Dáil Éireann

An Coiste um Chuntais Phoiblí

An Cúigiú Tuarascáil Eatramhach maidir le Tuarascáil 2003 ón Ard-Reachtaire Cuntas agus Ciste

(Éisteachtaí an Choiste le linn na tréimhse Eanáir go Meitheamh 2005)

Teagasc; An Roinn Talmhaíochta agus Bia; agus an Roinn Gnóthaí Pobail, Tuaithe agus Gaeltachta

Márta, 2006

Dáil Éireann

Committee of Public Accounts

Fifth Interim Report on the 2003 Report of the Comptroller and Auditor General

(Hearings of the Committee during the period January to June 2005)

Teagasc; Department of Agriculture and Food; and Department of Community, Rural and Gaeltacht Affairs

March, 2006

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Contents

Chairman's Preface i

Members of the Committee of Public Accounts iii

*Orders of Reference of the Committee of Public Account*s v

1. Teagasc – 2003 Accounts 1
2. Agriculture and Food – Vote 31; and Chapters 11.1 and 11.2 5
3. Department of Community Rural and Gaeltacht Affairs – Vote 42 11

Chairman's Preface

This interim report of the Committee of Public Accounts continues the process of the Committee, which commenced last year, of reporting periodically on a thematical basis. The subject matter of this report details the Committee's meetings with the Department of Agriculture and Food; Teagasc; and the Department of Community, Rural and Gaeltacht Affairs. These meetings took place as part of the Committee's consideration of the Annual Report of the Comptroller and Auditor General.

The Committee's most recent interim report examined the Department of Health and Children, some health boards and the Department of Social and Family Affairs. The Committee will, during the course of 2006, publish further interim thematic reports on a number of issues, namely, Civil Service Commission, Department of the Environment, Heritage and Local Government and Department of Finance; Department of Education and Science; Department of Communications, Marine and Natural Resources, Office of Public Works, Department of Transport and the Department of Enterprise, Trade and Employment; and An Garda Síochána, Department of Defence and the Department of Foreign Affairs.

As Chairman, I want to thank the relevant State agencies for their co-operation in making the compilation of this report possible. I also want to compliment the members of the Committee for their diligent work throughout the year.

We recommend this report to the Houses of the Oireachtas.

Michael Noonan, T.D.,
Chairman.

March, 2006

Members of the Committee of Public Accounts

FIANNA FÁIL

Seán Ardagh T.D.	Dublin South-Central
John Curran T.D.	Dublin Mid-West
John Dennehy T.D.	Cork South-Central
Seán Fleming T.D.	Laois-Offaly
John McGuinness T.D. *(Vice-Chairman)*	Carlow-Kilkenny
Michael Smith T.D. [4]	Tipperary North

FINE GAEL

John Deasy T.D. [2]	Waterford
Tom Hayes T.D. [3]	Tipperary South
Michael Noonan T.D. [1] *(Chairman)*	Limerick East

LABOUR

Joan Burton T.D. [5]	Dublin West

GREEN PARTY

Dan Boyle T.D.	Cork South-Central

SOCIALIST PARTY

Joe Higgins T.D.	Dublin West

1 Deputy Michael Noonan replaced Deputy Padraic McCormack by order of the House on 18th June, 2003.
2 Deputy John Deasy replaced Deputy Paul Connaughton by order of the House on 20th October, 2004.
3 Deputy Tom Hayes replaced Deputy John Perry by order of the House on 20th October, 2004
Deputy Michael Noonan elected as new Chairman on 21st October 2004
4 Deputy Michael Smith replaced Deputy Batt O'Keeffe by order of the House on 16th November, 2004.
5 Deputy Joan Burton replaced Deputy Pat Rabbitte by order of the house on 29th November, 2005.

Orders of Reference of the Committee of Public Accounts

156. (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 83;

(*b*) power to take oral and written evidence as defined in Standing Order 81(1);

(*c*) power to appoint sub-Committees as defined in Standing Order 81(3);

(*d*) power to engage consultants as defined in Standing Order 81(8); and

(*e*) power to travel as defined in Standing Order 81(9).

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

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

(7) The Committee shall refrain from—

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

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

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

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

The Report

1. Teagasc – 2003 Accounts

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Jim Flanagan, Director of Teagasc and his officials; from officials from the Department of Agriculture and Food; and from the Comptroller and Auditor General on 20 January 2005.

