

Supplement to the Report of the Comptroller and Auditor General

In this Supplement to my Audit Report on the accounts of University College Dublin for the year ended 30 September 1998 I draw attention to certain matters relating to accountability and regularity.

1. Additional Payments to Staff

Section 25 of the Universities Act 1997 provides for the payment to employees of a university of such remuneration, fees, allowances and expenses as are approved by the Minister for Education and Science. The section also provides that in cases where a university is departing from the levels of remuneration, fees, allowances and expenses approved by the Minister it may only do so in accordance with a framework agreed between the university and the Higher Education Authority (HEA).

A framework contemplated by section 25 of the Universities Act 1997 is under discussion between all the universities and the HEA but it has not been agreed.

The HEA has informed me that the framework has been drafted after consultation between the universities and the Authority. It is currently being considered by the universities, six of whom have agreed it and a favourable response is expected shortly from the seventh. The purpose of the framework provision was to provide a discretion to a university, where necessary, to meet its objects in particular by enabling it to attract a person to its staff, who would because of exceptional and scarce expertise and qualification, command remuneration higher than the norm, and who would not be prepared to work for a university unless so rewarded. In the case of existing staff, a departure may be required in order to retain key personnel, because of their contributions to the capacity of a university to meet its objects.

The Authority distinguishes between additional payments for work over and above normal duties (which in its view the framework is not designed to control) and extra levels of remuneration attaching to specific posts which will be covered by the new framework.

An internal audit review of additional payments to academic staff completed in July 1998 found that

- the University had not developed a policy or defined the activities which were outside of normal duties and for which staff should receive additional pay
- the volume of claims for additional remuneration was increasing
- there were instances where additional pay for lecturing duties was claimed and received

- claims were made on the internal resources of the University in respect of activities being conducted during the 20% time allowed for external consultancy activity
- in addition to the amounts paid through the University, Advanced Management Programmes (UCD) Limited (AMP), a university subsidiary company, paid fees to the academic staff of the University. Moreover, UCD staff were also paid fees directly by parties who had contracted with AMP.

The Accounting Officer informed me that additional payments made to academic staff for the 1996-97 and 1997-98 academic years consisted of the following

	1997-98	1996-97
	£	£
University Activities		
Examination Correction ^a	343,062	337,100
Examination Invigilation ^a	30,237	17,685
Arts Modular Degree Courses ^a	77,026	56,736
University Industry Programme	65,450	55,290
Higher Diploma in Agriculture (Forestry)	16,592	15,000
Adult Education Courses ^a	11,244	10,977
Incentives paid to researchers under Funded Research Contracts	14,336	20,569
Diploma in Marketing Practice Courses	15,000	14,000
Miscellaneous Payments	30,000	25,000
Subsidiary Company Activities		
AMP Payments ^b	478,240	450,692
Total	1,081,187	1,003,049

- ^a These fees have been paid by the University over a number of years and this extra remuneration is regarded as traditional by the University.
- ^b These fees were in respect of lecturing, course direction and examination correction and comprise payments by both AMP and by parties with which it had contracted.

The AMP payments are considered separately in Section 2.

As I was concerned about the regularity of the additional payments, in view of the provisions of Section 25, I sought the views of the Accounting Officer. In the light of the results of the internal audit review I also enquired about the level of control exercised over the payments.

The Accounting Officer informed me that it is a traditional and long accepted practice for universities to make payments for work over and above normal duties and that the University is satisfied that while most activities were within its core activities, as defined in the Universities Act 1997, they fell outside the scope of the normal duties of the individual academic staff concerned.

He was satisfied that the additional duties were identified and approved by the appropriate organ of the University while all AMP duties were approved by that company.

A policy on the payment of remuneration to staff in respect of additional duties has since been agreed by the Governing Authority in January 2000. It provides that additional payments may only be made where the following conditions are fulfilled

- Payments are either in respect of activities, courses or programmes which have been specifically authorised, in advance, by the Finance Committee on an annual basis, or in respect of UCD sponsored courses or programmes provided to participants who are not registered students of the College.
- The Head of Department in which the staff member is located, or the Dean where appropriate, must certify that the work involved does not constitute normal duties and that normal duties as required by the contract of employment are being undertaken in full.
- All payments made will be in accordance with rates agreed in advance by the Finance Committee.
- Additional payments by UCD, inclusive of all allowances, cannot on a cumulative basis in an academic year exceed 20% of basic salary.
- Under the Devlin guidelines, staff are required to submit an annual return of outside work to the Secretary on an academic year basis. Payments may be withheld if these disclosure requirements are not adhered to.

