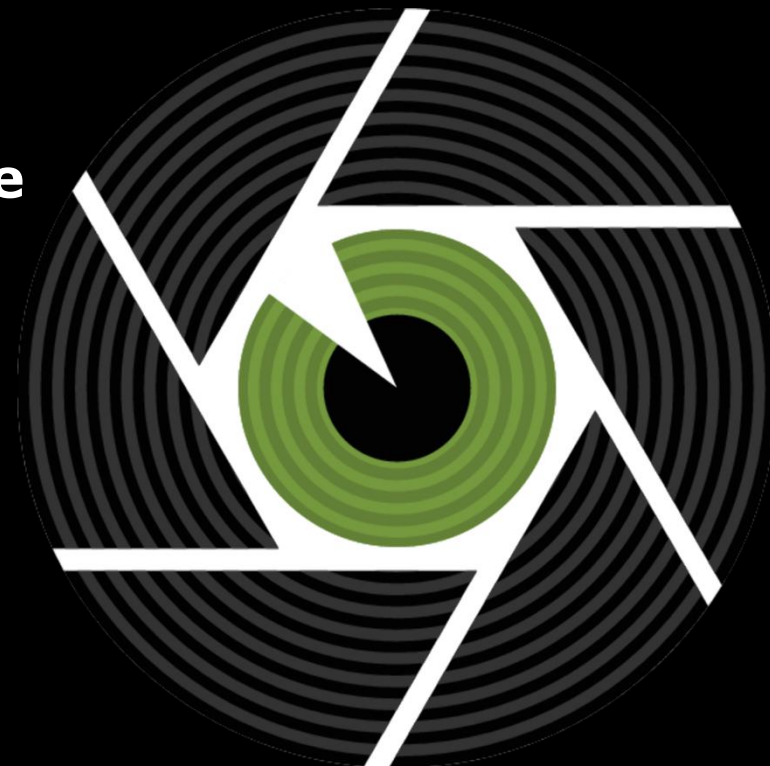




HEA Rolling Governance Review - Pay, Pensions, Travel & Subsistence and Leave **Final Report**

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Draft report issued: 29 August 2019

Final report issued: 11 October 2019

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1. Executive summary

HEA Review of Governance Arrangements

1.1 Background

This Rolling Review focussed on the governance arrangements in place to satisfy management that effective arrangements are in place to effectively manage the following areas:

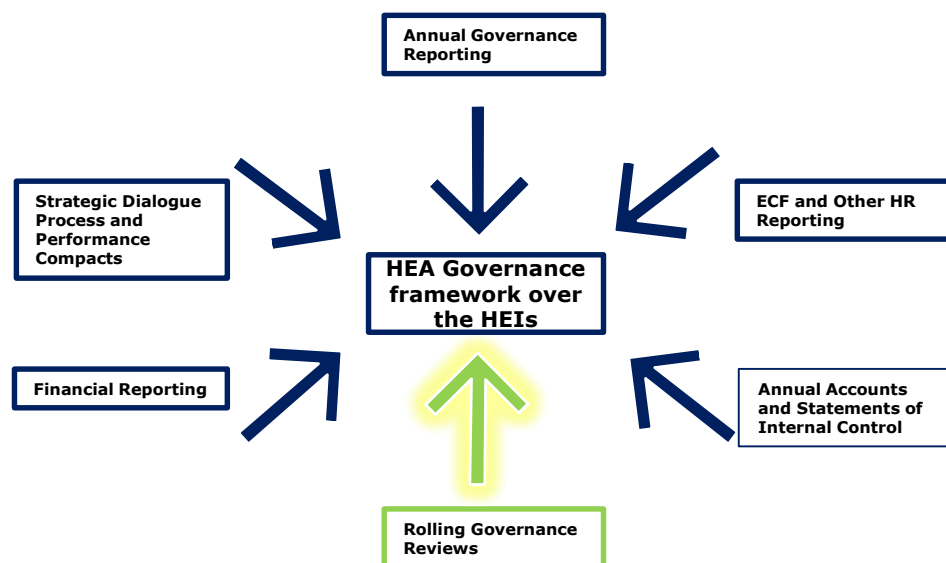
1. Pay;
2. Pensions;
3. Travel & Subsistence; and
4. Leave.

The terms of reference for each of the above areas is set out in section 1.2 of this report. This report sets out the output from this review under the service level agreement dated 31 January 2018.

The Higher Education Authority (HEA) leads the strategic development of the Irish higher education and research system with the objective of creating a coherent system of diverse institutions. The HEA has a statutory responsibility, at central government level, for the effective governance and regulation of higher education institutions and the higher education system as a whole.

The HEA's Governance Framework for the Higher Education System is designed to build on existing governance and accountability infrastructure in the higher education sector with a series of improved mechanisms to provide more robust assurance of compliance with legislative and other requirements and more timely and responsive interventions to address any issues arising.

For the purpose of this framework "governance" means the systems and procedures of oversight implemented by the HEA with regard to the individual HEIs, and to the collective system of higher education. The objective of such oversight is to ensure that the HEIs and the system collectively meet the outcomes expected, effectively and efficiently.



Executive summary

HEA Review of Governance Arrangements

In 2016 the HEA commenced the introduction of a programme of rolling reviews on governance matters. The purpose of these rolling reviews was to examine and strengthen the HEA processes in relation to oversight, governance and statements of internal control. The rolling reviews cover specific elements of governance processes by combining desk research of the approach across the higher education sector with more detailed review of practice across a sample of institutions, with four key objectives:

- To provide assurance that governance processes are operating effectively;
- To inform understanding of how particular aspects of governance are implemented within HEIs;
- To assess whether there are any deficiencies to be addressed; and
- To assist in the development of best practice approaches across the sector.

The area of staff remuneration and benefits in HEIs, with a particular emphasis on pay, pensions, travel and leave, was selected as the third rolling review. This report sets out the output from this review under the terms of the engagement letter dated 31 October 2018.

HEA Review of Governance Arrangements

1.2 Rolling Review - Terms of reference

This review examined and reported on the level of compliance across the higher education sector under the following headings:

1 Pay

To ascertain the governance arrangements in place to satisfy HEI management that:

- Staff are remunerated in line with Government policy on pay and in line with approved grades and associated pay scales;
- Changes in pay arising from national pay agreements and relevant legislation have been correctly implemented and applied to the pay of staff in higher education institutions;
- Staff who are in receipt of payments or benefits in addition to basic salary, determine whether necessary approvals have been received (e.g. from the Department of Education and Skills) or are covered by any relevant exception such as the Framework for Departures from Approved Levels of Remuneration;
- Higher education institutions have addressed issues identified by the Department of Education and Skills or HEA in relation to the resolution of individual pay and pension queries not in line with national pay agreements or relevant frameworks.;
- Governance arrangements and practices around the use of severance payments in higher education institutions are in place; and
- The impact of the I.T. arrangements, that are currently in place to process pay and pensions requests, on monitoring and identifying instances of non-compliance are robust.

2 Pensions

To ascertain the governance arrangements in place to satisfy HEI management that:

- Staff of higher education institutions are members of the correct pension scheme having regard to their public service employment. e.g. Closed scheme member, Model Scheme member, Single Pension Scheme member;
- Information and commitments given to staff of higher education institutions in relation to pension benefits are in line with the terms of the relevant pension scheme and where not the steps taken by the institution to rectify the situation; and
- Current practices in relation to the following issues are appropriate:
 - the treatment for pension purposes of payments or benefits in addition to basic salary;
 - the extent of compliance with pension scheme rules for the provision of added years;
 - the source of funding to pension control accounts for pension benefits where it was agreed by the institution to be funded from non-exchequer sources;
 - the extent to which an employer contribution is received in respect of holders of non-exchequer funded pensionable posts; and
 - the costs that are being charged to pension control accounts or otherwise to institutions for management of pension calculations and benefits, and the basis on which such costs are being charged.

Executive summary

HEA Review of Governance Arrangements

3 Travel

Examine whether Government travel policy requirements have been correctly applied in higher education institutions having particular regard to the system of vouched expenses.

4 Leave

• Sabbatical Leave

Examine whether sabbatical leave policies are being correctly applied in the higher education sector (e.g. categories of staff entitled to avail of such schemes, sufficient evidence of rationale and approval for granting of sabbatical leave) and whether the application and use of sabbatical leave policies for academic and research staff in higher education institutions, in particular the reimbursement of travel and subsistence expenses, is compliant with relevant taxation legislation and regulations.

• Other Leave

Examine whether the common sectoral sick leave and annual leave schemes are being operated and complied with appropriately.

1.3 Approach

In order to meet these terms of reference, we undertook a number of activities including the following:

- Desktop review of the relevant policies, including Department of Education and Skills (DES), Department of Public Expenditure and Reform (DPER) and the HEA. A review of guidance and public sector agreements to ascertain that HEI policies were appropriately aligned;
- Confirmation with the HEA of the sample of HEIs (across Universities, Institutes of Technology (IOTs) and other colleges) for which they required onsite fieldwork to be performed;

- Performance of walkthroughs of the HEI processes in place for each in scope area, with appropriate HEI staff in each selected HEI;
- Evaluation of the implementation of the policies and guidance by reference to the outcome of the walkthroughs;
- Testing on a sample basis for each in scope area to ascertain timely compliance with policies and guidelines;
- Provision of detailed findings relevant to each of the sample HEIs to inform them of the issues identified, confirm accuracy of the issues and to give each HEI the opportunity to provide additional information or feedback where appropriate on the issues raised.

Additionally, in relation to the areas of pay and pensions, through discussion with HEI management and review of HEI documentation, we ascertained the progress achieved to resolving individual pay and pension issues previously identified by the DES and the HEA. Please refer to 2.3 for an overview of these unresolved matters.

Please refer to appendix 2 for the detailed approach.

1.4 Acknowledgement

The majority of this review was undertaken in December and January, a very busy period for staff in the education sector. Deloitte are grateful for the manner in which participants facilitated the review, for the time made available and also for the level of assistance and co-operation afforded by HEI personnel during this assignment. Please refer to Appendix 6 where we outline the date / date range of our initial meetings with staff across each area under review in the sample of HEIs.

