



Dáil Éireann

An Coiste um Chuntais Phoiblí

**An Cúigiú Tuarascáil Eatramhach
maidir le Tuarascáil 2002 ón Ard-Reachtaire Cuntas agus Ciste
(Éisteachtaí an Choiste le linn na tréimhse Deireadh Fómhair
2003 go hIúil 2004)**

**An Roinn Oideachais agus Eolaíochta; An Roinn Sláinte agus
Leanaí; Údarás Réigiúnach an Oirthir; agus an Roinn Gnóthaí
Sóisialacha agus Teaghlaigh**

Samhain 2005

Dáil Éireann

Committee of Public Accounts

**Fifth Interim Report on the 2002 Report of the Comptroller and
Auditor General
(Hearings of the Committee during the period
October 2003 to July 2004)**

**Department of Education and Science; Department of Health and
Children; Eastern Regional Authority; and the Department of
Social and Family Affairs**

November, 2005

Contents

<i>Chairman's Preface</i>	i
<i>Members of the Committee of Public Accounts</i>	iii
<i>Orders of Reference of the Committee of Public Accounts</i>	v
1. Department of Education and Science - Chapter 7.2	9
2. Department of Education and Science - Chapter 7.3	15
3. Department of Health and Children - Value for Money Report on The Waiting List Initiative	19
4. Department of Social and Family Affairs - Vote 40; and Chapter 12.1.....	25
5. Department of Social and Family Affairs - Value for Money Report on Evaluation of Control Activity.....	29

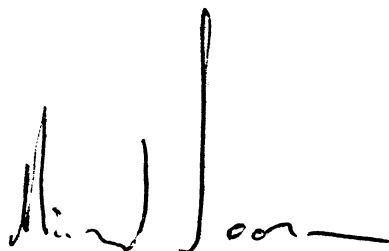
Chairman's Preface

This report, which contains chapters on the Department of Education and Science, the Department of Health and Children and the Department of Social and Family Affairs is the fifth in a series of interim reports of the Committee of Public Accounts which detail the Committee's examination of matters raised in the Report of the Comptroller and Auditor General, 2002.

The Committee has already this year published interim reports on the C&AG's Report on a wide range of Government Departments and Offices. The sixth and final interim report for that year will be on the Department of Arts, Sport and Tourism; and sport.

As Chairman, I want to thank the Departments for their co-operation in making the compilation of this report possible.

We recommend this report to the Houses of the Oireachtas.

A handwritten signature in black ink, appearing to read 'Michael Noonan', written over a horizontal line.

**Michael Noonan, T.D.,
Chairman**

November, 2005

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. (<i>Vice-Chairman</i>)	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 (<i>Chairman</i>)	Limerick East

LABOUR

Pat Rabbitte T.D.	Dublin South-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.

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. Department of Education and Science - Chapter 7.2

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. John Dennehy, Secretary General of the Department of Education and Science and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 13 May 2004.

2 The Background

2.1. The level of State funding available *was* not sufficient to meet all the demands for capital expenditure on schools and *it was recognised that there was* a need to manage the expectations of the various interests involved. The audit of the 2002 programme found that a lot of confusion had been caused by the issue of letters containing qualified or ambiguous commitments to proposed projects and that, overall, there had been a lack of transparency surrounding the relative priorities and timeframes assigned to projects. The audit examined the project prioritisation and approval process and the relationship between planned and actual expenditure.

2.2. In addition to upgrading old buildings the State was also providing new accommodation to match the sharp increase in teacher numbers over the past six years and the formation of new schools providing for diversity, such as all-Irish and multi-denominational schools. This means that there are legitimate and real needs to be met in most primary schools across the country.

2.3. The key factor impacting on the rate of progress on announced projects as 2002 progressed was the emerging budgetary position for 2003. It became clear in the latter half of 2002 that the funding allocation for 2003 would be less than anticipated. The Estimates detailing the 2003 funding allocation showed €147.7 million for primary capital projects. This was a reduction from €172 million in 2002 and reversed the upward trend in previous years. On that basis, the Department felt it was prudent not to proceed in the autumn of 2002 with projects intended to go to tender and construction and to defer consideration of these projects until funding for 2003 was certain.

2.4. The situation improved in 2003 with the publication on the Department's website of the criteria for prioritising school building projects and giving details of the priority status of the individual projects. This approach has been further developed in 2004 and the comprehensive information presented on the website enables all interested parties to easily locate the status of each project.

2.5. The ultimate test of a prioritisation system is that the available funding is targeted and assigned to those projects where the need is greatest. Historically, the Department has operated a reactive application-based system which, by definition, cannot guarantee such an outcome. The entire organisation and structure of the planning and building unit in the Department are being refocused to permit a more pro-active approach to facilitate planning in a more coherent and strategic manner, drawing together first and second level needs. The ultimate aim is to provide an educational development plan, for each county or region, that will identify and map the future strategic shape of the educational landscape, thus informing

critical investment decisions in a demonstratively public way. The introduction of multi-annual capital envelopes will greatly assist the Department in addressing school accommodation needs in a programmed and systematic way into the future.

3 The questions

3.1. The accountability questions examined by the Committee were:

- The 2002 Priority Lists
- Improvement in transparency
- Area Development Plans
- Increases in the numbers of teachers
- Stages in building a school
- Prefabs

4 Examination of the Issues

The 2002 Priority Lists

4.1. The total estimated costs of completing all of the projects on the five priority lists for 2002 amounted to €177 million as against the €31.6 million originally allocated. The Committee reviewed the lists noted in the audit report. These were prepared as part of the draft 2002 programme and for the Estimates in December 2001. All priority 1 projects for which tenders had been received proceeded to construction in 2002 but only eight priority 2 projects out of 16 went ahead in 2002 and a further six have since gone ahead as part of the school building programme in either 2003 or 2004. It was noted on the lists that projects on lists 3, 4 and 5 could only proceed to tender if substituted for projects on list 2. However, although only half of the priority 2 projects progressed, none of the priority 3 or 4 projects were substituted.

4.2. The lists had been generated internally to demonstrate to the Minister that highly critical projects were ready to go to tender. The lists were subsequently replaced by a new list that the Minister published which merged projects included on the first and second lists. This new list contained projects that were due to be completed in 2002. As the second part of 2002 unfolded, there were two dynamics in play. It was April when the list got final affirmation on foot of a Supplementary Estimate, and this extended the spending profile for the individual projects further into 2003. The second dynamic was that by autumn 2002, the Department was facing a reduction in funding for 2003. As the funding flow improved again in 2003, the prioritisation sequence on the priority 2 projects was, in most cases, delivered in either 2003 or 2004.