2 The Background

2.1. Teagasc undertook rationalisation during 2003 in order to reduce its cost base. The establishment of the alimentary pharmabiotic centre, a joint venture involving the Teagasc centre at Moorepark and University College Cork added to the capacity for food research. This project was awarded €16.5 million in funding from Science Foundation Ireland. A new biotechnology centre at Oak Park in Carlow was commissioned and the new animal and food biotechnology centre at Moorepark was brought to near completion. The Teagasc advisory services established a specialised planning post-Fischler programme aimed at assisting farmers to adapt to the radical policy changes. E-learning was advanced with the establishment of an on-line learning website and plans were made for the development of an e-college.

2.2. Teagasc is consolidating its resources into fewer centres and improving its facilities. The key elements achieved in 2003 were the sale of its head office in Dublin, the further sale of centres at Clonroche, Co. Wexford and Lullymore, Co. Kildare and the advisory office at Corduff, County Dublin and the relocation of staff to alternative Teagasc facilities. In this process, €18 million was made available to eliminate the accumulated deficit and to provide funds to cover the cost of restructuring and capital investment.

3 The Accountability issues

3.1. The accountability issues considered by the Committee were:

- Statement of Internal Financial Control - false travel claims case
- Conflict of Interest case
- Audit Reporting Mechanism
- Property Assets
- Operating surplus

4 Examination of the Issues

Statement of Internal Financial Control – False travel claims case

4.1. In June 2001, an allegation was made that certain staff were receiving fraudulent mileage and subsistence payments at a particular Teagasc centre but no investigative action was taken. In July 2002, the administrative officer at the centre became aware of information which suggested that certain travel claims made by a member of staff were not *bona fide*. When challenged, the staff member involved accepted that the claims were false but no further action was taken on the basis that the amount involved was small. In May 2003, the Director of the authority received another anonymous letter alleging failure to deal with false expense claims by an unnamed staff member at the centre. On this occasion, the internal auditor investigated the matter and found that the staff member had been submitting expense claims for some time in respect of journeys that had not been undertaken and that he had also inflated claims for collecting material on his way to work.

4.2. The amount paid for journeys not taken was estimated at €77,636 and this amount together with interest of €52,420 is subject to repayment by the staff member. No amount was calculated for repayment in respect of the inflated claims on the grounds that the staff and management at the centre had acted in the mistaken belief that the inflated claims were in compliance with the regulations. The C&AG took the view that the way in which this matter was handled by Teagasc was unsatisfactory. Given that the false claims were made over an extended period and that inflated claims were regarded as being proper, it cast doubt over the efficacy of the financial control environment in the centre over time.

4.3. The Committee noted that the statement of compliance with internal financial control had been signed, at a time when the false expense claims issue was known, by the Chairman of Teagasc without qualification. Teagasc did not have written procedures for dealing with the discovery of fraud and relied on local management to initiate appropriate action where fraud was discovered or suspected. The notes to the accounts indicated that written procedures for dealing with fraud and irregularities would be promulgated and enforced vigorously.

4.4. In addition to repaying the amounts overclaimed, with interest, the person who had submitted the false expense claims has been reduced in grade and in salary and has been re-assigned to another area. The Head of Department and the Head of Administration were also subject to disciplinary action and both were reduced in salary by about €5,000.

Conflict of Interest case

4.5. At a different Teagasc centre, work associated with computerized-on-farm data capture had been outsourced to a service provider since 1995. The business providing the services was 50% owned by an employee of Teagasc who was responsible for related work at the centre. The value of the work outsourced was €336,000. No competitive tendering for the work took place. Teagasc discontinued using the service provider in July 2004 and alternative arrangements involving data transfer over telephone lines to the central database have been put in place. The C&AG was concerned that an apparent *laissez-faire* approach was taken on the part of local management at the centre to compliance with ethical standards and to financial control standards.

4.6. Teagasc was satisfied that the conflict of interest case was an isolated incident. Management would not now approve of any similar arrangement. When management at senior level in head office became aware of the situation, through an internal audit check, it immediately resolved that it should be stopped at the earliest possible opportunity.

