Dáil Éireann

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An Coiste um Chuntais Phoiblí

Tuarascáil Deiridh maidir le
Cuntais Leithreasa 2007; Tuarascáil Bhliantúil ón Ard-Reachtaire Cuntas agus Ciste 2007;
agus Tuarascálacha Speisialta ón Ard-Reachtaire Cuntas agus Ciste

(Éisteachtaí an Choiste sa tréimhse
Deireadh Fómhair 2008 go dtí Iúil 2009)

Meitheamh 2010

Dáil Éireann
Committee of Public Accounts

Final Report on
Appropriation Accounts 2007; Annual Report of the Comptroller and Auditor General 2007;
and Special Reports of the Comptroller and Auditor General

(Hearings of the Committee in the period
October 2008 to July 2009)

June 2010

PRN. A10/0371

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Chairman's Preface

I welcome the publication today of the Committee's Final Report, on the Annual Report of the Comptroller and Auditor General on the 2007 Appropriation Accounts.

This Report covers the work of the Committee from October 2008 to July 2009, when the Committee met in public session on 29 occasions and contains both findings and recommendations in respect of all the areas examined by the Committee and it now falls on the Government to consider these as part of the public accountability process. In addition, the Committee, during that year examined a number of issues relating to FÁS and the key recommendations contained in the Committee's Report on FÁS, which was published in February 2009, were subsequently implemented in the Labour Services (Amendment) Act, 2009.

As Chairman, I want to thank the relevant Government Departments and State Agencies for their co-operation in enabling the Committee to fulfil its mandate on behalf of Dáil Éireann. I also want to compliment the Members of the Committee for their diligent work throughout the year. Finally, I want to thank the Comptroller and Auditor General and his staff and also the staff of the Committee for the assistance they gave to the Committee.

The Committee recommends this Report to Dáil Éireann.

Bernard Allen T.D.
Chairman of the Committee

10th June, 2010

Executive Summary

The examination by the Committee of the 2007 Annual Report of the Comptroller and Auditor General (C & AG) and the Special Reports published by the C&AG highlight issues relating to the value and propriety of transactions and deals with the need to have systems in place to value effectiveness.

Some of the major issues, which now demand greater scrutiny and public accountability, happened in 2008 with the collapse in the financial markets and the need to stabilise our banking sector. The audit of these events forms part of the 2009 Report of the Comptroller and Auditor General and will be the subject of future Reports of the Committee.

The key issues highlighted in this Report include:-

- The capacity of our Public Administration to evaluate risks and to deliver more efficient public services
- The inability of Departments to be able to evaluate the longitudinal impact of schemes
- The need to get better value in areas such as procurement
- The need to make better use of information available to Departments and State Agencies in order to limit losses to the State and/or to reduce ineffective expenditure
- The need to ensure that investments in areas such as IT, which are vital to delivering better services, occur within a project plan which has clear outputs and which has inputs from non-IT personnel, especially the end-users.

All five of these issues feature strongly in this Report and the Committees recommendations are designed to improve decision making in the public service so that the public get the services to which they are entitled. An important lesson also in relation to public accountability and highlighted in the Report is that in areas such as IT developments, the issue is not only that the investment failed, but that the officials had control of the project and were thus able to terminate it before further ineffective expenditure was incurred.

The economic downturn that saw unemployment rise, tax revenue collapse and the banking crisis all happened in 2008 and it was a year the saw the first of the cutbacks in public service expenditure. The focus now is on ensuring that expenditure is directed towards essential rather than desirable services, and to that that end, while the Committee of Public Accounts cannot question the policy decision of the Government to spend money in any area, it is the role of the Committee to ensure that Departments have systems, procedures and practices in place to evaluate effectiveness. The Report highlights that the public service has a good way to go before it can satisfy this public accountability criterion.

To achieve greater efficiencies, the State needs a greater level of expertise available in areas such as the Department of Finance and that Department must now reclaim centre stage in terms of cost controls as well as being able to manage the risks that have arisen with the downturn in addition to the collapse in the financial markets. The Report and the examination of the vote by the Committee specifically deals with this critically important issue.

The analysis of spending, as documented in this Report and as contained in the evidence taken from witnesses, leads the Committee to a general finding all spending needs to be evaluated, both prior to the commencement of projects or schemes and during the term of the expenditure to establish that a desired outcome is on target. In that regard, for example, major IT projects should not be developed in the absence of a long term strategy which provides for the way IT can support the core work of the public service body. Likewise Garda cars should not be purchased and left in storage if a fleet management policy was in place. In another example, a farm waste management scheme would not be implemented without specific targets as to how the State would derive best benefit from the scheme. These are just three of the many examples covered in this report which highlight a focus on activities and inputs rather than long term results. There are also examples of where, because of the readily availability of money, that projects brought forward and put in place without having been fully thought through. That has to change.

In 2009, the Committee, in partnership with the Committee of Public Accounts of the Northern Ireland Assembly, examined a number of the North South Bodies. The Committee intends to work closely with the Committee from the Northern Ireland Assembly in the future to ensure that these seven North/South Bodies work effectively and efficiently for all the people on the Island of Ireland.

Finally, the Committee also examined the accounts of a number of the largest non-commercial state bodies which account for a large element of public expenditure as the Committee is of the view that all bodies involved in the expenditure of public funds should have their accounts reviewed periodically.

Chapter One

Department of Finance

Introduction

Chapter 1 of the Annual Report of the Comptroller and Auditor General summarised the Finance Accounts, which shows total Government Expenditure for 2007 and the way that expenditure was financed. Chapter 2 of the Report dealt with the cost of the delivery of election material by An Post at General and Seanad election time. While decisions relating to taxation and expenditure policy are outside the remit of the Committee, the whole management of the economy was the subject of detailed discussion before the Committee. In particular issues such as the way economic data is published by the Department and the way in which it has fully costed programmes such as the cost of certain tax reliefs were raised and are dealt with in this chapter. Also dealt with is the capacity of the Department of Finance to devise policies to deal not only with the economic downturn but also with the banking crisis. In the case of payments made to An Post, while there is a legislative basis for the payment, the whole issue of seeking a bulk discount and of ensuring that only those postal items that were actually delivered are paid for were raised by the Committee.

Accountability issues

The accountability issue examined by the Committee at its meeting of 30th April, 2009 were:-

- Monthly economic reports of the Department
- The cost of certain tax reliefs
- Capacity issues at the Department of Finance
- Election payments made to An Post.

Monthly Economic Reports of the Department of Finance

The Department of Finance publishes, on a monthly basis, the Exchequer return figures; these figures show the tax take and revenue expenditure figures for the end of the month just ended. For comparative purposes, the figures for the end of the corresponding month in the previous year are also shown. There is no comparison with the target for the month just ended or with the Budget figure. This makes analysis difficult. The Committee was informed that the Department does publish separately profiles for projected tax revenue and expenditure on a monthly basis over the course of the year. These are published after the Budget. The Committee is of the view that that a more meaningful comparison can be made if the actual return is compared with the projected figure as this will enable a more complete commentary on the overall budgetary position. The Committee recommends therefore that the monthly profiles that are published after the Budget be incorporated into the return on the actual outcomes that are produced monthly by the Department.

The Cost of certain Tax Reliefs

Tax reliefs have been a feature of the taxation system in the State for many years, although the recent trend has been to abolish reliefs. These reliefs, in the main, are designed to stimulate activity that is deemed necessary in the public interest. A key issue in respect of all reliefs is to determine their cost in terms of tax forgone. One of the major tax reliefs available in the State relates to contributions to private pension schemes. The Green Paper on pensions, which was published in 2006, gave an estimate of the cost, in terms of tax foregone, to be approximately €2.9 billion. The Committee has specific concerns about the cost of the 6,500 self administered schemes that principally relate to company directors and also the cost of insured schemes for company and proprietary directors. The Committee noted that the Department of Finance, in framing its taxation and expenditure proposals, especially in an era of tax shortfalls and expenditure cutbacks, was still relying on a 2006 estimate in respect of the cost of private pensions which the Committee found to be unsatisfactory. Arising from the examination, the Department assured the Committee that a representative sample survey would be undertaken by the Revenue Commissioners in order to get a more up to date value on the amount of tax that is foregone both through contributions and also in respect of the tax free amounts that can be paid from these schemes, whether by way of pension and/or lump sum. The Committee subsequently received the findings of the Revenue survey and recommends that, in respect of all tax reliefs, that the Department has the full cost of the reliefs available when advising the Minister on budgetary issues.

Capacity issues at the Department

The economic, fiscal and banking crises raise concerns over whether the Department has the skill levels to deliver the outputs that will lead the State through these major and difficult and unprecedented issues. The Committee in raising this specific issue is not questioning the individual competency of any official, however there are structural issues that can limit the Department from having access to staff who have the experience and expertise that are needed to address the issues now being faced by the Department. The Committee is also concerned that the Department may now have become dependant on a small number of key officials and that the pressure on this core group needs to be alleviated through an influx of qualified and experienced personnel whose expertise would prove invaluable in dealing with the current crises.

The majority of senior officials (Principal Officer and above) in the Department of Finance were recruited into the Department at Administrative Officer level and have been promoted internally to their current senior positions. While there is some limited movement between Departments, by way of interdepartmental competitions and through the top level appointments process, it is apparent that the movement of staff into the Department from the private sector and from commercial state agencies is negligible. It is further apparent that the provisions contained in National Agreements, to the effect that certain posts would be open to the wider public, have not led to an influx of talent from the private sector. Rather, these open competitions have been used by existing civil servants as a promotion route.

While the Accounting Officer for the Department outlined that many staff in the Department have third and fourth level qualifications, the Committee would like to see a broader range of experience, from both the private sector and the commercial state agencies, available to the Department. While the current embargo on civil service recruitment will further inhibit the movement of staff into the Department, the Committee recommends that the Department address this issue and if necessary head-hunt talented individuals who can be offered three year contracts with the Department. The Committee understands that proposals on the modernisation of the civil service will seek to break down demarcation lines between professional and general service grades which will enable movement of staff between the civil and wider public sector and these proposals are supported by the Committee which wants to see talented individuals in leadership positions in Government Departments. The Committee also recommends the reactivation of exchange programmes between the public and private sectors, which was provided for in the early 1980's as this is another way of addressing skills shortages prevalent at senior levels in the civil service.

Election payments made to An Post

An Post was paid almost €15 million in respect of the distribution of electoral material by candidates and parties in the General and Seanad Elections of 2007. The C&AG Report highlighted the fact that bulk discounts offered by An Post to its customer base could have saved the State anything between €1.5 and €3.3 million had the Department of Finance negotiated a deal with An Post. The problem in this case appears to arise from the fact that legislation underpinning the provision of free postage specifically entitles full recoupment for lost revenue to An Post. The Committee recommends a review of the current order which is made under the 1992 Electoral Act, which provides for the delivery of electoral leaflets, in order to achieve this outcome in a more cost-effective way. The Committee is also conscious that 2011 will see the introduction of a deregulated postal service and, in that regard, the delivery of election material should become the subject of a commercial contract between the State and a market supplier. The Committee also raised a concern relating to the certification process for payment as this process does not provide evidence to the State as to the number of postal items that were actually delivered. Almost 26 million items were scheduled for delivery for candidates, however the certification process is deficient in that it does not provide for independent certification of actual delivery. The Department of Finance should review this issue to ensure that payment is only made for items actually delivered.

Findings

1. The monthly Exchequer returns produced by the Department of Finance do not make reference to the Budget estimate figures for the month being reported on
2. The figures available to the Department of Finance in respect of the cost of tax relief on pension contributions and in particular the amounts of tax foregone through contributions to self administered schemes were three years out of date when the budget of April 2009 was being framed
3. Structural impediments prevent the Department of Finance from recruiting appropriately experienced individuals to senior positions in the Department

4. The State could not avail of a bulk discounts in respect of the delivery of 26 million electoral items delivered by An Post in respect of the 2007 General and Seanad Elections which cost the State almost €15 million.

Recommendations

1. The monthly target profiles of revenue and expenditure should be incorporated into the Exchequer returns released by the Department of Finance at the end of each month
2. The Department of Finance should have detailed costings available in respect of the amount of tax foregone in the previous tax year through the operation of tax reliefs and such costings should be released with the papers associated with the Budget
3. The Department of Finance should have the scope to procure the services of appropriate qualified and experienced personnel to fill skills gaps at senior levels in the Department
4. The regulations governing the delivery of election leaflets should be reviewed in order to achieve a more cost-effective service and having regard to the introduction of postal de-regulation in 2011.

Chapter Two

Office of the Revenue Commissioners

Introduction

There are thirteen sections in Chapter 3 of the Annual Report of the Comptroller and Auditor General dealing with revenue matters: the theme which runs through the thirteen sections is the need for Revenue, in assessing its performance, to use the information in its possession in order to distinguish between factors that relate to the economic environment, which are outside its control, and those which are capable of being addressed, including taxpayer behaviour and Revenue's own effectiveness. The Committee examined this issue by looking at the age profile of outstanding debt, the use of random audits to ascertain taxpayer behaviour, the need for re-audits where recidivist behaviour has been identified, and the write-off of tax. The whole issue of the non-payment of fiduciary taxes and the need to control phoenix type operations was central to the Committee's examination of Revenue, however this matter is dealt with in the Committee's First Interim Report of Loss of Fiduciary Taxes arising from abuse of Limited Liability, published on the 17th February 2010.

Accountability issues

The accountability issues examined by the Committee at its meetings of 19th February, 2009 and 26th February, 2009 were:-

- Tax write-offs
- The use of random audits as part of Revenue's compliance mechanisms
- The need to re-audit tax payers where recidivist behaviour featured in previous audits.