HEA Review of Governance Arrangements

1.5 Conclusion

This third HEA rolling review covers four subject areas:-

1. Pay (Section 2 of this report)
2. Pensions (Section 3 of this report)
3. Travel & Subsistence (T&S – Section 4 of this report)
4. Leave (section 5 of this report)

We have set out our findings in relation to each of these areas in the sections that follow and we present the findings in each section in three parts:

- Background
- General Themes together with relevant recommendations
- Other observations

While we have anonymised the HEI names for the purposes of this report, we have separately provided our detailed findings to each individual HEI within our sample and have made the HEA aware of these detailed findings.

While we acknowledge that the Higher Education sector is unique and more complex than other sectors, when we consider the issues raised in comparison to other sectors, some of the root causes could relate to, but not necessarily limited to, the following:

- Lack of management oversight from those charged with responsibility for managing department/school/faculty activity;
- Lack of awareness training of the cumulative impact of individual managerial decisions (in areas of pay scale departures, pensions eligibility, approval of professional added years, travel & subsistence and sabbatical leave);
- Lack of adequate system support to effectively enable management manage activities such as Pensions administration, T&S, Leave recording (annual and sick leave);
- Lack of clarity within individual HEIs on policies relating to the following
 - Annual Leave entitlements;
 - T&S Policy including adherence to Revenue Guidance; and
 - Professional Added years eligibility.

Such policies should be driven by HR and implemented by line management; and

- Lack of consistency across the sector on what the minimum standard should be in relation to matters including point on commencement on pay scales, eligibility of pension schemes, professional added years, sick leave processes and annual leave entitlements.

The General Themes aim to provide those matters in each area which we consider to be the root cause of many of the detailed findings across the sample HEIs and we recommend that attention is given by the sector as a whole to agreeing on the implementation of these recommendations together with assignment of ownership and action dates. The recommendations provided provide a means for further strengthening the compliance framework.

Many of the general themes are oriented towards increasing the level of consistency across HEI practices and sectoral understanding of minimum control requirements and expectations. There is also a need to reduce person dependencies and most importantly to improve documentation in particular where there needs to be a documented audit trail around, for example, the rationale for remuneration departures, allocation of professional added years, and/or approval of sabbatical leave. Periodic management training on those responsibilities which come with managerial positions within HEIs should be mandatory to facilitate effective management.

HEA Review of Governance Arrangements

1.5 Conclusion

In relation to adherence to the departures framework for remuneration of employees, we noted only two departures across the seven HEIs sampled and we conclude that these were not handled in accordance with the departures framework. This matter is addressed in section 2.3.

In relation to the process of applying professional added pension years, we noted a number of inconsistencies across HEIs which should be addressed and we have set these out in section 3.2.3. A key theme of our observations was that the applications for added years which we reviewed, did not clearly and explicitly link the academic qualifications and professional experience requirements of the post to the documented justification for the application for added years.

Given some of the issues we have identified around pensions, there is merit in considering a business case for clustering or a shared service centre in the area of pension administration and also potentially T&S payments. In relation to the latter, a central administration/payment function could provide objective and independent review where items are not inline with policy and procedure. A cluster or shared service approach would also benefit in particular those HEIs who do not have the resources to properly administer these areas and would also ensure consistency of practice. Following on from this recommendation, there is merit in forming a fully cross-institutional working group to focus on issues outlined in this report.

Finally, it is noteworthy that none of the issues identified in this review were highlighted by the HEIs in their Annual Governance Statement for Year end 2017. All HEIs had confirmed for that period, compliance or confirmed 'to the best of their knowledge' compliance with Pay and Travel and Subsistence. As there appears to be no requirement to state compliance in relation Pensions or Leave, it was the case that the annual compliance statements that we reviewed did not contain any references to these areas. We would therefore recommend that consideration is given to strengthening these statements and extending the scope to include pensions and leave.

Executive summary

HEA Review of Governance Arrangements

1.6 Summary of Recommendations

We have outlined a summary of the our recommendations for each section below.

Report Section	Recommendation	Action Owner
Pay – Section 2		
Section 2.4 (Pay)	1. HEIs should perform robust verification checks, prior to extending an offer of employment to a candidate.	HEIs
Section 2.4 (Pay)	2. For each grade on the pay scale, there should be an accompanying job description which clearly designates an appropriate and equivalent level of responsibility.	HEIs
Section 2.4 (Pay)	3. The practice of appointing individuals on higher than point one of the pay scale, needs to be supported by adequate documentation/records to justify the appointment above point one.	HEIs
Section 2.4 (Pay)	4. Each HEI should provide employees with contracts, setting out the role, responsibilities and conditions of employment. All contracts should be signed by the employee and an appropriate staff member within the HEI.	HEIs
Section 2.4 (Pay)	5. Consideration should be given to conducting a review to ascertain if consistency can be reasonably applied to salaries and allowances across the sector.	DES
Section 2.4 (Pay)	6. Each HEI should perform user access reviews, on a periodic basis to assess the appropriateness of the user permissions awarded to individuals on CORE.	HEIs
Section 2.4 (Pay)	7. Where HEIs wish to make an appointment under the Departures Framework, submissions should be approved by the Governing Authority following which a detailed justification for the departure is submitted by the HEI under this framework to the HEA. Commitments should not be given by the HEI until approval from the Governing Authority has been obtained.	HEIs
Section 2.4 (Pay)	8. All elements of management remuneration should be treated appropriately for tax purposes and this would include any indirect benefits arising from the terms of the relevant employment contract where the Revenue Commissioners have not given explicit exemption. HEIs should liaise with the Revenue Commissioners in this regard to ensure no aspects of remuneration, pay and benefits go without appropriate tax treatment.	HEIs

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HEA Review of Governance Arrangements

Report Section	Recommendation	Action Owner
Pensions – Section 3		
Section 3.2.1 (Pensions)	9. Each HEI should perform an internal skills audit to identify where single points of dependency exist across the areas of pensions. Where this issue presents, a contingency plan should be prepared.	HEIs
Section 3.2.1 (Pensions)	10. The DES/HEA should complete a cost/benefit analysis with regards to implementing a shared services centre for pension administration services.	DES / HEA
Section 3.2.1 (Pensions)	11. In order to comply with the Pensions Act 1990, amended in 2018, all HEIs should issue benefit statements to employees annually.	HEIs
Section 3.2.2 (Pensions)	12. Each HEI should implement an automated preventative control and subsequent review process when assigning employees to a pension scheme.	HEIs
Section 3.2.2 (Pensions)	13. Where an employee wishes to transfer service to a HEI, documentation supporting the transfer should be provided.	HEIs
Section 3.2.2 (Pensions)	14. Contracts of employment should clearly outline the eligibility criteria for each pension scheme to allow the employee understand the scheme name that the employee should be enrolled in, subject to a verification checks.	HEIs
Section 3.2.3 (Pensions)	15. The DES/HEA are working with HEIs to develop and streamline the application process for the award of professional added years. A standard template/checklist for added years applications has been circulated to each university. The DES/HEA require each HEI to submit all added years applications for approval, in advance of award. HEIs should not make an award of added years until written approval is provided from the DES/DPER. The HEA/DES/DPER should agree the timing of such applications (commencement of employment contract or towards retirement), and also a reasonable timeline for responding to applications. The HEA should work with the DES/DPER to ensure that the timeline is adhered to.	DES / HEA / Universities
Section 3.2.3 (Pensions)	16. The application to support a request for Professional Added Years should have the requisite supporting documentation attached including but not limited to the job advertisement, confirmation of years of service with other organisation and that the prior service is not pensionable.	Universities
Section 3.2.3 (Pensions)	17. Where prior experience is considered for the award of added years, a verification check should be performed by the HEI to ascertain if this service was pensionable. This check should be supported by appropriate documentation.	Universities
Section 3.2.3 (Pensions)	18. Where a university is preparing a submission on behalf of an applicant for professional added years, the application should be reviewed and signed by the Head of School (or equivalent) confirming that the skills and experience underpinning the application for added years were pivotal to the initial appointment.	Universities

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HEA Review of Governance Arrangements

Report Section	Recommendation	Action Owner
Section 3.2.4 (Pensions)	19. Each university should ensure that administration charges to the pension control accounts do not exceed 12.5%. Where charges are in excess of this threshold, the HEA should be notified and remedial action agreed.	Universities & other HEIs as appropriate
<u>Travel & Subsistence (T&S)</u> – Section 4		
Section 4.2.3 (T&S)	20. All HEIs should introduce an automated workflow system and move away from the need for paper based claim forms. A workflow process would ensure that there is a clear trail of the approval process followed for each claim. A formally recorded reasonableness check should be completed by Finance for a sample of expense claims.	HEIs
Section 4.2.3 (T&S)	21. All HEIs should introduce and apply a gift policy, which includes a section on the purchase of gifts for third parties.	HEIs
Section 4.2.3 (T&S)	22. HEIs should ensure that all purchases which relate to equipment are acquired through the Procurement function and are in line with Public Procurement Guidelines.	HEIs
Section 4.2.3 (T&S)	23. HEIs should introduce a sanction for late submission of expense claims (e.g. escalation of the approval for claims which are not submitted within the required timeframe).	HEIs
Section 4.2.3 (T&S)	24. HEIs should remind employees of the requirement to attach all original supporting receipts to claim forms prior to submission and they should be reminded that credit card statements/bank statements will not suffice.	HEIs
Section 4.2.3 (T&S)	25. HEIs should ensure that where unusual transactions arise, these are documented accordingly and approved in advance by the first line of approval. Evidence of this approval should be retained.	HEIs
Section 4.2.3 (T&S)	26. Where a T&S claim is made and an element of FX applies, a screenshot of the FX rate from a reliable FX conversion source should be attached.	HEIs
Section 4.2.3 (T&S)	27. Where honorariums are paid to employees, these should be included in the payroll run and subject to appropriate taxes.	HEIs
<u>Leave</u> – Section 5 <i>Sabbatical Leave – Section 5.1</i>		
Section 5.1.2 (Sabbatical Leave)	28. Consideration should be given to developing a cross sector working group to develop a Sabbatical Leave policy applicable to all HEIs, which addresses the inconsistencies identified in the existing individual HEI policies. The principles to be addressed by this working group should include ownership, eligibility, the approval process and the interval length between periods of Sabbatical Leave.	HEIs / DES / HEA