Audited Reporting Mechanism

4.7. The Committee noted that the matters of the false travel claims and the conflict of interest were reported by the Comptroller and Auditor General as a supplement to his audit report on the Teagasc Accounts for 2003. While recognising the seriousness of the lapses in internal control and the lack of timely management action that the cases represented and the consequent need for public accountability, the Committee considered that the necessary inclusion of the supplement to the audit report in Teagasc's Annual Report could have a disproportionately negative effect on Teagasc when taken in the context of the large sums of money administered by that body. The Committee also referred to the possible counterproductive effect if something similar arose in the case of IDA Ireland for example.

4.8. The Comptroller and Auditor General agreed with the thrust of the Committee's view but explained that his reporting duties were governed by the Comptroller and Auditor General (Amendment) Act 1993. He pointed out that the only possible alternative to his current reporting practice in such cases was to include such matters in a report of "general matters arising in relation to audits" as provided for in Section 11(2)(a)(ii) of that Act, where the issue was one that did not materially affect the giving of an audit opinion on the accounts in question. He stated that he had used this approach in the past but it had raised difficulties particularly in regard to the responsibility for presentation of the "general" report to the Houses of the Oireachtas. In the circumstances, he had reverted to using the audit supplement mechanism as the vehicle for achieving public accountability.

Property Assets

4.9. The Committee noted that the book value of assets disposed of was €672,000 while the proceeds achieved from the sale of those assets was €17.652 million, a multiple of 26. In two of the disposals, the market value achieved was considerably in excess of the estimate. In the other cases, the value achieved was close to the estimate. The estimated book value versus market value was not a consideration in deciding which properties to sell. Teagasc reported land with a book value of €5.8 million and buildings with a book value of €49 million in its 2003 accounts. The land and buildings are stated at original cost net of accumulated depreciation for buildings.

Operating surplus

4.10. The Committee noted that Teagasc had recorded a significant operating surplus (€3 million) at the same time that it downsized its workforce. The rationalisation programme was directed towards planning for future years and in that respect surpluses and deficits need to be measured over a period of years rather than just one year. The grant-in-aid is expected to stay at approximately the same level as that provided in the last two years and Teagasc must plan to live within those means.

5 Adoption of Reports

5.1. The Committee disposed of the Teagasc Accounts for 2003.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. There was a breakdown in internal financial control at a Teagasc Centre over several years that resulted in false travel claims of €77,636. The initial management response to this case was unsatisfactory.

2. Teagasc made a significant surplus on the disposal of properties in 2003 but has not revalued the remaining property assets recorded in its balance sheet.

3. Teagasc made an operating surplus of €3 million for 2003, at a time when major restructuring was in progress.

4. The business arrangement at a local Teagasc centre involving a serious conflict of interest continued for nine years before being properly addressed.

5. The use of audit supplements as a means of ensuring public accountability for State sponsored bodies may have unjustified negative implications for the body concerned and, possibly, for the national interest.

And recommends in general that:

1. The Teagasc internal auditor and the members of the audit committee should meet from time to time without the director of the director of administration also being present.

2. State organisations with significant property portfolios should be aware of the fair value of their property assets and in the interests of transparency should consider reflecting those fair values in their financial statements in accordance with generally accepted accounting practice.

3. The ethical conduct required of public servants should be communicated to all staff and management should put in place a framework for monitoring compliance.

Other / General recommendation:

1. Consideration should be given to amending the Comptroller and Auditor General (Amendment) Act 1993 to allow the Comptroller and Auditor General more flexibility in discharging his reporting.

2. Departments and all State organisations should note that there is a requirement to carry out a specific review of internal financial control to support the statement of internal financial control issued with the Appropriation Accounts or annual financial statements.

2. Agriculture and Food – Vote 31; and Chapters 11.1 and 11.2

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Tom Moran, Secretary General, Department of Agriculture and Food; from officials of the Department of Finance; and from the Comptroller and Auditor General on 17 February 2005.

2 The Background

2.1. In 2003, the Department was responsible for approximately €2.7 billion of national and EU-funded expenditure, €1.2 billion of which was covered by the Appropriation Account and the remainder by direct EU-funded expenditure. The Department is subject to a considerable amount of both external and internal auditing from a number of different sources on foot of this expenditure.

