



DÁIL ÉIREANN

An Coiste um Chuntais Phoiblí
Tuarascáil Deiridh maidir le
Cuntais Leithreasa 2006; Tuarascáil Bhliantúil ón Ard-Reachtair Cuntas agus
Ciste 2006; agus Tuarascálacha Speisialta ón Ard-Reachtair Cuntas agus
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Committee of Public Accounts

Final Report on
Appropriation Accounts 2006; Annual Report of the Comptroller and Auditor General
2006; and Special Reports of the C&AG

(Hearings of the Committee in the period
November 2007 to July 2008)

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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 2006 Appropriation Accounts.

The Committee has already published four interim reports on its examination of the 2006 Annual Report and Accounts. These interim reports dealt with Irish Aid, the Taxation of Rental Income Receipts, Expenditure on Health Services and FÁS. The Final Report covers the remaining areas that were the subject of public examination by the Committee, when evidence was heard from Accounting Officers and Chief Executives of State Agencies on an almost weekly basis following the establishment of the Committee in October 2007.

The Report 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.

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

May, 2009

Executive Summary

The examination by the Committee of the 2006 Annual Report of the Comptroller and Auditor General (C & AG) and the Special Reports published by the C&AG highlight a range of issues that need to be addressed by public service bodies. These issues fall into a number of broad categories, as follows:

- Ensuring that the State gets a better return on the investment of public funds
- Governance issues, dealing in the main with the adequacy of checks and balances
- Risk Analysis and Assessment
- Implementation of Change Management Programmes
- Procurement of goods and services at their most economically advantageous cost.

All five of these issues arise in this Final Report, which covers the Committee's hearings from November 2007 to July 2008. Whilst the primary issue for the Committee is to ensure that public monies are not wasted, it is rare that the issue boils down to simple and straightforward waste. It is often the case also that, once an issue is raised by the C&AG, Departments and State Bodies will take appropriate corrective measures before the public examination by the Committee. While the Committee notes the taking of corrective measures, the principles of public accountability requires that those charged with the responsibility for overseeing the spending of public funds should explain ultimately to the taxpayer how such a situation could develop.

The Report highlights the key findings of the Committee based on its examination of the Government Departments and State Agencies. Value for money issues arise in the majority of cases, where for example, the Committee has concerns about use of public funds in cases such as the Prison Service where prison officers are now paid on the basis of annualised hours which has inbuilt overtime factored into the level of pay or the Department of Education and Science which is spending up to €50 million every year on prefabs when it does not have a register of what temporary accommodation it owns or has paid for.

The Report also highlights weaknesses in governance and internal controls at State Agencies such as Bord na gCon and the National Educational Welfare Board which resulted in waste of public funds. More generally, these examples provide cautionary lessons for other State Agency boards who can respond by ensuring that proper controls are in place before their annual accounts are signed off.

The Committee also requires a greater focus to be placed on the delivery of programmes and examined a number of cases where there were delays in introducing services that were the subject of major change programmes such as the integrated ticketing system for Dublin public transport users and also the eGovernment project. These change programmes highlight a deficiency in the civil service in planning and delivering complex programmes, particularly those requiring a large degree of co-ordination between Departments and State Agencies required.

Finally, the State is now involved contractually in the procurement and delivery of large capital projects and these demand that those directly concerned to be able to identify and manage the risks involved in delivering these major projects within time

and on budget. The Chapters in this Report on the Ballymun Regeneration Programme and on the termination of one of the contracts in the Limerick Drainage Scheme highlight the need to develop that capacity within the civil service in order to avoid the losses and budget overruns that occurred in these projects.

Chapter One

Tax Collection

Introduction

Chapter 3 of the 2006 Annual Report of the Comptroller and Auditor General dealt the Office of the Revenue Commissioners. The Committee examined the issues relating to tax collection over three meetings with the Chairman of the Revenue Commissioners. The Committee has already issued an interim report on one aspect of its examination, namely the Taxation of Rental Income Receipts.

Accountability issues

The accountability issues examined by the Committee at its meetings on 13 December 2007, 17 January 2008 and on 8 May 2008 were:-

- Tax write-offs
- Audit and compliance programme.

Tax write-offs

In 2006, €19 million was written off by Revenue as uncollectible. Of this amount, €2 million related to insolvency, where the largest write-off was in the amount of €2.3 million in respect of a construction company that went into liquidation. The Committee sought assurances from the Revenue Commissioners that businesses were not using liquidation as a means of avoiding tax in cases where the individuals concerned commenced trading again shortly after the liquidation of a company. The Committee was informed that Revenue retains the ability to write back on taxes that have been written off and that there is a provision in the Companies Acts which make directors personally liable for the debts of a company, which could include tax. Revenue's phoenix programmes monitor the re-emergence of entities that were in trouble and its commonality programme looks across all companies and individuals to see if an individual in a liquidated company operates elsewhere in the system so that the activities of such individuals can be subject to closer monitoring. The Committee proposes to follow up on this issue with a comprehensive report based on the 2009 examination of Revenue.

Audit and Compliance Programme

The audit and compliance programme ensures compliance by taxpayers under the self-assessment tax regime. Revenue has had considerable success in building up the information held by it on self assessed tax payers under its Risk Evaluation & Analysis Programme (REAP) system and this system provides the key to the effective targeting of audits. The audit and compliance programme has two elements, namely the targeted audits which is the main element of the programme, consisting of 13,626 audits in 2006 and the random audit programme under which 400 audits are undertaken. The targeted programme, using information from REAP, yielded €50 million in 2006 and had an average yield of €48,629. In contrast the much smaller random audit has an average yield of €3,090. The random audit is a key indicator of how compliant self assessed taxpayers are and, while the gap between what they pay and the amount they should pay, as indicated by the audit, is closing, the Committee

has a concern that in 30% of cases there was an under declaration and payment of tax. The Committee recommends continuance of the random audit programme as the percentage of taxpayers who are underpaying tax under self assessment is still high and also, the likelihood of an audit, however remote, creates a greater compliance culture.

Findings

1. €119 million was written off as uncollectible tax by Revenue in 2006
2. The largest single tax write-off in 2006 was in the amount of €2.3 million and was in respect of a construction company that went into liquidation
3. The targeted audit programme in Revenue yielded €650 million in extra tax receipts in 2006.

Recommendations

1. A comprehensive review of the effectiveness of oversight checks on the emergence and operation of phoenix type companies should be undertaken by Revenue
2. The random audit policy of Revenue should continue given its usefulness in analysing the extent to which self-assessed tax payers under-declare their levels of income.

Chapter Two

Sick Leave of Prison Officers

Introduction

Chapter 5.1 of the 2006 Annual Report of the Comptroller and Auditor General dealt with the level of sick leave in the Prison Service as it has been far in excess of that experienced in the rest of the public sector and private sector and it has a significant financial impact. Historically, it has also been greater than in the prisons in the UK, particularly Scotland. While the nature of prison work is a contributory factor to the high level, the most important factor appears to be the link between the taking of sick leave and the use of the overtime system to cover for the absences. This link had long been recognised by the Department of Justice, Equality and Law Reform to be central to the problem. After protracted negotiations, new arrangements were introduced in all prisons by February 2006 whereby overtime working was replaced by an annualised hours attendance system. The Committee examined this issue to establish the impact this new attendance system was having on the level of sick leave by prison officers.

Accountability issues

The accountability issues examined by the Committee at its meeting on 24 April 2008 were:-

- The impact of the Annualised Hours regime
- The targeted reduction in the amount of sick leave.

Annualised hours

An annualised hours system was introduced in the Prison Service after protracted and difficult negotiations between prison officers and the Department of Justice, Equality and Law Reform in 2005/2006. Under the old attendance system, those absenting themselves on sick leave had to be replaced by colleagues who worked an extra shift and got paid overtime. There was an incentive therefore for prison officers to 'play the system' and prison officers went sick in order to boost the income of colleagues. In order to run the system under the old regime, the Department required two million additional hours of extra attendance per year and under the annualised hours system one million of those have been taken out of the system. Hence the Prison Service was able to show there is a significant saving in its overtime budget. The Committee notes that the link between sick leave and overtime appears to have been broken with the introduction of an annualised hours attendance regime in the Prison Service, however it retains a concern in relation to the level of extra remuneration generated by prison officers and whether this can be represented as value for money for the taxpayer.

Targeted reduction in the amount of sick leave

Following the introduction of the new attendance arrangements (annualised hours) the Prison Service set a target of reducing the sick leave by 33%. The reduction achieved in 2007 was 17%. While the Committee recognises that the trend is in the right direction, it is disappointed at the rate of reduction and in the estimate that it will take five years before the target is reached. The Committee recommends that the issue be

pursued more vigorously by the Prison Service. In particular, there is a need for work to be done on monitoring and recording the causes of sick leave and a new computer system put in place at the end of 2008 will enable greater analysis of the sick leave issue. The Committee will review progress on this issue at future meetings with the Prison Service. The Committee notes that, while there is a net saving on the Vote of the Prison Service, the high level of absence due to sick leave remains an issue as the Department strives to ensure that reduction targets are met.

Findings

1. The number of hours of extra attendance has been reduced from two to one million following the introduction of the annualised hours attendance system
2. The majority of prison officers are paid 360 hours in lieu of overtime, at a premium rate of 1.8, under the annualised hours system
3. Per capita sick days fell from 26.2 days in 2006 to 21.64 days in 2007, a drop of approximately 17%.

Recommendations

1. Further analysis of the causes of sick leave is required given the ongoing high level of absences in the Prison Service
2. The Prison Service needs to continuously monitor the pattern of sick leave within the service
3. Modern IT systems need to be deployed to facilitate timely and effective management and monitoring of sick leave in the Prison Service.