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HEA Review of Governance Arrangements

Report Section	Recommendation	Action Owner
Section 5.1.2 (Sabbatical Leave)	29. It is imperative that every Sabbatical Leave application includes detail on the value which will be brought back to the HEI following the period of Sabbatical Leave.	HEIs
Section 5.1.2 (Sabbatical Leave)	30. Clear guidelines should be in place within individual HEIs in relation to applying the Salary Sacrifice Provision of the Taxes Consolidation Act and the tax implications of each application for Sabbatical Leave. A process of checking in with Academics during the period of Sabbatical Leave should be introduced to ensure the arrangement as outlined in the application, has not changed.	HEIs
Section 5.1.2 (Sabbatical Leave)	31. Independent taxation advice should be obtained, on a regular basis, to ensure that the Salary Sacrifice Provision is being complied with.	HEIs
Section 5.1.2 (Sabbatical Leave)	32. A greater level of discipline should be enforced to ensure that Sabbatical Leave reports are submitted on time.	HEIs
<i>Annual Leave – Section 5.2</i>		
Section 5.2.3 (Annual Leave)	33. The HEIs should seek clarity on the annual leave entitlements of Academic staff in order to ensure consistency is applied through the Higher Education Sector.	HEIs
Section 5.2.3 (Annual Leave)	34. Consistency in relation to the carrying forward of annual leave should be applied throughout the Higher Education Sector.	HEIs
Section 5.2.3 (Annual Leave)	35. While it is appropriate for the individual Schools/Departments to monitor the annual leave of staff, there should also be a central repository of annual leave maintained.	HEIs
Section 5.2.3 (Annual Leave)	36. All HEIs should ensure consistency in the tools used to monitor the annual leave for staff. Schools/Departments should be reminded of the importance to achieve value for money and should be reminded that the procurement of any software/systems should be made in line with the Public Procurement Guidelines.	HEIs
Section 5.2.3 (Annual Leave)	37. A standardised approach should be put in place when calculating the amount of annual leave to be taken where the request includes part of a day (e.g. half day).	HEIs
Section 5.2.3 (Annual Leave)	38. HEIs should ensure heads of departments are clear of their managerial responsibilities in relation to approving, monitoring and recording annual leave.	HEIs

Executive summary

HEA Review of Governance Arrangements

Report Section	Recommendation	Action Owner
<i>Sick Leave – Section 5.3</i>		
Section 5.3.3 (Sick Leave)	39. HEIs should deduct sick pay directly from employees and place the onus on employees to claim their illness benefit directly from the Social Welfare where staff are ill for more than 10 consecutive days.	HEIs
Section 5.3.3 (Sick Leave)	40. There should be clear ownership of sick leave applied throughout the HEIs and all supporting documentation as required by policy should be appropriately retained.	HEIs
Section 5.3.3 (Sick Leave)	41. All HEIs should have the functionality to run sick leave reports to ensure the limits of paid sick leave, as outlined in section 5.3.1 are being adhered to.	HEIs
Section 5.3.3 (Sick Leave)	42. The individual HEI sick leave policies should be consistent with Circular 0062/2015 and consistent with each other.	HEIs

2. Pay

2. Pay

2.1 Background

Three public sector pay awards took place in 2018, as follows:

- 1st January 2018 - (Circular 0084/2017 for IOT's)
- 1st April 2018 - (Circular 0023/2018 for IOT's)
- 1st October 2018 (Circular 0059/2018 for IOT's)

The Circulars issued to the IOT's set out the exact salary that would apply for each Grade in the IOT and HR staff in IOT's upload the new scales to CORE which is the primary system used to process payroll in all of the HEIs sampled. However, the guidance issued to the Universities did not set out the exact new salary. Instead, the guidance set out the steps to be followed for calculating the increase to be applied and it was the Universities responsibility to complete this calculation and make the corresponding changes on CORE. We compared the salaries applied for grades across three of the Universities in scope for this review and noted some differences on the salaries applied.

Role	HEI 2	HEI 5	HEI 6
Full professor			
<i>First point</i>	€115,887	€115,888	€115,887*
<i>Last point</i>	€145,660	€145,646	€145,646
Senior Admin IV			
<i>First point</i>	€57,161	€79,957	€57,161**
<i>Last point</i>	€89,891	€95,601	€89,893
Senior Library Assistant			
<i>First point</i>	€37,696	€31,456	€36,290
<i>Last point</i>	€46,090	€44,942	€44,836

* Professor Type A
** Senior Admin Officer IV

In the seven HEIs under review, there was no indication of any severance payments made during the periods in scope. We reviewed a listing of employees who ceased employment in the HEI during the year and did not note any severance payments. We did however note some instances of redundancies (statutory and ex-gratia) and we reviewed a sample of these where relevant, to ensure compliance with the relevant framework.

2.2 Observation

- We noted one instance where verification checks of candidate credentials were not appropriately performed prior to extending an offer of employment. We identified that a candidate who was appointed as Assistant Lecturer did not have the relevant qualifications for this role (Master's degree), as outlined in the job specification. The employee was allowed to continue in their role despite this being uncovered and has since been offered a permanent contract. We acknowledge that the employee is completing a Masters degree at present and is due to complete this in June 2019.

2.3 General Themes

- As part of our Governance review we looked at additional payments which included the payment for additional hours and the correction of exam scripts. In a number of HEIs we noted that employees were in receipt of allowances such as a caretaker allowance and acting up allowances. In two of the HEIs under review, we noted employees who were in receipt of a Headship allowance for performing additional duties. In one HEI this was calculated as 7.5% (max) of the Professor scale and applied to Senior Lecturers/Associate Professors. In the other HEI where this allowance applied, it was calculated as 40% of the difference between the top point of the Senior Lecturer scale (or Associate Professor scale) and 1st point of the Professor scale, rising to the 5th point of the Professor scale.
- We noted that in a number of HEIs there are no job descriptions in place, which designate a standard level of responsibility, appropriate to each grade.
- In three of the seven HEIs, we noted that there were differences in the scales for similar grades (refer to table in 2.1).
- In three of the seven HEIs, we observed a practice whereby on commencement of employment, employees were appointed above the first point of the scale. The records to support the basis for this appointment were not available for a variety of reasons including the passage of time and new HR teams being introduced.
- In two of the seven HEIs, we noted instances whereby we were not provided with employees contracts of employment. Additionally, in one of the HEIs sampled, the employee's contract was not signed.
- From our review of arrangements in place to process pay and pensions requests and the mechanisms used to monitor and identify instances of non-compliance on the Core system, we noted that a number of HEIs do not perform regular user access reviews.
- As per our terms of reference, we were requested by the HEA, on behalf of the DES to follow up on areas where prior non-conformances were identified as follows:
 - We identified two instances where deviations from the Departures Framework in a HEI were not approved in advance by the Governing Authority and detailed justification for the departures made under this framework were not provided to the HEA for approval. The HEI did complete the required forms for the HEA/DES twice a year providing details on the pay associated with the two posts; and
 - Benefit in kind (BIK) issues regarding the provision of a residence in a HEI, where we observed relevant HEI correspondence with the Revenue Commissioners and ascertained current status.

2.4 Recommendations

- HEIs should perform appropriate verification checks prior to extending an offer of employment to candidates.
- For each grade on the pay scale, there should be an accompanying job description which clearly designates an appropriate and equivalent level of responsibility.
- The practice of appointing individuals on higher than point one of the scale, needs to be supported by adequate documentation/records to justify the appointment above point one. An example of a type of record that could be used is that being used by one HEI under review, whereby a salary proposal form is utilised.
- Each HEI should provide employees with contracts, setting out the role, responsibilities and conditions of employment. All contracts should be signed by the employee and an appropriate staff member within the HEI.
- Consideration should be given to conducting a review to ascertain if consistency can be reasonably applied to salaries and allowances across the sector. This sectoral review could be performed by an independent body.
- Each HEI should perform user access reviews, on a periodic basis to assess the appropriateness of the user permissions awarded to individuals on CORE.

In relation to the unresolved matters which were included in our terms of reference, the following recommendations are relevant:

- Where HEIs wish to make an appointment under the Departures Framework, submissions should be approved by the Governing Authority following which a detailed justification for the departure is submitted by the HEI under this framework to the HEA. Commitments should not be given by the HEI until approval from the Governing Authority has been obtained.
- All elements of management remuneration should be treated appropriately for tax purposes and this would include any indirect benefits arising from the terms of the relevant employment contract where the Revenue Commissioners have not given explicit exemption. HEIs should liaise with the Revenue Commissioners in this regard to ensure no aspects of remuneration, pay and benefits go without appropriate tax treatment.

3. Pensions

3. Pensions

3.1 Background

Within the HEI sector we identified three public sector pension schemes namely:

1. Education Sector Superannuation Scheme (referred to by different HEIs as ESSS/**Closed**/Funded/Ordinary), hereafter referred to as the “**closed**” scheme. This scheme closed on 31 March 2004;
2. Education Sector Model Scheme (generally referred to as the Model Scheme), hereafter referred to as the “**model**” scheme. This scheme opened on 1 April 2004 and closed on 31 December 2012; and the
3. Single Public Sector Pension Scheme (SPSPS), hereafter referred to as the “**single**” scheme. This scheme opened on 1 January 2013 and is the scheme that is currently open to new entrants.

Management of the pensions processes is the responsibility of dedicated pension administrators within the Human Resource function at each HEI. We identified one HEI where the pension administration was outsourced.