Tax write-offs

The Committee was informed that, €118 million was written-off as uncollectible by Revenue in 2007. While in volume terms a large number of write-offs are in respect of amounts of less that €1000, in twelve cases the amount involved was in excess of €1million. An analysis by the Comptroller and Auditor General of 20 of the largest write-offs also showed that Revenue would have been aware at an early stage of difficulties and yet allowed a large debt to build up which subsequently had to be written-off. The largest write-off in 2007 was for €3.2 million and involved a limited company that went into receivership. The Committee was informed that the majority of large cases where tax is written-off involve companies who either under-declare their tax liabilities which are detected by audit or are companies that get into difficulties and where there is no monies left when they are wound up. The Committee accepts that in any tax administration, there will be tax payers, whether private individuals or entities such as companies, who will get into trading difficulty and with the economic downturn, increasingly businesses are experiencing cash flow difficulties and therefore it is a question of working with Revenue so as to manage the tax liability. What concerns the Committee are those taxpayers, that develop a poor track record shortly after commencing to trade and yet are allowed build up large amounts of outstanding debt. The Committee was informed that tax profiling and auditing based on risk assessment have advanced considerably in Revenue (through the establishment of the REAP system) and that compliance programmes such as audits focus on the entities that have the highest risk profile. The Committee will review the effectiveness of this approach as it is of the view that there is an ongoing need to tackle non compliant behaviour. In that regard, the Committee recommends that an in-depth review of some of the top write-off cases should be undertaken every year so as to feed back lessons into compliance activity.

Random Audits

The main compliance lever available to Revenue is its audit of taxpayers. Self-assessment now applies to all taxation outside of the PAYE sector and international tax administration standards indicate that about 2% of the tax base should be audited. From 2008 onwards, Revenue is going to rely on the REAP system to target its audits and it proposes to have 60% of its audits focussed on the 20% of cases that comprise of the top decile of risk. While most focus must be on the more risky cases, the Committee is anxious that Revenue have a comprehensive random audit as these audits provide information on the level of compliance which can be fed back into the REAP system and thus make the selection of risky cases more objective.

In our self-assessment system, compliance is determined by the honesty of the taxpayer and also by the element of risk that applies if the tax return is subject to check. One way to determine whether the correct amount of taxable income is being declared is to get information from a random audit of a representative size which would indicate the extent of general compliance. The information gleaned could then be used to follow up specific sectors, such as those in professional services or maybe specific themes such as the refunds claimed on medical expenses.

Re-Audits

While random audit can give important signals regarding overall compliance, it makes good sense to segment the taxpaying public based on previous compliance performance and to apply resources to encourage greater compliance by those with a tendency to under-report or underpay. Revenue has not had a programme to re-audit previously non-compliant taxpayers since 2002. The re-audit conducted in 2002 showed that 60% of those audited four years previously continued to be non-compliant and, more worryingly, 20% were even less compliant than was the case when they were audited four years previously. The Committee was informed that Revenue intended to carry out a re-audit programme this year using the 2008 returns as a base year. This re-audit programme will be based on the information that is now available on the taxpayer within the REAP system. The Committee will review the findings of the 2008 re-audit to see what trends have been indicated in terms of recidivism.

Findings

1. €118 million of tax was written off in 2007
2. From 2008, Revenue will use its REAP system to target 60% of its audit programme
3. Revenue has not had a programme to re-audit previously non-compliant taxpayers since 2002.

Recommendations

1. Revenue should conduct an in-depth review of its top write-off cases every year so as to provide learning points for its compliance activities
2. Revenue should use its random audit programme to determine the level of tax that is unpaid and supplement random audit with sectoral and thematic exercises from time to time.
3. A re-audit of previously non compliant taxpayers should be a regular feature of Revenues tax compliance programme.

Chapter Three

Office of Public Works

Introduction

Chapter 4 of the Annual Report of the Comptroller and Auditor General dealt with property management and flood relief issues that fall within the remit of OPW. While the Committee was informed that the audit concerns raised in the report of the C&AG had been resolved, the Committee explored the whole accountability issue in respect of the property portfolio of the OPW and in particular to the issue of whether the accounts of public bodies could reflect their usage of State property, whether it be leased or owned by the State.

Accountability issues

The accountability issue examined by the Committee at its meeting of 5th March, 2009 was:-

- The need to ensure that the costs of running all public bodies reflects the full costs, including the use of State property.

Accounting for the use of State Property

The OPW manages a property portfolio of 1.16 million square meters consisting of freehold and leased commercial properties which have an estimated value of €2.7 billion. Approximately 46% of these properties are owned by the State and the remainder is leasehold, mainly long-term leases. Rent and associated payments in respect of these properties amount to approximately €131 million per annum. The Committee was informed that at any one time, about 1% of the property portfolio is unoccupied. While there may be a need to have a small amount of office space vacant in order to decant staff from buildings that are being refurbished, the ongoing need to have space for new agencies should no longer be an issue. The OPW should therefore now move to having spare capacity that is in line with refurbishment plans that require staff to move out of existing buildings. The Committee was also informed that leases on 10,500 square metres of property will fall to be surrendered in 2009/2010 and this will lead to a saving in rent payments of €4 million per annum.

All properties managed by the OPW are allocated to Government Departments and Offices in accordance with preset norms. Even though Departments use the property and seek more office space where it is expanding, the cost of the use of the property is not shown in the Departments Vote. In addition, where a new agency is established, the full cost of that agency is not shown as the use of buildings is not shown on its accounts. The Committee is of the view that, outside of routine audits by the OPW of use of space, there is nothing to prevent Departments from hoarding office space it no longer needs. In order to achieve higher levels of utilisation, the onus should be put on Departments to become accountable for the office space occupied by it. For example, with cutbacks in public expenditure and a drop in the number of public servants, the

Committee will look to see whether there was a corresponding surrender of office space at future examinations of the Appropriation Accounts of the OPW.

The Committee recommends a review of the accounting mechanisms in respect of property usage so that the accounts of all State Bodies reflect the full running costs of such bodies. In respect of usage by bodies of leased premises, the full amount of the lease should be charged against the accounts of that body. As regards properties that are in the ownership of the State, the economical rent, based on the amount being paid per square metre on long term leases should be recorded in a note to the Appropriation Account which should highlight the number of square metres of office space allocated to that body and should highlight any changes in the office space allocated to that body in that year. The Committee sees the accounting for office space/accommodation as a first step in achieving full-cost accounting in respect of all State Agencies. The OPW should also review other costs, such as ongoing maintenance costs, with a view to allocating the full charge to the respective State Bodies. The Committee will pursue this issue at future meetings with the OPW.

Findings

1. 54% of the properties under the control of the OPW were leased at a cost of €131 million in 2008
2. The accounts of Departments and other State Agencies do not show the cost of accommodation as it is borne by the OPW
3. There is no incentive in place which would encourage Departmental managers to make optimum usage of office space.

Recommendations

1. Government accounting practices should be altered so that the accommodation costs are reflected in the accounts of each Department and State Agency
2. The OPW should only seek to retain, as unoccupied space, an amount that is required to decant staff from offices that are the subject of major refurbishment.

Chapter Four

Garda Síochána

Introduction

Chapter 5 of the Annual Report of the Comptroller and Auditor General deals with the purchase of 1,379 Garda vehicles in 2006, which involved acquiring around 60% of the vehicle fleet in one year. In fact, 726 of these vehicles were delivered in the last two months of the year. Normally, acquisitions are made after analysis informed by the Garda fleet management system, but this round of purchasing was a radical departure from that practice. This special purchase, which arose essentially as money was made available in a Supplementary Estimate late in 2006, resulted in Garda vehicles being kept in storage, in some cases for as long as eighteen months.

Accountability issues

The accountability issue examined by the Committee at its meeting of 13th November, 2009 were:-

- The value for money that was obtained through this special purchase
- Fleet management by an Garda Síochána
- Lessons arising for Government Accounting Procedures.

Value for Money

Given the nature of this special purchase, the Committee was concerned that value for money had not been obtained in the way this purchase was handled. These concerns arise primarily as the cars were depreciating in value while not in use and the information made available to the Committee shows that of the 1,379 vehicles purchased in 2006, 941 were unassigned at the end of 2006 and 308 of these vehicles were still in storage a year later and these cars were assigned to Garda units in the first six months of 2008. While the Committee accepts the position of the Garda Commissioner that the special purchase in late 2006 enabled him to increase the size of the Garda fleet, a bulk purchase of this nature results in storage costs and depreciation in value of unused vehicles and it will mean that the age profile of the Garda fleet will be higher than normal during the lifetime of use of these vehicles and, as all will presumably fall to be replaced when they reach a certain age, it will give rise to the need for a large volume purchase in a number of years time.

The Committee was also informed that, even though a bulk order for 726 vehicles was made in late 2006, the terms of the government contract does not provide for a discount in respect of large purchases. The Committee raised this matter by way of correspondence with the OPW, which negotiates all central contracts and was informed that the Garda Síochána vehicle contract was the subject of a competitive tender and that at the time the tender was advertised, and in accordance with the terms of a draw down contract, indicative quantities are given which can impact on the quotes received. The OPW also confirmed that the winning tender prices apply irrespective of whether the number of actual cars purchased is more or less than the estimate stated. The Committee is of the view that future contracts should make provision for discounts where bulk purchases are involved.

Fleet Management

The size of the Garda fleet now stands at 2,679 vehicles and these have an average age of 2.4 years. The Committee was informed that a fleet profile and optimisation study was being undertaken on the fleet which would determine the safest, most reliable and fuel efficient vehicles for the fleet. The Committee welcomes the study which should lead to best practice in fleet management. The concern of the Committee is that under the systems in place prior to 2009, there was not a coherent strategy for fleet management which aligns funding with a replacement schedule dictated by policing needs and which takes account of capacity to take in new cars. Clearly a new ordering mechanism will have to be put in place as part of the Garda fleet management policy. The Committee accept that there was a need in 2006 to make arrangements to obtain extra vehicles as there was a policy agreement to expand the traffic corps and to increase the size of the fleet in addition to replacing end of life vehicles. It is also apparent to the Committee that because of the nature of government accounting practices that the ready availability of €17 million, which was allocated to the Garda Vote in December 2006, forced the hand of the Commissioner in having to buy the cars before the end of the year as there was no guarantee that the funding would be made available in 2007.

Government Accounting Procedures

The accounting system used by the Government is a cash based system. One of the features of the cash based system is that unexpended funds are deemed to be surrendered to the Exchequer and there is no provision for the carry-forward of current expenditure, with the exception of the administrative budget aspect of the Vote, where there is provision to carry forward unspent monies within a three year cycle. In the case of capital expenditure the system was changed a number of years ago and this now operates on the basis of an envelope which can be carried forward for certain capital works.

The fact that unexpended funds have to be surrendered can put pressure on civil servants to spend the money before the year end. In the case of the purchase of the Garda cars in late 2006, funds had become available late in 2006 by way of a Supplementary Estimate that was not presented to the Dáil until 6th December 2006 and this led to the bulk order being placed, even though there was not the capacity to commission those cars until much later. One lesson from this episode is that the Dáil should not be asked to approve estimates when the benefit accruing from the expenditure does not arise before the end of the financial year.

Findings

1. The Garda Síochána purchased 726 cars in late 2006 when it received €17 million by way of a Supplementary Estimate

2. As at 31st December, 2007, a total of 308 cars had been in storage for over a year and the last of the cars was not deployed to until June 2008, which was more than 18 months after they were purchased
3. No discount was available to the Garda Síochána arising from the bulk discount of 726 vehicles which cost €17million
4. A fleet profile and optimisation study of the Garda fleet was undertaken in 2008.

Recommendations

1. As part of good budget management and control, the Garda Síochána should align its budget funding with a fleet replacement schedule dictated by policing needs
2. The Garda Síochána should modernise its acquisition and commissioning system so as to avoid having to keep new vehicles in storage for any prolonged period
3. In the context of the purchase of vehicles and other fixed assets by the State, the Department of Finance should bring forward a carryover mechanism akin to the spending envelope developed for capital projects
4. The designation of expenditure for budgetary and accounting purposes should be aligned with best practice in the accounting profession and items such as vehicles classified as capital.

Chapter Five

Department of the Environment, Heritage and Local Government

Introduction

Chapter 7 of the 2007 Annual Report of the Comptroller and Auditor General dealt with the level of unexpended development levies held by local authorities that stood at €1.2 billion at 31st December 2006. The Chapter also dealt with deficiencies in the way local authorities dealt with these levies in their accounts. The Committee examined this issue to establish how this large fund had accumulated and also to get an assurance that levies were being collected. In addition this Chapter deals with the level of unoccupied local authority houses and the use of bundling to deliver water and sewerage services.

Accountability issues

The accountability issues examined by the Committee at its meeting of 16th October 2008 were:-

- The collection, use and accumulation of development levies by local authorities
- The level of vacancies in local authority dwellings
- The bundling of water and sewerage schemes.

Development Levies

Accumulated Levies

Development contributions, which have been a feature of planning since 1964, were overhauled under the Planning and Development Act 2000 which required each local authority to adopt a general development scheme which determined both the level of the contribution and the way the levies were applied. It is a matter for the elected members of the local authority to determine the development contribution scheme of the relevant local authority. Development contributions that have accumulated are ring-fenced and committed to fund the capital programme adopted by the elected members. As outlined in the Report of the Comptroller and Auditor General, a fund of €1.2 billion had built up at the end of 2006 and the Committee noted €255 million of this was held by the four Dublin local authorities. While the Committee has a concern that the levies are not being earmarked for capital developments, it notes the fact that receipts from levies reached a peak in 2006 when the construction boom peaked in Ireland; that almost half the accumulated fund was collected in respect of the 2006 year; and that, with the slowdown in construction, there should be a significant decrease in the level of accumulated funds from 2008 onwards. As levies are earmarked for capital projects, the Committee was informed that the construction market did not have the capacity to allow projects to proceed in recent years and that local authorities should now benefit through greater competition which should lower the cost of capital projects.

Collection of Levies

The Report of the Comptroller and Auditor General also raised concerns about the way these levies were treated in the accounts of local authorities as they are recorded outside the formal recording system. While a new system was to be rolled out nationwide in 2009, it is the case that levies were not accounted for at the time planning permission was granted and therefore uncollected levies were not treated as debts in the accounts of each local authority. While the Accounting Officer highlighted that audits had not identified any loss of funds, the Committee remain concerned, especially with the collapse in construction, that levies may remain uncollected or that the funds may not be in the bank accounts of builders who pay by way of post-dated cheques which are sometimes accepted by councils. The Committee cited the fact that at the end of 2006, a sum of €131.9 million was owed to local authorities. While the accounts of local authorities do not fall within the remit of the Committee, it will follow up on issues such as write-offs where building firms owing levies go into liquidation.