Improvement in transparency

4.3. The Department published the band ratings for the first time in 2003. In addition, a quarterly update on tendering in relevant projects was published on the Department's website. Although the 2002 list was not published, due to attempts to secure additional funding, until May 2002, and the 2003 list was only published in January 2003, the 2004 list was published in December 2003. This was to help the school buildings programme and to take account of lead-in times for getting buildings up and running.

4.4. The decision to publish an annual school building programme has reinforced the need to make this transparent and pro-active rather than reactive to local needs. The Department commenced publishing area development plans. In this regard, the schools, trustees, parents, sponsors of prospective schools, interested local parties and teachers have the opportunity to have their voices heard. On a pilot basis, the area development plan was introduced to set out a blueprint for school development.

Area Development Plans

4.5. Different approaches have been used to deal with the demand for new schools in new suburbs. Public consultation under the School Accommodation Commission is important in order to determine the composition of an area in ten years time. The Department has a design and build solution, that uses standard planning templates to reduce the level of design fees. It has also developed in-house prototype models of schools which can be rolled out in terms of eight, 12, 16 and 24 classrooms, and which maximise the use of site space. These buildings can be delivered quickly, because the design phase is narrowed, particularly in the design and build model. They were put in place in two locations in 2004. Most of the studies of five-yearly development plans are on a county basis but an unusual one focuses on the route of the M4 / N4. It is considering the impact for an area from Leixlip to Kilbeggan, on both sides of the road.

4.6. There are situations where there will be reductions in the number of teachers and a reduction in the space being used. In some cases decisions are made to close schools. Schools that close are often small, rural schools that have been in existence for many years. The area development plans will be used as a way forward within given localities. By joining up first and second level the Department has a whole-town approach to needs determination. Discussions also take place with local authorities to secure land for schools as part of a rezoning process. Experience has shown that this has led to paying lower prices for land.

Increases in the numbers of teachers

4.7. A significant dynamic behind the building programme has been the significant increase in teaching numbers at primary level. The automatic response to special needs since 1998 has introduced approximately 5,000 teachers into the primary system. This is an increase of more than 23%. The inventory of accommodation revealed that the key deficit in many of these schools is the additional space required for the visiting resource teacher, the psychologist and so on. The improvements on the human resource side have been made, along with underlying improvements throughout the 1990s on the staffing schedule. The traditional three-teacher school that served the country well for decades is giving way to one with four teachers as of right under the improved staffing schedule, along with supports for special needs students. The Department took the view that it was better to appoint teachers prior to providing accommodation.

Stages in building a school

4.8. The average time to build a school is about two years. The best in terms of time was a bundle of five PPP projects at post-primary level, where four of them, were up and running ahead of time. The bundle of projects was completed in less than a year. Many projects have their stages combined. In the quickest example of a design and build project, the early three

stages of architectural planning are combined for many projects, as are the advanced stages four and five. This is done to speed up the delivery of a project through those stages.

4.9. The Committee noted the announcement in 2003 about doubling the number of schools which would benefit from remedial works in school maintenance. The new policy has a retrospective effect, in that decisions previously made are creating a knock-on effect, for example a school in Cork which had approval for the replacement of all its windows, was subsequently funded for the replacement of only half the windows. It seemed twice the number of schools were to benefit under the programme only by having some rather than all remedial work done.

Prefabs

4.10. While €12 million was allocated for prefabs in 2002, a total of €40 million was spent. The Committee considered that if work was subcontracted to local contractors, each board of management could price it independently with a local developer which could be cheaper than the sums estimated by the Department's architects and quantity surveyors. The Department is making more use of that strategy. Initiatives undertaken by the building unit include the devolved delivery of small scale projects and the introduction of the small schools initiative, a pilot programme in 2003 to allow small primary school building and modernisation works on a devolved basis. Rather than waiting for the planning process and for prefabs to be erected, a grant in lieu of a prefab can be made available. Some 20 schools were included in that project in 2003 and it has expanded to include more than 40 in 2004. The grants range from €100,000 to €350,000 and are applied to schools in the categories of one to four classrooms.

5 Adoption of Reports

5.1. The Committee disposed of Chapter 7.2 of the 2002 Annual Report of the Comptroller and Auditor General.

6 Findings and recommendations

The Committee of Public Accounts:

Finds specifically that:

1. Much positive work was done in 2003 to address the problems that were endemic in the primary school building priority system for a long time.
2. The slow rate of spending in 2002 was influenced by two factors, a delay in funding through a supplementary estimate until April 2002 and the changing budgetary outlook towards the end of that year.
3. There has been a significant improvement in the transparency of the process brought about by the publication of the criteria on the Department's website and the availability of details regarding the progress of projects. There is also better consultation and involvement of communities in the longer range planning of school accommodation for their areas.
4. The time required to build a school has shortened to between one and two years.

5. The introduction of the small schools initiative is likely to provide better value for money than going through the traditional route of spending on temporary school accommodation such as prefabs.
6. There was unnecessary confusion in communicating the 2002 building programme to school authorities.
7. There was a lack of transparency surrounding the relative priorities and time frames assigned to the projects in the 2002 programme.
8. Some progress was made with local authorities to secure land for schools as part of a rezoning process to avoid having to pay higher prices later.

And recommends in general that:

1. Decisions made to increase the number of schools to benefit from programmes of remedial works should be accompanied by corresponding increases in funding so as not to undermine progress on agreed remedial works in other schools.
2. The proactive approach to planning the school building programme needs to be maintained in order to provide schools in areas of increasing population.
3. The advantages offered by greater levels of openness and consultation should be communicated to other State agencies.
4. Early intervention in the land development process with local authorities should form part of a systematic approach to the acquisition of sites for school building purposes.

2. Department of Education and Science - Chapter 7.3

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr. John Dennehy, Secretary General of the Department of Education and Science and his officials; from officials of the Department of Finance; and from the Comptroller and Auditor General on 13 May 2004.

2 The Background

2.1. In 1999, a review group recommended an extension to the Cork School of Music. At the time the school was operating out of the main building and 16 other premises in the city. The estimated capital costs of the extension at the time came to €12.7 million.