Core is the primary system used in the pension administration process. Core HR is used to record employee details and they are assigned to their pension schemes on this system. Core Pay is used to calculate and deduct employee and employer contributions. These contributions are posted to the Pension Control Account on the Agresso System, or in one HEI sampled, Pegasus Opera II.

Whilst there are a number of allowances that can be paid to staff, these are not pensionable unless specifically approved as being pensionable by the Department of Education and Skills.

There is a requirement (s.64G) within the Pensions Acts 1990 to 2018 for pension administrators to “*prepare on behalf of the trustees annual benefit statements for members and deliver them to the trustees not less than one month prior to the date by which the trustees are required by regulations under this Act to make such statements available.*” A number of HEIs have the Core Pensions module which allows staff to view their entitlements and their annual benefit statement once prepared.

3.1.1 Eligibility

When we discuss eligibility, we are referring to the pension scheme that the employee should be joining on taking up their employment with the HEI. The key driver of this is the date the person joined the relevant HEI and their prior public sector pensionable service (if any). In general the rules are as follows:

Membership of the Single Scheme

- All employees appointed to the HEI on or after 1 January 2013 who are taking up their first appointment in the public service; and
- Employees appointed to the HEI since 1 January 2013 who may have previous public sector pensionable service but have a break in public sector pensionable service in excess of 26 weeks.

Membership of Model Pension Scheme of the relevant University or in the case of the IoTs The Education Sector Superannuation Scheme

- Employees who were members of a pre-existing public sector scheme prior to their appointment to the HEI and who do not have a break in service in excess of 26 weeks

Other than members of the Single Pension Scheme when an employee joins from a previous public sector body, the individual has the option to transfer in their pensionable service to the appropriate HEI Pension scheme or to preserve their pension benefits in the pension scheme of their former employer. Where the employee transfers in their pensionable service, a transfer of service form setting out details of their previous employment and the declaration of years of service is requested from the previous employer. This is held on the Employee file and will be used to calculate their years of service on retirement. Our testing with respect to eligibility comprised of a review of documentation to ascertain that employees were members of the correct pension scheme.

Where staff are funded from non-exchequer sources (e.g. research projects), there is a requirement that the project costs now include a 20% employer contribution for those on the Closed Scheme and Model Scheme or three times the employee contribution for those on the Single Scheme.

3. Pensions

3.1.2 Professional Added Years

There is provision in all the Universities and Higher Education pension schemes for Professional Added Years with the exception of those on the Single Public Sector Pension Scheme. In our sample only the three Universities and one other HEI had applied professional added years.

Universities

"The underlying aim of Professional Added Years is to provide for the granting of a limited number of added years of notional service for superannuation purposes in cases where the minimum preconditions for appointment to a post are such as to preclude an appointee from acquiring full superannuation entitlement by pension age."

Staff can only seek to have Professional Added Years at retirement, the total number of added years for the purposes of pension, together with the number of actual years of pensionable service cannot not exceed 40 years. We note that there are different rules around the different pension schemes (Closed, Model), where we note that under the Single Scheme, Professional Added Years are not provided.

Each University appear to have their own practice for assessing applications for added years. In all cases the application is to be submitted by the relevant HEI to the HEA to seek DES and DPER approval. The HEA is then to respond to the HEI with a decision in each case.

Subject to scheme rules, 1% of final salary for each added year or part thereof is to be deducted from the retirement gratuity in order for the added years to be reckonable for spouses' and children's benefits.

Institutes of Technology

In our sample of three IOTs, there was only one instance identified of professional added years which was then examined against the Department of Environment Circular S6/87 *Added Years for Superannuation Purposes*.

3.1.3 Pension Control Accounts

Pension control accounts are used to record the financial transactions relating to the various pension schemes on Agresso. A number of transactions are processed through the pension control account following each payroll run including:

- the employee contribution by pension scheme;
- the employer contributions by pension scheme;
- the employer contribution from non-exchequer sources;
- Administration costs;
- Rebates; and
- Payments.

As part of our testing, we were able to trace deductions from the employees pay to the pensions control account and we also ascertained the source of the employer contribution for our sample of non-exchequer funded employees.

Movements to the pension control account are reconciled monthly and at the end of the financial year, the figures are included in the financial statements of each HEI.

There is an arrangement whereby administration costs charged to control accounts amounting to 12.5% of employee contributions in respect of the closed and model schemes are permitted. It was proposed that this would represent a reasonable measure of administration activity and applied to all Universities. There is no administration cost charged to the single scheme as funds are transferred to the Exchequer where they are managed centrally.

We identified that IOT's do not charge administration costs through their control accounts as their schemes are state sponsored. All deductions are processed through the control accounts and transferred to DPER where they are managed centrally.

3. Pensions

3.2.1 General Themes & Recommendations

- Pensions is a complex area requiring specialist knowledge. We noted dependency on a small number of staff for their knowledge and experience in this area.
- In one HEI, we noted that pension administration was outsourced and resulting in high costs being incurred. The issue is being exacerbated by the reduction in employees and their contributions from the closed and model schemes and an increase in costs associated with the administration of the scheme.
- In relation to the legal requirement to issue Annual Benefit Statements, we noted that in at least three out of seven HEIs, these statements were not issued due to limitations in the Core system.

Recommendations

- Each HEI should perform an internal skills audit to identify where single points of dependency exist across the areas of pensions. Where this issue presents, a contingency plan should be prepared.
- The DES/HEA should complete a cost/benefit analysis with regards to implementing a shared services centre for pension administration services.
- In order to comply with the Pensions Act 1990, amended in 2018, all HEIs should issue benefit statements to employees annually.

3.2.2 Eligibility – Themes & Recommendations

- We noted that there are no automated controls in place to identify if individuals have been put into the incorrect scheme.
- Based on the sample selected, we found in a minority of cases:
 - individuals were placed on the wrong pension scheme;
 - documentation did not support the transfer of service to confirm pension scheme eligibility; and
 - contracts did not indicate their commencement date;

Recommendations

- Each HEI should implement an automated preventative control and subsequent review process when assigning employees to a pension scheme.
- Where an employee wishes to transfer service to a HEI, documentation supporting the transfer should be provided.
- Contracts of employment should clearly outline the eligibility criteria for each pension scheme to allow the employee understand the scheme name that the employee should be enrolled in, subject to a verification checks.

3.2.3 Professional Added years – Themes & Recommendations

- We were informed by the DES that the exercise of all discretions in the pension schemes of the Universities and IoT rests with the Ministers and protocols are in place in relation to the exercise of such discretions. However, we did identify in one HEI an agreement signed in October 2017 between an HEI and the HEA that allowed the HEI to apply their '*custom and practice*' in respect of professional added years for properly categorised members of the Closed scheme. We did see evidence that they notified the HEA of an application for Professional Added Years in January 2018. The HEA confirmed in June 2019 that DES/DPER approval is still pending for this application. We have seen no correspondence to understand the issue that remains outstanding. However we do understand that the relevant employee did retire in January 2018 and was awarded the added years by the HEI on retirement.
- A pivotal theme of our observations was that the applications for added years which we reviewed, did not clearly and explicitly link the academic qualifications and professional experience requirements of the post to the justification for the application for added years. The majority of applications for professional added years did not have supporting evidence as in the job advert setting out the minimum preconditions (qualification and experience) for appointment to check eligibility for the added years.
 - In one HEI, whilst the original job advertisement was missing, there was a statement made in the application to indicate that the individuals qualifications and/or experience "*.was explicitly linked to the post and was pivotal to the individuals appointment.*" We also noted that this statement was not signed by anyone.

3. Pensions

- We understand that the purpose of Professional Added Years is to provide for the awarding of a limited number of added years of notional service for superannuation purposes where the minimum preconditions for the original appointment to a post were such as to preclude an appointee from acquiring full superannuation entitlements on reaching pension age. Where the employee is seeking professional added years for experience gained outside of the public sector, we did not see any evidence of an independent verification of the claim being made in the application. Years of service should only be considered for pension benefits once.
- We did not evidence involvement of the Head of Department or the Head of School in the professional added years application process. The application process typically involved the employee and the pension administrator. This is peculiar given claim in the application that would need to be verified (e.g. qualification and experience). The importance of independent verification is compounded by the absence of job descriptions.
- A formal template does not exist for the submission of professional added years to ensure all required information is obtained and reviewed. This may be the root cause for the absence of the material outlined above.

Recommendations

- The DES/HEA are working with HEIs to develop and streamline the application process for the award of professional added years. A standard template/checklist for added years applications has been circulated to each university. The DES/HEA require each HEI to submit all added years applications for approval, in advance of award. HEIs should not make an award of added years until written approval is provided from the DES/DPER. The HEA/DES/DPER should agree the timing of such applications (commencement of employment contract or towards retirement), and also a reasonable timeline for responding to applications. The HEA should work with the DES/DPER to ensure that the timeline is adhered to.
- The application to support a request for Professional Added Years should have the requisite supporting documentation attached including but not limited to the job advertisement, confirmation of years of service with other organisation and that the prior service is not pensionable.
- Where prior experience is considered for the award of added years, a verification check should be performed by the HEI to ascertain if this service was pensionable. This check should be supported by appropriate documentation.
- Where a HEI is preparing a submission on behalf of an applicant for professional added years, the application should be reviewed and signed by the Head of School (or equivalent) confirming that the skills and experience underpinning the application for added years were pivotal to the initial appointment.

3.2.4 Control Accounts - Themes & Recommendations

- In 2012, the HEA recognised wide variations and inequities in how universities calculate the administration costs associated with pensions and subsequently requested that the sector consider how these costs might be dealt with in an equitable manner. It was proposed that employee contributions would be used as the basis for calculating the charge as they represent a reasonable measure of administration activity and apply to all universities. A rate of 12.5% of employee contributions was agreed for the closed and model schemes only.
- We set out in the table on the next page the Administration Costs for each university in 2016/2017 in our sample and set out the representative percentage of Employee Contribution. We note that in one HEI, the percentage relating to the Closed Scheme is not within the Threshold of 12.5%.
- We set out on the next page tables detailing the admin costs charged by each university in our sample, for the period under review.