2.2. Chapter 11.1 of the C&AG's 2003 Annual Report drew attention to the arrangements the Department made for the disposal of meat and bonemeal stocks which had accumulated following the decision in November 2000 to ban the feeding of meat and bonemeal to any farmed animals kept for food production.

2.3. Chapter 11.2 of the C&AG's Annual Report dealt with the abolition of the Dublin and Cork District Milk Boards, the sale of the commercial part of their business to the private sector and the subsequent fallout in financial terms to the State. It had previously been raised by the C&AG in his 1997 Annual Report. Two main issues arise - the liability of the new owners for meeting the redundancy costs and the efficacy with which the laid-off staff were redeployed to the public sector.

3 The Accountability Issues

3.1. The accountability questions examined by the Committee were:

- Disposal of meat and bonemeal
- Redundancies from the Dublin and Cork Milk Boards
- Underspending of the farm retirement allocation
- Staff reorganization in the Department

4 Examination of the Issues

Disposal of meat and bonemeal

4.1. The ban had the effect of turning what had been a valuable product making a positive contribution to the economics of livestock production into a waste product with significant disposal costs. In the period 2001 to May 2003, the Department disbursed €145 million in financial aid, €117 million of which was in respect of rendering and €28 million pertained to the disposal of meat and bonemeal.

4.2. Under agreed arrangements, the Department was responsible for the storage and ultimate destruction of meat and bonemeal produced prior to December 2002. These stocks amounted to 172,000 tonnes, stored at 32 locations throughout the State. The annual storage costs amounted to €3.75 million. In late 2003, the Department organised a tender competition for the disposal of the stocks of meat and bonemeal. Three firms were awarded contracts to take responsibility for the stocks, transport them overseas and arrange for their destruction. The total value of the three contracts was just less than €23 million.

4.3. The contractual arrangements were unusual and involved the Department opening escrow accounts into which the €23 million was paid in late December 2003. Payments to the contractors from the escrow accounts took place in line with the verifiable destruction of consignments of the material. The contracts with the three successful bidders were signed in February, March and April 2004 and the first payment to a contractor was made in May 2004. The latest date for completion of the disposal of stocks is July 2006. The effect of the arrangements was that money issued from the 2003 Vote was used to pay for services to be provided in 2004, 2005 and 2006. The method of financing expenditure circumvented the principles underlining Government accounting and, if used as a precedent, could have repercussions for effective Dáil oversight of the public finances.

4.4. The Department felt the escrow account mechanism was an appropriate mechanism from a business perspective on the grounds that it facilitated a more timely response to the situation, represented a more cautious payment arrangement from the Government finance point of view and provided greater leverage to ensure that the material was disposed of properly and on schedule. The approval of the Department of Finance to proceed on this basis was received subject to being satisfied that a mature liability arose.

4.5. The Committee accepted that the reasons given in support of the escrow arrangement were laudable but disputed whether a matured liability existed when the payments were made. It noted that the money available should be used in the best way possible and that the cost of incineration had dropped by 50% but acknowledged the argument of the C&AG that the financial arrangement could be interpreted as set up solely to circumvent the need to surrender money. The fundamental mechanism was inappropriate and there is a marker to be put down in terms of setting up escrow accounts. The Department asserted that there was no attempt to do anything underhand in this area and that all actions were taken in full and open consultation with the concerned parties. The Department of Finance advised that the public financial procedures are under constant review and if there is a need to clarify them with regard to escrow or any other aspect, it would take that on board.

Redundancies from the Dublin and Cork Milk Boards

4.6. As part of the sale of the milk boards the new owners were required to pay redundancy compensation at the going rate, as opposed to the statutory minimum entitlement, to any staff they might make redundant and who opted for redeployment to the public service. The redeployed staff undertook to hand this money over to the Department. In the event, the workers were only paid the statutory redundancy entitlement, with the result that the State was left short. A legal claim for €1.27 million was formulated against the two companies concerned in respect of those made redundant up to 1997. This amount was computed by reference to the going rate based on statutory entitlement plus four weeks per year of service. The Department received strong legal advice, both from the Attorney General and from independent counsel that the best option was to settle on the best terms available. The advice was based to a large extent on difficulties experienced by the Department in substantiating points made in the interim board's statement of claim equating the going rate with that paid under the original rationalisation agreement.