2.2. Around the same time the Government approved a pilot programme of public private partnerships (PPPs), including projects in the education sector. The Cork School of Music was put forward and approved as one of the projects to be undertaken in this way. The request for proposals to the market specifically referred to an extension and refurbishment project, but it soon became clear the only viable option for the bidders was the demolition of the existing building and its replacement by a purpose built facility. This option came at a cost greatly in excess of what had been originally envisaged. The full life-time cost tendered by the preferred bidder, Jarvis, to design, finance, build, maintain and operate the school came to just over €200 million. That represents 25 annual payments of €8.2 million or about €100 million in net present value terms. To disaggregate that figure, the capital cost of the proposed building was about €63 million. Notwithstanding the escalation in cost, the Department of Education and Science, with approval from the Department of Finance, selected a preferred bidder and moved towards concluding a contract with the firm.

2.3. In July 2001 the Department of Finance put a stop on the process and instructed that a revised value for money analysis be carried out. The revised computations were submitted to the Department of Finance in April 2002 but by that stage the issue of affordability was to the fore. Some months later, EUROSTAT asserted that the full capital costs would be counted towards the general Government balance in public private projects of this sort. A ruling on this issue on 11 February 2004 overturned this view and removed the uncertainty surrounding the treatment of PPPs.

2.4. A side effect of anticipating the deal going ahead as originally scheduled, was that the main school building was vacated in July 2001. A former hotel was rented to accommodate the displaced activities at a cost of €800,000 per annum.

3 The Accountability Issues

3.1. The accountability issues considered by the Committee were:

- Project Cost Estimates
- Due diligence
- Department of Finance concerns
- Return of investment

- The main lessons learned

4 Examination of the Issues

Project Cost Estimates

4.1. In June 1999 the project was estimated to cost €12.7 million. The Department of Finance estimated in December 2000 that it would cost between €30 million and €48 million. In February 2001, the lowest bid was €58.8 million.

4.2. The original project was for an extension of 5,400 square metres to the current building. It did not include the refurbishment of the current building or the transfer of staff and students from 16 other locations around the city into one site. The PPP project envisaged an extension, which would result in the elimination of the substandard accommodation students and staff have had to use and meant that the other 16 locations would no longer be needed. The premises when built would be equipped, maintained and operated in terms of cleaning, security and estate management, and would need pianos and other musical instruments installed and replaced over the 25 year period. All such matters would be covered in a PPP contract, and the company concerned would take on all the risks.

4.3. There was a further cost of €2.5 million in respect of a long-term lease for temporary accommodation. The move by students and staff to Moore's Hotel and Connolly Hall would have happened regardless of the option chosen. When an investigation was carried out into the quality of the building previously occupied, it became clear that it was in a dangerous condition and contained an extraordinarily high level of asbestos.

Due diligence

4.4. The Department advised the Committee that it would return to Government with the terms of its contract with Jarvis. Legal experts were working on it and advice was obtained from the Attorney General and the National Development Finance Agency (NDFA). The legal advisors had a team of experts working on this which had previously carried out PPP work in the UK, Northern Ireland and other parts of the world. The contract covered all aspects of the operation of the project over the 25 years. It specified the work that must be done by the contractor and the obligations of the Department.

Department of Finance concerns

4.5. The Department of Finance had concerns about the cost and specification scope of the project. It provided one viewpoint into the analysis before decisions were made at various points. In July 2002 the Department had concerns as to the affordability and the prioritisation of the project. When that happened, the information and analyses from the Departments of Education and Science and Finance went to ministerial level and, ultimately, to Government. There was a Government decision to proceed with the project, subject to the negotiations being finalised in regard to contract terms.

4.6. When the full lifetime costs of the project were considered, the advice from the market was that the only solution to the problem was to construct a new building. The job of the Department of Finance was to consider this and ascertain, with the benefit of the information available, whether there were concerns in regard to the scope of the project.

4.7. The Department of Finance does not accept that it delayed the project for five years. What happened after March 2001 and the development of the work on the comparator was part of the learning process. In future, the expertise of the NDFA will be of great assistance. The Department of Finance had various questions in regard to what was contained in the value for money comparator while, at the same time, there was a planning appeal. That had nothing to do with the Department of Finance. The engagement between the two Departments continued and the value for money comparator was completed in April 2002. The work on assessing all the information available at that time had to be completed within the Department.

4.8. In July 2002, the project could not be recommended for approval at official level. From that point onwards, it became a matter of policy in terms of whether a project of this nature should proceed. At this time the prioritisation and affordability issues started to move up the agenda more so than before. The policy decision benefited from clarity on how this project will be treated for general government balance (GGB) purposes according to the EUROSTAT rules. The matter of the GGB was a huge issue in the sense of how these projects should be dealt with. PPPs were new to Ireland and the GGB and the affordability issues had to be dealt with. EUROSTAT produced its ruling only in 2003.

4.9. The original Cork School of Music had a little more than 60 full-time students. The proposal was to accommodate 400 full-time students in addition to part-time students. The Department of Finance asked questions as to whether that proposal was justified.

Return of investment

4.10. The construction cost was in the region of €60 million. The net present value of the project was €100 million. Those figures show the difference in terms of the contract for a 25 year period in terms of the services and all the other work that has to be done. At the end of the 25 year period, Jarvis cannot walk away without ensuring that the State gets back a well-maintained 25 year old building. Built into the service schedule is periodic upgrading of electrical equipment and other such maintenance.

4.11. The internal rate of return in the Jarvis model is approximately 11.5% which the Committee felt was high when compared to prevailing interest rates. That return figure is also dependent on Jarvis performing under the contract. That is the incentive for it to ensure that it performs its role in servicing and maintaining the building.

The main lessons learned

4.12. The first and most important lesson was that the public sector benchmark must be met first before setting an affordability cap. A second lesson is that bids should be invited from the market, and have them assessed. A decision should then be made with regard to whether to proceed. These findings have been incorporated into the interim PPP guidelines. These critical lessons were not implemented in this project.