2. Delivery of Education through Subsidiary Company

Certain degree, diploma and certificate courses associated with the Faculty of Commerce, culminating in awards by the University, were administered through a limited company (AMP) which was incorporated in 1994. The company's structure consisted of a Board of Directors, an overall Director of Programmes (who was not a member of the Board), individual programme directors and a small number of administration staff. The courses were delivered both in Ireland and abroad. The company's total income in 1998 was £1.8m (£1.4m in 1997) with approximately one third of income arising abroad. This income is generated either in the form of fees for courses or by way of royalties. In the period 1994 - 1998, AMP made profits of £1.7m after

paying £773,000 to UCD in respect of rent and overheads. In the same period it made £1.3m of these profits available to the University. The balance of £0.4m was held by the company at 31 December 1998 and subsequently paid over to the University.

The financial arrangements varied. In the case of major overseas courses the contracts were structured on the basis of UCD receiving a royalty per student with the local contracting party being responsible for any other income and expenditure.

Travel expenses were paid by either AMP or the contracting parties. The university has assured me that where travel expenses were paid by AMP they were vouched or based on agreed per diem allowances. However, due to the nature of the contractual agreements the university is not in a position to quantify the amount of expenses paid by third parties.

The operations and management of the company have been the subject of two major reviews.

Internal University Review

An internal committee which reported in November 1998 expressed concern at the fact that certain full time staff of the University were being indirectly remunerated again for duties in connection with UCD awards and noted that the income of the company was generated by the value of UCD's name being attached to such awards.

The committee went on to recommend a restructuring of the activities of the company with

- home-based courses being directly administered by the University
- overseas courses ceasing due to the risk to UCD's name (with the exception of one course)¹
- the continued delivery of company-specific and professional development activity which was not certified by the University through AMP.

External Review

A further review by a firm of accountants who were then acting as the University/AMP auditors was commissioned in April 1999 and was completed in November 1999. Their report drew attention to

- breaches of company law relating to the holding of annual general meetings and company registration requirements²

¹ This recommendation was not proceeded with following a further review by the University's Dean of International Affairs.

² These requirements were subsequently satisfied.

- failure to hold regular board meetings and record significant decisions
- lack of minutes recording staff remuneration and course direction payment arrangements
- lack of liaison with University authorities on contracts with third parties which would culminate in University awards
- documentation of payments which was not in accordance with best practice in all cases.

In their report the accountants recorded that payments were made to UCD staff directly by AMP for course administration and lecturing. This situation applied to the Advanced Management Diploma and MBA courses and to the tailored non-accredited courses. The intention was that lecturers should carry out this work during their time allowed for private consultancy or in their own time. The payments to lecturers were typically £100 per hour. Course administrators received between £5,000 and £15,000 annually for managing a course, but received no payment if the course did not run after preparatory work had been undertaken.

In the case of the accredited courses operated on a joint venture or royalty basis, payments were made directly by the third parties to visiting lecturers. The accountants received confirmations from some third parties showing that UCD staff received lecturing fees of £170,000 in 1996-97 and £201,000 in 1997-98, exclusive of out-of-pocket and travelling expenses. They believed that these amounts represented the vast majority of fees paid in these circumstances.

When the payments to UCD staff from both AMP directly and from third parties were aggregated the total payments to UCD staff were as follows

Year	Number of Recipients	Total Payments £	Range of Payments £
1996 - 97	61	450,692	200 - 51,810
1997 - 98	72	478,240	80 - 50,978

These payments were in addition to salary payments from UCD.

In an overview of AMP courses the accountants reported that

- On its establishment AMP became involved in the provision of certain courses leading to university awards, to the extent that these courses constituted over 80% of its income in the year ended 30 September 1998.
- Most of these arrangements were formalised by written contracts. However, there was no set protocol between AMP and UCD for framing these contracts.

- In two instances, ongoing arrangements were in place to provide accredited degrees, where no written contract had been signed.
- In certain instances, the fact that all the responsibilities of the parties were not fully and clearly identified may leave the University vulnerable to potential liability for breach of contract or negligence under various headings. They understood that the University Secretary had ensured that the University is currently covered by insurance in respect of possible liabilities arising from these contracts.
- They found no evidence to suggest that the company, the directors or other interested parties within AMP had a proprietorial interest in any of the third parties.
- The company also provided tailored non-accredited courses to corporate bodies. These courses together with other income accounted for approximately 10% - 20% of total income. These courses were not supported by formal written contracts. As most of these were short-term or once-off courses one would expect that a short standardised type agreement should be available.