Finally, while the Committee welcomes the development of the computer system which links the planning permission with the financial accounting package, the level of income derived from development contributions in recent years should have resulted in this system being in place a number of years prior to 2009. The reactive action of both the Department and the Local Government Computer Services Board highlight a need for better planning on both their parts.

Vacancies in local authority dwellings

The figures available to the Committee at its hearing showed a local authority housing stock of 118,276 dwellings. At any one time, some of these dwellings will be un-let, in the main due to refurbishment which accounted for 6,113 of the houses being vacant. The Committee, while acknowledging the improvements in the quality of housing made available to local authority tenants, had a concern in relation to the level of un-let dwellings, which were not the subject of refurbishment, given the numbers on local authority waiting lists. Based on the figures supplied by the Department, that figure stood at 1,810 in respect of 2007. The Committee was informed that many councils experienced delays as offers of accommodation were turned down by those on the waiting lists. The Committee acknowledges that local authorities are aware of the business need to have houses let and that, through the Local Government Management Services Board, service indicators have been developed which map the performance of authorities in relation to a whole range of issues, including housing. It is of the view that the data collected should be used to establish a benchmark which would then be used to measure performance in this area.

Bundling of Water/Sewerage Schemes.

There are 955 schemes in the Water Services Investment Programme 2007-09. This programme has a budget of €5.8 billion. 286 of these schemes are being progressed by way of 60 bundled projects. While in overall monetary terms, these latter bundled schemes have a financial value of €812 million, they form a critical part of the overall programme as they enable schemes for smaller towns and villages to be upgraded. The Committee was informed that without bundling, some of the schemes would not be financially viable. The Committee accepts the rational practice of bundling smaller schemes together in one project as it allows economies of scale and the experience of the Department shows that bundled schemes tend to cost 15% to 20% less than pre-tender estimates. The Committee raised the matter as there was a concern that bundled projects were slower than the conventional projects. The Committee was assured that individual schemes could be taken out of a bundled project where it was causing delay in the overall delivery of the scheme. While progress on projects is a matter primarily for the local authority, the Committee will recommend that the Department maintain a level of oversight in this area and that it seek to develop a benchmark which could be used to determine the construction time for projects.

Findings

1. A fund of €1.2 billion in unexpended development contributions had been built up by local authorities at the end of 2006
2. 1810 local authority dwellings were vacant and available for letting as at end of 2007
3. 14% of the Water Services Investment Programme 2007-2009 was being delivered by way of 60 bundled projects.

Recommendations

1. All development levies should be captured in the accounts of local authorities at the time when a construction commencement notice is granted (taking account of any agreement regarding the payment of such levies) and it should be treated thereafter as a debt which should be pursued in order to ensure that it is brought to account
2. Service indicators in respect of local authorities should be reviewed with a view to establishing a benchmark to be used in assessing the performance of local authorities in areas such as house letting
3. In order to address issues such as undue delays in the delivery of bundled schemes, the Department of the Environment, Heritage and Local Government should analyse the results of the Water Services Investment Programme, 2007 to 2009 with a view to preparing a benchmark in terms of the timescale involved in delivering schemes.

Chapter Six

Department of Communications, Energy and Natural Resources

Introduction

Chapter 8 of the Annual Report of the Comptroller and Auditor General dealt with the National Digital Research Centre, which is the successor to MediaLab Europe, and in particular as to whether the governance and investment oversight arrangements, which were a cause of concern in respect of MediaLab Europe, had been addressed with regard to the National Digital Research Centre [NDRC]. In addition the Committee examined issues relating to the State investment in NDRC, which is expected to total €25 million under current arrangements.

The Committee also examined value for money issues arising from the States investment in communications infrastructure project developing a communication fibre optic network in the State. This project, which is known as metropolitan area networks or MANs has seen the construction of 90 networks throughout the State following the completion of the second phase of construction in 2008. The value for money issue arises mainly from the slow uptake in use of these networks outside the major centres of population.

Accountability issues

The accountability issues examined by the Committee at its meeting of 20th November, 2008 were:-

- The return on investment in the National Digital Research Centre
- The investment in and development of the metropolitan area networks.

The National Digital Research Centre

The NDRC was established by the Government in 2005 to provide a national focus point to address the gap between research and commercial exploitation of digital media technologies. The Committee received assurances from the Accounting Officer that the governance and supervision process put in place by the Department will fulfil its purpose, and in that regard, some of the issues highlighted in previous years by the Comptroller and Auditor General in respect of MediaLab Europe will not arise again. The Committee noted that the commitment by the State to invest €25 million over a five year period should enable a return to the State in terms of the development of projects that are commercially viable and that have growth potential. In that regard it welcomes the ongoing evaluation role of Science Foundation Ireland and the Higher Education Authority which will ensure that the outputs of NDRC are subject to rigorous measurement. From an accountability stance, many of the projects being undertaken were only getting off the ground in late 2008 with contracts being signed, and the Committee recommends that a comprehensive mid term review be undertaken and made available to the C&AG so as to ensure that the ongoing financial commitment by the State to digital research continues to provide value for money.

Metropolitan Area Networks (MANs)

Not unlike the investment in digital research, the development of MANs represents to a large extent an investment that is hoped will lead to long term benefits. The MANs provides state-of-the art fibre-optic network which will facilitate the development of a knowledge economy that will require high speed broadband provision through out the State. A value for money review of the investment in MANs did highlight the need, from an economic development viewpoint, of having this infrastructure in place. The total cost of the development of this infrastructure was €157 million. The accountability issue pursued by the Committee related to the return that is being made on that investment. The Committee was told that while phase 1 of the development of MANs, which involved 27 fibre optic rings, was completed in 2007, only 22 of the rings were in use. Evidence given to the Committee showed that while the uptake in our cities was strong, the uptake in our major towns was weak as they had other broadband access systems that were adequate to their current needs and were less expensive. With phase 2 of MANs coming on stream, the Department as the owner of the infrastructure, will have to address the level of usage so as to secure an adequate return on the State's investment. That will require a review of the connectivity costs in addition to marketing. The Committee also recommends closer collaboration with IDA Ireland and Enterprise Ireland in the context the roll out of MANs.

Findings

1. €25 million has been committed by the State to the development of the National Digital Research Centre
2. A comprehensive evaluation system in respect of projects is in place at the NDRC, which cover what each project will achieve and how it will be commercially viable
3. A sum of €157 million has been invested by the State in developing a state of the art fibre-optic network [MANs] which will enable the delivery of next generation broadband throughout the State
4. The uptake on MANs connectivity has been low and only 22 of the 27 MANs, which were ready for use in 2007, had come into operation at the end of 2008.

Recommendations

1. The Department of Communications, Energy and Natural Resources should carry out a comprehensive mid-term review of achievements of the National Digital Research Centre
2. Given the low take-up of MANs in areas outside major centres of population, the Department of Communications, Energy and Natural Resources should review the operation of MANs in order to ensure that the level of usage of the infrastructure results in an adequate return on its investment.

Chapter Seven

Department of Agriculture, Fisheries and Food

Introduction

Chapter 9 of the Annual Report of the Comptroller and Auditor General dealt with the implementation of the single payment scheme which was introduced in 2005 and pays approximately €1.3 billion to 130,000 farmers each year. Because the European Court of Auditors take a more restrictive view of the way the single payments scheme was introduced in Ireland, there is the possibility that the State will be liable to refund to the EU some of the amounts paid out under the scheme. In addition to the single payments scheme, the Committee also examined the handling by the Department of the farm waste management scheme where there was a substantial over-run in the budget for the scheme.

Accountability issues

The accountability issue examined by the Committee at its meeting of 12th February, 2009 were:-

- The likelihood of a contingent liability arising for the State in respect of the single payment scheme
- The over-run on the budget provided for the farm waste management scheme.

The Single Payment Scheme

The background to this scheme was the decision by the EU to break the connection between support payments and production, such as the number of livestock and also to simplify the whole bureaucratic process that had built up around EU direct payments. To participate in the single payment scheme, farmers were required to establish a payment entitlement per hectare. In Ireland, these entitlements were established on the basis of averaging coupled direct payments to an individual over the area farmed in the years 2000, 2001 and 2002. What the EU Court of Auditors found, in its 2006 annual report, was that the Irish authorities had incorrectly included payments in respect of land where the leases had been terminated when single payments began. While certain terminated leased land could be included in the calculation of entitlement, according to the EU Auditors, these lands could only be included in the calculation where the leases were terminated due to compulsory purchase orders, afforestation and changes in the structure of the farming enterprise.

The Committee understands that a liability will not now arise, as matters have been resolved with the EU Commission, however in situations where there is a possibility of fine being imposed, and while the issue is being contested, it is prudent that the Appropriation Account of a Department contains a note highlighting the fact that a contingent liability exists.

The Farm Waste Management Scheme

This scheme which closed in December 2008 had an estimate provision of €125 million. The Department in coping with the demand under the scheme provided additional funding of €190 million, however it is now estimated that the scheme will cost approximately €500 million. The Committee raised the issue as it was seriously concerned at the way a scheme, where works had to be completed by December 2008 and where all works were subject to a pre-approval before work commenced, was handled by the Department. Evidence given by the Department showed that a total of 14,000 applications in respect of completed works were submitted in December 2008 and that a further 8,000 applications were approved but not acted on.

While the Department was aware of the level of demand for the scheme especially as it came under pressure to extend the deadline for submission of completed works, it appears that it underestimated the capacity of the farming sector to have works completed. While the Committee accepts that, in the case of demand led schemes, the level of take-up can be difficult to quantify, it is of the view that in the case of this scheme, the Department showed poor financial management given that it was aware that the demand for the scheme would have been high as the terms of the scheme were generous with up to 70% funding available and as the infrastructure was required in order for the farming community to achieve compliance with the nitrates directive. Because of the failure to manage the process properly, many farmers whose works qualified for a grant and who incurred the full cost of the works in 2008 will not receive their grant entitlements until 2011. In addition, it appears that many farmers could not have got works completed by the deadline as their projects were delayed due to planning requirements.

It is clear that the Department needs to review the way it handled the waste management scheme so that lessons can be learnt for future schemes. While the Committee accepts that the Department could not extend the deadline for the scheme, it should in future make adequate provisions, based on the number of projects that received approval at first inspection stage. In schemes which have tight deadlines, the Department should liaise directly with local authorities so as to make the planning officials aware of such deadlines. While the Department wrote to local authorities, it would be better if the local offices of the Department, which are based in each county, liaised directly with planning officials highlighting the general provisions in the farm grant scheme and the fact that deadlines of the scheme may be tight. The Committee accepts that Departmental officials cannot have a role in expediting individual planning applications.

Findings

1. 130,000 Irish Farmers receive €1.3 billion from the EU every year under the single payment scheme.
2. The EU Commission have adjudged that certain leased lands, in respect of which the lease had terminated prior to the single payments, should not have been included by the Department of Agriculture, Fisheries and Food in the single payment although this will not now give rise to fine being imposed on the State.
3. The Department of Agriculture, Fisheries and Food grossly underestimated the amount that will have to be paid to farmers under the farm waste management scheme of 2008.

Recommendations

1. Appropriation Accounts should reflect the likelihood, however remote, that contingent liabilities may arise where a finding has already been made against the Department either by a court or following an audit.

2. The Department of Agriculture, Fisheries and Food should undertake a formal review of the way the farm waste management scheme was handled in 2008 with a view to putting more robust assessment measures in place in respect of future schemes.

3. Where there are tight deadlines in respect of farm infrastructure works and where such works require planning permission, the Department of Agriculture, Fisheries and Food, through its local offices, should make advise applicants of the need to make planning applications in good time.

Chapter Eight

Department of Enterprise, Trade and Employment

Introduction

Chapter 10 of the Annual Report of the Comptroller and Auditor General dealt with the redundancy payments scheme debt which had risen to €48 million at the end of 2008. This level of debt has arisen as the Department pays statutory redundancy to employees in situations where the employer has gone into liquidation, receivership, examinership or bankruptcy or where an employer simply walks away and leaves the employee without access to their statutory redundancy entitlement. Where the Department thus makes the payment for the employer, it then seeks to recover the sum owed to it. The Committee examined the ability of the Department to collect this debt.

Accountability issues

The accountability issue examined by the Committee at its meeting of 29th January, 2009 was:-

- The recovery of redundancy payments scheme debt.

Debt Recovery

In 2008, the Department paid out €14 million to redundant employees where the employer could not meet the payment. Clearly with the economic downturn which has seen 5,000 redundancy claims per month in 2009, the likelihood is that the level of redundancy debt will rise sharply from the position at the end of 2008 when it stood at €48 million. In 2008, the Department recovered €1 million and it wrote-off €2.5 million of debt as it was deemed irrecoverable. The Committee was informed that the Department had no dedicated unit pursuing this debt from 2001 to 2007, albeit the Department was receiving some payments. A dedicated unit was re-established in 2007 and it has done considerable work in analysing and profiling the debt which will help the work of the recovery unit in targeting sums that can be recovered and writing-off certain payments. Many refunds are only made when liquidators and receivers have signed off on the affairs of insolvent companies and where there is an orderly wind-up of a company, there is always the possibility of receiving some payment and therefore the age of the debt is not always the main factor in determining whether to write-off the debt.

The establishment of the recovery unit and the profiling of the debt should lead to more effective debt collection. The Accounting Officer outlined the process involved in writing-off debt and the actual write-offs will be subject to audit scrutiny. The Committee was informed that the cost of the unit was approximately €146,000 per annum and in future the Department should undertake a cost-benefit analysis to ensure that the cost of recovery is at least commensurate with the amount of money being recovered.

Findings

1. The Department of Enterprise, Trade and Employment wrote-off €2.5 million of uncollectible debt in 2008 arising from redundancy payments made by it
2. As at the end of 2008, the Department of Enterprise, Trade and Employment was owed €48 million in redundancy payments scheme debt
3. The Department of Enterprise, Trade and Employment re-established a recovery unit in 2007 and this has positioned the Department to identify cases in where there is a good prospect of recovery.