5 Adoption of Reports

5.1. The Committee Disposed of Chapter 7.3 of the 2002 Annual Report of the Comptroller and Auditor General.

6 Findings and recommendations

The Committee of Public Accounts:

Finds specifically that:

1. There was a significant difference between the cost of the original proposal to refurbish the Cork School of Music and the PPP project that emerged. The Committee is satisfied that it would have been inappropriate to have acted on original recommendations of the review group for refurbishment.
2. Delays occurred in getting the PPP project started. This led to temporary accommodation costs being incurred.
3. The project was treated as a learning device for PPP projects and important lessons emerged that have been taken up in Department of Finance guidance for other projects.
4. The delays could have been reduced if there had been better co-ordination between the two Departments (Finance and Education and Science) on the development of the value for money comparator and the public sector benchmark.
5. The new Cork School of Music will provide a prestigious third level music school for the ongoing needs of Cork in the years ahead.
6. There was a failure to critically examine affordability and the value for money aspect of the proposal in a timely way.

And recommends in general that:

1. The rates of return for PPP contracts should be kept in line with the level of risk in the projects. This should be kept under review by the Department of Finance.
2. Temporary accommodation costs arising from these kinds of project should be properly factored into the overall business case. The Department of Finance should give clearer guidance on these issues.
3. Bids from contractors wishing to engage in PPP projects should only be sought after the affordability cap has been set.

3. Department of Health and Children - Value for Money Report on The Waiting List Initiative

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr Michael Kelly, Secretary General, Department of Health and Children and his officials; from Mr Michael Lyons, Chief Executive of the Eastern Regional Health Authority and his officials; and from the Comptroller and Auditor General on 15 January 2004.

2 The Background

2.1. The nature of the health care system is such that not all treatments can be provided for patients immediately. There are two streams to hospital activity, emergency and elective. Capacity constraints on the hospital system hinder its ability to provide elective activity in a planned way because of the urgent and unpredictable needs of emergency patients. This is a complex area that is compounded by difficulties relating to the inadequate availability of long-stay beds and other supports in the community. Patients who require elective treatment may have to wait because beds, staff and operating theatres are being used to treat emergency cases. The value for money balance to be achieved is to ensure that the available resources are used efficiently and that treatment can be delivered to patients in a reasonable time.

2.2. The waiting list initiative was introduced in 1993 to deal with the persistent problem of significant numbers of patients waiting long periods of time for elective treatment in acute hospitals. The initiative had four distinct objectives. It aimed to achieve a significant reduction in the number of public patients awaiting elective procedures; increase the number of persons receiving elective procedures; reduce the times persons are waiting for elective procedures in the target specialities to a maximum of 12 months for adults and six months for children; and improve the management of elective procedures, waiting lists and waiting times. Between its introduction in 1993 and the end of 2003, a total of €290 million was provided under the initiative. These funds were intended to be kept separate from the normal core funding of the acute hospitals and to be used to increase the number of elective surgical procedures being undertaken, thereby reducing the number of patients waiting longer than the target maximum times.

2.3. The examination concentrated on the period 1998-2002 when €172 million, was spent. There was a lack of clarity, at the time about the matters to be covered by money provided by the waiting list initiative. For example, for a long time, there was confusion at hospital level as to whether day cases were to be included. While the targeted money appeared to have been applied to activities designed to achieve the general aims of the initiative, there was a lack of traceability in the hospitals visited as to how the funds were used.

2.4. By 2002, almost half the funds were being used to pay for staff posts that had been made or were about to be made permanent. This restricted the flexibility to channel funds to the most problematic areas. With regard to permanent consultant posts, once services were put in place and were successful in dealing with local need, there was a compelling case to transform the short-term and temporary nature of these appointments. Skilled personnel are much more likely to go where there is a chance of permanent employment and therefore their skills will move with them.

3 The Accountability Issues

3.1. The accountability questions examined by the Committee were:

- Value for Money obtained for the amounts allocated
- The first eight years of the initiative
- Reliability of Information
- Validation of Lists
- Ring fencing of expenditure in the ERHA Area

4 Examination of the Questions

Value for Money obtained for the amounts allocated

4.1. The Committee noted that the total number of patients on waiting lists and the times they are waiting have improved significantly. In 2001-2002 the ERHA carried out an additional 13,278 procedures for an investment of €49 million. According to the ERHA the unit cost of procedure represents good value for money when benchmarked against comparable prices in the private sector and, more recently, the NTPF. Over the three-year period of waiting list work, it was claimed that the unit cost has decreased against a background of medical inflation of 9% per annum.

4.2. Approximately 10,000 patients have been treated under the NTPF between 2002 and 2003 and patient care costs were, at the time, just less than €32 million. This does not include operational or administration costs. This averages out at approximately €3,000 per patient. The figure of 13,000 costing €42 million provided by the Eastern Regional Health Authority averages out at less than €3,500 per patient.

The first eight years of the Initiative

4.3. The Committee noted that in the targeted group, the numbers increased significantly until 1998 but subsequently decreased. When 1993 is compared against 2002, there was no significant decrease in numbers for the targeted group. The decrease since 2003 is only a marginal decrease on the 1993 figures. The explanation is that the initial funding was subsequently lowered until 1998, when it started increasing again. The increased allocations had more of an effect from 1998 onwards. Even from 1998 to 2001, the decrease in the targeted group was just in line with the decrease in general waiting lists.

4.4. There are questions about the general effectiveness of this initiative in the first eight years and the ability to measure value for money. The starting point is that there were four objectives in the initiative and that in the allocation of funding, and its deployment and use, it was a legitimate exercise to address all four targets. The initiative was not exclusively established to address target specialties. The dynamic from the year 2000 is also related to the general level of funding that was flowing into the health system since then. There was also significantly increased funding for the waiting list initiative, the impact of which can be seen.

4.5. The four objectives did not emerge until after the review group reported in July 1998. They emerged in a clear fashion in the guidelines issued by the Department in 1999 and 2000. In the guidelines sent to the chief executive officers of health boards and hospitals in 2000,

the Department pointed out in a covering letter that the overall objective of the initiative was to ensure that the target maximum waiting times were not exceeded.

4.6. The value for money report questions the use of the number of people as being the sole or best indicator in respect of waiting lists. There is the aspirational target of a waiting time of 12 months for adults and six months for children for these procedures. When the value for money examination was in progress, the average waiting times were 15 months and close to nine months, respectively. What is important to an individual is that he or she does not have to wait for a service, whatever service it is. As of September 2003, other than in the eastern region, the target for adults of 12 months and for children of six months was being met.