Chapter Three

Termination of a Contract in the Limerick Drainage Scheme

Introduction

Chapter 6.1 of the Annual Report of the Comptroller and Auditor General outlines the sequence of events that followed the termination by Limerick City Council in September 2001 of a contract that was priced at €9.57m led to a final cost of the order of €83m¹ for the Exchequer. Of all the issues dealt with by the Committee in this Final Report, this loss of some €70 million to the taxpayer is by far the most serious and Committee will expect that all the necessary steps will be take to avoid such a loss of public funds ever happening again.

Limerick City Council terminated the original contract on the grounds that the contractor was not proceeding with due diligence. The contractor contended this determination was wrongful and a breach of contract and, by agreement, the dispute was referred to an independent conciliator who found emphatically for the contractor. The City Council rejected the conciliator's findings and the matter was referred to an independent arbitrator for adjudication. The arbitrator's findings were very much in line with those of the conciliator. Again, the City Council was unhappy with the findings and appealed the award to the High Court on a number of points of law. The judge ruled that none of the issues raised was sufficient to warrant the exercise by the court of its jurisdiction to interfere with the arbitrator's award.

Accountability issues

The accountability issues examined by the Committee at its meetings on 14 February and 1 May 2008 were:-

- The level of risk analysis undertaken as part of the management of this contract and thereafter when the matter was under appeal
- The decision making processes during termination and during subsequent hearings
- Lessons arising for the management of capital projects.

Risk analysis

Given the financial consequences, the Committee was concerned that a proper analysis of the risks involved would have limited the exposure of the State to financial loss.

The Committee was informed that, at four key stages in the case, risk assessments were undertaken by Limerick City Council with the support of professional engineering, legal and specialist financial input to analyse and assess the legal and contractual strength of the contractor's claim. The actions taken by the council were at all times informed by these risk assessments.

On examination of the issue the Committee noted that because capital contracts had not been terminated on grounds that contractors were not proceeding with diligence,

¹ A final estimate of the overall cost is not available from the Department

there was an absence of knowledge and experience in the Department which would have provided greater guidance to the City Council in handling the issue. The absence of this experience to a certain extent made the Limerick drainage termination “an accident waiting to happen”. It was not until September 2002, which was a year after the contract was terminated, that a formal circular requiring a risk assessment be undertaken was issued by the Department.

The fact that the Department was the central body in developing capital projects worth billions under successive national development plans should have meant that guidelines were in place to help local authorities in dealing with perceived errant contractors. Also the fact that the City Council had retained the services of a top legal firm should have ensured that a more rigorous assessment of risk before termination and at the appeal stages took place.

The Committee accept that limited risk assessments were undertaken but are left with the conclusion as outlined in the Considine report prepared for the Minister on the overall handling of this issue by the Department, which stated:

“in my opinion, a more developed system of risk assessment could be expected to provide better support in deciding whether to terminate the contract and subsequent to that in deciding whether or not to settle on the terms which appear to have been on offer following Part 1 of the recommendations from the Conciliator”

Decision made

A number of critical decisions, which had financial consequences, were taken between 2001 when the contract was terminated right up to 2005 when it was decided to appeal to the High Court. The Committee was concerned that key decisions were taken by those centrally involved in managing the contract whereas a detached view was required when the termination was being considered and when the conciliators and arbitrators recommendations were being considered.

While the Department put forward the view that it had a “devil’s advocate” role in the decision making process, the Committee does not accept that the evidence exists to support this argument. The failure to take due account of the findings of an experienced conciliator, an equally experienced arbitrator (both of whom had international standing) and the body of evidence available from previous court rulings on the appeal of arbitrator findings does not, in the Committees view, indicate that the Department and the City Council were “simply unlucky”. Having reviewed the entire episode over two meetings, the Committee concludes that poor judgement was exercised at the key points by those involved in this process.

Lessons for future capital projects

The Committee has one major concern arising from the evidence it has taken in respect of the cancellation of Contract 4.2 and that relates to the evidence of the Accounting Officer that the Department would not do things differently if it was faced with similar situation again. The Committee find this evidence most disturbing as it shows that a Department can stubbornly disregard expert intervention secure in the knowledge that it has the comfort of the public purse to deal with any negative results. That said, some of the evidence given to the Committee appears to indicate that lessons have been learned arising from the experience of the termination of the

contract in Limerick. In particular, the revised State contract for civil and building works provides the employer with the option of referring for expedited conciliation the question of whether a right to termination for default has arisen. Under the new form of contract, in similar circumstances the scope for compensation would be limited. A more rigorous system of risk assessment, including assessment by those who are not involved in the contract dispute procedure, has been introduced as a standard practice in such cases. The development of a more rigorous risk assessment model, which has worked examples, will be given to councils to handle projects. Finally the use of restricted tendering processes, which will result in higher tender costs, will ensure that contractor capacity issues in specialised projects such as tunnelling will be less likely to arise.

Findings

1. The initial accepted tender for contract 4.2 of the Limerick Drainage Scheme was for €9.85 million
2. The final cost of the contract, including damages and legal costs, is likely to be €3 million
3. Decisions to terminate large public capital programme contracts are exceptional and thus the public sector knowledge on how to handle such situations was not readily available to guide both the Department of the Environment, Heritage and Local Government and Limerick City Council on the termination of contract 4.2 of the Limerick Drainage Scheme
4. Prior to September 2002, local authorities were not required to carry out formal risk assessments on capital projects
5. At critical points in the management of this process, there was a failure of judgement shown by officials both in the Department of the Environment, Heritage and Local Government and at Limerick City Council
6. Changes have been made to public contract conditions which transfer risk to the contractor in the new contracts approved by the Minister for Finance.

Recommendations

1. In deciding the best course of action in the case of contract disputes, a risk analysis weighing up the financial implications and the chances of success should be conducted
2. The senior engineers of all local authorities should receive a detailed oral briefing from the Department of the Environment, Heritage and Local Government on the risk assessment methodology, including worked examples (as recommended in the Considine Report), which have been developed by the Department in respect of all capital projects²
3. In order to combat the tendency for agencies to justify their previous decisions, any recommendation to pursue legal action or arbitration should be escalated so that an independent view of the proposed course of action can be obtained
4. An assessment of the performance of consultants and legal advisors should be undertaken before final settlement of accounts and such assessments should be given weight in future appointments

² These risk assessment methodologies are contained in the Department's document entitled "Dispute Resolution Procedures & Risk Assessment in Public Sector Construction Contracts"

5. The Department of Finance should require a worst case scenario to be set in monetary terms in cases of proposed settlements and take a more proactive role in decisions relating to the settlement of disputes having regard to the implications for the Exchequer as evidenced by the outcome of the termination of the Limerick drainage contract.

Chapter Four

The Public Private Partnership Pilot Schools Project – Follow Up

Introduction

Chapter 7.1 of the 2006 Annual Report of the Comptroller and Auditor General provides an update on the five second level schools that were built in 2002 under a Public Private Partnership (PPP) group scheme. The project provided for the construction of five schools and their operation and maintenance over the 25-year span of the agreement. One of the aims of the pilot process was to identify issues and problems encountered during the procurement phase, and subsequently during the ongoing implementation of the projects, and to use the information and learning to develop PPP policy and enhance the process. The C&AG did a formal review of the pilot scheme as part of his annual audit of the 2006 accounts.

Accountability issues

The accountability issues examined by the Committee at its meeting on 17 April 2008 were:-

- The lessons arising from the pilot projects
- The need to achieve value for money.

Lessons learned from the pilot projects

The Report of the C&AG shows that there was general satisfaction with the effect of the new arrangements in terms of the management of the facilities and the operation of the schools. However, there were also some areas that needed attention. These included a lack of clarity regarding what was to be provided to the schools under the arrangements, inadequate reporting of less than satisfactory service, the low level of usage of the schools by third parties and the failure to implement energy management policies.

The Committee was informed that a number of changes had been made to the original contract which would address the shortcomings identified by the C&AG. In particular there are now monthly reports on the performance of the PPP Company and deductions are made where there are service failures and there is now closer liaison between the schools, the Department and the PPP Company. There is also greater clarity on who is responsible for maintenance of equipment.

The need to achieve value for money

While the decision to provide aspects of the public capital programme by way of PPP is a policy matter for the Government, the Committee has a role in ensuring that the State receives value for money for public expenditure. The evidence given to the Committee suggests that, based on experience to date, the cost of providing schools by way of PPP is between 8% and 13% higher than the conventional method, and that this marginal difference was in the main down to the fact that the PPP schools were

finished to a higher specification. While the initial pilot projects went ahead without a public service benchmark cost being available, methodologies for calculating costs (which make up the benchmark) have developed significantly in recent years. However because PPPs are allocated on a competitive tendering basis, the value of any affordability cap is not made public as it is commercially sensitive information. It was pointed out that one of the reasons for the higher costs in PPP schools is that the quality of materials being used was higher given the stipulation that the schools were to be handed back to the State after the 25 year contract had elapsed in the same condition as they were at the beginning. The Committee intend to undertake further analysis of the VFM issues associated with PPPs.

Finding

1. The total cost of the five schools built under the pilot PPP will amount to €283 million over the 25 year lifetime of the PPP or €150 million in net present value terms.

Recommendation

1. The Department of Education and Science and the National Development Finance Agency need to address the concerns raised by the Comptroller and Auditor General, including those relating to adequate reporting arrangements, the use of facilities by the community and other groups and the need for absolute clarity on the responsibilities of the PPP Company.