4.7. The main case was settled with the Dublin company in 2002 with the payment of an additional amount of just over €250,000 in two instalments. Since the publication of the C&AG's report, the Department has settled its remaining claims and has instructed the Chief State Solicitor's Office to withdraw all proceedings. The settlement was made in the context of the difficulty of substantiating what was the going rate for redundancy payments in the industry at the time of the sale of the business. The failure on the State's part to define the rate of redundancy payable in specific terms in the conditions of sale led to a loss of nearly €2.2 million to the Exchequer.

4.8. There was a delay in redeploying some of the 50 staff who were made redundant to the public service and salary payments were made for periods when they were not working. The total amount paid to 23 of those staff from the date of their redundancy to their appointment to departmental posts or in retirement was in the region of €1.8 million. In some cases, the time lag in taking up positions extended to seven years. A large part of the delay was caused by a reluctance on the part of the Department of Finance to sanction an exclusion order for staff to analogous grades to that of executive officer and higher executive officer.

4.9. The Committee considered the loss of State funds (€2.2 million) arising from agreements surrounding the Dublin and Cork Milk Boards. Part of the deal that staff were offered was tied into a partnership arrangement in the late 1980s that if the commercial companies that took over the businesses of the milk boards had to rationalise and make people redundant owing to business failure, those affected would be given the option of joining the public sector. There was a lack of definition of the prevailing redundancy rate when it came to the agreement made between the businesses involved and the interim board. The Committee considered that the arrangement was a genuine attempt to protect workers that went wrong.

4.10. The C&AG's 1997 report should have served as a warning to the Department and the Department of Finance to ensure that all further staff redeployed were employed quickly. The Department agreed with this point. The reason for the delay was the strict legal procedures governing the appointment of civil servants that involve the Civil Service Commission issuing an exclusion order, which on various grounds excludes people entering from having to go through its process. That exclusion order was not available to six of the original staff of approximately 44. The Department had requested that the exclusion order be made in April 1997 for all staff made redundant by the milk boards. The Committee felt this was an example of incredible inertia by the Department of Finance that cost the State a great deal of money.

Underspending of the farm retirement allocation

4.11. The Committee noted that the farm retirement allocation on the 2003 Vote was underspent. This involved people who had been participating in the farm retirement scheme during the base years which established entitlement for the single payment. The problem that arose was that farmers participating in the farm retirement scheme would not have been farming during the three base years. The person leasing land from the retired farmer would normally benefit from the single payment because he or she established the premium rights that went with farming activity.

4.12. There is a different issue with inheritors, people related to the person who had leased out land in the farm retirement scheme. These people would not have established an automatic right to the single payment for the future. The Department negotiated a facility in the single payment arrangement with the EU so that the inheritors would have some access to the national reserve. Those involved were deprived of the milk quota lease income and of the valuation of the product for payment under the new scheme. In leasing out land, their expectations of rental income would be significantly reduced due to current market conditions. There were many disappointed people who are elderly and who had retired from farming on the *bona fide* expectation of a certain income. It was felt that the Department has an obligation to approach them as fairly as possible.

4.13. The Department explained that when there is a dramatic change in policy, as with a move to a payment based on the events of specific years (2000 to 2002), some of those involved in the scheme who anticipated that it would continue in a certain way might encounter difficulties. There had been a similar situation in 1984 when milk quotas were introduced. At that time some farmers did not produce milk for the base year, which meant that for the rest of their milking careers they were trying to catch up. The Department agreed that those involved had entered the early retirement scheme in good faith. They expected that at the end of their participation in the scheme they would have land of a particular value, whether for sale or lease. The Committee noted that in January 2005, offers for leased land under the 11 month system were fewer than for many years across certain parts of the country. The income expectations of elderly farmers retired on the basis of schemes they had accepted in good faith have been dramatically reduced, despite having entered the schemes in good faith. The persons concerned are elderly and have no options left. The Committee felt that in the context of the Vote surplus, the Department had an obligation to revisit the issue to find out whether, within the scope of the EU regulation, there is anything it can do for these farmers.

Staff reorganisation in the Department

4.14. The Department is in a transition period. The new arrangements will involve considerably fewer on-farm checks and over time this will result in staff being released for other duties. Issues also arise in the local office structure because there are some areas of work, specifically related to the CAP and income support systems, that will change. The issue of staff restructuring at local and head office level is being addressed in the context of decentralisation. The Department expects to release up to 400 staff.