In relation to specific courses the accountants reported as follows:

Advanced Management Diploma and International Executive MBA

These UCD accredited courses constituted the largest single source of income to AMP. The courses were launched in 1994 and have grown significantly since then. The full cycle is run over two academic years. Participants take the Advanced Management Diploma examinations at the completion of the first year and this forms the basis for a selection process for proceeding to the MBA in the second year. In 1998-99 the Diploma was run in two streams, the General Management Advanced Management Diploma which was filled through direct contacts with external companies by the programme director, and the Open Enrolment Advanced Management Diploma, which was advertised. The programme directors each received fees of £15,000 per annum, which also covered out-of-pocket expenses. In addition, they received fees for course design, set-up and examination correction amounting to between £4,000 and £10,000 per annum, and lecturer's fees at £100 per hour. All of these fees were paid directly by AMP.

These courses contribute significantly towards raising the profile of AMP, the Graduate Business School and the University within the broader business community, both locally and internationally.

Institute of Bankers BFS courses

A contractual relationship between the University and the Institute of Bankers has existed since 1990, initially as a direct relationship, and since 1994, through AMP. University awards under this arrangement comprise a certificate, a diploma and a degree in financial services. The students are employees of the member banks of the Institute. AMP provides a graded scale of

assistance to the Institute at certificate and diploma level up to degree level where the students attend three weeks of lectures at the University and staff approved by the University set and mark the examinations.

The contract formalising this relationship was signed in November 1998 by AMP and in December 1998 by the Institute of Bankers. The contract document is very short. It refers to the business relationship between the parties in general terms and does not include many of the significant terms and responsibilities. It refers only to those costs which are payable to AMP directly. The accountants understood from AMP management that the written contract was short because a number of terms of the contract had become implied through practice.

The contract was negotiated by the Director of Programmes, as the programme director of this course, and signed on behalf of AMP by a former board member. In the academic year 1997-98 the contract specified that AMP would receive £925 per student graduating with a degree. This arrangement was intended to cover the much more numerous certificate or diploma students, in respect of whom no direct payment was made. In addition, a contribution of £25,000 is paid via the University for secretarial services, although this is not referred to in the contract.

The programme director has been in receipt of a fee for this course, which was £7,500 per annum from 1994, rising in 1997 to £10,000 per annum. Approval of the course director's fee was supported by board papers for circulation but not by formal signed minutes. The board papers indicated the level of fees payable to the programme director, but not the method of payment. The accountants were advised that the board was apprised of the level and method of payment of these fees.

In the academic years 1997 and 1998, UCD staff received overall approximately £10,000 per annum directly from the Institute for lecturing on this course. This was shared between approximately eight lecturers each year.

BSc and MSc in Hong Kong and Singapore

AMP collected royalties on a 'per student' basis in respect of BSc and MSc courses delivered in Hong Kong and Singapore through a contractual relationship that exists with a local educational company. UCD provides expertise and sets the examinations for the company, which runs the four accredited courses in Hong Kong and Singapore. The courses are financially successful. They are advertised through local newspapers and the promotional material stresses the short course duration and the high success rate of students. The accountants' understanding was that the academic quality of the courses is carefully monitored and the advertising approach is due to the competitive nature of the local educational environment.

The contracts with these Hong Kong and Singapore connected companies were signed on 1 July 1996, during the first academic year for these courses. The contracts allow access by AMP to relevant financial information of each company. The contracts were framed so as to minimise

the financial risk of AMP and the University, and routine verbal enquiries were made concerning the financial standing of the company. Notwithstanding this, the option to request formal financial information concerning the affairs of the company had not been exercised by AMP.

In accordance with the provisions of the agreement, UCD staff, as approved by UCD, have travelled to Hong Kong and Singapore to lecture. Staff received a per diem allowance of £100 for a typical stay of seven days and £100 per hour of lecturing. Staff also received travel expenses of £1,700. It was the accountants' understanding that the Asian companies did not require staff to submit documented expenses claims. In the academic years 1997 and 1998, UCD staff received £91,000 and £128,000 respectively as lecturing fees exclusive of expenses. A programme director's fee was sanctioned by the Board of AMP but this was not drawn by the programme director.