Chapter Five

School Accommodation

Introduction

Chapter 7.2 of the 2006 Annual Report of the Comptroller and Auditor General dealt with the issue of the provision of school accommodation in prefabs and in particular the issue of purchasing as against renting prefabs. The Committee noted that while €25 million was expended in the construction of permanent buildings, a sum of €3.5 million was spent on purchasing prefabs and a sum of €4.5 million was used to rent temporary accommodation and the majority of this latter sum related to prefabs. The Committee is concerned at the extent to which the Department has to use prefabs, even in relatively new schools and it also examined the issue of school provision and in particular the issue of planning.

Accountability issues

The accountability issues examined by the Committee at its meeting on 17 April 2008 were:-

- The extent of the use of prefabs
- Planning to meet accommodation needs.

The extent of the use of prefabs

The Department was not in a position to give the Committee data on the use of prefabs as it does not have a national inventory of accommodation. The Committee is concerned that some children spent their entire student life in prefabs and that the Department is purchasing prefabs as it tries to meet accommodation needs in a reactive rather than in a planned way. The Committee is further concerned about the continuing use of old prefabs and was frustrated that the Department was not in a position to give details on the age profile of prefab accommodation. While the Department is establishing a national database on rented accommodation it will not capture the extent to which prefabs that have been purchased by schools, with funds from the Department, are in use. The Committee is of the view that there are serious shortcomings in the way the Department is managing its capital investments in schools and recommends that a national inventory of school accommodation be completed and that ICT capacity of the Department, which should integrate all aspects of the inventory with the school building programme and the Department's financial management system, be developed so that all capital assets, whether owned or rented are captured. Only then can the data be analysed for management reporting and planning purposes.

Planning to meet the accommodation needs of schools

The Committee noted that the Department spent €5 million on rented accommodation in 2007 and this figure rose to €2 million in 2008. The Committee is concerned at the steep increase in the amount of resources being devoted to rented accommodation, the majority of which goes to renting prefabs and questioned the capacity of the Department to meet accommodation needs by way of permanent accommodation. Demographic changes and the precision with which one can plan

accommodation and the budget available in any year to provide permanent accommodation were the issues cited by the Department as those that gave rise to the need to fall back on renting prefabs and more significantly to purchasing prefabs. The Department cannot buy sites and retain them for further need. The Committee is of the view that a stronger link needs to be forged between the Department and local authorities and that, in developing areas, the local authority should acquire sites for schools as part of their development plans. While the Department is working with local authorities, the Committee is of the view that the level of co-operation could be higher.

Findings

1. The level of annual expenditure by the Department on rental accommodation for schools has risen from €25 million in 2005 to €52 million in 2008
2. The Department does not have a detailed inventory on the number and age of prefabs that are used by first and second level schools in the State
3. Based on the number of children in primary schools in 2008, approximately 50,000 extra pupils will enter second level by 2013.

Recommendations

1. An inventory of all prefab and other school accommodation in the State should be developed by the Department of Education and Science
2. The ICT capacity of the Department of Education and Science should be enhanced in order that the inventory of school accommodation is integrated with the school building programme and the financial management system of the Department
3. The Department should explore with local authorities measures that would enable sites required for schools building projects being purchased and retained.

Chapter Six

Integrated Ticketing for Public Transport in Dublin

Introduction

Chapter 8.1 of the 2006 Annual Report of the Comptroller and Auditor General provides an update on the provision of an integrated ticketing system for Dublin following on from the termination of the initial procurement phase that commenced in 2002.

The original plan prepared by the Railway Procurement Agency when the project began in 2002 was that it would be delivered in 2005 at the cost of €9.6 million. However, by 2006 it had become clear that both the timetable and the estimated costs were unrealistic. A major source of difficulty was the lack of buy-in to the concept by some main stakeholders. The Department commissioned a review of the project in 2006 and a resultant report recommended proceeding with the project stating that, with firmer governance, the project could be kept on time and budget. A new maximum budget for the project was set at €49.6 million with the first use of integrated ticketing scheduled for late 2009.

Accountability issues

The accountability issues examined by the Committee at its meeting on 31 January 2008 were:-

- Management and governance of the project
- Cost of the project
- Timescale.

Management and governance of the project

The Committee was concerned that the initial project failed because there was a failure on the part of main stakeholders to participate fully in the project and the Department was not proactive in driving the project. While all bodies engaged at a technical level, there was no structure whereby the chief executives of these agencies could engage in the project. The review in 2006 led to the establishment of a project board with an independent chairman that reports on a three monthly basis to the Minister for Transport. The Committee received assurances that all stakeholders are now fully committed to the project and will keep progress on this project under review.

Cost of the project

The revised estimate of the cost of the project is €20 million higher than the original budget. The Committee was concerned about the higher costs involved and also the capability in the Department to adequately budget for a project such as this. The Committee was informed that the extra costs are associated with price inflation as the project has taken longer than expected and a number of new developments were added to the project such as an increased contribution to transport operators to adapt their equipment and also the costs associated with linking up the integrated ticketing with the free travel pass for senior citizens. In reviewing the project in 2006,

considerable effort was made to develop a robust cost model in order to establish a pre-tender price. A major part of the cost will be in developing the production capacity which will be outsourced. The Committee will keep the cost of the project under review.

Timescale for the introduction of the new scheme

The Committee has a concern that a project that was first proposed in 1994 and which was due to come on stream in 2006 will not now be rolled out until 2009. The Committee was informed that the failure of the tender process in 2005 entailed a complete review of the project. In addition, international comparisons with similar schemes that require an extensive technical solution would indicate that preparatory lead in time tends to be many years. The Committee heard evidence that the project plan now in place and the full engagement of the key stakeholders will ensure that there is no slippage in terms of delivery of the scheme for Dublin. The Committee will keep this issue under review.

Findings

1. The cost of introducing an integrated ticketing scheme is estimated to be in the regions of €49.6 million, which is €20 million higher than the price indicated in the 2002 plan of the Railway Procurement Agency (RPA)
2. The rollout of the new integrated ticketing system for Dublin, which was due in 2006, is not now expected until the autumn of 2009
3. Following a review in 2006, a new governance structure for the development of an integrated ticketing system was put in place
4. The initial project, which was under the responsibility of the RPA, had to be aborted as key stakeholders did not fully engage in the project. The Department of Transport carries a certain level of responsibility for this as it should have played a more central role in the development of the initial project.

Recommendations

1. The Department of Transport should continue to play a proactive central role in the development of an integrated ticketing system for Dublin until such time as the system comes on stream
2. The newly created Dublin Transport Authority should be given a clear objective in relation to the finalisation of the rollout of the integrated ticketing scheme for Dublin
3. Where a major project initiative depended on the co-operation and active participation of State Agencies, the central Department should co-ordinate and lead the project to as to ensure its delivery on time and within budget
4. A post project review should be carried out to identify the lessons to be learned in managing an integration project involving agencies who are to an extent competing with each other.

Chapter Seven

Driver Testing

Introduction

Two issues relating to driver testing have caused an ongoing concern for the Committee, namely waiting lists and lack of uniformity in the pass rate.

The number awaiting tests at the end of 2007 had more than doubled since 1998, to approximately 180,000, and the average waiting time was down from 30 weeks to 19 weeks. The increase in the number awaiting tests is mainly attributable to the announced change in the conditions attached to drivers on second provisional licences and the promised higher levels of enforcement of the law.

The average pass rate in 2000 was 57% but this stood at 53% in October 2007. However, within that average, the highest pass rate was in Birr, at 67%, while the lowest was Carlow, at 39%. The wide variation suggests there is still a problem in achieving consistency and assessing candidates' driving skills.

Accountability issues

The accountability issues examined by the Committee at its meeting on 31 January 2008 were:-

- Management of waiting lists
- Uniformity in the pass rate throughout the State.

Waiting lists

The driver-test service transferred from the Department of the Environment, Heritage and Local Government to the Department of Transport in 2002. From September 2006, the newly established Road Safety Authority (RSA) took over responsibility for the operation of the service. The RSA provided for 474,368 tests in 2008 as against 203,000 in 2007. Many of these tests were carried out by a contracted firm, SGS Limited.

The Committee has concerns about waiting times where many centres have waiting times of more than six months, when a target of nine weeks had been set by the Minister a number of years ago. The Committee was informed that the issue was tackled in two ways by the Department, firstly by establishing the RSA which has responsibility for the full range of safety functions and secondly by procuring an agreement with the driver testers which allowed a block of tests to be outsourced. The RSA had also agreed productivity arrangements with its own driver testers.

As part of the development of road safety procedures, a change was made whereby everyone on a provisional licence had to be accompanied by a full licence holder and this led to a surge in applications in 2007. The Department is of the view that a once-off capacity increase will get rid of the backlog and thereafter the problem should not exist.

The Committee accepts that the increased capacity should deal with the problem and will review the delivery of tests and the waiting times to establish whether the commitment that all driving test applications will be able to get a test on demand (that is within ten weeks of applying) is being achieved.

Uniformity in the pass rate

The Committee examined the variation in the pass rate in the context of the action being taken to reduce the variation. The Committee has a concern about the variation in the pass rate which varies from a low of 43% in Kilkenny to a high of 64% in Buncrana in addition the pass rate appears to be higher among private testers than public testers.

The Department explained that an upgrade in IT capability at the RSA will enable the supervisors of driver testers and the Authority itself have electronic access to data on variations between testers and this will enable the Authority to monitor and address the issue. In addition the RSA has published driver testing marking guidelines and driver testing standard procedures. An agreement on a more streamlined approach to monitoring testers where remedial action can be taken for testers who are deemed to be assessing candidates incorrectly is also to be put in place. On the issue of a higher pass rate by those tested by the private drivers, the Committee was assured that when SGS was taken on as a contractor, it was agreed that there would be supervision of testing standards so as to achieve consistency and that the RSA and the Department was satisfied that this was not an issue.

The Committee notes the changes that have been put in place and recommends that the RSA set a target to reduce variation levels.

