational education committee for alleged failure to perform duties satisfactorily, misconduct or unfitness for the position held. It also places an obligation on the Minister for Education to enquire into the grounds for the suspension as soon as may be convenient after the date of the suspension. The Minister may terminate a suspension under the legislation and every such suspension shall continue until so terminated.

In April 1987, County Offaly Vocational Education Committee (VEC) suspended an officer from teaching duties under the provisions of Section 7 of the Act. In February 1988 an Order of Mandamus was granted by the High Court which required the Minister to terminate the suspension and to pay the legal costs of the teacher. Later that month the teacher was again suspended by the VEC. An inquiry into the suspension of the teacher was completed and the Inspector's report submitted to the Minister for Education in November 1989. The suspension continued until December 1994 when an Order of Mandamus granted by the High Court directed the Minister to terminate the suspension, to pay the appropriate salary for the period of the suspension and to pay all legal costs. Salary for the period of the suspension was paid and the teacher was restored to the VEC payroll with effect from 1 May 1995. In April 1997 the VEC suspended the teacher for a third time.

Information was requested from the Accounting Officer of the Department of Education as to what actions were taken to bring the matter to a conclusion during the periods of suspension, the salary paid to the teacher in respect of each period of suspension and the legal costs incurred by the State as a consequence of the legal proceedings.

Department's Response

The Accounting Officer stated that uniquely in the education sector, the suspension and dismissal of VEC employees are the subject of particular statutory provisions. Essentially the Minister is required to enquire into a suspension and following this enquiry to reach conclusions as to reinstatement or dismissal or other disciplinary action. All such enquiries prior to this case were of a formal or sworn nature. The experience of the Department in relation to this type of enquiry was that it was by its nature very lengthy and tended to be stressful for witnesses (some of whom could be young students) who could be required to give evidence on oath in a court type forum.

Following the suspension of the teacher in question, the Department in 1987 sought the advice of the Chief State Solicitor as to the feasibility of proceeding by way of a more

informal unsworn route. On being informed that such an approach was legally permissible it was decided that that route should be followed in this case. While a less formal route of enquiry had much to recommend itself, with the benefit of hindsight it is apparent that the very novelty of this approach itself created difficulties relating to uncertainty as to procedure. Resolving this uncertainty created a delay which, as events unfolded, seriously undermined the Department position.

What constitutes unreasonable delay in matters of suspension and enquiry depends on the circumstances of the particular case and it was not a matter with which the Department had had any experience up to then by which to gauge its actions. This case was the first, within the experience of the Department, in which a suspended teacher applied to the courts for reinstatement on the grounds of delay in completing the enquiry process.

The combination of these factors contributed significantly to the failure to complete the enquiry into the first suspension and also contributed to the delay in acting on the findings of the enquiry into the second suspension. In turn this delay resulted in the commencement in 1992 of legal proceedings by the teacher in question. The Department was at all times legally advised and was anxious to settle these proceedings in a manner which avoided the payment of damages and which minimised the incurrence of legal costs through repeated court appearances. To achieve this outcome required protracted negotiations which culminated in a High Court Order, by consent, whereby the teacher was reinstated with the payment of arrears of salary but no damages.

Following its experience in this case the Department has revised its whole approach to the conduct of such enquiries in order to better balance the objectives of dealing sensitively with all parties, including in particular any under-age complainants, and at the same time minimising the duration of the suspension. Concrete steps in this regard include the setting up, within the Department, of a legal section and the practice of supporting Inspectors conducting enquiries with external legal advice.

The salary paid to the teacher in respect of the periods of suspension was £8,326 for the period June 1987 to February 1988 and £123,588 for the period March 1988 to April 1995.

Details of the legal costs involved in the first Judicial Review were not yet available. The legal costs of the second Judicial Review were £22,777.

A handwritten signature in black ink, appearing to be 'John Purcell', with a large, stylized loop at the end.

JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL

11 JUNE 1997

**COUNTY WESTMEATH VOCATIONAL EDUCATION COMMITTEE
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL**

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Honorarium

In June 1995, County Westmeath Vocational Education Committee (VEC) received a grant of £12,500 under the Youth and Sport and Special Projects Scheme operated by the Department of Education. The Department suggested that not less than 20% (£2,500) be distributed on Sport for All activities. In November 1995 the Department allocated an additional amount of £1,500 in respect of Sport for All activities bringing the total grant under this category to £4,000. Correspondence from the Department accompanying the grant of £12,500 stated that where an officer of a VEC is specifically engaged in co-ordinating Sport for All development outside the scope of his/her normal duties, it would be open to the Committee to pay an honorarium to that officer in respect of this extra work.

In January 1995, prior to the receipt of the grant, two payments totalling £2,765 were made to an officer of the VEC. The supporting vouchers describe the payments as an honorarium for Youth and Sport activities. Photocopies of payment authorisation sheets were only available in support of the payments.

I asked the Acting Chief Executive Officer (ACEO) whether

- original documentation authorising the payments of £2,765 was available
- the payment of the honorarium was supported by a decision of the Committee
- the administration of Youth and Sport activities came within the scope of responsibilities assigned to the officer in receipt of the honorarium
- an honorarium was payable in 1995 given that the Sport for All grant was not expended in that year.

VEC's Response

The ACEO stated that original documentation could not be located. The photocopied authorisation sheets on file were stapled between other documentation and he could not offer any reason why original documents would be removed and photocopied documents filed in their place. He considered that it would be irregular for payments to be processed on foot of photocopied documents. There is no record of Committee approval having been sought for the payment of the honorarium which would be normal practice particularly since the value of the honorarium is at the discretion of the Committee. The honorarium is payable to an officer engaged in co-ordinating Sport for All development outside of normal working hours. The extent of the extra work would generally determine the value of the honorarium. Work relating to the other sports schemes would normally be conducted during normal working hours.

The ACEO quoted from the responses given to him by the officer in receipt of the honorarium on the matters raised in the audit query. The officer informed the ACEO that the copy documentation was as authorised by the former ACEO, that to the best of his knowledge the former ACEO did not deem it necessary to have the payment approved by the Committee, that it had been indicated to him that the honorarium was to cover the administration of the Youth/Sports Grants Scheme, the Special Projects Grant Scheme, the Sailing Grants Scheme, the Sports for All Scheme and the establishment of a Local Voluntary Youth Council. He stated that work done on these schemes (with the exception of the Sport for All scheme which was not successful for the first time in 1995) was done outside the scope of his normal duties.

The ACEO wrote to the former ACEO seeking his comments on the matter. The former ACEO stated in reply that he did not approve the payment of the honorarium and that when it came to his notice in early 1995 that a payment for sports related activities was being processed in favour of the officer he immediately stopped that payment and informed the officer that the approval of the Department must be sought before such a payment could be made.

The ACEO considers that the administration of the Youth and Sport Scheme is a function which would come within the normal scope of responsibilities assigned to an officer of a VEC and that the duties attaching to this area of work would be conducted as a normal part of the officer's duties. The VEC files indicated that no meetings of the Voluntary Youth Council took place in 1995.¹

With regard to the payment of the honorarium in January 1995 the ACEO stated that in his opinion it would be irregular for the honorarium to be paid in advance of the notification from the Department of its intention to continue funding the scheme and notification of the amount of the annual grant. When he became aware that the honorarium had been paid to the officer he met with officials of the Department to express his concerns on the matter. His understanding from that meeting was that payments to the officer over a number of years would be the subject of an inquiry by the Department and that the payment of the honorarium would be included in that inquiry.

In July 1996 the Minister for Education commissioned an investigation into various payments made to the officer over a number of years. The officer in question retired on medical grounds that month. The report on the investigation was received by the VEC in October 1996 and was considered at the November meeting of the Committee. Several resolutions were adopted which had the effect of complying fully with the recommendations of the report including the recovery of the 1995 honorarium and other outstanding overpayments from the officer's retirement lump sum.

¹ *This sentence should read "The VEC files indicated that no meetings of the Sports Advisory Sub-Committee took place in 1995" - see page 38 (paragraph 21).*

A copy of the report was also sent to the Revenue Commissioners. An investigation carried out by the Revenue Commissioners revealed that PAYE and PRSI had not been deducted from honoraria paid to the officer in the period 1985 - 1994 or from certain salary payments since 1994. The amounts of the underpayments of PAYE and PRSI were £13,684 and £452 respectively. This matter was considered by the Committee at a meeting in February 1997 and the Committee resolved to make an offer to the Revenue Commissioners in the sum of £22,000 in settlement of all taxes, interest and penalties. This offer was subsequently accepted and the money paid over.