3. Pensions

3.2.4 Control Accounts - Themes & Recommendations . . .c/td

HEI 2 – Administration Costs as % of Employee Contributions

	Closed Scheme	Model Scheme
Employee Contribution	€3,971,967	€3,079,085
Total Admin Costs	€479,228	€291,067
Admin Costs Within the Threshold of 12.5% of Employee Contribution	Yes – 12.1%	Yes – 9.5%

HEI 5 – Administration Costs as % of Employee Contributions

	Closed Scheme	Model Scheme
Employee Contribution	€3,044,033	€2,110,253
Total Admin Costs	€380,504	€263,781
Admin Costs Within the Threshold of 12.5% of Employee Contribution	Yes – 12.5%	Yes – 12.5%

HEI 6 – Administration Costs as % of Employee Contributions

	Closed Scheme	Model Scheme
Employee Contribution	€941,544	€1,468,273
Total Admin Costs	€235,045	€182,277
Admin Costs Within the Threshold of 12.5% of Employee Contribution	No – 24.96%	Yes – 12.41%

Recommendation

- Each university should ensure that administration charges to the pension control accounts do not exceed 12.5%. Where charges are in excess of this threshold, the HEA should be notified and remedial action agreed.

4. Travel & Subsistence (T&S)

4.1. Background

Employees are reimbursed travel and subsistence expenses when they travel on business journeys and when they are working away from their normal place of work. Circular 06/2017 sets out the Domestic Subsistence Allowances to be paid to employees and Circular 05/2017 sets out the Motor travel rates to be applied. All HEIs are expected to apply these rates and include a reference to these rates in their T&S policy.

T&S is a significant expense incurred by all HEIs. We reviewed the latest annual accounts available (2017) for the seven HEIs and noted that the T&S spend ranged from €121k to €11.4m reflecting the size and type of HEI visited.

Four of the HEIs under review utilise the CORE expense back office module as part of the processing of T&S claims. Employees are required to manually fill out the expense claim form, attach reporting receipts and ensure it is signed off appropriately. The details from the claim form are then entered onto the CORE expense system by the Finance administrator. One HEI used a paper based system up until September 2017 at which point they introduced the CORE back office expense module and a front facing ESS system which interfaces with CORE, abolishing the need for paper-based claim forms. One HEI introduced the CORE front facing system in September 2018 and this system allows employees to enter the claim details and supporting receipts online and abolishes the need for paper-based claim forms. One HEI uses a different approach whereby each department in the HEI has an administrative representative who uploads the expense claim forms for their Department on Agresso. Once the claim is approved on Agresso it is digitally sent through to the Accounts Payable team for review and payment.

4.2.1 General themes

Only two of the seven HEIs under review have the ability to process T&S claims using a workflow, providing a clear trail of approval. This workflow allows employees to enter claim details and supporting receipts on the online system. We noted that the other five HEIs currently utilise a paper based system up until the point that the administrator enters the details on the finance system, as part of the processing process.

- In two of the HEIs under review, while there was approval by the employees line manager and Head of Department on each claim form, there was no formally recorded review by Finance. While we acknowledge there was evidence of ticks throughout some claim forms, the review was not formally documented. Finance appeared to see their role as a processing unit as opposed to a review function.
- In three of the seven HEIs under review, we noted gifts were purchased for third parties. In two of the HEIs, a gift policy was not in place while the third HEI has a gift policy in place but it did not specifically refer to purchase of gifts for third parties.
- In two of the seven HEIs, we noted instances whereby the purchase of computer equipment was going through the T&S system instead of the Procurement Function.
- In four of the seven HEIs, we noted instances whereby the expense claims were not submitted within the required timeframe as set out in the HEIs policy.
- In two of the seven HEIs, we noted instances whereby employees were not attaching original receipts and were instead attaching credit card statements/bank statements.
- In a number of HEIs we noted that documented approval was not sought for unusual T&S transactions in advance of the expense being incurred.

4.2.2 Other Observations

- In one HEI, we noted that there is no check completed to ensure the FX rate used is correct and there is no requirement for employees to attach a screenshot from a trusted conversion source showing the rate on the relevant date.
- From our sample testing, we noted an instance whereby an individual was paid an honorarium for their services on an interview panel. The honorarium paid was subject to PSWT. This honorarium should have been paid through the payroll system and subject to appropriate taxes.

4.2.3 Recommendations

- All HEIs should introduce an automated workflow system and move away from the need for paper based claim forms. A workflow process would ensure that there is a clear trail of the approval process followed for each claim. A formally recorded reasonableness check should be completed by Finance for a sample of expense claims.
- All HEIs should introduce and apply a gift policy, which includes a section on the purchase of gifts for third parties.
- HEIs should ensure that all purchases which relate to equipment are acquired through the Procurement function and are in line with Public Procurement Guidelines.
- HEIs should introduce a sanction for late submission of expense claims (e.g. escalation of the approval for claims which are not submitted within the required timeframe).
- HEIs should remind employees of the requirement to attach all original supporting receipts to claim forms prior to submission and they should be reminded that credit card statements/bank statements will not suffice.
- HEI's should ensure that where unusual transactions arise, these are documented accordingly and approved in advance by the first line of approval. Evidence of this approval should be retained.
- Where a T&S claim is made and an element of FX applies, a screenshot of the FX rate from a reliable FX conversion source should be attached.
- Where honorariums are paid to employees, these should be included in the payroll run and subject to appropriate taxes.

5. Leave

5.1 Sabbatical Leave

5.2 Annual Leave

5.3 Sick Leave

5.1 Sabbatical Leave

5.1 Background

Sabbatical leave offers Academic staff uninterrupted periods for research and the opportunity to improve their theoretical knowledge and methodological expertise. It also benefits the HEI by facilitating the achievement of the objectives of its Research and Teaching Strategies and enhances its standing amongst other HEIs both nationally and internationally. Furthermore, it strengthens the skills, knowledge and expertise of permanent faculty staff members. Sabbatical leave is also seen as a form of staff enhancement and through this leave, Academics are given relief from all teaching, supervision/examining and administration duties for an agreed period of time.

Circular 18/04 was issued by the Department of Education and Skills (DES) and sets out the guidance to be followed by IOT's in relation to the procedure for Sabbatical Leave taken by Academic staff. This guidance applied to Sabbatical Leave commencing from the year 2004/2005 onwards. As per this guidance, periods of Sabbatical Leave may be granted for periods of one term/semester up to one Academic year. Similar guidance is not available to the University sector as this is the responsibility of each University under section 25.(3) of the Universities Act 1997, hence each University has its own Sabbatical Leave Policy.

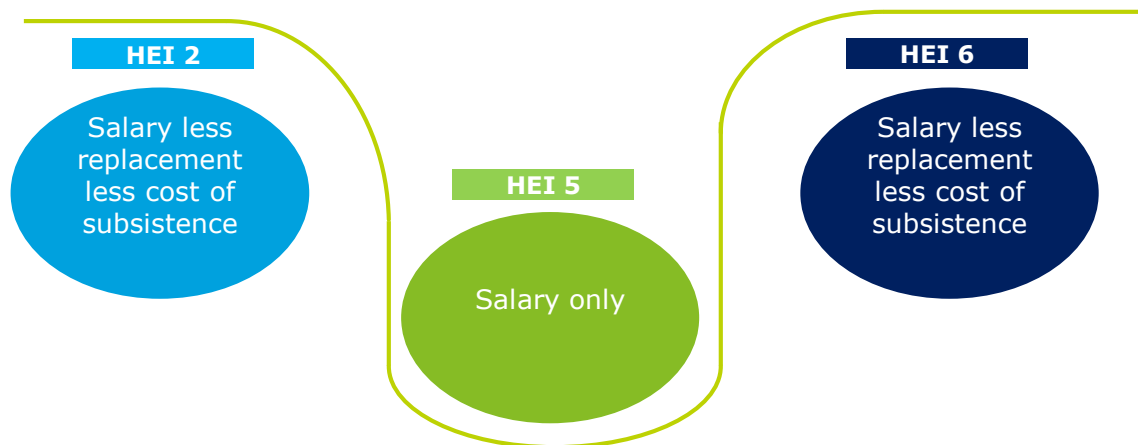
During the period under review, Sabbatical Leave was only availed of by Academics in three HEIs. All three were Universities and we did note that each of these Universities had developed a policy in relation to Sabbatical Leave. In the absence of applicable guidance (Circular 18/04 does not apply to Universities), we compared the three University policies to the guidelines as set out in the Circular 18/04. See **Appendix 4** for detail. We have outlined in table 1 below, the percentage of employees who availed of Sabbatical Leave in each of the three HEIs, during the period.

HEI	% Academic staff on Sabbatical Leave
HEI 2	4%
HEI 5	7%
HEI 6	7%

Table 1 - % of Academic Staff on Sabbatical Leave

5.1 Sabbatical Leave

5.1.1 General themes



- Of the seven HEIs under review, we noted that Sabbatical Leave was availed of by Academic staff (for the period under review) in three HEIs. All three of these HEIs were Universities and therefore Circular 18/04 did not apply (only applies to IOT's). In the absence of guidance, we noted a number of differences across the Sabbatical Leave Policies for each of the three HEIs. In two HEIs, we noted that the decision to approve periods of Sabbatical Leave was made by a the Sabbatical Research Leave Committee or a Sabbatical Leave Board. Meanwhile in one HEI, the decision to approve applications for Sabbatical Leave is made by the College Principal. Further detail on the differences noted between the policies, are outlined in **Appendix 4**.
- From review of the applications for Sabbatical Leave, we note that it is not always evident what value the Academic will bring back to the University following his/her return from Sabbatical Leave.
- The calculation of salary payable to Academics during the period of Sabbatical Leave, differs across the three Universities. In one University, full salary is paid for the duration of the Sabbatical Leave. Meanwhile, in the other two Universities, the employee's salary for the period is reduced by subsistence less any cost of replacement and the balance (if any) is paid through payroll. It is not clear if the salary sacrifice provision of the Taxes Consolidation Act has been considered in full by the Universities who operate this practice. We note that one University has sought tax advice from a professional services firm in 2005 (14 years ago) in relation to this provision. It is not clear if the other Universities have considered this. Furthermore, in relation to employees in receipt of subsistence, we note that regular check-ins with Academics during the period of Sabbatical Leave, do not occur. There is an expectation that the employees are completing the work as outlined in the application form, in the country as set out in the application form. There is also no requirement for employees to submit evidence of any costs incurred e.g. to provide receipts, to validate that they are abroad as per their Sabbatical Leave application.
- A common theme that arose throughout our detailed testing of Sabbatical leave was around the reports which are required to be submitted by employees following the period of Sabbatical. Two of the Universities required this report to be submitted within 1 month of return from the period of Sabbatical Leave. Meanwhile the other University required this to be submitted within 6 months. We noted instances throughout the three University's whereby the Sabbatical report was submitted by employees but not within the required timeframe. In one HEI, we noted eight instances where we were unable to determine if reports were submitted within the required timeframe as the date of submission was not outlined on the report.