Findings

1. The number of people who were awaiting a driving test at the end of 2007 was 180,000
2. The Road Safety Authority has significantly increased driver testing capacity and had a through-put of 474,368 tests in 2008
3. A significant proportion of driving tests is now outsourced to a private company following an agreement with IMPACT on eliminating backlogs
4. The change in the rule whereby holders of a second provisional licence could no longer drive a car without being accompanied by a full licence holder led to a surge in demand for tests in late 2007
5. There is still a problem with uniformity in the pass rate with wide variations between different driver testing centres
6. The Road Safety Authority has taken action on monitoring testers and has issued guidelines which will address the problem of uniformity.

Recommendations

1. The Road Safety Authority should conduct an assessment of capacity requirement for driver testers based on population projections and on growth in car ownership so as to prevent backlogs from developing in the future
2. The Road Safety Authority should introduce quality controls for driver testers so that an equal standard is applied to all who sit the test.

Chapter Eight

Social Welfare Payments

Introduction

Chapter 9 of the 2006 Annual Report of the Comptroller and Auditor General provides an update on the Department of Social and Family Affairs which paid out €13.1 billion in 2006 under the various social assistance and social insurance schemes operated by the Department. The key issue in relation to social welfare payments is that they are only made to those who are entitled to them and that payment is made at the correct rate. In order to achieve this, the Department must have the capacity to analyse the risks associated with different payments and the Committee's examination of the 2006 accounts focussed on this issue. The Committee was also concerned at the rate of successful appeals against decisions of social welfare deciding officers and this is also dealt with in this Chapter.

Accountability issues

The accountability issues examined by the Committee at its meeting on 28 February 2008 were:-

- Risk assessment of certain payments
- Decision making and the level of successful appeals.

Risk assessment in respect of certain payments

The Committee examined the risk associated with the payment, by way of electronic transfer, of child benefit and also the risk evident in the payment of the one parent family allowance.

Child benefit

Traditionally, child benefit has been viewed as a low-risk area in terms of fraudulent claiming but the advent of significant numbers of migrant workers, and the availability of electronic funds transfer has combined to increase that risk. The risk associated with the changed circumstances was highlighted by a fraud and error survey carried out by the Department in 2004. The survey was conducted on a random sample of 500 Irish claimants and 500 non-Irish claimants. The results showed a level of fraud of 2.6% among Irish claimants and 14.4% among the foreign nationals. In the vast majority of the fraud cases, payment was being made by way of electronic funds transfer. Apart from the fraud and error survey, the Department also used mail shots for information and control purposes. In this case, forms returned undelivered were followed up to establish the residency status of the claimants.

The Committee is concerned that child benefit that is paid to people resident here even though the child may be living abroad may give rise to a higher level of risk. As many non-Irish workers were employed in the construction industry and are now returning to their own countries, the Committee has a concern that there is a greater risk of fraud where the child benefit continues to be paid. While the Department did outline the checks that are in place in relation to this payment and in particular the requirement to certify at three monthly intervals that the claimant was still resident in

the State, the fact that payment is made by electronic transfer gives rise to a higher level of risk that the claimant can draw child benefit when no longer entitled to it due to residency status.

One parent family allowance

This scheme is high risk from a fraud and error point of view. A survey carried out between 2003 and 2005 estimated that 13.6% of claims should not have been in payment, while a further 15.8% should have been paid at a lower rate. In order to counter this risk, the Department undertook a range of control reviews, including earnings reviews based on data supplied by Revenue, matching exercises with data on marriages from the General Register Office, and data on child dependants with the child benefit scheme, as well as general review activity involving the issue of questionnaires to claimants and follow-up on those replies. All of these checks confirmed that there is indeed a high level of inappropriate payment in the one-parent family payment scheme.

One of the main areas of concern was that claimants were not notifying the Department of changes to their income level as a result of taking up employment or increases in their pay. Using commencement of employment information from Revenue, the Department was able to identify cases where claimants were in receipt of earnings in excess of eligibility limits or were being paid at the incorrect rate. The Committee is concerned that, where errors are detected, there can be considerable delays in finalising the Department's inquiries and that overpayments are not being raised from the date on which the changed circumstances applied. In addition there continued to be a significant backlog of cases awaiting review, including those where commencement of earnings notifications had been received.

An improvement in the control framework will accrue when all the claims are transferred to the local offices network where more sophisticated computer systems are in operation. The Committee was informed that approximately 90% of new one parent family claims, equivalent to 1,500 claims per month, are processed in the Department's local offices and branch offices and that work had commenced on devolving the stock of existing claims, 54,000, from the head office in Sligo to local offices.

The Committee noted that the benefits that will arise from administering these claims at local level include the opportunity to case manage the claims as well as increasing the effectiveness of control and activation measures. Control of the scheme has been enhanced in recent years through the following:- focused reviews, such as child benefit matching; review of earnings, including those where earnings were less than €220 per week; matching cases against the General Register of Births, Deaths and Marriages; and following up on commencement of employment notifications. Some 22,500 targeted reviews were carried out in the office in Sligo and a further 9,700 in the local offices during 2007. Overall, savings of almost €105 million were generated by such reviews in 2007. Given the higher level of risk, the Committee, recommends that the Department undertake a further matching review so as to establish whether the controls put in place since 2005 are having a significant impact on the level of fraudulent and incorrect claims in this area.

Level of successful appeals

Decisions of social welfare officers can be appealed and the Committee was concerned that data on appeals shows that in only 45% of cases the original decision of the social welfare officer is upheld. The Committee was informed that the number of applications that are refused is quite low and the number of those decisions that are in turn appealed is quite low. Appeals Officers sometimes receive additional information that can impact on the original decision or the deciding officer gets additional information as part of an internal review that enables the original decision to be over-turned before the full appeal is heard.

The Committee is concerned at the level at which decisions are overturned and recommends that Appeals Officers report to the Department on the reasons why decisions are overturned and these can in turn be incorporated in guidelines for decision makers.

Findings

1. Uncollected monies, amounting to €82 million, were written-off by the Department of Social and Family Affairs in 2006
2. 32,000 reviews of the recipients of the one parent family allowance were undertaken in 2007
3. 65% of the appeals made against the decisions of social welfare officers result in an amendment to the original decision.

Recommendations

1. The Department of Social and Family Affairs should undertake another fraud and error survey given the value of the data uncovered in the 2004 survey
2. The Department of Social and Family Affairs should undertake a further matching review to determine the level of risk of fraud and overpayments associated with the One Parent Family Allowance
3. The Department of Social and Family Affairs should conduct a review of the decisions of appeals officers as a feedback mechanism so as to enhance decision making by social welfare officers.

Chapter Nine

National Educational Welfare Board

Introduction

Special Report 8 of the Comptroller and Auditor General dealt with lapses in internal controls at the National Educational Welfare Board (NEWB) and found that, in the period from 2003 to 2005, payments were made by the board for services not received and for the purchase of equipment in excess of need. The NEWB's documented systems of controls and checks were overridden and bypassed; in addition internal controls were bypassed which led to cheques being signed by staff for amounts above authorised limits; and a bonus payment was made to a staff member even though the NEWB did not have a policy on bonus payments for staff.

Legal proceedings against a former member of staff of the NEWB have been initiated and as they have not yet concluded, the final cost to the Exchequer cannot be established. It is estimated that the NEWB paid for €270,000 worth of IT services that were not provided and IT equipment worth €200,000 in excess of need was purchased. In addition the NEWB has incurred professional and legal fees of €200,000 to date.

Accountability issues

The accountability issues examined by the Committee at its meeting on 3 July 2008 were:-

- IT procurement procedures
- Financial Control Procedures
- Bonus and other salary payments
- Oversight of new bodies by the parent Department.

IT procurement procedures

The NEWB was established in 2002 and began to recruit staff and set up its organisational structure shortly thereafter. It used consultants to establish procedures for the financial management and control of its affairs. A review of the operation of these financial control procedures was carried out by Price Waterhouse Coopers (PwC), whose report was available in November 2004. The review concluded that there were weaknesses in the administration of payroll, purchasing and accounting systems. The review also found that administrative functions in the IT area were not separated, which would potentially allow the same person to order goods, approve invoices and sign cheques. These exposures led to a situation in which, in the area of IT procurement, only one in 122 individual purchases was tendered for and more than €900,000 worth of business was conducted with a single firm. This represented 64% of all IT expenditure in the period June 2003 to August 2005.

The issue came to light in August 2005 and, following this, a staff member at the NEWB was suspended and that individual subsequently resigned. Legal proceedings against this individual and the firm that supplied the goods and services have been initiated and the matter is currently the subject of litigation.

The Committee having examined the issue have established that, on its establishment, the NEWB did put control systems in place. The problem is that they were ignored which enabled an alleged fraud to be perpetrated. While the deliberate defrauding of an organisation can be difficult to uncover or prevent, the Committee can only conclude that the management and systems in place at the NEWB were extremely lax which left the body vulnerable to fraud. Certainly alarm bells should have sounded at the NEWB when the PwC report was submitted in November 2004. The Committee can only conclude that there was a failure on the part of the top management at the NEWB to manage the resources in a way that is in line with good practice. In particular there was a failure to undertake adequate oversight of the IT procurement function.

Financial control procedures

In June 2003 the NEWB took control of its own financial affairs. At the time, the key post of Finance Manager had not been filled and this post would remain unfilled until December 2003. The NEWB put internal controls in place, which included one whereby payments in excess of €10,000 had to be authorised by the CEO. This control was ignored on numerous occasions, including one occasion in December 2003 when a payment in the sum of €163,523 was authorised and paid by the NEWB. The CEO stated that he was unaware of the breach of this internal control in respect of this cheque until May 2005. The evidence given to the Committee shows that, while the CEO was briefed on the overall financial position of the organisation, the basic financial controls such as the reconciliation of bank statements or the preparation of payment lists do not appear to have been implemented. The failure of the NEWB to put basic finance management procedures in place in respect of the day to day management of its budget of €6 million (2006 figure) between 2003 and 2005 left the organisation exposed to breaches of internal controls. The Committee notes that a comprehensive financial control framework is now in place.