4.7. The Department accepts that the mainstreaming of temporary posts led to a loss of flexibility in the administration of the waiting list initiative funds. It holds that there was no alternative. In the current employment market one cannot ask people who have trained as medical consultants and who are trained in the more specialised areas of nursing, to wait to see whether a job on the waiting list initiative will be available next year. The staffing that has been put in place is clinical and non-clinical. Clinical staffing comprises medical and nursing people principally. Over a ten or 11-year period with additional people employed it made sense to put those into place where there was a continuity of funding coming through year on year and where one of the main objectives of this whole initiative was to increase the ongoing level of elective activity in the hospitals. If the objective had been solely to address a different group of patients every year, that would not make sense. The other group of non-clinical posts comprises the people involved in waiting list management, bed management and discharge planning in the hospitals. There are clear benefits to having those people actively managing the throughput of patients in the hospital with a view to gaining maximum efficiency from the available bed stock.

4.8. The use of the waiting list initiative funding did not specify that the staff were required primarily for the patients waiting longer than the target maximum waiting times. While there was a value in the additional staff within the health service in particular and for waiting lists in general, the funding was not used exclusively for the waiting list initiative and the effect was not predominantly seen in the waiting list initiative.

4.9. The waiting list initiative has now been integrated into the national treatment purchase fund. The funding has become part of core base funding in the health boards. About €23 million of the total allocation for the initiative in 2004, has been allocated to the relevant health boards on the basis that it is necessary to continue with the level of activity that the posts that are in place will support. A balance will be struck in terms of allocating the remainder of the funding between health boards and the national treatment purchase fund. It will involve an increase in the allocation to the fund during 2004.

Reliability of Information

4.10. The reliability of performance indicators was an issue for the value for money report. At Tallaght Hospital the waiting list at the end of 2002 comprised 1,440 people, of which 885 were in the target group. The report indicates that there were fluctuating performances by individual hospitals in regard to waiting list initiative work over the period in question, including Tallaght Hospital. Apart from physical capacity problems in the acute hospitals, there are practical ongoing issues that compromise the ability of hospitals such as Tallaght to undertake waiting list initiative work at its maximum level. Tallaght had been experiencing a

high number of delayed discharges. These people had finished their acute phase and were delayed in being discharged. The hospital had increased activity coming through the accident and emergency ward. The winter vomiting bug hit the hospital and it has ongoing high levels of emergency activity. There has been a significant improvement since the end of 2002. Over the entire period from March 2001 to September 2003, the period during which the authority related to Tallaght Hospital, there has been almost a 30% reduction in the overall numbers waiting. There has been a 61% reduction in long waiters and a 58% increase in the number of patients waiting within the Department of Health and Children target times.

4.11. The Committee noted that Tallaght Hospital has capacity constraints and that 885 people were waiting longer than the target time and members asked if each of these people had been offered the option of the national treatment purchase fund. While the Minister has made changes since then, as a matter of priority, all patients in the four hospitals that exceeded the target time were offered the national treatment purchase fund option. Tallaght Hospital has particular problems, some of which were referred to in regard to capacity. Approximately 400 to 500 patients were identified as the longest waiters in Tallaght. By the end of December 2003, most of these patients had been treated. Part of the process was that the hospital wrote to patients and offered the option of the NTPF.

Validation of Lists

4.12. There was a problem in validating the waiting lists. The failure to maintain data on waiting lists on a consistent basis in health boards and in hospitals prevented the C&AG from concluding on the extent to which the Waiting List Initiative was successful. This deficiency was acknowledged by the Department and, as a result, responsibility for waiting lists was transferred to the NTPF.

Ring fencing of expenditure in the ERHA Area

4.13. The Department allocates funding for the waiting list initiative year on year to health boards and the ERHA in the knowledge that a significant proportion is pre-empted in supporting staff and other services that are part of the base service level and the core funding for the health board. By increasing elective activity, it is designed to ensure waiting lists are not increased. However, there is an overriding requirement on the accountable person in each board and the ERHA to break even on their budgets at year end and that requires a virement between different subheads.

4.14. The figures quoted in the report are for the end of 2002. Notwithstanding the fact that the NTPF scheme figure deals with surgical operations only, the figures for the end of 2003, based on returns supplied by the hospitals, show that no more than 250 people were waiting more than 12 months for operations.

4.15. The Committee noted that there is almost 100% bed capacity usage in the ERHA area. There were 89 beds closed, some were closed for refurbishment. This means that there is little or no flexibility within the area to cope with the waiting lists. One of the problems is the availability of nurses to support the opening of the beds. If beds are closed and staff let go it is very difficult to reverse that trend in the short term. With recruitment initiatives ongoing in the region, most if not all of those beds will be opened in the medium term. A national review of bed capacity recommended that there should be 3,000 additional beds (1,276 in the ERHA area) put into the system nationally over the next seven to ten years. In implementing that,

approval was received from the Department for the opening of 300 additional beds in the ERHA region between 2002 and 2003. By its very nature the provision of beds and the commissioning of beds in the acute sector has to be done over the medium to long term. There are capital considerations, manpower planning considerations, as well as the commissioning and recruitment of the staff. As of the end of 2003, 25% of the identified requirement was in place.

4.16. In January, 2004 there were about 300 people in the acute system who were clinically fit for discharge. A number of those were being moved out under the early discharge scheme agreed with the Department during 2003. About 250 people were eligible to participate in that scheme and about 200 of them were placed. There is a residual cohort within the system that does not qualify, for example, for nursing home subvention because their means do not allow that. The ERHA is constrained in moving those patients out unless the families are prepared to support them either financially or by taking them home. There is an issue regarding bed blocking that is constrained by the provisions of the nursing home regulations that remains a challenge for the region. The Committee felt that if 300 people who are clinically fit to be discharged are costing three times what a private nursing home would cost, it would make sense to free up the beds even if the health board had to pay the costs of the nursing home. One of the considerations is that not all of the people in the acute hospitals in this cohort are suitable for placement in a nursing home. They are highly dependent patients who have completed their acute phase but who may need rehabilitation.

4.17. Unlike other health board regions, the eastern region does not have a network of district hospitals. On a population basis, it is poorly served by the number of public beds in the system. For example, the Northern Area Health Board, which is the third largest board in the country, has only 600 public beds available for a population of 500,000. There is a huge reliance on the nursing home sector. In trying to make the finite allocation for nursing home places go as far as it can, the emphasis shifted from the provision of contract beds to subvention. Since the early discharge initiative came on stream, 200 patients were moved out. In the context of bed management in the acute sector, and in the relationship between the acute sector and the health board, it is important that priority be given to the continuous throughput of patients who do not require acute care.