5.1 Sabbatical Leave

5.1.2 Recommendations

- Consideration should be given to developing a cross sector working group to develop a Sabbatical Leave policy applicable to all HEIs, which addresses the inconsistencies identified in the existing individual HEI policies. The principles to be addressed by this working group should include ownership, eligibility, the approval process and the interval length between periods of Sabbatical Leave.
- It is imperative that every Sabbatical Leave application includes detail on the value which will be brought back to the HEI following the period of Sabbatical Leave.
- Clear guidelines should be in place within individual HEIs in relation to applying the Salary Sacrifice Provision of the Taxes Consolidation Act and the tax implications of each application for Sabbatical Leave. A process of checking in with Academics during the period of Sabbatical Leave should be introduced to ensure the arrangement as outlined in the application, has not changed.
- Independent taxation advice should be obtained, on a regular basis, to ensure that the Salary Sacrifice Provision is being complied with; and
- A greater level of discipline should be enforced to ensure that Sabbatical Research Leave reports are submitted on time.

5.2 Annual Leave

5.2.1. Background

Annual Leave Entitlements

In relation to annual leave entitlements for Academic staff, we noted different standards have been applied throughout the various HEIs. In some instances, HEIs noted that Academics were entitled to a minimum of 6 weeks annual leave and an additional 2 weeks at Christmas and Easter. In other instances, HEIs noted that Academic staffs annual leave was in line with the HEIs Academic calendar i.e. when the students are off, the Academics are off. In other HEIs we noted that Academic staff are restricted to availing of annual leave over the summer months of July and August due to teaching and exam correction commitments and in other instances, Academic staff are entitlement to 35 annual leave days, as is set out in their contracts. We note that there was consistency in the annual leave entitlements for Academic staff in IOT's. As per their contracts *"leave will be in accordance with the collective agreements approved by the Minister for Education and Science from time to time"*.

The Annual Leave entitlements for non-Academic staff in Universities are governed by the relevant correspondence from the Department of Education and Skills (DES), which was issued on 31st January 2014. As per this guidance, different arrangements exist depending on if staff were employed before the 7th January 2014 or if they were newly recruited or promoted after the 7th January 2014. Similar arrangements apply for staff in Institutes of Technology (IOT's), annual leave entitlements for these staff are governed by Circular 0009/2014.

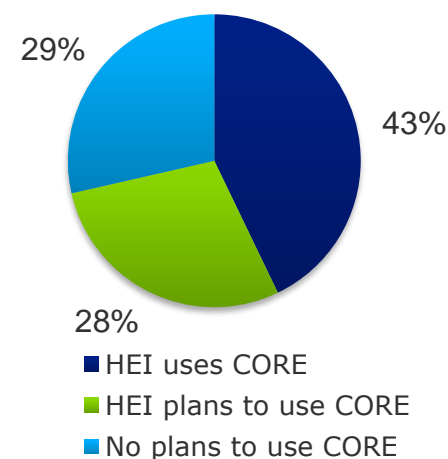
For existing staff i.e. staff employed before 7th January 2014, this guidance capped the total maximum allowance for annual leave days at 32 days. This allowance varied depending on the relevant grade. Any Grades who had a annual leave entitlement in excess of 32 days were brought within the maximum of 32 days with effect from 7th January 2014. A once off compensation mechanism was applied for those staff who saw their annual leave allowance reduce in line with this guidance. Staff employed after 7th January 2014, were aligned to the new bands as per the DES guidance/as per the Circular.

Systems used to track annual leave

We note that three of the HEIs under review, currently use the CORE online system to track annual leave taken by Non-Academic staff. Two HEIs are currently in the process of moving from a manual paper based system, onto the CORE online system. The remaining two HEIs do not use and as far as we are aware, have no plans at present to move to the online CORE system.

HEI	Academic staff entitlement:
HEI 1	A minimum of six weeks' annual leave is granted per annum.
HEI 2	Not less than one calendar month.
HEI 3	A minimum of six weeks' annual leave and an additional 2 weeks at Christmas and Easter.
HEI 4	In line with HEI's Academic calendar.
HEI 5	line with HEI's Academic calendar'
HEI 6	line with HEI's Academic calendar'
HEI 7	In line with HEI's Academic calendar.

Use of the CORE System in HEIs



5.2 Annual Leave

Carrying forward annual leave

We acknowledge that there may be instances whereby employees are unable to take all of their annual leave entitlement in the Academic year. We note that all seven HEIs have included a section on the procedure for carrying forward leave, in their annual leave policies. However, one of these HEIs does not state a max number of days that can be carried forward. In the other six HEIs, we also note some inconsistencies around the number of annual leave days that can be carried forward from one Academic year to the next. We have set out these inconsistencies in the following table:

HEI	Max. no. of Allowable Days Carried Forward (as per HEI policy)	Approval Required By	Annual Leave Year
HEI 1	5 days	Line Manager	October to September
HEI 2	No max specified in policy	Head of School/Unit	January to December
HEI 3	5 days	President	January to December
HEI 4	5 days	Head of Department/Function	April to March
HEI 5	10 days	Head of College	July to June
HEI 6	No annual leave policy in place	No annual leave policy in place	January to December
HEI 7	4 days	Not specified in policy	April to March

5.2.2 General themes

There is a lack of clarity on the annual leave entitlements for Academic staff throughout all of the HEIs. There is some consistency across the IOT's as the following is set out in Academics contracts of employment *"leave will be in accordance with the collective agreements approved by the Minister for Education and Science from time to time"*. As already noted in section 5.2.1, the annual leave entitlements differed across the Universities and they were entitled to a minimum of six weeks annual leave.

- In four of the seven HEIs, we noted that the HEI were not in compliance with their own policy with regards to the carrying forward of annual leave. We found instances whereby employees were carrying forward 183 days, 140.5 days, 81 days and 76 days of annual leave from one year to the next. This was not in line with policy. We also note that at present there is no sector wide guidance in place with regards to the carrying forward of annual leave.
- In four of the seven HEIs, we noted that there was no ownership for who is responsible for monitoring annual leave entitlements, which may lead to the potential for abuse. We also noted that there was no central monitoring of annual leave.
- In each of the HEIs reviewed, there was no consistency in terms of how annual leave was calculated where less than a full day was taken.

5.2 Annual Leave

- In four of the seven HEIs, we noted that the record management of annual leave was a manual process and was not consistent throughout the HEIs. We note that two of these HEIs are in the process of moving to the CORE online system. During testing, we noted that HEIs utilised various techniques and tools in the approval and monitoring of annual leave. Examples of these are as follows:
 - Tools such as Microsoft word documents, Microsoft excel documents, and google calendar were utilised by the various Schools/Departments.
 - Online annual leave systems were utilised in some instances and there was a cost associated with the use of such systems.
 - We noted instances whereby annual leave was verbally approved but no evidence of actual leave being tracked for the period was retained.

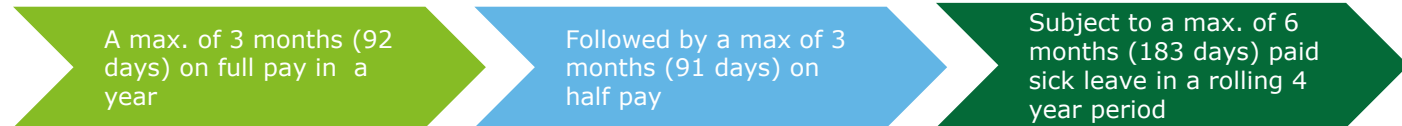
5.2.3 Recommendations

- The HEIs should seek clarity on the annual leave entitlements of Academic staff in order to ensure consistency is applied through the Higher Education Sector.
- Consistency in relation to the carrying forward of annual leave should be applied throughout the Higher Education Sector.
- While it is appropriate for the individual Schools/Departments to monitor the annual leave of staff, there should also be a central repository of annual leave maintained.
- All HEIs should ensure consistency in the tools used to monitor the annual leave for staff. Schools/Departments should be reminded of the importance to achieve value for money and should be reminded that the procurement of any software/systems should be made in line with the Public Procurement Guidelines.
- A standardised approach should be put in place when calculating the amount of annual leave to be taken where the request includes part of a day (e.g. half day).
- HEIs should ensure heads of departments are clear of their managerial responsibilities in relation to approving, monitoring and recording annual leave.

5.3 Sick Leave

5.3.1 Background

Sick leave in IOT's is governed by Circular 0062/2015, which took effect from 1st September 2014. Guidance issued by the DES to Universities, with effect from 1st September 2014, sets out the exact same guidelines as the IOT Circular. As per these documents, an employee who is absent from work because of personal injury or illness, may be granted paid sick leave as follows:



The award of extended sick leave for critical illness or serious physical injury is a decision for the employer following receipt of medical advice from an Occupational Health Physician (OHP).