Bonus payments and other salary payments

A bonus in the amount of €19,230 was paid to a member of staff in April 2004 even though a bonus scheme did not exist in the NEWB. The papers sought by the Committee on this issue show that the authorisation to make the payment was by way of an email. It is clear from the evidence produced to the Committee that the payroll control procedures were extremely weak. No supporting documentation was sought to underpin the payment and an original signature was not on the payroll authorisation instruction. The Committee can only conclude that there was a complete breakdown of oversight and control and the failure of senior staff, as demonstrated by this episode, is alarming. In addition, the Committee has learned that this sum was never repaid, although the NEWB is seeking to recover these monies by way of civil action in the courts. The Committee is of the view that senior management should have pursued this matter more vigorously.

A second HR matter that was examined by the Committee related to the fact that incremental credit was given to an employee at the NEWB, which entailed the individual's salary rising from the 4th point of the scale to the second long service

increment, an increase of €7,500 per year. The incremental credit was granted to retain the services of this employee who had claimed to have been offered a job elsewhere in the private sector. It appears that the payment was made by NEWB based on an oral sanction from the Department of Education and Science. The Committee pursued this matter separately with the Department and it now transpires that the Department did not give approval for this to happen. The Committee regard the circumstances where incremental credit was granted to be highly dubious and not in accordance with public service practice.

Oversight of new bodies by the parent Department

A significant development in the public service in recent years has been the hiving off of Departmental functions to autonomous bodies, in this example, NEWB. The Committee is concerned that these bodies may not have the corporate management structures or culture to best manage their affairs and that parent Departments are not doing more to facilitate these bodies in making the transition to independent status. In particular, and having regard to the experience at the NEWB, the idea of shared services (HR/IT/Finance) should be examined and the Accounting Officer in the relevant Department should formally sign off that the new body is in a position to fully take over the functions.

NEWB provides a relevant example of what can go wrong as it happened at a time when that body was trying to develop its corporate structures and it had to negotiate with a new tranche of staff who had just transferred from the local authorities. NEWB has a vital role in the welfare of children, many of whom are vulnerable, and there is little doubt that the issues highlighted in this Special Report of the Comptroller and Auditor General have detracted the attentions of the CEO and the board of the body from dealing with their core activity. The Committee recommends that oversight procedures need to be put in place so that newly formed bodies are given greater protection in their formative stages.

Findings

1. The National Educational Welfare Board (NEWB), on establishment in 2002, did put internal controls in place but these were largely ignored
2. Internal financial management controls in relation to cheque signing were ignored and the NEWB did not have procedures in place which monitored expenditure and adherence to internal controls
3. A bonus payment was made to a staff member at the NEWB even though that organisation did not have a bonus scheme
4. The initial attempt on the part of the NEWB to recover the bonus, amounting to a gross figure of €19,230, which was paid in error to a staff member was weak and recovery of this sum is now being sought through the courts
5. Incremental credit amounting to €7,500 per year was awarded in dubious circumstances and where the approval by the Department of Education and Science was not given.

Recommendations

1. Public bodies should ensure that internal controls are put in place and that they are operated in practice
2. The Department of Finance should clarify the scope available to Departments and to bodies under the control of Departments on the award of incremental credit
3. The CEO of State agencies should initiate an appropriate process for assuring himself that controls are operating in each unit of the organisation, whether by direct sign-off from each unit head or based on internal audit review
4. There is a need for enhanced transition monitoring of newly created bodies by the parent Department so that such bodies adhere to best practice and in order to build up capacity of those bodies in managing and regulating their affairs.
5. The NEWB should make continued efforts to recover the amount of the bonus paid in error to a former member of staff at the Board.

Chapter Ten

Bord na gCon

Introduction

Special Report 9 of the Comptroller and Auditor General dealt with Bord na gCon, which is responsible for the greyhound racing industry in Ireland, and has overseen the transformation of that industry in the past decade. This dramatic change process was not matched by the development of management structures, systems and processes with the result that public procurement policies were by-passed and poor practices were allowed develop, particularly in the subsidiary bodies of Bord na gCon that run the race tracks throughout the country. The previous Committee of Public Accounts had examined these issues in 2006 following receipt of a review of certain matters relating to administration at Bord na gCon commissioned by the Minister for Arts, Sport and Tourism, (the Dalton Report). A report was produced by the Comptroller and Auditor General in 2008 examining certain issues that arose during the Dalton Report together with other related matters that had come to his attention during his audits of the financial statements of Bord na gCon. That 2008 C & A G Report highlighted serious shortcomings in the areas of corporate governance, management of capital projects and other propriety concerns during the period 1995 to 2006.

Accountability issues

The accountability issues examined by the Committee at its meeting on 26 June 2008 were:-

- Improving corporate governance structures at Bord na gCon
- Implementation of the recommendations made in the Dalton Report
- The voluntary redundancy package for staff of Bord na gCon.

Improving corporate governance structures at Bord na gCon

Many of the audit issues identified by the Comptroller and Auditor General related to activities at subsidiary bodies of Bord na gCon, in particular the company that runs Shelbourne Park. Since the examination by the Committee in 2006, Bord na gCon has appointed a new Chief Executive and a new Chairman, both of whom appeared as witnesses at the Committee's hearing in 2008. The Committee was frustrated in examining issues that were the subject of the Comptroller and Auditor General's Report as the witnesses could not engage with the Committee on the issues highlighted in the Report but rather had a focus that dealt with the situation as now pertains at Bord na gCon. The Committee was assured that the deficiencies in terms of control by Bord na gCon of subsidiary companies had been addressed and that a proper control framework, as laid down in the code of practice for the governance of State Bodies, was now in place. In particular, the oversight role of the CEO *vis a vis* Shelbourne Park has been clarified.

The Committee noted that Bord na gCon has come through a period of great change and the way the body is structured in small local units made the exercise of control

and oversight difficult in the absence of a strong central policy. Clearly the emphasis in the period dating back to the late 1990s was in developing the industry and there is clear evidence to show that Bord na gCon was extremely successful in this regard. The report of the C&AG highlighted failures of governance that allowed expenditure to be not properly controlled. The Committee is satisfied, based on the evidence given by the new Chief Executive, that the organisation has progressively been coming to terms with the governance requirements established in the code of conduct for State bodies and has been adapting its internal controls to meet these requirements. This will minimise the possibility of a repeat of the lax control arrangements that existed in previous times.

Implementation of the recommendations contained in the Dalton Report

The Committee noted that some of recommendations of the Dalton Report required amending legislation, particularly in respect of the tenure of Board membership, and this legislation is still awaited. The Committee notes the delay in bringing forward this amending legislation and recommends that it be brought forward at an early date. Of greater concern to the Committee is the fact that, even though permitted in the Greyhound Act 1958, the Minister has not appointed a civil servant to the Board of Bord na gCon to represent the public interest since 2005. The Committee is strongly of the view that the Minister should have a civil servant of the Department on the Board as this is a key oversight provision to ensure adequate controls in State bodies. In that regard the amending legislation now being considered should enable the said civil servant to report back on an ongoing basis to the Minister and the Committee considers that this arrangement will not impinge on his/her fiduciary duties to the Board.

Voluntary redundancy package

The Committee noted the high level of legal costs associated with personnel related matters and that this was indicative of an organisation where there was a high level of staffing difficulties and consequently low levels of morale. This was borne out by the evidence given to the Committee. As part of the change process at Bord na gCon and in order to address these staffing difficulties, a voluntary redundancy package was made available to staff. This package offered five weeks pay for each year of service in addition to the two weeks statutory redundancy paid. The Committee accepts that in a time of great change, Bord na gCon needs to be able to obtain staff with a different skill set and to be able to shed those staff members who cannot adapt readily to a changed environment. It does recommend however that any future voluntary redundancy packages in State agencies be approved by the Department of Finance in advance in order to ensure that the terms of any redundancy package are in line with public sector norms.

Findings

1. In 2006, Bord na gCon received €14 million from the State through the Horse and Greyhound Fund and had a net debt of €1.2 million at the end of the year
2. There was a lack of central control of operations at Shelbourne Park in 2000 and 2001 while a major refurbishment programme was on-going
3. There were procurement deficiencies in the acquisition of catering and IT at Bord na gCon
4. The Department of Arts, Sport and Tourism has not had a representative on the Board of Bord na gCon since 2005.

Recommendations

1. The Minister for Arts, Sport and Tourism should appoint a member of staff at the Department to the Board of Bord na gCon as soon as possible
2. Voluntary retirement/redundancy packages in the wider commercial state bodies should be sanctioned by the Department of Finance before implementation
3. Bord na gCon should compensate for the lack of segregation of duties at its tracks by enhancing internal audit and issuing detailed procedures
4. An active audit committee should operate at all time in State Agencies.

Chapter Eleven

The Financial Regulator

Introduction

Special Report 57 of the Comptroller and Auditor General, which reviewed certain aspects of the operation of the Financial Regulator, was published in May 2007 and the Committee dealt with that Report at its meeting on 22nd May 2008. The hearing of the Committee took place before the crisis in the Irish financial and banking sectors came to the fore in September 2008 when the Government had to issue a guarantee to cover deposits in Irish banks.

The operational improvements raised by the C&AG which are relevant to a revised regulatory framework include:

- The need to adjust the risk based approach used for ensuring that financial service providers comply with standards
- The greater use of on-site inspections as part of the supervisory process
- The need for a new set of principles in financial services that put the customer to the forefront.

