



DÁIL ÉIREANN

An Coiste um Chuntais Phoiblí

Committee of Public Accounts

2001 REPORT

REPORT ON:

**THE 2001 ANNUAL REPORT ON THE APPROPRIATION
ACCOUNTS;
AUDIT REPORTS ON NON-VOTED ACCOUNTS;
AND VALUE FOR MONEY REPORTS AND SPECIAL REPORTS
OF THE COMPTROLLER AND AUDITOR GENERAL**

**AT MEETINGS HELD BETWEEN NOVEMBER 2002 AND
SEPTEMBER 2003**

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Chairman's Preface

The 2001 report of the Committee of Public Accounts covers the work of the Committee from November 2002 to September 2003. Within this period, the Committee examined issues arising from the 2001 Annual Report of the Comptroller and Auditor General, the submission of non-voted accounts and the laying of Value for Money audit reports and Special Reports before the Houses of the Oireachtas in 2002/03.

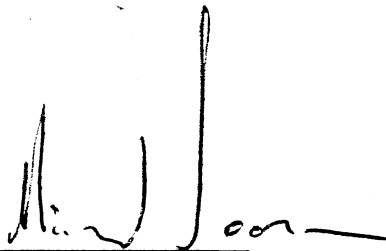
The report is presented in three Parts:

Part 1 reports on the Committee's examination of voted accounts;

Part 2 reports on the Committee's examination of non-voted accounts;

Part 3 reports on the Committee's examination of Value for Money and Special Reports.

This report has been prepared directly from the transcripts of meetings and correspondence between the Committee and witnesses and therefore reflects the evidence on which the Committee based its findings and recommendations.

A handwritten signature in black ink, appearing to read 'Michael Noonan', with a horizontal line underneath it.

Michael Noonan, T.D.,
Chairman

April, 2005

The Committee of Public Accounts has its role and functions determined in Standing Order 156 of Dáil Éireann which states:-

Orders of Reference

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.

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-Chair</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
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GREEN PARTY

Dan Boyle T.D.	Cork South-Central
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SOCIALIST PARTY

Joe Higgins T.D.	Dublin West
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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.

Recurring Themes

The Impact of catastrophic events

Two catastrophic events occurred in 2001. The food and mouth outbreak in the UK led to extreme measures being taken in Ireland to prevent its spread here. The September 11 tragedy led to an abrupt change in the external environment

The impact of the two events on the affairs of Departments and Offices is one of the dominant themes emerging from the evidence heard by the Committee. The measures to combat the spread of foot and mouth disease led to the cancellation of the 2001 census at short notice (Part 1, Chapter 16) at a cost of 7.75 million. They were a primary reason for the incidence of Garda overtime (Part 1, Chapter 18) and were the reason why expenditure on flood relief was significantly less than had been allocated (Part 1, Chapter 15). The actual measures taken in the Cooley peninsula and the revelation of discrepancies in the reporting of sheep numbers for ewe premiums were dealt with in evidence from the Department of Agriculture and Food (Part 1, Chapter 13).

A partial result of the events of September 11 was lower than expected GDP Volume growth which was reflected in a sharp decline in quarterly economic growth from 11% in the first quarter of 2001 to 1% in the last quarter. This led to a significant variance in actual revenue receipts against forecast (Part 1, Chapter 6) which undermined the credibility of the factors underpinning the revenue forecasting model. The outturn for the year was a surplus to be surrendered of 515 million, down from 761 million in 2000.

Information Systems

Most Departments and Offices have been involved in major investments in new information systems for the financial and human resource functions to underpin the consolidation of management reforms initiated under the Strategic Management Initiative. The effect of the dual pressure of the need to continue current operations while coping with the implementation of new systems was apparent in some of the evidence heard by the Committee.

In the case of Ordnance Survey Ireland (Part 1, Chapter 17) the Accounting Officer submitted for audit an appropriation account with significant errors which was subsequently withdrawn. Similar difficulties, leading to long delays and additional effort in the finalisation of audits arose in the City of Dublin Vocational Education Committee (Part 2, Chapter 4) and the Western Health Board (Part 2, Chapter 7). In all three cases, basic internal control work over elements of accounts was allowed to lapse reinforcing the need for tighter management of internal control in times of systems change. The Committee noted that a major report produced in 1998 on the systems and management arrangements at Dúchas (the heritage service) had not been implemented (Part 1, Chapter 8).

The need for greater investment in health information systems was one of the conclusions arising from the in-depth examination by the Committee of the

underlying causes of the significant under estimation of the cost of extending the medical card scheme to all those aged 70 years or over. (Part 1, Chapter 4) The Committee heard that systematic weaknesses in the maintenance of the underlying medical card databases in the Health Board and the records of the GMS (Payments) Board led to a large number of non-existent card holders on the databases which caused an overpayment to GPs of 6 million. Actual expenditure on health information systems is less than 20% of the estimate required to support the information needs of the sector.

Loss of Value for Money

Several significant cases of a loss of Value for Money were heard by the Committee.

The Beaumont Hospital Car Park Project (Part 3, Chapter 2) was expected to provide additional income of 1.8 million to the Hospital. The actual income was only 120,000 for the period 1999 to 2002 and the project is estimated to have cost the exchequer up to 13 million due to the tax breaks available to the developer.

Delays in the finalisation of a number of IT projects at the Irish Blood Transfusion Service (IBTS) led to an increase in project costs from 4.26 million to 9.3 million. (Part 3, Chapter 4). The Committee also heard that IBTS incurred overdraft interest of 237,000 in 2000 and 2001 and penalty interest for delays in paying suppliers of 321,000 in 2001. The cash flow difficulties arose due partially to the delay in implementing a new accounting system and to the need to settle up-front the legal costs of representation at the Lindsay Tribunal amounting to 7.2 million. At the time of the relevant Committee meeting (April 2003) these costs had not been reimbursed to the IBTS.

The OPW purchased a number of buildings for use in housing asylum seekers but were unable to obtain the necessary planning permission to make them fit for their intended use (Part 1, Chapter 15). The Department of Agriculture suffered penalty interest of 857,000 in 2001 and 2002 due to a failure to meet the 45 deadline for the settlement of invoices (Part 1, Chapter 13). The subsidised ferry service from Galway to the Aran Islands costs 600,000 per year which is 10% of the entire State expenditure on the Islands in 2001 but supports a vessel far in excess of the passenger and cargo capacity required on the route. (Part 1, Chapter 21) For a significant number of days in the off-peak season, no passengers at all were carried on the ferry.

Positive Change in the Public Sector

The Committee heard a number of cases of positive developments in various sectors in the Public Sector.

Efforts to bring prison and Garda overtime levels to more acceptable levels continued and progress was reported on both fronts (Part 1, Chapter 18). The Committee heard evidence on the establishment of the National Pensions Reserve Fund and the arrangements for management of the fund (Part 2, Chapter 2). It also noted the new functions of the National Treasury Management Agency in respect of the State Claims Agency. (Part 2, Chapter 2). The Examinations Commission at the Department of Education and Science has put the management of State Examinations on a more

professional basis (Part 1, Chapter 14). Teagasc has embarked on a rationalisation plan which includes the sale of its Headquarters building in Sandymount (Part 2, Chapter 3). The arrangements for future public private partnerships in respect of toll roads will have a better deal for the exchequer, an equitable sharing of risk and a service level commitment based on actual usage of the roads. This draws on lessons learned from the unfavourable contract for the West link Liffey crossing.

The Committee was disappointed with the lack of progress in other areas, particularly the management of civilian maintenance work in the Department of Defence (Part 1, Chapter 2) and the control of expenditure on monuments in the Heritage Service (Part 1, Chapter 8).

Index of Meetings of the Committee of Public Accounts

Date	Subject	Report of the C&AG	2001 Report of the Committee of Public Accounts	
			Part	Chapter
25 September 2003	<u>Vote 33 (Resumed) - Department of Health & Children</u> <u>Chapter 9.1: Extension of Medical Card Eligibility to Persons aged 70 and over</u> <u>Chapter 9.2: Drugs Payment Scheme</u>	9-1 9-2	1 1	4 5
24 July 2003	<u>Midland Health Board - Annual Financial Statements 2001</u> <u>Western Health Board - Annual Financial Statements 2000 and 2001</u>		2 2	6 7
3 July 2003	<u>City of Dublin Vocational Education Committee 1998-2001 Accounts and Section 7 Report</u> <u>BIM 2000 Accounts, Supplementary Report, and 2001 Accounts</u>		2 2	4 5
26 June 2003	<u>Special Report No. 5 - Garda Interview Recording Systems</u>		3	5
24 June 2003	<u>Teagasc Financial Statements 2001</u> <u>Moorepark Technology Limited Financial Statements 2001</u>		2	3
19 June 2003	<u>National Treasury Management Agency Accounts 2001 -</u> <u>Chapter 13.1 - National Debt</u> <u>Chapter 13.2 - Savings Bank Fund</u> <u>National Pensions Reserve Fund Accounts 2001</u>	13-1 13-2	2	2
12 June 2003	<u>Department of the Environment, Heritage and Local Government - VFM No. 41 - Planning Appeals</u>		3	1
29 May 2003	<u>Chapter 12.1 - State Subsidised Transport to the Aran Islands and Dúchas</u> <u>Vote 42 - Department of Arts, Heritage, Gaeltacht and the Islands</u>	12-1	1	21
22 May 2003	<u>Vote 33 - Department of Health & Children</u> <u>VFM Report No. 42 - Car Parking at Beaumont Hospital.</u>		3	2

Date	Subject	Report of the C&AG	2001 Report of the Committee of Public Accounts	
			Part	Chapter
15 May 2003	<u>Garda Síochána (Paragraph 19 - Analysis of the cost of and usage of Air Support)</u> <u>Chapter 5.1 - Garda Síochána and Prison Service Overtime</u> <u>Garda-Army Cash Escorts</u> <u>Criminal Assets Bureau Accounts, 2001</u>	5-1	- 1 1 1	- 18 19 20
8 May 2003	<u>Vote 5 - Central Statistics Office</u> <u>Vote 4 - Ordnance Survey Ireland, Chapter 2.1 (Shortcomings in Financial Control)</u>	3-1 2-1	1 1	16 17
16 April 2003	<u>Vote 10 - Office of Public Works</u> <u>Vote 44 - Flood Relief</u> <u>Report of Value for Money Examination (No. 43) - Building Maintenance Service</u>		1	15
10 April 2003	<u>Vote 9 - Office of the Revenue Commissioners</u>	4-1 to 4-10	1	9-11
2 April 2003	<u>Report of the Comptroller and Auditor General on Financial Control and Management in the Irish Blood Transfusion Service</u>		3	4
27 March 2003	<u>Medical Card Scheme</u>	9-1	1	4
12 March 2003	<u>Vote 26, 27, 28 and 29 - Department of Education and Science</u>	7-1	1	14
6 March 2003	<u>Vote 31 - Department of Agriculture and Food</u>	8.1 to 8.4	1	13
27 February 2003	<u>Vote 40: Department of Social and Family Affairs</u>	11.1	1	12
20 February 2003	<u>National Roads Authority - Annual Financial Statement 2001</u>		2	1
13 February 2003	<u>Vote 9: Office of the Revenue Commissioners</u>	4-1 to 4-10	1	9-11
29 January 2003	<u>Department of the Environment and Local Government</u> <u>Vote 25: Environment and Local Government</u>	-	1	7

Date	Subject	Report of the C&AG	2001 Report of the Committee of Public Accounts	
			Part	Chapter
23 January 2003	<u>Department of Finance</u> <u>Vote 1: President's Establishment</u> <u>Vote 6: Office of the Minister for Finance</u> <u>Vote 7: Superannuation and Retired Allowances</u> <u>Vote 12: Secret Service</u> <u>Contingency Fund Deposit Account</u> <u>Finance Accounts 2000 and 2001 - Department of Finance</u> <u>Vote 9/Chapter 4.10: Office of the Revenue Commissioners</u>	4-10	1	6
16 January 2003	<u>Vote 33 - Health and Children</u>	9.1	1	4
18 December 2002	<u>Vote 34 - Department of Enterprise, Trade and Employment</u>	-	1	3
12 December 2002	<u>Vote 36 - Defence.</u> <u>Vote 37 - Army Pensions</u>	10.1	1	2
5 December 2002	<u>Death of Former Chairman: Expressions of Sympathy.</u>	-	-	-
21 November 2002	<u>Election of Vice Chairman</u> <u>Vote 22 - Courts Service</u> <u>Collection of Fines Report</u> <u>Working Group on Court Funds Report</u>	6.1	1	1
14 November 2002	<u>Election of Chairman</u>	-	-	-

Proceedings of the Committee

Déardaoin 14 Samhain 2002 Thursday 14 November 2002

1. Chruinnigh an Coiste ar 11.00 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*Sa chathaoir tar éis an toghcháin*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneach, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Parthalán Ó Caoimh, Pádraic Ó Coinín.

3. Chuaigh an Coiste i suí príobháideach.

Rinne an Coiste breithniú.

Chuaigh an Coiste i suí poiblí.

4. Cathaoirleach a Thoghadh

Toghadh an Teachta Seán Ó Poire mar Chathaoirleach

5. Athlá.

Chuaigh an Coiste ar athló ar 12.35 p.m. go dtí 11.00 a.m. Déardaoin 21 Samhain 2002.

1. The Committee met at 11.00 a.m.

2. Members Present:- John Perry (*In the chair following election*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, Batt O’Keeffe, Pat Rabbitte.

3. The Committee went into private session.

The Committee deliberated.

The Committee went into public session.

4. Election of Chairman

Deputy John Perry was elected as Chairman

5. Adjournment.

The Committee adjourned at 12.35 p.m. until 11.00 a.m. on Thursday 21 November 2002.

Déardaoin 21 Samhain 2002
Thursday 21 November 2002

1. Chruinnigh an Coiste ar 11.00 a.m.

1. The Committee met at 11.00 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Sean Ardagh, Dan Boyle, Paul Connaughton, John Curran, Sean Fleming, Joe Higgins, Padraic McCormack, John McGuinness, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. An Leas-Chathaoirleach a thoghadh

4. Election of Vice Chairman

Toghadh an Teachta Seán Mac Aonghusa mar Leas-Chathaoirleach

Deputy John McGuinness was elected as Vice Chairman

Breithniú Chuntais Leithreasa 2001

Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de láimh:-

Consideration of Appropriation Accounts for the year 2001. The following Account was disposed of:-

Vóta 22 - An tSeirbhís Chúirteanna

Vote 22 - The Courts Service

Cuireadh an Chaibidil seo a leanas de láimh.:-

The following Chapter was disposed of:-

An tSeirbhís Chúirteanna:
Caibidil 6.1 – Riaradh Bannaí

The Courts Service:
Chapter 6.1 – The Administration of Bail

Breithniú Tuarascála Luach ar Airgead

Consideration of Value for Money Report

Rinne an Coiste breithniú agus chuir sé an Tuarascáil Luach ar Airgead seo a leanas de láimh (No.37): -

The Committee deliberated and disposed of the following Value For Money Report (No. 37):-

Fíneálacha a Bhailiú

Collection of Fines

An Roinn Dlí agus Cirt, Comhionannais agus Athchóirithe Dlí:

Department of Justice, Equality and Law Reform:
Report of the High Level Group to the Public Accounts Committee on the collection of fines (following C&AG's Report on Value for Money Examination No. 37 - "Collection of Fines")

Tuarascáil ón nGrúpa Ardleibhéil do Choiste na gCuntas Poiblí maidir le fíneálacha a bhailiú (i ndiaidh na Tuarascála ón Ard-Reachtaire Cuntas agus Ciste faoi Scrúdú Luach ar Airgead Uimh. 37 - "Fíneálacha a Bhailiú")

Breithniú Tuarascála

Rinne an Coiste breithniú agus chuir sé an Tuarascáil seo a leanas de láimh:-

Tuarascáil ón nGrúpa Oibre um Chistí Cúirte chuig an gCoiste um Chuntais Phoiblí

5. Cuireadh an suí ar fionraí ar 11.20 a.m. agus athchromadh air 11.35 a.m.

6. Finnéithe a Ceistíodh:-

P. Mac Giollapádraig, (Príomh-Oifigeach Feidhmiúcháin na Seirbhíse Cúirteanna), An tArd-Cheannfort Denis Fitzpatrick (An Garda Síochána), An Ceannfort Gerry Blake (An Garda Síochána), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste)

7. Athlá.

Chuaigh an Coiste ar athló ar 1.35 p.m., go dtí 11.00 a.m., Déardaoin 5 Nollaig 2002.

Consideration of Report

The Committee deliberated and disposed of the following Report:-

Report of the Working Group on Court Funds to the Committee on Public Accounts

5. Sitting suspended at 11.20 a.m. and resumed at 11.35 a.m.

6. Witnesses Examined:-

Mr. P.J. Fitzpatrick (Chief Executive Officer The Courts Service), Chief Superintendent Denis Fitzpatrick (An Garda Síochána), Superintendent Gerry Blake (An Garda Síochána), Mr. John Purcell (Comptroller and Auditor General).

7. Adjournment.

The Committee adjourned at 1.35 p.m., until 11.00 a.m. on Thursday 5 December 2002.

Déardaoin 5 Nollaig 2002
Thursday 5 December 2002

1. Chruinnigh an Coiste ar 11.00 a.m.

1. The Committee met at 11.00 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, John McGuinness.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Ráitis chomhbhróin ar bhás an Uasail Séamus Mistéal, iar-Chathaoirleach an Choiste um Chuntais Phoiblí

4. Expressions of sympathy on the death of Mr Jim Mitchell, former Chairman of the Public Accounts Committee

5. Cuireadh an suí ar fionraí ar 11.02 a.m. agus athchromadh air 11.27 a.m.

5. Sitting suspended at 11.02 a.m. and resumed at 11.27 a.m.

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 12.30 p.m., go dtí 11.00 a.m., Déardaoin 12 Nollaig 2002.

The Committee adjourned at 12.30 p.m., until 11.00 a.m. on Thursday 12 December 2002.

Déardaoin 12 Nollaig 2002
Thursday 12 December 2002

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001

4. Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de lámh:-

Consideration of Appropriation Accounts for the year 2001. The following Account was disposed of:-

Vóta 36 - An Roinn Cosanta.

Vote 36 - Department of Defence

Vóta 37 - Pisin Airm.

Vote 37 - Army Pensions

Cuireadh an Chaibidil seo a leanas de lámh:-

The following Chapter was disposed of:-

Caibidil 10.1 – Cothabháil Foirgneamh

Chapter 10.1 – Building Maintenance

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

D. Ó Ceallacháin (Ard-Runaí, An Roinn Cosanta), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Mr. David J. O’Callaghan (Secretary General, Department of Defence), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.35 p.m., go dtí 11.00 a.m., Dé Céadaoin 18 Nollaig 2002.

The Committee adjourned at 1.35 p.m., until 11.00 a.m. on Wednesday 18 December 2002.

Dé Céadaoin 18 Nollaig 2002
Wednesday 18 December 2002

1. Chruinnigh an Coiste ar 11.05 a.m.

1. The Committee met at 11.05 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Pádraic McCormack, John McGuinness, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001

4. Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de láimh:-

Consideration of Appropriation Accounts for the year 2001. The following Account was disposed of:-

Vóta 34 - An Roinn Fiontar, Trádála agus Fostaíochta

Vote 34 - Department of Enterprise, Trade & Employment.

5. Cuireadh an suí ar fionraí ar 12.09 p.m. agus athchromadh air 12.45 p.m.

5. Sitting suspended at 12.09 p.m. and resumed at 12.45 a.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

P. Ó hEárán (Ard-Runaí, An Roinn Fiontar, Trádála agus Fostaíochta), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste)

Mr. Paul Haran (Secretary General, Department of Enterprise Trade and Employment), Mr. John Purcell (Comptroller and Auditor General).

7. Athlá.

7. Adjournment.

Chuaigh an Coiste ar athló ar 1.45 p.m., go dtí 11.00 a.m., Déardaoin 16 Éanair 2003.

The Committee adjourned at 1.45 p.m., until 11.00 a.m. on Thursday 16 January 2003.

Déardaoin 16 Eanáir 2003
Thursday 16 January 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O’Keeffe, Pat Rabbittie.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001.

4. Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas ar athló:-

Consideration of Appropriation Accounts for the year 2001. The following Account was adjourned:-

Vóta 33 An Roinn Sláinte agus Leanaí

Vote 33 Department of Health and Children

Cuireadh na Caibidlí seo a leanas ar athló:-

The following Chapters were adjourned:-

An Roinn Sláinte agus Leanaí:
Caibidil 9.1 – Cáilitheacht do Chárta Leighis a Leathnú chuig Daoine 70 bliain d’aois agus os a chionn

Department of Health and Children:
Chapter 9.1 – Extension of Medical Card Eligibility to Persons aged 70 and over.

Caibidil 9.2 – Scéim um Iocaíochtaí Drugaí

Chapter 9.2 – Drugs Payment Scheme.

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

M. Ó Ceallaigh (Ard-Rúnaí, An Roinn Sláinte agus Leanaí), S. Ó Maonaigh (Príomh-Oifigeach, An Rannán Caiteachais Phoiblí, An Roinn Airgeadais)S. Puirseál (An tArd-Reachtair Cuntas agus Ciste).

Mr. Michael Kelly (Secretary General, Dept of Health and Children), Mr. Joe Mooney (Principal Officer, Public Expenditure Division, Department of Finance), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.25 p.m., go dtí 12.00 mean lae, Déardaoin 23 Éanáir 2003.

The Committee adjourned at 2.25 p.m., until 12.00 noon on Thursday 23 January 2003.

Déardaoin 23 Eanáir 2003
Thursday 23 January 2003

1. Chruinnigh an Coiste ar 12.05 p.m.

1. The Committee met at 12.05 p.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Sean Ardagh, Dan Boyle, Paul Connaughton, John Curran, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O'Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001.

4. Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001.
Cuireadh an Cuntais seo a leanas de lámh:-

Consideration of Appropriation Accounts for the year 2001. The following Accounts were disposed of:-

Vóta 1 - Teaghlachas an Uachtaráin.
Vóta 6 - Oifig an Aire Airgeadais.
Vóta 7 - Aoisliúntais agus Liúntais Scoir.
Vóta 12 - An tSeirbhís Shicréideach.
Cuntas Taisce an Chiste Teagmhais
An Roinn Airgeadais - Cuntais Airgeadais 2000 agus 2001

Vote 1 - Presidents Establishment
Vote 6 - Office of the Minister for Finance
Vote 7 - Superannuation and Retired Allowances
Vote 12 - Secret Service
Contingency Fund Deposit Account
Department of Finance - Finance Accounts 2000 and 2001

Cuireadh an Chaibidil seo a leanas ar athló:-

The following Chapter was adjourned:-

Oifig na gCoimisinéirí Ioncaim:
Caibidil 4.10 - Fáltais ó Chánacha a Thuar

Office of the Revenue Commissioners:
Chapter 4.10 – Forecasting of Tax Receipts

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

T. Mac Consaidín (Ard-Rúnaí, An Roinn Airgeadais), D. Mac an Fhailí (Dara Rúnaí, An Rannán Buiséid and Geilleagair, An Roinn Airgeadais), P. Ó Maolmhuaidh (Príomh-Oifigeach, Oifig na gCoimisinéirí Ioncaim), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Tom Considine (Secretary General, Department of Finance), Mr. Donal McNally (Second Secretary, Budget & Economy Division, Department of Finance), Mr. Paddy Molloy (Principal Officer, Statistics, Office of the Revenue Commissioners), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 3.15 p.m., go dtí 11.00 a.m., Dé Céadaoin 29 Eanáir 2003.

The Committee adjourned at 3.15 p.m., until 11.00 a.m. on Wednesday 29 January 2003.

Dé Céadaoin 29 Eanáir 2003
Wednesday 29 January 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O'Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001

4. Consideration of Appropriation Account 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas ar athló:-

Consideration of Appropriation Account for the year 2001. The following Account was adjourned:-

Vóta 25 - An Roinn Comhshaoil agus Rialtais Áitiúil (lena n-áirítear scrúdú ar Dhúchas)

Vote 25 - Department of Environment and Local Government (including examination of Dúchas)

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

N. Ó Callanáin (Ard-Rúnaí, An Roinn Comhshaoil agus Rialtais Áitiúil), M. Ó Cainnia (Leas-Rúnaí, Dúchas), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste).

Mr. Niall Callan (Secretary General, Department of Environment and Local Government), Mr. Michael Canny (Assistant Secretary, Dúchas), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.00 p.m., go dtí 11.00 a.m., Déardaoin 13 Feabhra 2003.

The Committee adjourned at 2.00 p.m., until 11.00 a.m. on Thursday 13 February 2003.

Déardaoin 13 Feabhra 2003
Thursday 13 February 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy Seán Fleming, Joe Higgins, Pádraic McCormack, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001.

4. Consideration of Appropriation Account 2001.

Cuireadh an Chaibidil seo a leanas de lámh:-

The following Chapter was disposed of:-

Oifig na gCoimisinéirí Ioncaim:
Caibidil 4.7 – Scrúdú Domhain ar Cháin a Díscriobhadh

Office of the Revenue Commissioners:
Chapter 4.7 – In Depth Examination of Tax Written Off

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

P. Ó Dálaigh (Cathaoirleach, Oifig na gCoimisinéirí Ioncaim), P. Ó Fearáil (Cláraitheoir Cuideachtaí, An Roinn Fiontar, Trádála agus Fostaíochta), Seán Puirseal (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Frank Daly (Chairman, Office of the Revenue Commissioners), Mr. Paul Farrell (Registrar of Companies, Department of Enterprise, Trade and Employment), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.50 p.m., go dtí 11.00 a.m., Déardaoin 20 Feabhra 2003.

The Committee adjourned at 1.50 p.m., until 11.00 a.m. on Thursday 20 February 2003.

Déardaoin 20 Feabhra 2003
Thursday 20 February 2003

1. Chruinnigh an Coiste ar 10.40 a.m.

1. The Committee met at 10.40 a.m.

2. Comhaltáí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O'Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Ráitis Bhliantúil Airgeadais do 2001.

4. Consideration of Annual Financial Statement for 2001.

Cuireadh an Ráiteas seo a leanas de lámh:

The following Statement was disposed of:-

Ráitis Bhliantúil Airgeadais 2001 an Údaráis um Bóithre Náisiúnta.

National Roads Authority Annual Financial Statement 2001.

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined

M. Tóibín (Príomh-Fheidhmeannach, An tÚdarás um Bóithre Náisiúnta), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Mr. Michael Tobin (Chief Executive, National Road Authority), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.50 p.m., go dtí 11.00 a.m., Déardaoin 27 Feabhra 2003.

The Committee adjourned at 1.50 p.m., until 11.00 a.m. on Thursday 27 February 2003.

Déardaoin 27 Feabhra 2003
Thursday 27 February 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, Batt O'Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001.

4. Consideration of Appropriation Account 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntais seo a leanas de lámh:-

Consideration of Appropriation Account for the year 2001. The following Account was disposed of:-

Vóta 40 - An Roinn Gnóthaí Sóisialacha agus Teaghlaigh

Vote 40 - Department of Social and Family Affairs

Cuireadh an Chaibidil seo a leanas de lámh:-

The following Chapter was disposed of:-

An Roinn Gnóthaí Sóisialacha agus Teaghlaigh:
Caibidil 11.1 – Ró-Íocaíochtaí

Department of Social and Family Affairs:
Chapter 11.1 – Overpayments

Breithniú Chuntas Leithreasa 2000

Consideration of Appropriation Account 2000

Cuireadh an Mhír seo a leanas de lámh :-

The following Paragraph was disposed off:-

An Roinn Gnóthaí Sóisialacha, Pobail agus Teaghlaigh:
Mír 36 – Neamhrialtacht in Oifig Bhraínse

Department of Social, Community and Family Affairs:
Paragraph 36 – Irregularity at Branch Office

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined

S. Ó hEidhin (Ard-Rúnaí, An Roinn Gnóthaí Sóisialacha agus Teaghlaigh), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. John Hynes (Secretary General, Department of Social and Family Affairs), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.05 p.m., go dtí 11.00 a.m. Déardaoin 6 Márta 2003.

The Committee adjourned at 1.05 p.m., until 11.00 a.m. on Thursday 6 March 2003.

Déardaoin 6 Márta 2003
Thursday 6 March 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Dan Boyle, Paul Connaughton, John Curran, Seán Fleming, Joe Higgins, Pádraic McCormack, Batt O'Keeffe,

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntas Leithreasa 2001

4. Consideration of Appropriation Account 2001.

Breithniú an Chuntais Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de láimh:-

Consideration of Appropriation Account for the year 2001. The following Account was disposed of:-

Vóta 31 - An Roinn Talmhaíochta agus Bia

Vote 31 - Department of Agriculture and Food

Cuireadh na Caibidlí seo a leanas de láimh:-

The following Chapters were disposed of:-

An Roinn Talmhaíochta agus Bia:
Caibidil 8.1 – Clár um Dhíothú BSE
Caibidil 8.2 – Caiteachas Ráthaíochta FEOGA – Scéim Prémhe Caorach
Caibidil 8.3 – Íocaíochtaí Úis faoin Acht um Íoc Pras Cuntas, 1997
Caibidil 8.4 – An tSocraíocht i gCás Dóiteáin i mBealach an Doirín

Department of Agriculture and Food:
Chapter 8.1 – BSE Eradication Programme
Chapter 8.2 – FEOGA Guarantee Expenditure – Ewe Premium Scheme
Chapter 8.3 – Interest Payments under the Prompt Payment of Accounts Act, 1997
Chapter 8.4 – Ballagherreen Fire Case Settlement

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined

S. Ó Maoileoin (Ard-Rúnaí, An Roinn Talmhaíochta agus Bia), R. Ó Ciardha (Príomh-Oifigeach, An Roinn Airgeadais), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste).

Mr. John Malone (Secretary General, Department of Agriculture and Food), Mr. Robert Carey, (Principal Officer, Department of Finance), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.50 p.m., go dtí 11.00 a.m. Dé Céadaoin 12 Márta 2003.

The Committee adjourned at 1.50 p.m., until 11.00 a.m. on Wednesday 12 March 2003.

Dé Céadaoin 12 Márta 2003
Wednesday 12 March 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn,

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins,

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntas Leithreasa 2001.

4. Consideration of Appropriation Account 2001.

Breithniú an Chuntais Leithreasa don bhliain 2001. Cuireadh na Cuntais seo a leanas ar athló:-

Consideration of Appropriation Account for the year 2001. The following Accounts were adjourned:-

Vóta 26 - Oifig an Aire Oideachas.

Vote 26 - Office of the Minister for Education

Vóta 27 - Oideachas Céadleibhéil.

Vote 27 - First Level Education

Vóta 28 - Oideachas Dara Leibhéal agus Breisoideachas.

Vote 28 - Second Level and Further Education

Vóta 29 - Oideachas Triú Leibhéal agus Breisoideachas.

Vote 29 - Third Level and Further Education

Cuireadh an Chaibidil seo a leanas de lámh.-

The following Chapter was disposed of:-

An Roinn Oideachais agus Eolaíochta:
Caibidil 7.1 – Brainse na Scrúduithe

Department of Education and Science:
Chapter 7.1 Examinations Branch

5. Cuireadh an suí ar fionraí ar 11.58 a.m. agus athchromadh air 12.50 p.m.

5. Sitting suspended at 11.58 a.m. and resumed at 12.50 p.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

S. Ó Duinneacha (Ard-Rúnaí, An Roinn Oideachais agus Eolaíochta), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr John Dennehy (Secretary General, Department of Education and Science), Mr. John Purcell (Comptroller and Auditor General).

7. Athlá.

7. Adjournment.

Chuaigh an Coiste ar athló ar 2.25 p.m., go dtí 10.00 a.m., Déardaoin 27 Márta 2003.

The Committee adjourned at 2.25 p.m., until 10.00 a.m. on Thursday 27 March 2003

Dé Céadaoin 27 Márta 2003
Wednesday 27 March 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O’Keeffe,

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Riaradh Chóras na gCártaí Leighis ag Déileáil go sonrach le dúblú cártaí leighis agus cothabháil agus cruinneas bhonnachair na gcártaí leighis.

4. The Administration of the Medical Card System Specifically dealing with medical card duplication and the upkeep and accuracy of the medical card databases.

5. Cuireadh an suí ar fionraí ar 10.42a.m. agus athchromadh air 10.58a.m.

5. Sitting suspended at 10.42a.m. and resumed at 10.58 a.m.

Cuireadh an suí ar fionraí ar 1.25p.m. agus athchromadh air 2.15p.m.

Sitting suspended at 1.25p.m. and resumed at 2.15 p.m.

Cuireadh an suí ar fionraí ar 3.30p.m. agus athchromadh air 4.22p.m.

Sitting suspended at 3.30p.m. and resumed at 4.22p.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

M. Ó Liatháin (Príomh-Fheidhmeannach Réigiúnach, Údarás Sláinte Réigiúnach an Oirthir), M. Windle (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte Limistéar an Tuaiscirt), P. Ó Donaile (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte Limistéar an Oir-Dheiscirt), G. Mag Uidhir, (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte Limistéar Chósta an Oirthir), P. Robinson (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Oir-Thuaiscirt), P. Harvey (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Iar-Thuaiscirt) S. Ó Muirthile (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Deiscirt), P. Mac Lochlainn (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Oir-Dheiscirt), S. de Búrca, (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Mheán-Oirthir), Dr S. Ní Riain (Príomh-Oifigeach Feidhmiúcháin, Bord Sláinte an Iarthair), P. Ó Gogáin,

Mr. Michael Lyons (Regional Chief Executive, Eastern Regional Health Authority), Ms. Maureen Windle (Chief Executive Officer, Northern Area Health Board), Mr. Pat Donnelly (Chief Executive Officer, South Western Area Health Board), Mr. Gavin Maguire, (Chief Executive Officer, East Coast Area Health Board), Mr. Paul Robinson (Chief Executive Officer, North Eastern Health Board), Mr. Pat Harvey (Chief Executive Officer, North Western Health Board), Mr. Seán Hurly (Chief Executive Officer, Southern Health Board), Mr. Pat McLoughlin, (Chief Executive Officer, South Eastern Health Board), Mr Stiofán de Búrca, (Chief Executive Officer, Mid-Western Health Board), Dr. Sheelah Ryan (Chief Executive Officer, Western Health Board), Mr. Patrick Gaughen, (Chief Executive Officer, Midland Health Board), Mr. Tom Mooney,

(Príomh-Oifigeach Feidhmiúcháin, An Bord Sláinte Lár Tíre), T. Ó Maonaigh, (Leas-Rúnaí, Rannán an Chúraim Sláinte Bunaidh, An Roinn Sláinte agus Leanaí), P. de Búrca (Príomh-Oifigeach, An Bord Seirbhísí Liachta Ginearálta (Íocaíochtaí)), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste)

(Deputy Secretary, Primary Health Care Division, Department of Health and Children), Mr. Patrick Burke (Chief Officer, General Medical Services (Payments) Board), Mr. John Purcell (Comptroller and Auditor General)

7. Athlá.

Chuaigh an Coiste ar athló ar 4.30 p.m., go dtí 11.00 a.m. Dé Céadaoin 2 Aibreán 2003.

7. Adjournment.

The Committee adjourned at 4.30 p.m., until 11.00 a.m. on Wednesday, 2 April, 2003

Dé Céadaoin 2 Aibreán 2003
Wednesday 2 April 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O'Keeffe

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Tuarascála.

4. Consideration of Report

Rinne an Coiste breithniú agus chuir sé an Tuarascáil seo a leanas de lámh:-

The Committee deliberated and disposed of the following Report:-

Tuarascáil Speisialta Uimhir 4 ón Ard-Reachtair Cuntas agus Ciste - An Roinn Sláinte agus Leanaí - Rialú Airgeadais agus Bainistíocht i Seirbhís Fuilaidriúcháin na hÉireann.

Comptroller and Auditor General Special Report Number 4 – Department of Health and Children – Financial Control and Management in the Irish Blood Transfusion Service.

5. Cuireadh an suí ar fionraí ar 11.58 a.m. agus athchromadh air ar 12.25 p.m.

5. Sitting suspended at 11.58 a.m. and resumed at 12.25 p.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

A. Ó Ceallaigh (Príomh-Oifigeach Feidhmiúcháin Gníomhach, Seirbhís Fuilaidriúcháin na hÉireann), P. Ó Bearáin (Rúnaí Cúnta, An Rannán Ospidéal Géarthinnis agus Beartais Fola, An Roinn Sláinte agus Leanaí), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Mr Andrew Kelly (Acting Chief Executive Officer, Irish Blood Transfusion Service), Mr. Paul Barron (Assistant Secretary, Acute Hospitals and Blood Policy Division, Department of Health and Children), Mr. John Purcell (Comptroller and Auditor General).

7. Athlá.

7. Adjournment.

Chuaigh an Coiste ar athló ar 1.25 p.m., go dtí 11.00 a.m., Déardaoin 10 Aibreán 2003.

The Committee adjourned at 1.25 p.m., until 11.00 a.m. on Thursday 10 April 2003.

Déardaoin 10 Aibreán 2003
Thursday 10 April 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (I gCeannas), Dónall Ó Baoill, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Dan Boyle, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O'Keeffe.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001

4. Consideration of Appropriation Account 2001

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh na Cuntais seo a leanas de lámh:-

Consideration of Appropriation Account for the year 2001. The following Account was disposed of:-

Vóta 9 - Oifig na gCoimisinéirí Ioncaim

Vote 9 - Office of the Revenue Commissioners

Cuireadh na Caibidlí seo a leanas de lámh:-

The following Chapters were disposed of:-

Oifig na gCoimisinéirí Ioncaim:

Office of the Revenue Commissioners:

Caibidil 4.1 - Cuntas Ioncaim

Chapter 4.1 - Revenue Account

Caibidil 4.2 - Cánacha agus ÁSPC neamhíoctha

Chapter 4.2 - Outstanding Taxes and PRSI

Caibidil 4.3 - Clár Iniúcháireachta Ioncaim

Chapter 4.3 - Revenue Audit Programme

Caibidil 4.4 - Gníomhaíocht Ionchúisimh Ioncaim

Chapter 4.4 - Revenue Prosecution Activity

Caibidil 4.5 - Inscrúduithe Speisialta

Chapter 4.5 - Special Investigations

Caibidil 4.6 - Díscríobh

Chapter 4.6 - Write Offs

Caibidil 4.8 - Aisíocaíochtaí Cánach Breisluacha le Trádálaithe Cláraithe

Chapter 4.8 - Repayments of Value Added Tax to Registered Traders

Caibidil 4.9 - Cáin Iarchoimeáda Dúbhine

Chapter 4.9 - Dividend Withholding Tax

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined

F. Ó Dálaigh (Cathaoirleach na gCoimisinéirí Ioncaim), P. Ó Maolmhuidh (Príomh-Oifigeach, Staidreamh, Oifig na gCoimisinéirí Ioncaim), D. Ó Maolagáin (Príomh-Oifigeach, An Rannán Buiséid agus Eacnamaíoch, An Roinn Airgeadais), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste).

Mr. Frank Daly (Chairman of the Revenue Commissioners), Mr. Paddy Molloy (Principal Officer, Statistics, Office of the Revenue Commissioners), Mr. Dermot Mulligan (Principal Officer, Budget and Economic Division, Department of Finance), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.25 p.m., go dtí 11.00 a.m., Dé Céadaoin 16 Aibreán 2003.

The Committee adjourned at 2.25 p.m., until 11.00 a.m. on Wednesday 16 April 2003.

Dé Céadaoin 16 Aibreán 2003
Wednesday 16 April 2003

1. Chruinnigh an Coiste ar 11.25 a.m.

2. **Comhaltaí i Láthair:-** Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

3. Chuaigh an Coiste i suí príobháideach.

Rinne an Coiste breithniú.

Chuaigh an Coiste i suí poiblí.

4. Breithniú Tuarascála Luach ar Airgead.

Rinne an Coiste breithniú agus cuireadh an Tuarascáil Luach ar Airgead seo a leanas de lámh:-

An tSeirbhís Chothabhála Foirgneamh

Breithniú Chuntas Leithreasa 2001

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh na Cuntais seo a leanas de lámh:-

Vóta 10 – Oifig na nOibreacha Poiblí
Vóta 44 - Faoiseamh Tuile

5. Cuireadh an suí ar fionraí ar 10.42a.m. agus athchromadh air 10.58a.m.

6. Finnéithe a Ceistíodh:-

S. Benton (Cathaoirleach Oifig na nOibreacha Poiblí), D. Ó Coigligh (Príomh-Oifigeach, An Roinn Airgeadais), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste)

7. Athlá.

Chuaigh an Coiste ar athló ar 2.05 p.m., go dtí 11.00 a.m., Déardaoin 8 Bealtaine 2003.
1. The Committee met at 11.25 a.m.

2. **Members Present:-** John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O’Keeffe, Pat Rabbitte.

3. The Committee went into private session.

The Committee deliberated.

The Committee went into public session.

4. Consideration of Value for Money Report.

The Committee deliberated and disposed of the following Value For Money Report:-

The Building Maintenance Service

Consideration of Appropriation Account 2001

Consideration of Appropriation Accounts for the year 2001. The following Accounts were disposed of:-

Vote 10 - Office of Public Works
Vote 44 – Flood Relief

5. Sitting suspended at 11.58 a.m. and resumed at 12.50 p.m.

6. Witnesses Examined:-

Mr. Sean Benton (Chairman of the Office of Public Works), Mr. Dermot Quigley (Principal Officer, Department of Finance), Mr. John Purcell (Comptroller and Auditor General).

7. Adjournment.

The Committee adjourned at 2.05 p.m., until 11.00 a.m. on Thursday 8 May 2003.

Déardaoin 8 Bealtaine 2003
Thursday 8 May 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Joe Higgins, Pádraic McCormack, Batt O’Keeffe.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntas Leithreasa 2001.

4. Consideration of Appropriation Account 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001.
Cuireadh na Cuntais seo a leanas de lámh:-

Consideration of Appropriation Accounts for the year 2001. The following Accounts were disposed of:-

Vóta 4 - Suirbhéireacht Ordanáis Éireann

Vote 4 - Ordnance Survey Ireland

Vóta 5 - An Phríomh-Oifig Staidrimh

Vote 5 - Central Statistics Office

Cuireadh na Caibidilí seo a leanas de lámh.

The following Chapters were disposed of.

Suirbhéireacht Ordanáis Éireann:

Ordnance Survey Ireland:

Caibidil 2.1 – Easpaí i Rialú Airgeadais

Chapter 2.1 – Shortcomings in Financial Control

An Phríomh-Oifig Staidrimh:

Central Statistics Office:

Caibidil 3.1 – Daonáireamh

Chapter 3.1 – Census of Population

5. Cuireadh an suí ar fionraí ar 12.43 a.m. agus athchromadh air ar 1.05p.m.

5. Sitting suspended at 12.43 a.m. and resumed at 1.05 p.m.

Cuireadh an suí ar fionraí ar 1.48p.m. a.m. agus athchromadh air ar 1.51p.m.

Sitting suspended at 1.48 a.m. and resumed at 1.51 p.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

R. Ó Ciarubháin (Stiúrthóir, Suirbhéireacht Ordanáis Éireann), D. Ó Gairbhith (Ard-Stiúrthóir, An Phríomh-Oifig Staidrimh), L. Céitinn (Stiúrthóir, Staidreamh Macra-Eacnamaíochta, An Phríomh-Oifig Staidrimh), G. Ó hAnluain (Stiúrthóir, Staidreamh Déimeagrafach agus Sóisialach, An Phríomh-Oifig Staidrimh), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Mr. Richard Kirwan (Director, Ordnance Survey Ireland), Mr Donal Garvey (Director General, Central Statistics Office), Mr Bill Keating (Director, Macro Economics Statistics, Central Statistics Office), Mr Gerry O’Hanlon (Director, Demographic and Social Statistics, Central Statistics Office), Mr. John Purcell (Comptroller and Auditor General).

7. Athlá.

Chuaigh an Coiste ar athló ar 2.30 p.m., go dtí 11.00 a.m., Déardaoin 15 Bealtaine 2003.

7. Adjournment.

The Committee adjourned at 2.30 p.m., until 11.00 a.m. on Thursday 15 May 2003.

Déardaoin 15 Bealtaine 2003
Thursday 15 May 2003

1. Chruinnigh an Coiste ar 11.05 a.m.

1. The Committee met at 11.05 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, John McGuinness, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntas Leithreasa 2000

4. Consideration of Appropriation Account 2000

Cuireadh an Mhír seo a leanas de láimh.

The following Paragraph was disposed off.

An Roinn Dlí agus Cirt, Comhionannais agus Athchóirithe Dlí:
Mír 19 – Anailís ar Chostas agus Úsáid Aer-Thacaíochta

Department of Justice, Equality and Law Reform:
Paragraph 19 – Analysis of the Cost and Usage of Air Support

Breithniú Chuntais Leithreasa 2001.

Consideration of Appropriation Account 2001.

Cuireadh an Chaibidil seo a leanas de láimh:-

The following Chapter was disposed of:-

An Roinn Dlí agus Cirt, Comhionannais agus Athchóirithe Dlí:
Obair Bhreis Ama an Gharda Síochána agus na bPríosún
Caibidil 5.1 - Obair Bhreis

Department of Justice, Equality and Law Reform:
Garda Síochána and Prisons Overtime.
Chapter 5.1 – Overtime

Breithniú Cuntais.

Consideration of Account.

Rinne an Coiste breithniú agus chuir sé an cuntas seo a leanas de láimh:-
An Biúró um Shocmhainní Coiriúla – Cuntais 2001

The committee deliberated and disposed of the following account:-
Criminal Assets Bureau – Accounts 2001

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

T. Daltúin (Ard-Rúnaí, An Roinn Dlí agus Cirt, Comhionannais agus Athchóirithe Dlí), D. Ó Ceallacháin (Ard-Rúnaí, An Roinn Cosanta), S. Aighleart (Ard-Stiúrthóir, Seirbhís Príosún na hÉireann), M. Ó Cathláin (Stiúrthóir Airgeadais, An Garda Síochána), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste).