Recommendations

1. The Department of Enterprise, Trade and Employment should undertake a cost benefit analysis of the cost of redundancy payments scheme debt recovery unit to ensure that it is at least commensurate with the amount being recovered.

Chapter Nine

Department of Defence

Introduction

Chapter 11 of the Annual Report of the Comptroller and Auditor General dealt with the payment of a border duty allowance to members of the permanent Defence Forces even though the rationale for the payment of such an allowance had ceased a number of years ago. The cost of the border duty allowance is approximately €5 million per annum.

In addition the Committee examined the procurement by the Defence Forces of helicopters primarily for the EUFOR mission in Chad, which could not be used to transport troops which was the intended purpose of these helicopters.

Accountability issues

The accountability issues examined by the Committee at its meeting of 30th October, 2008 were:-

- The continued payment of an allowance for border duties when the conditions which necessitated the payment no longer existed
- The procurement of helicopters by the Defence Forces for the Chad mission.

Border Duty Allowance

Members of the Defence Forces were paid an allowance for the role they played as aid to the civil powers during the troubles in Northern Ireland. The allowance arose from the special nature of the duties involved and the fact that soldiers had to operate in difficult terrain often without access, while on duty, to barrack accommodation and facilities. The allowance was introduced in 1972. As at the end of 2008, 1060 soldiers were in receipt of this allowance at an annual cost of €5 million per annum. The Accounting Officer did point out that those in receipt of this allowance were not eligible to claim a security duty allowance and therefore the abolition of the allowance would not lead to a direct payroll saving of €5million per year.

The Department accepts that the rationale for paying the allowance has not applied since the peace process in Northern Ireland stabilised in 2002. The Department did highlight the need to cease the allowance with the Defence Force trade unions as part of its modernisation programme under the partnership process, however a problem with discontinuing the allowance arises as it has been deemed to have become part of the terms and conditions of the service of the army and therefore any decision to take away the allowance would have to go through the civil service industrial relations conciliation and arbitration process.

The Committee is of the view that the changed security circumstances in the North from 2002 onwards should have called into question the continued payment of this allowance, especially as those on security duties could have been paid the special security duty allowance. The Department should also have commenced phasing out the allowance by not paying it to new recruits from 2002 onwards which would have been a signal that it the allowance was no longer relevant. The issue also highlights a broader concern regarding allowances in the nature of pay which become embedded into terms and conditions. Sanctions of the Department of Finance for allowances should not be open-ended and the payment of all allowances should be subject to periodic review.

Procurement of helicopters which could not be used to transport troops

The Irish troops participating in the EUFOR mission in Chad required helicopter support given the remote location of their base in Goz Beida where there was a danger that they would become isolated in the rainy season when surface access would not be possible because of the terrain. To address this issue, the Defence Forces procured a number of Mi-8T helicopters from a civil aircraft leasing company: however a problem arose in that the helicopters did not have an air operators certificate to carry troops and the Department was obliged to discontinue the use of the helicopters for this purpose, albeit the helicopters were not grounded as they could continue to be used to carry cargo and could be used to carry troops should the need to evacuate troops arise.

While the Department is conducting an in-depth review of how it ended up leasing helicopters which could not get a certificate to carry troops, the Committee is of the view that a more stringent procurement process would have caught this problem before leases were signed. The Department appeared to have been unaware of the air certificates attaching to the helicopters that it had leased. The Department also appear to have been unaware of the timeframe and difficulties that can arise in placing aircraft on a military register. As well as the procurement issue that arises here, there is also an issue around speeding up the process whereby the Defence Forces can place aircraft and helicopters on a military register and the Committee will recommend that this process be reviewed.

Findings

1. 1060 members of the Defence Force receive an allowance for border duties even though the basis for paying this allowance no longer applies
2. Staff on security duties in respect of areas outside the border are paid a security allowance which is paid per duty
3. Defence Force personnel, who were recruited after 2002, by which time the peace process in Northern Ireland had stabilized, were also paid the border duties allowance

4. The Defence Forces leased a number of helicopters, primarily for use in Chad, only to discover, after the helicopters' contracts were signed, that they could not be used to transport troops as the helicopters did not have an air operators' certificate.

Recommendations

1. Allowances in the nature of pay are paid as a supplement to basic salaries for the performance of specific functions. Where the performance of those specific functions cease, payment of the allowance should also cease
2. Where the cessation of an allowance develops into an industrial relations issue, Departments should as a first step not commence paying the said allowance to new recruits
3. The Committee recommends a civil service wide review of allowances to ensure that the rationale for their ongoing payment continues to exist.
4. All Departments, in consultation with the Department of Finance, should review the payment of allowances so as to avoid the situation that arose in the Department of Defence relating to the border duty allowance
5. The Department of Defence and the Defence Forces should review its procurement practices in light of its experience with the lease of the Mi-8T helicopters for the Chad mission and, where necessary, retain professional advisors for the procurement of specialist goods and services
6. The Department of Defence should conduct a review of the way aircraft can be re-registered for military use with a view to speeding up this whole process.

Chapter Ten

Department of Social and Family Affairs

Introduction

Chapter 12 of the Annual Report of the Comptroller and Auditor General dealt with overpayments, prosecutions and subvention to the Pension Board. The Department of Social and Family Affairs makes welfare payments out of Voted funds and those insurance funds derived from PRSI contributions. Overall, it administered welfare payments of €15.5 billion in 2007 under around 50 separate schemes. Excluding administration, €15 billion was applied under the following broad headings:-

- Pensions — €3.9 billion
- Support for families and children — €4.8 billion
- Illness, disability and caring — €2.9 billion
- Jobseeker's support — €1.4 billion
- Supplementary welfare — €0.7 billion
- Miscellaneous payments — €1.3 billion.

The Department processes in excess of two million claims per year, makes approximately one million payments each week and a further 500,000 on a monthly basis.

Accountability issues

The accountability issues examined by the Committee at its meeting of 12th March, 2009 were:-

- Measuring control performance
- Level of payment of child benefit in respect of children living abroad.

Measuring Control Performance

All welfare payments carry a degree of risk that payments can be made where there is no entitlement. The Committee noted the control activities of the Department in trying to deter fraud through its pursuit of certain claimants through the courts. In 2008, for instance 350 cases were referred to the Office of the Chief State Solicitor to initiate prosecution proceedings and more than 300 criminal cases involving social welfare recipients were finalised in court. The Department also conducts, fraud and error surveys which enables it to extrapolate the level of fraudulent claims in any scheme. The Department estimate how much is saved through its control activities, however, as outlined in evidence to the Committee, the amount saved is not an actual cash savings but a calculated one based on a method used by the Department which calculates the amount that would have been given to the recipient over a defined period had the fraudulent payment not been spotted. That defined period can be anything from 32 weeks in the case of short term schemes to three years in the case of long term schemes.

The Committee is of the view that calculating potential savings does not accurately reflect the control performance of the Department of Social and Family Affairs and that a more accurate indicator of performance would be the comparison of the underlying level of fraud and error, based on an analysis of the findings fraud and error surveys which are undertaken by the Department and the actual detection rate.

Payment of child benefit to children living abroad

Under an EU scheme dating back to 1971 EU citizens who are working here or who, having worked here, are still resident in the State are entitled to claim child benefit in respect of their children who are not resident here with them. In 2008, €20 million was paid out in respect of these children. While the Committee accepts that under EU Law, there is an obligation to make such payments, the present regulations put Ireland at a disadvantage as the level of child benefit here is higher to compensate for the fact that public services for children, such as health, pre-school, crèche and nursery services are not provided here whereas these services are a feature in other EU countries such as Poland. In addition the cost of living in countries such as Poland and other Eastern EU countries whose workers came here during the Celtic tiger boom is much lower. The Committee will request that the level of payments be reviewed so as to equate with the level of payments made in the county that the child is living.

Findings

1. While the Department of Social and Family Affairs make savings every year arising from the detection of fraudulent payments, the estimated figure does not represent an accurate reflection of the performance of the control regime of the Department
2. €20 million in child welfare payments was made by the Department in 2008 in respect of children who are not resident in the State.

Recommendations

1. In order to assess the effectiveness of its fraud control programmes, the Department of Social and Family Affairs should compare the actual detection rate against the underlying level of fraud and error which is based on surveys undertaken by the Department
2. The Department of Social and Family Affairs should seek a change to the EU regulation on the payment of child benefit to children not resident in the State so that the rate payable equates with the rate payable by the State in which the child is resident.

Chapter Eleven

Health Service Executive

Introduction

Chapter 14 of the Annual Report of the Comptroller and Auditor General dealt with change management in the HSE, and budget management. Almost €14 billion was spent by the HSE during 2007. Approximately €8.2 billion of that expenditure was on primary, community and continuing care, including certain grants, and €5 billion was spent on hospital services. As an organisation that is in the process of driving a major change initiative on the way health services are delivered and as a relatively new organisation (founded in 2005) that is endeavouring to implement a performance management process into our health services, the Report of the C&AG for 2007 allowed the Committee to review the progress the HSE was making in these two broad yet inter-related areas.

Accountability issues

The accountability issues examined by the Committee at its meeting of 7th May 2009 were:-

- Progress of the change management programme in the HSE
- Performance management by the HSE
- Budget management.

Change Management Programme

The aim and indeed the rationale of the HSE is to create a unified national health service by reconfiguring the way it delivers health services both in our hospitals and in our communities. In dealing with an ageing population that is living longer, it is accepted that treating more people in the community; keeping patients away from hospitals; shifting from inpatient to day cases; and, when in hospitals, keeping patient stay as short as possible are key elements in what the State wants from its health service. It also involves the centralisation of certain services such as cancer treatment in highly specialised hospitals. The Committee examined the progress that was being made in these areas and in particular the way the HSE is getting buy-in from those affected by the change programme, including many of its 110,000 employees, its contracted stakeholders including GPs and medical consultants and most importantly the citizens to whom it delivers health services.

One of the key change programmes is the creation of primary care teams consisting of GPs, public health nurses, practice nurses, home help personnel and administrative staff which would have access to wider social care networks where primary care personnel in areas such as physiotherapy, speech and language therapy and other services would be available. At the time of the hearing, 110 primary care units had been established and the Committee is satisfied that where full teams are installed that the service is effective. Its concern is that some teams did not have the envisaged full complement of staff and therefore should not be described as a primary care team. Furthermore, the primary care plan of the HSE envisaged 530 in place by 2011 and the Committee has a concern that that target will not be reached given that interim targets were not reached. While the Committee received certain assurances from the HSE in this regard, it will keep this situation under ongoing review.

The Committee accepts that the creation of primary care units is only one part of the change process and there is a need to get buy-in, especially from those within the hospital services as well as with the wider public. In that regard, any proposals to downgrade services at smaller hospitals should not be implemented until the back-up services are available to the community. The Committee is of the view that the HSE must learn from the experience in places like Cavan and Monaghan and in the Mid-West where the public were strongly of the view that the enhanced services would not be available at the new designated hospital. As well as having all the back-up services in place, the HSE must work closer with all stakeholders in advance so that there is broader understanding and ultimate acceptance of the proposal that is to be implemented. The evidence given by the HSE suggested that those lessons had been learned and are being built into current and further change proposals.

Performance Measurement

The key to assessing whether the State is getting value for money on health expenditure is to measure what the HSE does with the money it receives every year and also to use the data collected by the HSE to measure the progress it is making in delivering vital health services. As outlined above, the HSE is trying to change the way health care is delivered and therefore old measures such as the number of wards closed, the number of new acute beds in place or the number who are treated in our hospitals may not be the most appropriate measure when the focus is on keeping people out of hospitals by treating them in a community setting. The Committee also accepts that measurement purely on the basis of health statistics will not give an accurate measurement given the clinical complexity of some cases. The Committee wants to reach a stage where all inputs whether at hospital or community level are measured against outputs so that performance can be assessed and so that all services providers can be benchmarked against an optimum standard.

The evidence presented to the Committee indicates that the HSE is moving in that direction, albeit the systems being put in place, such as healthstat, are still being refined and are at an early stage. The key measurements will be throughputs at hospital, community care team and individual level and while healthstat is not designed as a league table for hospitals, it is a welcome start in measuring issues such as waiting times for appointments, throughput of patients and use of resources. The Committee also sees benefit in that it underpins the dialogue between hospitals and the HSE, which up to now had generally been focused on inputs such as the need for extra staff and financial resources. The Committee has ongoing concerns especially in areas such as outpatient waiting lists, mental health services and intellectual disability services and will be monitoring the progress being made by the HSE in these areas.

Budget Management

As outlined in the introduction, the HSE spent almost €14 billion in 2007. The Report of the Comptroller and Auditor General raised concerns about budget management against a background where, in previous years, drastic measures had to be taken at the end of the financial year, such as the temporary closure of hospital wards in order to remain within budget. The HSE has also, in the past, had to use money earmarked for new developments to meet day to day costs and in general there was a culture whereby hospitals knew that they would get a top-up at the end of the year when they had overspent their budget allocation. The Committee was informed that the HSE had made significant progress on budget management and had implemented the recommendations of the C&AG. In particular it had informed each of its 50 funded hospitals of its budget allocation before the beginning of the financial year and it had detailed budget tracking mechanisms in place which examines variations from the monthly profile of expenditure. The Committee was also informed that the HSE was centralising its debt/income collection process in one centre in Kilkenny which will speed up the collection of monies owed by patients and by the private insurance industry. Two issues of ongoing concern to the Committee relate to the charge for a hospital bed which is levied in respect of private patients and secondly the likelihood that private patient income will drop as a result of the new consultant's contract. On the former issue, the Committee will await the outcome of the review which is being undertaken by the Department of Health and Children. However it retains a concern that the full economic cost of the bed is not being recouped. On the issue of the drop in income, whilst evidence given by the HSE indicated that the drop in private income will be in the region of €50 million, that figure was an estimate and subsequent submissions to the Committee indicate that the figure will be lower and that the exact loss is difficult to quantify. The Committee will return to this issue when details of the 2009 income from private patients is available and it will seek a report on whether any drop in income has materialised as a result of the 2008 consultants contract.