BComm Spain

AMP collected royalties on a per student basis and disbursed certain expenses in respect of this course through a contractual relationship that exists with a higher education institute based in La Coruna in Spain. UCD provides academic expertise and controls the academic standards including the examination process, while the institute provides the facilities and markets the course to achieve sufficient student numbers. The contracts were signed in mid 1998 and were intended by the parties to cover the period from 16 January 1995. Notwithstanding the fact that the contracts were framed so as to minimise the financial risk to AMP and the University, the contracts contained no provisions for access to financial information by AMP. Routine verbal enquiries were made concerning the financial standing of the institute.

Although the majority of lecturing was carried out by local lecturers approved by UCD, an arrangement existed whereby UCD part time and full time staff have travelled to Spain to lecture. This is an integral part of the course. Staff travelling to Spain received £500 per week which included a per diem allowance. Travel expenses were paid by the institute and staff were accommodated in apartments that were rented and paid for by the institute. Lecturing fees, including the per diem allowance, were paid directly to staff by the institute, and in total amounted to approximately £38,000 in 1997 and £47,000 in 1998.

A programme director's fee was sanctioned by the Board of AMP but this was never implemented or paid to the course directors.

BSc Kuala Lumpur

This course contract was dated 17 December 1996, with an updated contract signed on 25 January 1999, subsequent to the adoption of the report of the internal committee by the Financial Committee, which included a recommendation that this type of overseas course should cease. The updated contract gave more protection to AMP and the University in that it introduced a clause in relation to the possible discontinuation of the course. No details of payments to UCD

staff were provided by the accountants.³

BSc Sri Lanka

Under this arrangement, AMP has contracted to run courses jointly with the local college. There is a profit sharing arrangement built into the contract. The terms of the contract are that the basic cost per annum to the local college is Stg£40,000. Of this total, Stg£10,400 is payable directly to AMP and Stg£29,600 is payable directly to UCD staff by way of fees and expenses.

Legal opinion given to the University by the University Solicitor has indicated that the relationship delineated by this contract has many of the characteristics of a partnership arrangement and AMP may become liable for the actions and liabilities of its partner. This may have adverse implications for AMP and the University.

MBA in Health Care Management

This course is operated through an arrangement that exists between AMP and the Royal College of Surgeons in Ireland (RCSI). It is a two year part time course. Fees are collected from students by the RCSI, which is responsible for most of the management of the course and for keeping the records of the course at its programme office. AMP receives 50% of the net contribution from the operation of the course for each year. Course director's fees of £20,000 are paid, of which £10,000 is due to AMP, with RCSI in receipt of a similar sum. The UCD course director was paid £5,000 per annum directly from the course for his role, while the remaining £5,000 course director's fee was retained in AMP. There is no formal contract in place. This course is operated as a joint venture. It is possible that this type of relationship could be construed as a partnership with the attendant responsibilities and contingent liabilities.

This course was the subject of a report by the University internal auditor in January 1998. This review indicated that UCD staff had been paid £18,600 directly by RCSI in year ended 30 September 1997, including a payment of £2,000 to the course director.

Lecturers were paid at a rate of £100 per hour. NUI levies were not paid in respect of the students.⁴

No detailed assessment has been documented of the actual cost of this course to AMP and the University in terms of resources used and benefits received.⁵

³ The Accounting Officer has explained that the university's involvement in this course is limited and fees of approximately £9,000 are involved.

⁴ A provision for these fees has been accrued in the 1998-99 accounts but has not been paid pending agreement on the specific amounts due.

⁵ The Accounting Officer has pointed out that the RCSI is an affiliated college to UCD for degree awarding purposes and a recognised college of the NUJ. The proceeds and costs of the programme are shared between the two institutions and academic financial impact statements are required for all new courses.

BBS in Trade Union and Business Studies

This course is run jointly with the Irish Congress of Trade Unions (ICTU). ICTU carries out most of the promotion and course administration while AMP is responsible for academic quality and the setting of examinations which are approved by UCD. This relationship is not formalised in a written contract. AMP received fees of £1,350 per student. ICTU also pays a contribution towards a course administrator's salary and the costs of course development. The accountants understood, on the basis of contact with the University internal auditor that payments to UCD staff were made directly by ICTU for their involvement in this course. No details of payments to UCD staff were, however, provided by the accountants.⁶

Audit Issues

As I was concerned that

- UCD was not getting an adequate return from the activities
- unforeseen liabilities might arise for UCD as a consequence of its participation
- UCD's academic reputation might suffer on foot of its association with some of the ventures
- the extensive time commitment (both travel and teaching) of Faculty staff absorbed by AMP work could have serious implications for their main academic duties in UCD
- there might be underperformance of Faculty research

I sought information from the Accounting Officer.