Mr. Tim Dalton, (Secretary General, Department of Justice, Equality and Law Reform), Mr. David O’Callaghan, (Secretary General, Department of Defence), Mr. Seán Aylward, (Director General, Irish Prisons Service), Mr Michael Culhane, (Director of Finance, An Garda Síochána) Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

Chuaigh an Coiste ar athló ar 2.25 p.m., go dtí 11.00 a.m., Déardaoin 22 Bealtaine 2003.

6. Adjournment.

The Committee adjourned at 2.25 p.m., until 11.00 a.m. on Thursday 22 May 2003.

Déardaoin 22 Bealtaine 2003
Thursday 22 May 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Parthalán Ó Caoimh.

2. Members Present:- John Perry (*in the Chair*), Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, Pádraic McCormack, John McGuinness, Batt O'Keefe.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú na Tuarascála Luach ar Airgead

4. Consideration of Value for Money Report

Rinne an Coiste breithniú agus thug sé an Tuarascáil Luach ar Airgead seo a leanas dá aire:-

The Committee deliberated and noted the following Value For Money Report:-

Locadh Carranna in Ospidéal Beaumont

Car Parking at Beaumont Hospital

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

M. Ó Ceallaigh (Ard-Rúnaí, An Roinn Sláinte agus Leanaí), S. Mac Laghmainn (Príomh-Fheidhmeannach, Ospidéal Beaumont), S. Ó Maonaigh (Príomh-Oifigeach: PED, An Roinn Airgeadais), L. Ó Murchú (Príomh-Oifigeach, An Roinn Airgeadais), Seán Puirséal (An tArd-Reachtair Cuntas agus Ciste)

Mr. Michael Kelly (Secretary General, Department of Health and Children), Mr. John Lamont (Chief Executive, Beaumont Hospital), Mr. Joe Mooney (Principal Officer: PED, Department of Finance) Mr. Liam Murphy, Principal Officer, Department of Finance), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.00 p.m., go dtí 11.00 a.m., Déardaoin 29 Bealtaine 2003.

The Committee adjourned at 2.00 p.m., until 11.00 a.m. on Thursday 29 May 2003.

Déardaoin 29 Bealtaine 2003
Thursday 29 May 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Pléamonn, Pádraic Mac Cormaic, Seán Mac Aonghusa.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, Sean Fleming, Pádraic McCormack, John McGuinness.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntas Leithreasa 2001

4. Consideration of Appropriation Account 2001

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de lámh:-

Consideration of Appropriation Accounts for the year 2001. The following Account was disposed of:-

Vóta 42 – An Roinn Ealaíona, Oidhreacht, Gaeltacht agus Oileáin

Vote 42 – Department of Arts, Heritage, Gaeltacht and the Islands

Cuireadh an Chaibidil seo a leanas de lámh.:-

The following Chapter was disposed of:-

Caibidil 12.1 – Seirbhísí Iompair chuig Oileáin Árann faoi Fhóirdheontas Stáit

Chapter 12.1 – State Subsidised Transport Services to the Aran Islands

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

G. Ó Cearnaigh (Ard-Rúnaí, An Roinn Gnóthaí Pobail, Tuaithe agus Gaeltachta), P. Furlong (Ard-Rúnaí, An Roinn Ealaíon, Spóirt agus Turasoireachta), M. Ó Cainnia (Rúnaí Cúnta, An Rannán Seirbhísí Corparáideacha (Dúchas)), Ciarán Ó hÓbáin (Príomh-Oifigeach, Craolachán, An Roinn Cumarsáide, Mara agus Acmhainní Nádurtha, A. Mac Cairbre (Príomh-Oifigeach Cúnta, An Roinn Airgeadais), D. Ó hUrluith (Príomh-Oifigeach: Rannán OMT, An Roinn Airgeadais), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Mr. Gerry Kearney (Secretary General, Department of Community, Rural and Gaeltacht Affairs), Mr. Philip Furlong (Secretary General, Department of Arts, Sport and Tourism) Mr. Michael Canny (Assistant Secretary, Corporate Services Division (Dúchas)), Mr. Ciaran Ó hObain (Principal Officer, Broadcasting, Department of Communications, Marine and Natural Resources), Mr. Tony Carberry (Assistant Principal, Department of Finance) Mr. Dave Hurley (Principal Officer: OMT Division, Department of Finance) Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.15 p.m., go dtí 11.00 a.m., Déardaoin 12 Meitheamh 2003

The Committee adjourned at 2.15 p.m., until 11.00 a.m. on Thursday 12 June 2003.

Déardaoin 12 Meitheamh 2003
Thursday 12 June 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Pádraic Mac Cormaic, Seán Mac Aonghusa, Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, John Curran, John Dennehy, Joe Higgins, Pádraic McCormack, John McGuinness, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Tuarascála Luach ar Airgead

4. Consideration of Value for Money Report

Rinne an Coiste breithniú agus chuir sé an Tuarascáil Luach ar Airgead seo a leanas de lámh:-

The Committee deliberated and disposed of the following Value For Money Report:-

“Achomhairc Phleanála” na Roinne Comhshaoil agus Rialtais Áitiúil

“Planning Appeals” - Department of Environment and Local Government

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

S. Ó Conchúir (Cathaoirleach, An Bord Pleanála), Máire Ó Maoiléáin (Rúnaí Cúnta, An Rannán Pleanála agus Oidhreachta, An Roinn Comhshaoil agus Rialtais Áitiúil), M. Mac Gabhann (Cathaoirleach Náisiúnta, An Taisce), I. Ó Lumaile (Oifigeach Oidhreachta Náisiúnta, An Taisce), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. John O'Connor (Chairperson, An Bord Pleanála), Ms. Mary Moylan (Assistant Secretary, Planning and Heritage Division, Department of Environment and Local Government), Mr. Michael Smith (National Chairman, An Taisce), Mr. Ian Lumley, (National Heritage Officer, An Taisce) Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.40 p.m., go dtí 11.00 a.m., Déardaoin 19 Meitheamh 2003.

The Committee adjourned at 2.40 p.m., until 11.00 a.m. on Thursday 19 June 2003.

Déardaoin 19 Meitheamh 2003
Thursday 19 June 2003

1. Chruinnigh an Coiste ar 11.05 a.m.

1. The Committee met at 11.05 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (*i gCeannas*), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin (*I gCeannas i gcomhair cuid den chruinniú*), Seán Ó Duinneacha, Seán Ó Pléamonn, Seán Mac Aonghusa, Parthalán Ó Caoimh. Pádraic Ó Coinín.

2. Members Present:- John Perry (*in the Chair*), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran (*In the Chair for part of the meeting*), John Dennehy, Seán Fleming, John McGuinness, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Cuntas

4. Consideration of Accounts

Rinne an coiste breithniú agus chuir sé na cuntas seo a leanas de lámh:-

The committee deliberated and disposed of the following accounts:-

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta Cuntas 2001

National Treasury Management Agency Accounts 2001

Cuntas 2001 an Chúlchiste Náisiúnta Pinsean

National Pension Reserve Fund Accounts 2001

Breithniú Chuntas Leithreasa 2001

Consideration of Appropriation Account 2001

Cuireadh na Caibidlí seo a leanas de lámh.

The following Chapters were disposed of.

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta:

National Treasury Management Agency:

Caibidil 13.1 - An Fiachas Náisiúnta

Chapter 13.1 - National Debt

Caibidil 13.2 - Ciste Banc Taisce

Chapter 13.2 - Savings Bank Fund

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

Dr. M. J. Ó Somacháin (Príomh-Fheidhmeannach, Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta), D. Mac Géibheannaigh (Cathaoirleach, Coimisiún an Chúlchiste Náisiúnta Pinsean), Seán Puirseál (An tArd-Reachtair Cuntas agus Ciste)

Dr. Michael J. Somers (Chief Executive, National Treasury Management Agency), Mr Donal Geaney (Chairman, National Pensions Reserve Fund Commission), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.05p.m., go dtí 11.00 a.m., Dé Máirt 24 Meitheamh 2003.

The Committee adjourned at 2.05p.m., until 11.00 a.m. on Tuesday 24 June 2003.

Dé Máirt 24 Meitheamh 2003
Tuesday 24 June 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Mícheál Ó Nuanáin, Parthalán Ó Caoimh. Pádraic Ó Coinín.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, Michael Noonan, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Ráiteas Airgeadais Bliantúil do 2001.

4. Consideration of Annual Financial Statements for 2001.

Cuireadh na Ráitis seo a leanas de lámh:-

The following Statements were disposed of:-

Ráitis Airgeadais Teagasc 2001

Teagasc Financial Statements 2001

Ráitis Airgeadais Moorepark Technology 2001

Moorepark Technology Financial Statements 2001

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

S. Ó Flanagáin (Stiúrthóir, Teagasc), D. de Báth (Ceannasaí Airgeadais, Teagasc), L. S. Ó Donnaile (Stiúrthóir Moorepark Technology Limited), J. Beecher (Rúnaí Cúnta ar a bhfuil freagracht maidir le hEacnamaíocht agus Pleanáil, Beartas um Barra, Comhlachtaí Stáit, Comhoibriú Thuaidh/Theas), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Jim Flanagan (Director, Teagasc), Mr. Denis Bates (Head of Finance, Teagasc), Mr. William J. Donnelly (Director of Moorepark Technology Ltd.) Mr. Jim Beecher (Assistant Secretary with responsibility for Economics & Planning, Crop Policy, State Bodies, North/South Co-operation) Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.25p.m., go dtí 11.00 a.m., Déardaoin 26 Meitheamh 2003.

The Committee adjourned at 1.25p.m., until 11.00 a.m. on Thursday 26 June 2003

Déardaoin 26 Meitheamh 2003
Thursday 26 June 2003

1. Chruinnigh an Coiste ar 11.15 a.m.

1. The Committee met at 11.15 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seosamh Ó hUiginn, Seán Mac Aonghusa, Mícheál Ó Nuanáin, Pádraic Ó Coinín.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, Joe Higgins, John McGuinness, Michael Noonan, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Tuarascála Luach ar Airgead

4. Consideration of Value for Money Report

Cuireadh an Tuarascáil Luach ar Airgead seo a leanas ar athló:-

The following Value for Money Report was adjourned:-

Ceannach Bonn Gluaisteáin ag an nGarda Síochána (atógáil)

Purchasing of Tyres by the Garda Síochána (resumed)

Breithniú Tuarascála

Consideration of Report

Rinne an Coiste breithniú agus cuireadh an Tuarascáil seo a leanas ar athló:-

The Committee deliberated and adjourned the following Report:-

Tuarascáil Speisialta Uimh. 5 – Córais Taifeadta Agallamh an Gharda.

Special Report No. 5 - Garda Interview Recording Systems.

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

T. Daltúin (Ard-Rúnaí, An Roinn Dlí agus Cirt, Comhionannais agus Athchóirithe Dlí), M. Ó Cathláin (Stiúrthóir Airgeadais, An Garda Síochána), S. Ó Riain (Oifig na nOibreacha Poiblí), L. Ó Nuáin (Príomhoifigeach Cúnta, Rannóg na gComhpháirtíochtaí Poiblí Príobháideacha, An Roinn Airgeadais), Seán Puirséal (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Tim Dalton (Secretary General, Department of Justice, Equality and Law Reform) Mr. Michael Culhane (Director of Finance, An Garda Síochána), Mr. Jim Ryan (Office of Public Works), Mr. Billy Noone (Assistant Principal, Public, Private Partnership Section, Department of Finance) Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.30p.m. go dtí 11.00 a.m., Déardaoin 3 Iúil 2003.

The Committee adjourned at 2.30p.m. until 11.00 a.m. on Thursday 3 July 2003.

Déardaoin 3 Iúil 2003
Thursday 3 July 2003

1. Chruinnigh an Coiste ar 11.20 a.m.

1. The Committee met at 11.20 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha Seán Mac Aonghusa, Mícheál Ó Nuanáin, Parthalán Ó Caoimh.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, John McGuinness Michael Noonan, Batt O'Keeffe

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Ráiteas Airgeadais Bliantúil

4. Consideration of Annual Financial Statements

Rinne an Coiste breithniú agus chuir sé na Ráitis seo a leanas de lámh:-

The Committee deliberated and disposed of the following Statements:-

Cuntais Ghairmoideachais Chathair Bhaile Átha Cliath 1998, 1999, 2000, agus 2001 (móide Tuarascáil faoi Alt 7)

City of Dublin Vocational Education Accounts 1998, 1999, 2000, and 2001 (plus Section 7 Report)

Breithniú Cuntas

Consideration of Accounts

Rinne an Coiste breithniú agus chuir sé na cuntais seo a leanas de lámh:-

The Committee deliberated and disposed of the following accounts:-

Cuntais Bhord Iascaigh Mhara 2000-2001 (móide tuarascáil Fhorlfontach)

Bord Iascaigh Mhara 2000- 2001 Accounts (plus Supplementary report)

5. Cuireadh an suí ar fionraí ar 2.21 p.m. agus athchromadh air 2.28 p.m.

5. Sitting suspended at 2.21 p.m. and resumed at 2.28 p.m.

6. Finnéithe a Ceistíodh:-

6. Witnesses Examined:-

W. J. Arundel (Príomh-Oifigeach Feidhmiúcháin, Coiste Gairmoideachais Chathair Bhaile Átha Cliath), P. de Búrca (Ard-Rúnaí Cúnta, An Rannán Iar-Bhunoideachais, An Roinn Oideachais agus Eolaíochta), P. Mac Eochaidh (Príomh-Fheidhmeannach, Bord Iascaigh Mhara), Josephine Ó Ceallaigh (Príomh-Oifigeach, An Roinn Cumarsáide, Mara agus Acmhainní Nádurtha), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. W. J. Arundel (Chief Executive Officer, City of Dublin VEC), Mr. Pat Burke (Assistant Secretary General, Post Primary Division, Department of Education and Science), Mr. Pat Keogh (Chief Executive, Bord Iascaigh Mhara), Ms Josephine Kelly (Principal Officer, Department of Communications, Marine and Natural Resources), Mr. John Purcell (Comptroller and Auditor General).

7. Athlá.

Chuaigh an Coiste ar athló ar 3.45 p.m. go dtí 11.00 a.m., Déardaoin 24 Iúil 2003.

7. Adjournment.

The Committee adjourned at 3.45 p.m, until 11.00 a.m. on Thursday 24 July 2003.

Déardaoin 24 Iúil 2003
Thursday 24 July 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seosamh Ó hUiginn, Seán Mac Aonghusa, Mícheál Ó Nuanáin, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Joe Higgins, John McGuinness Michael Noonan, Batt O’Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Ráiteas Airgeadais Bliantúil

4. Consideration of Annual Financial Statements

Rinne an Coiste breithniú agus chuir sé na Ráitis seo a leanas de lámh:-

The Committee deliberated and disposed of the following Statements:-

Ráiteas Airgeadais Bliantúil An Bhoird Sláinte Lár Tíre 2001

Midland Health Board Annual Financial Statement 2001

Ráitis Airgeadais Bhliantúla Bhord Sláinte an Iarthair 2000 agus 2001.

Western Health Board Annual Financial Statements 2000 and 2001.

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

Mr. Pat Gaughan (Príomh-Oifigeach Feidhmiúcháin an Bhoird Sláinte Lár Tíre), Dr. Sheelah Ryan (Príomh-Oifigeach Feidhmiúcháin Bhord Sláinte an Iarthair), Ms. Fiona Prendergast (Príomh-Oifigeach Cúnta – An tAonad Airgeadais, An Roinn Sláinte agus Leanaí), Seán Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Pat Gaughan (Chief Executive Officer, Midland Health Board), Dr. Sheelah Ryan (Chief Executive Officer, Western Health Board) Ms Fiona Prendergast (Assistant Principal Officer – Finance Unit, Department of Health and Children), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 2.10 p.m. go dtí 11.00 a.m., Déardaoin 25 Meán Fómhair 2003.

The Committee adjourned at 2.10 p.m, until 11.00 a.m. on Thursday 25 September 2003

Déardaoin 25 Meán Fómhair 2003
Thursday 25 September 2003

1. Chruinnigh an Coiste ar 11.10 a.m.

1. The Committee met at 11.10 a.m.

2. Comhaltaí i Láthair:- Seán Ó Poire (i gCeannas), Seán Ardachaidh, Dónall Ó Baoill, Pól Ó Connachtáin, Seán Ó Curráin, Seán Ó Duinneacha, Seán Ó Pléamonn, Seán Mac Aonghusa, Parthalán Ó Caoimh, Pádraic Ó Coinín.

2. Members Present:- John Perry (in the Chair), Seán Ardagh, Dan Boyle, Paul Connaughton, John Curran, John Dennehy, Seán Fleming, John McGuinness, Batt O'Keeffe, Pat Rabbitte.

3. Chuaigh an Coiste i suí príobháideach.

3. The Committee went into private session.

Rinne an Coiste breithniú.

The Committee deliberated.

Chuaigh an Coiste i suí poiblí.

The Committee went into public session.

4. Breithniú Chuntais Leithreasa 2001

4. Consideration of Appropriation Accounts 2001.

Breithniú na gCuntas Leithreasa don bhliain 2001. Cuireadh an Cuntas seo a leanas de láimh:-

Consideration of Appropriation Accounts for the year 2001. The following Account was disposed of:-

Vóta 33 - An Roinn Sláinte agus Leanaí

Vote 33 - Department of Health and Children

Cuireadh na Caibidlí seo a leanas de láimh.

The following Chapters were disposed of.

Caibidil 9.1 – Incháilitheacht do Chártaí Liachta a Leathnú chuig Daoine 70 bliain d'aois agus os a chionn sin

Chapter 9.1 – Extension of Medical Card Eligibility to Persons aged 70 and over

Caibidil 9.2 – An Scéim Íocaíochta Drugaí

Chapter 9.2 – Drugs Payment Scheme

5. Finnéithe a Ceistíodh:-

5. Witnesses Examined:-

M. Ó Ceallaigh (Ard-Rúnaí, An Roinn Sláinte agus Leanaí), S. Puirseál (An tArd-Reachtaire Cuntas agus Ciste).

Mr. Michael Kelly (Secretary General, Department of Health and Children), Mr. John Purcell (Comptroller and Auditor General).

6. Athlá.

6. Adjournment.

Chuaigh an Coiste ar athló ar 1.30 p.m. go dtí 11.00 a.m., Déardaoin 2 Deireadh Fómhair 2003.

The Committee adjourned at 1.30 p.m. until 11.00 a.m. on Thursday 2 October 2003.



DÁIL ÉIREANN

An Coiste um Chuntais Phoiblí

Committee of Public Accounts

2001 REPORT

REPORT ON:

**THE 2001 ANNUAL REPORT ON THE APPROPRIATION
ACCOUNTS;
AUDIT REPORTS ON NON-VOTED ACCOUNTS;
AND VALUE FOR MONEY REPORTS AND SPECIAL REPORTS
OF THE COMPTROLLER AND AUDITOR GENERAL**

**AT MEETINGS HELD BETWEEN NOVEMBER 2002 AND
SEPTEMBER 2003**

Part 1:

Examination of Voted Accounts

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1. Vote 22 - Courts Service, Working Group on Court Funds Report - 21 November 2002

1. The Facts

- 1.1. The Comptroller and Auditor General's report (C&AG) dealt with two main aspects of the administration of bail - the effectiveness of the bail system as a means of ensuring the appearance in court of those charged with offences and the follow-up to non-appearance through the issue of bench warrants for the person's arrest and the forfeiture and estreatment of bail moneys.
- 1.2. In 2001, just over 18,000 bail bonds were entered in the Dublin Metropolitan District Court area, while approximately 10,000 bench warrants were issued. These figures suggested that the bail system, as operated, was not having the desired effect of persuading alleged offenders to appear in court.
- 1.3. In a wider context, 39,901 warrants were issued since a new computer system was introduced in 1998. During that period 28,252, or 71%, were executed. The number unexecuted was 10,930, or approximately 27%, while 728 warrants, or 2%, were cancelled. There are reasons why warrants cannot be executed. For example, tenants may have left the jurisdiction and it may not be possible to trace the people concerned.
- 1.4. Two of the contributory factors are the low levels at which bail is set and the fact that in many cases the bail is not forfeited or estreated. In the two years to April 2002, there was a legal requirement for a cash payment of one third of the bail amount on the part of the person charged. In order to avoid massive numbers of remands for which the prison system could not cater, judges imposed bail amounts as low as 5. The potential loss of such an amount is not a meaningful incentive to turn up in court on the day of the trial. The legal provision of the Bail Act, 1997, was amended in May 2002.
- 1.5. When a person fails to turn up in court, cash lodged as bail is not automatically forfeited and any surety given is not necessarily diligently pursued for collection. Some 116,000 in bail money was forfeited in the Dublin Metropolitan District Court in 2001. By contrast, no orders for forfeiture or estreatment for non-compliance with bail conditions were made by the Dublin Circuit Criminal Court in the period 1997 to 2001, even though there were 1,321 cases of such non-compliance in that period. The making of such orders is a matter for the presiding judge. The prioritisation of estreatment warrants is outside the remit of the Courts Service and there may be policy and legislative issues involved. There is a dilemma of trying to achieve a balance between the value for money benefits of not pursuing collection of small amounts of outstanding bail and the implications in terms of respect for the law of not doing so.
- 1.6. The introduction of the Bail Act, 1997, the relevant sections of which were commenced in May 2000, caused considerable difficulty for court offices in that there was a very considerable increase in workload. It did not matter

whether the sum involved was 1 or 500, the same accounting processes had to be applied. A lot of extra pressure resulted in a failure to issue some estreatment notices and warrants in a small number of cases. Procedures were put in place in late 2000 including a computerised database to process estreatment cases, including the issue of warrants, to ensure they were issued in all cases. Unexecuted estreatment warrants returned to offices by An Garda Síochána (the Gardaí) for cancellation are returned to the Gardaí for a decision as to whether to apply to the court for a penal warrant.

- 1.7. When estreatment warrants are issued, there is a singular failure to collect money. In 2001, while estreatment warrants to the value of 640,000 were issued by the Gardaí, the amount collected was less than 10% of this figure. This suggests that the enforcement of estreatment warrants should be prioritised by reference to monetary value and collectability.
- 1.8. Estreatment is a distress warrant used for defendants who were not capable of making cash bail in the first instance. With estreatment, a difficulty arises with non-cash lodgements which means that one goes out and levies against their property. In 99% of cases the people concerned do not have property and it is necessary to go back to the court and look for a penal warrant, which is issued at the discretion of the courts. In the majority of cases and while this process is going on, quite a number of these people have already served prison sentences arising out of the main charge. The difficulty in relation to estreatment is the volume, the difficulty in enforcement and the penalties that can be enforced against people who, in the first place, do not have any property that can be levied against.
- 1.9. The execution of bench warrants is a matter for the Gardaí. The enforcement of estreatment warrants is outside the remit of the courts and is also a matter for the Gardaí. Where sureties are involved and people are presenting to act as surety, the court or the judge concerned seeks to establish that the person concerned does have the means to act as surety. In terms of individual bail, the numbers passing through the District Courts every day are huge - several hundred per court - and there would be real practical difficulties in having a sophisticated means-testing system. There has been some improvement in co-ordination between the courts and the Gardaí in recent years, much more needs to be done across the board.
- 1.10. Up until quite recently, all of the functions within court offices were done manually. There is now an information technology computer system up and running in the Dublin and Limerick courts, which will be rolled out to cover the entire country in 2003. The local area infrastructure is in place for all court offices throughout the country. This was a prerequisite to implementing systems. The quality and amount of information available on the bail system and court activity generally are improving all the time as systems are expanded throughout the country.
- 1.11. Interaction and integration between the respective services is improving all the time. Information technology systems are being developed and implemented in court offices and within the Gardaí. There is close liaison between IT units

to ensure the systems can communicate with each other. From 1 September 2002, for the first time in the history of the State, orders in the three busiest courts in the land - the three Chancery Street Bridewell courts - are issued as they are being made by the judges concerned. There are now computers in the courtroom and orders are being issued simultaneously.

- 1.12. More information is being provided and there is a faster transfer of orders to the prisons, the Gardaí or wherever. Warrants are now being issued within two days.

Working Group on Court Funds Report

- 1.13. Court funds are funds lodged in court pursuant to court orders or in compliance with legislative requirements. There are over 30,000 individual accounts with an estimated value of between 700 and 800 million, the bulk of which is represented by funds administered on behalf of wards of courts and minors. The committee was concerned about the lacuna in the accounting and auditing arrangements which could result in the Exchequer having to meet the financial consequences of failings in individual cases.
- 1.14. Annual accounts had not been prepared for many years and there was no audit of the funds. The Committee requested the establishment of a working group to examine the issue and received a report in July 2001 which summarised the position and recorded the progress made in modernising the management of the funds by the Courts Service since its establishment in 1999. New investment arrangements, computerisation and improved accounting and auditing systems have been introduced. The director of finance, a professional accountant, is now also the accountant of the courts of justice. Significant progress has been made
- 1.15. The working group was unable to conclude whether the Comptroller and Auditor General should be given a statutory power to audit court funds and, by extension, whether the committee should exercise an oversight role in relation to the funds. The Attorney General advised that, while it was a policy choice for the Department to decide who should audit court funds, the Comptroller and Auditor General was not disqualified from discharging this function. External auditors have been appointed pending a decision on the role of the Comptroller and Auditor General. Annual financial statements were prepared for 2000 and 2001. The 2001 accounts were externally audited by PricewaterhouseCoopers, which was engaged following a tender exercise.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive of the Courts Service and his officials and with officials from the Department of Justice, Equality and Law Reform, Department of Finance and An Garda Síochána on 21 November 2002.

3. Accountability Issues

3.1. The accountability issues examined by the Committee were:

- Effectiveness of the Bail System
- Bench Warrants
- Attachment Orders
- Maintenance of Courthouses
- Development of Information and Communications Technology

4. Examination of the Issues

Effectiveness of the Bail System

4.1. The Committee noted the statistics on the operation of the bail system and observed that it appears not to be effective in carrying out the function for which it was put in place. The Committee asked the degree to which the enforcement of the bail system is obstructing efforts to reduce the level of crime in the entire inner city area and the number of cases that relate to the inner city area. The total volume of cases disposed of in the District Court, is almost 700,000 per annum nationally. A very large proportion of cases come from what would be regarded as unfortunate, marginalised people who are living just above the poverty line in socially deprived or socially disadvantaged areas of the city. An estreatment warrant is a distress warrant levied against property. Some of the people against whom they are issued might have no property against which to levy. That is the difficulty. It is a discretionary matter for the courts as to whether a penal warrant should then be issued.

4.2. The Committee considered if community service would be an alternative system which might have the desired result and which could be put in place. It would be difficult in places, such as Dublin city centre, to introduce a system of community work for a large number of offenders, but has worked relatively well throughout the country. However, community service is only available as an alternative to custodial sentence. Legislation would be required to provide community service as an alternative to the non-payment of bail or a fine.

Bench Warrants

4.3. The Committee expressed concern that the bench warrants for over 5,500 cases which arose between 1988 and 1998 cannot be traced. 17 of 1,200 cases outstanding for 1998 were identified as relating to serious crime. The staff in the office in the Dublin District Court claim that they forwarded the warrants to the Gardaí for execution. The missing warrants arose before the introduction of the computer system. It could take up to 16 weeks for warrants to be issued and in the interim, many of those people would have been dealt with before the courts anyway. This matter is being pursued with the courts service to try to identify these people and determine whether they have been before the courts and if the warrants have been executed. The Committee felt that this problem threatens to undermine respect for the courts and the

administration of justice and sought assurances that the problem would not recur.

- 4.4. The Committee considered the checks and balances that the courts service has put in place to monitor the estreatment process, i.e. the issue of forfeiture and the estreatment order to the collection of the bail. It was noted that in 3,297 of 8,311 cases, there was a failure to pursue estreatment, which is a follow-on process. These figures indicate that there is a considerable amount of pressure on the courts service and Gardaí in pursuing estreatment. The Committee asked why the percentage was so low and whether the courts service had identified ways to improve this system. It was further noted that the Dublin Circuit Court and the Central Criminal Court issued 1,321 bench warrants between 1997 and 2000 but the courts service held no information on them. In the Dublin Circuit Court and the Central Criminal Court, no order for forfeiture or estreatment of bail money has been made in the five years between 1997 and 2001, although 1,321 bench warrants were issued during the same period for non-appearance in those courts. The courts service does not collate information on the number of these warrants executed or outstanding nor does it maintain a centralised log of bail set or lodged for cases referred to, which is an important point.
- 4.5. It was clarified that a large element of enforcement is outside the remit of the courts service. The orders are made by judges. The Courts Service communicates the orders to the Gardaí for execution and is not in a position to execute or enforce the orders. The information available was not what it should have been but has improved since that time. There is excellent information on the District Courts, which have been computerised. An IT system has been introduced into the Dublin Circuit Courts and information is now being captured on that system.

Attachment Orders

- 4.6. The information systems under development would cater for payment by attachment orders. Legislation would be required to use the social welfare number and to enable those payments to be collected through instalments or attachments.

Maintenance of Courthouses

- 4.7. The Committee asked about spending in the Vote on the provision for courthouses where the allocation was 13.5 million and the outturn was 15.25 million. With the agreement of the Department of Finance savings in other areas were reallocated to fund additional capital projects. There is a massive refurbishment programme where, already 25 courthouses have been refurbished around the country, stretching from Sligo to Athy, Baltinglass, Mallow, Portlaoise, Limerick, Dundalk, Castlebar and Ennis. A big building programme is ongoing since the establishment of the Courts Service in 1999. In addition, about 80 venues have been substantially upgraded. Under the 1935 Act, responsibility for the provision and maintenance of court buildings was vested in local authorities, the county councils. The ownership of buildings

used exclusively by the courts is being transferred and about 70 buildings, once transferred, will be reflected in the assets of the Courts Service.

- 4.8. Just over 30 courthouses have been closed, most for health and safety reasons. In some, the court sat only six times a year, at most 12. These venues were determined at a time when people did not have the modes of transport available today. However, there are still almost 200 venues throughout the country. A balance must be struck and public funding is sought to refurbish and provide the modern court facilities that people ought to be able to expect. The closures have not resulted in people having to travel considerable additional distances to court.
- 4.9. The Committee queried the reason that actual extra exchequer receipts exceeded the estimate by more than 50% (estimate 12.3 million actual 18.6 million). For road Act penalties and other fines, the estimate was 4.75 while the amount realised was 10.5 million. Again, this was more than 100% in excess of the estimate. It was explained that the estimate for additional fees is set by the Department of Finance as part of the Estimates process. There is a tendency to err on the low side because of the unpredictability about fines and the number of cases will come into the courts system. It is common for a surplus on the income over the estimate to be achieved. In addition, there was a backlog of fees in the Dublin Metropolitan Courts Office which resulted in a larger transfer than in other years and there were fee increases. The level of fines comes under the Road Traffic Act. The estimate was conservative. The level of fines is decided by judges and there is a difficulty in predicting it.

Development of Information and Communications Technology

- 4.10. The Committee queried aspects of IT expenditure. Under subheads A4 and A5, there was a saving of 3.5 million for delays in deploying wide area network and the implementation of the IT strategy. The Courts Service is trying to do in five years what most organisations have done in 15 or 20 years. There is a limit to how much can be handled safely at any one time. As more systems are implemented and aligned, there is increased risk and a system collapse would have huge implications as there are almost 750,000 District Court cases alone per year. At this point networks are in place and modern office tools are available to all staff and judges. The criminal case management system is up and running in Dublin and Limerick and is about to be rolled out to other offices around the country. The Circuit Courts in Dublin have had a system implemented and that is now being extended to all the Circuit Courts around the country. There is now also a major courts accounting system and a funds management system. The courts accounting system is up and running in four offices and will be extended shortly when the pilot scheme in those offices is completed. The funds management system will be up and running early in 2004. The 2003 budget was not completely spent due to time constraints and the necessity to implement new systems.
- 4.11. The improvements in the use of computers and modern communications technology will speed up the issue of court orders in order that warrants will reach the Gardaí quicker. The volume of warrants will be issued more quickly.

Several hundred cases in each of the three Bridewell courts are dealt with per day where warrants are issued straight to the Gardaí. The IT system will remove the need for paper and result in much speedier decisions from the courts to the Gardaí, prisons or whoever. Eventually there will be a facility in the new accounting system, which has been implemented in Limerick, Cork and Roscommon, for mechanisms such as attachment to earnings or other phased payments or electronic payment.

5. Adoption of Reports

- 5.1 The Committee noted Vote 22, Chapter 6 of the Annual Report and the report of the Working Group on Court Funds.

Findings and recommendations

The Committee of Public Accounts:

finds specifically that:

- The bail system is brought into disrepute where bail is set, estreatment warrants served but the warrants are not properly enforced. Management information on the effectiveness of the bail system is poor.
- Up to 5,500 bail warrants during the period 1988 to 1998 are unaccounted for due to a failure of co-ordination between the Courts and the Gardaí in relation to the administration of bail.
- While a revised system of distribution and control of bench warrants introduced in 1998 has led to improvements in the long term execution rate, the level of unexecuted bench warrants continued to increase in 2000 and 2001.
- Estreatment warrant enforcement is poor and needs to be improved.
- No orders for forfeiture or estreatment of bail moneys were issued by the Dublin Circuit or Central Criminal Courts in the period 1997 to 2001 although 1,321 bench warrants were issued during this period for non-appearance in these Courts.
- There has been significant investment in developing the physical infrastructure and information and communications technology in the Courts Service.
- The accounting and audit arrangements for Court Funds has improved.

and recommends in general that:

- A fundamental review of the framework in which the bail system operates should be made.

- In the management of the estreatment process, warrants should be prioritised on the basis of monetary amount and collectability. The means of a charged person as well as the seriousness of an offence should be taken into account before the amount of bail is set.
- Before bail is levied the person's address should be made available from his or her social welfare book or income tax records. Where a case requires it, an attachment order should be made to the person's Personal Public Service number.
- The Gardaí should not be involved in the collection of small fines or bail amounts.
- When the ownership of court property is transferred from the Local Authorities, the total capital expenditure and value of Court House buildings should be included in the statement of capital assets in the annual accounts.

2. Vote 36 Department of Defence, Vote 37 Army Pensions – 12 December 2002

1. The Facts

- 1.1. Chapter 10 of the C&AG's annual report records the results of an examination on the building maintenance function in the Department of Defence. The Department is the second largest property holder in the country after the Office of Public Works with 28 occupied barracks around the country and several hundred smaller installations such as FCA huts. Maintenance is a large operation due to the major reorganisation that is currently taking place in the military, including the closure of six major barracks.
- 1.2. The maintenance programme is delivered by a combination of outside contractors and over 500 civilian maintenance staff. In general, large jobs and specialist work are carried out by contractors while the smaller, more routine jobs are undertaken by civilian employees of the Department. Overall maintenance costs in 2001 totalled 23 million, of which nearly 13 million was for civilian pay, 9 million for contractors and 1 million for materials.
- 1.3. The examination found that there was no advance scheduling of jobs and no targeted completion times were set for jobs performed by the civilian employees. The job records are limited to start times, end times and the cost of materials. The absence of records of labour hours per job and the level of downtime, is not conducive to controlling the cost of maintenance. In a value for money report published four years ago, attention was drawn to the lack of information which militated against the monitoring of the efficiency and economy achieved from property maintenance and, in particular, from the work activities and output of the civilian maintenance staff. The present examination suggests that there has been little change in the interim. The Department is talking to the unions about the introduction of job cards for specific jobs. Each area in recent years has been critically examined.
- 1.4. Another issue examined was the control of absenteeism among employees. A high level of absenteeism due to illness has long been a problem in this area. In 1990 an absence control programme was introduced to address the problem, but the programme has lapsed in four of the six functional areas of the Defence Forces due to the major reorganisation that is currently taking place in the military, including the closure of six major barracks. The incidence of absenteeism was checked in the audit and established levels and patterns of absenteeism among tradespersons and operatives that merit further investigation and action. The Department has reinstated the absenteeism programme and has held seminars with the military management who are responsible for this. Discussions are also taking place with the unions involved regarding the introduction of job cards for specific jobs
- 1.5. While there has been a shift towards a greater use of private contractors to carry out maintenance work in military installations, it is likely that in the foreseeable future there will continue to be significant dependence on civilian

employees to undertake work of a routine nature. A more proactive approach must be taken to managing maintenance work falling into this particular category through a determination of the optimum mix of external contractors and civilian employees required to deliver an effective maintenance programme for what is a reduced property portfolio following the disposal of a number of military barracks in recent years. In respect of maintenance alone, the numbers employed have halved from 2,000 to 1,000.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Defence and his officials on 12 December 2002.

3. Accountability Issues

- 3.1. The accountability questions examined by the Committee were:

- Defence property maintenance arrangements
- Value of Defence property
- Defence stock
- Government Jet
- Garda Helicopter

4. Examination of the Issues

Defence property maintenance arrangements

- 4.1. The Committee queried the apparent lack of control in the Department and the level of absenteeism in the maintenance area and in particular, the improvements, if any, made since the 1998 VFM report. At one location where 18 employees were surveyed, eight of the trades operatives were absent for more than 40 days. While the sample was relatively small, the absenteeism affected 62% of the group surveyed. The total figures for absenteeism are quite high. The absenteeism control programme did lapse in a number of areas but it has now been reinstated. Seminars have been held with the relevant military management. The control programme has been reinstated so that it can be monitored more carefully in future. Absenteeism records have only been introduced at two of the six areas within the last four or six weeks prior to the PAC meeting, four years after the publication of the VFM report.
- 4.2. The Committee asked whether there was a specific type of work that, regardless of the financial element, is more suited to the staff who are permanently employed. The number of civilian employees employed is decreasing and the use of contractors for specific projects is probably ideal. The type of maintenance performed by the permanent employees comprises small jobs, such as mending broken windows or painting. Few materials are used in proportion to the labour costs. Security is not an issue as clearance can be obtained for the resident civilian employees. A security clearance is also required for people coming into barracks with outside contractors.

- 4.3. The Committee noted that an analysis between the 1990 figures indexed to 2001, points to a saving of 5.5 million but that it is difficult to quantify if it actually represents value for money as the number of properties has also diminished and there is insufficient data to separate materials and labour costs. There is more outsourcing. Record keeping has improved and there are time clocks in most barracks, which are supervised by the military. The rate of absenteeism is high but the nature of the work is mainly outdoors and there is a high age profile among the workers.
- 4.4. The Committee inquired about reductions in staff. In the White Paper there is a commitment that the staff numbers will reduce by 10% by the end of 2004. The Committee was concerned about the high cost of labour which is a lot higher than the normal trade costs. It is at a ratio of at least 10:1 whereas in some Departments it can be 2:1. The staff policy states that in a partnership approach with staff interests, efforts will be made to ensure that appropriate opportunities to maximise value for money, including contracting out of services, are utilised. The Department must work with its trade unions on this matter and negotiate any changes in work practices.
- 4.5. The Committee asked if there was much duplication between the military and civilian sections. Most of the budget has been delegated out to the military which means there is little or no duplication.

Value of Defence Property

- 4.6. The Committee noted that there were no capital asset valuations for land and buildings and asked if it was envisaged that the Defence Forces would carry out an audit of the value of the property portfolio. Specific problems were encountered with the ownership of lands held by the Naval Service. The Department has a detailed register of its property but does not have a current valuation of existing plots of land or buildings. There are estimates of the value, which may change depending on when the property is sold. When a property is being sold, the first task is to get the Valuation Office to value it before it is placed on the open market. That can vary from year to year. As it is costly to do this, there is not much point in getting a valuation unless one is going to sell it. Some defence property was valued three or four years ago when its value was very different to what it is today.

Defence Stock

- 4.7. The Committee expressed its concern that given the amount of stock in warehouses and barracks, there is no stock control system where one can get the exact value of stock, the shelf life of stock, dead stock and obsolete stock. The Department has been working on this for several years and each year disposes of surplus and obsolete stock. To date in 2002 a book value of 1.5 million worth of obsolete stock was disposed of. This compares with 5.2 million in 2001 and 3.9 million in 2000. There is an ongoing stock control system. Many of the stock items would be 20 to 25 years old but they would still be strategic items to be retained. There is a large inventory reflecting the size and complexity of the organisation. A lot of staff are involved in

managing the stock and property folio. The full computerisation of the stock records is expected to be completed in 2003.

Government Jet

- 4.8. The Committee asked for the up to date position on the Government jet. There is one Government jet, which was purchased in 1991. The State now owns it. The final payment was made in 2001. It is a current model Gulfstream IV which is very well maintained and could be used for another 10 years. The Committee asked if further purchases in that area were contemplated. The Department considers that there is a good business case to supplement it for the duration of the EU Presidency in 2004. In that context the Department is looking to lease a jet, something similar in capacity to the Gulfstream IV, for the period of the EU Presidency.

Garda Helicopter

- 4.9. The Committee inquired about the role that the Air Corps at Baldonnel play regarding the reported difficulties of the operation of the helicopter facilities for the Gardaí. The Department supplies the Garda air support unit with pilots and maintenance to the existing helicopter and the fixed wing defender aircraft. The Department of Justice, Equality and Law Reform secured a Government decision to supplement that service with an additional helicopter, which was to be piloted and maintained by the Gardaí.
- 4.10. In April/May 2002 the advantages of using the Air Corps were observed. For example, having a Garda helicopter on the civil aircraft register rather than the military register meant it could not operate out of Baldonnel. There were also certain advantages in having Air Corps piloting. In mid-2002 there were delays in getting the helicopter operational in Dublin as the sophisticated surveillance equipment the Gardaí was putting on board had to be certified in an elaborate and complex fashion because it was changing the dynamics of the aircraft. For safety and certification reasons a long and complex operation had to be undertaken. The helicopter was originally ordered and delivered to a site in the United Kingdom two years ago. It was delivered to Baldonnel in December 2002 and was expected to be operational early in 2003.
- 4.11. The committee asked if valuable investment in necessary technology was delayed because of internal differences between the Air Corps and the Gardaí. While there were possibly some inter-service difficulties the current operation of the helicopter and defender aircraft is considered very successful. There is a service level agreement with the Gardaí, which is responsible for operations and policy matters, including such issues as destination and missions, and the Air Corps, which supplies the flight crews for the aircraft. The fact that the second helicopter will join the programme on the same basis indicates that matters have improved.

5. Adoption of Reports

5.1 The Committee noted the Votes and Chapters 13.1 and 13.2 of the Annual report.

Findings and recommendations

The Committee of Public Accounts

finds specifically that:

- Proper information to monitor the volume of work done *pro rata* by maintenance staff and to support the estimation of the cost of maintenance is not maintained. Accordingly movements in the efficiency of maintenance work cannot be accurately determined.
- The absence control programme was allowed to lapse and has only been reintroduced four years after attention was drawn to the incidence of absenteeism in the Value for Money report.
- Work contracted out is well managed. Budgets are based on the amount of work perceived to be needed.
- No estimate of the value of military equipment and buildings is included in the statement of capital assets in the Appropriation Accounts. As a result it is not possible to ascertain a true value of the cost of operating the Department of Defence including the military side which is the bulk of the activity. In this regard the Department is not prepared for a move to accrual accounting under the management information framework.
- A service level agreement covering the operations of the Garda helicopter is in place between the Air Corps and An Garda Síochána

and recommends in general that

- The efficiency of the property maintenance function should be monitored on a routine basis. There is a need to improve the way and the means in which the work of civilian employees is managed. Absenteeism needs to be systematically recorded and tightly controlled. The Committee requested that it be kept informed of improvements in the management of the maintenance function.
- The relative cost of undertaking the different elements of maintenance programmes by contract or by using direct employees should be assessed.
- A commercial approach should be taken towards the management and costing of buildings.

- Every Department should have a reliable asset register.
- The level of stock, parts and equipment which can no longer be used should be quantified.

3. Vote 34 - Department of Enterprise Trade and Employment – 18 December 2002

1. The Facts

- 1.1. No issues arising from the 2001 audit of the Department's accounts were required to be included in the C&AG's report.
- 1.2. The Committee followed up issues referred to in the 2000 report concerning participation in Expo 2000 in Hanover. The shortfall recorded in the IDA capital receipts as a result of poor sales of high capacity bandwidth and a claim for the repayment of EU moneys to a value of over 20 million which is being vigorously contested by the Department, but must be classified as a major contingent liability for accounting purposes.
- 1.3. The issue raised in regard to Expo 2000 was to determine the amount that it would ultimately cost. The net figure is £7.145 million, taking into account the VAT repayments secured. Storage costs are no longer paid for the building which is basically being sold as materials under the control of the OPW, No cost are being expended on it at this stage. The net cost of the project is less than the £9 million eventually agreed for it but more than the original estimate of £6 million when participation was first discussed.
- 1.4. The shortfall in IDA capital receipts arises from bills outstanding in regard to Global Crossing which is in examinership. It is hoped that it might come out of examinership next year. The IDA is managing this on behalf of the Department of Communications, Marine and Natural Resources. It was done by the IDA because of its technical capacity to enter into the contracts as they stood at that time. Sale of the additional bandwidth has been very slow, which reflects the global downturn in the value of such activity.
- 1.5. A claim has been lodged by the European Commission that may result in a request for repayment of amounts under certain operational programmes of the Community Support Framework 1994-99. The amount under consideration is 20,560,287.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Enterprise, Trade and Employment and his officials and with officials from the Department of Finance on 24 June 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Expo2000
 - EU Claim

- Rationalisation of Local Development Schemes

4. Examination of the Questions

Expo2000

- 4.1. The Committee enquired where the exhibition equipment and materials currently were and how it was proposed to dispose of them. The exhibition had been well-managed and well-handled. The Irish expo building had a lot of appeal and two third level educational institutions applied to be given rights to it on its return to Ireland. The estimated costs of bringing it back and re-building it were in excess of £2 million which was too expensive. Accordingly the building was put in storage in Germany and is available for sale as base materials. The realisable value is estimated to be in tens of thousands of Irish pounds.