The Committee further resolved to attempt to recoup this money from the former officer and the VEC solicitors have, accordingly, been instructed to formally request the repayment of the £22,000.

Department's Comments

The Accounting Officer stated that while the Department's letter indicated that a VEC could pay an honorarium to an officer specifically engaged in co-ordinating Sport for All development outside the scope of his/her normal duties, some VECs interpreted this statement to mean that an honorarium may be paid to an officer engaged in duties connected with the range of projects funded under all Youth and Sport Grant Schemes. This question is being addressed as part of an overall review of the Sport for All Scheme.

For some time the Department had been concerned that returns of expenditure from VECs did not contain a comprehensive report on Sport for All activities or provide clear indications of how the grant was expended. It was decided in November 1995 to request all VECs to complete an evaluation sheet for Sport for All activities in that year. A separate questionnaire was also sent to VECs requesting them to provide details of extra duties performed by any officer in receipt of an honorarium, the amount of the honorarium and other relevant information on the operation of the scheme by VECs.

Following consideration of the data received the Department will clarify the range of activities for which an honorarium should be paid and will also decide on the appropriate level of honorarium. Clear instructions will then issue to each VEC to ensure a standard approach across all VECs in regard to the honorarium.

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JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL

12 JUNE 1997

DUN LAOGHAIRE VOCATIONAL EDUCATION COMMITTEE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Community Employment Projects

Dun Laoghaire Vocational Education Committee (VEC) sponsor seven Community Employment projects approved and financed by An Foras Áiseanna Saothair (FÁS). Participants on the projects receive weekly allowances from the VEC. The amounts paid in weekly allowances are recouped from FÁS. The VEC is also entitled to a grant to cover the cost of materials and supervision.

The financial transactions of the VEC with FÁS during 1995 can be summarised as follows:

	£
Amount due by FÁS at 1 January	181,101
Programme expenditure in the year	<u>1,463,040</u>
	1,644,141
Recouped from FÁS	<u>1,146,539</u>
Amount due by FÁS at 31 December	<u>497,602</u>

During the 1995 audit of the VEC it was noted that

- claims for the recoupment of costs (weekly allowances, materials and supervisory costs) were not made by the VEC on a timely basis
- a co-ordinator in charge of one of the projects tendered his resignation in or around the time when the regularity of a payment made in connection with a Community Employment project came into question.

I asked the Chief Executive Officer (CEO) why claims for the recoupment of allowances and expenses were not made on a timely basis and the steps taken by the VEC to address the backlog of claims. I also sought information on the nature and extent of the alleged irregularity and the measures subsequently introduced to improve the integrity of the system.

VEC's Response

The CEO attributed the delay to a shortage of administrative staff and stated that recoupment claims were submitted to FÁS in line with available staff resources. Difficulties in staffing levels arose because the required involvement of permanent staff in the administration of the projects is neither funded by FÁS nor recognised by the

Department of Education in determining the permanent staffing level of the VEC. There was also an unusually high level of staff absences in 1995.

In 1996, a restructuring of the administration process resulted in the earlier recoupment of expenditure and there has been an improved cash flow from this activity since mid-1996. In addition, the VEC sponsorship of Community Employment projects was reviewed and a decision taken to close one project, seek alternative sponsors for four others and to continue sponsorship of the remaining two projects which provide direct benefit to the VEC. The exposure of the VEC in respect of its sponsorship of Community Employment projects should significantly reduce when these measures are implemented.

The VEC became involved in Community Employment projects out of a wish to abate the unemployment problem in the area and because there are benefits to the VEC from its sponsorship of projects. One of the projects provides services directly to VEC schools. These schools could not operate without the additional resources involved. The annual cost of this project is £120,000. The value of the services provided to the VEC from the various projects is approximately £175,000.

In regard to the alleged irregularity on one project, the CEO informed me that a sum of £3,040 was the subject of investigation. The investigation focused on the following

- invoices submitted for the securing of payment for work allegedly done on behalf of the project
- funding for an individual who was trained on the project
- petty cash payments.