Accounting Officer's Response

In response to my inquiries the Accounting Officer informed me that the company was originally formed to provide continuing education to the corporate sector including award based courses and to broaden the range of programmes taught by the Graduate Business School beyond the traditional University courses. It was perceived at the time that the rapidly expanding and changing corporate need for continuing education services was not being adequately addressed and that there were niche areas which the Faculty could exploit.

Building on the early success of the executive education programmes the company took over the existing overseas programmes, which were primarily based in Asia. This is a growth area for the

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The Accounting Officer subsequently informed me that, while a small number of payments were made by ICTU in respect of development costs associated with the setting up of the course, ICTU have not made payments to UCD staff running the course.

university sector and has been successfully targeted by US, Australian and European universities. UCD has an established track record of success in teaching on overseas programmes and had previously been associated with programmes in Jordan, Malaysia and Sri Lanka amongst others.

AMP provided the ideal vehicle to promote and manage the programmes. It protected the University against potential financial exposures and other unforeseen liabilities. Furthermore it provided a versatile vehicle to promote and manage what were essentially non-traditional courses and provided a transparent structure within which to assess the ongoing profitability of the enterprise. The University, in running these courses, was operating in a competitive environment and had to act commercially in order to succeed.

The courses were structured to limit the University's risk. This in turn limited both AMP's financial reward and control. The less risk the University was exposed to, the less direct control it could exercise over the operations.

He assured me that incorporation of AMP was within the legal capacity of the University which at the time the company was formed, operated under the Irish Universities Act, 1908. The activities of the company remained within the overall control of the University, as the company was wholly owned.

He stated that his legal advice was that AMP was not governed by the provisions of the Universities Act 1997 in relation to the matter of additional payments as its incorporation in 1994 predated the coming into effect of the Act.

The activities of the company (which is part of the University) form part of the core operations of the University as defined in the Universities Act, 1997. However, in funding terms, they are regarded by the University as ancillary to the main HEA-funded teaching programmes of the University.

The Accounting Officer further assured me that AMP had complied with all taxation provisions and remitted payments to the University in respect of rent, administrative costs and utilities.

The Accounting Officer drew attention to a number of significant developments that had occurred since 1998.

- A Dean of International Affairs was appointed in early 1999, part of whose remit is to review the operation of all the University's international programmes at home and abroad and to develop the University's international policy. The Dean compiled a report on the AMP programmes in Hong Kong, Singapore, Sri Lanka and Kuala Lumpur in November 1999. Arising out of the report, a 'Code of Conduct for the Operation of Overseas Programmes' was developed and approved by the Governing Authority in early 2000. The Dean is currently evaluating the operation of the programme in Spain.

- The Dean of International Affairs has been working closely with the Faculty of Commerce in renegotiating the overseas contracts to conform to the principles highlighted in the Report of the internal university committee and subsequently articulated in the Code of Conduct.
- At this stage he is satisfied that while there were some control issues highlighted within AMP in the accountants report arising in particular over the procedures governing its associations with third parties, the University acted prudently in these arrangements and has benefited to a great extent from the operation of AMP. Much has been learned from the operation of the company and procedures have been put in place which should allow the University to capitalise further on the initial experiences of running overseas and executive education programmes.
- The role of the Audit Committee, which was set up in early 1998, is now firmly established in the University. The Committee consolidated the previous internal audit arrangements which have been operating in the University since 1994. The work of the Audit Committee reflects UCD's commitment to applying good governance procedures.

In regard to my specific concerns the Accounting Officer made the following observations.

UCD was not getting an adequate return from the activities

From its inception up to 30 September 1998 AMP made profits of £1.7 million which are available for use by the University. In addition AMP paid £773,000 to the University for rent and overheads. Given that there was no HEA funding available for these programmes and no direct financial investment by the University in AMP, this would appear to be a very credible return. By contrast, some UK universities set up their overseas programmes with significant financial backing and in one case the investment was as much as £2m in the mid 1980's.

