

Ms Margaret Falsey
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2

29 June 2017

Re: CIT Financial Statements 2015 and KPMG Reports

Dear Ms Falsey

I refer to the above and CIT's recent appearance before the Committee of Public Accounts on Thursday 22 June 2017, and also the Committee's letter to CIT dated 27 June 2017.

Please see below and attached such further information in relation to matters raised which I have been in a position to compile in the time available.

The information is set out using the same numbering (1-15) as provided in the Committee's letter to CIT dated 27 June 2017.

As suggested in the same letter, we also reviewed the full transcript of the proceedings of 22 June 2017 and have set out further information which we considered was also required of us on the day under numbers 16-18 below.

1. 46 Grand Parade

The auctioneer's initial guide price for this property was €950,000.

The valuation report as carried out for CIT by DTZ Sherry Fitzgerald estimated the value of the property at €1,100,000.

The purchase price ultimately paid was €1,265,000. The sale was by private treaty. CIT understands there were a number of other bidders involved. CIT's bid price was calculated on that basis.

CIT received approval for this acquisition from the HEA on 28 August 2015 as required under the IOT Acts.

The building consists of three floors and is currently being refurbished for public use. All three floors will be put to use by staff and students of CIT's Crawford College of Art and Design. Please see attached at **Appendix 1** copy of relevant floor plans indicating space and usage.

2. SEFtec NMCI Offshore Ltd

'SNO' is an acronym for the above named company and was formed in 2010. It is a 50:50 joint venture vehicle between CIT and SEFTtec Global Training Ireland Limited (SGTI), and therefore CIT nominates a number of directors to the Board of SNO.

SGTI is a wholly owned SEFtec company. SEFtec is a private Irish company and world-leader in the production of safety training simulators and facilities used to train off-shore workers all over the world.

SGTI is the holding company used by SEFtec as the special purpose vehicle (SPV) to engage in the SNO joint venture with CIT.

SNO combines the offshore training expertise of SEFtec with the world class maritime training facilities at CIT's National Maritime College (NMCI). SNO is in the business of providing courses and consultancy to the offshore and maritime industry both in Ireland and abroad. SNO holds accreditation from OPITO, the Irish Department of Transport, the UK Maritime Coastguard Agency, Liberia and the Marshall Islands. SNO employ 15 full-time staff and 10 part-time, all based at the NMCI in Cork.

To clarify, SNO does in fact pay management charges to CIT to cover overhead costs and utilities for the use of the facilities at the NMCI, before any profit share is declared. Since incorporation and up to March 2017, CIT has been paid €242,680.78 ex-VAT in respect of these costs. A portion of the costs is a fixed charge based on the number of courses being delivered by SNO and a portion is variable and calculated as a percentage of direct costs.

SNO has been a profitable company since 2014. CIT has received dividends totalling approximately €340,000 from SNO.

I have made further enquiries, and I am not aware of any existing or former members of CIT staff holding shares, now or previously, in SEFtec or any SEFtec related companies.

Finally, in this regard, please note that there is one other joint venture company operating from the NMCI and charges are applied to this company on the same basis as SNO. This company is GAC Training and Service Solutions Limited. It is a 50:50 joint venture vehicle between CIT and GAC Shipping UK Limited.

3. PR Companies

Please see attached at **Appendix 2** breakdown of monies paid to PR firms for the last five years.

4. Portraits

There were two portraits commissioned during the last ten years, both in 2007, and painted by Mr Mick O'Dea, a renowned Irish artist and member of Aosdána and the RHA. The individual portraits were of myself as President, and also the then Chairman of CIT's Governing Body, Dr Paddy Caffrey.

The portraits were painted at Mr O'Dea's studio at 62 Mountjoy Square, Dublin 1.

The cost of the paintings was €20,000, with an additional €2,214 for framing.

The process for undertaking any further portraits will be subject to review as suggested by the Committee.

5. President's Retirement Package/Pension

As a member of the Education Sector Superannuation Scheme, my retirement and pension entitlements are derived from that Scheme and under the terms of it. Please see attached at **Appendix 3** a letter from CIT's Superannuation Officer with further details in this regard.

I have not, and will not, receive any retirement or pension benefits based on my employment by CIT over and above the entitlements provided under the Education Sector Superannuation Scheme.

6. CIT Student Services Company

I confirm that that the accounts of this subsidiary company of CIT are consolidated in the overall accounts of CIT.

The accounts of the CIT Student Services Company are audited every year and the C&AG has access to this audit also.

7. Former Head of the National Maritime College of Ireland

Full details of the information as sought are not to hand at the time of writing but I undertake to have them forwarded to the Committee as soon as practicable.

8. FÁS Payments

I confirm that I was appointed to the Board of FÁS for a three year term from January 2010-January 2013 and received payment for this as a Category 2 State Board member at a rate of €11,970 per annum. I was reappointed in January 2013 for a further one year term, but FÁS was then disbanded in October 2013 and I had no further involvement after that when SOLAS was established in its place.

In accordance with the Department of Public Expenditure and Reform's principle of '*One Person One Salary*', I did not receive any payment as a member of the Board of FÁS for 2013.

Although I was a member of the Board of Directors of FÁS in a personal capacity, not as President of CIT, as required under the IOT Acts I sought and received consent from CIT's Governing Body to take up the above appointments.

9. Payments to Retired Members of Staff over €10,000 in last five years

Please see attached at **Appendix 4** table with details in this regard.