Findings

1. As at May 2009, the HSE was behind schedule in its roll-out of primary care programme with only 110 fully functional teams in place
2. Not all primary care teams have the full complement of support staff such as therapists
3. Health Stat will enable the HSE to conduct a dialogue with public hospitals about performance improvement measures
4. The Department of Health and Children is to engage a costing expert to establish the full economic cost of maintaining a patient in a private bed in a public hospital.

Recommendations

1. The HSE needs to put greater emphasis on getting buy-in from stakeholders by outlining the extent of new services prior to transferring and or downgrading local hospitals.
2. As part of Health-Stat, the HSE should start collecting information on the extent of out-patients waiting lists in order to better measure the performance of our hospitals

3. The HSE should conduct a review in 2010 of the extent to which the new consultants contract has led to a drop in private income for our public hospitals.

Chapter Twelve

National Treasury Management Agency

Introduction

Chapter 15 of the Annual Report of the Comptroller and Auditor General dealt with the National Treasury Management Agency. The NTMA was established at the end of 1990 to borrow for the Exchequer and manage the national debt. Its original objectives were to ensure adequate liquidity for the Exchequer and to minimise the interest burden in the medium term, subject to an acceptable level of risk. Since then the remit has expanded with the NTMA being given responsibility for the management of the State Claims Agency, the National Pensions Reserve Fund and the National Development Finance Agency. At 31 December 2007 the national debt of Ireland was €37.6 billion and, for the year 2007 the cost of servicing that debt was €2.1 billion. The market value of the National Pensions Reserve Fund stood at €21.2 billion at the end of 2007.

Accountability issues

While the accounts before the Committee related to the year ending 31 December, 2007, the focus of the examination by the Committee at its meeting on 14th May, 2009 was specifically the way the NTMA and its subsidiary agencies dealt with issues thrown up by the financial turmoil and the economic downturn since 2008.

The accountability issues examined by the Committee were:-

- The ongoing ability of the NTMA to ensure adequate liquidity for the Exchequer
- The loss in value of the reserve in the National Pension Fund
- The management of claims by the State Claims Agency.

[While the Committee also dealt with the approach being adopted by the NTMA to the proposal to establish NAMA, as the legislation to establish that body has not been published at the time of the hearing, issues relating to NAMA do not form part of this Report].

Exchequer Liquidity

As a result in the deterioration in the public finances, the State's borrowing requirement has increased sharply in 2008 and is expected to peak in 2010, when the Exchequer borrowing requirement will be €19 billion. It is the job of the NTMA to fund the exchequer deficit in addition to servicing the national debt. The Committee was informed that the NTMA, while having to pay a higher rate of interest than other European counterparts such as Germany, were able to meet the liquidity requirements of the State which demonstrates that there is confidence on the part of international investors in Irish Government debt. The Committee is satisfied that the NTMA has a proven track record in meeting its primary objectives in a cost effective way and compliments its small cadre of highly qualified staff for the way they perform their public duties.

Loss of value in the reserve of the National Pension Fund

The National Pension Reserve Fund was established in 2001 and the purpose of the fund is to meet, as much as possible, the costs to the Exchequer of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically owing to the ageing of the population. The value of the fund, as at May 2009 was €17.2 billion and overall, since its inception in April 2001, it has earned an annualised return of 0.9%, excluding the Exchequer contribution. In 2008, the value of the fund fell by 30.4%, which reflects the exceptionally difficult year in equity and investment markets. The gross diminution in value of the fund was €6.6 billion in 2008. The Committee notes that the Commission, which has control of the fund, was about to undertake a root and branch review of its long-term investment strategy in 2009.

The Committee, while accepting that 2008 was an extremely difficult year for pension investments, raised concerns about the ability of the Fund to meet some of the pension costs of the State from 2025 given the low annualised return of less than 1% achieved to date. The Committee was informed that the Commission envisaged a long term return of between 6% and 7% per annum and that the 2007 review of its investment strategy concluded that, given its long-term focus, the Fund could accept asset volatility and hence invest heavily in equities which give the highest long-term return but are also the riskiest of the major assets. The Committee accepts, given its long term focus, that taking one year in isolation can point to a misleading position, however, it recommends that the Commission, as part of its investment strategy review, establish some form of rolling medium term targets for investment return against which it can monitor performance.

Management of claims against the State

Since December 2001, the NTMA has acted as the State Claims Agency, managing claims for personal injuries and damage to property against Government Ministers, the Attorney General, Health Enterprises and other State Authorities. As at May 2009, the SCA was managing approximately 4,150 claims, with potential liabilities of €643 million. It also has a risk management role, advising the various State authorities on how to minimise their claims' exposures. Employer liability claims have declined by 78% since the inception of the SCA, and public liability claims have declined by 38%. The Committee commends the work of the SCA in reducing the level of claims, especially by putting in place robust risk managements with State Authorities. The Committee accepts that SCA must robustly defend claims against the State and that its priority is to keep costs down. In that regard, the highest costs arise from medical malpractice cases and the Committee noted that mediation, as provided under the Civil Liability and Courts Act, 2004, was only used twice. Given the potential to reduce costs by using mediation, the Committee recommends that referral to mediation to be pursued more vigorously in medical malpractice cases.

Findings

1. The National Pension Reserve Fund fell by 30.4% in value in 2008, which represents a gross diminution in value of €6.6 billion
2. Arising from losses incurred in 2008, the National Pension Reserve Fund has earned an annualised return, since its inception in 2001, of just 0.9%
3. Employer liability claims against the State have dropped by 78% and public liability claims have declined by 38%
4. The mediation provisions of the Civil Liability and Courts Act 2004 have only been availed of twice in medical malpractice cases.

Recommendations

1. The National Pension Reserve Fund Commission should establish rolling medium term targets for investment returns as benchmarks against which actual performance is measured
2. The State Claims Agency, in defending medical malpractice cases, should propose the use of the mediation provisions of the Civil Liability and Courts Act 2004 as a way of driving down the cost of claims.

Chapter Thirteen

Department of Community, Rural and Gaeltacht Affairs

Introduction

The Department of Community, Rural and Gaeltacht Affairs has responsibility for promoting and supporting the development of communities and advancing the use of the Irish language. The Department's work is grouped into six main sectors:

1. Developing communities
2. Tackling drug misuse
3. Rural development
4. Gaeltacht and islands development
5. Promotion and maintenance of the Irish language and
6. North-South co-operation.

In 2007, the budget of the Department was just over €500 million

Accountability Issues

The accountability issues that arose at the meeting of 5th February, 2009 related to:-

- The issue of effectiveness evaluation, especially in the area of community and social intervention by the State and
- The proliferation of groups involved in community development.

[Note that the whole issue of operation and effectiveness of drug treatment, which were dealt with at this meeting, is the subject matter of a separate report by the Committee].

Effectiveness Evaluation

The vast bulk of the Department's budget goes on social type expenditure and community interventions. The concern of the Committee was the degree to which this expenditure was deemed to be effective and the methodology put in place by the Department to measure effectiveness. While all programmes are set within a framework of a strategic plan, a problem arises where the design of such schemes makes evaluation particularly difficult. In addition to achieving outputs, there is a need to measure the long-term impact of such schemes. The concern with ensuring that public resources are targeted to achieve maximum impact is not an issue that is confined to the Department of Community, Rural and Gaeltacht Affairs. While the Accounting Officer was able to demonstrate that there were value for money reviews conducted on programmes, under the aegis of the Department of Finance, it was accepted that the public sector in Ireland had not developed a scientific approach to evaluating how well money on schemes such as community interventions is spent. The Committee was informed that in other jurisdictions, there exists an administrative science on service design, monitoring, evaluation and an assessment of impact of the resource investment in those areas. The Department has made arrangements to conduct such an assessment in respect of its local development, social inclusion and its community development programmes under a specific contract with the Centre for Effective Services (CES) which is a not-for-profit structure established by the Government and Atlantic Philanthropies.

The Committee will review the outcome of the work of the CES and the changes that will ensue in respect of the design of the two main social spending programmes in the Department of Community, Rural and Gaeltacht Affairs. In respect of community based interventions, the majority of which are aimed at tackling disadvantages, the Committee is of the view that results should better demonstrate the outcomes of interventions whether it is the number of children who complete second level or the number who enter third level from specific areas or whatever the appropriate target is relevant to the intervention. Likewise in respect of this Department's expenditure in the promotion of the Irish language, the Department, after many years of investment in this area, should be able to show how the its intervention has impacted in areas such as the everyday use of the language, any changes in the attitude of the population to the language and the way it has developed a co-ordinated approach with the Department of Education and Science so that school children are not only achieving a proficiency in the language but are using the language in a wider context than purely as an exam subject at second level. The problem highlighted by the Committees examination is that it appears that this is not happening.

On the broader issue of evaluation of public sector programmes generally, the examination of the Vote does highlight the need to have a greater level of evaluation and this is an issue that needs to be addressed by all spending Departments and in particular by the Department of Finance which should develop its own expertise in programme design and evaluation. This is especially the case now that resources have become scarce and where decisions on allocations should be based on achieving greatest impact for the public good. The Committee recommends that the Department of Finance review its current VFM evaluation model so that it can build in the administrative methodologies identified as lacking in the public sector by the Accounting Officer of the Department of Community, Rural and Gaeltacht Affairs.

Proliferation of community support groups

The Department of Community, Rural and Gaeltacht Affairs was established by the Government in 2002, in part to bring order to the proliferation of supports and schemes that were being promoted by the State and run by different Government Departments. In the area of community support, an array of groups including leader companies, partnership companies and community partnerships had been established, each of whom were getting funding from different Departments. The Committee welcomes the decision to merge the partnership and leader companies into cohesed companies, however it is of the view that a complete reconfiguration of the community support network is now necessary so that all areas of overlap are eliminated, between these 54 cohesed development companies, the 182 community development projects [CDP's], the 30 county child care committees (funded by the Office of the Minister for Children), and the development agencies and in particular the county enterprise boards which come within the remit of the Department of Enterprise, Trade and Employment. The Committee is strongly of the view that a one-stop-shop approach would help citizens and groups to access the supports that are available. In addition the Committee is of the view that community development is an issue that should fall naturally within the remit of local government and it recommends that as part of the review of State support structures in the community development area that consideration is given to giving a greater role to local authorities.

Findings

1. In 2007, the Department of Community, Rural and Gaeltacht Affairs spent €120.5 million to encourage and facilitate communities to pursue social and economic progress in their areas
2. 97 organisations involved in local, community and rural development have now been cohesed into 54 companies in order to simplify and enhance the delivery of development programmes
3. The Department of Community, Rural and Gaeltacht Affairs has entered an arrangement with Atlantic Philanthropies to redesign the community intervention programmes which would make these programmes more amenable to long term impact measurement.

Recommendations

1. The Department of Community, Rural and Gaeltacht Affairs, in conjunction with the Department of Finance, should re-assess the methodology used in value for money reviews so as to be able to measure the longitudinal impact of programmes involved in community intervention
2. The Department of Community, Rural and Gaeltacht Affairs should prepare a report on the key learning points identified in the review by the Centre for Effective Services of the design of the two main social spending programmes of the Department with a view to developing a shared learning on programme design across State Departments and Bodies
3. The Department of Community, Rural and Gaeltacht Affairs should, in conjunction with other Departments involved in community enterprise and development, review the administrative infrastructure now supporting community development with a view to eliminating overlap, creating a one-stop-shop approach to support and realigning, where possible, such support networks within a local authority framework.

Chapter Fourteen – Special Report 10

The Abbey Theatre

Introduction

Special Report No. 10 of the Comptroller and Auditor General dealt with whether best value was achieved in respect of capital works that were undertaken at the Abbey.
By 2006 the Abbey Theatre had fallen into a state of disrepair and there was a need to carry out refurbishment works. The issues raised in the Report of the C&AG dealt with the conditions that are placed on public bodies regarding expenditure, under government accounting procedures, which can put pressure on them to spend the money before the end of the year.

Accountability issues

The accountability issues examined by the Committee at its meeting of 9th October, 2008 were:-

- The procurement of capital works at the Abbey in 2006
- The need for a review of the way capital funding is handled.

Procurement of capital projects at the Abbey

As outlined in the introduction above, the Abbey Theatre had by 2006 fallen into a state of disrepair. While, long term the theatre itself was to be relocated to the Dublin Docklands, this move was far off and there was an immediate need to carry out refurbishment in 2006. In the normal course, a list of refurbishment works, which have a value of approximately €1 million, would require a good lead in time so that projects can be properly appraised, planned and carried out in a way that gets optimum value for the money invested.

The difficulty that the Abbey found itself in arose from the fact that it was not until the second half of 2006 that it got approval to go ahead with the projects and it was under immediate pressure from the Department of Arts, Sports and Tourism to have the works completed by 31st December, 2006 in order to comply with government accounting procedures. In 2006, the building sector was booming and it was difficult to get contractors at short notice to undertake projects. This led to the theatre shortcutting the procurement procedures, so instead of allocating work on the basis of competitive processes, it resorted to identifying suppliers through its firm of architects for approximately €900,000 of work. Ultimately, approximately €400,000 of the work was acquired under single tenders.

The Committee has highlighted in the past and in particular in relation to FÁS, the dangers that are inherent in not having competitive tenders and, while recognising the nature of some of the capital works was specialised and was therefore confined to relatively few contractors, it was given assurances from both the Arts Council and the Abbey Theatre manager that future projects will fully comply with public service tendering procedures. The Committee was also given assurances that the money given to the Abbey was used exclusively for the purposes agreed and that payments were not made on any invoices without certification and that the effectiveness of the expenditure is seen in increasing the numbers visiting the theatre and in improving the health and safety conditions of all those who visit and work in the Abbey Theatre.

The need for a review of the way funding for capital projects is dealt with in Government accounts

The report of the C & AG and the Committee's examination of the issues highlight the difficulty placed by funding rules that put pressure on Bodies to spend money as otherwise it has to be returned to the Exchequer. That situation is exacerbated when the funding is provided late in the year as adherence to procurement rules takes time while funding rules impose spending deadlines. The result is that the focus is on quick rather than effective spending. The Abbey received funding from two sources, namely from the Department and from the Arts Council. The Arts Council funding did not have a "use it or lose it" tag and a certain portion of the money was placed in an escrow account and paid over in 2007 when certification that the works was completed was available.