EU Claim

- 4.2. The Committee enquired about the background to the EC claim of £20 million. The Department is the national authority for the European Social Fund. About £1.65 billion was drawn through the Human Resource Development Operational Programme, 1994-99, of the European Social Fund. There are two outstanding items. In an ESF audit by the European Commission related issues were raised regarding how the national authority adjusted claims to take into consideration variations in the value of the ECU. Claims were submitted in ECU and related back to Irish pounds, the currency at the time. Also, in respect of the exchange rate, the national authority adjusted claims because the currency might have fallen so people could claim more by using more eligible expenditure. If FÁS, for example, had made a claim and the exchange rates it was using were incorrect, the authority would have fixed the rate and found that there was a shortfall in drawdown and used more of the valid expenditure by FÁS to claim that drawdown. The Commission claimed that the authority should not have done that and FÁS should have done so instead. Its argument in this regard drew attention to a sum of £7 million.
- 4.3. The second element concerns about £13 million of realisable expenditure by the National Training and Development Institute (NTDI). Since 1997 the EC felt that some of the claims of the NTDI were not backed up adequately by documentation. They also queried the apportionment of certain costs in its programme related to the number of participants on courses. The Department reformulated the claim and backed it up. The EC accepted that the revised claim is reasonable and claimable, but is objecting to the resubmission of the claim. The Department has briefed the Office of the Attorney General and may have to take legal action, depending on how the EC responds to our latest position paper. The EC is not contesting that expenditure was reasonably incurred and in line with the regulations; it is a question of the technicality of the code. The figures show that, at all stages, more than sufficient expenditure took place to facilitate and justify the drawdown.

Rationalisation of Local Development Schemes

- 4.4. The Committee noted that there were various schemes, such as county enterprise boards, Leader, FÁS, partnership programmes and community initiatives, in operation and asked if the need to rationalise and improve co-ordination of these schemes had been considered. The Committee was concerned that if bureaucracy in the administration of schemes was reduced, they could be better co-ordinated and more funding could go to the coalface. In response to an earlier VFM report from the C&AG on local development initiatives, county development officers now co-ordinate enterprise activity at local level. The 35 CEBs should be the unit of support for small businesses. Departments responsible for task forces try to ensure there is no overlap. The CEBs issue fewer grants, provide more soft supports and concentrate on capability rather than capacity. Leader and other groups are moving away from them and there is less of an overlap.
- 4.5. The CEBs generally do not address the client group which Enterprise Ireland would. Enterprise Ireland deals with large enterprises and the CEBs deal with small enterprises. Measures are in place to ensure groups like Leader do not move into that space. In the longer-term, the relationship between the enterprise boards and the local authorities may be examined. Local authorities are well represented on the CEBs and the county development strategy takes this activity into consideration. In the area of community employment schemes and the bureaucracies supporting it, as the scheme has been cut back, so too has the number of CE supervisors associated with it.
- 4.6. Overall expenditure through IDA and Enterprise Ireland is decreasing, as is expenditure on FÁS. The county enterprise boards are small teams of four or five people. The feedback received suggests that they provide valuable support to local enterprise and the small business community. They are under constant review and there are no absolutes. As part of an overall dynamic Enterprise Ireland was created from many bodies. There has been a dramatic reduction in overall expenditure of FÁS and numbers supported by the Community employment schemes reflecting the changed labour market. One scheme, Jobstart, was closed and another, Workplace Exposure, was also rowed back.

5. Adoption of Reports

- 5.1 The Committee noted Vote 34.

Findings and recommendations

The Committee of Public Accounts

finds specifically that:

- The Department is properly pursuing claims in respect of the Human Resource Development Operational Programme, 1994-99 of the European Social Fund.
- Local Development Bodies under the aegis of the Department are evolving in line with regional and local changes in economic and social priorities.

and recommends in general that

- The number of bodies concerned with regional and local development needs to be kept under review to ensure that duplication of mission is minimised and that opportunities for the rationalisation of the administration of these bodies are identified and taken up. The Committee would like to be kept informed of developments in this area.

4. Department of Health and Children – Extension of the Medical Card Scheme to all those aged 70 years or over – 16 January 2003, 27 March 2003, 25 September 2003

1. The Facts

Extension of the medical card scheme to those aged 70 years and over

- 1.1. The decision to extend the medical card scheme to all those aged 70 years or over regardless of means was announced during the budget speech in December 2000. The new arrangements were implemented with effect from July 2001.
- 1.2. Effective management of taxpayers' money demands that spending proposals are properly costed before commitment decisions are made. The responsibilities of accounting officers include "ensuring that all relevant financial considerations are taken into account and, where necessary, brought to the attention of the Minister where they concern the preparation and implementation of policy proposals relating to income or expenditure for which he or she is accounting officer". In this case, the Department of Finance only made the Department of Health and Children aware of the decision to extend the scheme a few days before its announcement in the budget. After informal contacts between officials of both Departments about the cost implications of this initiative, the Department of Health and Children supplied such data as were readily available to it in the short time involved.
- 1.3. The budgeted expenditure to extend the scheme was nearly 9 million, to cover the second half of 2001. The revised cost estimate, however, for the full year 2002 has been calculated at about 55 million, after taking account of estimated savings of 28 million on the drugs payment scheme. There were two main reasons for the increased costs. First, it was estimated that 39,000 additional persons would be covered by the new scheme while the real figure turned out to be about double that. Second, the rate of capitation at which participating GPs are paid for newly eligible persons aged 70 or over is a multiple of that applying to existing medical card holders because it would vary depending on distance and so on from the doctor's surgery. In addition, a form of compensation had to be negotiated with the pharmacists for the loss of their 50% retail mark-up on the ingredient cost of medicines for persons over 70 who had hitherto been private customers of those pharmacists.

Reliability of the medical card records

- 1.4. When the numbers availing of the scheme began to mount up, it became clear there were problems with the data on which the estimates were based. It was established that there were serious inaccuracies in the health boards and General Medical Services (GMS) databases arising from duplicates and failure to remove persons who had either died or moved away. This initial exercise

resulted in more than 15,200 duplicate entries and entries for deceased persons being removed from those lists.

- 1.5. The Department subsequently requested a full review of the entire GMS list for each Health Board functional area. When this exercise commenced the actual medical cards which were considered to have generated an overpayment and the amount of that overpayment were identified. Detailed guidelines were agreed that a period of three months from the date when eligibility ceased could be considered reasonable for the removal of such records from the GMS register. This is comparable to the equivalent timeframe for normal deletion of other public service benefits, for example, under the social welfare system. Records discovered to have been on the GMS register for more than three months since eligibility ceased were prioritised for in-depth examination in relation to overpayment. The degree of overpayment per individual record depends on the length of time between identification and removal and the date when eligibility was determined to have ceased.
- 1.6. Some 80,931 records relating to clients aged more than 65 years were removed from the GMS register. Most of the deletions were routine due to death, change in eligibility status or persons moving from one board area to another. A total of 72,495 records related to people aged over 70 and 28,156 of these records were more than three months out of date and had generated an overpayment. The estimated overpayment amounts to 7.54 million in relation to capitation payments, with an additional 0.754 million in respect of superannuation, a total of 8.294 million. On the date that full medical card eligibility was extended to all people aged over 70, (1 July 2001), some 16,884 cards were more than three months out of date, amounting to an overpayment of 6.649 million at that point. This constitutes the bulk of the overpayment identified as these cards would have been on the system for a longer period.
- 1.7. Due to many changes to the contractual agreements with general practitioners over the period in question, the GP non-capitation allowances element of the overpayments is more difficult to calculate. An exploratory analysis has shown that there was an overpayment in respect of these allowances but also that it is resource intensive to calculate the overpayment for each individual GP. When more complete information is available, a judgment will need to be made as to where the balance of advantage lies in the context of the best use of taxpayers' money.

Capitation fee overpayments to doctors

- 1.8. The GMS payments board is dependent on the health boards for the validity and accuracy of the data on which capitation payments to GPs are made. These payments are made on the basis of the number of medical card holders on individual GPs' panels and are made at various rates, depending on factors such as age, sex and distance from the surgery. Capitation is not dependent on the number of visits a card holder makes, but the greater likelihood of older people attending a GP more frequently was a factor in the higher capitation rates conceded in the recent agreement for the over 70s.

- 1.9. Exchequer contributions to GPs' superannuation and practice support are also influenced by the numbers on the individual doctor's panel. As over 100 million per annum in capitation fees alone depends on the data maintained by the health boards and the GMS payments board, it is important that the underlying information is always up to date and accurate and that systems are in place to ensure that this is so. What emerged in the aftermath of the extension of the medical card scheme to the over 70s was a stark illustration that the systems in place left a lot to be desired, and the number availing of the new scheme turned out to be far in excess of what was expected. It confirmed what had been suspected for some time, that there were serious inaccuracies in the health board and GMS databases. The main manifestation of the problem was the existence on the databases of cardholders who were dead, had moved outside the jurisdiction or were included in more than one GP's panel. There were also some cases where the cardholders had entered long stay hospital care but had not been removed from the panels.
- 1.10. The fact that the numbers on the databases were inflated meant that doctors were being paid capitation fees for non-existent patients. The GMS (Payments) Board originally estimated that the overpayment of capitation payments made to doctors arising from inaccuracies in the databases was in the region of 12 million in 2002. On completion of the exercise the amount over-paid in capitation fees to GPs is now estimated to be significantly lower. The current figure is of the order of 6 million altogether, compared to the earlier estimate of 12 million per annum. Arrangements are being made to seek recovery of overpayments from the doctors concerned. A national approach will be adopted to this and prior discussions are planned with the Irish Medical Organisation with a view to agreeing a methodology for the recovery of the overpayments. The fundamental questions to be answered are what went wrong and what is being done to avoid a recurrence.
- 1.11. The recovery of the amounts overpaid from the GPs is not straightforward. The Department is committed to the recovery of excess payments, taking account of the legal and practical issues involved. Legal advice based on existing statutory and case law and the detail of the GMS GP contract is being considered by the CEOs of health boards, the GMS payments board and the Department. Any steps taken in this regard will need to be proofed against the probability of legal challenge. The IMO has already indicated that it will resist any attempt at recoupment. Subject to clarifying legal issues, the Department's intention is that full recoupment will be pursued.

Historical nature of the problem

- 1.12. The reliability of the medical card records is not a new problem. In 1998, with the introduction of laminated medical cards, all card holders were written to in order to confirm relevant details. As a result, the GMS payments board estimated that approximately 30,000 card holders were removed from the databases. The exercise also indicated a problem of duplicate cards. It should be noted that each health board operated its own medical card database, using stand alone systems and did not have any automatic means of accessing the

GMS payments board database to determine whether an applicant for a medical card already had one.

- 1.13. Up until late 2001, within the health boards, fundamental management controls were not, for the most part, routinely applied in respect of procedures in relation to death notices, review of inactive cases and so on. In retrospect, the Department's advice to health boards back in 1995, that cards for the over 70s should only be reviewed every five years, has backfired. The Department envisaged that there would be compensating controls, but these have not been effective, if implemented at all. The combination of these factors certainly contributed to the build up of this problem.

Systems weaknesses

- 1.14. The gradual dilution of the requirement in the contract with GPs for certification that their lists were up to date did not help. The fall-out from the budget underestimation served as a wake up call for all concerned. In 1998, a medical card review group reported that the IT systems then in use were largely structured to support individual payment schemes and were not integrated to support the quality of management information and decision making required within the health boards. These systems lacked sophisticated data mining, trending and analysis tools. Issues such as claims verification, unusual practices, patterns and fraud and abuse were difficult to identify in order that timely action could be taken.
- 1.15. The review initiated by the Department uncovered a number of serious weaknesses in the processes employed by health boards to monitor and update databases related to the medical card population. The Department is working with the health boards to ensure that the necessary systems are put in place so that GMS lists are properly managed into the future and that more rigorous arrangements for reviewing the eligibility of medical card holders and tracing mobility between health boards or between GMS lists are put in place.
- 1.16. The future management of databases has also received much attention. During the course of the exercise, health boards dedicated substantial resources to examining and reviewing the management of their records systems. Additionally, improvements in the general register of births, marriages and deaths have assisted in the process of deleting records. The ultimate solution to accurate record maintenance of the GMS register is the development of a unique client identifier. Work is ongoing on the implementation of this project, which will deal with the issue of data integrity and the management and control of client registration.
- 1.17. As an element of the health reform programme, the absorption of the GMS payments board into the new health services executive will lead to a single consolidated database for medical cards nationally. The following specific matters are also being addressed: ongoing management and control of the GMS register; administrative procedures for medical card processing and review; information systems integration and development; modernisation of

application and review forms; customer satisfaction measurement; and development of a training strategy and staff training courses.

- 1.18. A review of governance and accountability in the GMS, has been completed. The final report recommends wide-ranging reform of governance and accountability arrangements. In the meantime, the Brennan report makes very specific and wide-ranging recommendations in relation to the GMS. The review of structures, which was signalled in the health strategy, is nearing completion by Prospectus and its findings will have far reaching implications. The Department believes that the recommendations of the three reports provide a sound platform for the effective management of the GMS system as a whole, and will ensure that past weaknesses do not occur.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Health and Children and his officials and with officials from the Department of Finance on 16 January 2003, and 25 September 2003. The Committee also met with the CEOs of all eleven Health Boards and with the Chief Officer of the GMS (Payments) Board on 27 March 2003 to inquire about the specific investigations into the integrity of the medical card databases for each Health Board area and the information systems of the GMS (Payments) Board.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Inaccurate estimate of the cost of the Medical Card Initiative
 - Causes of the inaccuracies in the medical card database
 - Actions to restore the accuracy of the database
 - Required investment in Health Information Systems
 - Recovery of overpayments from GPs

4. Examination of the issues

Inaccurate estimate of the cost of the Medical Card Initiative

- 4.2. The Committee expressed concern about the lack of proper liaison between the Department of Finance and the Department of Health and Children about the medical card initiative. The Government had taken the decision to take this policy initiative very late in the day. The Committee was also surprised at the wide difference in the numbers involved and the cost of the scheme. The original estimate was a cost of 19 million with 39,000 persons becoming eligible while on further investigation, the figure was 70,000 costing 51 million.
- 4.3. The Committee asked about the basis for the original assumptions. The Department had relied on the databases held by the health boards on the numbers of people already registered for a medical card in the relevant age groups. As the scheme was implemented in the second half of 2001 it became

obvious that the trend we were seeing was not in line with the assumption of 39,000 that had been made in advance. It was realised that there was a serious problem emerging and the Department initiated an intensive review the databases in view of the serious misalignment between what was emerging in terms of claims on the GMS (Payments) Board and what their databases were showing.

- 4.4. The Health Boards had no control over the outcome of the negotiations with the Irish Medical Organisation and the Irish Pharmaceutical Union on the terms on which GPs and pharmacists were prepared to get involved in this extension of eligibility to people aged over 70. At the time, and having done some initial checks over a period of months, the boards had confidence in the databases and it was not until a full root and branch examination of the databases was carried out in each health board that the true figures as they are emerging now actually came to light.

Causes of the inaccuracies in the medical card database

- 4.5. The Committee asked how the figure of 12 million overpaid annually to doctors who operate the medical card system arose and why the Health Boards did not have the proper administrative arrangements to maintain the integrity of information on the databases. While GPs could be more active in notifying the health boards about patients who die or move to a different doctor, the obligation is on the health boards to keep the database right. Capitation payments are made on the basis of a particular GP's list. The error in this case was made by the health boards. There are two reasons the list might be inaccurate, particularly in relation to people aged over 70. The first is that a person dies and the second is that a person may move out of their community to live somewhere else or to move to a nursing home and the list is not corrected at that stage. The figure of 12 million is based on an estimate that the total number of excess registrations will be 70,000 half in the over 70 age group and the other half in the under-70 age group. The calculation is based on a capitation applied to those two figures.
- 4.6. In 1995, the Department advised health boards that cards for the over 70s need only be reviewed every five years. This was based on an expectation of compensating controls that did not exist and contributed to the degradation of the database.

Actions to restore the accuracy of the database

- 4.7. The Committee took a proactive interest in the actions of the Department and the Health Boards to resolve the problem of the inaccuracies in the medical card database. At a special meeting of the Committee held on 27 March 2003, the CEOs of each Health Board and the Chief Officer of the GMS (Payments) Board gave evidence on the actions taken and the specific extent of the inaccuracies in each Health Board region. The Committee noted how the problem was addressed. The first stage was to identify all the cards which were improperly registered on the system and to withdraw them because a payment was being made for each card. The second part was to identify how

long these excess registrations had been operable. That gives the period of time over which the excess payment had been made. A calculation was then made in relation to individual GPs. Having gone through that process, the overall scale of the problem was determined.

- 4.8. The Committee asked about the procedures that would be in place to maintain the ongoing accuracy of the database going forward. The health boards have agreed that a range of improvements need to be made to the arrangements in place in relation to maintaining the medical card database going forward. One of the points the CEOs of the health boards made when this problem came to light was that this was something which was assumed to be working quite smoothly. Having discovered that it is not, they are taking a root and branch approach to see what needs to be done to improve both the systems and the people aspects of it in terms of training people, who may often be quite junior, who are involved in the processing of the applications.

Required investment in Health Information Systems

- 4.9. The Committee felt that it would be prudent for the Department to maintain and co-ordinate records and that if the medical card system had been monitored nationally, more accurate information would have been available. The Committee asked if from a national point of view, the Department of Health and Children had a specific role in monitoring the database. The Department has an overall responsibility to ensure that systems are in place to give accurate information. The development of modern information systems in the health service has been part of its agenda for some time but the necessary capital investment has not been available in the necessary amounts. The department's strategy on health information systems estimates that about 2% of non-capital spend per annum, or 170 million per annum, would be needed as against a spend in the order of 30 million at the moment. As part of the e-government agenda in relation to health, the ultimate solution to this is a single client index for the entire GMS scheme based on a unique patient identifier which would be the PPSN number. In terms of future thinking on this, a smart card is needed containing patient identification data so that each time this unique identifier hits the system it would register centrally. Until that point is reached the system will be relying on health boards, on the basis that they are responsible for deciding who gets a medical card, to register accurately who gets them and to maintain that register. The only information that can be drawn on centrally is based on the basic management information obtained from health board records that are supplied to the Department. In this case, the GMS payments board at national level would obviously have a read on the overall numbers but they would also depend to a great extent on the basic records maintained by health boards.
- 4.10. The Committee inquired about the average cost of each medical card issued in the new over 70 age category and how it compared to the existing average cost of an over 70s medical card before the scheme was extended. The capitation rate for the over 70s medical card holders was 462 as against the average for all medical card holders of 177. There is, therefore, a significant cost in the deal done for the over-70s medical cards. The doctors' argument is that a

person aged over 70 is a lot more demanding on the GMS in terms of health care, and international statistics bear that out. Typically, there is a higher load placed on individual GPs by virtue of treating persons aged over 70, than treating someone in their 30s or 40s. The IMO had some opposition to the decision made by the Government and that came through in the negotiations.

- 4.11. The Committee considered whether there was a potential for fraud in the system. As the payment to general practitioners is a capitation payment, once a patient is an eligible person, the payment is made regardless of the number of visits or the number of times the patient sees the GP. In these circumstances, there is no system to check how often a patient sees a doctor. Unless there is impersonation at the individual level, the opportunity for fraud does not arise.

Recovery of overpayments from GPs

- 4.12. The Committee noted that the estimated average overpayment to GPs distributed evenly is about 3,300, but that there is no even distribution. It also noted that the IMO had not responded proactively to the issue of the overpayment and sought an explanation regarding the issues of repayment. As the overpayments to individual GPs had been calculated, the means by which recoupment would be best achieved was being considered in the context of the existing GPs' contract. The Committee felt that the Department should have a mechanism in the GMS contract with GPs to deduct the amount from a future payment. The problem was that the governing legislation is contract law and there were no specific provisions that govern the situation. It was noted that the Secretary General was entering into a process where it was expected that if it could be demonstrated to the IMO that an overpayment had been made in good faith, then it would be receptive to the idea of it being recouped.

5. Adoption of Reports

- 5.1 The Committee noted Vote 34 and Chapter 9.1 of the Annual Report.

Findings and recommendations

The Committee of Public Accounts:

specifically finds that:

- The expected cost of the budget measure to extend the medical card scheme to all those aged 70 years or over was materially under estimated due to inaccuracies in the estimate of additional persons who would be covered and the use of different capitation rates for newly eligible persons. The weaknesses in the data systems for updating the General Medical Services (Payments) Board register were not acceptable.
- An overpayment in the region of 6 million was made to General Practitioners (GP) on the extension of eligibility of the medical card scheme to all persons over 70 years old. The overpayment arose due to payments to GPs in respect of non-

existent patients. The underlying cause was a systematic failure of the Health Boards and GMS (payments) Board to properly maintain the database of medical card holders.

- The current contract with GPs does not specifically cater for the current instance of recovery of overpayments arising from administrative failings in the maintenance of the underlying databases.
- The level of current investment in health information systems falls far short of the estimates of what is required.
- The repositioning of the GMS (Payments) Board within the new Health Services Executive should improve control by leading to a consolidated database of medical cards.

and recommends in general that

- Accounting Officers should take a firmer position in terms of not giving an opinion on the expenditure implications of budget proposals where they do not have neither the systems nor adequate time to all the facts.
- The Department should assume overall responsibility for the proper functioning of the medical card system. This requires that reporting procedures should be put in place to ensure that the underlying medical card databases are being properly maintained. The Committee would like to be briefed on the new control arrangements for the database.
- The Department should pursue recovery of the overpayments to GPs with the Irish Medical Organisation (IMO) and should negotiate the insertion of appropriate clauses in the contracts with GPs to cover the issue of overpayments in error.
- Any claim by the IMO that they were underpaid should be negotiated separately.
- Projects for the reorganisation of structures and the development of health services need to take account of their implications for underlying information systems. An integrated health information strategy is needed as part of the restructuring of the Health Sector.

5. Health Project Audit - Drugs Payment Scheme – 16 January 2003, 25 September 2003

1. The Facts

- 1.1. The drugs payment scheme was introduced on an administrative basis on 1 July 1999 and put on a statutory footing in October 2001. Legal advice from the Attorney General indicated that underpayments which may have been made in the intervening period should be refunded. The potential claims involve up to 175,000 households and amount to 18 million. Many of the amounts involved are small and the administrative cost of processing the refunds on this scale was estimated at 2 million.
- 1.2. The Department's approach to making these refunds has been to use public notices to invite people to apply for refunds if they feel they had been overcharged by virtue of the way the scheme was administered during the period July 1999 to October 2001. At this stage some 13,000 claims have been received by the GMS payments board. The claims received are being processed and payment of refunds has already commenced. All claims received by the deadline were expected to be paid by the end of December 2003. The final cost and the numbers qualifying for reimbursement will not be known until all applications have been received and processed.
- 1.3. The approach adopted reduces the number of refunds to be made when compared to the alternative of putting the onus on the Department to calculate and pay refunds to all those who would be entitled to one on the basis of the GMS records. It is likely that the amount the State will have to pay out will be a fraction of the estimated 18 million originally calculated. The administrative costs will be less as well.
- 1.4. Applicants for refunds should not benefit from obtaining medical tax relief on their original expenditure under the scheme. To ensure that the Exchequer is not exposed to a double cost in such cases, applicants were made aware through the claim form that they have an obligation to contact the Revenue Commissioners if they feel that may be the case. Ultimately, it is the responsibility of individual claimants to pursue the issue with the Revenue.
- 1.5. There were also overpayments under the scheme. Legal advice received from the Attorney General indicated that the Department could not recover these overpayments from the non-statutory scheme. Accordingly, no estimate of the amount of the overpayments has been made.

2. Proceedings of the Committee

- 2.2. The committee met with the Secretary General of the Department of Health and Children and his officials and with officials from the Department of Finance on 16 January 2003, and 25 September 2003.

3. Accountability Issues

3.1. The accountability issues examined by the Committee were:

- Applications for refunds
- Overpayments in the drug refund scheme
- Employment levels in the Health Service

4. Examination of the issues

Applications for refunds

- 4.1. The Committee asked about why when 175,000 people were identified for the refund, only 13,000 have applied for it to date. The figure of 175,000 is the maximum possible number of claimants. The extent of underpayment that might be involved in any one case ranged from 1.25 to a potential 240 with the majority expected to be at the lower end of that range. In this situation, from the claimant's point of view, the value may not be huge. Secondly, from the point of view of managing taxpayers' funds, some balance had to be struck between the cost of administration of the scheme and the potential benefit to claimants. Part of the rationale in the arrangements put in place was to address the situations of those at the upper end of the range.
- 4.2. The Committee contrasted the situation with the overpayments to GPs in respect of the extension of the medical card scheme. It was clear that money is due to be paid to members of the public under the drugs payment scheme but that the Department is putting the public through every possible hoop to prevent them getting the refund.
- 4.3. There were a number of reasons why it was not possible to immediately identify all the people directly affected by the DPS change and to calculate a reliable repayment. Clients who were below the threshold under the original scheme would not be known to the system so application is the only option. The only way of drawing them out was by public notice and inviting them to make an application. The second issue is that people with higher levels of medical expense normally claim tax relief on those payments which would mean double payments being made where tax relief was already claimed by individuals. The most reasonable approach was to put that issue to people who felt they were affected by this, give them full information on it, make it easier for them to make an application and be reasonable with them in terms of the time frame in which that could be done. A further issue is where there are multiple claims from the same individuals which could not be linked on the system as it stands.
- 4.4. The Committee noted that some of the payments were very small, ranging from 1.50 to 240 but considered that it was an onerous task for the public to appreciate what is going on, to understand the advertisements in the newspapers and to get the documentation from pharmacists dating back a

couple of years. For those on its records, the Department should have been in a position to make contact directly with them.

- 4.5. The Committee expressed its concern about imposing a deadline for applying for the repayments even with the two or three month concession and felt that the refund scheme should be open-ended. A small amount is involved and if people make claims next year, they should be reimbursed. The rationale for having a specific period related to managing health spending in the current year when there are many other pressures on the health budget. It was felt a reasonable action to allow a period of three months following a fairly high profile public campaign. It was well known to pharmacists and much information for patients has flowed from the willing co-operation of pharmacists. Once the bulk of the cost is accounted for the Department would be more relaxed about individual applications received after that.

Overpayments in the drug refund scheme

- 4.6. The Committee noted that there was also a calculated overpayment to people who had availed of the scheme which was estimated by the Department at approximately 2 million. The overpayment was directly attributable to the Department's lapse in not putting the new scheme on a legal basis.

Employment levels in the Health Service

- 4.7. The Committee sought information about how many staff were working in the health service at the beginning and end of 2001 and in terms of an increase in staff, how many were represented by medical personnel - doctors, nurses and consultants - as opposed to non-medical staff. There was a general view that although staff numbers in the health service in recent years have increased from 60,000 to approximately 90,000, the service has deteriorated. The number of nursing staff increased by 25% in the period from 1997 to 2002. Currently, in 2003 terms, there are in the order of 15,000 clerical and administrative staff out of a total staff of 96,000. Of these, 10,000 were directly involved in supporting patient services and some 5,000 are in managerial posts, headquarters posts or posts in the field managing a particular service.
- 4.8. The Committee noted a perception that there are too many administrators. One particular feature is the development within a single health service executive of a national shared services centre. The idea is that, through the standardisation of basic administrative processes throughout the system, the centralisation of expertise around particular functions like payroll, procurement and accounts, one can expect an efficiency gain provided there is the necessary investment in systems. The Department was taking on board the objective of minimising administrative and managerial overheads in the health system. It is recognised that managers are performing essential functions. In so far as resources were released they would be redeployed to front-line services.

5. Adoption of Reports

5.1 The Committee noted Chapter 9.2 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Underpayments and overpayments arose from the delay in putting the new drugs payment scheme on a proper statutory footing.
- The approach adopted by the Department, to inviting members of the public to apply for refunds to which they are entitled, is pragmatic but involves considerable effort on behalf of the claimant. A more proactive approach to ensure all refunds above a threshold figure were paid could have been used.
- As persons affected by the underpayment are entitled to a refund, no time limit should be placed on the submission of an application.

and recommends in general that:

- On completion of the refunds to applicants, a look back exercise should be made to ensure that all material refunds have been made. The Committee would appreciate receiving a short report on the results of this exercise.

6. Department of Finance – 23 January 2003

1. The Facts

- 1.1. There was a significant divergence between the tax forecast for 2001 and the eventual outturn for the year. An examination was made to try and establish the reason the tax take was so out of line with the Estimate.
- 1.2. The fact that the tax shortfall against the forecast continued into the first half of 2002 raised a concern that there might be flaws in the tax forecasting methodology employed by the Department of Finance. The figures used in the forecasts are informed by data supplied by the Revenue Commissioners so there was a possibility that the shortfall might, in some way, be attributable to a reduction in the efficiency and effectiveness of tax collection. However, the chairman of the Revenue Commissioners provided information in support of his view that taxpayer compliance and revenue efficiency had been maintained or enhanced since the beginning of 2001 and had made no contribution to the shortfall in the projected tax take for the year.
- 1.3. Tax forecasting is not an exact science. Some of the factors which can affect the outcome are the effect of shifts in economic growth and its composition and the impact of once-off or extraneous factors from year to year. There is also the quality and timeliness of the data available and the actual outturn for current year taxes. This outturn is not known until after the budget forecast is made.
- 1.4. In 1999, the tax forecasting methodology group noted the direct relationship between movements in the macro economy and the tax take. When economic growth is understated, as it was in the late 1990s, the tax take will be greater than that forecast. When that logic is applied to the situation in 2001 it points clearly to the over-estimation of economic growth as being the primary cause of what turned out to be a very optimistic tax forecast for that year. All forecasts are subject to the impact of subsequent events and some of the variation was accounted for by events that could not have been anticipated such as the foot and mouth disease crisis and the events surrounding 11 September 2001.
- 1.5. According to the Department of Finance, the overall tax forecast for 2001 was broadly similar in terms of its relationship to projected GDP growth to the average outcome experienced over the previous five years. On average, this experience supported the working assumption that every 1% increase in the nominal value of economic growth would yield an increase of about 1% in tax revenue, depending on whether growth was mainly domestic or externally driven and whether budget tax measures were more or less generous. The one to one relationship has proved less reliable in the past two years where much lower rates of economic growth have been achieved than in the previous five years.

- 1.6. For 2001, the first significant factor in the shortfall in tax receipts in that year was that overall economic growth was lower than had been expected on budget day (Budget forecast 8.8%, actual outturn 5.7%). The rate at which GDP growth slowed was rapid. In volume terms it fell from 11% in the first quarter of 2001 to 7% in the second quarter, 4% in the third quarter and 1% by the end of the year.
- 1.7. A second factor in determining the level of actual tax receipts is the overall composition of economic growth. The make-up of economic growth is even more difficult to forecast than the rate of growth itself. This is especially true when the economy is subject to major shocks such as the events of 11 September and the foot and mouth disease restrictions. While the nominal level of economic activity in 2001, including price inflation, was about 0.5% lower than expected at budget time, this did not generate the expected proportion of tax receipts because of the change in the composition of economic activity. Personal consumption expenditure, which is a major driver of indirect tax revenue, was 3.8% lower in nominal terms compared with the budget 2001 forecast. One area of lower personal consumption was the tourism sector, which was particularly badly hit by the travel restrictions to combat foot and mouth disease.
- 1.8. The tax outturn for 2001 was a shortfall of almost 2,536 million against the estimate of £23,990 million. About two thirds of the shortfall (1,662 million), was in the area of indirect taxes. These taxes would be the hardest hit by the lower than projected increase in personal consumption, tourism and disruption to cross-Border trade.
- 1.9. The most persistent problem has risen in the PAYE sector where there was a shortfall of 762 million in 2001 and 734 million in 2002. The fall in income tax, taking PAYE and non-PAYE together, can be explained in broad terms by the higher than projected cost of the 2001 income tax package - 242 million; the outturn for income tax in 2000 being lower than projected - 148million; and the additional cost of the post-budget Finance Act adjustments - 135million. An in-depth examination is being carried out to try to establish a sounder basis for forecasting in this area. That will not be easy because substantial changes in the tax regime in recent years such as individualisation and the broadening of tax relief on pension contributions are likely to have affected behavioural patterns. Such changes have the potential to affect tax yield in unexpected ways because there is no history on which to ground estimates of impact. In an effort to address this problem Revenue has moved to improve the reliability of incomes data used to update the tax model for running budget costings by deriving a factual measure of income growth through the use of information drawn from a sample of more recent PAYE returns. This approach was first acted upon in 2002 in advance of budget 2003 and it is too early to evaluate its effectiveness.
- 1.10. Some of the causes of the VAT and excise shortfalls suggest a need to tighten up on tax forecasting procedures. These include the oversight in failing to factor the cost of the deferment of the payment of excise duty on alcohol into

the budget arithmetic (88 million) and the optimistic assumption that new car registrations in 2001 would match the level of 2000 registrations.

- 1.11. As in 2001, the tax revenue shortfalls in 2002 largely reflected changed economic conditions. GNP in 2002 is now estimated to have grown by only 1.8% compared to the 3.5 % we had forecast. Regarding the 2002 tax shortfall of 1,034 million, 578 million is due to lower than projected receipts from corporation tax. Ireland is not unusual in experiencing a significant shortfall in corporation tax in 2002. Other examples include Germany and the UK. Income tax came in at 383 million below budget.
- 1.12. In an effort to address the estimation problem Revenue has moved to improve the reliability of incomes data used to update the tax model for running budget costings by deriving a factual measure of income growth through the use of information drawn from a sample of more recent PAYE returns. This approach was first acted upon in 2002 in advance of budget 2003. Therefore, it is a little early to evaluate its effectiveness.
- 1.13. The Committee also considered the Marathon Oil tax arrangement of 1959.

2. Proceedings of the Committee

- 2.1. The Committee met with the Accounting Officer of the Department of Finance and his officials on 23 January 2003 and with the Chairman of the Revenue Commissioners and his officials on 10 April 2003.

3. Accountability Issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:
 - Basis for the forecasts
 - Analysis of the shortfall
 - Increase in PAYE taxpayers in 2001
 - Marathon Oil Tax Arrangements

4. Examination of the Issues

Basis for the forecasts

- 4.1. The Committee noted that the question of public confidence arises due to the significance of the shortfall in the revenue forecast. The shortfall as a percentage of the estimate was down 28% for customs and 15% for excise. A shortfall of 762 million in PAYE returns is worrying given the predictable system of collection. The difference between tax forecasting and budgeting for an individual company or a government Department is that one has to take as one's base the forecast for the world economy, particularly the European economy and one's major trading partners. Such forecasts are produced by international organisations such as the IMF, the OECD and the EU. These forecasts were also out significantly. The EU forecast of volume growth,

which is of major significance to us, was 3.1%, whereas the actual outturn was 1.5%.

- 4.2. In addition to the problems that other countries encountered, the foot and mouth disease crisis was a major event here. When one looks at where the major hits were in terms of indirect taxes in particular and at the outturns for 2000 and 2002, where the same approach to forecasting was used, it is reasonable to conclude that the distortion caused by these events caused the tax forecasting to go out of line in 2001. This was evident from the personal consumer expenditure figures, which were much lower than expected and from the increase in the number of people who went abroad for their holidays in 2001. Cross-Border trade is a major factor in all these developments. There was a major review in 1998 to determine a better means of projecting tax revenue into the future. This had been attempted since 2001 when the economy was less buoyant than the previous five years. The less buoyant economy is not delivering the same revenue return as that which obtained previously.
- 4.3. There are two parts to income tax receipts - PAYE and non-PAYE. The reason why the non-PAYE sector has been producing better results than expected while the PAYE sector has been producing lower results than expected is being investigated. When one takes the two together from 2001 and recalculates the Estimates with the current knowledge of the 2000 outturn, the cost of the budget day package in 2001 and changes made subsequent to the budget in the Finance Act, one gets a figure very close to the actual outturn. The challenge is to identify why the two constituent parts of the income tax figure are not behaving as we had expected.

Analysis of the shortfall

- 4.4. The main contributors to the shortfall were discussed:
- For excise, the budget estimate was 4.774 billion and the actual outturn was 4.05 billion, a shortfall of 724 million. The impact of the lower 2000 outturn was 110 million worse than expected. Personal consumer expenditure, the main basis for the forecast, was down, in nominal terms, by 3.8% more than was expected. Lower than projected car sales accounted for 262 million of the shortfall. The distortion caused by the foot and mouth disease restrictions and the whole pattern of spending caused excise duties to fall by a greater amount than anyone could have anticipated. Using the same approach in 2000 and 2002, the outturn was acceptable.
 - When one takes the two parts of income tax together, the outcome was 9.347 billion against a projected budget estimate was 9.879 billion, which is a shortfall of 532 million. The lower than expected 2000 outturn accounts for 148 million and the changes in the economy explain a further 64 million. There were changes of 135 million between the budget and the Finance Bill. The tax package in 2001 cost 242 million more than was allowed for because when the Department of Finance

received details of the number of people on Revenue's books at the relevant time they were significantly different from what had been assumed. One of the problems with forecasting income tax returns is that returns are only made until after the event. The 2002 outturn would only be known in the middle of 2003 at the earliest. If there are changes in the way people have responded to tax changes, this will only be known when the returns become available. Unlike most other forecasts, tax forecasts are based on forecasts of macroeconomic and other aggregates which are extremely difficult to forecast. Even after the event, outturn figures produced by the statistics offices are often revised by up to 2.9%.

The problems in tax forecasting become particularly acute when major changes occur in the level of economic activity such as occurred in 2001. In 2001 the economy grew by 11% in the first quarter and 1% in the fourth quarter. Huge disruptions to the patterns of spending, as occurred during the foot and mouth scare and after 11 September, also skew the forecasts.

- 4.5. The Committee asked what corrective action, if any, was taken in 2001 as an indicator for the way forward for 2002. A working group is building on the work done in the late 1990's to see if better forecasting methods can be found. It takes a long time to get full information on changes in the tax base and one method now used with Revenue is sampling which may be developed further. The Department of Finance is drawing on the experience from 2001 and 2002. The shortfall in indirect taxes in 2001 was not repeated in 2002. The 2002 problem was largely one of corporation tax which is difficult to predict in a climate where there is major economic change. Unexpected repayments by Revenue in 2001 accounted for £160 million alone.
- 4.6. The Committee noted that the methodology for projecting tax income was borne out by the experience of 1996 to 2000, based on the forecasting methodology group's criteria and asked if the correlation between growth in GDP and growth in taxation from 1996 to 2000 was accidental or whether the method employed was reliable in the Celtic tiger days, but has been blown apart at the first hint of a crisis. The correlation is not much more than a rule-of-thumb check to see whether the overall estimates produced compare broadly with what we have experienced in previous years. The background against which the 1998 document was produced was that the out-turns were better than had been expected and did not attract as much attention. It was suggested that if this 1:1 rule was used as an overall check it might have improved the Estimates. Individual estimates are prepared for each of the major tax heads.
- 4.7. It is no great consolation that in the current economic circumstances other countries are having difficulties with their tax forecasting as well because it is proving difficult to forecast what the economic out-turn is going to be and to forecast what the composition of that out-turn is going to be, as opposed to what one expects. From that stems even greater difficulty in terms of getting accurate revenue forecasts. The Estimates are gone over in detail under each tax head, with appropriate input from the Revenue Commissioners. In some of them, like corporation tax and capital gains tax, major swings can take place

among just a few companies. The Revenue Commissioners assist in preparing the Estimates.

Increase in PAYE taxpayers in 2001

- 4.8. The 2000 budget measures and the 2001 budget measures had the effect of increasing the cost of the 2001 tax package by 242 million as the PAYE taxpayer number was adjusted down by 57,700. This is not unusual as one does not have the detailed figures on the previous year when drawing up the Estimates and the costing was done from an older tax base. In this case, the income levels assumed for everybody initially and the undercount in the numbers originally used, both contrived to produce, on a revision, a much higher cost for the concessions than was originally set. It is not just due to the 57,000 extra cases that that has happened. The data file is based on the last available complete history, which for the costing of the 2001 budget was a 1997-98 data file. In building up a costing model to cost the 2001 budget changes, growth factors based on the same macroeconomic indicators mentioned earlier, which themselves are estimated, were applied to the 1997-98 data to bring it up to 2001 terms. The actual 1999-2000 data, which is now available has shown a higher growth in numbers and a greater growth in income levels than was originally constructed.

Marathon Oil Tax Arrangements

- 4.9. The Committee asked about an entry in the Finance Accounts reflecting a cost to the State of approximately 6 million in respect of an arrangement with Marathon Oil. In 1959, an agreement was reached between the Government and a company then known as Ambassador Oil under which the royalties paid were specified, while they and the tax involved were limited to a certain amount. It means that where the company pays more tax than royalties it gets money back. That agreement has lasted more than 40 years is a binding, contractual commitment under the terms of which the company undertook to operate. The Committee felt that it was regrettable that the State must subsidise the company to the extent of 6 million and that the contract cannot be revisited or renewed, in view of the profits made by the oil companies.
- 4.10. The royalty payments are made in six monthly instalments and the level of the royalties paid by Marathon Oil is determined principally by the quantity of gas delivered by the company to Bord Gáis Éireann and the price which the latter pays for it. Royalties are brought to account in the Exchequer receipts. With regard to the Kinsale gas deposit, under the 1959 agreement, royalties are payable by Marathon at the rate of 12.5% of the fair market value of the well-head of such oil, gas and other petroleum substances as may be produced. Where the product is not sold to the well-head, a deduction for the cost of making it saleable and transporting it to the sale point is allowable in computing royalties. The Kinsale gas deposit came into production in 1978 and as the gas is not sold at the well-head but is delivered on shore to Bord Gáis Éireann at Inch, County Cork, Marathon's transportation costs are allowed. Following agreement on the methods of calculation of the deductions, the first royalty payments cover the period from the

commencement of production in 1978 to 31 March 1982. Royalties in the Ballycotton gas field began in 1991.

- 4.11. Under article 10 of the agreement with Marathon, the company is entitled to a refund of the amount by which the total of tax and royalties paid in any accounting period exceeds 40% of the net income as defined in the article. This agreement applied to all operations pertaining to acreage held under Marathon's 21 year leases, of which it now holds royalty payments. Statutory power to make payments of this kind is contained in the Finance Act 1992 which amended section 55 of the Petroleum and other Minerals (Development) Act 1960. Article 10 requires that Marathon be paid due remittances at the time when the relevant tax is paid. The amount of royalty and tax paid in any accounting period essentially determines the extent of the remittances to be refunded to Marathon, as per the contractual obligation on the Minister devolving from the 1959 agreement, which cannot be unilaterally altered. The payment and the level of remittance which falls to be paid in any one year are issues over which the Minister of the day has no control.
- 4.12. The agreement made in 1959 with Ambassador Oil - Marathon now has this interest - was drawn up at a time of low prospectivity expectations, an unfavourable risk-reward ratio and a desire to provide a favourable environment for exploration investment to establish the existence of oil and gas resources. The Department of Communications, Marine and Natural Resources completed an examination of Marathon's article 10 net income from 1959 up to the end of 1990. As of that date the company had a net loss for article 10 purposes of 235 million.
- 4.13. Whilst Marathon has not paid income tax up to 2001, due to the fact that it was not in profit, projections indicate that it will pay income tax from 2004 to 2018 inclusive.

5. Adoption of Reports

- 5.1. The Committee noted Vote 1, Vote 6, Vote 7, Vote 12, the Contingency Fund Deposit Account, and the Finance accounts 2000 and 2001 - Department of Finance.

Findings and Recommendations

The Committee of Public Accounts

Finds specifically that:

- There was a significant shortfall in actual revenue receipts in 2001 compared to the forecast.
- The shortfall was triggered by a down turn in the international economy amplified by the economic effects of the foot and mouth disease crisis and the aftermath of the September 11 disaster.

- The large difference between actual outturn and forecast reflects the use of crude estimates based on revenue information that may be several years out of date in the forecasting model.

and recommends in general that

- The Department of Finance should report to the Committee on how it proposes to put the basis of the forecasting model on a better footing in terms of the underlying data used and the ability of the model to cater for abrupt changes in external economic conditions.
- Monthly profiles of overall central government expenditure including debt service should be published.

7. Vote 25 Environment and Local Government – 29 January 2003

1. The Facts

- 1.1. Money provided in Vote 25 represents grants to local authorities to carry out national programmes in housing, roads and water and sewerage services and an allocation to the local government fund, from which grants are made to local authorities. This is to supplement revenue received from the collection of motor taxation and replaces the old rate support grant, which was made from this Vote. There were no audit matters of substance for inclusion in the C&AG's report for 2001 for this Vote.
- 1.2. The year 2001 is the last accounting period in which the Department's traditional span of functions, dealing with housing, roads, local government, planning and urban renewal and water, which had remained substantially unchanged for more than 50 years, were comprehended by this Vote. In mid-2002, following the appointment of a new Government, major changes were made to the Department's functions. Responsibility for national roads and road traffic regulations passed to the new Department of Transport, while the heritage functions of the former Department of Arts, Heritage, Gaeltacht and the Islands, as well as responsibility for nuclear safety and Met Éireann, were assigned to this Department.
- 1.3. The year 2001 was a challenging one for the Department in terms of its core agenda. The capital programme achieved very visible progress in 2001, in terms, for example, of major improvements of the national road network; meeting the social housing needs of some 11,400 households, including the direct provision of more than 5,000 local authority houses; and advancing the provision of modern water services, with particular emphasis on environmental requirements and deficiencies in water schemes.
- 1.4. In 2001 the Department published its three-year forward statement of strategy and a new customer service action plan. A new driver theory test and an e-payment system for driving tests was introduced. On the legislative front, the Local Government Act 2001 brought a major consolidation and modernisation of local government legislation as well as providing a framework for further reform. Other legislative initiatives set down foundations for the plastic bag and landfill levies now in operation and for the penalty points system for road traffic offences. Planning regulations took forward the reform of the planning system, while preparation of the national spatial strategy and of electronic voting arrangements also intensified. Revised Agenda 21 guidelines, entitled Towards Sustainable Local Communities, were also published by the Department during the year.
- 1.5. A clear priority for the new statement of strategy for 2002 to 2005 will be to ensure that the new mandate assigned to the Department in June 2002 is discharged successfully. A review to determine the most appropriate

arrangements for performing built and natural heritage functions is underway. A number of key issues have arisen so far. The broadening of the Department's remit to include built and natural heritage functions gives it a more complete environmental mandate. It presents opportunities to formalise links between some of these new heritage functions and the existing activities in the Department's planning and environment divisions, and in local authorities, as well as possibilities for regulatory reform and rationalisation.