5 Adoption of Reports

The Committee disposed of the Report on 13th October, 2005.

6 Findings and recommendations

The Committee of Public Accounts:

Finds specifically that:

1. The records underpinning waiting list data maintained by health boards and hospitals was unreliable inconsistent making it impossible to assess the initiative in value for money terms.
2. The money allocated was dedicated to achieve precise measurable objectives. There were limitations in tracking the way in which the money was spent which restricts the capability to determine the effectiveness of the initiative.

3. A portion of the money was spent on direct and administrative staff costs. The Committee accepts that this was appropriate. Many of the staff involved were on temporary contracts which have been converted to permanent posts. This restricted flexibility in the continuing use of allocated moneys to achieve the specific purpose of the initiative.
4. Waiting lists were reduced partly on foot of the general increases in health sector spending from 2000 onwards.
5. Waiting lists should also reflect the time that persons are waiting to get an appointment to meet with a specialist.
6. The introduction of the NTPF has contributed significantly to improving the situation.

And recommends in general that:

1. Proper information systems to support monitoring and evaluation should be put in place at the outset of significant projects like the waiting list initiative. Appropriate performance indicators should be adopted for the NTPF.
2. The option of using nursing homes to care for persons who are clinically fit to be discharged from acute hospitals should be facilitated in appropriate cases in view of the potential savings that can be achieved.

4. Department of Social and Family Affairs - Vote 40; and Chapter 12.1

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr John Hynes, Secretary General of the Department of Social and Family Affairs and his officials; from officials the Department of Finance; and from the Comptroller and Auditor General on 20 November 2003.

2 The Background

2.1. A scheme was introduced by the Social Welfare Act 2000 to give greater recognition to social insurance contributions paid prior to 1953 for the purpose of entitlement to contributory old age pension. The proposal would grant a special contributory pension for certain people with pre-1953 contributions. The estimated full year cost of the proposal was €8.9 million. This figure was computed on the basis of 3,000 successful claims being made. This estimate turned out to be significantly understated. By August 2003, over 28,000 awards have been made with some claims still to be processed. In 2002, the full year costs had risen to €113 million, although this includes an element of one-off arrears. The current indications are that the recurring annual cost of the scheme will be about €100 million more than was estimated.

3 The Accountability Issues

3.1. The accountability questions examined by the Committee were:

- The underestimation of the cost of the scheme
- Eligibility of UK Residents
- Adequacy of the records
- The Social Insurance Fund

4 Examination of the Issues

The underestimation of the cost of the scheme

4.1. The estimate was €8.9 million but the cost for 2003 was €113 million. The estimate for 2004 was approximately €107 million. At this point the scheme has been absorbed into the old age contributory pension scheme in general, so a separate figure for the cost of this scheme for 2005 is not available. There was speculation that the ultimate effect of the estimating error could be very high. Once all the claims have been processed, insurance company morbidity rates can be applied to that section of the population which is getting these special pensions, taking into account that indexation will be a factor because they are half-rate pensions. It should then be possible to come up with an accurate estimate. When the applications are down to an insignificant and immaterial amount, it should be possible to get a fairly accurate figure.

4.2. The costing was made for the purposes of budgeting in the 2000 Budget. The Department had a matter of weeks rather than months to develop the estimate. The

memorandum in respect of the Social Welfare Bill went forward subsequent to the Budget. The Department sought sanction in December 1999 for the purposes of the budget discussions and it was included in the memorandum on the Social Welfare Bill in January 2000.

4.3. There was a significant amount of time to reconsider the costings before the Social Welfare Bill and the memorandum on it were published and several months before the Bill was enacted. The Department saw no reason to revise the costings over that period between the Budget and the Bill because it believed that the figures calculated were accurate. At the time the Department of Finance was also satisfied with the figures as produced by the Department of Social and Family Affairs and had no grounds for not accepting the Department's figures.

4.4. The cost of this particular pension will be a diminishing amount as the peak of numbers of people qualifying is reached. The Department considers that the peak has been reached. Applications are being received at the rate of some 60 a week but because those qualifying for pensions are old, they will leave the system and not be replaced, thus the costs will diminish in the future. Currently some 60% of applicants are successful. Applications were received from many countries including the US and Australia.

Eligibility of UK Residents

4.5. The actuarial advice indicated that there may be 10,000 claimants in the UK. Those claims were considered separately. The assumption was that people in that situation might have already been in receipt of a pension because the contribution provisions for the pension are relatively easy to achieve for the standard pension. There was a feeling that these people may have been in receipt of pensions and, therefore, not qualify for the new pension.

4.6. Those who were resident in the UK would not have been entitled to a non-contributory pension from the Department of Social and Family Affairs, so to that extent they were not on the Department's books. A number of people were already getting a pension and got an improved pension on foot of these proposals. A number of people applied for pensions when this was announced and qualified for the standard rate of old age contributory pension but might not have been previously aware of the fact that they were entitled to a standard pension. There are a number of different categories of people captured by this provision.

Adequacy of the records

4.7. The quality of pre-1953 social welfare records on people was very poor. This made costing the scheme accurately very difficult. The present records are an improvement. Up to recently, it was possible for people to get different insurance numbers. One of the priorities of the Department is to ensure that people have only one number and measures are in place to ensure that, when numbers are issued, a person has only one number. When people needed to get a social welfare number quickly, the practice in the past was to give them a new number if their old number was not available immediately. There are many cases of people with multiple numbers. In some cases, people would have had more than one record and it was a question of finding them and linking them together. Bearing in mind that many of the emigrants were already in receipt of an Irish pension, a UK pension or a combination of both, the Department did not think there would be a huge additional number. The problem arose from the extent of the numbers applying, 63% of all applicants being emigrants.

4.8. The Department received 11,669 new applications in the first year, between May and 31 December 2000, and at the end of that year more than half of them were still not processed as the Department was trying to find and establish records. The Committee give credit to the Department for processing the records, many of which were more than 50 years old.

The Social Insurance Fund

4.9. The social insurance fund, or the PRSI fund, is a separate fund. Contributions are paid by employees, employers and the self-employed. Up to 1997, the Exchequer also made contributions because the income from contributions was not sufficient to pay out the benefits on a year-by-year basis. From 1997, the contribution income of the fund exceeded the amount that had to be paid out in benefits. From that time, the fund has been in surplus. Actuarial evaluations look at the situation for the long-term future and decide the rates of contributions that are required to keep the fund in a healthy financial condition.