Prior to implementation of each programme, the academic content was approved by the Faculty and Academic Council and the financial impact of the course was approved by the AMP Board.

In the case of overseas programmes, the management model used (which utilised the services of agents and franchise arrangements) was based on similar operations in UK universities. The procedures adopted were drawn from their experiences in operating overseas programmes. As far as he could ascertain, the returns received by UCD are in line with UK practice. To the best of his knowledge, some well known UK universities suffered losses on their overseas programmes. The model adopted by UCD has delivered positive results and avoided such an outcome.

In the case of executive education and other courses run by AMP within Ireland, all these courses

were negotiated on an individual basis. Taken together with the overseas programmes they produced a very satisfactory financial outturn.

Unforeseen liabilities might arise for UCD as a consequence of its participation

When the University commenced its overseas and executive education programmes, there were some concerns that they might impact negatively on the University or could result in exposing the University to unforeseen liabilities.

AMP, as a company with limited liability, provided protection against unforeseen and other liabilities. Furthermore the company structure facilitated greater flexibility in promoting the programmes, greater versatility in administering them and transparency in ensuring that they were profitable. These were non-standard courses which would have been difficult to service through existing University procedures, especially given that some of them were delivered abroad.

The domestic programmes were run on behalf of or in conjunction with reputable partners such as the Institute of Bankers, the RCSI, and ICTU. Tailored courses were also provided to major businesses. The University is experienced in providing programmes within Ireland and the risk profile of these courses was low.

The overseas programmes presented a more difficult challenge. While the University had previous overseas experience it was deemed appropriate to structure the programmes in such a way as to limit the University's financial exposure. The major overseas courses were organised on the basis of AMP receiving a royalty per student with the overseas party being responsible for all other local income and expenditure. However, in limiting the risk, the structure also limited the financial reward to a set fee or a predetermined royalty.

To date, there is no evidence of unforeseen liabilities arising and none are expected to occur.

Having now gained significant overseas experience and in line with the Code of Conduct and evolving practices in UK universities, UCD is changing some of its procedures in respect of these overseas courses.

UCD's academic reputation might suffer on foot of its association with some of the ventures

Academic reputation is fundamentally important to the University. Under University practice, Faculties are obliged to seek academic approval for new accredited courses and must provide academic/financial impact statements. Academic approval was received for these courses from the Academic Council and financial approval was obtained from the AMP Board.

The AMP programmes, in particular the Advanced Management Diploma and the MBA

International Executive, have been recognised as contributing significantly towards raising the profile of AMP, the Graduate Business School and the University within the broader business community both locally and internationally. The academic contribution of these courses can be judged by the UCD Business School recently being rated by the Financial Times as the ninth best business school in the World (excluding North America) and ninth in Europe. It has also been ranked as first in the World, in the same survey, for value for money.

The world of third level learning is changing rapidly. UCD has currently almost eight hundred international students enrolled in degree and diploma programmes. The provision of overseas degrees by US and European universities is a major growth area driven by social and technological changes. UCD's overseas involvement needs to be looked at in that context.

As part of the ongoing review of AMP within the University, recruitment to all courses in Asia was halted during 1999 while a comprehensive report was drawn up on their academic standards and operations. The report was completed by the Dean of International Affairs in November 1999.

In preparing his report the Dean reviewed all the Asian programmes at first hand and interviewed students, local staff and AMP's agents. The report was positive in its analysis of the academic quality and content while at the same time recommending changes in the operations of the programmes. The Dean recommended continuance of the programmes provided a Code of Conduct to govern such programmes was implemented which incorporated these changes. This was approved by the Governing Authority in January 2000. Pending a successful outcome to the current renegotiation of the contracts governing these courses, recruitment of new entrants will recommence in the next academic session.

The extensive time commitment (both travel and teaching) of Faculty staff absorbed by AMP work could have serious implications for their main academic duties in UCD

Most of the activities of the domestic programmes which were run by AMP took place in the evenings or on Saturdays as well as Sundays or public holidays. UCD staff input into overseas programmes are normally carried out in block release format or on extended weekend input.

Co-ordinating staff input into the programmes and integrating them into the Faculty's main academic duties is a key responsibility of the Programme Managers, the Faculty Executive and the Board of the Business School. It would be unrealistic to believe that there had been no adjustment to teaching schedules. However, the growing national and international reputation of the Business School is testimony to the overall benefits of operating the programmes.