- 1.6. At an operational level, important issues arise as to how very extensive front-line activities in the heritage area are to be effectively managed, given that the Department has traditionally been focused on policy formulation. Consideration must also be given to the future involvement of the Office of Public Works in relation to built heritage matters.
- 1.7. The present economic and budgetary climate and the mid-term review of the NDP, which takes place this year, challenge the Department to place a heavy emphasis on achieving value for money. They are assigning particular priority at present to the development of a management information framework for the Department, in addition to supporting a similar initiative which is already well under way at local government level.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of the Environment and Local Government and his officials and with officials from the Department of Finance on 29 January 2003.

3. Accountability issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- Voluntary Housing Programme
- Water and Sewage Schemes – rural water supplies
- Group water and sewerage schemes
- Waste Management
- Electronic Voting
- Better Local Government
- The Flood Tribunal

4. Examination of the Issues

Voluntary Housing Programme

- 4.1. According to the accounts, 143 million was provided for the voluntary housing programme in 2001. The Committee asked about the average cost of a local authority dwelling built directly by the local authority, compared to the average cost of houses built by the voluntary sector, all of which are publicly funded. Traditionally, voluntary housing was felt to be better value and a product more cheaply procured than traditional local authority housing which

was beset by greater bureaucracy. However, as the voluntary sector has become professional, on pure cost grounds, there is now little to choose between the operational cost of producing a unit of voluntary housing and the cost of producing a traditional local authority house. Taking 2002 figures, the all-in cost of a unit of local authority housing country-wide is of the order of £137,500 while outside Dublin, it would be somewhat less - about £123,000. In Dublin, the average cost of a local authority house is of the order of £168,000. There are still benefits accruing from voluntary housing, such as much better and more flexible management of groups of houses after they are built, which are considered by the Department to justify continued support of voluntary housing.

- 4.2. The Committee was concerned that although the voluntary housing sector is almost entirely concerned with publicly funded contracts, there are no open and transparent tender procedures involved. Effectively, once the money is given to a voluntary housing agency it is their private money to do with as they see fit. It was explained that the Department has guidelines for local authorities and, through them, for the voluntary bodies which benefit from grant assistance which stress that the procurement of voluntary schemes should be competitive. Departmental input into voluntary housing is a subsidy and is not 100%. Accordingly, a measure of operational flexibility properly rests with the voluntary bodies. The general requirement that procurement should be competitive has been signalled to the bodies. The Committee consider that given the amount of money involved, guidelines alone were not good enough. The procedures should be tightened up because, ultimately, those organisations are free to pick and choose who they wish to invite to make a tender in the first place. Because they receive Government funding and taxpayers' money, the guidelines should be given greater force. They should not just be guidelines.
- 4.3. The Committee noted that there are a large number of local agencies (up to 90) involved in administering a relatively small number of tenant purchase houses (3,300) and shared ownership or affordable housing schemes. Some are quite small, while those in the Dublin area are quite big. From the point of view of achieving an efficient use of taxpayers' money, the Committee asked whether it would be better if that work was done by a central body. The situation was compared to the approval of third level education grants where the Central Applications Office, on its own, administers all third level places and is seen to be efficient. Similarly, the Committee inquired if it would be a more efficient use of the Department's resources if social housing schemes and loans were centralised.
- 4.4. The Department has been heedful of the need for centralised inputs in addition to the overall controls and supports operated from the Department itself for local authority housing. A number of agencies operate at central level in the housing arena. The counter argument is that there are many elements of housing administrations which are usefully operated at local level and with a measure of local discretion. Dealing with housing needs should not be directly compared with the roll out of a national roads network. There are essential local issues to the provision of housing services. A few years ago, the NESF

recommended that a national housing authority be established, the Housing Forum, a consultative body set up under the PPF, took up a counter position. It felt that a fully fledged national housing authority could draw too much from the local sphere and over-bureaucratise, if you like, the provision of housing.

- 4.5. The Committee asked about the take up on the serviced land initiative, whether it was as effective as expected. The latest position report reveals that nearly 200,000 sites are likely to be provided under the initiative while work has been completed on more than 50,000 sites. At times the initiative and the targets have not been met but, on balance, the initiative has contributed to a healthy situation on the supply of housing land. The overall situation is that a supply of six years' housing land available for housing programmes is available.
- 4.6. The Committee expressed concern about achieving value for money in terms of the future maintenance of houses and asked how the Department ensures low cost maintenance for house dwellers. In approving local authority housing proposals, the Department pays particular attention to factoring in the value of a low-maintenance or maintenance free period in the future. For older houses, there is a scheme for area regeneration and remedial works, which tries to extend the life and improve the environment of these houses. All houses, including local authority houses, must comply with minimum building regulations. It is a firm principle that local authority houses show this compliance.
- 4.7. The Committee inquired if the Department keeps a register of land owned by local authorities throughout the country and if there are regulations to discourage local authorities from getting rid of existing land, or the circumstances in which they can get rid of the land. About £430 million has been invested by local authorities in land banks to meet the needs of the social housing programme. A comprehensive register of land owned by local authorities is not kept although this will soon be available through the new accounting and financial management system which is being rolled out in local authorities and which will require them, on the accrual accounting principle, to operate an asset register. A survey of available public lands for housing, including local authority lands, is being conducted under the auspices of the Office of Public Works but is not yet complete.
- 4.8. Sometimes the same contractor will produce similar houses for both public and private sectors which can be costed on the private market. The Committee asked whether the Department has a measure of how similar housing is being provided in the private sector. There is competitive tendering for all local authority housing schemes. Local Authorities also buy houses in turnkey operations which are built in the private sector and therefore benefit from whatever the going rate is in the marketplace. It is a mixed situation. The Department focuses on unit costs and constantly reminds individual local authorities if they are out of line with averages or performance elsewhere. Output is maximised through architectural inspection and administrative comparisons.

Water and Sewage Schemes – rural water supplies

- 4.9. The Committee asked about the balance in investment between urban and rural water supply schemes. Given the obligations under the EU directive on waste water treatment, it has been necessary to front load investment in projects in major urban areas. Some schemes are extremely expensive. Work is being completed on major coastal discharges in towns such as Dundalk, Drogheda, Dublin and Limerick while a project is under way in Waterford. These are serious, environmentally prioritised schemes covered under agreements made at EU level in the early 1990s. Much of the funding for water and sewerage programmes over the past 30 years has come from EU sources and it is tied to such priorities.
- 4.10. A peak of investment in those major facilities has been reached and it is estimated that they will be less of a call on the programme. The major schemes are virtually complete and the balance of the programme will change. At the same time smaller investments in rural water programmes have received priority over the past five years. The group scheme system that has sustained the country well since the 1960s was based on a great deal of self-help, co-operative effort and practical engineering.
- 4.11. In light of updated environmental standards and technologies, the rural water programme is in need of considerable improvement and has been restructured. Approximately one third of capital resources goes into rural schemes. £22 million was spent on capital grants for group water schemes in 2001 and £5 million on the takeover of group schemes. Obtaining sewerage services is the greatest difficulty people face when they try to build in rural areas because the use of septic tanks is criticised. The essential problem is lack of Exchequer funding for rural group sewerage schemes and that has resulted in the use of an excessive number of septic tanks.
- 4.12. The Committee asked whether the new figures for the cost of landfill and incineration projects will be about 50% higher than was forecast in 2000 and if money will be available for this huge investment programme. The national development plan has an estimate of required cost of the order of 825 million. That estimate will need to be exceeded in relation to the quantum of infrastructure envisaged by the plan. The vast bulk of the funding embraced in the 825 million or any revised or increased figure will be for the private sector to meet. In general new waste management infrastructure will be provided by the private sector and costs recovered commercially by them on the basis of charges in line with "the polluter pays" principle.

Group water and sewerage schemes

- 4.13. The Committee asked if there was an estimate of what it will cost the Government to bring group water and sewerage schemes up to the standard required by the group water directive and the urban waste water directive. There is a budget to spend 644 million within the NDP period, up to 2006, on measures to improve rural water supplies. Approximately 70% of this will be

targeted on the BMW region, where group water quality problems are most acute. This gives a medium-term estimate of what is necessary to bring group water schemes up to standard. It may not be the end of all investment in these schemes because there will always be a need to visit earlier schemes which are falling out of compliance and which may need re-investment.

Waste Management

- 4.14. The Committee asked if annual reports have been submitted regarding the implementation of each waste management plan to the Department. All the waste management plans were adopted following the enactment of the legislation in late 2001. There is active dialogue between the Department and local authorities regarding action on foot of the plans but all annual reports may not have been received. Almost 3 million less was spent on waste management than was anticipated and budgeted for and there has been underspend for some years on these plans due to the delay in finalising strategies. Following the enactment of legislation that task was completed by early 2002, and there were ambitions for an increase in spending in 2003. A large tranche of grants for recycling purposes had been provisionally allocated but is subject to European Union approval in respect of its compliance with state aid regulations.
- 4.15. The Committee inquired about the effectiveness of Repak in the development of recycling. The Department operates in the role of regulator whereas Repak is the organiser and convenor of a voluntary agreement. Repak has been able to deliver and exceed the delivery of the 25% recycling target for packaging waste by 2000. That target looked quite difficult in terms of delivery some years back but it has been delivered with the commercial know-how of Repak and its members.
- 4.16. There is considerable trust going forward in the development of other producer responsibility initiatives similar to Repak in different sectors. Such an initiative is in operation in relation to plastics, construction and demolition waste and the motor trade in relation to end-of-life vehicles. The Department is working with representatives of the white goods industry in relation to end-of-life goods, and with the newspaper industry in relation to newsprint.
- 4.17. The Committee asked how the 60 million in income from the levy on plastic bags is to be spent. The Waste Management (Amendment) Act provides that it must be applied to a range of environmental purposes set out in the Act. The income supports a scheme of recycling grants and may be deployed in support of environmental awareness programmes, stricter and more active environmental enforcement and for other environmental purposes, including infrastructural purposes.

Electronic Voting

- 4.18. The Committee asked about the trial use of electronic voting machines in the Nice treaty referendum and future plans in this regard. The Department indicated that machines used up to now will not be used again in the same

format in any election. There is a commitment to roll out electronic voting to both the European and local elections in 2004. This would involve almost 7,000 voting machines at a total cost of 37 million plus VAT. The initial deployment of electronic voting machines was on a pilot basis and on the experience learned, the thousand or so voting machines would be modified and re-equipped to make them more user-friendly so that they will be virtually new machines. The machines to date cost 5.6 million plus VAT. They would form part of the complement of 7,000 machines needed for the countrywide elections.

- 4.19. The machines were not in any way in error. They were tested extensively and comparatively tested against manual voting exercises and were found in all instances to produce much more accurate results than the manual voting system. The controversy that arose concerned the protection of the machines from malicious external interference; it related to proofing the machines against those who might wish to disrupt or interfere, fraudulently or otherwise, with machines in or around voting day itself. The Department will review the situation in the context of testing the 7,000 new machines but did not consider that the concerns raised by the report of the time, were a cause of worry regarding the operation of the machines in the general election.

Better Local Government

- 4.20. The Committee considered whether Better Local Government (BLG) is giving value for money. It enhances the role of the public representative but it is a huge cost in each county area. In relation to staffing structures, the changes instituted by better local government have required expansion of numbers particularly at management level. This is estimated to cost 20 million annually in base cost spread over all the local authorities arising from the new staffing structures. The Department would not have a complacent view that by sanctioning a number of tranches of additional staff and wheeling out a well publicised programme of reforms will achieve the expected results. The test is in the implementation. It is a concern that the commitment of extra management resources must result in sharper and better performance. The analysis that local authority management prior to BLG was inordinately weak, was a correct one. For bodies administering programmes on the scale that local authorities are involved in now, such as the national roads programme, the suite of housing programmes, water programmes and complex environmental issues, it meant there was a need for a stronger management structure than was operating in local authorities at the time in question. With or without the better local government initiative, there would have been pressure for a more professional management of some of these more sophisticated programmes that were starting to challenge local authorities.

The Flood Tribunal

- 4.21. The Committee noted that in 1997, the expenditure on the Flood Tribunal was £4.6 million and in 2001, it was a little more than £14 million. The estimated spend for the Flood Tribunal for 2003 is 13 million. This is higher than might have been expected if it were only addressing the anticipated administrative

costs of the tribunal. The figure anticipates that, in 2003, the tribunal will begin awarding costs arising from some of its earlier hearings to certain participants.

5. Adoption of Reports

5.1. The Committee noted Vote 25.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A comprehensive register of land owned by local authorities is not kept.
- There was underspending of 3 million on waste management due to the delay in finalising waste strategies.
- The electronic voting machines purchased for the pilot testing in the Nice Referendum need to be modified and re-equipped to make them more user friendly. Some loss of value for money has arisen from the premature purchase of electronic voting equipment.

and recommends in general that

- Bodies in receipt of significant government funding should be required to follow open and transparent procurement rules in the placing of publicly funded contracts. The guidelines to local authorities in this regard should be tightened up.
- The Department should oversee the compilation of a comprehensive register of land banks owned by local authorities.

8. Vote 42 Department of Arts Heritage Gaeltacht and the Islands – Dúchas (the Heritage Service) – 29 January 2003, 29 May 2003

1. The Facts

- 1.1. In 1998, a PricewaterhouseCoopers report was submitted to the Department making extensive recommendations on the structure of the Department and how it should operate. The report stated that the vast bulk of the processes in operation were impacted upon by the lack of computerised systems support and by a relatively archaic financial regime.
- 1.2. Responsibility for the Heritage Service has moved between several departments over the last five years. Since June 2002, responsibility for Dúchas, together with the heritage policy section of the former Department of Arts, Heritage, Gaeltacht and the Islands, transferred to the Department of the Environment and Local Government. The Department has been conducting a major review of the heritage function, to see how best to integrate it into its new organisational setting. That setting involves the functions and capacities of the old Department of the Environment and Local Government and the question of relationships with the local government system with which it has close associations and working relations.
- 1.3. About 14% of the Irish land mass is under Special Area of Conservation (SAC) designations and it is proposed to add a very small increment to that. Some redesignations have affected the value of land adjacent to them. There is a scheme of compensation for restrictions to farming practices and restrictions to turf cutting arising from SAC designations. A voluntary scheme, funded from the Department's Vote, is operated to compensate farmers and people who have rights in relation to turf cutting, for restriction of those rights.

2. Proceedings of the Committee

- 2.1. The Committee examined expenditure on Dúchas at two meetings. The committee met with the Secretary General of the Department of the Environment and Local Government and his officials and with officials from the Department of Finance on 29 January 2003. The committee also met with the Secretary General of the Department of Arts Heritage, Gaeltacht and the Islands and his officials and with officials from the Department of Finance on 29 May 2003.

3. Accountability issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:
 - Implementation of Strategic and Organisational Change
 - Rebranding of the Heritage Service

- Special Area of Conservation Designations
- Expenditure on Monuments

4. Examination of the Issues

Implementation of Strategic and Organisational Change

- 4.1. The Committee inquired about progress in implementing organizational change as recommended in a consultancy report produced in 1998. One objective was to achieve greater regionalisation of Dúchas and greater integration of the built heritage and the natural heritage. Extensive and difficult negotiations with the staff associations were held but agreement was not reached with them. Parallel discussions were held with the Department of Finance on the additional staff required to make the reform proposals attainable and deliverable. The proposals entailed the creation of 80 to 90 additional posts. Approval has not been forthcoming from the Department of Finance for this and the Department is compelled to manage staff allocation more tightly because of the slowdown in the economy and the less favourable budgetary provisions.
- 4.2. In respect of the 2000 accounts, very serious failings in financial structures were acknowledged. The Committee asked whether Dúchas has adopted a more efficient system to monitor spending and give specific reports on heritage sites. Upto 2002, the main focus of management in the Department was to make sure it produced systems more in line with the requirements of modern management. The Department was given priority by the Department of Finance in the allocation of resources.
- 4.3. The consultants' report dealt in detail with the fact that the Department was not as accountable, in the context of IT systems, as every other Department. One of the major objectives for the Department of Arts, Heritage, Gaeltacht and the Islands, up to the point when its functions were reallocated, was the installation of a modern management information system under the management information framework. There were many things in the report, such as regionalisation, job costing, project management planning and some things that required additional staff. A project planning system was introduced in 2002 for all heritage projects.
- 4.4. At this stage, the precise prescriptions of the 1998 report, given the major sea change which has taken place in the reassignment of functions in 2002, would come across as a bit dated and will not be followed in detail. The report is part of the background to the intensive review of Dúchas functions being made.

Rebranding of the Heritage Service

- 4.5. The Committee considered the potential cost of the break up of Dúchas or its remarketing or rebranding would be significant. One of the reasons the brand of Dúchas was adopted was that the heritage service had changed Departments three times in a relatively short period and incurred a lot of costs in changing signage and vans. It was thought that a clever way to approach the future was

to have a brand name that would remain if the service was moved around Departments. It was not expected that elements of Dúchas would then be broken into separate areas. One of the measures taken was to break some signage, particularly site signage, into three elements, with the name of the site, the name Dúchas and the name of the Department written on separate boards.

Special Area of Conservation Designations

- 4.6. The Committee asked when landowners would be compensated and who would pay the compensation. There is a scheme of compensation for restrictions to farming practices and restrictions to turf cutting where SAC designations require these things. A voluntary scheme, funded from the Department's Vote, is operated to compensate farmers and people who have rights in relation to turf cutting, for restriction of those rights. Compensation has already been paid for taking sheep off mountains in the west and a reduction in sheep numbers. It has also been paid for cessation of turf cutting in various areas. The Department has an application with the European Commission for a more comprehensive compensation scheme to cover other matters and is waiting for approval.
- 4.7. In the context of the Planning and Development Act 2000, designation for nature conservation purposes is non-compensatory in relation to any claim for diminished value of the land, down-zoning. The Department does not entertain compensation claims for land that has lost its development potential by virtue of designation. There is no compensation for potential loss or loss of potential. There is compensation for actual losses incurred and that is in the regulations and that was in the agreement with the main farming organisations.
- 4.8. The Committee asked to what extent Dúchas involves itself in exercises of redesignating the boundaries of already designated special areas of conservation. A formal and informal appeals system is used where if a land owner feels that the land does not qualify for designation the Department will look at the case again. The informal system deals with most of the cases. There is also a more formal system where the land owner makes a case to an appeals advisory committee which makes a recommendation to the Minister. All appeals are dealt with on the basis of the scientific application of the directive and would be based on the existence or non-existence of the habitats. There are a number of cases where the nearest physical features, such as a road boundary were designated. There are lots of genuine cases where a particular vegetation or a community of vegetation or plants would come half way up the field and in that case it would be black and white and the boundary would be adjusted. Otherwise a new survey would give new information which would be used.
- 4.9. The primary purpose of the habitats directive is to establish an EU Natura 2000 network - an EU-wide network of habitats designed to protect priority species Community-wide. The EU instituted a review of this process in 2002. Following that, a number of North Atlantic countries convened together for this purpose and the EU took the view that there was a need to improve, refine

and add to in some respects the designations which had been already made. Ireland, together with a number of other North Atlantic members of the European Union, are responding to that requirement in the latest round of proposed designations.

- 4.10. In 1994, the EU concluded that Ireland was insufficient in relation to raised bogs because there is a very high proportion of intact raised bogs within the European Community. Under the terms of the directive, Ireland was obliged to designate more areas but there are no further proposals for raised bogs. It is expected the EU will be satisfied with these proposals. The Department is carrying out a review of the individual bogs proposed for designation and the likelihood is that in most cases domestic turf-cutting for a fixed period will not be seen as seriously damaging. It regard to purchase, it is part of the designation process that the Department pays compensation, which can be in the form of purchase of the total bog, full title, or in the form of the purchase of turbary rights. That option is open to landowners. A price was agreed in negotiation with the farming organisations some years ago that was extremely generous in relation to market prices in the west for raised bog.

Expenditure on Monuments

- 4.11. The Committee expressed its concern that the tendering process is not applied in many cases, from Glenveagh in County Donegal to other heritage sites in counties Wexford and Kilkenny. It also raised specific issues of 9,000 paid for work on a tower in Kilkenny that was not properly completed. Other services have been purchased for sites throughout the south-east without going to tender including 25,000 for materials to refurbish Gartan Lodge without proper plans or specifications. In this case a number of outside contractors were engaged without a tender process.
- 4.12. The Committee highlighted the specific case of the allocation of 1.93 million under the National Development Plan for works to conserve, consolidate and stabilise the Rock of Dunamais in County Laois. Earlier in 2003 a response to a parliamentary question indicated the cost of these works to date was 356,650 but it appeared that the actual work done belied the expenditure recorded. It was noted that the consultant architect received 92,000 and the main contractor received up to 250,000.
- 4.13. The Committee considered that there was a need to increase cost effectiveness and to have specific information about the costs on every site available. While the break-up of Dúchas *per se*, might lead to a more rational distribution of functions, without the support systems to provide information, the break-up in itself will not improve matters.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The management of expenditure in the heritage service has suffered from an inability to implement the recommendations of the 1998 consultants' report. The transfer of functions for the heritage service and the break-up of elements of the service has hindered the implementation of an effective management structure.
- There is a need for more effective control of expenditure on the refurbishment and consolidation of some monuments.

and recommends in general that

- Priority should be given to consolidating the functions of the heritage service into its new Department. The Committee expects control over expenditure on national monuments to improve and for basic financial information on costs to be available.

9. Vote 9 - Office of the Revenue Commissioners – 10 April 2003

1. The Facts

- 1.1. Sections 4.1 to 4.6 of the C&AG's report bring together in summary form information on tax collected and arrears of tax, together with a commentary on revenue audit, investigation, prosecution and write-off activities during the year of account. Net tax receipts for 2001 amounted to 28,015 million which was 800 million more than the previous year. While this amount is substantial, the rate of increase is less than in recent years reflecting the slowdown in the economy generally.
- 1.2. The amount of tax outstanding remained at about 1.5 billion at the end of May 2002. Revenue expects that it will ultimately collect about 71% of that figure, up from 63% a year earlier. Tax debt expressed as a percentage of gross collection has fallen from 4.25% in 2000 to 4.01% in 2001. Ten years ago this figure stood at 40%. Revenue are committed to continuing to reduce the debt level and have specific targets to have all debt on record less than six years old or being the subject of active enforcement or court proceedings; and to have not more than 25% of the debt on record greater than three years old.
- 1.3. While the number of revenue audits is only marginally up on the previous year, the tax, penalties and interest are up substantially by some 70 million or 50% when the yield from the DIRT look-back audits of financial institutions in 2000 is excluded. In addition to the 208.5 million audit yield mentioned in the report, Revenue auditors collected over 76 million in arrears for periods other than the periods audited. In total, the revenue audit programme during 2001 yielded 284.5 million.
- 1.4. Random audits are important as they give a perspective on how the self-assessment system is working in terms of the veracity of the returns made. In 2001, one out of every three returns randomly selected for audit resulted in additional tax liabilities being assessed. That represents an average of almost 15,000 in the cases where additional liabilities were established.
- 1.5. Revenue successfully prosecuted four cases of serious tax evasion in 2001. At the end of that year there were 31 cases on hand. Three further cases were decided in the courts in 2002. A suspended sentence was imposed in one of these cases and fines were imposed in the other two. On the customs and excise side there were 400 convictions for various offences, including six cases where jail sentences were imposed. In all, fines totalling 1,970,000 were imposed as a consequence of these convictions across all areas of Revenue activity. A dedicated investigations and prosecutions division was established during 2002. Besides increasing the focus on prosecutions, this development brings together the work of taxes and customs prosecutions into a single division. Revenue have a policy of taking more prosecutions in cases of serious tax evasion and are getting good results, although it is a slow process. This is a difficult area where it is necessary to build up skills and

experience and where the evidential burden is extremely onerous and resource intensive.

- 1.6. In terms of special investigations, in 2001, Revenue began the process of gathering the underlying taxes owed by bogus non-resident deposit account holders. Some 3,675 account holders availed of the voluntary disclosure scheme that closed in November 2001 and paid more than 227 million. Revenue is now pursuing the remaining bogus non-resident account holders and a further amount of approximately 160 million has been received to date. The big three investigations, namely BNRs, offshore investments via NIB and Ansbacher have already yielded tax including payments on account, interest and penalties of 673 million. In addition Revenue is monitoring developments at the tribunals and have a considerable number of cases under inquiry as a consequence. All of these investigations are resource intensive and some of them are very complex. There is a determination to see all these through to a successful conclusion. Such an outcome, where Revenue is seen to persevere and not to walk away, is vital for both the credibility of Revenue and for changing attitudes to tax compliance in Ireland for the better.

2. Proceedings of the Committee

- 2.1. The committee met with the Chairman of the Revenue Commissioners and his officials and with officials from the Department of Finance on 10 April 2003.

3. Accountability issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- Tobacco Excise Duty
- Outstanding taxes and levies
- Revenue Audit Programme
- DIRT and Bogus Offshore Accounts
- Anbacher Schemes
- Compliance with P35 Filing
- Integrated taxation processing system
- Collection and Enforcement Activities in 2001

4. Examination of the Issues

Tobacco Excise Duty

- 4.1. The Committee noted that in the 1999 Act initiative, a fixed amount of 168 million from the proceeds of tobacco excise duty was ring-fenced for the Department of Health and Children and inquired about the progress of this initiative. The initiative is working as a levy in terms of procedures, collection and processes. The amount goes towards funding the tobacco control office. Generally speaking, the trend in excise receipts from tobacco has not been

downward up to now, although there is some evidence that this may be changing.

Outstanding taxes and levies

- 4.2. The Committee noted that the expected level of recovery has risen to 71%, compared to 63% in May and asked about the factors that caused the increase in yield over the past year and reduction in tax debt from 40% of gross yield each year to about 4%. In recent years, efforts were made to eliminate the older, entrenched debt from the system by collecting what was collectable, discharging estimates which were not tenable in the first instance or writing off cases where there was no prospect of collection. At the same time, efforts were made to avoid the accumulation of new debt by intervening earlier.
- 4.3. Revenue monitors the performance of companies, businesses and individuals who owe tax money. There is a system of early pursuit in the Collector General's office in Limerick, with local collection officers throughout the country who go knocking on doors if debt is accumulating. The use of sheriffs and solicitor enforcement and exemplary initiatives on the debt front has also been emphasised. That would include, in some cases, being more active in the liquidation of companies. In other cases, the idea of bankruptcy, attachment and court instalment orders would be considered. In 2002, nearly 8,000 cases were sent for solicitor enforcement and nearly 30,000 cases for sheriff enforcement. Attachment was used in 689 cases, nine instalment orders were obtained from the courts, and 12 forced sales of property were organised. There were nine bankruptcy proceedings. Despite the increase in gross collection, the increased level of activity in the office and the increased volume of business, the aim for 2002 is that the debt figure will be further reduced, by 200 million to 300 million, to well below the 4% level.
- 4.4. The Committee sought information about the high number of write-offs, whether the 33,791 automatic write-offs represented a change of mind-set or a once-off effort. There was a large number of old and relatively small amounts that, if pursued, would restrict the capacity to tackle more substantial debts. A programme which automated the write-off process for certain years, subject to upper limits and spot checks on individual cases was developed. It was a one-off project but is not quite finished yet. If the debt is within manageable proportions, automated write-off will not be a regular feature.

Revenue Audit Programme

- 4.5. The Committee noted a worrying trend in the 2,200 cases that were subject to comprehensive audit, where only 813 were found to be correct. In 409 cases, the amount owed was between 12,500 and 63,000, in 93 cases, it was between 63,000 and 126,000 and, in 105 cases the amount was more than 126,000. There were only 577 cases where no additional tax was payable and others came into the net for various reasons, leaving a total of only 813 correct. Most revenue audits, other than the random audits, are targeted. A screening process selects cases that are most likely to have a yield. The case base for audit is extensive, about 400,000 cases for income and corporation

taxes that should ideally be looked at every year. Approximately 2,000 large cases are screened in each district and audited every second year. All CGT cases are given special attention with virtually 100% screening. All other cases are screened over a three to four year period, depending on the perceived risk. The audit managers choose the cases for audit from the 70,000 cases that are screened each year. By the time the cases are selected for audit, they have been through a process that has tried to identify the risky cases. This explains why one will receive such a return in so many cases.

- 4.6. The Committee noted that the number of audits increased between 2000 to 2001 by 15, yet the number of targeted audits in specific tax areas has decreased markedly, for example, audits of PAYE and income tax decreased by over 30%. There were more verification audits and desk reviews which require fewer resources and less time to conduct. During 2001, audit resources were redeployed on legacy investigations of bogus non-resident accounts, Ansbacher, pick-me-up schemes and the NIB schemes. Revenue was also dealing with the DIRT inquiry and the tribunals. Audit staff numbers increased from 746 staff in 2000 to 824 in 2001 and 876 in 2002, but the new personnel had to be trained by experienced auditors. The results of this increase in staff will emerge in the coming years.
- 4.7. The Committee noted that the value obtained from audit work in terms of the moneys collected versus administration costs appears to be declining and asked what steps are being taken to correct it. The audit programme is designed to do more than collect large sums. It is designed to act as a deterrent and make people more compliant and feeds into the area of tax collection. One must also factor into the figures the additional significant resources allocated by Revenue to other investigations initiated since 2000-01. A cost-benefit analysis of the cost of auditors would have to consider not only the amount directly collected, but also the arrears, payments on account and the impact of their work on general compliance.
- 4.8. Investigations under the random audit programme provided a return in 230 of the 472 cases that were examined. The random audit programme is in place to emphasise that anybody can be audited in any year. It also gives an indicator of overall compliance levels to check the effectiveness of targeted audits. The return from random audits is not expected to be as good as the return from targeted audits. Too many random cases produce a return. It would be better if random cases were indicating that there is a better overall level of compliance.
- 4.9. The Committee asked about the average cost of a random audit so that comparisons with the average return obtained could be made as a performance measure to assess whether the 6% policy on random audits should be extended based on the type of return. Revenue are advanced in the development of a computerised risk analysis system, which will drive the whole selection process for audit. Part of that system will have in-built management information on audit cost and yield. The Committee noted that roughly one in three organisations subject to random audit had a tax liability and asked how this information was used in relation to the 90% that are not audited. Where the results of the random audit reveal a pattern in a certain sector, business,

industry or section of taxpayers, this is fed into the profiling or screening system. The general results emerging from the random programme inform the next year's selection process.

- 4.10. While the same return is not obtained from random audits as from targeted audits, it is essential that a certain quantum of random audits is carried out. It is to the Revenue Commissioners' credit that they exceeded the target in 2001 because there were other years when they did not meet the target. By setting up in graphs, computer models and so on it is possible to determine the level of inspection or audit resource one needs to apply to that area. In the coming years, as Revenue becomes more high-tech, this will tie in with the question of the cost of carrying out those audits and consideration of the optimum level of audit that should be applied to those returns in order to get to a position where it is not advantageous to understate one's liability.

DIRT and Bogus Offshore Accounts

- 4.11. This committee noted that the Revenue Commissioners have rechecked 47 audits of financial institutions to ensure that they were keeping up with DIRT compliance issues and inquired about the findings from this work. The audit of financial institutions' current compliance with the DIRT regulations is not showing up any difficulties. Compliance with the regulations appears to be very satisfactory.
- 4.12. The committee reviewed the situation regarding bogus offshore accounts. So far 606 million has been collected from the DIRT investigation and the yield for the National Irish Bank CMI scheme is 44.5 million. In the first phase, 220 million was collected from an examination of the institutions, including the banks. The second phase involved collecting the underlying tax from the account holders. High Court orders were sought and acquired in respect of all 26 institutions that appeared to have the possibility of bogus non-resident accounts emerging from the DIRT inquiry. Under an incentive scheme, which ceased in November 2001 227 million was paid by 3,675 account holders. Since then, inquiry letters have been issued in two major tranches, for 13,500 accounts in October 2002 and 21,500 accounts in January 2003. 159 million has been collected in this phase of the inquiry to date. There will be more inquiries in the coming months and more letters will be sent out. The level of engagement with Revenue from those in relation to whom we make inquiries is quite good. It transpired that quite a few people do not have a liability or a substantial liability and that clears them out of the system.

Ansbacher Schemes

- 4.13. The tax yield from Ansbacher related investigations is 21.86 million. The Committee asked if persons found to be culpable in the Ansbacher scheme were named and shamed in the same way as other defaulters. There were 71 cases in the scheme of which 15 were mentioned at either the Flood or Moriarty tribunal. 42 of the remaining 56 cases were settled, leaving 14 cases outstanding. In 32 of the settled cases, the tax interest and penalties did not exceed the publication threshold, which is 12,700. In six cases the tax interest

and penalties exceeded the publication level and of those, three were published. The other three were not published because tax and interest had been paid at a time when the legislation permitted someone who paid a 100% penalty to avoid publication. The legislation was subsequently changed.

- 4.14. The Committee asked if there has been any prosecutions of those involved in the Ansbacher scheme. The current position is that there are 700 entities under review in 289 cases. There are 211 active investigations and six settlements. Some 62 of the 289 cases are non-resident, 12 are amnesty cases who availed of the 1993 amnesty, and there are four cases where Revenue have not been able to establish identity sufficiently. The investigation has been huge since 1998. Revenue got 150,000 documents as a result of High Court orders. One of the problems with prosecutions is that much of the evidence and documentation is offshore and some of the people to be brought to court are either offshore or, in some cases, dead. Revenue is not leaving aside the 62 people that are claiming non-residence.

Compliance with P35 Filing

- 4.15. The Committee was concerned about the proper filing of employee's material such as the P35. An advertising campaign was run, fines of over 1 million were imposed and four people were jailed for other offences. Due date compliance in May 2002 was about 58% which had increased to 90% by the end of the month. By the end of the following March, compliance had increased to 99.6%. By and large, those who do not make returns are small employers or those who have ceased to trade. A great deal of effort is invested in ensuring that P35 compliance is monitored and the process is the subject of a regular annual advertising campaign. It is one of the areas where compliance is satisfactory.

Integrated taxation processing system

- 4.16. The Committee asked if the ITPS has been extended to all taxes and about the Revenue on-line service (ROS). This is regarded as a great success story. The Revenue on-line service, has 16,000 registered customers, many of them tax practitioners in accountancy firms. These represent about 70% of the relevant taxpayer base which is a good take-up. Almost 7 billion in taxes was collected electronically since ROS was set up and electronic repayments of 578 million have been made. The Revenue Commissioners have received more than 200,000 returns through the system and the total number of transactions through the system is approaching 850,000.

Collection and Enforcement Activities in 2001

- 4.17. There were 6,106 collections by solicitors with an average yield of 8,370 per enforcement; 23,558 collections by the sheriff with an average yield of 4,280 per enforcement and 689 collections by way of attachment order with an average yield of 6,488. The least efficient method is the sheriff. The Committee asked why there was an inordinate number of collections through Sheriffs when collections by way of attachment orders and solicitors are far

more efficient and yield far more money. It was explained that the sheriffs get the more intransigent debts to collect. In most cases Revenue has exhausted a lot of avenues before sending cases to the sheriff. That is why the return per sheriff appears not to be as good as from solicitor and attachment. Attachment is a very productive area, but it is not suitable in all cases. For attachment it is necessary to identify a source of income for the person from whom one is trying to collect a debt. In the past few years, solicitors have been very effective. The yield through Sheriffs does not include taxpayers who settle directly with Revenue when a letter is received from the sheriff.

5. Adoption of Reports

5.1. The Committee noted Vote 9.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The level of tax debt had continued to decrease to around 4% of gross yield.
- There was a high number of write-offs of old and relatively small amounts. This was a once-off exercise.
- In the Revenue audit programme, only 813 of 2,200 cases selected for comprehensive audit were found to be correct. The number of PAYE and income tax audits decreased by 30% because resources were redeployed to the follow-up of the Ansbacher and NIB schemes. The target for random audits was exceeded.
- Substantial sums have been collected so far from the DIRT investigation, and the NIB and Ansbacher schemes.
- The Revenue On-line Service (ROS) has attracted 16,000 registered customers or 71% of the relevant taxpayer base. About 7 billion was collected electronically since ROS was set up.

and recommends in general that

- The organisation of the random audit programme should include an element of pure random selection of files.

10. Revenue – In-depth Examination of Tax Debt written off – 13 February 2003, 10 April 2003

1. The Facts

- 1.1. Revenue, in common with all other tax administrations world-wide, most large financial institutions and indeed many commercial firms, has to suffer a certain level of bad debt. A further 140 million was written off in tax arrears in 2001. This represents an increase on the previous year which is mainly due to the automatic clear out of a large number of low value arrears as part of Revenue's strategy of concentrating its resources on the collection of current taxes and collectable arrears. The 140 million written off in 2001 should be viewed in the context of gross tax collection of nearly 38 billion that year and represents 0.37% of tax collected. The 33,791 cases written off automatically form part of the total of the 35,173 cases which it was uneconomic to pursue.
- 1.2. An examination was made of some of the bigger cases of tax written off in 2000. The original thrust of the work was to establish the circumstances leading to the write-off in each case with a view to ascertaining how similar write-offs might be averted in future. Initial scrutiny of the associated papers relating to several cases led to the conclusion that there may have been deliberate abuse of the tax system. It appeared that some individuals had succeeded in continuing their business affairs through related companies without detection while at the same time benefiting from tax write-offs. The examination focused on identifying the extent of these activities, the relationships between various business entities, the methods used to escape tax and the overall lessons for the tax collection system. Cross-checking Revenue and company registration office records was particularly useful in this respect. There is clearly a need for better co-ordination of the work of the Revenue Commissioners and the Companies Registration Office (CRO).
- 1.3. During the examination the findings were communicated to Revenue and this has resulted in considerable tightening up in a number of areas. Other areas required a legislative approach and this has been put in hand by Revenue.
- 1.4. The main findings reflect shortcomings in the collection systems going back several years. A key issue was the non-availability to Revenue case workers of all the information that Revenue and the CRO had on the cases. The implementation of a new computerised risk analysis system in Revenue later in 2003, together with two data linking tools already in place will considerably improve this position. Since September 2000, Revenue has had full access to the database of the Companies Registration Office, which is of enormous benefit in making linkages.
- 1.5. More timely and effective intervention on non-compliance would probably have led to the collection of some of the arrears which were ultimately written off. Particular risks to tax that arise in property development and the bar trade need to be addressed. Tax clearance certification needs to be applied more stringently. Some of these issues have been rectified already and it is highly

unlikely that the outcome in the cases highlighted would have been the same if they were being dealt with now.

- 1.6. Recent developments in company law and its enforcement should help Revenue in cases where the so-called corporate veil has been historically used to avoid detection.
- 1.7. The findings should be seen in the context of Revenue's overall performance in recent years in building up compliance and maintaining and improving collection. It will always need a disproportionate amount of time, effort and resources to catch up with determined tax evaders but within reasonable limits there has to be relentless pursuit and a commensurate punishment regime if the credibility of the tax system is to be upheld.
- 1.8. A number of measures have been taken to increase effectiveness in the areas highlighted by the examination. The specific Revenue programme to combat the phoenix company syndrome needed to be broadened to cover all business activities associated with principals who had previously abused limited liability. The collection focus has increased on the directors and principals behind companies to ensure a concerted collection effort is made against all associated entities. Since mid 2002, all limited company write-off cases over 75,000 are subject to a commonality check, where the case worker examines all the linkages behind the case and, where appropriate, transfers that case to a dedicated pursuit unit now specialising in that type of work.
- 1.9. All the cases highlighted by the examination have been reopened and the affairs of the entities involved and the principals behind them are being investigated. Revenue retrospectively applied the commonality checks in a look back at all business write-off cases in 2001 and early 2002 where tax written off exceeded 100,000. As a result a very small number of cases have been referred for further examination. Special pursuit arrangements will apply to those cases just as in future they will apply to any currently identified cases.

2. Proceedings of the Committee

- 2.1. The Committee met with the Chairman of the Revenue Commissioners and his officials and officials from the Department of Enterprise Trade and Employment and the Department of Finance on 13 February 2003 and 10 April 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Legislative Amendments
 - Improvements in monitoring and risk analysis systems
 - Revenue restructuring
 - Procedures at the CRO
 - Effectiveness of Audit
 - Tax Clearance Certificates

4. Examination of the Issues

Legislative Amendments

4.1. The Committee asked if any initiatives have been taken in the Finance Bill to put in place legislation needed to tighten the collection system. No changes have been introduced as they are changes that will need wide consultation. Six possible changes are under consideration. These are:

- A proposal to restrict limited liability to make persons controlling companies responsible for unpaid tax liabilities of these companies. This would relate only to fiduciary taxes that have been taken by a company from an employee or VAT that has been collected by the company and is essentially held in trust for Revenue.
- That the issue of excise licences be dependent on the tax compliance of each business operating in the premises and not just the tax compliance of the person who holds the licence. Advice on this is needed from the Attorney General and others.
- that the penalty for trading without an excise licence, which is 1,265 for an offence in any one year, should be changed to the maximum District Court penalty of 3,000 which would apply for each illegal trading detection during the year. In cases where there is continued illegal trading, mandatory seizure of the stock and mandatory closure of the premises should be considered.
- A proposal that section 4(a) of the VAT Act, at present an optional simplification measure, should be made a mandatory measure;
- The grouping, for the purposes of VAT, of taxable persons in property companies where the same person is the principal behind them and where one of the companies has defaulted on VAT. The effect of it would be to allow a VAT repayment claim for a compliant company within the group to be offset against the liabilities of another company within the group.
- That VAT repayments to property development companies would be conditional on certain information being provided relating to the development itself, who is behind it and who is financing it.

Improvements in monitoring and risk analysis systems

4.2. The Committee asked whether individuals who are the subject of write offs are appropriately monitored to minimise future cases and how they would be pursued by the new unit. Revenue accepts that in the past the full case management process was not applied in these cases. Part of the problem was that Revenue had a huge amount of information and access to a large number of sources but were not effective in putting that information together and

making it available to the people who are making decisions in write off, and audit.

- 4.3. Significant advances have been made in this area. The registration processes have been tightened up with closer links with the Companies Registration Office. It is established who is behind the business, placing them on the Revenue database and building up information about the company, the people behind it and the business they are doing. Later in 2003, a computerised risk analysis system in Revenue will pull all the information about every company together and provide indications of where the risks are and what companies should be pursued.

Revenue restructuring

- 4.4. The current restructuring in the collection area within Revenue leads to a whole case management approach being taken across the organisation. In one case highlighted, an individual was registering for trades in different areas of Revenue depending on what trade or business he was engaged in and the full linkages between him and his companies were not made. The position in 2000, when these write-offs were made, was unsatisfactory. It represented a systematic failure, applying to all write-offs.
- 4.5. In future, everything will link back to the individual and the company and all the affairs of that particular company will be managed in one office by one team of people. Therefore, they will have a very clear view of what is going on.
- 4.6. A large cases division tackles cases where there is extensive property development, wealth and activity. There is a regional approach for the rest of Revenue where the region fully manages cases in their area. Within each region and division there is a special projects unit that monitors what is going on in the region, including the economic activity, who is accumulating wealth and the businesses running big projects.
- 4.7. The monitoring of cases like this is done by the phoenix operating unit that monitors the affairs of businesses who fail today, who walk away and who reappear tomorrow with a different name but with essentially the same business and the same employees. At present the phoenix unit is monitoring about 400 of those companies. In 2002 two companies were put into liquidation and 18 others, simply because of the attention they were getting from Revenue, either ceased trading or liquidated voluntarily. The weakness was that the Phoenix operation did not make the link back to the principals, the people behind the companies.
- 4.8. The Committee asked if it was intended to extend the commonality check on a retrospective basis back to the mid-1990s when more significant tax writeoffs were made. The real issue for this is resources and value for money in terms of what could be recovered. The cases and the people involved might be old and may be out of business. It might be a question of Revenue having to do an extensive amount of work with little return at the end of the day.

Procedures at the CRO

- 4.9. The Committee inquired how companies were allowed to trade for three years without sending annual returns to the Companies Registration Office (CRO). Historically there has been non-compliance with the requirement to file returns which was recognised as a very serious problem in the late 1990s when it was widely reported that only 13% of companies filed on time. That has changed year by year to where filing on time with tight criteria is now more than 70%. The intention is to continue with the steps for late filing penalties and move away from the strike-off process that was essential for dealing with the big numbers when most of the companies had genuinely gone away. All steps are now taken in dialogue with the Revenue Commissioners but late filing penalties are the preferred deterrent for companies for not filing.
- 4.10. A few years ago, the CRO had a huge number of companies where the filing was not up to date and the only viable strategy was to strike them off. In 1999, 28,000 companies were struck off and a further 33,000 were struck off in 2000. However, in 2001 only 1,400 companies were struck off in the whole year and in 2002, no strike-offs were made. The late filing penalty is 100 for the first late day and 3 per subsequent day until it is 1,200. That is the first line of enforcement now. The fallback position is to consider strike off action.
- 4.11. In general, 1,200 companies are formed and 600 struck off every month. It is a huge job to keep track of the business and tax liabilities of the people behind them. The lack of ability to pool all the information together is at the heart of many of these cases. The problems predated 2000. Things began to turn in 2001 and 2002 and perhaps in those circumstances more rigour was applied to the write-offs at that stage without reaching the absolute stage of commonality checks. On the basis of what we saw in 2000, it is likely there would have been similar problems going back through the 1990s.
- 4.12. What is going wrong is that the men or women in the companies are not being identified and they can change like the seasons. The companies can change but the principals do not. A key development emerging in the CRO is that in future directors of companies will have to declare their PPS number. That will be of enormous benefit to Revenue in making the linkages behind the companies.