While there is now a mechanism whereby 10% of certain voted capital funding can be carried forward thus facilitating the long term planning that is involved in major capital projects through the application of these capital budget envelopes, there remains a problem in the conflict that often arises between procurement and funding rules. As outlined to the Committee, the tendency in the public service is to accelerate spending to meet funding rules and associated accounting provisions as otherwise the funding could be lost whereas the Committee is strongly of the view that the procurement rules should take precedence. In that regard the Department of Finance should review this issue so as to ensure a better alignment between procurement and funding rules.

Findings

1. By 2006 the Abbey Theatre had fallen into a state of disrepair and there was a need to carry out refurbishment works
2. The Abbey Theatre was given €650,000 directly by the Department of Arts, Sport and Tourism in the second half of 2006 and this funding carried a stipulation that the capital works had to be completed by the end of December 2006
3. The Abbey Theatre, under pressure to use the funding by the end of the 2006 financial year, got capital works done without adhering to the principles of competitive tendering
4. Where adherence to both accounting and procurement rules cause a difficulty in the public sector, the general tendency is to adhere to the accounting rules so that the funding does not have to be returned to the exchequer.

Recommendations

1. The Abbey Theatre should in future receive all its State funding via the grant in aid to the Arts Council rather than directly from the Department of Arts, Sport and Tourism. A similar arrangement should apply to other Bodies that are in a similar situation
2. The Department of Finance should review funding procedures to see whether some mechanisms such as carryover provision can be put in place to ensure that capital works for which funding has been committed can be completed in compliance with procurement rules

National Library of Ireland

Introduction

Special Report No. 10 of the Comptroller and Auditor General outlines the circumstances surrounding the procurement by the Library of certain Joycean material. The material involved consisted of six pages relating to *Finnegan's Wake*. It was initially sourced at the premises of a Paris book dealer in 2004 and the actual purchase was finalised in 2005. The circumstances surrounding this particular purchase by the National Library gave rise to a number of audit concerns and, in addition, the whole issue was examined in two special reports commissioned by the Minister for Arts, Sport and Tourism and by the board of the National Library.

Accountability issues

The accountability issue examined by the Committee at its meeting of 9th October, 2008 was:-

- The risks associated with the procurement of the specialised material by a State Agency.

Risks associated with Procurement

The Committee examined this issue from the aspect of the risks that are inherent in trying to procure material such as Joycean manuscripts. The Committee is of the view that the risks to be managed arise from the confined nature of the market for this type of material and can be broken down into three categories as follows:

- The risk of paying over the odds for the item
- The danger that the material is fake
- The danger of losing out on an item of major cultural importance.

<u>Negotiating the price for the material</u>

The National Library, which is probably the world's foremost repository of Joycean material, first became aware of the existence of this rare Joycean material in May 2004 when it received a report from one of its contract employees who had seen it in the shop of a Paris book dealer. The initial report from this employee was that the material could be bought for €400,000. Joycean material by its very nature is very valuable and is thus much sought after by traders as well as by private collectors, cultural institutions like the National Library and by major Universities, many of whom are in the USA. The market therefore has a number of constraints and the first risk is that an interest shown by a cultural institution like the National Library could lead to an inflated price being demanded or for the item being purchased by intermediaries with the sole intent of a subsequent sale to a cultural institution at a higher price. In the event it has transpired that the material in question was purchased in 2004 by a trader/collector who had been a contract employee with the Department of Arts, Sport and Tourism having worked for that Department on a number of cultural projects. Evidence made available to the National Library through the investigations held into this matter indicate that the collector purchased these manuscripts in April 2004, which was prior to the Library being made aware of their existence. Subsequently, in December 2004 the Library was contacted by Sotheby's, who were acting for the vendor, and the purchase was organised for the sum of €1,171,000. While the National Library took three separate valuations of the item prior to purchase and was satisfied that the selling price represented good value for the material, the Committee finds that the material could most likely have been purchased at a lower cost had the item not be subject to intermediary trading during 2004.

Authentication

The policy of the National Library is to proceed with caution when it becomes aware that material, such as the Joyce manuscripts, is available. In that regard, it would not have been in a position to go to Paris and purchase the manuscripts from the Paris book dealer directly. The National Library deals with reputable trading houses such as Sotheby's and Christie's, as these trading houses are able to provide solid assurance of the provenance of the material in question. The Committee accepts that position of the National Library in that regard; however, this entire episode demonstrates the need be able to enter the market place directly and swiftly once being put on notice that such material is available.

Losing the material to another bidder

Once the formal approach was made to the National Library by Sotheby's, it was a matter for the National Library to place a value on the material which took account of the benefits to the Library of possessing such material. Those benefits include the enhanced reputation of the Library as well as the benefits of increased visitors to the Library including oversees visitors. Thereafter it is a matter for the market to determine whether the Library was successful in terms of procuring the item. However the key issue thrown up by this particular procurement is that items such as these are sometimes placed on sale at book dealers, such as the one in Paris. It would be of assistance to the National Library if they had a reputable trading house retained to handle such purchases as the trading house could move quickly to procure such items and in that way the National Library would be in a position to compete with intermediate traders and private collectors. The Committee recommends that the National Library pursue this issue as part of its procurement policy.

Findings

1. The National Library of Ireland purchased Joycean material in 2005 for €1,171,000
2. The Joycean material in question was purchased in 2004 by a private collector who had been a contract employee of the National Library's parent Department. While a figure of €400,000 was circulating as the price tag placed on the material by the Paris book dealer, no evidence was available as to how much the private collector paid for the material in 2004

Recommendations

1. The collection development policies and acquisition guidelines of the National Library that are being finalised should include provisions designed to mitigate the procurement risks associated with the acquisition of material of interest to the Library
2. The National Library should, as part of its acquisitions policy, retain the services of a reputable dealer who can enter the market quickly and thus compete with private collectors and traders in respect of items that have an inherent cultural and possessive value to the Library.

Beaumont Hospital

Introduction

Special Report 10 of the Comptroller and Auditor General raised issues relating to shortcomings in the computer systems at Beaumont Hospital, which led to non-effective expenditure of approximately €311,000. In the overall context of an annual budget of approximately of over €300 million, the loss incurred is small, however the issues raised by the C&AG in his report once again highlight failures in management and oversight of the procurement of goods and services especially in the IT area. The Committee examined this issue given the need to highlight weaknesses of governance in public sector bodies so as to ensure that the lessons that arise in this area may be applied across the public sector.

Accountability issues

The accountability issue examined by the Committee at its meeting of 23rd October, 2008 was:-

- Shortcomings in IT procurement at Beaumont Hospital.

Shortcomings in IT procurement

Three issues indicating shortcomings were identified by the C&AG. These were:-

1. Replacement of the hospital's proprietary software with an open source software in 2002 which was reversed four years later
2. The abandonment of the development of a patient administration system.
3. The leasing of computer equipment by an official in the hospital without formal authority from the appropriate authorities.

Having examined this issue, the Committee notes that the failings identified at Beaumont Hospital are often replicated across the public sector, particularly in specialised areas, where the expertise of the organisation is focussed primarily on the delivery of the key services, in this case patient care, and where the level of oversight of the delivery of ancillary services which facilitate the business of the organisation is not given priority or the attention that would prevent shortcomings arising. In the case of Beaumont Hospital, there was a failure to set clear strategic direction for the IT service and the way IT would support the business needs of the hospital and this led to many of the decisions on IT expenditure being made by IT specialists.

The efficient running of an acute hospital like Beaumont, no more than most businesses, relies to a large extent on IT support. In 2006 for instance, Beaumont had an IT budget of €3.6 million. However, there were key weaknesses in the way it developed its IT capacity. These can be itemised as follows:

1. The front line staff at the hospital were dissatisfied with developments in IT
2. There was no clear IT strategy
3. There were no expenditure limits for procurement transactions by the IT Unit.

The results were:

(i) Staff stopped using the software package purchased in 2002 and by 2006 the hospital had to terminate the usage of that package. The Committee was informed by the CEO of the hospital that a survey undertaken by him shortly after he was appointed found that staff could not use the system to communicate with each other and 75% of staff were unhappy with the system

(ii) Because there was no clear IT strategy, there was not a proper engagement on the way IT would support the hospital's services. An agreed strategy would not only have ensured that there were measurable targets and performance indicators but it would also have meant that staff would have already bought in to developments

(iii) The absence of expenditure limits resulted in the unauthorised creation of financial leases by a senior official in the IT area which committed the hospital to a contract for hardware and software to the value of €1.5 million.

The evidence given to the Committee indicates that the issues raised in the C&AG's report have been dealt with by the hospital in an appropriate and comprehensive manner. Limits are now in place in respect of all expenditure and in the case of IT expenditure, all purchases in excess of €5,000 require the approval of the financial controller. In addition, the development of IT and in particular IT projects is now being driven by the staff who will use the system rather than the IT department. One other concern raised by the Committee was that Beaumont Hospital should not have a stand alone system in isolation of the systems of the HSE and it was informed that this issue is also being addressed. The Committee have taken assurances from the transformation that has been cited by the CEO of Beaumont Hospital in his evidence in relation to IT development.

Findings

1. No value has been received by Beaumont Hospital in respect of €311,000 worth of IT purchases
2. Prior to 2007, there were considerable deficiencies in the governance of the IT function with no expenditure limits for procurement transactions. This allowed a contract to the value of €1.4 million being entered into with a computer supplies company and the existence of this contract did not come to light until invoices were received from this company
3. Prior to 2007, the development of IT to support the business needs of Beaumont Hospital was not guided by a comprehensive strategy and this led to IT being driven by the ICT function.

Recommendations

1. All IT investments should be guided by an IT strategy which is drawn-up with an appropriate input from the staff who will use the systems in addition to the senior management of the organisation and the ICT specialists employed by the body
2. Hospitals, including voluntary hospitals such as Beaumont, should not invest in stand-alone IT systems that develop outside the national strategy of the HSE
3. Major IT investment projects in the public sector should be guided by external review such as a gateway review which involves bodies such as Centre for Management and Organisation Development (CMOD).

Irish Blood Transfusion Service

Introduction

Special Report 10 of the Comptroller and Auditor General also dealt with another IT procurement project, in this case at the Irish Blood Transfusion Service (IBTS) which sought to upgrade the computer system used to manage its blood banking activities. The upgrade at the IBTS did not ultimately go ahead and resulted in non-effective expenditure of €729,000 being incurred. As was outlined already in this Report in respect of Beaumont Hospital, it is well established that a good proportion of information technology projects fail and therefore the primary concerns of the Committee are that lessons can be learned from the experience of the IBTS which have public sector applicability with particular reference to the need to take decisive action where a project is not working out.

Accountability issues

The accountability issues examined by the Committee at its meeting of 23rd October, 2008 were:-

- The need to have systems in place to protect the integrity of blood products
- Risk assessment and project management issues arising from the upgrade project at the IBTS.

Protecting the integrity of blood products

Ireland has a recent history of blood contamination which has heightened our collective sensitivity in relation to blood products and which has led to rigorous testing and high standards being applied in the interests of the safety of those who receive blood transfusions in our hospitals. The Committee is of the view that this point needs to be highlighted as it underpins any examination of the activities of the IBTS to upgrade its facility. As was pointed out in evidence by the CEO of the IBTS, the computer system in place, which is called Progresa, controls all collections, processing, testing and issuing of products to hospitals and without the system, the IBTS could not operate. The Committee notes that this Progresa system is in use all over the world and outside of the US, the company that developed the system has a virtual monopoly. The Committee also accepts that the decision to upgrade the Progresa system to an enhanced version of its existing system called eProgresa was based on business needs given that the system then in place had reached the end of its life as the hardware was dated and the support services were becoming more expensive and would eventually become unavailable.

The move to eProgresa would not only have given assurances to the IBTS in relation to the computer backup needs for the operation of the blood transfusion service, but it also had the capacity to enable the IBTS to become a world leader in blood transfusion technology. While this is a laudable objective, the Committee is of the view that had the technology that was being developed been tested in an international context that the chances of successful implementation would have been higher. The Committee was informed that while other blood transfusion services were also examining the possibility of upgrading, at the time that the IBTS decided to upgrade, those bodies were at least two years behind the IBTS in terms of upgrading their systems. The other hindering factor in this case was that there was effectively only one company capable of developing the service. The Committee concludes that, in hindsight, it would have been better if more countries moved together when upgrading even though that assessment has to be balanced against the business need of the IBTS to progress from a system that was becoming outdated.

Risk and Project Management

The implementation of computer systems which either fail to deliver on the project requirements or which run over budget feature regularly at hearings of the Committee of Public Accounts. The experience of the IBTS, while unique in the context both of the service requirements of the computer system and the fact that there was effectively only one supplier of the system, is worthy of further analysis so as to develop learning points for other public sector bodies.

Risk Analysis

In terms of risk analysis the IBTS got involved in a new system that had not been implemented elsewhere and where there was, in effect, unproven technology. Given the stringent quality standards and validation that would have been required by the IBTS before the system went live, there was always a high level of risk associated with the project. In entering a contract such as this therefore a key issue is to determine which party will carry the risk. The Committee is of the view that risk should have transferred to the developer of the system, and that the IBTS should have paid a premium for the transfer of this risk.

The second issue that arises in terms of risk is that computer projects have a higher possibility of not delivering end user requirement if the body itself has not set out its business needs in a clear strategy which has been drawn up with the involvement of key players in the user organisation. The IBTS provides yet another example of a public sector body which commits a large sum of money (€3 million) to a project in the absence of an IT strategy. The absence of an IT strategy led, in this case, to insufficient thought being given to the scope of the project and on how IT would support the future business needs of the organisation. The Committee is of the view that a point worth reiterating is that too often, decisions regarding IT requirements are left to IT personnel rather than to the senior managers and the users of IT in organisations and that is when projects start to go awry.