The approach adopted to utilise existing staff was a deliberate policy on the part of the Faculty. The alternative was for the University to hire a large number of additional full-time staff or to hire only non-UCD personnel. This would have placed ongoing financial commitments on the

University and/or eroded the profitability of the programmes. These were new programmes for the University and their success was not guaranteed. The approach of leveraging off existing UCD staff was prudent in the circumstances. The services for which the staff were paid were over and above their normal workload.

There might be under-performance of Faculty Research

The world of business education is changing and the UCD Business School has moved quickly to establish itself as one of the foremost schools in Europe. The Faculty took the view that it must secure its teaching and postgraduate reputation if it was to be a first choice location for students.

The Faculty does indeed recognise the importance of research. The School's Business Research Programme has become, in the words of the Bain Review Group, the foremost business research facility in Ireland. The Review Group described the research output of the Faculty as "very satisfactory". A recent Financial Times survey ranked its research output alongside top ranked UK universities.

The Faculty is taking steps to increase the number of research students pursuing doctoral degrees through generous scholarship schemes. Doctoral students are a key element in fostering and promoting research within University departments and the Faculty's plans envisage further improving the numbers and quality of these and other postgraduate research students.

In conclusion, the Accounting Officer emphasised that UCD deliberately utilised a limited company, AMP, to deliver non-core and non-traditional educational business courses to minimise any potential exposure to the University. No HEA funding was available for the courses and they were to be fully profit making activities. Failure to use a limited company could have left the University open to charges that it did not adopt a proper and prudent approach. In setting up these programmes the University was enhancing the fee income of the University and proactively responding to the 6% other income and co-funding requirements introduced by the HEA in the early 1990's under the revised funding mechanism.

Views of Higher Education Authority

The HEA informed me that it was aware of the steps that the authorities in UCD have taken to regularise the position in regard to international education activities. The Authority supports this action in principle, subject to adequate controls being put in place and operated to ensure all responsibilities to Irish students are being met, revised controls are fully implemented to regulate earnings and time worked by individual staff on international education, adequate reimbursement of the University for all direct and indirect costs arising from the activity and the generation of net income for the University.

The HEA further informed me that, subject to the necessary safeguards being put in place by the University to avert possible loss or risk, the Authority has been in favour of universities engaging in the provision of international education services. The Authority's support arises from the need for Irish universities to keep up with developments internationally in higher education, to engage in the business of international education, and to generate revenue for the University. Such activity is consistent with the mission of the universities.

3. Accounting for Fees

The responsibility for the determination of student fees rests with the Governing Authority. The student registration system records fees payable and received and the responsibility for the collection of the fees rests with the Fees and Grants Office. Following the abolition of tuition fees for full time undergraduate courses, universities continue to calculate a fee per course and then recoup that amount from the HEA. Non "free" fee students such as non EU students and students attending postgraduate courses pay fees directly to the University.

An internal audit examination of student fees concluded that for the academic year 1996-97

- fee income from approximately 4,000 students was not included as income in the financial statements of the University. This fee income mainly related to students attached to either AMP or the University Industry Programme⁷ (UIP).
- the 4,000 students were registered as UCD students and attended courses leading to a university qualification
- the student registration system recorded the fee payable as nil in respect of these students
- the responsibility for the determination and collection of such fees rested with AMP or the University Industry Centre
- such students were not included in the official student statistics of the University for mainstream courses.

In response to my inquiries the Accounting Officer informed me that the relevant student population and associated fees were

	Numbers at June 1997	Fees 1996-97 £m
AMP	3,372	1.1
UIP	578	0.5

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The University Industry Programme was established in 1988. It runs continuing professional education programmes and programmes for enterprise development, protection and exploitation of intellectual property and the marketing of the University's expertise and facilities. It is operated as an ancillary activity of the University and is administered by the University Industry Centre.

He pointed out that, of the 3,950 students involved, a significant proportion were attending part-time, non-traditional courses which were not funded by the HEA. For example, of the 3,372 students included in AMP, 2,300 related to courses run in association with the Institute of Bankers in Ireland. He estimated that taking account of the attendance pattern of these students they would be equivalent to 70 full time students.

None of the students were eligible for 'free' fees and no fees were claimed from the HEA.