5 Adoption of Reports

5.1. The Committee noted Vote 31 of the 2003 Appropriation Accounts and disposed of Chapters 11.1 and 11.2 of the 2003 Annual Report of the Comptroller and Auditor General.

6 Findings and recommendations

<u>The Committee of Public Accounts</u>

<u>Finds specifically that</u>:

1. Although the reasons given in support of the use of an escrow arrangement for the contract for the disposal of meat and bonemeal were laudable, the financial arrangement

could be interpreted as having been set up solely to circumvent the need to surrender money.

2. There was a loss to the State arising from a failure to adequately define the redundancy terms for those affected by the abolition of the Dublin and Cork Milk Boards. There was a further loss arising from the long delay of up to seven years in completing the transfer of some workers to the public sector.

3. The Department expects to release up to 400 staff arising from rationalization of its organization in the context of changes in the schemes under its management and a decentralisation of these functions.

And recommends in general that:

1. The Department of Finance should review and update the references in the public financial procedures to the use of escrow agreements in order to avoid any possibility of their use to avoid a surrender of funds.

2. The Department should ensure, prior to decentralisation, that key resource and skill levels are maintained in all sections that re-locate.

3. Efficient methods of redeploying surplus staff should be adopted in order to eliminate the incidence of staff being paid for doing no work.

3. Department of Community Rural and Gaeltacht Affairs – Vote 42

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. Gerry Kearney Secretary General, Department of Community, Rural and Gaeltacht Affairs; and from an official of the Comptroller and Auditor General's Office on 2 June 2005.

2 The Background

2.1. The Department was established in June 2002 and has approximately 240 staff located mainly in Dublin and Na Forbacha in County Galway. It spent in excess of €250 million in 2003. Half of its expenditure is spent on promoting development and social inclusion in local communities. The remainder is spent on encouraging rural development, developing the Gaeltacht areas and the inhabited islands and promoting the Irish language.

2.2. Some of its schemes such as the local development social inclusion programme, the RAPID programme and the PEACE II programme are administered by Area Development Management Limited on its behalf. ADM Ltd is an intermediary company established by the Government on foot of an agreement with the European Commission. In addition the Department is the Irish supervising Department for two North-South agencies, An Foras Teanga, which received €13.6 million and Waterways Ireland, which received €22.3 million. The principal State-sponsored agency under its aegis is Údarás na Gaeltachta.

3 The Accountability Issues

3.1. The accountability issues considered by the Committee were:

- Funding of Drugs Initiatives
- RAPID Programme
- Dormant Accounts
- Community Development Programme
- Procedure for administering community grants
- Voluntarism
- Promotion of the Irish Language

4 Examination of the Issues

Funding of Drugs Initiatives

4.1. The transfer of the young people's facilities and services fund of €15.8 million to the Department in 2003 has provided a positive impetus to the fight against drugs because the money is targeted at youth at risk in local drugs task force areas. The overall actual spend in 2003 was €36 million, an increase of almost 20%. The extra funding has supported capital spending on youth and community centres and facilities in the most disadvantaged areas of Dublin. This additional spending, however, has increased the demand on the current side to sustain and develop such services.

4.2. The national drugs strategy sets out 100 actions across the areas of supply reduction, prevention, treatment and research. Clear measurable outputs are required for each action.

There is tangible progress in specific areas. Ongoing research into drug use in Ireland is a wider indicator but performance measurement is difficult as in addition to monitoring progress in working with addicts it must also measure the extent to which interventions under way are preventing a deterioration in the situation. A report published by the NACD found that the situation in Dublin had improved since 1996, with 12,500 users, but the position outside Dublin is worsening, where in excess of 2,000 people are using opiates.

4.3. There are specific actions and performance indicators attached to the national drugs strategy to be delivered that can be measured but levels of usage are more difficult to gauge. The heroin problem in Dublin has lessened but that does not minimise the problems with cocaine, poly-drug use and alcohol as a threshold drug into drug misuse. In recent years in Dublin, community and youth services have been established in the most disadvantaged communities.