<u>Project Management</u>

The findings of a review, commissioned by the IBTS, showed that there were shortcomings in the way it was managed on the part of the IBTS. It is clear from the evidence given that the IBTS put in a huge amount of effort in testing the new system but that errors and bugs in the system proved impossible to overcome and, in the end, the super-users within the IBTS lost confidence in the system which resulted in the project being put on hold. While the original intent was that the system would "go live" in late 2005, this deadline and two further deadlines were missed as efforts were made to make the system stable. The IBTS cannot be faulted in terms of the commitment shown to get the system to work, however it would have facilitated decision making if there was a signed contract which defined the scope of the project and if the roles and responsibilities of each of the parties to the arrangement were agreed in advance and set down in an overall project plan. The evidence given to the Committee outlines that this lack of clarity led to difficulties in the relationship between the developer and the IBTS.

A final issue arising from the management of this project relates to the decision to terminate the process. As outlined earlier in this chapter, not all projects deliver the intended outcomes and, as with the IBTS example, a key issue is the decision whether to terminate the project. The Committee would have concerns where a project continues even though the level of uncertainty about delivery has been heightened. In that regard the Committee finds that the IBTS acted appropriately when in April 2007 it suspended work on the project. While this meant stabilising existing systems and while the whole issue of an upgrade will still have to be addressed, the project will proceed when the market is in a better position to deliver an upgraded product and where other countries are also involved.

Findings

1. The Irish Blood Transfusion Service incurred non-effective expenditure of €729,000 in a project to upgrade the computer system that is used to manage its blood banking activities

2. The Irish Blood Transfusion Service did not take sufficient account of the risks involved in developing eProgresa before entering into a contract with the developer of the system
3. The agreement between the Irish Blood Transfusion Service and the developer of eProgresa was not based on a comprehensive project contract plan
4. The Irish Blood Transfusion Service acted appropriately when it terminated work on the eProgresa project in April 2007.

Recommendations

1. All ICT projects should arise from a long term strategic plan for IT in the organisation which should outline how IT will support current and future business activities
2. Risk assessment should be undertaken so as to ensure clarity in terms of ownership of the risks identified and this should then form part of a formal written contract for the project
3. Inbuilt reviews should be a feature of all capital projects, especially IT projects and public sector bodies should act decisively in terminating such projects where an increased risk materialises that the project will not deliver the required functionality.

Chapter Fifteen

Developmental Agencies

Introduction

A large element of public expenditure arises in agencies established by the State and, as part of the Committee's remit , the accounts of a number of these agencies were examined in 2008. This chapter focuses on the developmental agencies, in particular IDA Ireland and Enterprise Ireland and also the two key bodies (Forfás and Science Foundation Ireland) whose activities determine and underpin the work of these agencies. Given the economic downturn, the Committee was also anxious to examine how these agencies were geared towards competing in a more challenging environment and much of the debate at the Committee hearings centred on this issue. What the Committee found was that all four agencies appeared to be well run, from a corporate governance aspect, and that they had the strategies and business plans which would sustain Ireland's position in terms of competitiveness and as a continued location for foreign direct investment.

IDA Ireland

The job of IDA Ireland is to attract foreign direct investment to Ireland. The importance of this to our economy can be gleaned from the data supplied by the IDA to the Committee and in particular to the fact that 150,000 people are employed by multinational companies in Ireland. 2008 saw a fall in that number as job losses have exceeded new jobs created. The Committee noted the view of the IDA that, given our wage structure and the nature of competition for foreign direct investment, Ireland is still competitive in high end manufacturing where it is capital intensive. As outlined to the Committee, a team approach, involving the third level education sector, Science Foundation Ireland and Forfás as well as the developmental agencies, is required in order to be in a position to attract this type of investment here.

Accountability issues

On the accounts of IDA Ireland, two accountability issues arise, namely:-

- the extent of the property portfolio of the IDA
- the extent of the cash balances held by the IDA.

<u>Property Portfolio</u>

The IDA owns approximately 2,500 acres of land, which it has acquired and developed over time and which is available for sale to multinationals that will locate here in the future. The Committee accepts the need to have this resource available and also notes the profit that has been generated by the IDA in recent years through the sale of lands and buildings. The Committee will recommend that a review of the long-term property requirement should be undertaken as part of the ongoing investment in new properties. In that regard, the IDA should have a target as to the amount of land it is required to hold to meet long term requirements, whether that is a ten, fifteen or twenty year supply.

In addition to land which is available to multinationals, the IDA has leased 74 buildings under 35 year leases and 34 of these buildings are vacant and costing the IDA approximately €28 million per annum. While the leases on these buildings will expire in ten years, the Committee recommends that that IDA review its commitments in respect of these buildings with a view to either sub-letting the buildings or to making them available to the OPW for use by the public sector.

Cash Balances

At the end of 2008, the IDA had €71 million cash in its bank account. This money is derived primarily from the proceeds of the sale of lands and is available for re-investment. The Committee recommends that the IDA reviews its cash management policy as it considers the level of cash being held in the bank to be too high. The IDA should make arrangements with either its parent Department or with the Central Bank so as to have access to funding for the purchase of land and thus the cash currently held in bank accounts should be invested so as to give a higher return for the monies being held.

Forfás

Forfás was established in 1994 as a co-ordinating and advisory body for industrial development, science and technology. Its principal role is to provide analysis and advice to assist policy development for enterprise, science and competitiveness.

Accountability issue

On the accounts of Forfás, one accountability issue arose was:-

- The non-effective expenditure on rent and other costs of €980,000.

Vacant office space

The Committee was informed that, on its establishment, Forfás inherited the leases on two buildings which were the previous headquarters of the IDA. These buildings had been sub-let, to private sector tenants, however in 2008, two tenants exercised a break clause and hence the properties fell vacant. The Committee was further informed that Forfás was actively marketing the space and was hopeful of gaining a new tenant. The Committee notes the difficulty that can arise when the State ends up with vacant property on which it has long term lease commitments and accepts that all State bodies should have their accounts qualified by the C&AG, where there is a material level of non-effective expenditure. The Committee sees a role for the OPW in assisting State agencies in off-loading vacant office space and will recommend this as part of the overall management of State assets.

Enterprise Ireland

Enterprise Ireland provides a range of supports to Irish owned companies to help them to be innovative and to create new export sales. Enterprise Ireland client companies gave employment to 153,670 in 2007. The Committee noted that, given the economic downturn, in 2008, Enterprise Ireland supported firms had a net loss of 8,000 jobs. The Committee was given a full outline of the activities of Enterprise Ireland and the success of some indigenous companies was highlighted as part of the success story, not only of Enterprise Ireland but also of Science Foundation Ireland which has a key role in ensuring that Ireland has a workforce and the research capacity which can be made available to both IDA and Enterprise Ireland client companies. No accountability issues arise in respect of Enterprise Ireland.

Science Foundation Ireland

Science Foundation Ireland was established in 2003 and its function is to build Ireland's world class research capacity in strategic areas that are allied to the needs of industry. Much of our new employment is now based at the high technology end, such as in the computer and pharmaceutical industries, and without the research capacity and the scientific excellence that is available, Ireland would not be in a position to attract and sustain these types of industries. While the Committee of Public Accounts does not have the capacity, nor is it the function of the Committee, to measure the impact SFI is having, it notes that SFI has a clear focus on what its programmes are intended to do and the deliverables that it intends to deliver and that, unlike say the FÁS Science Challenge programme, its programmes are tightly managed. No accountability issues arise in respect of SFI.

Findings

1. At the end of 2008, the IDA held cash reserves of €71 million in its bank account
2. In 2008, Forfás incurred non-effective expenditure of €980,000 on rent and other costs.

Recommendations

1. The IDA should make an arrangement whereby it has access to cash for investment purposes which would lessen the need to carry large credit balances in its bank account.
2. There should be a central register of vacant State property maintained by OPW. State Agencies who find that they have surplus accommodation in hand should notify OPW and seek its assistance in off-loading such properties.

Chapter Sixteen

Food Safety Authority of Ireland

Introduction

The Food Safety Authority of Ireland (FSAI) is a statutory, independent and science-based agency, dedicated to protecting public health and consumer interests in the area of food safety. It is responsible for ensuring that food complies with applicable laws and co-ordinates the enforcement of food safety legislation and the work of other State Agencies in the area of food safety, including the HSE, Department of Agriculture, Fisheries and Food, the Sea-Fisheries Protection Authority and local authorities. It employed 94 staff in 2007, its overall costs were approximately €19 million from which the local authority veterinary service was funded at a cost of €7.8 million.

Accountability issues

The accountability issue examined by the Committee at its meeting of 21st May, 2009 was:-

- The need to streamline the whole enforcement of food safety.

<u>Enforcement of Food Safety</u>

While the FSAI seeks to promote the highest standards of food safety and hygiene, its primary function relates to the enforcement of our food laws. Enforcement of food law is carried out on behalf of the FSAI by a number of State bodies under a service contract system including the Department of Agriculture, Fisheries and Food, local authorities, the HSE, the Sea-Fisheries Protection Authority and the Marine Institute. While these Agencies are accountable to the FSAI for their food safety programmes, their standards of work and their actions in food law enforcement, the FSAI does not have control over the €100 million budget spend every year on food safety. In addition, while the FSAI refunds the local authorities in respect of the supervision of local abattoirs, it does not refund the Department of Agriculture, Fisheries and Food in respect of the supervision work undertaken at beef processing plants. The concerns of the Committee relate to the need to minimise the cost of regulation by eliminating duplication and by having direct control over expenditure and to ensure that there is a harmonised approach to food safety regulation. While the Committee received assurances from the FSAI that its co-ordination role ensures that there is no duplication and that inspection of our food establishments is kept to necessary levels, the fact remains that there are now over 2,000 public officials involved in regulating these establishments. While the Committee would prefer if those involved in food safety regulation were all brought under the remit of the FSAI, it will recommend that the costs of food regulation be consolidated into a single output statement similar to the programmes in Government Departments.

Findings

1. The budget of the Food Safety Authority of Ireland was €19 million in 2007 when the Authority employed 94 staff
2. Food safety control in Ireland involves approximately 2,000 individuals and costs in the region of €100 million per annum.

Recommendations

1. The cost of food regulation in Ireland and the outputs achieved by those regulating the industry are spread over a number of Agencies and these should now be consolidated into a single output statement for the programme on the lines of that produced in Government Departments.

Chapter Seventeen

Other State Agencies

Introduction

In 2009, the Committee also examined the accounts of the following State agencies:

- Broadcasting Commission of Ireland
- Fáilte Ireland

While these bodies have received clear audit certificates, and in the case of Fáilte Ireland the examination of its activities was in the context of the examination of Tourism Ireland, the Committee is anxious that over the lifetime of the current Dáil that it will examine the activities of a number of State Agencies who activities involved either regulation or where there is a large input of State funding. The issue of effectiveness of those bodies in terms of the return that is generated by their activities featured heavily in the examination of these bodies at the meeting of 2nd April, 2009, however no accountability issues arose in respect of these two bodies.

<u>Fáilte Ireland</u>

Fáilte Ireland was established in 2003 and its purpose is to promote tourism and sustain Ireland as a competitive quality tourism destination. In 2007, Fáilte Ireland spent €188 million which included a transfer of €51million to Tourism Ireland, the North/South Body which now has responsibility for marketing the island of Ireland as a tourist destination. The Committee was informed that the tourism promotion infrastructure which existed prior in the State prior to 2003 has now been absorbed under the umbrella of Fáilte Ireland and Tourism Ireland.

The Committee recognises the work being done by the bodies involved in tourism promotion and the vital part tourism plays in Ireland's economy. In that regard, tourism spend in Ireland is approximately €5.4 billion, with over 9 million visitors from overseas complemented 4.2 million holiday trips by Irish people in Ireland in 2007. What is of concern to the Committee is the way in which expenditure can be evaluated in terms of impact and the way the bodies validate the outcomes in terms of tourism numbers and satisfaction with our tourism product. In terms of the domestic tourism, the infrastructure investment, including the upgrading of local amenities, the support for festivals and cultural events and the supports offered to personnel involved in the industry are examples of how Fáilte Ireland have supported the growth in domestic tourism. Fáilte Ireland also undertake benefit studies prior to investment in major sporting events and analyse events before making payments to sporting bodies. Finally the whole issue of brand development is key to sustaining and growing domestic tourism. The Committee also took assurance from the fact that Fáilte Ireland, within the framework of the National Development Plan, follows up on issues highlighted as concerns by those holidaying in Ireland.

Broadcasting Commission of Ireland

The Broadcasting Commission of Ireland (BCI) has responsibility for licensing of independent broadcasting services at national, regional and community; developing programming and advertising standards codes and rules for licensed services; and monitoring compliance with statutory and contractual obligations. It also has responsibility for licensing of additional television services on digital, cable, MMDS and satellite systems. In addition to its regulatory activities, the BCI also has a sound and vision funding scheme and it allocated almost €21 million from that fund in 2007. A total of €15.8 million of the broadcasting fund expenditure was on grants and awards to programme makers. In general, these are directed at programmes covering Irish culture, heritage and experience as well as adult literacy in both the Irish and English languages. As with Fáilte Ireland, the examination of the BCI accounts dealt with the issue of how expenditure from the fund can be effectively evaluated. The Committee accepts that the fund is vital in supporting the independent radio and television production sectors which, prior to the establishment of the fund, was very weak. Evidence supplied to the Committee suggests that the sector now employs approximately 7000 people. As with all State grants, there is a need for independent evaluation of effectiveness and the Committee was informed that a report on the operation of the fund had been completed and submitted to the Minister for Communications, Energy and Natural Resources.

Chapter Eighteen

The Pensions Board

Introduction

The role of the Pensions Board is to supervise pension schemes and to encourage citizens to make provision for their retirement. The backdrop to its supervisory role is that in 2009, it was estimated that 90% of occupational schemes did not meet the required funding standard. On the area of pension coverage, it is estimated that half the population has no pension cover other than the State old age pension. Given the targets that were set in pensions policy that 70% of the working population would have extra pension coverage and that people on retirement would have 50% of pre retired income are both not being met, these two issues were dealt with in detail at the Committee meeting of 25th June, 2009.

Shortfall in pension scheme funding

The issues relating to shortfall in funding arise in the main because of the stock market losses incurred by pension schemes. The funding standard is set by the Society of Actuaries in Ireland with the consent of the Minister for Social and Family Affairs. Each year the trustees of occupational pension schemes are required to provide an actuarial statement to the Pensions Board and, where this statement outlines a shortfall, trustees have a year in which to supply a funding plan to meet this shortfall. That plan will in the main involve additional contributions, however where such contributions are not available, it may mean that the level of benefits have to be reduced.