10. Note on members or former members of CIT staff being shareholders in companies in receipt of revenue from CIT

I am not aware of any member of staff, past or present being a shareholder in a company receiving revenue from CIT.

I should qualify this to a certain extent as it occurs to me that individuals might, for example, hold shares in any number of large publicly listed companies that provide goods or services to CIT such as utilities, but CIT has no way of definitively knowing the level of any such interests held by members of staff and they would not necessarily involve conflicts of interest, *per se*.

However, to that end I should highlight generally the various controls that are in place in CIT concerning conflicts of interest.

Firstly, there are policies and procedures in place that oblige members of staff to disclose any potential conflicts of interest between their work in CIT and their external personal affairs/work.

Secondly, it is standard practice in CIT when tendering for goods and services of a material value to seek conflict of interest declarations from potential providers. Any potential conflicts of interest must be fully disclosed in writing to CIT in the tender and on an ongoing basis throughout the term of any contract.

11. Professional Fees

Please see attached at **Appendix 5** details of professional fees for the last five years.

12. Note on crossover of interactions between members of CIT Boards (Governing Body, Board of Directors etc) and KPMG

I have made a number of enquires in the time available and I am not aware of any member of staff or director/partner of KPMG also being a member of CIT's Governing Body or one of its committees, or being a member of the Board of any of CIT's wholly owned subsidiary companies.

Our records indicate that the only payments CIT has made to KPMG in the last five years concern their services in 2014 to investigate the anonymous letters that were addressed by the Committee in December 2015.

It should be noted that KPMG were engaged in this regard on foot of a procurement process carried out by Arthur Cox, not CIT. Arthur Cox was providing legal advice to CIT's Audit Committee, which is a committee of CIT's Governing Body.

Again, I should highlight that there are controls in place to manage any potential conflicts of interest that members of Governing Body may have.

For example, Paragraph 7 of the Second Schedule to the IOT Acts provides as follows:

*'7. (1) A member of the governing body of a college who has—
(a) any interest in any company or concern with which the college proposes to make any contract, or
(b) any interest in any contract which the college proposes to make,
shall disclose to the governing body the fact of the interest and the nature thereof and shall take no part in any deliberation or decision of the governing body relating to the contract, and the disclosure shall be recorded in the minutes of the governing body.'*

CIT has never received any such disclosure from any member of Governing Body in relation to KPMG.

13. IMERC

Please see attached at **Appendix 6** copy of the review as requested.

The review was conducted by an international panel, the membership of which is detailed in the review. CIT's costs with respect to this review came to €8,482.37, being 50% of the total cost as shared with UCC.

14. Legal Costs

Please see details attached at **Appendix 7**.

15. Communications Clinic

In relation to PR training concerning CIT's attendance before the Committee, CIT had a fixed price, tendered, PR contract with the Communication Clinic to provide PR services in relation to the proposed Munster Technological University (MTU). This was a joint tender with IT Tralee and as it was anticipated that matters relating to the MTU may arise when CIT attended before the Committee in December 2015, these services were availed of by CIT at no extra cost. The cost of the overall tendered services provided by this company are detailed in **Appendix 2**.

CIT also engaged a local company, Mills Public Relations, to provide training in preparation of its attendance before the Committee in December 2015, at a cost of €3,600.

CIT did not obtain any further training in relation to its attendance before the Committee on 22 June 2017.

16. Travel and Subsistence

Please see attached at **Appendix 8** details of these costs for the last five years.

17. Protected Disclosures

During the appearance before the PAC on 22 June 2017, CIT was asked a number of questions about protected disclosures. As of 29 June 2017, CIT has not received any protected disclosures.

CIT has a Protected Disclosure Policy, which was drafted to take account of the Protected Disclosures Act 2014. It sets out the various mechanisms available to workers for making disclosures internally within CIT and also externally. Resolve Ireland has been procured to provide independent third party services under the Policy for receiving protected disclosures and giving advice to workers. This service is due to commence on 01 September 2017 and includes:

- A confidential helpline subscription covering all workers in CIT;
- 24/7, 365 days a year access to submit a protected disclosure via a number of confidential and secure methods including filing an on-line report, booking a return call, emailing or by post.

CIT is currently involved in a High Court Personal Injury case in which the litigant specifically alleges having made three protected disclosures to CIT. CIT denies that this is the case. This litigation is ongoing and therefore, as it is currently *sub judice*, CIT will not be commenting further on it. It will be progressed in the normal way through the High Court.

18. TUI FOI Request re Retired Staff

During the course of an appearance before the Committee on 10 December 2015, I answered a question relating to the re-engagement of retirees to the best of my recollection on the day.

When a request under Freedom of Information was subsequently received from TUI in January 2016, the relevant records were comprehensively reviewed and full and accurate details of relevant staff was provided in response. Please see attached at **Appendix 9** copy of CIT's FOI response in this regard.


It should be noted that my reply to the question posed by the Committee on 10 December 2015 related to four individuals who continued with some part-time lecturing (as detailed in **Appendix 4**).

The subsequent FOI request by the TUI was broad in its scope and related to all staff going back to the period from academic year 2011/2012 to the date of the request.

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The information provided in relation to all of the above and attached is the most accurate information that CIT has been in a position to provide in the limited time available. If further relevant material information or any necessary clarifications come to my attention after sending this letter, I will arrange to have same forwarded to the Committee. Otherwise, please let me know if there is any further specific information required by the Committee and I will also seek to have that provided.

Yours sincerely


DR BRENDAN J. MURPHY
PRESIDENT