

PAC Opening Statement
Financial Statements of Waterford Institute of Technology 2013
and Cork Institute of Technology 2014

Mr Seán Ó Foghlú, Secretary General
Department of Education and Skills
Thursday, 10th December 2015

I thank the Chairman for the opportunity to make this statement concerning the 2013 Financial Statements of Waterford Institute of Technology and the 2014 Financial Statements of Cork Institute of Technology. I have already forwarded some advance briefing to the committee and I will therefore keep this opening statement short.

I would like to assure the Committee that the governance and accountability of the higher education institutions is an important matter for the Department and the Higher Education Authority (HEA). The Department, with the co-operation of the HEA, is committed to ensuring that appropriate and efficient structures are in place to allow for a system of good accountability in the sector. I have already set out in the background note the measures underway to enhance the system in place.

I would like to mention in particular, the Department's intention, in conjunction with the HEA, to commence a series of Corporate Governance Compliance Reviews utilising a centralised procurement framework to deliver Reviews which will evaluate the effectiveness of governance in organisations against stated policy, best practice, national and international standards. The Review process may focus on a specific aspect or area of governance or may be broader in scope.

The Department has recently agreed with the HEA that the first 'rolling review' of governance compliance will be on procurement and will look at practices across the third level sector. The terms of reference have been finalised with the review expected to be undertaken in the first quarter of 2016.

Waterford Institute of Technology:

As the Committee is aware the Minister took the exceptional step to initiate a statutory inspection into "*The Relationship between Waterford Institute of Technology and Companies Providing Campus Services to it*" in November 2012. The HEA had been liaising with WIT since 2011 in an effort to regularise the relationship between the Institute and the companies concerned. The process was quite complex, especially given the financial arrangements in place and the imminent liabilities relating to the Manor Village student accommodation development and the Carriganore complex.

Mr Quigley provided his report to the Minister in June 2013. He concluded that while the arrangements were well motivated, they were not appropriate and he recommended a reactivation of the process to acquire and restructure the companies as full subsidiaries of the Institute. He also recommended that the Institute proceed with a buy-out of the Manor Village development and the completion of the Carriganore Sports Complex. A full overview of the report's recommendations has been provided to the Committee in briefing material.

The Department would like to acknowledge the positive engagement shown by both the Institute and the companies during this inspection process, and the acceptance of and the speedy implementation of Mr. Quigley's recommendations. This consolidation process is now complete and the Department is arranging for Mr Quigley to review current arrangements with a view to having a report to the Minister in the Spring.

I am conscious that the committee has taken a particular interest in the current status of the Carriganore Sports Complex in WIT.

As the Committee is aware, the project commenced in January 2012, and significant work was completed on it during the year. In parallel, the Institute was working towards a regularisation of its relationship with the companies. As the Institute was not in a position to access borrowings, other sources of finance were put in place to bring the development to a

safe and protected state in early 2013. As noted by Mr. Quigley, this did result in “major financial headaches from both DCS and WIT”.

In order to protect the investment already made, Mr Quigley recommended the completion of the Carriganore development and that monies should be made available to the Institute, either through a borrowing facility or Department funding, to do this.

In response, the Department initially committed €2.5m to provide for the completion of the project and this was communicated to the Committee previously. There has been an extensive interaction between the Department and WIT since then in an effort to assist WIT in ensuring a final resolution of the issues which were the subject of Mr Quigley’s report. This engagement has been intensified in recent months as the tender competition for the project drew to a close and complete clarity was finally brought to the costs involved.

In that context, my officials wrote to WIT on 8th October seeking some final documentation before, on 27th November last, writing to confirm our proposal to provide an additional €2.1m to enable the completion of the Sports Complex and to finalise the implementation of the recommendations set out by Mr Quigley in his report. Following WIT’s acceptance of the proposal, the Minister announced the additional funding on 1st December. The funding brings the Department’s total outlay towards both the purchase of the Manor Village student accommodation development and the completion of the Sports Complex to €12.1m.

This positive engagement will culminate in the completion of a valuable project for Waterford IT. Cognisant of the benefits to all stakeholders involved in the Carriganore Sports Complex and the financial situation of the Institute, the Complex will become a fully functional facility which will benefit the staff and students of WIT as well as the wider local community.

Cork Institute of Technology:

In relation to the anonymous correspondence on a number of issues in Cork Institute of Technology, the Committee is aware that KPMG has undertaken a review of the allegations. The report on the first set of allegations involved a review of the 175 allegations identified within the anonymous correspondence. KPMG also provided a detailed report on the 21 allegations contained in the second anonymous letter.

Both consultant's reports have been submitted to the HEA and they have found no evidence to support the main thrust of the allegations. The HEA followed up with CIT in relation to some minor issues that arose during the review and these matters have since been addressed. The HEA has confirmed to the Department that, based on the KPMG reports and supporting information supplied by CIT, it is satisfied with the process implemented by CIT in investigating the allegations.

I am happy to answer questions from the Committee.