A concern of the Committee is the extent to which Irish pension funds were invested in equities which carry a higher level of risk and thus, from 2008 onwards, investment market losses led to sharp falls in the value of occupational pension schemes. While the Pensions Board cannot instruct any trustee as to how to invest the funds of the pension scheme, it is the view of the Committee that it should have a stronger role and should consider drawing up guidelines, having consulted the National Pensions Reserve Fund Commission on prudent investment strategies for private pension funds.

Pension coverage

At the end of 2008 there were 1,271 defined benefit schemes with a total membership of almost 580,000 active members and over 90,000 defined contribution schemes with a membership of 272,000. This gives a total of over 850,000 active members of occupational pension schemes. It represents about 41% of those in employment at the end of 2008. At the end of 2008 there were over 155,000 PRSA contracts in force with a total asset value of €1.2 billion.

The looming pension problems, as outlined to the Committee, can be defined as follows:-

- 50% of the workforce will have to rely solely on the old age pension as retirement income. At present the rate of the OAP represents 34% of the average industrial wage. The majority of people do not feel that this income will be adequate after retirement
- Even for those already in pension schemes and in particular defined contribution schemes, the typical defined contribution scheme will not meet the income requirement of workers after retirement in many cases. This is because of the actuarial value requirements of schemes where the contributions are not high enough having regard to the fact that people now live longer.

As outlined to the Committee, Government policy, as set down in national pensions policy in 1998, projected that 70% of the workforce would have pension cover additional to the State pension scheme. Clearly this target has been missed. The principle vehicle that is used to encourage the workforce to enter pension schemes is tax relief on contributions. The Committee was advised by the Department of Finance in September 2009 that the cost of tax relief on private pensions was €2.625 billion in respect of 2007. While pension policy is outside the remit of the Committee and having regard to the recent pensions' framework, which proposes to increase the retirement age to 68, the Committee has an ongoing concern that encouragement by way of tax relief is not an efficient or effective way of increasing pension coverage. The problem with non-coverage rests in the main with low paid workers, some of whom may not even be in the tax net, whereas higher paid workers can, through the tax relief system, build up large sums which can be used to meet pension payments. The Committee is of the view that the State is not getting value for money from the current structure of tax reliefs' and will recommend that the current structure be reviewed with a view to rebalancing reliefs' in favour of those on lower tax bands allied with the introduction of some form of pension incentives for those outside the tax net. This rebalancing will aim to increase the number of those who take out pension cover while putting an overall ceiling on the amount of tax relief that can be claimed by those paying into pension schemes.

Findings

1. 90% of occupational pension schemes did not meet the funding requirement standards in 2009
2. 50% of the population will have to rely solely on the State old age pension for retirement income, based on an analysis of pension coverage by the Pensions Board on the working population in 2009.

Recommendations

1. The Pension Board should draw up guidelines, having consulted the National Pensions Reserve Commission, on prudential investment policies that should be pursued by trustees of private pension schemes
2. Tax relief on pension contributions should be re-balanced in favour of those on the lowest tax band.

Appendix 1

North/South Bodies

Introduction

The accountability of the six North/South Bodies, established following the Good Friday Agreement in 1998, was the subject of a special report prepared jointly by the Comptroller and Auditor General and his counterpart in Northern Ireland. As part of the examination of this Report, the Committee met with the Committee of Public Accounts of the Northern Ireland Assembly in Leinster House on 18th February, 2009 where it agreed on the approach to be taken when examining these bodies. In order to avoid duplication, the examination of the bodies would be shared and the examinations would focus on the specific mandate of each body now that all issues relating to the settling-in of the bodies should have passed. In that regard both Committees felt that these bodies had to have clear functions that were not be duplicated by other government bodies in either jurisdiction. The Committees also agreed, as a follow-up to the examinations, to meet again to discuss the outcome of the examinations.

As part of the examination process, the Committee of Public Accounts of the Northern Ireland Assembly agreed to examine InterTradeIreland and the Special EU Programmes Body in 2009. The Committee of Public Accounts examined Water Ways Ireland at its meeting on 2nd April, 2009; Tourism Ireland in conjunction with the examination of Fáilte Ireland at its meeting on 2nd April, 2009; and the Food Safety Promotion Board in conjunction with the examination of Food Safety Authority of Ireland at its meeting on 21st May, 2009.

<u>Waterways Ireland</u>

Waterways Ireland is responsible for managing, maintaining, developing and restoring the inland navigable waterway system on the island of Ireland. In 2007 Waterways Ireland spent €35.6 million on current expenditure and administered a capital programme of €17.6 million. Its maintenance programme involves preparing the navigation network for recreational activity each year, including extending the length of waterway that is navigable, refurbishing lock gates and clearing out weeds and other growths from the water, registering vessels and carrying out inspections relating to the use of the facilities. The overall value of the public investment in the assets administered by Waterways Ireland is approximately €700 million. While capital expenditure is met by the administration in which the development takes place, 85% of its current expenditure comes from this jurisdiction. This reflects the fact that of the 1,000 km of waterways on the Island, 850 km are in the Republic with 150km in Northern Ireland.

The Committee welcomed the fact that Waterways Ireland had introduced a seven step project management process from conception to post project evaluation for its capital works programme and commended the fact that, in the case of one bridgebuilding project where an affordability cap was breached, the body did not go ahead with the project in the format contemplated and instead a more economic option was pursued.

Waterways Ireland generates approximately €500,000 per annum and clearly it does not have a commercial remit as most of its properties are used for non fee-paying leisure activity such as walking and course-fish angling in addition to boating which is fee paying. The Committee noted the growth in water tourism, indicated by the increase in the number of boats on inland waterways from 5,000 to 12,000 in the last decade. The Committee also noted that Waterways Ireland had a number of properties which were derelict as well as a 1.2 hectare plot in the Dublin Docklands area which should have development potential in the future. The Committee recommends that the non-core property portfolio of Waterways Ireland be kept under review with a view to disposing of such property when the current depressed state of the property market has elapsed.

Finally, the Committee notes that Waterways Ireland has received clear audit certificates and that no corporate governance concerns have been raised in respect of the running of this body.

<u>Tourism Ireland</u>

The primary objective of Tourism Ireland is to market the island of Ireland as a tourism destination and increase visitor numbers to the whole island. It commenced overseas marketing operations in January 2002, taking over responsibility for promoting tourism in both jurisdictions from Fáilte Ireland, then Bord Fáilte, and the Northern Ireland Tourist Board on that date. It spent €81 million in 2007, of which €55 million went on marketing and it received funding of €51 million from Fáilte Ireland with the remaining funding coming from Northern Ireland. Tourism Ireland operates with 160 core staff and agency representation in Dublin, Coleraine and twenty three markets overseas.

Tourism Ireland while taking over the overseas functions of the two tourist boards, works in partnership with them when marketing tourism abroad. In particular, the Committee heard in evidence how the three bodies participate jointly in a research group which allows them to share research findings and the three bodies have developed programmes such as one relating to sports tourism which was referred to at the meeting. The one concern that the Committee raised was that there be no unnecessary duplication of tourism services [See Chapter 17 in relation to Fáilte Ireland] and it took assurances from the Department of Arts, Sports and Tourism that, while the three bodies had to work closely together, their functions did not overlap and that the key issue is to be able to dovetail the tourist product of Fáilte Ireland and the Northern Ireland Tourism Board with the marketing being undertaken overseas by Tourism Ireland.

Finally, the Committee notes that Tourism Ireland has received clear audit certificates and that no corporate governance concerns have been raised in respect of the running of this body.

Food Safety Promotion Board

The Food Safety Promotion Board, now known as *Safefood*, is tasked with the promotion of food safety and healthy eating. It employed 35 people in 2007 and its main activities are in the area of research, upon which it spent €2 million, and food promotion campaigns, upon which it spent €3 million in 2007. It is funded on a 70:30 split between the Republic of Ireland and Northern Ireland.

The key issue raised at the Committee related to the mandate of *Safefood* and in that regard, the Committee held a joint examination of *Safefood* with the Food Safety Authority of Ireland (FSAI) at its meeting on 21st May, 2009 [see Chapter 16]. In order to avoid any duplication the legislation governing the FSAI was amended and the legislation further require the FSAI to co-operate with *Safefood* in the performance of their functions. Evidence given to the Committee of that co-operation included the monthly meetings of the CEO's of both agencies, the establishment of the Obesity Forum with the Food Safety Authority of Northern Ireland and the whole issue of nutritional surveillance. It was also highlighted in evidence that *Safefood* has no role in regulation or enforcement. In the area of food promotion, *Safefood* works in partnership with both the Health Services Executive and the Department of Health & Children, Social Services and Public Safety in Northern Ireland. While the Committee accepts that these two latter bodies have to retain overall responsibility for food safety, it is of the view that *Safefood* needs to develop its role as the lead agency in the area of food promotion. In that regard the development of *Safefood's* research role will be a key in providing a distinct lead role for the Agency. The Committee also sees the development of enhanced specialised laboratory services, which is being considered in the context of the role of *Safefood,* as the other element in moving *Safefood* to a lead as against a partnership type agency.

Finally the accounts of *Safefood* have received clear audit certificates and corporate governance issues have not featured in the way in which the organisation is run however, from a value for money viewpoint, it should take steps to ensure that full use is made of its office space at its headquarters in Cork.

Overall Conclusion

Based on the evidence taken at the three sessions in 2009, the Committee is satisfied that the three North/South Bodies that were the subject of examination have a clear mandate that does not involve duplication with services provided by regulatory bodies in either jurisdiction. That position is most clear in the case of Waterways Ireland where it has responsibility for the delivery of services to the public whereas Tourism Ireland and *Safefood* are promotion bodies that have to work in partnership with their respective regulatory agencies in each jurisdiction. The Committee is satisfied that the activities of the latter two North/South bodies dovetail with the activities of their partnership organisations, however there appears to be scope in the case of *Safefood* to develop a more distinct role in the area of research and laboratory services.

Appendix 2

Orders of Reference of the Committee of Public Accounts

(1) There shall stand established, following the reassembly of the Dáil subsequent to a General Election, a Standing Committee, to be known as the Committee of Public Accounts, to examine and report to the Dáil upon—

(*a*) the accounts showing the appropriation of the sums granted by the Dáil to meet the public expenditure and such other accounts as they see fit (not being accounts of persons included in the Second Schedule of the Comptroller and Auditor General (Amendment) Act, 1993) which are audited by the Comptroller and Auditor General and presented to the Dáil, together with any reports by the Comptroller and Auditor General thereon:

Provided that in relation to accounts other than Appropriation Accounts, only accounts for a financial year beginning not earlier than 1 January, 1994, shall be examined by the Committee;

(*b*) the Comptroller and Auditor General's reports on his or her examinations of economy, efficiency, effectiveness evaluation systems, procedures and practices; and

(*c*) other reports carried out by the Comptroller and Auditor General under the Act.

(2) The Committee may suggest alterations and improvements in the form of the Estimates submitted to the Dáil.

(3) The Committee may proceed with its examination of an account or a report of the Comptroller and Auditor General at any time after that account or report is presented to Dáil Éireann.

(4) The Committee shall have the following powers:

(*a*) power to send for persons, papers and records as defined in Standing Order 85;

(*b*) power to take oral and written evidence as defined in Standing Order 83(1);

(*c*) power to appoint sub-Committees as defined in Standing Order 83(3);

(*d*) power to engage consultants as defined in Standing Order 83(8); and (*e*) power to travel as defined in Standing Order 83(9).

(5) Every report which the Committee proposes to make shall, on adoption by the Committee, be laid before the Dáil forthwith whereupon the Committee shall be empowered to print and publish such report together with such related documents as it thinks fit.

(6) The Committee shall present an annual progress report to Dáil Éireann on its activities and plans.

(7) The Committee shall refrain from—

(*a*) enquiring into in public session, or publishing, confidential information regarding the activities and plans of a Government Department or office, or of a body which is subject to audit, examination or inspection by the Comptroller and Auditor General, if so requested either by a member of the Government, or the body concerned; and

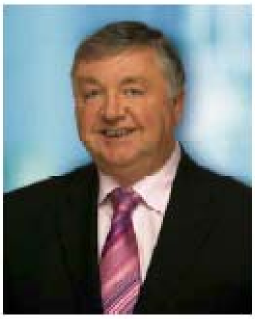
(*b*) enquiring into the merits of a policy or policies of the Government or a member of the Government or the merits of the objectives of such policies.

(8) The Committee may, without prejudice to the independence of the Comptroller and Auditor General in determining the work to be carried out by his or her Office or the manner in which it is carried out, in private communication, make such suggestions to the Comptroller and Auditor General regarding that work as it sees fit.

(9) The Committee shall consist of twelve members, none of whom shall be a member of the Government or a Minister of State, and four of whom shall constitute a quorum. The Committee and any sub-Committee which it may appoint shall be constituted so as to be impartially representative of the Dáil.

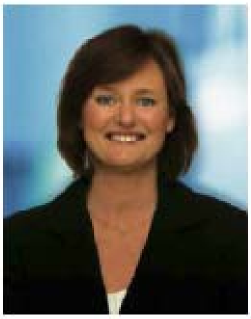
Appendix 3

Membership of the Committee



Allen, Bernard (FG)
(Chairman)

Broughan, Thomas
(Lab)



Clune, Deirdre (FG)

Collins, Niall (FF)

Fleming, Seán (FF)

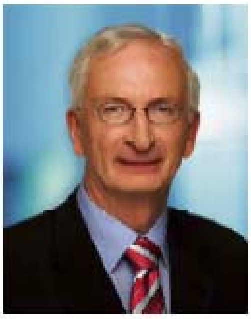
Kenneally, Brendan
(FF)

McCormack,
Padraic (FG)

McGrath, Michael
(FF)

O'Brien, Darragh
(FF)
(Vice-Chairman)

O'Keeffe, Edward
(FF)



O'Keeffe, Jim (FG)

Shortall, Róisín
(Lab)

Nótaí / Notes