Re-adjustment of the risk based approach.

The C&AG in his special report acknowledged that the Financial Regulator has adopted a risk based approach to targeting resources. However, the Report noted that this risk model needed to be taken a stage further by defining risk categories and, based on that risk classification, the Regulator would be in a position to take decisions on the nature of the supervision and the optimum level of resources. It is evident, having regard to developments since September 2008, that the focus of the Regulator was on how to deploy existing resources rather than determining the objective level of risk. The Committee accepts that banks, building societies, credit unions, insurance, securities and investment funds have, by the nature of the business, an exposure to risk. The key role of the financial regulator is to try and ensure that these institutions conduct business in such a way that does not endanger the stability of the banking system.

Level of Supervision

A key element of supervision is targeted on-site visits by the staff of the Regulator's office. The Committee raised concerns at the level of supervision and noted that the chance that a financial company would not be subject to an onsite inspection was

high. The statistics available to the Committee showed in certain categories, only 1% of service providers were visited. The Committee notes that there are almost 13,000 entities that come within the remit of the Financial Regulator which had in 2008 a staffing level of 380. It is clear that even with an enhanced level of staffing, that on-site inspection has to be targeted to those that pose the greatest risk. However a benchmark needs to be struck on the level of onsite inspections to be undertaken in each of the financial services areas and appropriate resources should be put in place to ensure that the benchmark is achieved. In addition, the on-site inspection programme should provide for a level of random inspections. Finally the Regulator should review the level of information that should be reported in the returns required of all financial service providers.

Putting customers to the forefront

The Financial Regulator has a mandate to protect and inform users of financial services in Ireland. It does this by setting standards and by publishing information on financial products so that customers can choose the product that is most appropriate for their needs. While the Committee notes that the Financial Regulator uses its website to disseminate information on financial services and that considerable progress has been made in developing this part of the consumer protection programme, it did raise concern about the conduct of certain service providers and the appropriateness of certain financial products. The boom era of the celtic tiger did lead to a large increase in incomes and financial service providers, in order to maximise profits, developed and targeted a range of products that, while legitimate, were not designed to achieve the public good. Staff working in these institutions selling these products were paid incentive commissions and were thus under pressure to achieve high levels of sales. In such an environment, consumer protection was not the core value underpinning the service. The Committee raised a number of these concerns at its hearing, including the issue of 100% mortgages and the use of endowment mortgages, the targeting of old people both with inappropriate life assurance products and also the equity release scheme and the granting automatically of increases in credit card limits. These are examples where essentially the customer ended up not receiving an appropriate service and in some cases suffered a high financial loss.

While the Financial Regulator has developed a unified customer protection code, the Committee retains a concern that a balance in terms of enforcement has not been achieved. It appears to the Committee that there was reluctance on the part of the Regulator to move away from an approach whereby the industry was subject to a form of moral persuasion to one where there was a more stringent enforcement of rules with appropriate fines where the code was breached.

Findings

1. There is scope for improvement in the risk rating model developed by the Financial Regulator. In particular, the model lacks clearly defined risk categories and clear statements of the appropriate supervisory regime to be followed in relation to institutions that fall into each risk category. Had the risk rating model been developed along those lines, the Financial Regulator would have been much better placed to track shifts over time in the risk associated with individual institutions and with financial sectors. It would also have been better able to determine the appropriate level of resources to deploy to ensure that supervision effort matched the risks in the market for financial services
2. The level of on-site prudential inspection of financial institutions was very low, and for most sectors didn't even meet the level required to achieve the Financial Regulator's own target minimum of an inspection one year in four. No independent reviews of the scope or adequacy of the on-site inspections had been carried out, and there was no benchmarking of the inspections with other similar regulators
3. The level of on-site inspection of retail financial service providers aimed at protecting consumers was also determined by the available resources, rather than by the risks to consumers.

Recommendations

1. Financial regulation effort should be based on a thorough assessment of the risks associated with individual financial institutions, taking account of sector-level risks
2. Supervision regimes for each sector should be benchmarked against international good practice, and subject to periodic independent evaluation
3. The Financial Regulator should report publicly each year on the extent to which it achieves its supervision targets, especially in the areas of timeliness of receipt and analysis of prudential returns and other data provision, and on the carrying out of targeted on-site inspections
4. In the light of the altered financial market environment the C&AG should carry out a follow-up review in the coming year
5. The Financial Regulator needs to change the culture in the provision of financial services in order to give greater customer protection by imposing fines where his office finds that vulnerable customers were sold an inappropriate product/service.

Chapter Twelve

eGovernment

Introduction

The State has made a considerable investment in the past decade in delivering services electronically by way of the internet. This development is termed eGovernment and it is part of the customer service focus of government which allows quicker and more convenient delivery of a range of services at a reduced cost to the users and ultimately to the tax payer. The Committee examined this issue following the publication of a Special Report 58, which was a review of the eGovernment project by the Comptroller and Auditor General. That report considered progress on the proposed eGovernment initiatives and projects included in the two information society action plans, published in 1999 and 2002. They covered the period up to the end of 2005. As outlined in the Report, many of the planned eGovernment projects were undertaken with the aim of allowing citizens and business users to carry out on-line transactions with public service providers. Some of these have been very successful such as the motor tax on-line service, the Revenue on-line service, the area aid applications system in the Department of Agriculture, Food and Forestry and the Property Registration Authority site. Not all of the proposed projects ended up being delivered. Those that did not progress as envisaged included applications for housing grants, passports, driving licences and haulage licences. The Committee reviewed why the initial targets set out in the action plans had not been achieved, particularly as approximately €420 million had been expended on eGovernment projects and was concerned that, when benchmarked against other countries, Ireland appeared to be falling behind other countries in developing eGovernment.

Accountability issues

The accountability issues dealt with by the Committee at its meeting of 6th March, 2008 were:-

The Public Service Broker Project
Developing the eGovernment programme.

The Public Service Broker Project

The key development in eGovernment was a project to develop a single point of access to all on-line public services which was called the public service broker and which was to be developed by the Reach agency in the Department of Social and Family Affairs. The original concept envisaged a single website that would link public services together and present them in ways that had meaning for website users, for example, grouping together services that someone needed in respect of life events such as the birth of a child or a change of address. While this project was finally completed in 2005, it does not operate in the way originally envisaged. Some of the projects that were originally intended to be part of the broker concept have been either delayed or abandoned and it has cost considerably more than first envisaged.

The main reason that some projects could not be delivered related to security issues in the area of certification and identity. The Committee accepts that, when it comes to taxing a car, the identity of the person actually paying for the tax is of no real concern

whereas a passport application would require a much higher authentication of identity. A streamlined method of authenticating the identities of those who want to do business on line has held up projects such as on-line passport applications, the electoral register and driving licensing applications.

Other projects have been delayed due to decentralisation such as the road haulage licences and gaeltacht grants and public transport real time information will have to await the development of capacity at the Dublin Transport Authority.

The Committee noted that certain projects are working well and are achieving significant administrative savings including motor tax renewals, Revenue's ROS system and the animal health system in the Department of Agriculture, Fisheries and Food.

Developing the eGovernment programme

The Committee noted that, following a review of the Reach programme, the next phase would be placed under the control of the Department of Finance. The Committee welcomes this development as one of the problems with the development of eGovernment has been the fragmented nature of its management. It was evident from the development of the broker concept that not all Departments and agencies have developed their services to enable them to use the broker in a cost effective way. The fact that the Department of Finance now has overall control of the development of Reach should mean that it will be in a stronger position to bring such Departments into the fold.

The Committee has a concern that, while the Government Departments have good intent on taking advantage of online communications, a problem remains regarding the penetration of broadband throughout the State. This raises a broader communications issue however, as a full developed eGovernment project is dependant on broadband availability.

The final concern that the Committee retains, following a full examination of this issue, is that there is not a clear understanding of where the overall eGovernment project is going and that, while it accepts that the original concept of the broker was visionary in the early part of this decade, the whole development of eGovernment should now be guided by a detailed action plan with targets and budgets.

Findings

1. Subsequent to the examination by the Committee of the eGovernment project in March 2008, the Committee understands that the Government has abandoned the public sector broker project
2. Approximately €420 million has been spent by Government Departments in developing eGovernment projects.

Recommendations

1. All future eGovernment projects should be based on a detailed action plan with specific costings and budgets
2. Projected business transformation efficiencies should be tracked and evaluated for each eGovernment project
3. The Department of Finance, as the central steering Department, should monitor and report annually on the progress of the eGovernment drive.

Chapter Thirteen

The Valuation Office

Special Report 60 of the Comptroller and Auditor General dealt with the Valuation Office which carries out valuations of properties which are used by local authorities to determine the rates payable by occupiers of commercial and industrial properties. It was published in February 2008 and the Committee dealt with that Report at its meeting on 3rd April 2008. In addition to the provision of valuation of existing properties, which is the main day to day work of the Valuation Office, it is also mandated, under the Valuation Act 2001, to revalue over time all property in the State. No national revaluation of property has taken place since the original Griffith Valuation of 1852 – 1865 with the result that there are acknowledged anomalies and inequities in the system.

The Committee examined the revaluation project given the time that has elapsed since it was given the go-ahead in 2001. In particular, the Committee was concerned at the slow rate of progress that was being made on the programme, which originally had a five year time frame. In addition the original costs projections for the programme appear to be out of line with the reality of the current situation.

Accountability issues

The accountability issues examined by the Committee were:-

- The adequacy of the original projections
- The current phase of the revaluation programme
- The need to complete the revaluation programme.