Where the relevant period of paid sick leave has been exhausted, an employee with a minimum of five years' service (in a pensionable position either in a whole-time or part-time capacity) at the end of the period of paid sick leave may be granted Temporary Rehabilitation Remuneration (TRR) subject to certain conditions. TRR will be calculated on the following:

- Pensionable pay; and
- Paid pensionable service accrued in the employment at the time paid sick leave was exhausted, together with the added years which would be awarded if ill health retirement were granted.

TRR can not exceed 18 months (548 days) in the case of ordinary illness. An employee who, on having exhausted the maximum period of paid sick leave (and does not qualify for TRR) is still medically unfit to resume duty and wishes to retain his/her position in the employment must notify the employer of his/her intention to avail of a period of unpaid sick leave within which he/she may resume working if certified as fit to do so. This period of unpaid sick leave shall not normally exceed the TRR limits referred to above.

As per this guidance, a medical certificate is required where an employee is absent on continuous sick leave of more than two days.

Sick leave records must be reviewed over a rolling four year period. This means that where an employee has a sick absence on or after the 1st September 2014 and has been paid more than 183 days sick leave in a rolling 4 year period, that employee may find him/herself moving immediately to half pay or TRR, as appropriate.

Employees who pay certain classes of PRSI (A, E, H and P) may be entitled to Illness Benefit from the Department of Employment Affairs and Social Protection (DEASP). During a period of absence. You are only entitled to claim this benefit on the 7th day of illness and a number of conditions apply.

5.3 Sick Leave

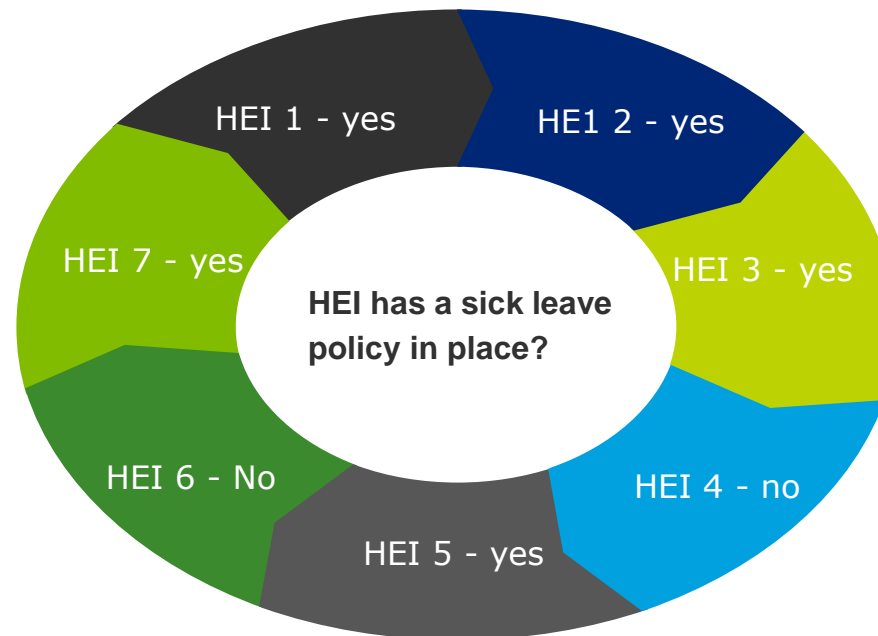
As part of our detailed testing, we selected a sample of staff who were certified as absent during the period under review. From a sample selection of 65 sick leave absences across six HEIs (due to the manual nature of the monitoring of sick leave in one HEI, we were unable to test sick leave), only 11 of the 65 staff were Academics. In one instance (HEI 2), our randomly selected sample of ten did not include academic staff. This is demonstrated in the tables below. The table below gives an indication of the staff numbers by each HEI visited and of the random sample selected by each HEI, the split of staff by academic and non-academic.

#	Population Size Bracket	Sample Size	No of Academics	No. of Non Academics
HEI 1	Sick leave not sample tested due to manual nature of process			
HEI 2	500 - 999	10	0	10
HEI 3	Up to 249	10	2	8
HEI 4	250 - 499	10	2	8
HEI 5	500 - 999	10	2	8
HEI 6	Up to 249	10	1	9
HEI 7	250 - 499	15	4	11

5.3 Sick Leave

5.3.2 General themes

- In only one of the seven HEIs reviewed, we identified that Illness Benefit is deducted directly from the employee's pay where the responsibility to claim Illness Benefit from Social Welfare is transferred to the employee. We noted that in the other six HEI's, various practices occurred in relation to Illness Benefit, which placed a significant administrative burden on the resources of each HEI.
- Similar to the general theme noted in relation to annual leave, we noted a lack of ownership in relation to the monitoring of documentation relating to the sick leave process in HEIs:
 - We noted instances whereby medical certificates were not submitted by employees for the period of sick leave.
 - We noted instances whereby the internal sick leave forms were not retained on file by HR, as is required by policy.
- Sick leave needs to be monitored to ensure that they are not exceeding the limits as outlined in **section 5.3.1**. We noted in two HEIs that the HR system in operation does not have the functionality to run sick leave reports and instead these HEIs are using a manual excel spreadsheet to track sick leave. There is a risk that HR are not alerted to the need to make adjustments if an employee is hitting the maximum of 183 days paid sick leave in a rolling four year period.
- We noted some differences across the HEIs in relation to the information contained in their respective sick leave policies. See **Appendix 5** for gap analysis we completed. We noted that HEI 4 and 6 do not have a sick leave policy in place, however, they use Circular 0062/2015 as a reference.



5.3 Sick Leave

5.3.3 Recommendations

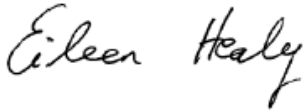
- The HEI should deduct the sick pay from employees pay and place the onus on employees to claim their illness benefit directly from Social Welfare where staff are ill for more than 10 consecutive days.
- There should be clear ownership of sick leave applied throughout the HEIs and all supporting documentation as required by policy should be appropriately retained.
- All HEIs should have the functionality to run sick leave reports to ensure the limits of paid sick leave, as outlined in **section 5.3.1** are being adhered to.
- The individual HEI sick leave policies should be consistent with Circular 0062/2015 and consistent with each other.

Appendices

Appendix 1

Statement of Responsibility

WE HEREBY TAKE RESPONSIBILITY FOR THIS REPORT WHICH IS PREPARED ON THE BASIS OF THE LIMITATIONS SET OUT BELOW.



Eileen Healy
Partner
For and on behalf of
Deloitte Ireland LLP
Chartered Accountants
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2

Date: 11 October 2019

CONTACT PERSONS:

Eileen Healy, Partner	086 1643082
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The matters raised in this report are only those which came to our attention during our review and are not necessarily a comprehensive statement of all weaknesses that exist, or of all improvements that might be made. Our review was not a full compliance review as it was performed on a limited sample basis. This is not an attest engagement. Recommendations for improvement should be assessed by the Higher Education Authority for their full implications before they are implemented. This report has been prepared solely for the Higher Education Authority and should not be quoted or referred to in whole or part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended, for any other purpose.

Approach

Our approach for each of the areas above at the sample HEIs included:

- Performing a desktop review of the relevant policies, including government, Department of Education and Skills (DES) and HEA. We also reviewed guidance and public sector agreements to ascertain that HEI policies are appropriately aligned;
- Performing walkthroughs of the HEI processes in place for each in scope area with appropriate HEI staff;
- Evaluating implementation of the policies and guidance by reference to the outcome of the walkthroughs; and
- Testing on a sample basis for each in scope area to ascertain timely compliance with policies and guidelines. Our samples sizes were as follows:

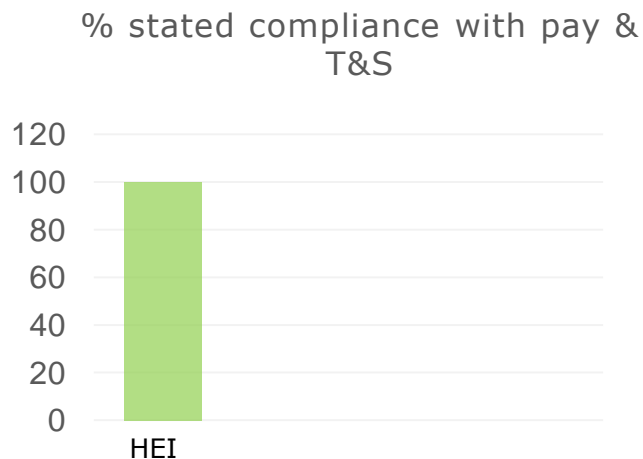
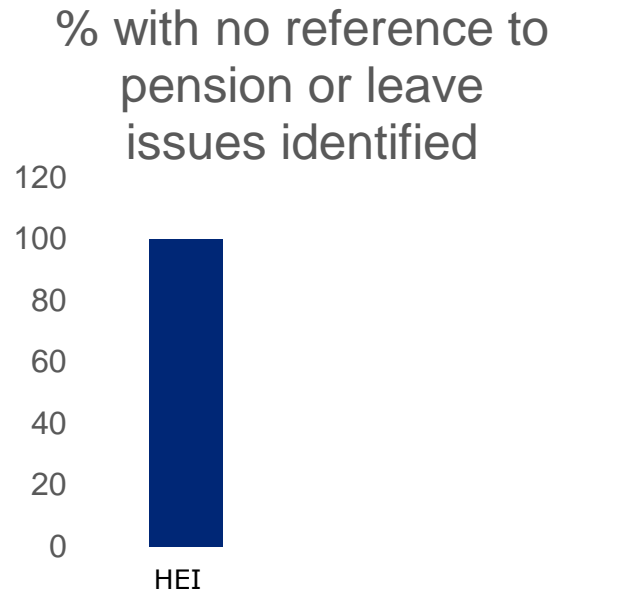
Section	Area	Sample Size
Pay	Pay scales testing	15
	Additional allowances	5
Pensions	Eligibility	10
	Added years (where applicable)	5
	Non-exchequer funded pension testing (where applicable)	5
Travel and Subsistence	T&S claims	25
Leave	Annual leave	15
	Sick leave	10
	Sabbatical leave (where applicable)	10

- Provision of detailed findings relevant to each of the sample HEIs to inform them of the issues identified, confirm accuracy of the issues and to give each HEI the opportunity to provide additional information or feedback where appropriate on the issues raised.
- Additionally, in relation to the areas of pay and pensions, through discussion with HEI management and review of HEI documentation, we ascertained the progress achieved to resolving individual pay and pension issues previously identified by the DES and the HEA as follows:
 - A breach of the Departures Framework in HEI 5;
 - A benefit in kind consideration regarding the provision of a residence in HEI 2; and
 - The process followed for the awarding of professional added years under “custom and practice” in HEI 5.