Effectiveness of Audit

- 4.13. The Committee asked why the weaknesses in tax enforcement reported in the audit had not been picked up sooner than 2001 in the course of the internal and external audits of the Revenue Commissioners. Every year the extent of the external audit review of the write off procedures is reported. In the late 1990s Revenue automated their write off procedures and changed the basis of the write off to give a better chance to concentrate on current issues. The change was needed because in the past there was a huge amount of debt which was overstated because of bad estimates and underdeveloped systems. Each

external audit checked that the procedures were followed but the procedures themselves, in not paying enough attention to the linkages and the commonality checks were deficient. In 2000, resources were allocated to the special external audit which was unprecedented because it spanned years and took about 18 months to complete.

- 4.14. Prior to the current audit report Revenue were not aware that there was a problem. The internal audit branch was concentrating at the time on the procedures for write off, which were being automated. Revenue was at fault in so far as the actual content of the procedures or the intensive type of investigation that should have been laid down was not being done.

Tax Clearance Certificates

- 4.15. The Committee asked about the rules that are applied in order for a tax clearance certificate to be issued. A company or individual seeking tax clearance, without their tax affairs being up to date and paid, would not get a tax clearance certificate. However, if a company applies for tax clearance and its affairs are in order, the present regime would not allow Revenue to look through the company to the individuals behind it. There are companies or businesses which, temporarily, get into trouble and with whom an interest-bearing instalment arrangement would be agreed. In those cases, tax clearance would be given in the interest of letting the business continue. In many instances, if one does not give tax clearance to a company, it will go out of business because it will not be able to get contracts.

5. Adoption of Reports

- 5.1. The Committee noted Chapter 4.7 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Prior to 2000, Revenue procedures for the investigation of tax debt prior to a write-off decision were insufficient in some areas particularly related to certain trades.
- The procedures in this area have been strengthened through the modernization of the linkage capabilities of Revenue's tax administration computer systems.
- The Committee agrees in principle with the proposed legislative underpinning to further strengthen tax investigation procedures.
- The administration of files at the Companies Registration Office (CRO) has been strengthened considerably in recent years.

- Co-operation in the sharing of information held by the CRO with Revenue is important in the pursuit of tax debt.

and recommends in general that

- The required actions and consultation required for the introduction of the legislative underpinning to the improvements in tax investigation procedures should be prioritised.
- Legislation for the provision of Personal Public Service number of individuals behind company registrations should be progressed.

11. VAT Repayments to Registered Traders, Dividend Withholding Taxes – 23 January 2003, 10 April 2003

1. The Facts

VAT repayments

- 1.1. VAT receipts in 2001 amounted to some 10.5 billion but over 2.5 billion was repaid to registered traders in that year. Repayment of VAT arises in any period when the VAT on a trader's purchases is greater than the VAT on sales. For some traders this can be an occasional occurrence, for example, when an expensive piece of equipment is purchased. For others it is a permanent feature, for example, in the food industry where VAT may be payable on certain purchases while sales are zero rated. The scale of the repayment operation can be appreciated by the volume of repayments. In 2001 there were over 250,000 claims and 163,000 separate repayments.
- 1.2. An examination of the Revenue system for repaying VAT was made. Given the volume of repayments and the amount of money involved, it is reassuring to note that the audit did not find a single case of a VAT repayment having been made that was not properly due.
- 1.3. Much of the repayments system is automated. This enables the Revenue to issue payments to traders within ten working days of receipt of claim in most cases. The commitment of Revenue to customer service has to be balanced against the objective of only making correct repayments and the minimisation of the likelihood of fraud. Due to the nature and scale of the repayments it is potentially an area that is susceptible to attempted fraud. A few cases have been detected in recent years, including a major one involving a senior Revenue official.
- 1.4. The results of the examination suggest that Revenue is close to getting the balance right between the competing demands of customer service and internal controls. The report recommends a number of areas where controls could be strengthened and Revenue has taken these on board. In the medium term, the early implementation of a computerised risk analysis system and its application to VAT repayments is the key to effective management of the control of risk in this area.

Dividend Withholding Tax

- 1.5. Dividend withholding tax is a new tax. An examination was made to establish that there was an effective control framework in place, bearing in mind it is a tax that relies heavily on the companies and agents paying out dividends for its operation.
- 1.6. The examination built on a 2001 internal audit report on the administration of the tax. From its introduction in April 1999 up to the end of 2001, net amounts totalling 366 million have been collected through the medium of this tax. As

its name suggests, it is a means of collecting income tax at the standard rate upfront from dividends paid to Irish residents by Irish-resident companies. In that respect it is somewhat similar to DIRT. Recipients are required to state the amounts of dividends on their annual income tax returns and may be liable for tax at the marginal rate. Matching information from dividend withholding tax returns with income tax returns should help in validating the statements made by income taxpayers regarding dividends received.

- 1.7. Initially, Revenue's focus was on legislative, customer and IT development issues. The emphasis has been on 111 PLCs and other large corporates which account for 92% of the tax and where all returns and payments are received on time. While basic controls over the scheme were in place, a systematic monitoring regime over compliance by companies had not been initiated. Some of the consequences of not doing so were the failure to follow up on companies who had not filed a return for a current year even though they had filed returns for earlier years. A liability totalling 193,000 has since been established on five companies as a result of that particular operation. This is small in the context of the 366 million but in light of the experience with DIRT it is important to maintain a tight level of control.

2. Proceedings of the Committee

- 2.1. The Committee met with the Accounting Officer of the Department of Finance and his officials on 23 January 2003 and with the Chairman of the Revenue Commissioners and his officials on 10 April 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- Use of information collected on VAT returns
- The Integrated Tax System – Phoenix Operations
- Threshold Limit for VAT Registration
- Monitoring of Companies receiving repayments
- Dividend Withholding Tax

4. Examination of the Issues

Use of information collected on VAT returns

- 4.1. The Committee noted that the Revenue Commissioners were under utilising the information received from various return forms and asked what was being done to improve the use of the information at its disposal for risk analysis or other management purposes. Revenue is supporting the use of a PPS number by everybody involved having anything to do with Revenue. The risk analysis system will bring everything we know into a system, will profile cases and information and highlight the cases we need to look at. As a consequence of the audit, the control procedures have been reviewed. Rotation of staff and the hierarchy of staff signing off on VAT repayments

- 4.2. The committee discussed the targets for repayment of VAT. They noted the target figure that 85% of claims will be repaid within ten working days, but observed that the 6% were not repaid within 30 days. The problem is that for some of these cases it is necessary to do a verification audit. In this year's Finance Bill there is provision for the payment of interest on overpaid tax or delayed payments of tax. It has helped that in excess of 99% of VAT repayments are made by direct credit - electronic funds transfer - into the bank account of the business. That has certainly speeded things up enormously.

The Integrated Tax System – Phoenix Operations

- 4.3. The Committee noted that the integrated taxation system has taken a long time to come into effect, and asked about those who are outside the net, phoenix-type operations with a poor Revenue history, involving traders registering with no fixed place of business. These are a special focus of Revenue's special inquiry branches. The special compliance districts in the regions will have a special focus on mobile traders - people who move quickly in and out of exhibitions and concerts. There is a provision in the VAT legislation for Revenue to require such people to submit a bond or deposit. The Integrated Tax project is at the stage where almost all the taxes are within the system.

Threshold Limit for VAT Registration

- 4.4. The Committee inquired about the administrative cost of VAT, in particular the extent to which administrators' costs are consumed by the low threshold for the registration for VAT for sole traders. Revenue feel that not many of the repayments are for the lower sector. The threshold is looked at from time to time and the balance of the burden on the taxpayer and on Revenue against the compliance value of having the threshold at that level is considered. Revenue hold the view that having people registered for VAT is a good compliance tool.

Monitoring of Companies receiving repayments

- 4.5. The Committee inquired about the procedures to monitor companies which had not been audited since 1990 and new companies which had received VAT repayments of 634 million. It was explained that records of audits were not put on the ITP system, so it could not be relied on as a record of a company not having been audited since 1990. A lot of repayments would have been to companies in a group situation where the group might have been audited and it might not have transferred back. The picture is as bad as it appears as every company comes within a screening process at least every three or four years. Sometimes VAT is repaid to companies that had only been set up for a short time. The processes for registering companies for VAT are now more rigorous with more thorough inquiries into the company, business, directors and the people behind it.

Dividend Withholding Tax

- 4.6. The Committee inquired about how much extra was collected from people making the balancing payment at the higher rate. It was explained that one of the elements of the compliance programme is to make sure that the balance of tax is collected, that taxpayers declaring dividend income are identifiable. The compliance programme picks up, from the dividend withholding tax returns, the payment of dividends to particular individuals. This information is fed to tax districts where it will begin to be matched with ordinary tax returns to make sure that the income is being returned and that the balance of tax at the higher rate is actually paid. There is a difficulty in this as Revenue does not require the PPS numbers of shareholders to be shown in dividend withholding tax returns.
- 4.7. The Committee asked if Revenue can measure the extent of tax avoidance by companies and their shareholders where this tax is concerned. In particular, it was noted that there is an incentive to reward shareholders by way of increased shares within the individual companies rather than through dividends. The anti-avoidance unit is considering this issue and the extent of correlation between dividends and corporation tax paid out in a given year.
- 4.8. The Committee asked if there were plans for any integration of the DWT system and income tax systems. The real key is that the companies making DWT returns should, at some stage in the future, show the PPS number of the recipient of the dividend. That will automatically enable Revenue to link the dividend to the income tax return.

5. Adoption of Accounts

- 5.1. The Committee adopted Chapters 4.8 and 4.10 of the Annual Report.

Findings and recommendations**The Committee of Public Accounts****finds specifically that:**

- Information available to Revenue on VAT files is not fully used in the collection and enforcement of VAT and the administration of VAT repayments.
- The Integrated Tax Project is nearing completion and most taxes are now covered by it.
- Monitoring procedures for companies that receive VAT repayments have been tightened so that they come within the screening exercise every three or four years.

and recommends in general that

- Specific measures to bring phoenix companies within the Integrated Tax system should be progressed.
- The Personal Public Service number should be required on dividend returns to improve the effectiveness of the administration of the enforcement of dividend withholding tax.

12. Vote 40 Department of Social and Family Affairs – 27 February 2003

1. The Facts

Social Welfare Overpayments

- 1.1. In 2001, total expenditure of the Department was just over 7.8 billion. The Department has 1.5 million customers and processes 55 million transactions per year. The customer base has changed in recent years with a fall in the live register accompanied by substantial increases in the numbers qualifying under other schemes like pensions, lone parent payments, carers and the long term ill. The Department aims for a balance between the need to secure the system against fraud and ensuring ease of access to those entitled to benefits.
- 1.2. The amount reported as overpayments of social welfare benefits was 26 million in 2001, a fall of 3,300 cases and 0.93 million over 2000. The recovery of overpayments was 15.06 million, an increase of 2.6 million over 2000. This was higher than usual due to the outcome of a Supreme Court appeal relating to the power to recover certain overpayments.
- 1.3. As a result of points raised by the Committee last year, new criteria have been developed for the recovery of overpayments and for writing off unrecoverable amounts. A central overpayments and debt management unit has been established and a new computerised overpayments system is being developed.
- 1.4. About 11 million was attributed to fraud or suspected fraud. The largest area of fraud (4.5 million in 2001) is in unemployment benefit but this has fallen in recent years probably in line with the overall improvement in employment. At the end of 2001, 65 million in overpayments remained to be collected. An average of 10 million in overpayments is written off each year.

Prosecutions

- 1.5. The number of criminal cases forwarded to the Chief State Solicitor fell from 263 in 2000 to 163 in 2001. Of cases finalised in 2001, 36 individuals were sentenced to terms of imprisonment but 33 of these had their sentences suspended.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Social and Family Affairs and his officials and with officials from the Department of Finance on 27 February 2003.

3. Accountability Issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- The system for overpayments
- Write Off of uncollectible amounts
- Enhancement of computer systems
- Linkage to other systems
- Social Welfare Appeals

4. Examination of the Issues

The system for overpayments

- 4.1. The Committee inquired about how overpayments are identified. There are two main means of identification either from the work of the inspectors, who investigate social welfare cases and check the information provided, or from cross checking information received from the revenue commissioners with social welfare files. The Department must then decide whether an overpayment is fraudulent or not. The system to pursue recovery of overpayments is covered by a published code of practice.
- 4.2. About one-third of all overpayment cases are considered fraudulent, that is that a person has knowingly provided wrong information or made false representations to the department. The remainder are mainly due to the supply of incorrect information without a deliberate intent to defraud the system or to estate cases, where people claiming pensions do not inform the Department of their capital and it is only on their death that the information comes to light. About 10% of overpayments in 2001, amounting to 2.8 million were due to departmental error.
- 4.3. The Committee inquired about estate cases that could arise because a pensioner increases his capital through saving his pension, often because of support received from family members, neighbours or from the community. This had been raised at a previous meeting of the Committee. The department made a study that revealed that about 40% of estate cases fall into this category.

Write Off of uncollectible amounts

- 4.4. The Committee noted that the amount written off has been in the region of 10 million per year for several years. All overpayments are treated as a debt to be recovered. The Department has the authority to cancel cases where the prospect of recovery are small. Where overpayments are outstanding for more than three years with no recovery activity, these cases are written off the accounts although they remain in the records should a prospect for recovery materialise. This is a practical approach, given the volume of overpayments. Following a previous meeting of the Committee, the procedures were reviewed.

Enhancement of computer systems

- 4.5. In recent years there has been considerable investment in the enhancement of computer systems. The present system is for a manual recording of the overpayment in the central overpayments area and for a return to be made at the end of the year. The department is developing a computerised system for overpayments that would record the information immediately and would link to other systems so that the recovery of an overpayment could be made from another scheme.
- 4.6. On a wider front the department has embarked on a major upgrading of its computer systems supporting a revision of the way in which the benefit schemes are administered. The project is referred to as the service delivery model and the first scheme to be covered was the child benefit scheme. The next area to be tackled are the pension schemes.

Linkage to other systems

- 4.7. The Committee inquired about the extent of linkages between Departments in the pursuit of defaulters. The biggest area of co-operation is between the Department's inspectors and the investigation branch of the Revenue Commissioners. Sometimes a joint inspection unit will be formed for particular projects or to visit specific sites. There is also a cross referencing of files so that a person claiming benefit who was also in employment would come to the attention of the Department. Benefit claims are checked against the contribution record of the claimant.

Social Welfare Appeals

- 4.8. The Committee asked about decisions by the Department on cases referred by the Ombudsman that are appealed to the Appeals Office. There are about two dozen such cases. The duration of the appeals process is a cause for concern. It was noted that the quasi judicial nature of the appeals process has built in delays to allow time for both sides to make their case. Also, if oral meetings are involved they have to be organised in the area of the country where the case arises. The current timescale is about five or six months but it is hoped to reduce this to two or three months. A number of recommendations were made in a consultancy report on the Social Welfare Appeals Office in 2002.

5. Adoption of Reports

- 5.1 The Committee noted Vote 40 and Chapter 11.1 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Computer systems for the earlier recording of overpayments are being developed. These should improve the collection performance. The Committee wishes to be kept informed of developments in this area.
- Co-operation between social welfare inspectors and the investigation branch of Revenue is enhancing the effectiveness of the collection of overpayments.
- The average duration of the social welfare appeals process is too long.

and recommends in general that

- The rules covering the treatment of overpayments arising from certain estate cases should be reviewed as it is unfair that the estate of a pensioner should be pursued for overpayments arising from the accumulation of capital through savings made by the pensioner from his pension.
- The process improvements anticipated from the service delivery model should be progressed.
- The Department should report back to the Committee on the actions taken on foot of the review of the Social Welfare Appeals Office and in particular, the specific efforts to shorten the time taken for the appeals process.

13. Vote 31 Department of Agriculture and Food – 6 March 2003

1. The Facts

BSE

- 1.1. The first case of BSE in Ireland was discovered in 1985. As a result, BSE became a notifiable disease and the feeding of meat and bone meal to cattle was banned. These arrangements remained in place until 1996 when a link between BSE and a new disease in humans, variant CJD, was established. This raised the seriousness of BSE to new levels and demanded the introduction of much more stringent arrangements to avert the potential danger to consumer health and to protect domestic and export markets for beef.
- 1.2. In 2000 and 2001 a targeted active surveillance programme was put in place involving, among other things, the testing of all cattle over 30 months slaughtered for human consumption. The audit indicated that the Department appeared to be applying the surveillance control measures diligently. The increasing stringency of the eradication programme over these periods is reflected in the numbers of animals testing positive for the disease and in the direct and indirect costs of the programme.
- 1.3. The direct cost for the period 1989-2001 was 126 million, of which the main element was compensation to farmers, at 82 million. There was a 70% subvention from the EU towards these costs. The indirect cost of BSE is even higher. As a consequence of the discovery in late 2000 of BSE in European countries, beef consumption across the EU slumped and major markets in third countries were closed. In response to the crisis in the industry, a cattle destruction scheme, part-funded by the EU, was introduced for 2001. Farmers received 312 million under the scheme, of which 208 million was provided by the EU. The cost of slaughtering animals and destroying the meat by rendering the carcasses and their conversion into meat and bone meal was estimated at an additional 76 million which was met by the Exchequer. Over and above those costs, a further 71 million was paid to renderers in 2000 and 2001 to avert a collapse in that industry as a result of a decision to ban the feeding of meat and bone meal to all farm animals.
- 1.4. The main effect of that decision was to transform a commercial product into a waste product for the renderers. This led to the State paying virtually all the costs of the rendering process and for the storage and destruction abroad of the meat and bone meal. This expenditure has had a major impact in stabilising markets, protecting the industry and dealing with the disease. It was never intended that all of these measures would remain in place permanently so some have been phased out. The purchase for destruct scheme ended on 25 July 2001 and the SPS scheme ended on 31 March 2002. The BSE testing costs for all male animals and for female animals born after 1 January 2002 have been transferred to the industry since 14 February 2003.

- 1.5. The Government's contribution to the cost of rendering and destruction of meat and bonemeal has been progressively reduced. Although the level of State subsidy is being scaled downwards, a further 41 million was paid out in 2002.
- 1.6. BSE in one shape or another has cost hundreds of millions of euro and even the most optimistic scenario envisages significant costs for the next three or four years. There is now clear evidence of an improving trend in relation to BSE in Ireland. It is clear from the age profile of cases now being identified that the additional controls introduced in 1996 and 1997 had an effect in reducing exposure to infectivity. In 2002 some 2% of cases were identified in animals less than six years old at the time of diagnosis, compared with 16% in 2001 and 40% in 2000. While two 1999-born cases were identified in quick succession towards the end of 2002, and were a matter of disappointment, this does not affect the general age profile trend either on a national or regional basis. Overall the number of BSE cases in the last six months is 35% below that for the comparable period to the end of February 2002. The downward trend in case numbers evident since August 2002 is expected to continue throughout 2003.
- 1.7. The issues under consideration were how the Department is implementing its BSE eradication programme, how much it is costing the Exchequer and how successful its efforts have been.
- 1.8. The measures to protect consumers and to control and eradicate the disease will continue to ensure the maximum efficiency and effectiveness in the use of public funds while at the same time giving the first priority to the protection of public health and responding to consumer concerns as well as ensuring that the decline in the level of the disease continues.

Food and Mouth Disease

- 1.9. On the discovery of an infected animal in March 2001 in the Cooley area of County Louth, a cull of all farm animals in the area was undertaken to prevent the spread of foot and mouth disease. The cull presented the Department with an opportunity to ascertain and verify the numbers of sheep owned by farmers in the area and compare them to the numbers on which ewe premiums had been claimed. The exercise produced interesting numbers. Although 37,165 eligible sheep had been claimed for, 6,625 less had been culled. Some farmers had more sheep than they claimed for, some had fewer sheep and some had no sheep. The Department has now completed its investigation of 107 cases in which there were discrepancies. The Department applied penalties in 83 cases, of which 24 were paid in full. Some 24 are excluded from the scheme for two years, 12 for one year and ten had the claim disallowed in full. Currently 24 cases are being investigated by the gardaí. Department officials have provided the gardaí with statements and they are assisting the investigation and it is their understanding that a file is being prepared by the gardaí for submission to the Director of Public Prosecutions.

- 1.10. If the Cooley experience was replicated elsewhere it would cast doubt on the effectiveness of the Department's inspection regime with a possible knock-on effect of financial penalties by the EU who fund the scheme. Detailed checks on ewes on other commonages in Kerry, Galway, Mayo, Sligo and Kildare had established levels of non-compliance that were generally in line with normal findings from inspections. The final report on the situation in the Cooley area has been sent to the European Commission and there is no indication that there will be negative findings on that heading.
- 1.11. In regard to the effectiveness of the inspection regime generally, the introduction of individual sheep tagging in 2001 was a major step forward in enhancing compliance. The European Union is introducing a harmonised approach in that area in line with the elements applied in Ireland at the moment.

Penalty Interest

- 1.12. Penalty interest was incurred by the Department in 2001 to a value of more than 700,000, because of a failure to meet the 45 day deadline set out in the Prompt Payment of Accounts Act 1997. The penalties were incurred on late payments, originating in most divisions of the Department. It involved almost 3,500 invoices, representing approximately 25% of the value of all payments covered by the Act. The main factors were the purchase for destruction scheme, the special purchase scheme and the foot and mouth outbreak. The Department also introduced a new accounts system, which has brought added value but had some teething problems. With regard to some of the schemes where the invoices were big, the choice was to pay within the deadline or carry out additional checks and in some cases it was better to carry out additional checks. The scale of the penalty payments was surprising. This expenditure of taxpayers' money could have been avoided. The problem extended into 2002, on a lesser scale and some 157,000 in penalty interest was incurred in that year. New regulations that came into force in August 2002 have reduced the timeframe for payment of invoices from 45 to 30 days. The signs are that the Department has come to grips with the problem.

Outcome of the Ballaghaderreen Fire case

- 1.13. A fire in a cold store in Ballaghaderreen in 1992 destroyed 7,000 tonnes of intervention beef valued at 25 million. This was a complex case involving a number of insurance companies, 16 High Court actions and more than 70 parties. As recorded in earlier reports, the principal insurers repudiated liability and extensive legal proceedings were initiated on all sides. An out of court settlement involving all the parties was concluded in April 2002, under which the Department was to be paid 22 million. This has since been paid. Under the terms of the settlement, all parties bear their own legal costs. In the case of the Department these were substantial, amounting to 3.9 million. The Department hired a firm of private solicitors and pursued the case vigorously. In the view of the Government and the legal advisers the best possible deal was obtained. The legal costs included loss adjusters and IT expertise as well

as payments to lawyers. A number of lessons were learned particularly regarding the placing of insurance.

- 1.14. The dispute with the EU on the valuation of the beef still has not been resolved. If this goes against the Department, it would probably incur an extra cost of approximately 11 million. In determining the final cost to the Department, this would have to be added to interest costs of 15.5 million incurred in financing the shortfall from the EU since 1992 and clean-up expenses of 1 million, together with a settlement loss of 3 million and the aforementioned costs of 3.9 million. It has been a costly experience for the Department.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Agriculture and Food and his officials and with officials from the Department of Finance on 6 March 2003.

3. Accountability Issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- Lessons learned from the BSE Crisis
- Cost of the BSE Crisis
- Depopulation of Herds
- Storage of Meat and Bonemeal
- Discrepancy in Ewe Numbers
- Interest payments on late payments
- Ballaghaderreen Fire Insurance claim
- REPS, Installation Aid and School Milk Schemes

4. Examination of the Issues

Lessons learned from the BSE Crisis

- 4.1. The Committee asked if the Department had an opinion on the origins of the two 1999 born cases in view of the banning of meat and bonemeal which was considered to be the main cause of the disease. The Department made a detailed investigation of the two cases but have not made definitive conclusions. There are two aspects being considered: evidence of residual feed (animal feed that could have remained on the farm) on both farms and evidence of adjacent illegal knackereries.
- 4.2. The Committee asked if the Department learned something profound as a result of the catastrophic development of this disease, in particular, whether the two epidemics, foot and mouth and BSE, were related fundamentally to factory farming methods. After the first case in 1989 the view was that banning meat and bonemeal was a simple control. The new variant CJD in 1996 confirmed there was cross-contamination, that is, very small particles of

dust in a feeding mill can cross-contaminate feed that would not normally have meat and bonemeal in it for feeding to ruminants. The second aspect was that there was an assumption that for a large animal to go down with BSE, a fairly massive dose of infected material was needed but it was learned that a small amount of infected material can cause an animal to go down. The rapid tests that could test the large volumes referred to did not become available until 2000 when the first test was developed in Ireland. With these tests, thousands of samples could be tested and background information obtained on levels. Prior to that, it depended on individual brains from animals being brought in and subjected to laboratory analysis. That was an important development.

- 4.3. On the broad question about farming methods, intensive farming has come under focus generally at EU level, not just in relation to BSE but in terms of the whole environmental aspect, the nitrates issue, the use of antibiotics and the banning of certain antibiotics in feeds. A whole range of issues have come up from intensive farming. If a new disease emerges, as much as possible about the science should be established. Feeding large quantities of meat and bonemeal that had been produced at low temperatures to animals that were essentially herbivores was not a good idea. Feeding meat to vegetarian creatures has been disastrous.
- 4.4. There is a range of instruments in place now to assist what would be broadly called environmentally friendly farming. A much more rigorous approach is taken in relation to the use of antibiotics in feed. The Department also learned that it cannot take the implementation of controls in this area for granted. It was further learned that the food chain does not start in the food processing plant but on the farm but, more importantly, what is used on the farm and the inputs on the farm are now part of the food chain. A zero tolerance approach to the use of meat and bonemeal is now applied.

Cost of the BSE Crisis

- 4.5. The Committee asked about the overall cost of the scheme to date. There was a cost of 400 million to the Exchequer. Actual costs were in excess of 600 million but there were other costs, particularly from 2000 when markets collapsed in the countries with large populations. The total cost is heading towards 1 billion. There have been some modest costs on the dairy industry, although that industry has not suffered to the same degree and there have been some benefits for the pigmeat and poultry industries arising from an increase in consumption. The Committee asked if there was any evidence to show that the investment of 1 billion resulted in a payback to the Exchequer. It helped to retain the beef industry. Consumption in Europe is back to where it was. Ireland sold approximately 250,000 tonnes of beef to the British market in 2002 and are selling in every member state in Europe. This is the payback.
- 4.6. In the context of the total costs, the Committee noted that the amount spent on research (2.4 million) was an insubstantial sum, irrespective of the research that was carried out in the United Kingdom and elsewhere.

- 4.7. Departmental experts attended both the scientific veterinary committee in Brussels and specialised committees, and that kept them up to date with research. A good deal of research took place in the United States, Germany and in various research institutes. The rapid test was developed by private enterprise in Ireland with support of the veterinary research laboratory and could not have been developed if the expertise and the raw material had not been available. The amount spent is not the full story.

Depopulation of Herds

- 4.8. The Committee considered whether the Department overreacted by eradicating herds at the first sign of BSE. In France, if an animal is affected, it does not necessarily mean the rest of the herd will be slaughtered. From the data that is available at present, it does not appear to be having a dramatic impact in terms of a rise in the incidence of BSE. The policy of depopulation of herds brought trauma to farmers who have been devastated to see their quality cattle taken away and slaughtered. While they are compensated financially, this can never replace the quality of the cattle they originally had and, in fact, would be buying inferior quality animals. The animals could be the result of 20 or 30 years of building up genetic quality in a herd, often high yielding dairy herds. The depopulation policy is believed to have served the country well, at a time when there was little knowledge of the disease. It provided a good perception from the consumer perspective that all the animals in a herd have been removed. The policy was reviewed on an ongoing basis. The most compelling reason was a trading one. The French exempted calves born after a certain date but are, in effect, removing the adult animals.
- 4.9. Ireland is a trading country that exports huge amounts of beef and dairy products and there are particular certification requirements for the export markets. Certification requires that the product comes from a herd which never had BSE and the only way to achieve that is to remove the herd. The alternative is to leave the herd with the farmer but that means his product must be segregated in some way and excluded from certain markets. That is particularly a problem in the dairy sector because there are specific requirements, particularly in relation to baby food. There is a large baby food industry in Ireland and it is understandable that it would have extremely precise certification requirements which must be capable of being met. The French have a huge domestic population for their product. The UK has not pursued a depopulation policy but it has not exported beef for the best part of two decades.
- 4.10. There are no concerns about the quality of the herd as a result of depopulation. It is a good chance for a herd owner to enhance the quality of the herd. The problem that arises is not that they bring in inferior quality but, unknowingly, they can bring in other diseases, although not in the same category as BSE.
- 4.11. The Committee considered whether there was value for money in the level of inspections and with the necessity for 1 billion being spent. To put the matter in context, while the taxpayer has paid substantial sums, on a *per capita* basis it is small compared to what farmers have paid. No disease has ever cost the

agricultural community as much as BSE. The effects of the disease will continue to be felt for a generation because in certain instances no recovery is apparent.

- 4.12. The Committee expressed concern about the importation of animal feed. The Department operates a number of different layers to the control system. Controls of the rendering industry have been greatly scaled up. Facilities in the rendering industry have been modernised to combine time, pressure and temperature which will deactivate the BSE agent. There is also a total exclusion of meat and bonemeal from animal feed. Imports of animal feed, mainly corn gluten and other products like that are checked for even small particles of bone. There have been instances where four or five bone particles have been found and the product was seized and either returned or destroyed. While there have been no legal cases against feed importers to date, there have been five prosecutions over breaches of controls.
- 4.13. The first layer of control is the checks on farms. The Department envisage carrying out approximately 5,000 checks. A team of people is dedicated to doing this as it is something that the Department takes very seriously.
- 4.14. One of the advantages of depopulation is that it enables the Department to test the entire herd. A number of cases in cohort animals provide information concerning animals of roughly the same age, so that it may be possible to identify a source. A specific category of animal born around 1994 and 1995 seems to be giving a large number of the positive cases that have emerged. The Department has been surprised by the number of very old cases. In 2002 there were 43 BSE cases in animals of ten years plus, and we had 136 cases in animals of eight years plus. If the situation after 1996 has been stabilised, in essence the older cases are washing out of the system. While BSE will not disappear overnight, the Department is beginning to see encouraging trends, since the middle of 2002 and the beginning of 2003. The reduction is of the order of 30% which is significant.

Storage of Meat and Bonemeal

- 4.15. The Committee noted that, there are almost 200,000 tonnes of meat and bonemeal stocks in storage and the costs of disposing of such stocks are huge. There are 600 carcasses in cold storage in Tipperary. The problem was that the Department had been burying carcasses on-farm but changed that policy. The approach is to cold store them until an option for their disposal arises. In other countries, the carcasses are rendered in the same way as specified risk material. Ireland does not have that option. For a number of years it was shipped out for destruction abroad to Germany or the United Kingdom where in some instances it is burned for generating energy
- 4.16. 278,000 cattle have been slaughtered under the purchase for destruction scheme and 135,000 under the special purchase scheme. Over 400,000 cattle have been destroyed. They were not for human consumption. They were slaughtered and their carcasses were rendered into meat and bonemeal, which was shipped abroad for destruction.

- 4.17. At present, every animal over 30 months is tested under the surveillance system. This establishes if they have BSE or will enter the food chain. However, you cannot make any certification about the herd from which they came. Our trading partners require certification that every animal leaving the country is BSE free. When a herd is depopulated it is given a new identity and a new herd number. That is the argument in favour of the depopulation policy.
- 4.18. There is a general certification requirement for certain third country markets, particularly the Russian market, where 80,000 tonnes of beef was sold last year. The certificate for that market contains a statement that the animals come from herds in which there has never been a BSE case. There is no problem with the 99% of herds that do not have BSE and the more than 1,000 herds that have had BSE have been depopulated. If this had not been done, the herds and their milk would be excluded from the Russian market. Many of the dairy co-operatives were not keen on taking their milk, regardless of certification.
- 4.19. The rendering issue is placing a huge imposition on small farmers as profits are made elsewhere in the food chain between farmer and supermarket. 28 million was spent in supports for this heading in 2003. The Committee noted that in late 2000 the European Union banned the feeding of processed animal proteins to animals and that included processed poultry feed as well. The Committee asked if the Department any concerns about imported feed and has it taken any measures in that regard because of the dangers that might accrue. There is a total ban on the feeding of meat and bonemeal to pigs, poultry and cattle. For products imported from outside the EU, the standards in the slaughtering plants that supply poultry for import to this country are very high although they could have been fed meat and bonemeal. The important issue is that the products from imported animals, especially imported chickens, are not allowed into the animal feed chain.

Discrepancy in Ewe Numbers

- 4.20. The Committee reviewed the information available about the discrepancy in ewe numbers in Cooley representing 17.8% of the herd there and asked for an update on the situation. The ewe premium is a difficult scheme to police. The Department is required to test 10% of applications but in 2001 the figure was as high as 27%. The figures for the percentage penalised give a clearer picture of the situation. In 1999 it was 1.4%, in 2000 it was 1.7% and in 2001 it was 2.3% which included the Cooley factor.
- 4.21. In 2001 individual sheep tagging was introduced and has greatly strengthened the level of control. The preliminary figures for 2002 indicate a significant reduction in the level of non-compliance. There was a very loose system and tagging appears to be a solution to the problem. The tagging system requires the farmer to keep a register of the sheep he has. He then must identify the sheep individually on first movement if he has lambs moving off the farm and he must have all his sheep identified by 15 December in any year. There are two stages to tagging. The sheep going off the farm must be individually tagged and then the entire flock. The farmer must compile a register and do a

reconciliation at the end of the year. Farm organisations have complained about this but it is an important scheme in terms of the controls. It is also important for every flock owner from the point of view of information regarding how many animals he started with, how many were born during the year and the final number. Compliance is quite good as is the quality of the registers. The system is ahead of systems across the rest of Europe.

Interest payments on late payments

- 4.22. The Committee noted that the non-payment of invoices within the 45 days was in respect of a small number of substantial payments under the purchase for destruction scheme where it was important that the proper controls were followed. The presentation of an invoice is the commencement of a very long process. The Department had only two weeks notice to set up the scheme. Some of the individual invoices were for several hundreds of thousands of pounds. By performing the internal checks such as animal slaughtered the Department may have avoided some disallowances from the European Union had the payments been made earlier.

Ballaghadereen Fire Insurance claim

- 4.23. The Committee reviewed the situation of the Ballaghadereen fire insurance claim. The intervention value of the beef destroyed was 25 million. Once frozen in intervention, the value depreciated dramatically to 11 or 12 million. One has to look at this in the context of the value for which the beef could be insured. A settlement of 22 million was agreed. The argument with the European Commission is not yet concluded. The net cost to the State will be 34 million, taking the refund to the EU into account.
- 4.24. The lessons learned are that the lowest tender is not always the best tender and one must be clear about what one is getting in terms of insurance; Full information on the broker's ability as well as the insurance company's ability is needed. The practice in the insurance industry may be of multiple layering of the placing of risk. The Department got a firm of insurance brokers to review the way that insurance is placed. Changes have been in place for a number of years now. As the insurance was placed with a broker, there was a difficulty as to which insurance company was liable. They were all denying liability. There was a big problem about jurisdiction. Some insurers did not want the court proceedings to be held in Ireland so this issue went to court. At one stage there were 16 different court cases so the whole matter became very complex and confused. None of the insurers wanted to voluntarily face up to this.
- 4.25. The Committee asked why the insurance contracts were so vague. It noted that 2.9 million was paid to the lawyers as a result of faulty contracts. Loan interest of 15.5 million represented 61% of the original value of the meat is an extraordinary amount. The net effect is that the taxpayer lost over the insurers underpaying what they should have paid, the lawyers taking their cut and the bankers taking 61% of the value of the meat in interest payments. In the whole episode the gross take was up to 60 million which is nearly five times the initial investment of the beef.

- 4.26. The difficulty about the insurance was that the Department accepted the lowest price tender in good faith. There was a problem that around the time of the fire the broker was moving the insurance cover from one lead insurer to another. Both potential lead insurers denied liability and attempted to bring the State to court as a defendant to deny the liability. The broker's professional indemnity insurance was limited to 5 million and this was part of the overall settlement. The cost of lawyers' fees at 2.9 million were expensive, but without them the settlement reached would not have been obtained. Within that cost is the hire of loss adjusters and IT expertise. The loan interest was a technical decision taken between the Department and the Department of Finance, for tactical reasons, to keep the pressure on the insurance company. Had the loan been paid off, it might have sent a message that the State was not going to pursue the case. The real problem is that this dragged on for ten years. If this was known at the outset, a different approach would have been taken. The insurance companies used every device for a period to ensure that the Department did not get them into court.

REPS, Installation Aid and School Milk Schemes

- 4.27. The Committee noted that for 2001 there was a provision of 170 million and an outturn of 129 million for the REPS scheme and asked if REPS increased again in 2002. There is a provision of 3 million for installation aid for young trained farmers, but only 1.7 million was drawn down. Farmers might point to the paperwork and bureaucracy as a reason for the low draw-down on that and the REP scheme.
- 4.28. In relation to the REPS and installation aid the foot and mouth disease knocked it out in 2001 because the inspections could not take place. Both schemes picked up in 2002 when 170 million was spent on REPS. This is a demand-led scheme. The farm organisations have made no secret of the fact that they would like an increased level of payment. There is a certain amount of documentation associated with it, but it is a scheme where money is paid upfront. The main demand from the farm organisations is an enhanced level of payment but that is a different issue.
- 4.29. The school milk scheme is an EU scheme available to all primary schools which provides a supply of subsidised milk for children at primary level. For 2001, 300,000 was provided for the scheme but only 138,000 was utilised. The uptake in the scheme is low for a variety of reasons, but mainly because there is a lot of inconvenience. Someone has to take charge of the job in the school and the uptake is not as good as it should be. Ireland is one of the few member states that actually apply it. An increased awareness of the scheme would be appreciated by many schools.

5. Adoption of Reports

- 5.1 The Committee noted Vote 31 and Chapters 8.1 to 8.4 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

Finds specifically that:

- The Department acted effectively in its steps to contain the spread of BSE disease in the national herd. There are reasonable grounds to expect that as a result of the measures taken the number of cases will decline substantially within the next three to five years. The final cost of combating the disease is approaching 1 billion.
- The policy adopted on the depopulation of infected herds was necessary to protect access of the industry to its primary export markets. The effort to retain and sustain markets has had reasonable success.
- The phasing out of the subsidy on rendering will impose a further significant burden on the farming industry.
- The introduction of tagging and traceability records for sheep was an appropriate response to the discovery of discrepancies in the numbers of ewes for which ewe premia had been applied for in the Cooley area.
- The incurrance of penalty interest on late payments represents a loss of Value for Money to the Department.
- A satisfactory settlement of the Ballaghadereen Fire Insurance case has been achieved although the cost of legal expenses in the case was high.
- Given current emphasis on nutrition, the Committee is disappointed that greater efforts between the relevant Departments and school boards are not made to take full advantage of the school milk scheme.

and recommends in general that

- The Department should make every effort to avoid incurring penalty interest on late payments, especially in cases where new schemes are put in place.
- The Department should review its guidance on the placing of insurance to avoid a repetition of the circumstances of the Ballaghadereen fire case.
- The relevant authorities should set a target for a greater take up of the school milk scheme. At the very least, every school board of management should again be notified of the school milk scheme and encouraged to take it up. The Department should keep the Committee informed of action in this regard.

14. Vote 26, 27, 28 and 29 - Department of Education and Science – 12 March 2003

1. The Facts

- 1.1. The work of the examinations branch involves the setting and distribution of examination papers, co-ordinating the set-up of examination centres, organising marking, issuing results and dealing with queries and appeals. The cost of running the 2001 second level examinations was 33.6 million.
- 1.2. Arising from difficulties encountered in the leaving certificate art examination in 1995, the Department of Education commissioned an investigation into the reasons for the operational failures that gave rise to these difficulties. In addition, a joint review by CMOD and the Department included an examination of the structure of the examinations branch, its staffing, the levels of overtime and temporary staff, and a range of other issues.
- 1.3. Following these reviews, a number of new processes were introduced. These included the introduction of bar coding track which enables every individual piece of a candidate's work to be tracked from the time the candidate parts with it right through the entire system; alternative collection arrangements for examination material; the introduction of examination appeals commissioners, automated dial-up and Internet facilities for results; and the return of scripts to examination candidates, which has made an enormous difference to the openness and transparency of the examination system. All of these measures were implemented without any additional permanent staff, but placed additional burdens on the IT side of the Department. Over the past couple of years, the examinations branch has concentrated very heavily on finding IT solutions to problems and the Department has taken the view that quality assurance and customer service and indeed many of the measures supported by IT solutions, should take priority over some of the other measures that had been identified in earlier reports.
- 1.4. The Department recognised that further development of the examination system might best be achieved outside the existing framework. In June 2001, a specialist body with operational responsibility for the running of the examinations was set up. The necessary order under the Education Act 1998 has recently been made to provide for a State Examinations Commission. This has given further impetus to a new programme of change. By moving the examinations operation outside the Department it allows the Department to focus on policy and planning. The members of the commission have been appointed and extra staff are being made available. The new commission is to have a staff complement of 140 officials, which is significantly more than the examinations branch it replaces. Separate annual accounts will be prepared by the commission and the chief executive, will be accountable to the committee for his stewardship of the commission.
- 1.5. While the Department has made progress on many of the recommendations of the various reviews, it is now over to the new commission to address the

outstanding issues, particularly the need for greater flexibility in the deployment and use of staff.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Education and Science and his officials and with officials from the Department of Finance on 12 March 2003.

3. Accountability issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- School Buildings Programme
- Small Capital Grants Scheme
- Use of Untrained Teachers
- Overtime Levels
- Examinations Commission Travel and Subsistence Expenditure
- NEPS Psychologists
- Transfer of funds between the Department and Schools
- Social Inclusion Initiatives – Stay in School
- Higher Education Grants
- Surpluses Surrendered in the Votes
- School Transport
- IT2000 Programme

4. Examination of the Issues

Buildings Programme

- 4.1. The building programme for 2003 is 342.9 million which is four times the amount spent on buildings in 1997. It is geared to deliver the published programme of 140 large-scale projects at primary and post primary levels, and over 400 smaller projects. The Committee noted the legally enforceable building fund commitments of 227 million for first, second and third level for 2002 and asked whether the Department had been over-prescriptive in terms of the development of the buildings programme and the consequent knock-on effect of increasing costs on the Exchequer. The allocation of small amounts of money to deal with problems at local should be handled differently. In reply it was pointed out that a large number of buildings were badly in need of repair, refurbishment and rebuilding for many years. An effort was made to bring schools that needed a large extension or a major refurbishment up to a higher standard.
- 4.2. Forward planning is done on the basis of demographic changes. For at least ten years, the Department has had a separate planning unit as part of the building unit. This unit is in constant contact with local authorities throughout the country and continually monitors demographic shifts. In addition, the

school accommodation commission, works with the planning unit, to look at schools and demographic shifts and consider any schools that might, for example, be intending to amalgamate and those that might ultimately need to be phased out.

- 4.3. The Committee asked if there been cases where a fixed price was agreed by tender but where, due to time lapses, the price had increased from that specified in the initial contract. This happens regularly due to the time taken to complete the commissioning procedures. This is a reason for the critical review of the buildings operation, particularly the procedure needed to allow things to move through as quickly as possible within the context of the money available to the Department.

Small Capital Grants Scheme

- 4.4. While, there are cases where schools would be happy with a smaller job. There is usually tension in a district when a school up to the highest standard is built as the surrounding areas want the same and are not happy with a more limited refurbishment. At budget time, the Minister announced a system of smaller capital grants averaging 200,000 where the Department would allocate the money, let the school do the job and then satisfy itself about the results, in particular the standard of the completed accommodation. The aim is to minimize red tape. A sum of 5 million was allocated for the programme for 2003 and a pilot initiative is under way in 20 schools, all of which have four classrooms or less. The projects must be underway within one year.
- 4.5. The Department is restructuring its building unit to look at the turnover time for projects and to integrate primary and post primary projects on the same site. A set of general procedures and guidelines for schools, which are not overly prescriptive, is being produced. The school would decide the scale and scope of work within the building regulations. As long as the Department can be satisfied that it has been well built, and the school authorities are happy with it, they will fund it.
- 4.6. The Committee asked whether a value for money assessment of the building programme is carried out. The Department has procedures to look carefully and critically at building fund expenditure and uses standard design guidelines. Designs are done locally to suit the circumstances of the site or the area. The current view is to get as many projects to the required quality as possible built for the money available. There were periods in the past where buildings were constructed at the lowest possible cost to the State. Schools built in the 1970s, some of which are prefabricated buildings with flat roofs, are causing problems. Many have problems including asbestosis.
- 4.7. The Committee asked what percentage of schools identified for refurbishment projects had that work done on the basis of health and safety reports and whether these schools had been inspected. The Department advised that in the past there was a haphazard approach where in some occasions inspectors would report on the quality of school buildings while on other occasions it would come to the Department's attention through other means. A more

systematic approach is now adopted and it is proposed to build up a geographic information system database on every school in the country and on the quality of the buildings. This work has started with 115 schools in County Kildare on a pilot basis. The Committee noted that at present there had been no proactive, systematic survey of school properties and, going forward, the Department did not know the general condition of the 4,000 schools nationally. This makes it very difficult to budget for what might be required to maintain these schools, at least to a standard that will comply with general health and safety regulations. The database will take several years to assemble.

- 4.8. In the meantime, the Department depends on information on all schools that make applications for building projects to set priorities within the application list. Special education facilities, new special schools, extensions to existing special schools, accommodation for special needs autistic children, high support units or special teaching accommodation in ordinary national schools receive high priority. The other priorities are: new schools in developing areas where there are schools already in place; new schools to replace an existing school, including those that are in temporary accommodation; extensions and major refurbishment works to existing schools; and health and safety, which cannot be addressed by funds from the devolved grant or the minor grant scheme. The schools concerned are visited by professional architects or engineers. It is hoped to have a far more accurate list into the future for 2004-05.