The adequacy of the original projections

A report by Deloitte and Touche was commissioned in late 2000 and was delivered in 2001. That report estimated that the entire revaluation programme would take five years and cost in the region of €18.5 million. That projection was based on each valuer having an annual target of 1,200 revaluation units or approximately 27 units per week. As the Committee found out, the projections by Deloitte and Touche were seriously flawed because the projections were based solely on the experience of the UK and Northern Ireland where the revaluations were desk based as they were working on properties that had been revalued in recent years whereas the situation in Ireland was entirely different as no national revaluations had taken place. In the Irish situation, the revaluation had to consist of on the ground inspections of individual properties and the creation of updated databases.

Current phase of the programme

The current position is that only one local authority (South Dublin) has had its property completely revaluated. A second local authority (Fingal) is now nearing completion. The South County Dublin revaluation took two and a half years to complete the Fingal revaluation is expected to come in ahead of the target date of December 2009. The Committee was informed that the main cause of the slow rate of progress related to the fact that the Valuation Office found it difficult to recruit and

retain valuers. At one stage, only ten of the thirty posts that were dedicated to the revaluation project were filled and in addition many of the valuers were inexperienced. That situation had improved in 2008 and the Valuation Office now had a full complement of staff which will enhance the progress on the overall programme.

Completion of the programme

The Committee has a concern that the entire project will take many years, but it took assurances from the Commissioner for Valuation that the review of the experience with the South County Dublin revaluation project will prove invaluable in accelerating the rate of progress in other councils and that, together with the full staffing complement, will allow a realistic timeframe to be established for the remainder of the revaluation programme. The Committee will review progress on this issue in 2009 when it expects that the Valuation Office will have a business plan with an overall timeframe and with specific targets and budgets set down for the completion of the revaluation programme.

Findings

1. The initial report of Deloitte and Touche was seriously flawed in the way it developed projections on timeframes and costs for the revaluation programme
2. The revaluation of South Dublin County Council, which involved 6,500 properties, took two years to complete
3. The Valuation Office found it difficult to recruit and retain valuers for the revaluation programme, which hindered progress
4. A review of the revaluation programme in South Dublin County Council will provide the basis for developing the nationwide revaluation programme
5. The Valuations Office's output measurement systems is not consistent and does not weigh outputs in line with the input of staff

Recommendations

1. The Committee endorses the recommendations contained in the conclusions of Special Report 60 of the Comptroller and Auditor General
2. The Valuation Office should, arising from the review of the South Dublin County Council revaluation, bring forward a detailed business plan containing cost projections and timeframes for the completion of the nationwide revaluation programme
3. The current inflexibilities in regard to resources, recruitment and deployment need to be addressed at the Valuation Office
4. The Valuation Office needs to develop a way of fairly and consistently measuring its output so that performance management can operate more effectively at the level of the organisation, its teams and individuals.

Chapter Fourteen

Ballymun Regeneration

Introduction

Special Report 61 of the Comptroller and Auditor General dealt with the Ballymun Regeneration Scheme. Ballymun was built in the 1960s as an emergency response to a housing crisis in Dublin at that time. At the start of the regeneration project 16,000 people lived in Ballymun. The estates that comprise Ballymun quickly became synonymous with economic and social decline, but it was not until 1997 that the Government gave the go-ahead for the regeneration of Ballymun. At the time the regeneration plan was launched in 1998, it was estimated that the demolition and rebuilding works would be completed by 2006. The initial budget for the regeneration was set at €442 million. As outlined in the Comptroller and Auditor General's Report on Ballymun, both targets were unrealistic. As part of the Committee's examination of this issue, it visited Ballymun on 30 April 2008 and saw at first hand the remarkable story that is Ballymun regeneration.

Accountability issues

The accountability issues dealt with by the Committee at its meeting on 1st May 2008 were:-

- The overrun on the budget and the timeframe
- Lessons to be learned in the context of regeneration projects.

The overrun on the budget and the timeframe

The regeneration of Ballymun coincided with the house building boom in Ireland and as such inflation accounted for over half the additional costs as it proved impossible for Ballymun Regeneration Limited (BRL), which was responsible for the project, to get competitive quotes. In addition a number of additional community and civic projects and variations to the original master plan that were caused by the operating environment in Ballymun attributed to the overrun on the budget. The current estimate, based on 2006 prices, is that the overall project when complete will cost in the region of €942.

The delay in completing the project can be attributed to a number of factors including,

- (i) time taken to complete the planning process
- (ii) appeals and High Court challenges
- (iii) lack of mapping of existing utility services
- (iv) delays in the provision of services by some utility companies, and
- (v) changes in methods of demolition arising from the discovery of asbestos in the high rise flats.

In addition, it was evident to the Committee that the regeneration was taking place while the population of Ballymun was *in situ* and there were delays, including court appeals, while the tenants in the high rise flats were being decanted in order to demolish these structures.

Given the enormity of the regeneration task and the fact that there was no template (based on previous regenerations anywhere in Europe), the Committee accepts that accurate forecasting for the project was difficult. The issue of concern to the Committee was the extent to which those responsible for the project and, in particular the Department of the Environment, Heritage and Local Government, re-assessed the project based on slippages to the master plan and the extent to which they analysed the risks that led to both cost and timeframe overruns.

Lessons to be learned in the context of regeneration projects

As outlined to the Committee, the regeneration of Ballymun was a unique project both in scale and because the community of Ballymun remained *in situ* during the course of the building works. Given that other urban regeneration projects are in the pipeline, especially in Moyross in Limerick, the Committee is anxious to ensure that the lessons arising from the Ballymun project are taken into account in the planning and delivery of other regeneration projects. Clearly the State, given the extent of the public capital programme in the past decade, has developed greater capacity in planning and risk analysis. The new form of contract now used by Government Departments for capital projects provided for more complete identification and estimation of design costs in advance of tendering. In addition, the capital appraisal guidelines issued by the Department of Finance in 2005 now provide for a formal review mechanism for projects that are over five years duration.

It is the view of the Committee that, notwithstanding the impressive work done in Ballymun, projects must be subject to greater certainty in the context of costs and timeframes. Clearly, as evident from the Ballymun project, risk analysis was weak and should have been built into the process from the outset when the strategy was being drawn up.

Findings

1. The original timeframe for the regeneration project has increased by at least 6 years and the budget has gone from €442 million 1999 prices to €942 million at 2006 prices
2. The Department of the Environment, Heritage and Local Government did not undertake a risk analysis for the remainder of the project when it became aware that the project was running seriously over budget and behind schedule in 2001. This was a serious flaw in the delivery of the regeneration project as it became impossible to budget accurately for the completion of the project.

Recommendations

1. The Committee endorses the recommendations contained in the conclusions of Special Report 61 of the Comptroller and Auditor General
2. The Department of the Environment, Heritage and Local Government should undertake a formal review of the regeneration project in Ballymun in order to develop a comprehensive manual for future projects. Such a review should not delay in any way the finishing of the regeneration project in Ballymun
3. The Department of the Environment, Heritage and Local Government should continuously monitor the impact of the Regeneration project in the context of renewing the community, generating employment, addressing educational disadvantage, reducing crime and anti social behaviour and achieving a balanced tenure mix.

Chapter Fifteen

Department of Arts, Sport and Tourism and the National Museum of Ireland

Introduction

Special Report 62 by the Comptroller and Auditor General dealt with the National Museum of Ireland. €546 million was spent from the Vote of the Department of Arts, Sport and Tourism in 2006, the vast bulk of which (€424 million) goes to agencies that directly administer the schemes and programmes on behalf of the Department. A further €111 million goes to provide infrastructure and facilities of various types. The Committee examined this expenditure at its meeting of 10 July 2008 when it also examined issues raised by the Comptroller and Auditor General in his special report on the National Museum.

Accountability issues

The accountability issues dealt with by the Committee were:-

- Criteria for sports capital grants
- Storage for the National Museum collection
- Opening hours at the National Museum.

Sports capital grants

Under this scheme, clubs and sports organisations can apply for a grant to upgrade facilities. Clubs are required to have a 22 year lease on the property on which the facilities are being built / upgraded and any grant in excess of €150,000 is required to have a deed of covenant in place. One of the issues of concern to the Committee is that this €150,000 limit is a cumulative sum and so organisations that got a grant a number of years previously will exceed the limit and thus have award of the grant delayed whilst legal documentation is sorted out with the Chief State Solicitors Office. The Committee is aware that, due to budgetary cutbacks, the scheme will not be available to clubs in 2009. However it recommends that the terms of the scheme be reviewed with a view to shortening the lease requirement and increasing the limit of the grants. A similar result can be achieved if grants that are paid out more than five years previously are discarded.

Storage for the collections at the National Museum

The report of the C & A G highlighted the need for the Museum to address a number of areas in order to achieve full effectiveness in managing its collections. Areas that needed to be tackled included:- recording and storage of artefacts, making the collections more accessible to the public; and promoting the use of museum resources for purposes of learning. The Committee was informed that the National Museum has made progress in addressing issues highlighted in the report and now has a strategic plan for the period 2008 to 2012; has completed a risk management policy; and has approved an acquisitions and disposal policy. In addition, additional staffing has been sanctioned so as to enable it to record electronically the artefacts in the Museum.

The Committee was informed that the Museum had approximately 3.8 million items in its collection, which is growing constantly and much of the collection is currently

stored in unsuitable accommodation such as in Inchicore in Dublin and in the old reformatory school in Daingean in County Offaly. The needs of the Museum for suitable storage were recognised in the National Development Plan 2007-2013, where €30 million was earmarked for the acquisition of storage space. The Committee was informed that the Office of Public Works had identified a site that would cater for the storage requirements of the Museum for the next forty years or so. Given the archaeological finds of the past ten years that arose during the national road building programme, the Committee recognises that it is essential that adequate and appropriate space is given to the Museum and recommends that the proposed site be acquired by the OPW for the use of the National Museum.