4.10. When the function of managing the national debt was given to the NTMA, the Minister for Finance announced that similar or parallel arrangements would be made for the social insurance fund. At present, the legislative underpinning of the social insurance fund remains unchanged. It is still under the aegis of the Minister for Social and Family Affairs. The fund is managed and invested by the Minister for Finance. Any surplus on an ongoing basis is transferred to the Minister for Finance who has responsibility for the social insurance investment account. It is used as part of Government funding on an ongoing basis.

5 Adoption of Reports

5.1. The Committee disposed of Chapter 12.1 of the 2002 Annual Report of the Comptroller and Auditor General.

6 Findings and Recommendations

The Committee of Public Accounts:

Finds specifically that:

1. The estimate of the full year cost of extending pension entitlements in respect of social insurance contributions prior to 1953 was €8.9 million. The actual cost in 2002 was €113 million.
2. The time allowed for the Department to develop the estimate was too short.
3. The number of eligible persons resident abroad, particularly in the UK, was grossly underestimated.
4. The Department of Finance accepted the original estimate.
5. The effect of the higher expenditure for this initiative is to reduce the surplus in the social insurance fund.

And recommends in general that:

1. There is a need to improve the capability of Departments to develop more accurate estimates to support policy decisions. The Department of Finance should consider the various examples of under-estimation to identify lessons to be learned by other Departments and by its own officials

5. Department of Social and Family Affairs - Value for Money Report on Evaluation of Control Activity

1 Proceedings of the Committee

1.1. The Committee heard evidence from Mr John Hynes, Secretary General of the Department of Social and Family Affairs and his officials; from officials the Department of Finance; and from the Comptroller and Auditor General on 8 April 2004.

2 The Background

2.1. Social welfare fraud and how to counter it have been persistent matters of concern to the Committee over the years. Between €10 billion and €11 billion is paid out by the Department annually in benefit and assistance payments. If only 1% of this figure constitutes fraudulent payments, it amounts to approximately €100 million. It is important that the Department has systems in place to minimise the risk of fraud and overpayments. The audit looked at the extent to which control activity is informed by an assessment of the risk attaching to the individual types of welfare payment and the effectiveness of the detection measures employed. It also reviewed how the Department evaluated the performance of its control activity.

2.2. The report showed that the Department spent an estimated €18 million on dedicated control measures. The Department has gradually developed its approach to fraud detection and some of its initiatives, particularly in the data matching line, have yielded substantial savings. The audit established that a more strategic approach to tackling social welfare fraud and overpayments is needed. The Department has also recognised this and adopted a new control strategy in May 2003 that has a four pronged approach: prevention of fraud and error at initial claim stage; early detection through effective review of claims in payment; measures to deter fraud and abuse; and the pursuit and recovery of overpayments.

2.3. One of the key recommendations in the report is that the Department should introduce a formal risk management approach in its control and review activity. Systematic risk analysis will in the future be a key element of control strategy. The report also recommends that this approach be combined with the more effective use of the information already held in existing databases.

2.4. A risk assessment model will develop a risk rating for each scheme which will inform the targeting of control reviews in order that, ultimately, groups of clients receiving payments will be subject to a degree of review appropriate to their assessed risk of overpayment. Within this strategy, the audit found that there was scope for better application of the information gleaned from reviews on the various causes of overpayments. It was also acknowledged that client error accounted for 25% of overpayments.

2.5. The Department used two main measures of performance – the number of reviews it had conducted and the savings which arose as a result of those reviews. By using multipliers based on the average amount of time before the person recommences claiming, the Department calculates the notional savings achieved as a result of its control activity. The figure so calculated for 2002 was €283 million but this estimate of savings gives no indication

of how effective control activity is in the first place. Internationally, it has been recognised that the appropriate indicator of effectiveness is the movement in the levels of welfare overpayments occurring. To introduce such an indicator, it is necessary to establish an opening baseline measure of the scale of overpayments in schemes. The Department is moving in this direction.

2.6. The performance of the Department in recovering overpayments and the prosecution of cases where fraud has occurred were also important factors.

3 The Accountability Issues

3.1. The accountability questions examined by the Committee were:

- Savings derived from control activity
- Sanctions applied
- Data Matching
- Prioritisation of checking work
- Recovery of overpayments
- Fraud

4 Examination of the Questions

Savings derived from control activity

4.1. The Department operates 34 social welfare payment schemes with a total fund of €11 billion and 1.5 million recipients. The C&AG's report stated that even a 1% miscalculation would cost €100 million. The Department does not have a benchmark of its control activity in terms of savings. The Committee sought more detail on how the savings figure of €283 million was calculated. The €283 million is an estimate of the savings which arise from the stopping of payments in particular cases. It involves projecting the length of time a person whose payment has been stopped would have stayed in the system if his or her payment had not been stopped. The amount is calculated by applying a multiplier to the value of the benefit a person is receiving when their payment is stopped. To that extent, it is not an actual accounting figure which appears in the accounts but it is useful to DSFA in giving an indication of performance.

4.2. The report questions the accuracy of the multiplier and the basis on which the figures are derived. DSFA is looking at other ways of evaluating the effectiveness of control activity. However, the multiplier is useful as a performance indicator from year on year, particularly in terms of control activity. Targets are set at the beginning of each year for each scheme in terms of the number of reviews and the level of savings expected.

4.3. The approach used extensively in America is data-matching which identifies investigations by certain characteristics. The Committee asked if the Department had examined this scientific system which has produced a significant yield. The report refers to the importance of data-matching which has been used. Information on earnings obtained from the Revenue Commissioners is matched against DSFA databases to highlight cases where people in the Revenue system appear to be in receipt of social welfare payments also. This is a good indicator of the level of fraud and is used to feed into review activity. As IT systems

improve and become more integrated, there should be more opportunities to use such an approach.

4.4. The Department noted that a scientific method of data-matching, particularly in cases involving huge amounts of money, may not achieve the necessary level of savings. It hopes to develop better and more factually based indicators in the future from the surveys to be carried out of fraud and error. Materials coming from the risk assessment process, recommended in the report, will be examined to see where schemes are more open to risk and where there are greater levels of risk and try to improve the targeting of review activity. Review activity and the percentage of reviews which yield savings will be checked as an indicator of the effectiveness of control activity and a wider range of indicators would be used in the future.