Use of Untrained Teachers

- 4.9. The Committee inquired about the employment rights of untrained temporary teachers and substitute teachers in schools. Although many of these are in the long-term temporary or substitute category, some do not get paid for holidays and do not receive superannuation and the Committee felt this was unjust and that long term employment on a temporary basis should not be allowed. The fact that they are let go during the summer holidays breaks their service, so they may not build up proper rights considering their cumulative worked hours. The thrust of the EU directive on part-time workers is to give part-time workers the same *pro rata* rights as permanent employees. From 2003, this legislation is in force and will be implemented. In addition, the fixed term contracts directive has been passed by the EU but has not yet been transposed into EU law. Those directives will make an enormous difference to part-time employees, but there is no retrospection as it stands.
- 4.10. The Committee noted that the hourly rate for these temporary teachers can be less than that of the classroom assistant, who is there to mind the children, despite their years of service. It was explained that temporary teachers are employed by the schools and not by the Department. They would have the same limited rights as similar part-time employees in other sectors.

Overtime Levels

- 4.11. The Committee asked about overtime levels in the Department which were high and whether the extra staff in the new commission would reduce the level

of overtime. The Department has taken initiatives to reduce overtime in recent years. In 1997, 40% of the normal working hours were overtime and this was reduced to 19.6% in 2002. The managers within the examinations system consider that overtime has been reduced to a minimum level and further reductions would be difficult to achieve due to the cyclical nature of the examinations, the pressures at different times of the year and the range of skills needed, this area is run by deadlines. The additional permanent staff at the Examinations Commission will not reduce the overtime requirement as a wide range of new functions will be taken on. A number of the additional staff will need IT back-up within the examinations branch, porters, cleaners and other ancillary staff. These account for the bulk of the additional staff.

- 4.12. The total number of staff which will be in the new examinations commission is 118 administrative staff and 35 inspectors. The total cost of running the examinations commission will be in the region of 40 million per year. Overtime is expected to be approximately 0.8 million.

Examinations Commission Travel and Subsistence Expenditure

- 4.13. The level of travel and subsistence costs was 8 million in 2001 and accounted for nearly 25% of the total budget of the Examinations Commission. The Committee asked for an explanation of the necessity for travel to this extent and whether it was being reviewed. Some of the travel was in respect of training sessions in Athlone. A significant number of training and marking conferences take place within the examinations branch in Athlone. It is considered vital that staff attend these meetings and are collectively involved in the high quality training sessions available. This expenditure is seen to be important to the quality of the examinations. There is a tradition that superintendents in the examination centres are teachers and it requires travelling to centres. Travel is also needed for orals and the practical exams. Teachers generally do not assess the work of their own pupils, therefore, they have to travel to other centres or schools.

NEPS Psychologists

- 4.14. The Committee asked about underspending on the NEPS service in 2001. The Department was expanding the national educational psychological service (NEPS) in 2001 but the recruitment of psychologists was a relatively slow process because there are not as many qualified psychologists who wished to become NEPS psychologists as originally thought. Things have improved considerably in 2003 as the number of psychologists has increased from 43 to 120. Some of the savings come from delays relating to the OPW sourcing suitable accommodation at some of the centres. The psychologists are based in local and regional offices and there was, in some towns a difficulty sourcing suitable accommodation.

Transfer of funds between the Department and Schools

- 4.15. The Department is looking at ways to pay all moneys to schools as one or two grants. The aim is to consolidate the Vote and grant payment system. At

present a sports, science or library initiative may start as a once-off grant, but be continued in the following year. These have built up without careful planning and there is a need to consolidate them across first and second level education. Under the "miscellaneous" heading, there are a number of further grants and programmes. The Committee asked whether each school could be sent an annual statement listing the payments it got over the previous 12 months.

- 4.16. The Department tries to establish at the end of the year how much money each school has in its account. Individual statements are not issued as extra staff would be needed for this. Over the years, fraud or misappropriation in schools has been rare but the Department has looked at auditing school accounts at the end of the year. Boards of management are expected to sign off accounts and some schools are audited. In 2003, the internal auditor is looking at how a cross-section of schools spent their maintenance grant and other money.
- 4.17. The Committee asked that as a matter of good practice the Department should ask schools to return surplus balances in their accounts at the end of the year. Some schools have substantial balances in their accounts. School boards of management should make an annual return verified by bank statements. The Department is installing a new financial management system which will be ready by mid 2003. This will bring record keeping from a paper system, with some IT help, to a totally streamlined financial management system and will enable better information flows. Each school is to have a schedule of the payments, including the entire building programme, made to it by 2004.

Social Inclusion Initiatives – Stay in School

- 4.18. The Committee noted that in 2001, expenditure was 4.6 million less than was provided for new initiatives, including the education welfare service, school development and partnership programmes, stay-in-school programmes, after hours clubs and a breakfast for needy children scheme. The Committee sought an explanation for the shortfall of expenditure in this area. For several initiatives, the rate of progress in putting projects in place was not as quick as had been anticipated at the beginning of the year. Some schools took longer than expected to identify their precise needs. There is a slow build up for these initiatives.
- 4.19. The Committee asked about schemes to counter non-attendance of children at school. The situation varies greatly from one school to another. Some schools in disadvantaged areas, particularly in the inner city area, have made enormous strides in improving pupil attendance, as a result of the Breaking the Cycle project. Generally, the National Educational Welfare Board and the Education Welfare Act 2000 provides a framework for promoting school attendance. These developments have not operated evenly across the country. An interim chief executive officer has been appointed to the National Educational Welfare Board and 36 former school attendance officers were brought on board as welfare officers. There is a proposal for the recruitment of a larger cohort of welfare officers. The first of those new staff will be appointed in 2003. The 2003 budget for the board is 5.2 million and the board has been asked to give

priority to areas of greatest disadvantage - to begin in those areas and work out from there.

- 4.20. The Committee stressed the importance of achieving greater equality in society through equal educational opportunities and asked what must schools do to participate in the school retention initiative. The initiative involves not just the schools themselves but the wider community, including parents, local youth clubs and other local organisations. It is part of "joined up government", where many agencies and Departments are involved in a whole range of initiatives. The Department is involved in discussions with the Departments of Social and Family Affairs, Health and Children and Justice, Equality and Law Reform, and with county development boards, and a range of other agencies and organisations to plan a systematic and concerted effort to alleviate disadvantage. The Committee noted that 5 million of the Estimate of 12 million for 2001 was not spent. The school completion programme includes the age 8 to 15 early school leavers and the stay in school retention initiative which were brought together in 2002. The idea behind the programme was that it would target areas of greatest need, particularly those pupils leaving school before completion of junior cycle; and that new projects would consist of the second level school, its feeder primary schools, local statutory and voluntary agencies, community groups and the local drug task force area agencies.
- 4.21. The selection of areas for expansion of the programmes was based on data on early school leaving supplied to the Department through the post-primary database. Each project would be given support for a three-year period and would be managed by a local management committee linked in to the various agencies in the homes completion programme. When schools were invited to participate in the programme, it took a lot longer to actually get it up and running in a number of schools in the first year than was anticipated. The schools needed to link in to other initiatives in the area, working with other groups and drawing up a systematic plan. The ASTI dispute caused some problems regarding meetings with teachers to get co-operation on getting the scheme off the ground. The foot and mouth disease crisis also resulted in a period of time during which we could not bring groups of teachers together for meetings to move this forward. There were a number of unusual circumstances in 2001 which slowed down the rate of development of that programme. The scheme is now up and running now and the same issue will not arise for 2003.
- 4.22. The grant-in-aid fund for general expenses of youth organisations was underspent by nearly 3 million. This was money for drugs related initiatives by local drugs task forces. It was dependent on drugs task forces reporting back and applying for funds. There was less of a take-up in that particular year than anticipated. The subhead has since moved to another Department.

Higher Education Grants

- 4.23. The Committee asked whether the Department had carried out any evaluation of the free education system and higher education grants. The Minister initiated a review of student support within the Department, including the free

fees initiative. The report set out the different options and looked at the international experience.

- 4.24. The 2001 Appropriation Account reported savings of £13.2 million arose across several subheads because not enough students qualified for or took up higher education grants, ESF grants, VEC scholarships or alleviation of disadvantage grants. The Committee were concerned that this should happen while at the same time they are confronted by people who cannot obtain grants for third level through VECs, alleviation of disadvantage or ESF grants. The amount allocated for grants is based on an estimate derived from previous years' experience. Income levels increased considerably over a couple of years and there was more prosperity in the country. The Minister sets the income limits. In 2001 many people were excluded as a result of their being considered to have too high an income. The grants are awarded solely based on income levels. In 2002, there were still some savings, but very much less. The whole issue of student support is acknowledged to be in need of an overhaul within the Department.
- 4.25. The Committee enquired whether supplementary grants could be awarded to students when it is known that the funds are available. The administration of the grants is dependent on getting information in from local authorities quickly but the Committee noted that information issued from the Department to Local Authorities can also be late.

Surplus Surrendered in the Votes

- 4.26. The Committee noted that more than £60 million was surrendered for the three votes. The estimates are made before the academic year begins in October. The aim is for a tolerance of about 2% surplus in the Votes. There is a move towards having just one Vote rather than four as at present. This will be of benefit as surpluses in one area approaching the year end, may be moved around to areas that are short of cash.
- 4.27. The Committee asked whether the processing of third level grants by both Local Authorities and VEC offices could be combined to achieve a more efficient administrative process.

School Transport

- 4.28. There was a 5.5 million overspend on transport services in 2001. The Committee asked how much the Department paid to Bus Éireann to run the service. The overall cost for the service was 60 million. In 2001, Bus Éireann replaced 120 buses by second-hand buses from the United Kingdom. The 5 million excess expenditure arose from increased costs for improved or additional services for pupils - mainly those with special needs - increased contractor costs and minor route improvements in the mainstream provision. There were also additional services for new all-Irish or multi-denominational schools. Transport costs in general increased during the year.

IT2000 Programme

4.29. The Committee asked about the mechanisms to ensure that all children get an equal benefit from the substantial resources that are being spent on IT in schools. There was about 7.5 million allocated to the schools IT 2000 programme, of which about 4 million was spent. Some schools that have received computers that had not been put into use. Some small schools have computers, but their older teachers have not received the training required to use them. As a result of inadequate space, some computers ended up in cloakrooms. The Committee was concerned that adequate and equal value was not being received for the investment in primary schools. The Department has provided 60,000 IT training days in the last two years and further training is available to those that need it. The schools IT 2000 has been a successful flagship programme studied by Ministers for Education from other countries.

5. Adoption of Reports

5.1. The Committee noted Chapter 7 of the Annual Report but did not note the Votes pending a further meeting when additional information would be received from the Department.

Findings and Recommendations**The Committee of Public Accounts****finds specifically that:**

- In several cases, fixed price contracts for building maintenance are not adhered to due to delays in the commissioning of work following the tender competition.
- The Department has insufficient information on the general condition of school buildings. This makes it difficult to properly plan and manage expenditure on school maintenance.
- Initiatives to reduce overtime levels in the Department have led to a reduction in overtime from 40% in 1997 to 19.6% in 2002 of normal working hours.
- There are significant sums of public money tied up in the bank accounts of some schools.
- There was significant underspending in the education votes in 2001, particularly in priority areas of social inclusion measures, and higher education grants. More than 60 million was surrendered for the three Votes.
- While the IT2000 project has increased the availability of technology in schools, in some cases the required training was not provided at the right time and the schools did not have suitable space for the computer equipment.

and recommends in general that

- The recommendations of the critical review of the buildings unit should be prioritized to put the contracting of work on a better footing. The Department should include a project to improve the information available about the condition of school buildings in its strategic plans.
- The Department should issue an account of all sums paid to schools once a year. Each school should furnish returns supported by bank records. The Department should monitor the reasonableness of such returns.
- There are several areas where the Department should be better equipped to implement schemes that have been provided for in the Vote or from other sources. These include social inclusion initiatives and information technology initiatives in schools.

15. Vote 10 Office of Public Works – 16 April 2003

1. The Facts

- 1.1. In 2000, the OPW spent 21 million on seven properties on behalf of the Department of Justice, Equality and Law Reform for the purpose of housing asylum seekers.
- 1.2. Recent newspaper reports (in early 2003) indicated that two of these properties, Brock House, Donnybrook, and Lynch's Lodge, Macroom, County Cork, valued at 12 million, are vacant as a result of action taken by objectors. Both are the subject of judicial review proceedings. Furthermore, the OPW is paying substantial amounts (in the region of 500 per day) in security costs for these houses every day.
- 1.3. The Committee also pursued other issues related to Vote 10 (OPW) and Vote 44 (Flood Relief).

2. Proceedings of the Committee

- 2.1. The committee met with the Chairman of the Commissions of Public Works and his officials and with officials from the Department of Finance on 16 April 2003.

3. The Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Unoccupied Properties
 - Flood Relief
 - Expenditure Issues in the OPW Vote
 - Tallaght Garda Station

4. Examination of the Issues

Unoccupied Properties

- 4.1. The Committee inquired about the circumstances surrounding three unoccupied OPW properties purchased on the instruction of the Department of Justice, Equality and Law Reform. Where it does not have a future use for them, they advise OPW to dispose of them. The properties were purchased as being suitable for the purpose for which they were intended to be used on the basis of legal advice obtained on planning permission. This is being challenged through the courts.
- 4.2. The Committee asked about the divergence in the purchase price between Brock House and Lynch's Lodge Hotel. The main divergence in the purchase price relates to the location. Lynch's Lodge is bigger but one is located on an expensive piece of real estate in the centre of Dublin.

- 4.3. The Committee noted that a substantial amount of money is tied up in the properties not in use and the OPW continues to hold them in its portfolio and asked if it is not time to cut our losses and get out of these properties?
- 4.4. OPW is paying 184,000 per year for a piece of land in Kilkenny that would not get planning permission. It is not a serviced site. The price is a fair rental value for the property concerned. A lease option on the site has not been exercised. The Committee asked for information about the methods by which these properties were purchased. The concern was that there had been indications that there would be planning issues. A purchase in March 2002 of a property in Kilkenny led to a judicial review. The OPW did not insert a “subject to planning permission” clause in the Kilkenny purchase deal. The OPW already had experience from other sites that this would end up in court because all the others did. Although the local authority indicated to all those concerned that it would not tolerate this, that it was a site that would not have gained planning permission in the normal process, the OPW continued to persist with it. The Department of Justice, Equality and Law Reform obtain the advice of the Attorney General in the event of their view on planning permission being in conflict with that of the local authority. The Committee asked whether the properties have been run down or if the OPW maintained them and what was the cost of maintenance and security in respect of each property under its control. The Committee asked if it would be worthwhile for the OPW to cancel its arrangement as it stands to lose almost 2 million. In the meantime, the Department would wish to keep the option open in relation to that site.
- 4.5. There was an indication as far back as 2000 in regard to the property in Rosslare and the property in Myshall (purchase price 1.33 million), that there was a huge public outcry against the use of the property for the specified purpose. There was a clear indication that this problem existed with every site purchased. The Committee queried why the OPW, at the height of the property boom, continued to purchase property and not advise the Department of Justice, Equality and Law Reform that it had a problem in relation to security, maintenance and insurance of the properties. The OPW now proposes to sell some of the properties at a time when the market is down.
- 4.6. The total number of properties involved was ten. Six of them are in use. Four of them, including Myshall, are not in use and three properties are the subject of judicial review. The Department of Health and Children has a requirement for Myshall. The Committee felt that this was a poor success rate.

Flood Relief

- 4.7. The Committee noted that 600,000 was surrendered in respect of flood relief. While 2001 was not as bad as 2002 in terms of individual flooding incidents, there was serious flooding in Ringsend in 2001. The Committee asked why money handed back under this funding category. This was a result of the foot and mouth disease crisis. As flood relief work requires access through land, all work was suspended for the period of the crisis.

- 4.8. The Committee noted that it is envisaged that the OPW would be made responsible for the allocation of humanitarian relief. Humanitarian relief was allocated by the Irish Red Cross after the flooding in Dublin in early 2002. One of the values of operating through the Red Cross is that it can operate with a degree of flexibility which a State agency would not necessarily have. The speed of the response was such that OPW did not receive a single complaint from anybody in the process. On average, the pay-outs to individuals were significantly less than what insurance companies were paying. Where individuals may have had insurance but where that insurance was inadequate, there was provision for topping it up by the Red Cross. The speed and manner in which the Red Cross responded should be commended. It is not a question of compensation as such, but humanitarian assistance.
- 4.9. The Committee asked if the cost implications for OPW have been analysed in relation to houses and the commercial properties which, it was claimed, were damaged by subsidence due to the flood relief scheme in Kilkenny. The cost implications of making good any damage is dealt with within the contract. The information to date was that it is not significant in the context of the value of the contract. There is provision within the overall project budget to make good this type of damage. There is a video record of the progress of the scheme that the Committee felt should be extended. When the scheme was started the recording of it by way of video or photographs was limited in its approach. OPW has established a forum involving representatives of community groups and other local interests to tie up all the loose ends.

Expenditure Issues in the OPW Vote

- 4.10. The Committee noted that a good rental income was obtained from communication masts located in Garda stations and asked about the relationship between the Garda, the OPW and community groups opposed to the masts. There have been problems with the erection of Garda masts in some stations. It is generally managed by the Garda authorities and the Department. OPW executes the works. In the recent past there is more of an acceptance of them and there is less hostility towards these developments.
- 4.11. The Committee asked about expenditure on Farmleigh House. In 2001 there was an investment of 10 million. A further 1 million was earmarked for 2002 or 2003. This further expenditure for Farmleigh was not for maintenance. It included the cost of the development of a visitor facility in response to the public interest in Farmleigh. The facility (called the boathouse) has mixed uses, including refreshments for visitors. The maintenance cost is in the region of 400,000 to 500,000 per annum. It is a big estate, comprising approximately 80 acres. There are a number of buildings, including housing. There are regular major events and functions which must be factored in. The maintenance comprises more than the normal requirements for a house.
- 4.12. The Committee asked about a payment of approximately 2,000 for exceptional performance in respect of the foot and mouth disease outbreak in 2001. The special foot and mouth disease payment was made to the OPW

engineer in the Cooley peninsula who worked around the clock during the crisis.

- 4.13. The Committee asked about the likely effect of decentralization on OPW rents. OPW rents 25% of the expensive office space in Dublin and spent 98 million last year on renting office facilities in the capital. Decentralisation is expected to produce major cost savings to the Exchequer in terms of reducing rent payments on office space. Generally, leases provide for a five or ten year break.
- 4.14. The Committee asked for more information on Expenditure Borne Elsewhere which covers superannuation and retired allowances, notional rents payable, notional rents receivable of some 74 million, and net allied service expenditure of some 186 million in Vote 10. The notional rents apply to State owned property. Where Departments are occupying a building, OPW attributes a notional rent to it related to the market rate for that type of building. Notional items are outside the Estimates. The net allied services expenditure refers to work OPW performs for other Departments free of charge.

Tallaght Garda Station

- 4.15. Divisional status for the Gardai at Tallaght has not been implemented because there is not accommodation at Tallaght to house the gardaí. If there were a partnership with a private developer, the current site has the capacity for a major development that would be a valuable enterprise for the State and at the same time would provide better facilities for the Garda. The Committee asked if there was any progress on this issue. OPW has developed a scheme for exploiting the potential of the site and was in discussion with the planners at present. The idea was to take it to planning permission stage later in 2003, after which partners would be sought to release sufficient value to fund the Garda requirement.

5. Adoption of Reports

- 5.1. The Committee noted Votes 10 and 44.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A substantial sum of money is tied up in properties acquired by Office of Public Works (OPW) that are not in use. These pose a risk to Value for Money.
- The acquisition of properties without inserting a “subject to planning permission” clause in the purchase contract was a poor use of public money as the properties cannot be used for the purposes for which they were purchased. For the specific property acquisitions under scrutiny, the contracts were deficient in not including a subject to permission clause. The Committee considers that this is an extraordinary lapse from what is accepted practice throughout the economy.
- Expenditure on flood relief was significantly below budget due to the effects of the foot and mouth crisis.

and recommends in general that

- OPW should review its purchasing guidelines to ensure that the essential clauses are inserted to provide for making properties suitable for the purposes for which they are acquired.

16. Vote 5 Central Statistics Office – 8 May 2003

1. The Facts

- 1.1. The census takes place every five years or so and entails considerable amounts of taxpayer's money. This prompted an examination of the financial management of the 2002 census by the Central Statistics Office (CSO). This census was originally intended to take place in April 2001 but was postponed by the Government because of the foot and mouth disease outbreak. The decision to postpone the census was made just one month before its scheduled date. Therefore, it was inevitable that there would be a cost associated with the postponement. The estimated cost of the postponement, mostly comprises salary costs of staff recruited for the census, computer related costs and, ultimately, the nugatory expenditure incurred in printing 2001 census forms. In all, the cost amounted to an estimated 7.75 million, although this figure does not take into account the benefit the CSO obtained by the temporary internal deployment of the surplus staff, including any consequential savings that may have accrued.
- 1.2. The overall cost of the census, including the cost of the postponement, worked out at approximately 44 million, well up on the 19.5 million cost of the 1996 census. One of the major contributory factors in the increase was the decision to invest in new computer hardware and software and avail of advances in image technology. Apart from the economies to be realised from reducing the data input effort, the new system was expected to enable the CSO to bring forward the dates of its final census reports by about eight months. CSO is on schedule to meet this target.
- 1.3. In November 1999, the CSO sought the approval of the Government contracts committee to engage a consultant to provide specialist technical advice in managing the tendering process of engaging a contractor to provide a computerised scanning and recognition system. Due to time constraints it took the exceptional step of engaging a named consultant to do this rather than follow normal competitive tendering procedures. At the time the cost was 31,743, for which Government approval was granted. In January 2000, however, the CSO decided to expand the original role with the result that the final cost of the services provided amounted to 177,000. The total cost of the new computer system was 8.7 million.
- 1.4. The report found that CSO managed the census in a satisfactory manner. Allowing for unavoidable costs arising from the postponement of the census, the report gives positive assurance on the moneys expended.

2. Proceedings of the Committee

- 2.2. The committee met with the Director of the Central Statistics Office and his officials and with officials from the Department of Finance on 8 May 2003.

3. Accountability Issues

3.2. The accountability issues examined by the Committee were:

- Engagement of consultants
- Cost of 2002 Census
- Availability of census information
- Recruitment of Census Staff
- Printing of Census Forms
- Commercial Value of Census Information
- Advertising Budget
- CSO Surveys

4. Examination of the Issues

Engagement of consultants

- 4.1. The Committee inquired why the scope of the consultancy was changed so soon after receiving initial Government contracts committee approval on 30 November 1999 and why it did not follow public service guidelines and put these extra services out to competitive tender. The Committee was concerned that to use "exceptional circumstances" as justification for dispensing with normal competitive tendering procedures on two occasions over a three month period is unacceptable.
- 4.2. The original intention in relation to the contractor was to seek advice on procurement issues. The new technology involved had been used by other countries and was quite complex. After the consultant was initially engaged it was realised that more complex legal and technical advice would be needed. The consultant engaged had provided this advice in the United Kingdom. If CSO had not taken him on, they would have needed to seek both technical and legal advice. They followed a single tender procedure with the approval of the Government contracts committee.
- 4.3. The time available to deliver the contract was extremely short because it was necessary to obtain staff agreement to bring in the new technology. That took longer than was envisaged. One of the features of the census is that it is done on a particular date and one either has one's system available on that date or one does not. That is what made the situation so exceptional. The second issue was that the consultant had a unique competence in the technology, having advised on a similar contract in the United Kingdom. Those two circumstances, the time and the uniqueness of his expertise, made the circumstances exceptional.

Cost of 2002 Census

- 4.4. The Committee was concerned with the large increase in the cost of the 2002 census over 1996 and inquired whether CSO regarded the expenditure as good value for money and on what basis the increase was warranted. In 1999, CSO estimated that repeating the 1996 approach would have cost approximately

31.7 million at 1999 prices. Allowing for price changes between 1999 and census date (2002), the figure is between 35 million and 36 million. When the postponement costs are excluded, the new technology based approach delivered the census at roughly the same cost.

- 4.5. There was additional expenditure on technology and reduced expenditure on headquarters staffing but the real gain is that the valuable information will be available eight months sooner. There are spatial strategies and all kinds of other policy needs that will benefit from this.
- 4.6. Headquarters staff was cheaper even though the cost of labour increased probably by about 100% in the period. The increase is reflected in the field staff costs which doubled from 7.5 million to 16.6 million. This is in respect of payments to the 4,500 people recruited specially for the purpose. Between 1996 and 2002 the minimum wage was introduced. There was also a very tight labour market at the time of recruiting for the 2001 census and the rates offered needed to at least match the minimum wage. In 2002 prices, the census this time cost roughly the same as the old exercise. In other words the cost of technology offset the cost of the staff that would otherwise have had to be recruited. However, the big advantage to society is that the information will be available when it is needed, considerably sooner than before.

Availability of census information

- 4.7. The Committee inquired when census information would be made available. The principal census results are available in June 2003 followed by the full 13 volumes which would appear over the following 12 months and be completed in April 2004. Correspondingly, in 1996 the final census volume was available in December rather than April. The census data deals with population; age; households; usual residence; migration information; industry; occupation; education; a special report on the Traveller community arising from a new question on the census; travel to work; disability and carers; Irish language; and religion. The volume on religion will be available on 8 April 2004 and the final volume on 22 April 2004.

Recruitment of Census Staff

- 4.8. The Committee asked about the recruitment of census staff prior to the postponement, the contracts they were given and normal practice for engaging resources for the census. Some 110 people had been recruited. Some 19 of them were redeployed and 91 were retained within the CSO involved in various functions.
- 4.9. Recruiting people in 2001 was very difficult. CSO had scheduled to recruit more than the numbers they actually took on by the time the Government decided to cancel the census. CSO took the decision to retain the people hired rather than risk not getting them again. The resource windfall did not generate full value as they were left with a number of people without notice. Some activities were undertaken that would not otherwise have been progressed and

CSO was in a stronger position to proceed with the resumed census than they otherwise would have been.

- 4.10. The Committee asked about the employment of enumerators. About 4,500 extra staff are needed for the census, 4,000 of whom are enumerators. The country is divided into 4,000 enumeration areas, with pockets of 350 households in rural areas and pockets in urban areas which are a little smaller in areas which are difficult to enumerate. CSO provides maps and training in contacting every person and household in the country in a concentrated period of time. Following the census, there are 1.4 million household forms or information for 3.9 million people to be processed. The work commences months in advance.

Printing of Census Forms

- 4.11. The Committee asked about the arrangements for printing the census forms. A printing contract worth 1.3 million was awarded for the 2001 forms. When the contract was awarded the work was subcontracted. A proportion of the forms was not of good quality and had to be returned. When the census was cancelled the forms were no longer of use. A refund of 100,000 was recovered.
- 4.12. In 2002 CSO needed to reprint forms with a new census date. There was one overall contract with a supplier of services. Because of bringing in the new technology and using scanning techniques, a sophisticated form was required in terms of design and colour. For this reason the production of the forms was included as part of the overall processing contract for the census. As the technology was new, it was felt that the forms provided in 2001 would not fully meet the high quality required. It was on this basis that the refund was received. For 2002, the contractors changed to a Dublin based printer who provided very satisfactory forms.

Commercial Value of Census Information

- 4.13. The Committee asked about the commercial value of census information and the extent to which it can be sold to commercial firms to achieve better value for money. The purpose of the census is to inform the public, ordinary people, the media and the political system. Statistics are a public good for the most part.
- 4.14. With the advent of the geographic information systems the market for census information has increased but is finite and limited to the production of small area data. The opposite trend is taking place in regard to statistics in general. At the national or regional level they are seen more as a public good which should be made available as quickly as possible by using new technology such as the Internet to push the information out and encourage people to use it. As the potential return even in the most market driven statistical service would only be a tiny fraction of the cost of statistics, the value of the information itself is the justification of statistics.

- 4.15. Much public sector thinking over the past ten or 15 years in some countries has been towards developing a market orientation and selling data, not just in statistical offices but also in other areas of the public service. It is interesting that in statistical offices in some countries where the market approach was stated almost religiously they have retrenched quite a bit. Whereas some countries would have set revenue targets in the selling of services, the realisation has come about much more so in recent years that to support democracy, public information and so on, the drive must be away from that and towards putting as much information as possible on a website, making it available to everybody and trying to use statistics and information as a way of counteracting disenchantment with participation, whether it be in voting or interest in what is happening in public administration. Accordingly, there has been quite a shift in thinking in the past number of years towards getting as much information out there as possible. There always will be scope for providing higher value added information to some key users, but the packaging will be done by commercial suppliers.

Advertising Budget

- 4.16. The Committee asked whether CSO carried out a study to assess the effectiveness and benefits of the money that has been spent on television and radio advertising (1.35 million). There has been a significant increase over the amount spent for the 1996 census. A certain amount of the advertising would have been aimed at ensuring that good people were employed to carry out the work locally. It was also necessary to ensure that people expected calls from enumerators and were favourably disposed towards giving the information. The real value for money test is the extent to which people co-operated with the census and they did so almost to a household. The increase over 1996 can be explained by reference to two factors. Part of the advertising budget was needed to hire people to take census jobs on this occasion. It is unfortunate that resistance to censuses or statistical inquiries is increasing among the public in Ireland and most other countries. CSO judged that more resources were needed for an awareness campaign regarding the need for the census and the need to co-operate with it. When that is added to inflation and increases in advertising rates, the increase in spending can be explained.
- 4.17. The Committee asked about the arrangements for the maintenance of the computer technology. The processing of the census is effectively over and maintenance costs were included in the overall figure supplied to the committee. To ensure that the operation continued to flow CSO had a four-hour fault resolution maintenance contract. Unfortunately, six years is a very long time in computer obsolescence terms. Many of the work stations detailed in documentation will be used within the main office and certain other items of equipment which it is felt can be used effectively. There are a number of issues to be resolved as equipment such as scanners must have maintenance cover. While the machines are probably quite capable of performing the job in 2006, the maintenance charges that would be incurred between now and then would make using them then uneconomical. CSO is attempting to sell them or to find uses for them elsewhere within the public service.

CSO Surveys

- 4.18. The Committee inquired about CSO labour force surveys and household income surveys, in particular, whether it is necessary to revamp its ongoing surveys, which may have been drifting in a certain direction for several years in the light of more accurate information from the census.
- 4.19. It was explained that one can measure returns and the level of response in a couple of different ways. Very often, what is most important is that one covers a large proportion of total employment in a certain sector which is not the same as the percentage response rate to the number of forms one sends out because there are probably between 50 and 100 enterprises (large multinationals) in the country which can shape our economic figures. A great deal of effort is put into reminding and telephoning companies and chasing the important respondents and large enterprises until they give responses. CSO is satisfied when they get a reasonable representation among smaller enterprises. In terms of the monthly production indices, 80% to 90% coverage by employment is achieved.
- 4.20. The census of population is used as the base for benchmarking the sampling and grossing procedures, for example for county income. This enables accurate estimates across the regions. However, certain aspects of these are not affected by the census, for example, the income attributed to each county for industry comes essentially from the census of industrial production which will not be affected by information emerging from the census. On the other hand, estimates for certain other sectors, including certain parts of the service sector, are effectively calculated by multiplying employment by an average wage. The extent to which the census leads to the estimates of employment at regional level in the quarterly household survey being revamped, or the emergence of a fixed benchmark for employment, particularly in services, will dictate the degree to which the estimates at county level are confirmed or revised.

5. Adoption of Reports

The Committee noted Vote 5 and Chapter 3 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The overall cost of the 2002 census was 44 million compared to 19.5 million for the 1996 census.
- The introduction of new technology for the 2002 census did not lead to cost savings in the processing of the census but improved operational efficiency by making the results available up to eight months earlier than in the 1996 census.

- The cancellation of the 2001 census at short notice led to an unavoidable cost of approximately 7.75 million due to the hiring of temporary staff, the printing of forms which were not used and other preparatory activities. Some of the staff were redeployed and a small refund was obtained on the printing of 2001 forms.

and recommends in general that

- Although census information is a public good, the public sector should obtain a fair return for its use for commercial purposes. Central Statistics Office (CSO) should consider how it could extract a greater monetary return from the commercial sector reflecting the value of the information provided out of public resources.

17. Vote 4 - Ordnance Survey Ireland – 8 May 2003

1. The Facts

- 1.1. The signed account for 2001 submitted by Ordnance Survey Ireland (OSI) for audit contained material errors and did not balance with the banking records. The most important priority when this was revealed was to produce a sustainable appropriation account in time for audit. To its credit the OSI did so and ultimately the statutory date for presentation of the accounts to Dáil Éireann was met.
- 1.2. The accounting controls fell far short of what they should have been during 2001 and into 2002. The audit revealed that that proper reconciliations between the accounting records and the banking records had not been carried out during the year. To compound the difficulties there was uncertainty about the integrity of the data recorded in the computerised ledger system primarily due to software problems.
- 1.3. Consultants were engaged to examine the system in depth. They confirmed that the accounting system at the time was not reliable as a basis for providing management and financial information. They also drew attention to the need to bring the key control account reconciliations and fixed asset register up to date. The latest report from the consultants records that the necessary corrective action in these areas has since been taken and that the accounting system now provides a solid basis for the preparation of the appropriation accounts for the first two months of 2002 and commercial accounts thereafter.
- 1.4. The background to the shortcomings in internal financial control systems is that in 2001, OSI commenced a significant part of the process of establishing its own accounting system. In that year OSI for the first time administered its own purchase ledger and this involved taking over all invoicing and travel and subsistence accounts processing. While this change was in progress, finance unit staff were involved in the preparation for the change of official status and this involved a move to accrual accounting. The planning arrangements for the implementation of the euro in 2002, having regard to the commercial nature of the organisation, was a further issue which had to be managed. Alongside these changes there was a significant increase in the level of the organisation's ongoing mapping business which put even greater pressure on staff and systems support.
- 1.5. In the planning arrangements to meet the above developments the staffing levels in the finance unit were increased to meet the increased work loads. The increase in staffing included the appointment of qualified financial expertise. In retrospect it is now apparent that the overall capability to manage the substantial body of work was not adequate from both a staffing and systems support level.

2. Proceedings of the Committee

- 2.1. The committee met with the Director of the Ordnance Survey Ireland and his officials and with officials from the Department of Finance on 8 May 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- The 2001 Appropriation Account
- Implementation of the Consultants' recommendations
- Commercial basis of operations
- Appropriations in Aid and Credit Control

4. Examination of the Issues

The 2001 Appropriation Account

- 4.1. The Committee expressed its concern about the lapses in control that occurred. Full responsibility for what had happened was accepted by the OSI. The original appropriation account had been signed by the Accounting Officer in good faith. It was only later that the deficiencies came to his attention. The final cost of the consultants is expected to be around 200,000. The OSI is satisfied that the two sets of accounts they have to produce for 2002 are proper.

Implementation of the Consultants' recommendations

- 4.2. The Committee inquired whether all the consultants' recommendations had been implemented in respect of the work to be carried out. All the critical and fundamental ones, such as the need for reconciliations have been implemented. The new accounting system had problems but has been stabilised and is now giving accurate end-of-month statements. Other recommendations will be implemented in 2003. The C&AG has received a copy of all the reports from the consultants.
- 4.3. In early 2002 another management accountant was added to the staff. The office was in the process of putting in a full-time, dedicated credit controller and some administrative staff were also employed. In the past five years, there had always been at least one qualified accountant. Currently, there are two qualified accountants in the OSI.
- 4.4. Although the OSI is a commercial operation, because it depends on State support for the service it is providing, a policy decision was taken that the C&AG should continue to be the auditor.

Commercial basis of operations

- 4.5. The Committee asked whether the production of maps is done on an entirely commercial basis. It also inquired about areas including commonages and

bogs in the west where no maps are available. It was explained that under the Act, OSI has a twin remit – to act in the public interest while also acting in a commercial manner. In acting in the public interest, OSI is obliged to maintain all mapping for the State. This includes areas that are commercial and non-commercial in sales terms and a subvention is received to support this activity. OSI would not be in a position at this time to make full cost recovery as part of their remit is to map in non-commercial areas. Cost recovery in 2001 was 74% as opposed to 54% in 1997.

- 4.6. OSI has a limited number of competitors. These are in the lucrative areas where mapping is in demand. There is currently a downward pressure in prices, not only in Ireland but also in other countries with similar mapping organisations and policies. There has been very little price increase in OSI products prior to 2003. OSI pricing for normal mapping has been reduced. For someone seeking mapping for planning permission, one map of a site or house costs approximately 38. A number of years ago the site map would have cost at least 60. Prices have been reduced due to economies from the implementation of new technology.
- 4.7. OSI is responsible for the topographic mapping of the State but is not responsible for the legal boundaries in the State - this is a matter for the Land Registry. There are a number of programmes for topographic mapping. In urban areas all mapping is up to date and revised on a one-year cycle. Suburban areas are more or less up to date and the intention is to reduce this from a three- to a one-year cycle. In rural areas where little building development has taken place - excluding small towns and villages - OSI mapping has been out of date. There is a programme in place to ensure the areas are resurveyed and remapped by the end of 2004 or early in 2005. That will ensure maps are up to date. The intention, provided the demand is there, is that they will be updated on a five-year cycle.

Appropriations in Aid and Credit Control

- 4.8. The Committee noted that in 2001, OSI had income of over £10 million, including £6 million in royalty fees and inquired about their major customers. Does the OSI have contract arrangements with the local authorities to update their maps? The Committee was also concerned about credit control and the time taken to collect outstanding accounts.
- 4.9. Most of OSI customers are in the public sector. The local authorities are a significant customer with which a five year agreement on a pricing structure for the supply and use of mapping is operated. Other big customers are the utility sector - electrical, gas and telecoms and specific government services and Departments such as the Land Registry and the Department of Agriculture and Food. Government Departments are using mapping more and more, particularly in digital form, for their own information and for supplying information to others. Smaller users include engineers, architects and solicitors. There are a number of ways in which data services are supplied. Paper mapping is sold, but digital mapping, which is a growth area representing some 65% of income and sales, is licensed to local authorities

and Government Departments. They pay on an annual basis depending on volumes and usage. For smaller users, such as architects and engineers, another royalty or licensing system is used whereby, if they wish to buy the digital product and use it continuously in their business, they can do so for a fee.

- 4.10. A credit controller is needed because OSI find it difficult to collect royalties owed and there is a need for better cash flow management as a semi-State organisation. There was £2.3 million outstanding at the end of 2001.

5. Adoption of Reports

- 5.1. The Committee noted Vote 4 and Chapter 2 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Material errors were made in the 2001 Appropriation Account submitted by the Accounting Officer to the Comptroller and Auditor General for audit.
- The errors were caused by avoidable lapses in basic internal financial controls during a period when a new information system was installed.
- No loss of taxpayers' money occurred due to the lapses in internal financial control.

finds generally that

- The Public Financial Procedures are not geared to the functionality of the new management information systems being installed in Departments.

and recommends in general that

- All Accounting Officers should specifically ensure that the basic internal financial controls over transaction processing and the maintenance of accounting books and records are not neglected while new financial information systems are installed.
- Amended or additional internal financial controls designed into new financial information systems should be fully documented and communicated to relevant staff.
- The Public Financial Procedures maintained by the Department of Finance should be expanded to provide a full description of the expected standards of basic internal financial control to take account of the new management information framework being rolled out across the central government sector.

18. Garda Síochána and Prison Service Overtime

1. The Facts

- 1.1. The expenditure on overtime and extra attendance in the civil service amounted to almost £200 million in 2001 of which 27% went to the Prison Service and 42% to the Gardaí. Steps are being taken to reduce it to sustainable levels.

Overtime in the Prison Service

- 1.2. The proportion of gross pay that is overtime has remained quite static for years. On average, it was 32% in 1998, 27% in 1999 and 29% in 2000, 2001 and 2002. All prison officers do not earn these substantial sums. The high earners receive up to 66% of earnings in respect of overtime. The effect is that it costs 68,000 per year per prisoner on salaries alone to keep every prisoner in jail which is three times the average industrial wage. The full average cost of keeping prisoners is 79,000 per year. In 2001, there were 3177 prisoners.
- 1.3. These levels are unsustainable in the medium and long term from both monetary and social impact viewpoints. The cost of overtime has increased from 36.6 million in 1997 to 55.4 million in 2001. The unaudited figures for 2002, show a further increase to 59.4 million. The stated objective is to eliminate the use of overtime to operate the prison service but despite all of the studies that have been undertaken in the areas over the years little progress has been made.
- 1.4. The underlying causes of prison overtime are derived from the agreed and officially sanctioned rostering and detailing arrangements for prison officers which date back many years. These have been institutionalised by industrial relations agreements in the intervening period. This is a significant constraint in trying to tackle the many areas where savings in the overtime bill could be achieved. The basic problem is that in a prison there are certain posts that one cannot leave vacant so that when somebody does not turn up for work another member of staff has to be called to fill in on in overtime capacity. There are other in-built problems as well. For example, the cost of escorting people to and from courts and hospitals consumes 25% of the entire overtime bill. Annual leave explains a further 23% and sick leave, which has been discussed by the committee before in the case of the prisons service, accounts for 13%.
- 1.5. The Department adopted a root and branch approach which resulted in a proposal which moves to an annualised overtime system. The effect of this is that everyone will carry the liability to work a certain number of extra hours every week. Staff will be paid regardless of whether they are called on or whether they turn up but if they are called on they will not get anything extra for it. The expectation is that this will result in considerable savings to the State. The purpose is not simply to save money, it is also to produce a more reasonable lifestyle for prison officers. People earn large sums in overtime

because they work for long hours. Younger officers are showing less interest in working excessive amounts of overtime.

Garda Overtime

- 1.6. There will always be a need for a level of Garda overtime given the nature of police operations. Some years ago, an interdepartmental committee found it was actually an economical way of providing police services. Not all Gardaí earn overtime. Two-thirds of the overtime is earned by one-third of the people involved. The management issue is to establish from experience, and from good practice elsewhere, what the level should be and to take the appropriate measures to minimise its occurrence where possible, but always consistent with the demands of effective policing. In the five year period 1997 to 2001 overtime represented between 10% and 13% of Garda pay, reaching a high in 2001 of 83.7 million.
- 1.7. The 2001 figure is inflated by an estimated 19 million due to the exceptional demand occasioned by the foot and mouth disease crisis in that year. Some 700 gardaí were assigned to duties in airports, ports and other areas. If that is discounted, the adjusted overtime figure represents 10% of Garda pay.
- 1.8. Unaudited figures for 2002 overtime show 65.7 million. This suggests that the management initiatives are having the effect of stabilising the level of overtime in the force. Overtime is tightly controlled within budget despite occasional situations that arise in the normal course of police operations.
- 1.9. The court presenters scheme, introduced under the Criminal Justice (Miscellaneous Provisions) Act 1997, is one of the measures taken to reduce overtime. The idea was to have six Garda court presenters instead of having every Garda go into court to give evidence in regard to arrest, charge and caution. A statistical study of the pilot scheme for 1999 revealed that more than 19,000 cases were dealt with by six court presenters and more than 16,000 court attendances by Gardaí were avoided as a result. As many attendances would have been on overtime, a significant saving was made by the introduction of this measure. Almost 2,800 cases were dealt with to a conclusion by the court presenters which meant that the Gardaí did not have to turn up at all for those cases which provided further savings. This would be one of the factors which explains the downward trend in overtime in recent years and it is destined to fall further this year.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Justice Equality and Law Reform and his officials and with officials from the Department of Finance on 15 May 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- Overtime in the prison service
- Sick Leave and Absenteeism
- Inherited Issues in Prison Service Overtime
- Overtime in New Prisons
- Garda Overtime

4. Examination of the Issues

Overtime in the prison service

- 4.1. The Committee sought an update on efforts to resolve the issue of excessive overtime in the prison service. Three explanations were offered for the level of prison officer overtime - the need for escorting prisoners to courts, hospitals and other detention centres; holidays and annual leave time and sick leave.
- 4.2. The prison population has increased by 50% in recent years. There is significant public concern that about 18% to 20% of prisoners, at any one time, are out and about on temporary release simply because there is not prison space for them. With the provision of additional places, that figure has come way down to about 6%.
- 4.3. Overtime as a function of pay has remained reasonably steady as a proportion of pay. This means that the overall number of hours being worked by prison officers has not increased. The Committee asked if the target ratio of prison officers to people imprisoned was being achieved and whether this should impact on the level of overtime worked. The ratio of prison staff to prisoners is one to one which is quite different from the United States where the prisons are much larger, which means they get economies of scale. It may well be that the regimes that are considered acceptable there might not be considered acceptable here.
- 4.4. A factor in Irish prisons that increases costs is that out of cell time tends to be reasonably generous. This is the amount of time that people are allowed to recreate and be out and about playing football, watching television or whatever they happen to do. It works out at around eight hours a day with breaks. When people are out of cells more officers are needed for safety reasons. Irish prisoner-staff ratios are closer to Scandinavian levels because the out of hours time and the number of prisoner activities are considerable and extensive.

Sick Leave and Absenteeism

- 4.5. Sick leave among prison officers, which also covers "absenteeism", ran at 15% in 2002 and clerical, stores and trades - people not on roster duties but who work in prisons on an overtime basis - accounted for a further 13%. Sick leave has been a problem for many years and is an international problem related to the working conditions in prisons. Some prison officers spend more time in jail than prisoners and in such circumstances, one gets higher levels of absenteeism. The Prison Service recognised that this figure was too high and

has tackled the problem from 1997 onwards so that the figure has fallen from an average of 18 to 15 days per annum.

- 4.6. Severe measures, such as denying the right to sick pay and dismissals, were adopted. In 2001, an officer challenged these measures claiming it was unfair to deny people their sick pay entitlements, even before they got sick and that this was not the case elsewhere in the public sector. The court upheld the position of the Prison Service. The average number of sick days rose from about 15 to 20 while the matter was being challenged, but has decreased significantly again.