Opening hours at the National Museum

The National Museum had over one million visitors in 2007, which shows its popularity both to Irish people and as a tourist attraction. The Museum has four sites, three in Dublin and one in Castlebar, the latter containing the Irish Folk and County Life Museum. While access to items displayed by the Museum has improved considerably in recent years, especially as artefacts are put on display in county museums, the Committee raised the issue of the opening hours at the Museums four sites. The National Museum is open to the public for 38 hours per week: In contrast to this, the National Gallery of Ireland is open for 43 hours per week. The Museum has traditionally remained closed on Mondays. The Committee was particularly mindful of the fact that public access to the Museum was denied on bank holiday Mondays and also that one late night opening per week and longer Sunday openings would improve public access considerably. The Committee recommends that the Museum, with the support of its parent Department, initiates discussions with the staff with a view to securing longer opening times as outlined here.

Findings

1. The Department of Arts, Sport and Tourism allocated €1 million under the sports capital programme in 2006
2. €30 million has been earmarked under the National Development Plan 2007 – 2013 to secure storage space for the National Museum
3. The National Museum is open to the public for 38 hours per week but is closed on Mondays, including bank holiday Mondays.

Recommendations

1. The Committee endorses the recommendations contained in the conclusions of Special Report 62 of the Comptroller and Auditor General
2. The criteria used to allocate sports capital grants is restrictive and should be reviewed to (i) increase the cumulative threshold that applies to projects without a long term lease from the current threshold of €150,000 and (ii) reduce the long term lease requirement from the current 22 year stipulation.
3. The acquisition of storage accommodation for the National Museum should be prioritised in accordance with the provision of the National Development Plan
4. The National Museum should work towards bringing its opening hours into line with comparable museums
5. The National Museum needs to formulate a plan to improve its storage and recording and to make its collections more accessible to the public.

Chapter Sixteen

Other Departments/Agencies

Introduction

During the period from December 2007 to July 2008, the Committee held a number of other hearings with Government Departments and agencies and, while these bodies are not the subject of a specific chapter in this Final Report, the hearings did examine specific issues, some of which lead to findings and recommendations.

Office of Public Works

The main accountability issues that arose at the Committee meeting of 13th March 2008 related to cash handling procedures at heritage sites and the return made by tour operators.

Cash handling procedures

Chapter 4.1 of the Annual Report of the C&AG drew attention to financial irregularities at two heritage sites operated by the OPW. The sums involved were €21,800 and €11,000 and while financial controls were in place to handle money paid by visitors to these heritage sites, the problem arose when these controls were not implemented in a timely and consistent manner. The Committee note the corrective action that was taken by the OPW and the assurances of the Accounting Officer in relation to the enhanced arrangements that are now in place.

Return from Tour Operators

One issue that did cause concern to the Committee related to the level of returns that were made by tour operators, which appeared to be low. While the total receipts in 2006 amounted to €6 million, receipts from tour operators amounted to €379,000. Tour operators do not pay the OPW on the day of the visit, but rather pay on account and the receipts for 2006 show that arrears relating to previous years was allowed build up and a sum of €400,000 in arrears was actually paid in 2006. The Committee is of the view that the percentage return from tour operators appears to be low and in order to ensure that the OPW are getting a full return from tour operators, it should conduct a survey of the actual usage at sites and compare those to previous year returns. The Committee will also recommend that the charging arrangement for tour operators be reviewed as the arrears that were paid in 2006 were equal to the annual takings and this appears excessive.

Findings

1. Charges for access to heritage sites in the State raised €6 million in 2006 and €397,000 of this sum was paid by tour operators.
2. A sum of €400,000, which represented arrears from tour operators, was paid to OPW in 2006.

Recommendations

1. The OPW should review the procedures in place to charge tour operators, with a view ensuring that large arrears are not allowed to build up
2. The level of usage by tour operators of heritage sites should be established by way of an audit survey so as to ensure an accurate return is received from that sector.

National Treasury Management Agency

The NTMA, which was established in 1990 to borrow for the exchequer and manage the national debt, now deals with a wide range of financial issues on behalf of the State and, over the years, has been given additional functions including the State Claim Agency, the management of the National Pensions Reserve Fund and the National Finance Development Agency. At the time of the Committee's examination on 19th June 2008, the NTMA was managing a combined asset and liability portfolio of €63 billion and the value of its transactions in 2007 was €38 billion.

While the examination by the Committee in June 2008 did raise issues such as the fall in investment returns on the National Pension Fund and the problems emerging with inter-bank lending due to the impact of sub-prime lending in the US, the full impact of economic downturn here was not envisaged at that stage, nor was banking crisis foreseen. The environment in which the NTMA operates in 2009 has changed completely though its involvement in bank recapitalisation and the establishment of the National Asset Management Agency and the Committee will deal with these issues in detail in 2009.

As regards the examination in 2008, the Committee found no accountability issues that impacted on the performance of the NTMA or that merited recommendations for further action.

Finance Group of Votes

Chapter 2.1 of the 2006 Report of the C&AG reviewed the issue of tax forecasting, given that the forecasts of the Department, as contained in the budget statement, underestimated the actual out-turn for receipts of tax in the years prior to 2007 when there was strong economic growth. These and a range of other issues were raised by the Committee when the Accounting Officer for the Department of Finance appeared as a witness before the Committee on 21st February 2008.

Tax Forecasting

This issue had been highlighted by the C&AG in 2001 and dealt with by previous Committees when the problem primarily when there was a shortfall in tax receipts against what had been forecast by the Department at budget time. In the years from 2004 to 2007, the forecasts underestimated the tax revenue. While the Committee was informed that forecasting that results in an underestimation of tax has less of a distortion on Government spending, nevertheless it has an ongoing concern that there are structural weaknesses in the Department's forecasting which is preventing more accurate forecasting. The Accounting Officer stated that the Department outlined that the Department had commissioned a review of its tax forecasting methodology

covering the period 1996 to 2006 which, while highlighting that the Department displayed a prudent bias in tax forecasting, outlined that the structural changes that had occurred in the economy at a time of economic growth had a positive impact on tax receipts and that some of these could not have been anticipated. The review also noted an over-reliance by the Department on an aggregate approach and recommended that key areas such as the housing and property markets should be examined more closely.

The Committee is of the view that the Department should approach the issue of forecasting in a more structured and comprehensive matter in order to ensure greater accuracy of forecasts. There is a need to collaborate with other economic forecasters to ensure that tax projections, on which spending decisions are made, are as accurate as possible. The Committee, in noting that the Department does collaborate with the Central Bank and with the ESRI, is of the view that the Department should also collaborate with private sector economists. It should also undertake a review of its internal capacity at professional level and recruit the necessary expertise either to permanent positions or to three year contract posts. In that regard also, the Department should examine the possibility of an exchange programme with the private sector.

Management and Information Systems in the Institute of Technology Sector

Special Report 59 of the C&AG dealt the procurement of an integrated student finance and personnel system for 14 institutes of technology in the State. The Committee examined this issue at its meeting of 3rd July 2008. The report of the C&AG identified two problems in what was to be a centrally delivered programme, namely deficiencies in the project delivery structures and the unsuitability of the software packages that came with the system.

This project required buy-in from 14 separate institutions and therefore needed to be driven by a leadership group which had a clear mandate from all stakeholders. While the contracts for this system commenced in 1998, the proper structures were not put in place to drive the implementation programme until 2001. On the second problem, it was established after the contract was signed that software packages would not meet the requirements of the institutes. To address this second issue the consortium that had been established in 2001 to run the project renegotiated the contract with the supplier to provide new software at a net additional cost of €2.8m which is now providing an integrated system for 13 of the 14 institutes.

The Committee notes that there was non-effective expenditure involved in this project. However it accepts that the project consortium was right to renegotiate the first contract and restructure the project so as to achieve the original objectives of the State in having an integrated system. There is a substantial body of evidence which shows that projects, especially in areas such as IT projects, carry a higher risk of failure and a key control measure is to ensure that decisive action is taken when projects go off track in order to minimise future costs.

The lessons to be learnt from the mistakes in this case relate to the need for a strong enough mandate to given to a project group before the initial contract is entered into and secondly, there is a need in cases where major IT investments are being made by the State to have a greater input from either CMOD or from an industry expert. This will ensure, especially at the planning stages and before contracts are signed off, that the project is fully scoped and that there is greater clarity as regards the ownership of

the risks involved. Had this been done, it is unlikely that State would have ended up purchasing a system that would not deliver on expectations.

Overrun of budget at Cork VEC

At its meeting of 3 July, 2008, the Committee considered a report from the Comptroller and Auditor General which dealt with an overrun on two exhibitions at the Crawford Municipal Art Gallery in Cork. The total overrun amounted to more than €250,000.

The Committee heard evidence that the overrun arose in respect of two exhibitions and were caused in the main by shortcomings in the management of these exhibitions. Financial commitments were entered into by the gallery to mount exhibitions prior to securing sponsorship of the events. When the sponsorship failed to materialise, Cork VEC was left with no choice but to meet the costs involved. The Committee notes that the VEC have now put more stringent controls in place to deal with gallery expenditure. The overrun does raise issues regarding the management of what should be “self funding” programmes. In particular these programmes should have a budget which would outline the projected source and use of funds and promises of sponsorship should be given in writing.

Orders of Reference of the Committee of Public Accounts³

- (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).

³ The Orders of Reference of the Committee of Public Accounts are set out in Standing Order 158 of Dáil Éireann

- (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.

Committee of Public Accounts 30th Dáil



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'Keefe, Edward
(FF)



O'Keefe, Jim (FG)



Shortall, Róisín
(Lab)