Appendix 3

Analysis of the HEIs

Desktop review of annual governance statements for the last available year



From our review of the **annual governance statements** for the academic year 2016/2017, we observed the following:

Of the 7 HEIs:

- All had submitted annual governance statements to the HEA for the 2016/2017 Academic year.
- All seven indicated that Government policy on **pay** is being complied with or to the best of their knowledge it is being complied with.
- Seven made no reference to the areas of **pensions** or **leave** within the annual governance statement. Only The Technological Higher Education Association (THEA) Code of Governance for Institutes of Technology currently makes reference to disclosures relating to pensions.
- In respect to **Travel and Subsistence** (T&S), all seven indicated their compliance with Government T&S policy.

Appendix 4

Sabbatical leave IOT Guidance Versus HEI Sabbatical Policies

In the absence of a national policy on sabbatical leave in the University sector, we have performed below a comparative analysis of sabbatical leave guidance in the IOTs against current practices in the Universities reviewed.

REF: Circular 18/04 for IOTs	Content	HEI 2	HEI 5	HEI 6
1. Eligibility	Does the HEI policy clearly state that in order to be eligible for sabbatical leave, members of the academic staff must have completed a minimum of 5 years continuous service	No	1	2
	Does the HEI policy state that Sabbatical leave may not exceed one year in seven	Yes	No	Yes
2. Duration & Conditions	Does the HEI policy clearly state that the sabbatical leave may be granted for periods of from one term/semester to 1 academic year and no more	Yes	Yes	3
	Does the HEI policy specify that sabbatical leave may only be granted where alternative arrangements can be made so that there is no disruption or reduction in teaching programmes, examinations or research supervision	4	Yes	Yes
	Does the HEI policy clearly state that sabbatical leave will be granted subject to the condition that any staff member granted such leave will return to the Institute for a period of at least 2 years following completion of the period of sabbatical leave.	No	No	No
	Does the HEI policy clearly state that Sabbatical leave is for clearly defined research, study or industrial experience	Yes	Yes	Yes

- 1 - Periods of 3 - 6 months research leave require three years of continuous service.
- Periods in excess of 6 months and up to 12 months research leave require six years of continuous service.

- 2 - 3 Years continuous service for 6 Months RSL
- 6 Years continuous service for 12 Months RSL

3 - "Sabbatical Leave will coincide with a single academic year: (1 September to 31 August) or a six month period (either 1 August to 31 January or 1 February to 31 July). In exceptional circumstances a period of the leave extending over a calendar year may be approved."

4. 4 - "It is the responsibility of the Head of School, with assistance from the faculty member, to ensure that the delivery of the modules of the Faculty member on Research Sabbatical Leave meet the required teaching standards expected by the University and that in cases where a replacement Faculty member is sought that they are of at least the equivalent level of qualification of the course being taught"

Appendix 4

Sabbatical leave IOT Guidance Versus HEI Sabbatical Policies

REF: Circular 18/04 for IOTs	Content	HEI 2	HEI 5	HEI 6
3. Remuneration	Does the HEI policy clearly state the Remuneration conditions and include that staff must advise the Institute of all external funding associated with the sabbatical leave	Yes	No	Yes
4. Application Process	Does the HEI policy state that applications must be made at least 3 months (preferably 6 months) before the proposed leave and submitted to the Head of School/Faculty Director for approval	Yes	No	No
	Does the HEI policy clearly state that on completion of the sabbatical leave, the staff member will be required to submit a detailed report outlining the purposes and benefits of their leave to the Head of School/ Faculty Director and to copy same to the Human Resources Department	5	6	Yes
Question specifically for Universities	Does the policy state that where a cost is incurred in the replacement of a staff member, either fully or partially, such payment will be deducted by the University from the staff member's salary.	Yes	Yes	Yes

5 - "A report confirming what has been achieved during each period of Research Sabbatical Leave must be submitted to the Head of School within one month of return" - no requirement to copy same to HR.

6 - "The staff member will submit a written report through their Head of School\Department\Unit to the College Sabbatical Research Leave Committee within six months of completion of leave." - This includes a member from HR.

Appendix 5

Gap analysis – HEI's sick leave policies*

In the table below we have performed a gap analysis of each HEI's sick leave policies, compared to the public sector circular on sick leave (0062/2015).

REF: Circular 0062/2 015	Content	HEI 1	HEI 2	HEI 3	HEI 5	HEI 7
1.2/1.3	Does the HEI policy provide the reason as to why sick leave may be granted?	Yes	Yes	No	Yes	Yes
1.5	Does the HEI policy state that the leave periods will be calculated including weekends, closures and days on which an employee is not timetabled for attendance, occurring within the period of absence?	Yes	No	Yes	Yes	Yes
2.1	HEI policy clearly states the entitlement to Ordinary Illness Leave Provision	No	No	No	No	Yes
3.1	Does the HEI policy clearly state the difference between Ordinary Illness and Critical Illness?	Yes	No	No	No	Yes
3.1	HEI policy clearly states the entitlement to Critical Illness Leave Provision	Yes	No	Yes	No	Yes
3.3	HEI policy clearly states that if an employee has an ordinary illness within a 12 month period of the start date of the granting of a critical illness, the critical illness provisions will apply.	No	No	No	No	Yes
3.4	HEI policy includes a copy of the Critical Illness Protocol	No	No	Yes	No	Yes
4.1	Does the HEI policy give clear arrangements around the Awarding Extended Sick Pay in Exceptional Circumstances?	No	No	No	No	Yes

* - HEI 4 do not have a sick leave policy in place at present.
 - HEI 6 do not have a sick leave policy in place, a link to the sick leave circular is provided for reference.

Appendix 5

Gap analysis – HEI's sick leave policies*

REF: Circular 0062/2 015	Content	HEI 1	HEI 2	HEI 3	HEI 5	HEI 7
4.4	Does the HEI policy clearly state the need for start date of the current illness/injury and start date of the previous certified serious illness, in the area of awarding extended sick pay?	No	No	No	No	Yes
	Does the HEI policy state the repercussion of not providing the above information?	No	No	No	No	No
5.1	Does the HEI policy clearly state what occurs once an employee has exhausted their relevant paid sick leave with a minimum of 5 years pensionable service?	No	No	No	No	Yes
	Does the HEI policy state what TRR will be calculated on?	No	No	No	No	Yes
5.3	Does HEI policy inform employee that TRR is not a period of pensionable service?	No	No	No	No	Yes
5.5	Does the HEI policy state the length of time an employee can be on TRR?	No	No	No	No	Yes
	Does this time period expressed state that it shall not exceed 18 months (548 days)	No	No	No	No	Yes
6.1	Is the maximum period of unpaid sick leave available clearly stated in the HEI policy?	No	No	No	No	No
6.2	Does the Policy clearly state when unpaid sick leave can be applied?	No	No	No	No	No

Appendix 5

Gap analysis – HEI's sick leave policies*

REF: Circular 0062/2 015	Content	HEI 1	HEI 2	HEI 3	HEI 5	HEI 7
10.1	Does the HEI Policy specify the requirement to provide medical certificates for absences in excess of two days?	Yes	Yes	Yes	Yes	Yes
10.2	Does the HEI Policy specify the necessary requirements in which the medical certificates should include?	No	Yes	Yes	Yes	Yes
11.1	Does the HEI Policy provide guidance on the notification and recording of sick leave?	Yes	Yes	Yes	Yes	Yes
12.1	Does the HEI Policy include the sick leave related overpayment protocol?	No	No	No	No	No
13.1	Does the HEI Policy clearly state the requirement to refer an employee to an Occupational Health Physician under s8 of the Safety, Health and Welfare at Work Act 2005?	Yes	Yes	Yes	Yes	Yes
14.2	Does the HEI Policy include the protocol for employees who wish to return to work prior to the date specified on his/her medical certificate?	No	No	No	Yes	No
14.3	Does the HEI policy include the requirement for employees who are absent for 4 or more continuous weeks or absent for any period of TRR/Unpaid leave or a shorter period, where the employer has reasonable grounds for concern to submit medical certification of fitness for duties before resuming their work duties?	Yes	Yes	Yes	Yes	Yes
17.1	Does the HEI Policy provide guidance with regards to statutory annual leave and Public Holiday entitlements that may occur while the employee is on sick leave?	No	No	No	No	Yes

Appendix 5

Gap analysis – HEI's sick leave policies*

REF: Circular 0062/2 015	Content	HEI 1	HEI 2	HEI 3	HEI 5	HEI 7
19.1	Does the HEI Policy highlight that the employee is required to submit an MC1 Social Welfare Certificate after a period of six consecutive days of sick leave.	1	No	Yes	No	Yes
23.1	Does the HEI Policy set out the confidentiality requirement relating to sick leave records and medical certificates?	Yes	No	Yes	No	Yes

1 - "It is the responsibility of the employee to claim any social welfare benefit due."

Appendix 6

Schedule of meetings

HEI	Date
HEI 1	10/12/2018
HEI 2	03/12/2018 – 06/12/2018
HEI 3	22/10/2018 – 29/10/2018
HEI 4	21/01/2019 – 24/01/2019
HEI 5	07/01/2019 – 10/01/2019
HEI 6	21/01/2019 – 24/01/2019
HEI 7	15/01/2019

The dates provided above represent the initial meeting dates whilst performing the onsite testing; additional meetings were held and additional dialogue was also entered into with a number of participants including via email and telephone.

Within each HEI, various meetings were held with staff from each area under review within the HEI.



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