Inherited Issues in Prison Service Overtime

- 4.7. The overtime problem was compounded by inherited issues. The roster system drawn up by outside "experts", did not provide basic cover for staff to maintain prison security during dinner breaks, and did not provide any component in the staff complement to deliver prisoners to court or to hospital. It was based on a fixed number of staff for posts within the prison, with no provision made, for anything outside the prison. The result has been up to this day that any time prisoners are to be brought to court or to hospital or elsewhere, an overtime recall is required. The prison service was not staffed up with the complement to provide for holiday cover. The solution is to bring staff-prisoner ratios into line with modern conditions, using technology to the hilt, and giving the staff concerned a reasonable work life balance and a reasonable income level.
- 4.8. Senior Prison Service and Department officials carried out a detailed analysis of staffing arrangements at each prison between 1999 and 2001, from which substantial potential for overtime savings were identified under many headings, including: re-negotiation of staffing levels, eliminating unnecessary practices, restructuring of certain grades, and rostering to eliminate inbuilt overtime. The Committee asked if each heading had been examined, as was suggested, and if savings were then achieved.
- 4.9. Although the analysis identified where savings could be made, the majority could only be achieved by agreement. In the existing prisons, the staff have written agreements legally binding on management, which cannot be dismantled without either very significant and aggressive action by government, or by agreement. The prospect of a successful implementation of new processes is greatly enhanced when staff representatives actively participate in planning its implementation. Negotiations are taking place pursuant to that task.
- 4.10. The Committee asked if there was a historical basis to manning levels, based on the paramilitary activity of the past 30 years. The highest staff-prisoner ratios tend to be in the places where the security challenge is greatest. The old buildings in an old setting does not help. Many of the posts were agreed in the 1980s when technology was limited and basic staff costs per officer were lower. The peace dividend has meant that the number of prisoners held in Portlaoise Prison has fallen but the whole prison needs to be maintained and as

a result the staff-prisoner ratio has disimproved. At the same time the security requirement is still extreme.

Overtime in New Prisons

- 4.11. The design of new prisons in recent years has had an impact in designing out overtime. In every new prison, before a single officer entered them, the recommendations identified in the SORT reports were applied, about use of automated gates and cameras for security. Lower levels of staff-prisoner ratios have been achieved through the application of technology which was identified by the analysis. There are also efficiencies which relate to the number of staff that would escort a prisoner, the use of cellular vans where two or three officers could transport 20 people, taking them in and out individually from cellular compartments within the vans. These are issues achieved by agreement. The work done in recent years has been worthwhile. The existing prisons were examined on a partnership basis, where findings were shared with the prison officers.
- 4.12. The Committee noted the situation with respect to new prisons where a different arrangement has been struck with the prison officer union, made possible by the use of technology. There are persisting work practices covered by agreements that should be adjusted. Some periods of overtime working are more popular than others because of family life patterns. The younger staff, recruited in recent years, come to the job with a different mind-set. They do not want to work around the clock. They want a more efficient way of life while maintaining a decent income and will be very helpful once agreement is reached on the general principles to work smarter, more safely and efficiently.

Garda Overtime

- 4.13. The Committee asked for an analysis of Garda overtime. A total of 21% goes on crime investigation, for example, surveillance, attendance at court accounts for 18% and other recurring events accounts for 11%. The remaining 50% is spent on escorts, including bank escorts, crime prevention activity, protection of Government buildings, security, immigration, traffic operations, public order, sporting events and special one-off operations.
- 4.14. The Committee considered overtime arising from the policing of public events. For sporting events, there are two charges, one for the Gardaí inside the grounds, paid for by the sporting bodies. The sums collected through these charges were 1.1 million in 2002 and 1.3 million in 2001. There are no charges for policing operatives outside the grounds. However, the question of charging for policing outside as well as inside grounds at large events such as rock concerts will be dealt with in the context of the new Garda bill. If public services are provided for events such as rock concerts, there should be some form of payment.
- 4.15. The Committee noted efforts to control the overall level of overtime in the Justice Vote. The position across all Votes of the Department is that the Minister has a meeting every month with all concerned - the Courts Service,

the Prison Service and the Garda - at which overshoot is discussed with the Garda Commissioner, the head of the Courts Service, and the head of the Prison Service. Internally in the Garda, the director of finance exercises overall monetary control of overtime, region by region. If a region is persistently exceeding its budget allocation, the deputy commissioner will require the relevant assistant commissioner to account for his stewardship, through meetings on how the budget was devised. In 2002 the Commissioner had convened only two meetings, in spite of the level of overtime earned. Performance is compared against budget. Any significant variance is investigated, and if the reason for the excess is something like the Shannon Airport situation, it is quite understandable why that region would exceed its budget allocation. If it is due to normal policing operations, the assistant commissioner would be expected to take corrective action to bring usage of overtime within the budget allocation.

5. Adoption of Reports

5.1. The Committee noted Chapter 5.1 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Reasonable progress is being made in reducing the dependence of the Prison Service on overtime but the level of absenteeism remains high.
- The 2001 figure for Garda overtime was inflated by an estimated 19 million due to the exceptional demand occasioned by the foot and mouth disease crisis.

and recommends in general that

- Management in the prison service should continue their efforts to improve working conditions and work practices to further reduce overtime levels and bring absenteeism down to more reasonable levels. The Committee would like to be kept informed of progress in this area.

19. Garda - Army Cash Escorts – 15 May 2003

1. The Facts

- 1.1. The Committee requested the C&AG to prepare a report on the costs incurred by the Defence Forces and the Gardaí in providing a cash escort service. Cash escorts typically involve movements of cash to banks and post offices.
- 1.2. The service was introduced by the Government in 1978 following a big robbery in Limerick. The decision was made to insist on cash escorts. The core question which arises is how much of the cost should be borne by the banks and how much should be borne by the State. The view became accepted that the State had a direct interest in ensuring that cash was protected from criminals that it is reasonable for the State to make some contribution towards the cost.
- 1.3. The report deals separately with Defence costs and Garda costs over a ten year period from 1992 to 2002. The Department of Defence costings do not distinguish between the services provided for escorts to banks and post offices as a typical cash escort would be made up of several consignments to post offices and banks. The report shows that marginal costs have been covered by the banks' annual contribution. The marginal cost excludes the pay of those on escort duty and is about half of the full cost. The costs for some years for aerial surveillance were based on previous usage and were, therefore, estimated rather than related to the actual in the particular year.
- 1.4. The Garda costings are broken down into a bank-post office split, together with details of hours spent on cash escort work and the miles travelled. According to the figures, the cost of providing the service to the banks has increased over the years, reaching almost 4 million for 2002. The corresponding figure for post offices is 2.6 million. The banks' annual contribution to the Garda for this service has remained at 952,000 since 1995.
- 1.5. The Garda figures were compiled from the divisional records. They are indicative of the scale of the costs incurred, but may not be good enough to support a full recovery arrangement. It was clear that estimates of costs for earlier years (for example 1994) were incomplete and could not be relied upon. That was prior to computerization and the recording systems have improved since that time.
- 1.6. The Department's estimate of the full Garda cost of escorts for banks is in the region of 5 million a year but the banks dispute this figure. Discussions are ongoing with the banks about increasing their contribution towards the costs incurred by the Gardaí in providing cash escorts. The banks have argued that their contribution should be based on marginal costs on the basis that the Gardaí would be paid anyway. The proposition made to the banks was to treble their contribution from 1 million to 3 million and gradually move towards the 5 million. A total of 17 million could be collected in four years

instead of less than 4 million under the current arrangement. The banks agreed to the initial increase in contribution to 3 million in 2003.

- 1.7. An Post does not make a contribution, although the cost of escorts is approximately 2.5 million per annum. The historical reason for this was that An Post was substantially dealing with social welfare money and would pass on the charge to the Department of Social and Family Affairs. This situation is being reviewed.
- 1.8. In the case of explosives where the charge is higher (3.3 million) there is a direct vested State interest in preventing the capture of explosives and no costs are recovered.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Defence and the Department of Justice Equality and Law Reform and their officials and with officials from the Department of Finance on 15 May 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Steps to determine the full cost of cash escorts
 - Trend in costs of the service

4. Examination of the Issues

Steps to determine the full cost of cash escorts

- 4.1. The Committee asked if any steps were being taken to determine the real full costs of providing the escort service and whether there was a timeframe for achieving this. It was explained that in the light of the negotiations with the banks and disagreement over the extent of the full cost the Department is working on this issue. The estimate is that the full cost is 5 million for Garda escorts to banks and 6.8 million for the Department of Defence covering both banks and post offices.
- 4.2. The Comptroller and Auditor General estimated that the Garda full cost for banks was in the region of 4 million in 2002 but the accounting records in both Departments do not support the production of a reliable full cost figure analysed between the beneficiaries of the service. This was not required as only a contribution to costs was sought from the banks.
- 4.3. In the event that full cost recovery is pursued, the accounting records will need to be improved. In any cost recovery arrangements with the banks, post offices or others, there are at least two main components - the basis of the costings and the volume of activity. Good records of both are needed to support the cost apportionment exercise.

Trend in costs of the service

- 4.4. The Committee noted that the cost of the service had increased substantially over the ten year period but that there was a 13% to 14% reduction in the total cost in 2002 and asked whether this was due to an increase in non-cash transactions which would eliminate the need to transfer huge sums of money. The increase in cost is wholly attributed to pay rates as the level of commitment is unchanged. The decrease in 2002 is attributed to two factors. In 2002 there were special arrangements to distribute the euro currency, which distorted the picture. Also, transport costs for the Gardaí changed because the rate at which this was costed changed. It went from 0.7 per mile down to 55c per mile.

Findings and Recommendations**The Committee of Public Accounts****finds specifically that:**

- There is a net subsidy to the banks due to the non-recovery of the full costs of cash escorts.
- The banks should contribute the full cost of the escort service provided by both the Department of Defence and the Gardaí.

and recommends in general that

- The Department of Justice Equality and Law Reform and the Department of Defence should take immediate steps to improve their accounting and activity recording systems so that a reliable computation of the full cost of the cash escort service for each beneficiary can be made.
- Negotiations should continue to be pursued with the beneficiaries to achieve full cost recovery for these services as soon as possible.

20. Criminal Assets Bureau Accounts, 2001 – 15 May 2003

1. The Facts

- 1.1. The Criminal Assets Bureau was set up in 1996 to address the matter of assets derived directly or indirectly from criminal activity. The Bureau's functions involve the seizure or freezing of such assets as appropriate, ensuring income tax is paid on the proceeds of crime and determining the eligibility of claims for social welfare benefit or assistance by criminals or suspected criminals. The activities of the Bureau are funded through the Vote for the Minister for Justice, Equality and Law Reform. Under the governing 1996 Act the Secretary General is responsible for preparing the annual account of the Bureau and is also designated chief accounting officer under the Act for the income expenditure and assets of the Bureau.
- 1.2. The account comprises the administration expenses of the Bureau and includes payments made by the Department on behalf of the Bureau as well as payments made directly by the Bureau itself. It does not include the value of assets confiscated by the Bureau, as the proceeds are held in a private account by a court appointed receiver, nor does it include the tax and interest collected as a result of the activities of the Bureau. These are accounted for in the Revenue account.
- 1.3. Where property seized is held under an interlocutory order, seven years must elapse before the property in question can vest in the Minister or the legitimate owner, as established by the courts. The Bureau was only established in October 1996, so any such determination will only arise in 2003.
- 1.4. There have been no issues of a public accountability nature arising from the audit of the accounts, over the years, by the C&AG.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Justice Equality and Law Reform and their officials and with officials from the Department of Finance on 15 May 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Value of assets seized by CAB
 - Source of seized assets
 - Current activities

4. Examination of the Issues

Value of assets seized by CAB

- 4.1. The Committee inquired about the market value of the assets seized by CAB since it was established in 1996. The value of property which is the subject of interlocutory orders is in the region of 19 million. This amount is not available for distribution or available to the State because a seven-year period must pass. The property assets are frozen and the question of their true value would only come up when the courts come to consider whether they should be transferred to the State. That can only begin to happen in 2004.
- 4.2. The amount sought in the case of tax was in the region of 61 million plus of which about 56 million has been collected which includes several substantial sums in the cases of people allegedly involved in serious crime.

Source of seized funds

- 4.3. The Committee inquired whether the funds were taken only from criminals or suspected criminals or whether there were other categories. It was explained that by and large the assets are seized from people where it is believed that their wealth has been acquired through unlawful activities. In the legislation the burden of proof shifts, since if the view is formed that the assets are the result of criminal activity, the onus falls upon the holder of the assets to prove otherwise. The reason the Garda would be interested in the persons from whom the assets were taken was that there was a fairly substantial suspicion that they were involved in serious crime. The Garda would make judgments on the basis of the difficulty of explaining wealthy lifestyles, and possibly drawing social welfare money as well, there are discrepancies. Some people, by reputation would have criminal involvement which is sometimes difficult to prove. The strength of the legislation is that there is no need for a conviction before the money can be taken.
- 4.4. The Committee asked if the bureau can sell the property when it has an interlocutory order. A share of the assets are sold and transferred into cash to prevent depreciation. Much of the 19 million subject of interlocutory orders is in the form of deposits in banks and so on. The value of property under interim orders is much higher than for interlocutory orders.

Current Activities

- 4.5. The Committee asked about current activities of the CAB, specifically, the number of people who have been chased for money by the CAB. For 2002, the Bureau got interim orders on property of about 30 million under Section 2 of the Act. Some of the interim orders would not necessarily become interlocutory orders. The interlocutory orders came to 7.75 million which means that those assets remain frozen. The tax and interest collected from persons suspected of involvement in criminal activity in 2002 amounted to marginally in excess of 10 million. There were social welfare savings of

127,300 in respect of people who, despite their opulent lifestyles happen to be collecting social welfare money as well.

- 4.6. The Committee inquired about the level of activity within the CAB in recent years. Over the years the staffing of the bureau has remained fairly stable but the level of activity has gone up steadily over the years and the amount of recovery has gone up.
- 4.7. The Committee inquired about legal costs incurred by the CAB in 2002. There is a category for legal and witness expenses in the accounts. In the past year there have been legal challenges to some of the activities of the bureau, some of which resulted in court decisions that were not favourable to the bureau. It was clarified that the bureau has a legal officer whose costs would be included under salaries and allowances. The figure for legal and witnesses does not represent the total legal costs of the bureau as it is based on payments made. There is no difficulty in pursuing actions if it has to. So far, the court cases have been helpful, as some fundamentals of the legislation that appeared to be open to challenge have been upheld by the courts. There is no merit in using strong legislation where the courts might take the view that it was an excessive use of power. There is clearly merit in preserving the fundamentals of it for tackling major crime which is the purpose for which it was designed.

5. Adoption of Reports

- 5.1. The Committee noted Vote 19 and the Accounts of the Criminal Assets Bureau for 2001.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- No significant issues of accountability arose from the consideration of the accounts of the Criminal Assets Bureau (CAB) for 2001.

and recommends in general that

- More specific information about the number of cases pursued should be included in the annual report of the CAB.

21. Vote 42 Department of Arts Heritage Gaeltacht and the Islands - State Subsidised Transport to the Aran Islands – 29 May 2003

1. The Facts

- 1.1. The Aran Islands Transport Act 1946 provides for the promotion and maintenance of an efficient shipping service between Galway City and the Aran Islands. A 1996 report on island development identified the improvement of transport services to the offshore islands as critical. Subsidies in respect of the two ferry services and a public service obligation air service to the Aran islands over a ten year time span were examined.
- 1.2. There are three distinct subsidies for the provision of transport services to the Aran Islands:
 - an annual subsidy of 603,000 to a shipping company for a passenger and freight service from Galway city to the islands under a seven year contract that terminates in 2004. An additional payment of 190,000 has also been made to that company.
 - an annual subsidy of 241,000 to a different company for a passenger service from Rossaveale to the islands under a three year deal to October 2005.
 - a three year deal with an airline operator costing 2,235,000 for the provision of an air service to the islands from Galway. The air service is designated as a public service obligation route under EU regulations. There has been a big increase in the level of subsidy for the air service in recent years.
- 1.3. The original contract for the Galway-Aran service covered the period December 1992 to August 1997 and provided for an extension to the contract for the main shipping service for a further five years if agreement could be reached between the parties. Government or Department of Finance approval was not received for the inclusion of this clause in the contract. When the original contract ended in 1997, it was extended for seven years from 1 January 1998. The company received this extension without a tendering process as legal advice indicated that the clause in the 1992 contract created an obligation on the Department to enter into negotiations with the ferry provider in respect of the continuation of the service. In the course of negotiations with the contractor it became apparent that a further extension by two years would result in a substantial saving to the State as the contractor was willing to take a reduction of 100,000 on the per annum contracted fee. Instead of sticking with the fee which was settled in 1994 and applied in 1997, the contractor is today providing the same service at the same rate it provided it in 1992, which was around 600,000 per annum.

- 1.4. Analysis of the usage of the various services indicated that the ship service from Galway city was almost entirely used as a freight service except during the high season in summer. Figures supplied by the Department showed that in 2002, just over 1,000 passengers used the service which is a steep reduction on previous years. On the other hand, the passenger service from Rossaveale has been more successful in attracting customers with some 120,000 using the service in 2002. Figures supplied by the airline operators for 2001 show usage of more than 35,000 for the year, including islander usage of almost 11,000.
- 1.5. Four critical areas for improvement were identified. These concern more effective management and monitoring of existing services, the need for a strategic and co-ordinated approach generally, the re-evaluation of the service from Galway city and the need for formal contracts with enforceable performance clauses. These shortcomings suggest that it was unlikely that best value for money was obtained by the State for its financial input in the area.
- 1.6. The Department reacted positively to the findings and has taken action along the lines recommended in the report. Since last autumn, the Department has made progress towards implementing the key recommendations. There is now more effective management and monitoring of existing services. The three providers of subsidised services to the Aran islands submit monthly returns to the Department which are scrutinized. Service delivery against contracted services is compared and payment is withheld for shortfalls. The core staff of the islands section has been doubled to four to ensure better scrutiny of returns, monitoring of service and support for the tendering process. New software support has been put in place to enable and support improved monitoring procedures relating to service provision and compliance with legal requirements such as tax, shipping certificates and insurance cover. In addition, an increased frequency of spot checks and follow on reviews are being pursued. The data emerging from these activities will support future decision making.
- 1.7. A critical recommendation by the Comptroller and Auditor General related to the need for a more strategic and co-ordinated approach to managing the delivery of travel services to the Aran Islands. Two outcomes are critical to delivering on this recommendation - an independent assessment of the need for and adequacy of each of the current services, as well as the balance of services required, and the formulation of objective measures by which future decisions on subsidised services can be informed and assessed. The Department has commissioned an independent study to assess the effectiveness of current subsidised arrangements and to advise on appropriate performance indicators. The findings of the report will inform critical decisions regarding the optimal allocation of funds across the Aran services from 2004 onwards.
- 1.8. A third area of recommendations relates to the need to re-evaluate the current cargo and passenger service from Galway City. This issue comes within the scope of the independent review. The findings of the review will be to hand in advance of the expiry of the current contract at the end of 2004.

- 1.9. Recommendations were made regarding the need for the introduction of formal contracts with enforceable performance clauses for all subsidised transport services. There are two issues to be addressed here. It must be ensured that providers sign up formally to the requirements and responsibilities attaching to the provision of subsidised services. A legal issue in relation to the jurisdiction of the Minister to require the provision of supporting bus transport for certain services must be addressed. Each of the three providers of subsidised transport services to the Aran Islands has now formally signed up to specified obligations and delivery requirements. As regards the legal issue, the heads of a Bill have been submitted to Government and approved and a draft Bill is being prepared. It has been afforded priority status by Government and is listed for publication this session.
- 1.10. In addition, the Department has secured the support of external expert advice to review and validate tendering processes. It has strengthened provisions in contract documents to include the signing of a declaration to ensure disclosure of breaches of any law generally and to ensure contractors' suitability. The Department requires all staff involved in the tendering process to be subject to the Ethics Acts or other appropriate form of disclosure.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Arts Heritage, Gaeltacht and the Islands and his officials and with officials from the Department of Finance on 29 May 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
- Management of the Islands' Transport Service
 - Galway-Aran Shipping Contract 1992 and 1997
 - Performance monitoring of subsidised services
 - Passenger numbers on the Galway-Aran route
 - Subsidy Levels per Passenger on other routes
 - Lessons learned from the Galway-Aran Shipping contract

4. Examination of the Issues

Management of the Islands' Transport Service

- 4.1. In the light of the report, the Committee questioned the Department's ability to manage and supervise this type of transport service. The Department acknowledged that outside advice was needed to advise on the appropriateness of routes and on performance indicators that would show how well the money is being spent. When the framework is established with extra human resources and an improved legal framework, the ability to manage the service will improve.

Galway-Aran Shipping Contract 1992 and 1997

- 4.2. Originally, the 1992 contract was for £603,126 but a little more than a year into the contract, the Department of Transport made a once-off payment of £126,904 and agreed to an annual increase of £95,230. This was due to the absence of an inflation clause in the original contract. When the company came back for the seven year extension in 1997, it reverted to the original 1992 contract price of £603,126; however, the same price escalation happened again within two years. It received a further cash injection of £477,357.
- 4.3. An accountant was engaged to do a due diligence audit on the operation that highlighted a shortfall in the finances of the company. As a result, the Department only agreed to provide the extra funding to the contractors in 2000 on the basis that they would add any additional funds required to ensure the continuation of the service for the duration of the contract. Written commitments were received from the directors of the company that they would subvent any shortfalls. The Committee noted a serious lack of consultation between the two Departments about what was in the original contract and what was done subsequently and felt that such a system as existed in this case was open to abuse which can give rise to suspicion. It was noted that the Department does not have contracts now that allow for renewal subsequent to their expiry and has not engaged since that time in any once-off payments to contractors.
- 4.4. The Committee considered the background to the renewal of the contract in 1997. Three factors were critical to the re-negotiation of the contract. The first was the legal requirement arising from the 1992 contract that it went back into a further cycle. The second was a series of meetings with the islander communities that indicated support for the continuation of the Galway service. The third was a relative saving of £100,000 a year if the Department was agreeable to the seven year extension. The fee being paid for the service today is at the same level as it was in 1992 although the contract attracted two once-off payments; one in 1994 and another in the year 2000.
- 4.5. The Committee asked about 190,461 paid for providing special facilities. These were the purchase and installation of an upgraded crane facility with substantially greater capacity than that required under the contract, fuel storage and carriage facilities and metering arrangements. There was also the fitting of fuel tanks, metering, diesel pumps and wiring on board. The total expenditure was 325,000. Although facilities were specified in the 1997 contract, those provided were over and above requirements and would enhance safety and the quality of service to customers. The payment for this equipment followed consultations and approval from the Department of Finance.

Performance monitoring of subsidised services

- 4.6. The Committee noted that until recently the Department had not conducted a systematic review of the performance of the operator of this service since the

contract was renewed and queried why the subsidy payment was not reduced in line with provisions in the contract where a number of contracted sailings were not provided despite the shortfall in ten months during 2001. The Department was not comparing the logs on a routine basis with the provision of service requirement. However, two other control mechanisms were at work. The islanders, through their comharchumann, used the service and reported and raised issues of complaint directly with the Department and the Department's own stiúrthóirí were regular users of the island services.

- 4.7. The Committee asked if there has been recent meetings with the island communities about their satisfaction with the service. Public meetings have not been held. Two mechanisms are in place - a monitoring committee that meets periodically and more informal contacts by the Department directly with managers of the co-operatives on the islands.

Passenger numbers on the Galway-Aran route

- 4.8. The Galway-Aran service had a subsidy of 603,000 in respect of 11,000 passengers, equivalent to a subsidy of 55 per passenger each way or 110 on the round trip. This subsidy alone was some 10% of the total State expenditure on the islands in 2001. In the three month period from October to December 2001, there were at least 61 sailings without any passengers, at 1,300 per sailing, at a subsidy of approximately 80,000. The Galway city service is essentially, a cargo service rather than a passenger service carrying of the order of 8,000 to 10,000 tonnes of cargo per year from the port to the islands. In 1997, the Department made efforts, in the negotiations with the ferry contractor, to have it operate purely as a cargo service. However, it received legal advice that that was not permissible within the terms of the 1992 contract. Accordingly, although it had a label of passenger and cargo service, it was, unlike the other services, purely a cargo service, carrying thousands of tonnes of cargo.
- 4.9. The Committee noted that the vessel sailing from Galway since 1992 is approximately 400 tonnes. It can take 200 passengers and 130 tonnes of cargo which was noted to be grossly over scale as the average daily number of passengers is very low and increases during just three months of the year, June, July and August, when the respective figures are 17, 59 and 160. For the rest of the year, the vessel carries an average of just 20 passengers per month, which averages out at less than one per day.
- 4.10. The Committee noted that the contract expires at the end of 2004 and there is no provision for renewal in this or any other contract relating to ferry services. The vessel will revert to the current owners when the contract ends despite subsidies paid by the Department from the public purse. There is no clawback in the event that the vessel is no longer used for the provision of services to the Aran Islands after 2004. The vessel's ownership would in that case remain with the contractor.

Subsidy Levels per Passenger on other routes

- 4.11. The Committee noted that the subsidy from the taxpayer in respect of the Rossaveale ferry service in 2001 was 228,000 and 130,000 passengers were carried. This is about 1.25 per passenger, which is good value. In relation to the air service, the subsidy in 2001 was about 280,000 representing 8.30 for each of 35,000 passengers carried, which is good value for an air service to a remote island. The subsidy increased to 621,000 during the first year of the public service obligation route and to 745,000 in year two as the frequency of the air service to the island improved to six return flights daily on weekdays.

Lessons learned from the Galway-Aran Shipping contract

- 4.12. The Committee asked if lessons could be learnt, in terms of the faults apparent in the service and the related contracts, when the service is compared to other subsidised ferry services like to Cape Clear in County Cork and to Arranmore in County Donegal. The Galway city service is unique in terms of the level and frequency of complaints associated with it. Other contracts, bar one, are for three years. The lesson to be learnt from a departmental perspective is that giving others the opportunity to tender has the advantage of keeping them in the marketplace. There are lessons in terms of renewal clauses on contracts and duration. Some advisers suggest that a reasonable period of stability is needed to get a return on their capital investment. The experience has been that three-year contracts seem to work considerably better in terms of supporting the market and responsiveness.

Foras Teanga

- 4.13. The Committee asked if Foras Teanga was totally dependent on the Department for its funding. Foras Teanga is a cross-Border body that receives income from the Department and from the Department of Culture, Arts and Leisure in Northern Ireland. Foras na Gaeilge, for example, gets 75% of its funding from the State and 25% from Northern Ireland. Foras Teanga also comprises a second body called the Board of Ulster Scots which is based in Northern Ireland and receives 75% of its funding from Northern Ireland and 25% from the State.
- 4.14. The function of Foras na Gaeilge is to advance the use and application of the Irish language, to advance key publications such as an English-Irish dictionary and to promote Irish throughout the island. The Ulster Scots Board seeks to promote the awareness, culture and practice of Ulster Scots. North-South bodies have particular significance in the context of the Good Friday Agreement.

Údarás na Gaeltachta

- 4.15. The Committee asked about how many people were employed in Údarás na Gaeltachta funded industrial developments. There were 7,571 fulltime and 4,086 part-time jobs at the end of 2002. About 34 million was spent by Údarás in 2002 and about 35 million in 2001 on industrial development grants. The capital expenditure in 2002 was 19.61 million.

5. Adoption of Reports

5.2. The Committee noted Vote 42 and Chapter 12.1 of the Annual Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The management of the contract for the provision of a subsidized ferry service between Galway and the Aran Islands from 1992 to 2001 was not good. Performance monitoring of the contract in place was inadequate.
- There was a loss of value for money on foot of the contract for the subsidized ferry service between Galway and the Aran Islands because the size and capacity of the vessel contracted was far in excess of the required passenger and cargo capacity on the route. Many voyages with no passengers were subsidized.
- Inadequacies in the drafting of the original 1992 contract led to further substantial payments to the contractor which should have been avoidable.
- The original contract provided for an extension of the contract for a further five years if agreement between the parties could be reached. This led to a loss of economy in the continuation of a subsidized service beyond the levels of passenger and cargo traffic actually required.

And recommends in general that

- All future contracts for the provision of subsidized public services should be subject to the open tender rules.
- Service contracts should have a built-in provisions for variation of the service level in line with changing patterns of consumer demand.



DÁIL ÉIREANN

An Coiste um Chuntais Phoiblí

Committee of Public Accounts

2001 REPORT

REPORT ON:

**THE 2001 ANNUAL REPORT ON THE APPROPRIATION
ACCOUNTS;
AUDIT REPORTS ON NON-VOTED ACCOUNTS;
AND VALUE FOR MONEY REPORTS AND SPECIAL REPORTS
OF THE COMPTROLLER AND AUDITOR GENERAL**

**AT MEETINGS HELD BETWEEN NOVEMBER 2002 AND
SEPTEMBER 2003**

Part 2:

Examination of Non Voted Accounts

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1. National Roads Authority – Annual Financial Statements 2001 – 20 February 2003

1. The Facts

- 1.1. The annual financial statements are presented in the form of a balance sheet and two income and expenditure accounts covering separately the funding of the national roads programme and administrative costs. An unqualified audit report was issued. The main accounting issues that arose during the audit were the adoption of FRS 17 which changes the basis for reporting pension costs and audit correspondence with the NRA on the accounting treatment for road infrastructure assets and public private partnerships.
- 1.2. The period under review is the early years of the 2000-2006 National Development Plan (NDP) which set the NRA a task of improving five major interurban routes between Dublin and Cork, Galway, Limerick, Waterford and the border with Northern Ireland to motorway or high quality dual carriageway standard. The level of service on these roads was to ensure that access would no longer inhibit the attraction of investment and employment opportunities to all parts of the country.
- 1.3. The programme has required a substantial increase in spending on planning and design work which has increased from 51 million in 2000 to almost 150 million in 2003.
- 1.4. There has been good progress in implementation of the NDP. By the end of 2001 the planning and consultation needed to identify the preferred routes for the five interurban routes was completed. Some 14 projects covering 106 kilometres and new and improved roads including 44 kilometres of motorway or dual carriageway were also completed. Work commenced on 13 projects including the Dublin Port Tunnel and the South-Eastern motorway. At the end of 2001 there were 201 kilometres of road under construction including 130 kilometres of motorway and dual carriageway.
- 1.5. Work was impeded by the refusal of the IFA to allow access to land for site investigation and environment impact work during the second half of 2001 as part of a campaign for changes in compulsory purchase order legislation and increased compensation payments. This delayed 30 projects by six to 12 months. The dispute was resolved in December 2001.
- 1.6. Funding for 2002 is 1.135 billion which caters for the continuation of existing projects, a special programme for national secondary roads and ongoing implementation of the road safety programme. No additional schemes went into production in 2002 but the funding for 2003 (1.263 billion) will facilitate the planned commencement of seven national road schemes.
- 1.7. Scheme allocations take account of the Minister's request to prioritise schemes on the national interurban routes, PPP schemes and schemes in the BMW region. The imbalance of expenditure in favour of the South and Eastern region reflects scheme content on publication of the NDP, the inclusion of some high cost schemes in the S&E region like the Dublin Port Tunnel, and

the time required for planning and design. The situation is being redressed in favour of the BMW region.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive of the National Roads Authority and with officials from the Department of Transport and the Department of Finance on 20 February 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- Decision making processes that informed the national roads programme
- Cost and time overruns
- Balance of expenditure between S&E region and the BMW region
- Land acquisition
- PPP Contracts

4. Examination of the Issues

Decision making processes that informed the national roads programme

- 4.1. The Committee was concerned that the number of roads being provided does not match the level of need and asked about the extent to which the NRA was involved in selecting which roads should receive priority under the NDP. It was explained that the national road needs study of 1998 had identified five packages of schemes, one related to backlogs that would need to be addressed immediately and the other four identifying projects to be started within five years. Much of the background work for the national road needs study had been done in 1995/96, i.e. prior to the Celtic Tiger years. These proposals were submitted to government which was influenced by other stakeholders like the IDA and chambers of commerce. For the interurban routes, the NRA had proposed level of service D which provides for an average speed of 80 kilometres per hour. The government decided that the level of service standard for the interurban routes should be raised from D to C, which is the norm for European roads.
- 4.2. A specific question was asked about the proposed Dublin Waterford route. The road improvement would provide for a capacity of 54,000 vehicles per day in 2019 whereas the forecast is for 17,000 vehicles per day. The upgrading of the road was justified by the fact that the threshold for moving from single to dual carriageway for level of service C is 7,700 vehicles per day.
- 4.3. The nature of the road system being delivered was also challenged as it is a radial system of roads focused on Dublin rather than a national programme. It was also pointed out that the roads being delivered also have public transport potential whereas other areas of the country without Dublin access or public transport potential were receiving little support.

- 4.4. The Committee expressed its concern, raised in the Fitzpatrick report, about the narrow cost benefit analysis used by the NRA for road projects. The cost benefit analysis is restricted to considering the cost benefit of potential traffic usage and does not question the alternative use of land or the wider social effects of the new roads. The NRA uses the COBA system of cost benefit analysis but is conscious of the need to update the parameter values in the model. They are looking at methods of factoring in other issues not susceptible to quantification like environmental impact.

Cost and time overruns

- 4.5. The Committee noted that original cost estimate for the roads programme in the NDP was 5.96 billion whereas the latest estimate is 14 billion. It had been hoped that the major proportion of the programme would be delivered by 2006 but the Minister has indicated that it will overrun by two or three years while the CIF has indicated that at the current rate of delivery and expenditure, 2012 is a more realistic delivery date. In terms of NRA expenditure, there has been an overrun of 250 million for the two years 2001/2 on a budget of 1.8 billion.
- 4.6. The impact of inflation estimates on overall costs was considered. The NRA admitted that they had underestimated inflation. The inflation estimated for the plan had been rounded up to 10% but the actual rate has been closer to 15%. The inflation rate was 15% in 1999 and 2000, and 10% in 2001. It has now moderated to 5%. In money terms, the original cost of a kilometre of motorway in 2000 was in the order of 5 million. This figure had doubled by 2003.
- 4.7. The contracts used are prescribed by the government contracts committee and are a form of contract used by the Institution of Engineers in Ireland. The contract involves the sharing of risks where the client takes on risks for unforeseen ground conditions, exceptional weather, changes in quantities of work, design changes and risks associated with statutory undertakings and archaeology, changes in legislation and price fluctuation. These risks mean that the final cost will always exceed the tender price. For the majority of consultants, payments are made on the basis of fixed pre-agreed amounts where variability is limited to 30% of the fee which is related to the final outturn. The NRA is piloting the use of a design-build form of contract that transfers many of the risks back to the contractor and gives greater certainty of outturn costs. The results to date have been encouraging.
- 4.8. A separate explanation for increases in cost is the later inclusion of a requirement to give a 90% satisfactory level of service on national primary road improvements and to improve some national secondary roads as well. It is estimated that this has added some 2.5 billion to the cost of the programme. Other contributing factors to cost escalation were a significant increase in the cost of the Dublin Port Tunnel which was expanded by Dublin Corporation, extension of work on the N4 and N5 routes, a bypass for Slane (N2) and environmental work on the Kildare bypass.

- 4.9. The Committee asked about the 100% cost overrun on the Pilltown-Fiddown bypass which was partly explained by a later add-on of 13 ghost islands. The NRA explained that this project was planned to normal design requirements. The addition of the ghost islands was a result of a number of safety audits. The project is subject to a number of unsettled claims by the contractor which will be contested.

Balance of expenditure between S&E region and the BMW region

- 4.10. The Committee was concerned that despite an overall expenditure overrun against budget, expenditure on projects in the BMW region had been only 75% of budget in 2001 and 71% up to November 2002. It was explained that part of the reason for the imbalance was that at the commencement of the NDP there were already significant projects underway in the S&E region. A lot of the proposed projects for the BMW region are at the design and planning stages or for property acquisition and archaeological works. Sligo and Ennis were receiving significant allocations.
- 4.11. A further point made was that when looking at expenditure the difference in the cost per kilometre of road must also be taken into account. At its extreme, the cost per kilometre of single carriageway in the west was 4 to 5 million whereas the Dublin Port Tunnel was costing 100 million per kilometre.

Land acquisition

- 4.12. The Committee inquired about the prices paid to acquire land for road construction. The range of prices for agricultural land was from 10,000 per acre to close to 1 million for land with development potential close to urban areas, not necessarily paid to farmers. In rural areas, land acquisition was assumed to be 9% of project costs; this has increased to 13% in 2002, partly due to the new deal with the IFA. The estimate for land purchase in the NDP was 250 million. This is expected to reach 1 billion reflecting an average price of 80,000 per acre but with a wide range of settlements above and below that figure.
- 4.13. The land being purchased for new motorway and dual carriageway corridors has been narrowed due to a decision to use safety barriers instead of a wide median as a safety measure against cross-over accidents. This reduces the land width needed from 36 metres to 26 metres which reduces costs by some 2 to 2.5 million per kilometre.
- 4.14. The Committee asked for an analysis of costs for each project completed in 2001/02 dealing separately with land acquisition, consultancy, other overheads and construction costs.

PPP Contracts

- 4.15. The Committee expressed concern about the balance of risk and reward achieved in PPP contracts and noted a report in Britain that concluded that PPPs do not represent good value for money. The specific case of the west

link toll bridge was discussed. There was a perception that the developer was being over-compensated as the number of cars using the bridge has increased dramatically and is far more than was anticipated when the contract was drawn up. The NRA agreed that there was no service requirement, such as the opening of extra booths to manage queue sizes and the time taken to pass through the toll areas, written into the west link contract.

- 4.16. The NRA informed the Committee of improvements being made to PPP contract terms. Specific service requirements are now written into all PPP contracts. There is also a cap on the profits that the private sector interest can take from a PPP project eliminate super normal profits. The aim is for the developer to take on all the construction risks, maintenance risk and traffic risks for a defined level of gain. The return on equity investment in PPP projects is estimated at 15%. The public sector financial contribution is capped at the outset. The traffic volume required for a viable PPP project is in the order of 12,000 per day.
- 4.17. The PPP terms are subjected to a yardstick known as the public sector comparator. This assesses whether it is better value to use a PPP mechanism rather than traditional procurement. The NRA has been advised that the deals now being struck represent very good value for the public purse.
- 4.18. The newly established National Development Finance Agency also has a role to advise on the appropriateness of financing methods for PPP projects. The NRA is required to consult the NDFA on financing issues. It is expected that a code of practice will emerge where the NDFA will not be consulted on minor projects and that general agreements will be reached on the provisions for different types of contracts, financing mechanisms and PPP projects.

5. Adoption of Reports

- 5.1 The Committee noted the 2001 NRA Accounts.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The cost per kilometre of road building has doubled between 2000 and 2003. Cost inflation has run at 15% per annum.
- The overrun of 250 million on road building was due to under estimation of cost inflation and a change in scope on some primary road projects. Current contracts share risks between contractor and client. The retention of risk by the client means that the final cost of road building generally exceeds the allocated budget.

- There is an imbalance of spending between the S&E region and the BMW region due to the timing of planning of projects in the S&E region. More attention is being paid to projects in the BMW region.
- The current road building is based on the road needs study of 1998, the background analysis for this study was done prior to the period of rapid economic growth. The roads delivered do not favour areas without Dublin access or areas where there is a deficiency in public transport.
- The NRA is changing the basis of contracts for general road building and for Public Private Partnership (PPP) projects to secure better control over costs, a better limitation of client risk and improved value for tax payers' funds.
- The cost benefit model used for evaluating the benefit of potential road projects is narrow and ignores alternative land use and social impacts.

and recommends in general that

- The overruns in the road building budget are not acceptable. Every effort should be made to limit them in the management of road projects. Contracts for each step in the road building process should be further reviewed to minimise the risk to tax payers' funds, contain client risk and provide for a greater use of penalties.
- The balance of expenditure, present and proposed, between the S&E region and the BMW region should be specifically monitored in line with the overall objectives of the road building programme. The proposed priority and expenditure for roads in the BMW region should be ring fenced.
- The new contract provisions introduced by the NRA should be monitored using appropriate cost and output indicators to establish the improvement in cost effectiveness delivered in future road building. The Committee should have a review mechanism for changes in risks in PPP projects. The private element of a PPP should be subject to the scrutiny of the Committee.
- Within the context of the national development plans, there should be a mechanism for a systematic rather than an incremental updating of the road building strategy in line with changing economic, social and environmental priorities and the balance between national, regional and local needs.

2. National Treasury Management Agency Accounts 2001, National Debt, Savings Bank Fund, National Pensions Reserve Fund Accounts 2001 – 19 June 2003

1. The Facts

- 1.1. The Comptroller and Auditor General (C&AG) is required under governing 1990 legislation to report on the National Treasury Management Agency (NTMA) and the Post Office Savings Bank (POSB) as part of his report on the Appropriation Accounts. There is no critical comment in his 2001 report.

National Treasury Management Agency (NTMA)

- 1.2. NTMA expenses are met directly from the Central Fund and do not go through the Estimates process. Administrative expenses increased from 8 million in 2000 to 9.7 million in 2001 and 13.7 million in 2002. The increase is due to the agency taking on a considerable volume of extra work and to increases in salaries for senior staff. The cash throughput in 2002 was 300 billion.
- 1.3. The additional work includes the management of the State Claims Agency and acting as an agent to deal with claims against hospitals, health boards and doctors. It provides a treasury service to local authorities in competition with the banks. NTMA also manages dormant bank accounts and will soon take responsibility for dormant insurance industry funds. The NTMA has recently become involved with the establishment and operations of the National Development Finance Agency (NDFA).
- 1.4. The level of the National Debt has continued to fall and stood at 36.36 billion at the end of 2002. The annual cost of servicing the debt fell to 2.17 billion.

National Pensions Reserve Fund

- 1.5. The National Pensions Reserve Fund (NPRF) was established in 2001 with the proceeds from the privatisation of Telecom Éireann (6.5 billion). Under the governing legislation, 1% of GNP is to be contributed to the fund each year up to 2025. GNP contributions up to June 2003 amounted to 2.558 billion. The value of the fund decreased in 2002 due to a fall in international equity values. The fund value at June 2003 was 8.415 billion. The NTMA was appointed to manage the fund for ten years.
- 1.6. The rationale for the NPRF is that by 2026 the number of pensioners will have increased by 70% over 2001 whereas the ratio of people at work to pensioners will fall from 5:1 in 2001 to 2:1 in 2056. The cost of social welfare and public service pensions is estimated to increase from 5% of GNP in 2001 to 8% of GNP in 2026 and 12.5% of GNP in 2056. It was estimated that a contribution of 3% of GNP would be needed to fully fund the costs of pensions and health costs for the next 50 years. The government settled on a contribution rate of 1%. The overall aim of the NPRF is to put a cap on liability of the State for pensions at the level of 6.5% of GDP between 2025 and 2055.
- 1.7. The fund is under the supervision of seven commissioners, independent of government, who determine the fund investment strategy. Tactical investment decisions are delegated to management. The initial decision to balance risk

against reward was for an 80:20 split between equity and bonds and a 50:50 split between euro and non-euro equities. Investments started in 2002 on a gradual basis and this meant that the fund did not suffer the full implications of the fall in equity markets in that year. The current portfolio is about 54% invested in equities.

- 1.8. A 200 million allocation has been made available for investment in small cap equities, corporate bonds, public private partnerships (PPPs) and property.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive of the NTMA and the Chairman of the National Pensions Reserve Fund Commission and their officials on 19 June 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- Management of the National Debt
- The NPRF Investment Fund
- Investment of NPRF funds in infrastructure projects
- National Development Finance Agency
- State Claims Agency
- Post Office Savings Bank
- Administrative costs

4. Examination of the Issues

Management of the National Debt

- 4.1. The Committee considered the current position of the national debt. The debt:GDP ratio has improved by 2.5 basis points and is reduced to 34%. This is due to good growth rates in the economy. In absolute terms the debt has not fallen to any great extent. The cost of servicing the debt has reduced from 8% in the early 1990s to between 1% and 2% now. The debt:GDP ratio could climb if the government runs a deficit but this is constrained by the 3% limit imposed by the Maastricht treaty.
- 4.2. The principal concern is to maintain Ireland's triple A credit rating. This provides for excellent rates in the market. On a bond issue in June 2003, NTMA paid 1 basis point (.01%) more than Germany and 2 basis points less than France. Constant vigilance is needed to maintain the triple A rating which provides access to the best terms available.
- 4.3. The long term management of the national debt is linked to overall growth in the economy, whether the government runs a surplus or deficit and controlling the cost of borrowing by reference to GDP and the amount of tax revenue needed to cover the interest on borrowings.

- 4.4. The Committee was concerned that the NTMA only report on performance at the end of the year. Savings in the servicing of the national debt are put into the capital services redemption account at the direction of the Minister and information on movements in the account only become available after the end of the year. It was argued that it would be more transparent if information on debt management performance was issued on a monthly basis as this information is needed to have a full understanding of the performance of the public finances.

The NPRF Investment Fund

- 4.5. The reasons behind the establishment of the NPRF fund were considered. The unfunded pension liabilities are such that even if the fund performs well, it will only cover about one third of the total cost.
- 4.6. The fund started to invest in equities in 2002. The advice was that 2002 would be a good year. At the outset a 16% growth was forecast, the actual outturn was a 25% fall. The purpose of the fund is to obtain a reasonable commercial risk adjusted return. The long term perspective is that equities will always outperform other forms of investment. Although the fund invests outside Ireland many of the companies provide employment in Ireland.