RAPID Programme

4.4. In 2001, the intention was for the RAPID programme to fast-track a sliver of the NDP to targeted areas of disadvantage. The subvention in support of the RAPID programme for 2003 was €1.5 million. This money was provided for ADM Limited in support of a national co-ordinator for the RAPID programme and for facilitation of the activities of the Area Implementation Teams (AITs). The Department indicated that a recurring difficulty with the RAPID programme, since its launch in 2001, is the different expectations as to what the programme should produce. One view was that it would provide for a front-loading of resources under the NDP for targeted areas of disadvantage in the State. Another view was that it would enable substantial additional funding to be pumped into the areas in question, not limited to projects outlined in the NDP. This disagreement has caused ongoing differences and difficulties with Departments in tracking what exactly has been done.

4.5. The RAPID programme has a number of advantages in the targeting of its funds. It targets specific geographic areas that are accepted as being in need of priority investment by public bodies. The legitimacy of these disadvantaged areas for targeting in mainstream programmes is reflected in programmes administered by other Departments. The sports capital programme awards extra points to such areas while the Department of Justice, Equality and Law Reform gives priority to RAPID programme areas in the provision of CCTV systems. In excess of 50% of the initial spend under the dormant accounts fund has been targeted at RAPID and CLÁR areas.

4.6. The RAPID programme also supports integrated service provision. For many disadvantaged communities, the interface with social services, the Garda Síochána, education and health services is fragmented. It is a critical objective of the RAPID programme to significantly improve the level of co-ordination between State agencies. This work is under way and the initial soundings in provincial towns are that significant progress is being made. Each Department tracks spending under the RAPID programme by reference to the area action plans produced for each disadvantaged area.

Dormant Accounts

4.7. The Committee noted that €293 million had been transferred to the dormant accounts fund, made up of €262 million from banks, building societies and An Post and €30.6 million from insurance undertakings. Almost €54 million has been reclaimed by the owners of accounts. A further €60 million has been disbursed by the Dormant Accounts Fund Disbursements Board. A further €10 million has been allocated to the rural social scheme leaving a net amount of some €170 million in the dormant accounts fund.

4.8. The Committee noted that the disbursement plan of the Dormant Accounts Fund Disbursements Board explicitly provided that, for the initial period, there would be targeting of in excess of 50% of the spend in the RAPID programme, the local drugs task force and CLÁR programme areas. The bulk of this additional funding is being directed towards RAPID programme projects.

Community Development Programme

4.9. The community development programme is for small projects which are focal points in communities and designed to build communities to allow them to obtain information and access services relating to child care, education, training and employment. The Committee was informed that under this programme, 185 projects had been established in disadvantaged areas, most of them inherited from the former Department of Social, Community and Family Affairs. In 2003 €20 million was spent of which almost €16 million was in respect of giving support to projects in disadvantaged areas. When the Department took over the schemes, the intermediary agencies looking after these projects were receiving €4.5 million. This has been reduced to €2.9 million, thereby increasing central funding for additional projects.

Procedure for administering community grants

4.10. The Committee was informed that there were 2,500 applicants under the community grants scheme and a total of €2.337 million was disbursed to 767 groups. In some cases there is no way of knowing the precise amounts paid as payment is made following approval of the application which occurs without receipt of proof of the way in which money is spent.

4.11. The Department indicated that it requires detailed accounts and the notification of the payment is accounted for as soon as practicable. Where groups are involved, an income and expenditure account, showing the receipt of the grant, receipts and vouchers to the total amount of the grant paid and a statement from the treasurer and chairman of the group receiving it to the effect that the grant was used for the purpose for which it was paid. Applications are not considered from groups which have not adequately accounted for money. Internal audit examines receipts and vouchers and undertakes site inspection visits. The Committee was concerned that the Department does not check that the money is spent on the project before the cheque is issued. The income and expenditure may take up to one year to produce to show it has recorded the money arriving in its account. While many grant amounts are small (€200) the Committee felt that for larger grants (14 core funding grants were in excess of €250,000) tighter procedures, including production of a tax clearance certificate, should be in place. The Department accepted this point.