Data Matching

4.5. In 1997 the Department launched a project with the Revenue, whereby, on a regular basis, it was informed by Revenue when people take up employment. This information was matched against unemployment records to see whether a person is back at work and still claiming in the welfare system. All such cases have been followed-up since 1997.

4.6. In his report the C&AG found that people were able to register several times. One builder in Dublin had registered about ten companies and was not detected. Such a situation would be revealed if an individual had the same social security number. The PPSN or public service number is used more widely across the public service. One of the benefits is that information can be matched, subject to having the legal basis on which to do so. It offers the opportunity to match information more effectively. There is an information exchange with the education sector concerning those involved in third level education which enables the Department to match that data against the data in its own systems. This offers huge potential for the better control of payments by using such data-matching techniques.

4.7. The Committee asked if there were any changes in legislation that would help in controlling the system. The issue of administrative penalties as an alternative to prosecution, is under consideration. The rules covering the exchange of information are kept under review and from time to time discussions are held with the Data Protection Commissioner about what can be done.

Prioritisation of checking work

4.8. The Committee sought information about how cases were prioritized for checking. Schemes in which fraud is most likely to occur are identified. The C&AG has suggested that this should be done in a more systematic way and that the specific risks should be identified. Short-term unemployment and lone parent schemes involving people of working age who had the opportunity to work are considered higher risk.

4.9. It was felt by the Committee that prioritisation should be given to schemes where there was a greater likelihood of overpayments or fraud occurring.

Sanctions applied

4.10. The Committee considered the wider context of the Department's work. Some 1.5 million people benefit from a fund of €10.2 billion. There were 39,000 cases of overpayment

during 2002 with a total value of €29 million. The context is approximately 19,000 fraud cases from 1.5 million claimants.

4.11. There is an argument against imprisoning people for fraud, unless the case is an extreme one. The report considers whether it would be possible to apply other sanctions. In the United Kingdom people may receive a formal caution, rather than being taken to court, or a fixed penalty can be applied. In other cases the overpayment amount which the person has against him or her can be increased, or a percentage increase can be applied to it, and he or she is required to pay back a higher amount. As there are legal issues in Ireland which are different from those in the United Kingdom, the legal implications of these initiatives need separate consideration.

4.12. In the past one of the encouragements to keep claiming was that when one went to court a fine of only £20 or £40 would be imposed. Five or six years ago there was a judgment that the amount outstanding had to be repaid. When legal action is taken it is in respect of a criminal offence. In practice, the person concerned is required to pay back the overpayment before the court decides on the appropriate sanction. The Probation of Offenders Act cannot be applied until the overpayment has been repaid. The Department would prefer to have the fraud dealt with as a separate issue. The recovery of the overpayment is pursued separately.

Recovery of overpayments

4.13. The report states that 12% of individuals who commit fraud reoffend at a later date. Some 11,804 persons were detected committing a second offence and that 2,232 committed a third offence. This happens mostly in the case of persons moving in and out of short-term schemes. They include people who move from job to job which can give rise to overpayments on a number of occasions. If a person reapplies for a welfare benefit, it is possible to recoup an unlawful payment from future entitlements subject to a code of practice. That is the main source of recovery. Those who do not come back into the system are also followed-up to recover overpayments from them. If a person did not have the cash and was in real need of benefit, it would be difficult to recover the overpayment. Under the code of practice, a welfare payment is not reduced below the level of the supplementary welfare allowance to which the person would be entitled. This limits the level of overpayment recovery.

4.14. The probate procedure is the best method of recovery of overpayment of pensions. It is effective because the law requires that the Department should be informed of the assets of people who have died.

4.15. There is no system of attachment orders against earnings within the social welfare code although it is a possibility. There are considerable legal issues surrounding the introduction of such a system.

Fraud

4.16. Fraud means deliberately giving false or misleading information or failing to disclose information deliberately on a claim form or at an interview with an inspector. It is reasonably clear-cut. In some cases, people incur overpayments without deliberately intending to defraud the system. 48% of the 39,000 cases of overpayment in 2002 were considered to be fraudulent. The value of those 39,000 overpayments was €29 million for 2002. The cost of the Department's investigation staff was €18 million. They carry out many other activities apart

from the recovery of overpayments including reviews of entitlements. They also have a prevention role in that they investigate claims and have an awareness-raising role. Most of the effort goes into making sure that fraud does not happen in the first place.

4.17. There was no evidence, at that time, to suggest that hard line crime was involved in social welfare fraud. There have been cases of identity fraud in recent years where it was suspected that an organised effort was made to establish false identity for the purpose of claiming entitlements. A great deal of effort was made to ensure that staff members responsible for allocating personal public service numbers are aware of the types of data and false information which can be provided. The Department keeps up to date in co-operation and consultation with the Garda. A special central control unit is responsible for identity fraud.

4.18. It is very difficult to estimate fraud levels in social welfare or any other area. The surveys carried out by the C&AG and the Department indicated the level of incorrect payments. Incorrect payments were not attributed to fraud. They were overpayments which were made for one reason or another. A person's circumstances can change very quickly. The level of overpayment might have been quite small and resulted where a person took up a few days extra work resulting in a change in his or her circumstances. It would be totally wrong to attribute such overpayments to fraud. The idea of the survey is to obtain better information about the level of incorrect payments in different schemes to enable the Department to target its activity at schemes in which the level of incorrect payment is highest.

5 Adoption of Reports

5.1. The Committee disposed of the Report.

6 Findings and recommendations

The Committee of Public Accounts:

Finds specifically that:

1. The Department has an active control strategy to counter social welfare fraud and target overpayments of welfare benefits.
2. Further to the improvement in data matching and in the analytical capacity of the Department's information systems is contributing to the effectiveness of control activity.
3. The cost of specific control activity is €18 million while in 2002, 39,000 cases of overpayments to a value of €29 million were detected. 48% of detected cases were considered fraudulent.

And recommends in general that:

1. The Department should continue to develop a strategic approach to tackling social welfare fraud.

2. Consideration should be given to harmonising the approach to sanctions applied and arrangements for recovery of overpayments in line with schemes in other Departments and in Revenue.
3. The Department should devise meaningful indicators of performance in the area of detecting overpayments and fraud.
4. There should be a greater emphasis on detecting overpayments and fraud in schemes in which there is a greater likelihood that incorrect overpayments have been made.