Following a Garda investigation a file has been prepared for the Director of Public Prosecutions. On legal advice the VEC has decided to defer the matter of a civil case until the outcome of the criminal case is known. The VEC insurers have been notified of a possible claim under the fidelity guarantee policy.

The CEO informed me that measures have been taken or are in hand to improve the control and monitoring of expenditure on projects including the

- requirement of two signatures on each recoupment claim
- integration of purchasing for Community Employment materials with mainline VEC procurement operations
- independent weekly review of claim forms and related accounting records to ensure that the recoupment documentation is correctly prepared and submitted on a timely basis
- introduction of review and briefing meetings which are held regularly.

In addition, a proposal has been submitted to the Department for the appointment of a part-time internal auditor.

Department's Comments

The Accounting Officer stated that the VEC is responsible for ensuring that its management and financial controls are adequate and that the Department has no function in relation to the approval or funding of Community Employment projects. He further stated that the staffing levels of the VEC compare favourably with other VECs having a similar level of activity.

A handwritten signature in black ink, appearing to read 'John Purcell', is written over the printed name.

JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL

11 JUNE 1997

TOWN OF BRAY VOCATIONAL EDUCATION COMMITTEE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Overpayments to VTOS Participants

The Vocational Training Opportunities Scheme (VTOS) operated by Vocational Education Committees (VECs) gives unemployed people who are on the live register access to vocational education and training opportunities. The objective of the scheme is to enhance the employability of the participants.

VTOS participants who have been in receipt of unemployment benefit receive a weekly training allowance from VECs equivalent to that entitlement. If, while participating on a scheme, circumstances change or a benefit period expires the weekly entitlement is reassessed by the Department of Social Welfare and the revised rate notified to the VEC.

Under the relevant rules operating in 1995 when the benefit period expired the Department of Social Welfare instructed the VEC to cease payment of the training allowances until such time as the participants' entitlement to assistance, which is means tested, was determined.

Prior to the commencement of the 1995 audit, the Chief Executive Officer (CEO) informed me that certain irregularities had come to light and in the case of certain VTOS participants the VEC had discovered that there had been a failure to halt the payment of weekly training allowances when notified to do so by the Department of Social Welfare.

In the course of the audit I sought further information on the overpayments and irregularities and in regard to the action taken by the Committee.

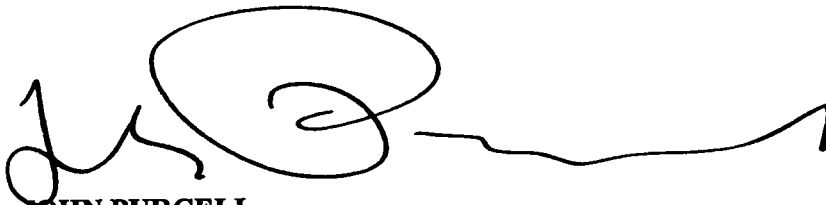
VEC's Response

The CEO stated that in 1995, following the discovery of a misappropriation of goods valued at £409, the resignation of an official of the VEC, employed to administer the VTOS programme, was sought and obtained and the £409 was repaid to the VEC. Shortly afterwards the VEC discovered the continued payment of VTOS training allowances to two participants whose benefit period had expired. A comprehensive investigation followed and overpayments to a number of VTOS participants, totalling £17,366 were identified. The participants were written to and refunds sought. In reply the respondents invariably stated that they thought that they were entitled to retain unemployment benefit payments while on the VTOS programme and were totally unaware that they were receiving overpayments. Only £285 was refunded to the VEC.

No evidence of collusion was found between the participants who had received the overpayments and the VTOS administrator.

One of the VTOS participants replied stating that she had not received the cheques listed as overpayments. It subsequently emerged that these cheques totalling £529, had been cashed by someone other than the participant concerned. When the matter was taken up with the Committee's bankers, they agreed to refund the value of the cheques to the VEC. The investigation failed to identify the person who actually cashed the cheques.

Since the discovery of the overpayments new procedures have been put in place to ensure that correct allowances are paid to VTOS participants.

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JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL

16 MAY 1997

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