4.12. The Committee noted that most of the community groups receiving funding have a voluntary base and the money they receive would be the greater part of their income each year. These groups find it difficult when depending on such funding to know how and when funding is given. It is common for community and voluntary groups to use overdraft facilities and pay excessive bank charges and interest rates as a result of delays. The Department advised that the 185 community development projects and the partnership companies are in a straight funding arrangement for three years. It is a structured, tangible and predictable funding cycle. The timing of once-off grants is problematic as for two consecutive years the schemes were run late in the year, which meant a delay in providing funds, albeit modest amounts. In 2005 both schemes were brought forward by approximately six months to try to improve matters. The Department set up a fund, worth almost €5 million in 2005, to encourage groups to come together to work out arrangements to improve administration between themselves such as shared financial management and agree these with the county or city development board. Extra funding is available in support of this measure and to support the provision of new services. This has been positively taken up, with Fingal leading the way.

Voluntarism

4.13. The Committee noted that the Department is responsible for implementing the White Paper on voluntarism which predates the establishment of the Department. The Department commenced a three year funding cycle in the order of €4.5 million for federations, networks and umbrella groups, as well as training support measures. Separately, in excess of €1 million is provided for a number of anti-poverty networks.

4.14. One of the first actions of the Department was to examine the amount being taken by intermediary agencies and to reduce it substantially. This increased the funding available for smaller groups, in particular community groups involved in the provision of services. Outputs are specified in the three year programme and before agreeing to further funding cycles, a review of the effectiveness of the spend and the approach adopted will be made. The Department accepts that its funding of a multiplicity of groups does not necessarily serve communities best. In rural areas one can have a combination of LEADER groups, community partnerships and others. In some counties a single group manages both LEADER and the Partnership programmes.

Promotion of the Irish Language

4.15. The census figures indicate that between 1996 and 2002 the number of Irish speakers within Gaeltacht areas increased from 61,000 to just over 62,000. There is an apparent stabilisation in the Irish-speaking community in the Ghaeltacht and the general population of the Gaeltacht is increasing. From a national perspective, approximately 1.6 million people claim to have a capability to speak Irish. That is slightly less than the figure in 1996 but it is broadly comparable. The scéimeanna cultúrtha agus sóisialta, under subhead F, support a wealth of initiatives within the Gaeltacht which are very important to economic and social development and promotion of the Irish Language in Gaeltacht areas.

4.16. The approximate figure in terms of aid per job in Údarás na Gaeltachta in 2003 was €13,180. For Enterprise Ireland, the cost per job was in the region of €9,000, while the cost for IDA Ireland was €16,500. At the end of 2004 there were 7,507 full-time and 4,470 part-time jobs in Údarás na Gaeltachta supported employment. The scale of job losses has moderated significantly in the latest reckonable year. Job losses were at a high between 2001 (1,281 jobs lost) and 2002 (1,432 jobs lost), but fell back to 910 lost jobs by the end of 2004.

4.17. The Department recently established an institutional arrangement whereby the Secretary General meets with his counterpart from the Department of Education and Science quarterly to review progress on shared issues. A working group chaired at assistant secretary level is setting out a shared agenda of issues in regard to the Irish language which are common across both Departments. One such topic is likely to be the development of Gaelscoileanna.

4.18. Work is ongoing in respect of the definition of Gaeltacht boundaries and their rationalisation to reflect existing realities. A systemic survey of the use of the language in Gaeltacht areas is in progress. The intention is that it will give a qualitative and differentiated analysis of the strength and usage of the language within Gaeltacht areas. As many Gaeltachtaí depend on the industry, the study will highlight the precise impact of various aspects of tourism.

5 Adoption of Reports

The Committee noted Vote 42 of the 2003 Appropriation Accounts.

6 Findings and recommendations

The Committee of Public Accounts

Finds specifically that:

1. There has been considerable capital spending on youth and community centres and facilities in the most disadvantaged areas of Dublin.

2. The subvention in support of the RAPID programme for 2003 was €1.5 million. A recurring difficulty with the RAPID programme since its launch in 2001 is the different levels of expectation as to what the programme should produce.

3. Some €2.337 million was disbursed to 767 groups under the Community Grants Scheme.

And recommends in general that:

1. The objectives, targeted results and funding priority for the RAPID programme should be more precisely documented.

2. A proper control and accountability framework should be developed for the administration of community grants above a specific level.

3. Consideration should be given, on a local authority by local authority basis, to having a single group managing both Leader and Partnership programmes.