The Accounting Officer pointed out that

- all of the courses were non-traditional and would therefore not easily fit within the existing programmes processing and systems of the University
- most of the students do not physically attend the University in the normal manner and a significant portion of the students do not physically attend the University at all
- the fees were determined on a course by course basis depending on the market/economic conditions relating to the course
- the courses were not to be included in the University statistics for HEA funding purposes and they were not to form part of the HEA unit costing system.
- the main administrative interaction with the non-traditional student base was normally with personnel outside of the main administration
- in relation to overseas courses different arrangements were obviously necessary.

All of the fees were collected by AMP and UIP up to 1997-98. In 1998-99, fees for all UIP courses and a number of AMP courses have been collected in the University by the Fees Office. However, while all students are registered on the main student systems, for practical reasons, fees for a number of AMP courses, such as Institute of Bankers and overseas courses will still be collected directly by AMP but will be accounted for within the main student systems of the University.

I was informed that the University has now made provision for the payment of associated capitation fees (where relevant) to the National University of Ireland.

4. External Consultancy Work

It is recognised by the University that academic staff should be facilitated to engage in external consultancy work so as to gain knowledge of technological and other developments in their relevant disciplines. The University permits external consultancy by staff provided permission

is received in advance, the task is work related, there is no interference to normal duties and official time devoted to the external work does not exceed two sessions per week or 20% of time.

An internal audit report completed in July 1998 noted that permission to engage in external consultancy work is not always obtained and that the University does not monitor the amount of academic time devoted to external work. It was further noted that the monitoring and control of staff consultancy by the University were suspended as the procedures were considered ineffective and cumbersome.

In response to my inquiries the Accounting Officer informed me all academic staff are assigned to a Department. The Head of Department is primarily responsible for ensuring that staff within the Department discharge their remunerated duties. Any significant problems arising are dealt with by the Head of Department on an exception basis.

All University staff should be aware of the policy on private consultancy and a full section of its Internal Procedures Manual is devoted to this area. This manual has been issued to all faculties. He informed me that he had recently reviewed the operation of procedures in this area and would be writing to all staff to remind them of their obligations and requesting a detailed return of all such activity undertaken by academic staff.

5. Waiver of Income

Departments within the University maintain funds which are administered at faculty/department level and where the expenditure of the funds is at the discretion of the Heads of Departments. A scheme exists in the University whereby staff may waive remuneration due for certain additional duties (such as examination and invigilation fees and lecturing fees for BA Modular and Adult Education courses) in favour of the gross amount being paid into a departmental fund under the control of the Head of Department or Dean. Staff who have waived remuneration may seek funding for work-related expenditure from departmental funds. The amount waived in the year ended 30 September 1998 was £464,405.

An audit of amounts paid to staff from departmental funds noted instances where payments out of departmental funds were inadequately vouched including lack of evidence of attendance at conferences and a failure to record equipment purchases as assets of the University.

I inquired of the Accounting Officer whether the waiver scheme as operated had been approved by the Revenue Commissioners and sought his observations on control over payments from the funds.

In response to my inquiries the Accounting Officer informed me that the waiver scheme had been in existence for many years. At the time the scheme was established the University sought independent advice as to whether the proposed scheme complied with the Revenue Regulations.

The University saw no need to seek Revenue approval on the grounds that

- Staff who waive the right to a fee clearly had no liability to tax, since income is neither received nor earned.
- Any payments from the research and travel funds are at the discretion of the Head of Department and have to be vouched and relate directly to the academic activities.

He also informed me that staff waived 34% of fees in the four-year period between 1994-95 and 1997-98 and staff may recoup expenditure on books, equipment, travel, subsistence and other expenditures related to their academic activities as specified in a letter establishing the scheme issued by the then Secretary and Bursar in January 1983.

The Accounting Officer believes that the scheme has been prudently managed over the years and has not extended beyond its traditional boundaries and provides a valuable source of funding to Academic Departments for academic conferences, equipment and supplies, which is necessary, as the University does not receive adequate funding from the State for these expenses.

He assured me that only a very small percentage of payments to staff are inadequately vouched and contended that this was proven during the last Revenue Audit lasting two days on 11 and 12 September 1995, in which extensive examination of staff expenses, creditor payments, petty cash payments, and payroll expenses was carried out. That audit included a visit to the Examinations Office and these payments came within the scope of the Revenue work. The Accounting Officer stated that the Revenue officials met the Head of Examinations at that time and they concluded that everything was in order and no reference was made to it in their report.



John Purcell

Comptroller and Auditor General

9 June 2000