Investment of NPRF funds in infrastructure projects

- 4.7. The Committee noted that the ability to deal with pension obligations also depended on growth in the economy which is currently constrained by an inability to develop infrastructure at the desired pace and inquired about the prospects for investing some of the NPRF fund in infrastructure projects. The NPRF has allocated 200 million for this kind of investment. It was explained that contributions to the fund do not count as government expenditure under the Maastricht rules but if the money is invested in infrastructure it will be counted as government expenditure. The rules allow for investment in self financing projects, ie where the commercial income exceeds 51% of the cost. This could include toll roads, public transport or private hospitals. The 200 million allocation is for self financing investments.
- 4.8. No projects have been identified to take up the available allocation of funds. It is acknowledged that there is a long lead-in period.

National Development Finance Agency

- 4.9. The NDFA was established for three functions – reduce the cost of consultants needed for large projects, provide a more efficient means for designing, construction, financing, operation and maintenance of projects, and specifically to provide an alternative source of finance. The NDFA can borrow or guarantee up to 5 billion and can set up special purpose companies to ring fence projects that might be taken out of the calculation of government expenditure for Maastricht purposes.

State Claims Agency

- 4.10. The concept of a State Claims Agency arose prior to 1997 to deal with the situation where there was a great reluctance to take decisions as to whether cases involving claims against the State should be settled or contested. There was no particular expertise in Departments for this. It was felt that settlements would be lower and legal costs could be kept down if cases could be assessed and decisions taken on a more efficient basis. The army deafness cases caused the process to be expedited. The legislation to establish the State Claims Agency was passed in 2000. It permits a Minister to transfer to the NTMA the obligation to deal with and settle or contest any case on his behalf. The money for the settlement is claimed from the relevant Minister.
- 4.11. The State Claims Agency has the capacity to hire litigation lawyers and investigate incidents quickly. It is willing to settle genuine claims but will contest false claims. Private investigative work is done.
- 4.12. Problems arose in the medical area as the cost of medical insurance has increased significantly. The NTMA was asked to take on claims against those involved in the medical sector. The advantage is that there is one legal team with the required expertise. The State pays 80% to 90% of the cost of consultants' insurance. About 4,500 incidents have been notified to NTMA so far, of which several hundred have crystallised into claims.

Post Office Savings Bank

- 4.13. More money has been invested in the Post Office Savings Bank, whose operations have been automated. The interest rate has reduced to a mid-rate of return. The savings schemes are expensive to administer. Prize bonds are also expensive to administer as 2.75% of the value of bonds is put into the prize fund and a similar amount is spent on administration. The administration costs in 2002 were 6 million out of an overall cost of Post Office Savings Bank administration of 39 million.

Administrative costs

- 4.14. One of the unique features of the NTMA is its ability to recruit staff on conditions outside the public sector norm. This enables it to pay market rates for the specialist expertise needed for its operations. Staff turnover at senior levels has been low. Remuneration levels are reviewed by an independent consulting company. There are no incremental pay scales and every member of staff is on an individual deal. Average remuneration was 90,000 to 100,000 with some staff earning more than 250,000 per year.

5. Adoption of Reports

- 5.1 The Committee noted Chapters 13.1 and 13.2 of the Annual Report.

Findings and recommendations

The Committee of Public Accounts

finds specifically that:

- There has been effective management of the National Debt and control of the cost of the National Debt in the interests of the tax payer. The current triple A international rating is a positive indicator of the current position.
- The establishment of the National Pension Reserve Fund (NPRF) and its objectives are in the long term interests of the tax payer. The Fund represents a considerable State asset that needs to be managed in the best interests of all citizens. This extends to maximising the availability of the fund to contribute to necessary economic, social and environment projects within the limits of its objectives and public finance rules.
- The performance of the NPRF reflects the volatile movements in the international markets during the period under consideration.
- The returns offered on Post Office Savings Bank (POSB) savings products are in line with the market but no more attractive than alternative investments. The cost of the administration of Prize Bonds is high.
- The assumption of extra responsibilities by the National Treasury Management Agency (NTMA) for the State Claims Agency including health claims, the local authority treasury service and the management of dormant bank accounts and dormant insurance industry funds is a practical way of ensuring that the necessary expertise for these functions is put in place for their effective management. The need for the NTMA to be used to secure the required expertise is a reflection of a weakness of current civil service human resource regulations.

and recommends in general that

- NTMA and the Department of Finance should ensure that the terms of availability of NPRF funding for self financing infrastructure projects are widely known so that best use can be made of these funds in the national interest.
- The NTMA should report periodically to the Department of Finance on any savings made on the national debt so that these savings can be reflected in the monthly profiles of receipts and expenditure being published by the Department.
- The medium and longer term objectives of products offered by the POSB should be reviewed to ensure they remain relevant to the overall objective of the POSB. Performance requirements for the cost effectiveness of POSB products should be established.

3. Teagasc Financial Statements 2001 and Moorepark Technology Limited Financial Statements 2001 – 24 June 2003

1. The Facts

- 1.1. Teagasc is a national organisation providing research, advisory and training services to the agriculture and food sectors. It is financed through a combination of exchequer grants, income generated from its operations and EU grant aid.
- 1.2. The accounts for 2001 reported income of 135 million, current expenditure of 128 million and capital expenditure of 12 million. In recent years, EU grant income has diminished and the budget allocation has been reduced. This has prompted a rationalisation programme that involves the closure of some operational centres and the disposal of property, including the Headquarters building in Sandymount. Property maintenance and repairs cost 6.8 million in 2001.
- 1.3. Teagasc employs more than 1,500 staff divided between 200 scientists at nine main research centres, 550 local advisers and regional specialists operating from 100 centres and 200 teachers and technologists. The workforce is ageing. Pension and superannuation payments were 17 million in 2001 and the actuarial computation of pension liabilities was 582 million at the end of 2002. Pay and pensions account for 70% of total expenditure.
- 1.4. Teagasc owns 51% of Moorepark Technology Ltd, a company formed to stimulate and facilitate innovation and development in the food industry. The 2001 accounts for Moorepark Technology Ltd reported turnover of 831,000 and a retained profit of 27,300.

2. Proceedings of the Committee

- 2.1. The committee met with the Director of Teagasc, the Director of Moorepark Technology and officials from the Department of Agriculture and Food on 24 June 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Operational Issues
 - Research criteria
 - Closure of Ballinamore research centre and Mellows College, Athenry
 - Disposal of Headquarters and relocation of staff
 - Moorepark Technology Ltd

4. Examination of the Questions

Operational Issues

- 4.1. Teagasc has been faced with a need to operate on a smaller budget. It cannot maintain the size of its current programmes. The Committee inquired about certain elements of operating expenditure. It was informed that Teagasc leases some 675 hectares of farm land at an annual cost of 340,000.
- 4.2. Teagasc has a herd of 1,400 cows with a milk quota of 1,503,000 gallons. Two thirds of the milk quota is for research while the remainder is for teaching purposes. There are four herds at teaching facilities around the country each with a quota of 100,000 gallons, which represents a good commercial farm. The dairy research is acknowledged to contribute to the national knowledge base that is highly valued by farmers. Some proposals have been made to reduce these activities and the sale of property at Ballinamore will be with quota. The Teagasc Board has directed management to review all dairying activity and the use made of quota with a view to reducing its activities.
- 4.3. The Committee inquired about the pensions liabilities facing Teagasc in future years. As with other State organisations, the funding of pensions is a public service issue beyond the control of Teagasc. About 50 permanent staff members retire each year. It is anticipated that the workforce will reduce by 200 over the next few years.

Research Criteria

- 4.4. Teagasc is seeking to concentrate its research on the larger and more efficient centres where there is critical mass. The Committee inquired about the criteria for selecting research and development projects. Members were concerned that the rationalisation would mean that Teagasc would concentrate on agriculture on the most productive land. It was explained that various criteria are used to decide what proportion of resources are allocated to sectoral research. The importance of sector to the national economy is one of the main factors. The potential for development in a sector is also important and means that a small sector could gain investment beyond its contribution to the national economy. The current review of programmes is focused on making Ireland competitive in a more open market environment by modelling the impact of changes in the Common Agricultural Policy (CAP) and possible outcomes from the World Trade Organisation negotiations. Other main strands of research are in the cost model for farm production and the needs of rural communities to adjust to CAP changes.
- 4.5. Food research is externally funded and the criteria are usually set by the funding agencies. For food processing, the research criteria would include contribution to job creation, economic activity and innovation. Public good criteria are applied for food safety research where the criteria would include economic activity driven by consumer acceptance and food quality assurance. Agricultural production research would be related to the competitiveness of

the commercial agriculture sector and would include a significant environmental research programme.

- 4.6. The Committee inquired about a report from Dr Gerry Boyle which found that the returns from agricultural research over the past seven years were 47%. Members were concerned that the reduction in the research programme could be short sighted. It was clarified that Dr Boyle's research was based on selected samples of expenditure programmes that showed a considerable return on investment.
- 4.7. A further query was raised on the closure of a sheep farm in Knockbeg that was seen to break even. It was explained that when overheads were taken into account, the farm had a net annual cost to Teagasc of 125,000. The Committee felt that when this net cost was compared with the average salary of a senior researcher (80,000), it represented good value. The Knockbeg example was a case where it is planned that similar research will be performed using monitor farms of a similar size to the Knockbeg farm. There is also a sheep research facility at Athenry that combined with monitor farms, meets the needs of the sheep farming community reasonably well.
- 4.8. The reality was that each separate facility is a cost centre and the overall number of cost centres needs to be reduced.

Closure of Ballinamore research centre and Mellowes College, Athenry

- 4.9. The main dairy research programme is centred in Moorepark. A centre in Ballinamore, Co Leitrim, which is part of the overall programme is to be closed as it was seen to contribute less than others in the programme. The Committee were concerned that the potential yield from the sale (500,000) was small in comparison to the loss of a unique agricultural research centre that served the western seaboard. The Centre has wet drumlin soil and a particular type of grass. Its closure would mean there would no longer be practical research into wet land in Ireland.
- 4.10. The rationale for closing Ballinamore was that the research activities could be continued at Ballyhaise where the climate and soil type is similar. Ballyhaise would provide research, teaching and demonstration activities. The capital proceeds from the sale was not the primary reason for closing it down. The Committee felt that there was a substantial difference between the land at Ballinamore and Ballyhaise.
- 4.11. The Committee was concerned about the closures in Athenry especially as an organic farming section had been opened there a few years ago. They were particularly concerned that the educational side of the organic farm was to be transferred to Mountbellew Agricultural College. Teagasc clarified that the development of the organic farm is proceeding and will be supported by a research facility and a demonstration aspect for short courses. The demand for two residential colleges within 20 miles of each other had diminished so as part of the overall rationalisation of colleges, it was decided to support Mountbellew and close Athenry. Adult courses that do not require residential

accommodation will be retained at Athenry. The transfer of the rural economy research centre to Athenry will mean a net gain of 20 staff there.

Sale of Headquarters and relocation of staff

- 4.12. The Committee was concerned that a sale and lease back deal on the Headquarters building could be a false economy and poor value for money. It was explained that it is planned for Head Office staff (70 employees) to be relocated to Oak Park House in Carlow and for the rural economy research centre, currently based at Sandymount, to relocate to Mellows College, Athenry. There would be a need for short term accommodation in Dublin while the alternative accommodation was prepared. The sale would be made without preconditions but if the terms were acceptable, a short term lease back up to the middle of 2004 would be sought.
- 4.13. Only 10% of staff has indicated a wish to transfer. Other staff are waiting for more information about options to relocate, travel and compensation issues, before they make up their minds. No staff would be forced to move but the intention is not to leave any staff in the current headquarters. Past experience with rationalisation has informed management of the timespan involved.

Moorepark Technology Ltd

- 4.14. Members enquired about the reason for Moorepark Technology Ltd. The company is an efficient financial way to provide the public research programme with access to large scale sophisticated facilities and pilot plant facilities. 25% of turnover is with Teagasc and the remaining 75% is with commercial customers. The predominant relationship with Teagasc is as a customer rather than as a shareholder.

5. Adoption of Reports

- 5.1 The Committee adopted the 2001 accounts for Teagasc and for Moorepark Technology Ltd.

Findings and recommendations

The Committee of Public Accounts

finds specifically that:

- Progress has been made in reduction of the expenditure base, the rationalisation of operations and the realisation of surplus assets, including the Headquarters Offices.
- The rationalisation programme has some inevitable impacts on local employment but in some areas (Athenry) there are net employment gains due to the consolidation of operations.

- The objectives of agricultural research undertaken by Teagasc are important for the national knowledge base and the position of Ireland in world agriculture. There is a need for the preservation of this knowledge base.

and recommends in general that

- The benefits from the disposal of assets should be shared with Teagasc to support its future operations.
- Where possible, the rationalisation of operations and the location of research facilities should favour small communities.

4. City of Dublin Vocational Education Committee 1998-2001 Accounts and Section 7 Report – 3 July 2003

1. The Facts

- 1.1. The finalisation of the audits of the 1998 to 2001 accounts (four years) was delayed due to serious shortcomings in the systems in operation which impacted negatively on the ability of the City of Dublin Vocational Education Committee (CDVEC) to produce timely and accurate accounts. The C&AG produced a Section 7 report to outline his concerns about the systems of internal control being operated.
- 1.2. The audits revealed weaknesses and omissions in basic control tasks, in particular the reconciliation of certain accounts and the proper verification of all petty cash balances.
- 1.3. The deficiencies in internal control were attributed to severe administrative staff shortages and exceptionally high staff turnover during the period. The staff shortages are attributed to poor career structure for administrative staff and limited promotion prospects. Some 47% of administrative staff resigned between 1998 and 2000 and 48% of new appointees failed to take up their posts.
- 1.4. CDVEC, an organisation of 3,500 staff, had no internal audit function. This is being addressed.
- 1.5. There was also the implementation of a new accounting system partly to deal with the Year2000 (Y2K) computer issue. The system was reported by CDVEC to be working well and serving accounting and management reporting needs. There has also been a culture change in the basis of accounting used by CDVEC as part of a migration from a receipts and payments basis to an income and expenditure basis.
- 1.6. The Comptroller and Auditor General has reported that there has been a notable improvement in the quality of the required documentation submitted for audit since 2002.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive Officer of CDVEC and his officials and with officials from the Department of Education and Science on 3 July 2003.

3. Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Staff Retention
 - Internal control
 - Clarifications on the Accounts

4. Examination of the issues

Staff Retention

- 4.1. The Committee inquired about the reasons behind the difficulties in hiring and retention of key members of staff. Part of the explanation was that Institutes of Technology were on an expansion path and could offer better career options. Also, as staff were trained on the new accounting system (Sun systems) there were attractive offers to encourage them to move to the Institutes.
- 4.2. Other VECs were experiencing similar problems with retention of staff and systems change but the size of CDVEC compared to other VECs meant the scale of the problems were much worse. During the period there had also been a change in CEO and the Finance Officer suffered a period of illness.
- 4.3. With the introduction of new accounting systems there was a need to have qualified personnel who could discharge the role of accountants but the CDVEC was unable to recruit qualified accountants or internal auditors. The Rochford report has been adopted but is not yet implemented. It recommends an additional 40 staff to do the work in hand. Implementation of the Rochford report would enable these issues to be addressed in a meaningful way. The proposal of the Department is for phased implementation of the report and it is committed to implementation in practice and in spirit. About half of the Rochford package is already in place.
- 4.4. The staff retention problem had a knock-on effect on the training costs for introducing the new accounting system. The training costs had been estimated in the region of 35,000 but had eventually cost three times this amount. The original figure had been estimated by consultants. The main reason for the excess was that high staff turnover meant that a significant number of extra staff needed to be trained which substantially increased the number of training days actually purchased.

Internal control

- 4.5. The Committee sought explanations for the internal control weaknesses referred to the C&AG report. The operational context of the problems was that there are about 50 cost centres for schools, colleges. Each cost centre could support up to 2,000 students and about 120 teachers. Apart from the cost centres, there are a further 110 other units used occasionally. There are a further development projects. These grew from 40 to 150 in the period under review. The basic problem was that the CDVEC was unable to recruit the staff of the right calibre to deal with financial accounting and control functions for the scale of operations.
- 4.6. The main accounting records consisted on a record of receipts and payments that was supported with a list of outstanding liabilities. The accounting system was upgraded to Sun Systems Vision in order to introduce the accruals basis of accounting. As part of this migration the opening balances for assets and

liabilities were needed. These were established for the beginning of 1997 by going back through the accounts into the 1980s.

- 4.7. The bank reconciliations caused considerable problems. There were four staff assigned to the section but these turned over three times within a ten month period. The audits were suspended twice during the period because staff were unable to provide satisfactory answers to audit queries. During the audit, the CDVEC was receiving different information about bank lodgements from the Department and from the Office of the C&AG. The differences were due to lodgements by credit transfer directly to the account that were not noted to CDVEC. There was a time lag in identifying them and this involved going back to the Department to establish the source of the lodgements. Not all lodgements were made by the Department of Education and Science – other departments would have made lodgements as well. This problem was faced by all VECs but the system has improved over the last three years. There was no loss of funds involved in the accounting weaknesses. The issues were around how information was analysed.
- 4.8. For petty cash there had been a misunderstanding over the definition used which meant that centres holding cash for special functions like graduations had not included these funds with normal petty cash balances in the returns for audit. This has now been rectified, reconciled and balanced.
- 4.9. The Committee inquired about the level of support made available by the Department in resolving the accounting and systems problems. The Chief Executive of CDVEC met with the Secretary General of the Department and had subsequent discussions with internal audit and other technical staff in the Department. The Department offered additional financial support and provided extra staff for computer analysis and accounting advice. The support was provided in 2000 but the problems had existed since 1998. It took longer to deliver help because the Department was looking for value for money and wanted to be assured that no money had gone astray. It was also anxious to ensure that proper systems were in place to safeguard assets and to meet deadlines for submission of returns. The switch in auditor to the C&AG was a culture shock as CDVEC was not familiar with the requirements to submit an audit file.
- 4.10. CDVEC propose to put an audit plan forward to the VEC recommending the establishment of an internal audit unit. Approval will then be sought from the Department to set it up and make the necessary appointments.

Clarifications on the Accounts

- 4.11. The Committee inquired about capital balances in the accounts. It was explained that there are a number of long outstanding dormant balances that will eventually be written off. Capital work on Coláiste Dúlaigh in Coolock is completed.

5. Adoption of Reports

- 5.1 The Committee noted the 1998-2001 CDVEC Accounts and the Section 7 Report.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- Unacceptable weaknesses in internal control occurred between 1998 and 2001. While no loss of funds was involved, the standard of internal financial control, especially over the reconciliation of accounts, was inadequate.
- The high turnover of administrative staff and a lack of stability among senior financial staff contributed to the internal control weaknesses. This was partly caused by the existing civil service recruitment regulations and the availability of more attractive employment conditions elsewhere.
- It is critically important for a professional internal audit team to be established in City of Dublin Vocational Education Committee (CDVEC) straightaway.

And recommends in general that

- The number, grade and levels of administrative positions proposed in the Rochford report for CDVEC should be adopted.
- The recommendations of the Rochford report, in respect of the CDVEC should be implemented as soon as possible. In particular, the elements of the Rochford report deemed necessary to facilitate the financial audit should be implemented. The Committee would appreciate receiving an updated report on the progress made.
- The annual accounts should be prepared on an income and expenditure and balance sheet basis.

5. Bord Iascaigh Mhara 2000 Accounts, Supplementary Report and 2001 Accounts – 3 July 2003

1. The Facts

- 1.1. The C&AG issued a supplement to his audit report on the 2000 accounts of Bord Iascaigh Mhara (BIM) concerning an issue of adherence with public financial procedures.
- 1.2. In December 2000, a supplementary estimate for 6.5 million was passed for the marine and natural resources vote that included £3 million for a fish quality assurance scheme, £1 million for a fuel efficiency scheme and £2.5 million in aid to the shellfish industry. By June 2001, only £1.4 million had been spent. Ultimately, some £3.5 million was used for the purposes intended, a further £1.5 million was transferred in aid to a mussel fishery and the remaining £1.5 million was returned to the Department by set off against the State grant drawn down in December 2001.
- 1.3. The three schemes were government policy decisions to support the fishing industry that BIM were asked to implement. The fish quality assurance scheme and fuel efficiency scheme were aimed at improving the profitability of fishing to counter an increase in the price of marine diesel from 14p to more than 30p per litre.
- 1.4. The fish quality assurance scheme was a training initiative that was launched in December 2000 although payments to attendees (1,754 fishermen from 384 vessels) were only made after compliance checks in the course of 2001. A second phase of the scheme, scheduled for Autumn 2001, was subsequently dropped.
- 1.5. The fuel efficiency scheme was not put into effect as a fall in the price of marine diesel reduced the urgency for this support.
- 1.6. The aid to the rope mussel industry was needed because a naturally occurring problem caused by bio toxins forced the closure of many farms for up to ten months in 2000. The support scheme was put in place in December 2000 but involved site inspections which were delayed by the foot and mouth outbreak in March 2001. The allocated amount £2.5 million was paid out in the course of 2001. Sanction was received in 2001 for the transfer of £1.5 million of the unspent funds to aid the Castlemaine mussel fishery that had also been affected by the bio toxin problem.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive of BIM and his officials and with officials from the Department of Communications, Marine and Natural Resources on 3 July 2003.

3. Accountability issues

- 3.1. The accountability issue raised in the C&AG's supplement is that the events represented a serious breakdown of financial control over the issue of Exchequer moneys as funds were sought by a State sponsored body without having the assistance schemes in place to disburse them during the year of account and in an amount far in excess of what was needed.
- 3.2. The specific public accountability questions that were addressed by the Committee were:
 - The supplementary estimate
 - The Quality Assurance Scheme
 - The fuel efficiency scheme
 - The shellfish scheme
 - Holding of surplus funds

4. Accountability Issues

The supplementary estimate

- 4.1. The Committee inquired why a grant of 6.5 million was drawn down when the bank balance stood at 9 million. The Department indicated that the supplementary estimate was for a specific purpose to provide urgent support for fishermen and fish farmers. While it appears that the schemes were frontloaded, there was a genuine belief that that the money would be needed in 2001 to deliver on commitments to the industry.
- 4.2. The Committee asked how the amount of 6.5 million was determined. Fishermen had lobbied the government for support. Informal consultations had been held with BIM in the week prior to 5 December and the amount required was decided on at that time. The Department had been aware of the problems with the shellfish and sea fishing industries through the Autumn of 2000. A detailed assessment, and intensive discussions and analysis of issues supported the determination of the level of funds needed to address the problems being faced.
- 4.3. When the funds were drawn down there was an expectation that a significant part of the package would be implemented in December 2000 with further tranches following on in the early part of 2001.

The Quality Assurance Scheme

- 4.4. The schemes were agreed between the Department and BIM on the basis of what was considered acceptable under EU guidelines.
- 4.5. The fish quality assurance scheme was implemented and 1 million of the 4 million allocated for that were paid out to almost 1,800 fishermen who attended the training sessions. The training was provided at six venues and involved two components – care of the catch, the quality of fish landed and

how to handle fish. The processing of the payments caused some delays. Attendees were paid a subsistence allowance of 500 per crew person. Payment was only made on completion of the programme and validation of RSI numbers against applications. It was not possible to pay out on the quality assurance scheme before Christmas 2000 as there was a need to consult the Department of Social and Family Affairs on validation measures.

- 4.6. The second part of the quality assurance scheme was to have comprised on-board training for skippers and crews together with a quality assurance protocol and monitoring of catches over a two month period. This was planned to cost 2 million. The Committee inquired why this second phase was dropped. The Department explained that at the outset the understanding was that EU state aid clearance had been received. The EU became concerned that the government was providing a subsidy to the industry and asked for a specific application under state aid to be made for the quality assurance programme after the first phase had been completed. There was a doubt whether State aid approval would be received. There has been considerable correspondence on the issue. A letter to the Commission sent in August 2002 has not yet been replied to. As the Commission was adopting a conservative approach it was decided it would not be prudent to proceed with the second part of the scheme.

The fuel efficiency scheme

- 4.7. The drafting and planned implementation of the fuel efficiency scheme was more difficult than expected. By the time the scheme had been drawn up, the price of marine diesel had fallen and it was felt that there was no longer an emergency. Other criteria involving EU state aid clearance had to be met.

The shellfish scheme

- 4.8. The shellfish package was also delivered but with delays due to the foot and mouth precautions. The shellfish money addressed a problem with the toxicity of the water that closed down the sector. The money was for the purposes of restocking and putting in procedures for the industry to continue producing mussels. The redirection of funds to the Castlemaine fishery was also to cope with a toxicity issue although the nature of the fishery is different.

Holding of surplus funds

- 4.9. BIM informed the Committee that the supplementary funds drawn down were kept separate from the rest of BIM funds and were fully accounted for. The funds were not used for any purpose other than that for which they were intended. While not in use the funds were invested in government bonds.

5. Adoption of Accounts

- 5.1. The Committee noted the BIM 2000 and 2001 Accounts and the Supplement to the Audit Report to the 2000 Accounts.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A supplementary estimate was drawn down by Bord Iascaigh Mhara (BIM) even though it did not have the resources or procedures in place to use the funds for the purpose for which they were appropriated.
- At a time when the fishing industry was under funded to a great extent, a sum of money voted by Dail Eireann to the industry was not spent.

and recommends in general that

- The Department and BIM should leave enough time for the implementing arrangements to be put in place for new government initiatives, before drawing down appropriated funds.

6. Midland Health Board, Accounts 2001 – 24 July 2003

1. The Facts

- 1.1. Health Board accounts are presented in a format prescribed by the Department of Health and Children. They analyse how financial allocations are spent under three programmes – general hospitals, special hospitals and community care. The amounts for central services and for capital expenditure are also presented. The accounts are on an accruals basis and accordingly include a balance sheet.
- 1.2. The accounts are of limited use for comparison purposes as the boards deal with different catchment populations, and are of different sizes and type.
- 1.3. Generally, health boards have operated within their financial allocations although there has been a tendency for a deficit on capital spending. In operational terms, the boards have not overspent, so the issues are how well is the money spent, how good is the budget formulation process, how spending priorities are worked out, how staff numbers are determined and the reliability of controls over grants to outside bodies and specific value for money initiatives.
- 1.4. The Midland Health Board had a small opening deficit of £24,000 at the beginning of 2001. The Board received an extra allocation of £1.3 million in respect of prior years demand led schemes and superannuation. This converted the opening deficit into an opening surplus of £1.28 million. Expenditure in 2001 amounted to £242.2 million which was £702,000 more than the allocation for that year. The overspend was due to demand led schemes, superannuation and medical indemnity costs for which funding was due to the health board. This was provided in 2002 and resulted in a net surplus of £775,000.
- 1.5. The Board employed 4,826 whole-time staff equivalents in 2001. Between 1997 and 2001 there was an increase of 1,500 whole time staff equivalents of which some 365 were in administrative positions. In 2002 there was a significant increase in staff to approximately 5,500.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive Officer of the Midland Health Board and his officials and with officials from the Department of Health and Children on 24 July 2003.

3. Accountability issues

- 3.1. The specific public accountability issues that were addressed by the Committee were:

- Clarification on the accounts
- Grants to outside agencies
- Capital project in Mullingar
- Value for Money Audit
- Management of Accounts and Governance
- Care Issues

4. Examination of the Issues

Clarification on the accounts

- 4.1. The Committee sought explanations about various increases in expenditure in the 2001 accounts. The spending on blood had increased from £332,000 to £768,000 due to a substantial increase in the cost of blood and an increase in the usage of blood. The level of day-case activity, coupled with general medical cost inflation, increased the cost of medical supplies from £8 million in 2000 to £12.27 million in 2002.
- 4.2. Insurance costs doubled from £1.9 million to £3.7 million. In response to this the Department has introduced an enterprise liability scheme to slow down the rate of increase. The Board has a risk management unit that analyses specific risk events and informs behaviour and change practices within the Board to reduce risks. It is too early to say if the number of claims are reducing.
- 4.3. A bequest worth £699,821 had been received during 2001 to be used to support patient comforts at St Peters in Castlepollard. The money was invested at 5.5%.

Grants to outside agencies

- 4.4. The Committee recognised that outside agencies play an important voluntary role in the health system and should be considered an integral part of it. They asked about the monitoring of the considerable sums provided to these agencies. The Health Board has service agreements with the main organisations which are updated as part of the service planning process. There are quarterly reviews and a retainer of 5% is held back until the Board is satisfied that the service anticipated has been received at the end of the year. The relationship is on a professional basis.

Capital project in Mullingar

- 4.5. The Committee asked about capital commitments, in particular, about wards built for a special purpose in Mullingar that were never opened. Money had been ring fenced under the NDP for the development of the campus at Mullingar. The decision was made some years ago when it made architectural sense to do so. The intention is that the development will be advanced as part of phase 2B of the overall project. The overall project cost is £23 million of which between £2 million and £3 million has been paid out. In terms of value for money it would cost a lot more if the project was only starting now. Stage 1 is due for completion in 2003 but it is unsure when stage 2 will come on

stream. The decision to proceed with the building was wise as it will serve the Board well when the other work on the campus is completed.

Value for Money Audit

- 4.6. The Committee asked if specific value for money reports had been produced by the Board. A Value for Money project was completed on the laboratories which resulted in a reorganisation of the non-pay side leading to an ability to recruit twelve more staff and expand the service. Other work was done in the purchasing area and a review of sick leave arrangements. The Board does not have an evaluation team solely devoted to this work. Staff are taken from the finance and purchasing departments as required.

Management of Accounts and Governance

- 4.7. The Committee asked if a code of corporate governance was in place, including an internal audit committee. The Board is in the process of setting up an internal audit committee in accordance with the departmental guidelines. The Committee will have some external representation to provide an element of objectivity. The internal auditor currently reports to the CEO and does not have the opportunity to report to the Board without the CEO being present. All Board members are ex officio members of the finance committee that meets on a quarterly basis. The committee reviews the service plan and all issues relating the finances.
- 4.8. The Committee inquired about how the budget for the Health Board is determined. It was explained that in the summer of the preceding year, a letter of allocation is received and an in-service plan is prepared within 40 days for submission to the Board. The plan is the forward planning document.
- 4.9. The 2001 allocation was £231 million at the start of the year. This had increased to £261 million by the end of the year. The increase of £30 million was due to pay awards and to take account of developments during the year. The expected increase in expenditure in 2003 is 8.7% over 2002 before taking pay awards into account. The Board has been told that no funds will be available for increases in demand led schemes in 2003. Benchmarking is also not included in the planned allocation. This is expected to cost about 10 million.

Care Issues

- 4.10. The Committee inquired about the regional specialties of the Health Board. These are ENT, orthopaedics and oncology. The waiting list for hip replacements is between six and eight weeks and the Board has capacity to take on patients on the waiting lists in Dublin. The cost of a hip replacement is in the region of 12,000. When the Board refers patients to Dublin hospitals for specialist treatment, for example for cardiology, it does not pay the costs. This is because Dublin hospitals are allocated a 15% levy to cover referred patients from country areas.

4.11. The issue of step-down beds was also discussed. This is where up to 20% of acute beds are occupied by non-acute patients. In the Midland area, the problem is not as bad as Dublin and is helped by a good supply of beds for the elderly on both the public side and in private nursing homes. The Board has pioneered rehabilitation in the community but this has an effect on paramedical expenses which has risen sharply.

5. Adoption of Accounts

5.1. The Committee noted the 2001 Accounts of the Midland Health Board.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The construction of facilities at Mullingar that were not put into immediate use, may make architectural sense, but reflects poor use of funds for the purposes for which they were allocated.
- The governance arrangements for internal audit at the Board need to be upgraded.

and recommends in general that

- The internal audit reporting arrangements should be modified to allow for the internal auditor to be able to report, on occasion, directly to the Board without the Chief Executive Officer being present.

7. Western Health Board, Accounts 2000 and 2001 – 24 July 2003

1. The Facts

- 1.1. Health Board accounts are presented in a format prescribed by the Department of Health and Children. They analyse how financial allocations are spent under three programmes – general hospitals, special hospitals and community care. The amounts for central services and for capital expenditure are also presented. The accounts are on an accruals basis and accordingly include a balance sheet.
- 1.2. The accounts are of limited use for comparison purposes as the boards deal with different catchment populations, and are of different sizes and type.
- 1.3. Generally, health boards have operated within their financial allocations although there has been a tendency for a deficit on capital spending. In operational terms, the boards have not overspent, so the issues are how well is the money spend, how good is the budget formulation process, how spending priority are worked out, how staff numbers are determined and the reliability of controls over grants to outside bodies and specific value for money initiatives.
- 1.4. A problem arose in finalising the 2000 audit due to the omission of outstanding capital receipts and outstanding cheques from the balance sheet. No fraud, loss of public funds or intention to deceive was involved. The problems were due to an over dependence on a small number of staff in the finance department in the preparation of the audit file. Corrective measures have been put in place to document fully the processes around the year end closing of accounts and preparation for audit. This means that the completion process is no longer dependant on a single individual.
- 1.5. The accounts for 2000 show a year end surplus of 1.3 million. The surplus at the end of 2001 was 2.7 million.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive Officer of the Western Health Board and her officials and with officials from the Department of Health and Children on 24 July 2003.

3. Accountability issues

- 3.1. The specific public accountability questions that were addressed by the Committee were:

- Management Control
- Staff Levels
- Governance
- Voluntary Agencies

4. Examination of the Questions

Management Control

- 4.1. The Committee inquired about the background to the problems that arose in the 2000 audit. The problems arose when three key individuals were unavailable due to a combination of resignation, serious ill health and personal family health which left the board unprepared for the year end completion of accounts. It was not possible to get external temporary support as the accounting systems of the Board were 13 years old and a steep learning curve would have been needed. Although the Office of the C&AG allowed more time for accounts preparation, the auditors were brought in before the accounts were reconciled and this was why the anomalies were not discovered.
- 4.2. The situation has been rectified by fully documenting the accounts completion process and providing extensive training, including work shadowing, so that the working papers submitted for audit are quality assured and the Board is not dependent on the work of any single individual.
- 4.3. The Committee sought information about the management of resources in 2002 where the press had reported that an overrun of 13 million was expected and 200 job losses were would be required. It was explained that the press had not properly reported the situation which was that hospital and acute programmes had been 13 million over allocation by June 2002 but that there were contingency funds that meant that the worst case scenario if no action was taken for the rest of the year would have been a 5 million deficit. The Department sought a 1.1 million clawback and the loss of 85 part time positions.
- 4.4. There was confusion over the calculation of the number of job losses as the method of controlling job numbers had changed in the Department in 2002. When the allocation is received the Board identifies how many jobs are needed for the year and this number is signed off with the service review. 25 million of additional development funds became available and this supported an additional 25 nurses multiplied by the shift factor. These new posts are not taken into the Department's figures until the end of the year.
- 4.5. The Committee inquired about the management of outstanding patient debt. The level of debtors had increased from £2.57 million in 1999 to £3.29 million in 2000 and to 4.88 million in 2001. It was explained that the increase in patient debtors was due to a doubling of charges in a year. The number of accounts was roughly the same. Direct billing was introduced for the VHI the computer system is being upgraded to handle this. The debt is considered to be largely recoverable. There is a difficulty with recovery of accident and

emergency debtors where although improvements have been made in the system, the income collection level is only about 50%.

Staff Levels

- 4.6. The Committee asked about staffing levels and the ratio of administrative to front-line posts. The number of whole staff equivalents had increased from 6,725 in 1999 to 8,800 in mid 2003, including 640 at Portiuncula Hospital that was brought under the responsibility of the Board. There was about 1,100 increase in staff between 2000 and 2002. The ratio of coalface to administrative staff is 60:40 for the Board overall. Analysis of administrative positions shows that 70% work in operational areas such as ward clerks and admissions while the remaining 30% are in central support areas like IT, materials management and finance.
- 4.7. The Board was vulnerable in the finance area as priority is given to recruitment of frontline positions. There was a dependence on old systems with a lot of manual work. In 1998 there were only two accountants at the headquarters and two at University Hospital Galway. Now there are ten accountants in the Board but only three in headquarters looking after a budget in excess of 750 million.

Governance

- 4.8. The Committee inquired about the arrangements for good governance in the Board. There is a finance committee that meets bi-monthly.
- 4.9. An internal audit committee was set up in 2001/02, before the code of governance was recommended by the Department of Finance. It is chaired by an external qualified accountant. The internal auditor has a three year work programme and reports to the CEO. The external auditor has a mentoring and supervisory role with the internal auditor and appears before the finance committee.
- 4.10. The elected Board has 31 members and the CEO spends 20% of her time liaising with the Board. There are 300 locations and the largest island population.

Voluntary Agencies

- 4.11. The Board deals with over 500 voluntary agencies of which five are very big and up to 300 are small. A formal service agreement is agreed with the large agencies and audited accounts are required from them. Funds are allocated on the basis of the number of clients, locations and services to be provided.
- 4.12. There has been a significant shift in favour of preventative work resulting in the lowest number of children in residential care and the highest number of families in family therapy.

5. Adoption of Accounts

5.1. The Committee noted the 2001 Accounts of the Western Health Board

Findings and recommendations

The Committee of Public Accounts

finds specifically that:

- The procedures for the preparation of draft accounts for audit in 2000 were undermined by an overdependence on key staff. This issue has been subsequently addressed.
- The level of patient debt has increased significantly between 1999 and 2001.

and recommends in general that

- Steps should be taken to reduce and manage the level of patient debt.



DÁIL ÉIREANN

An Coiste um Chuntais Phoiblí

Committee of Public Accounts

2001 REPORT

REPORT ON:

**THE 2001 ANNUAL REPORT ON THE APPROPRIATION
ACCOUNTS;
AUDIT REPORTS ON NON-VOTED ACCOUNTS;
AND VALUE FOR MONEY REPORTS AND SPECIAL REPORTS
OF THE COMPTROLLER AND AUDITOR GENERAL**

**AT MEETINGS HELD BETWEEN NOVEMBER 2002 AND
SEPTEMBER 2003**

Part 3:

**Examination of Value for Money Reports and Special
Reports of the Comptroller and Auditor General**

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 - Role of Department of Finance in the matter

1. VFM Report Number 41 – Planning Appeals – 12 June 2003

1. The Facts

- 1.1. Between 1994 and 2000, there was strong growth in the number of planning decisions which led to a doubling of appeals within the period. In general, 7% of planning decisions are appealed and an appeal is much more likely when a planning application is refused than when it is granted.
- 1.2. At the end of 2000 there was a backlog of 2,460 cases compared to 640 cases in 1994. Of the appeals finalised in 2000, 27% of planning permissions were reversed outright, 31% had conditions attaching to permissions varied and the remaining 42% had the original planning decision entirely upheld. Some planning authorities were considerably above or below the national norms.
- 1.3. In 2001, the number of appeals peaked at 5,422 while in 2002, there was a 15% fall in numbers to 4,562. Output has trailed the intake for several years leading to an increasing backlog. In 2002, the position was reversed as the number of appeals dealt with increased to 5,900. The easing of the backlog has meant that performance in terms of time objectives has improved. 80% of cases are decided within the statutory objective period of 18 weeks and the average time to dispose of a case was 15.8 weeks.
- 1.4. Since 1997 the staff complement of the Board has increased by more than 50 posts to 138 and the size of the Board was doubled from six to twelve members. The Board has dealt with staff turnover issues by widening the pool of planners available for recruitment by allowing them to be based outside Dublin. When the volume of work was very high, up to 50% of all appeals were dealt with by consultant planners, leaving the more complex and time consuming cases for in-house staff. The Board has also taken on responsibility for the approval of large infrastructure projects and currently has major road schemes in hand. A separate system involving dedicated inspectors is used so that these projects are not delayed by bottlenecks.
- 1.5. The Planning and Development Act 2000 effected major changes in the planning system, including the provisions that persons wishing to make a third party appeal must have made a submission to the planning authority during the original planning application. In 2001, 1,740 (45%) decided cases were third party appeals.
- 1.6. The VFM report recommended that divergences between board inspectors' recommendations and board decisions should be studied to provide feedback to inspectors and promote greater consistency in decisions within the Board. A joint working group has been set up between the Board and the Department to look into qualitative aspects of the Boards' decisions. Tables of the rate at which local authority planning decisions are appealed and reversed are now published. Detailed studies are being made of three prominent categories, wind farms, telecommunications masts and off rural houses.

2. Proceedings of the Committee

- 2.1. The committee met with the Chairman of An Bord Pleanála and his officials, the National Chairman of An Taisce and with officials from the Department of the Environment, Heritage and Local Government and the Department of Finance on 12 June 2003.

3. The Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- Use of Consultant Planners
- Lack of consistency in planning decisions
- Legal Costs
- Rural development in Co Leitrim

4 Examination of the Issues

Use of Consultant Planners

- 4.1. The Committee asked about the extent of the use of consultant planners by the Board. Two types of consultant were used and a strict code of conduct is in place to guard against conflict of interest situations. Up to 50% of straightforward cases were dealt with by consultants on a fee per case basis. The average fee was 416. Larger consultant firms were engaged on a contract basis to assist with more complex cases. The total amount paid to consultants in 2002 was 2.4 million. In 2003, the consultant firms were no longer needed and the reliance on fee-per-case inspectors was considerably reduced. Fees for local authority infrastructure projects are recovered from local authority budgets. Consultants were used due to the work load and a need to improve the timeliness of appeal decisions. The current performance compares favourably with appeal boards in England and Wales, Scotland and Northern Ireland. It would be difficult to shorten the time required for an appeal and still accommodate public participation in the process.

- 4.2. The Committee asked about staff turnover and regulations to prevent former public service planners being employed in the private sector. There has been a high turnover rate among inspectors due to unattractive conditions when compared to local authorities. While there are regulations to prevent inspectors from dealing with cases they may have been involved in prior to joining the Board, there are no restrictions on what planners may do when they leave the Board or a local authority. This issue is expected to be covered in the code of practice for central and local government employees.

Lack of consistency in planning decisions

- 4.3. The Committee discussed the need for consistency in planning decisions across local authorities and the fact that this is an inexact science. Although only 8% of local authority planning decisions is appealed, the variation in the

overturn rate is between 12% and 56% which is a wide range. The Board seeks to make its decisions objective by basing them on national policies and the development plan. The reason for having a central appeal board is to give greater weight to national policies over local conditions. Land use is a primary function. Where there are conflicts between national, regional and local policies the Board will consider what is right for proper planning and sustainable development in the area concerned.

- 4.4. The Committee inquired about the measures taken to improve the quality of evaluation of performance in the Board. While it is straightforward to monitor the performance of administration, it is more difficult to devise a system to assess the quality of the Board's decisions. A joint working group with the Department is looking at possible yardsticks.
- 4.5. Actions to deal with inconsistencies in decisions in local authorities are a matter for the Department. The Board does not consider that its role extends to contributing to the education of planning authorities, as this could damage its independence. The Department acknowledged that the statistics of decisions it receives from local authorities and the Board are insufficient to make observations on the quality of decisions. The Board is now supplying information about the variations in performance among local authorities and this is followed up when planning inspectors visit local authorities.
- 4.6. In the conduct of the VFM examination, the Office of the C&AG established that in a voluntary sample of five authorities, there was no accessible data to support the reasons for overturns and it was very difficult to establish a trend in decision making. Since the passing of the 2000 Act, when a manager overturns a decision of a planner the reasons must be documented on the planning file. This information is only beginning to be collated. A planning committee has been formed with city and county managers to look into the whole issue of consistency in decision making. The Department is also issuing new guidelines on the preparation of development plans.

Legal Costs

- 4.7. The Board pays its own legal costs when cases are referred to the High Court. Legal fees amounted to 716,000 in 2002 and 635,000 in 2001. Costs awarded to the Board that were still outstanding at the beginning of 2002 were 362,000. The volume of work would not justify the establishment of a legal department within the Board.

Rural development in Co Leitrim

- 4.8. The Committee expressed its concern about the level of difficulty faced by people seeking one-off developments in Co Leitrim. An Taisce had taken 22 appeals in respect of decisions in Leitrim. In twenty cases, the Board supported the appeal and overturned the original decision. The interesting fact about these cases was that the majority of the original decisions had been taken against the recommendation of the professional planning officer in the county council.

- 4.9. It was pointed out that the majority of housing and holiday development applications were not appealed and that the grounds for appeal was usually related to areas of outstanding natural beauty, high amenity areas, areas of natural heritage or designated sites protected by the EU directives. In some cases the decision was overturned on the grounds of a risk to public health.
- 4.10. The Committee felt that if applicants were better informed of planning and environmental issues in their area they would be less inclined to make planning applications that are inappropriate. This would cut down on wasted time and appeals to the Board.

5. Adoption of Reports

- 5.1 The Committee noted Value for Money Report 41.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A backlog of planning appeals arose in the period from 1994 to 2000. This has been cleared through an increase in resources and a reduction in the number of appeals arising from the provisions of the Planning and Development Act 2000 in respect of third party appeals.
- The timeliness of processing appeals improved to 80% of cases being decided within the statutory period of 18 weeks.

and recommends in general that

- Implementation action should be taken on the recommendations in the Value For Money report that divergences between board inspectors' recommendations and board decisions should be studied to provide feedback to inspectors and promote greater consistency in board decisions.
- The Department should consider bringing interested parties (including, local authorities, the Board and An Taisce) together in a partnership to agree on common guidelines rather than having different regulations for each county. Public information seminars would be beneficial.

2. VFM Report Number 42 – Car Parking at Beaumont Hospital – 22 May 2003

1. The Facts

- 1.1. VFM report number 42 examined issues arising from the development and operation of a multi-storey car park at Beaumont Hospital.
- 1.2. The car park was developed through a complex joint venture arrangement where a developer financed its construction in return for a lease to operate it, the payment of rent to the hospital and the reversion of the car park to the hospital after 13 years. The project provided a net increase of 230 car parking spaces at the hospital.
- 1.3. The arrangements enabled the developer to avail of tax breaks – capital allowances and double rent relief. The report found that the exchequer was between 8.9 million and 13 million worse off from the deal, compared to direct provision of the car park, due principally from the tax foregone from the incentives.
- 1.4. The report highlighted that there was mismanagement of the agreement by the hospital which led to only 120,000 being received in rent for the period 1999 to 2002 instead of 1.8 million. The agreement provided for penalties to be deducted from the rent for illegal parking in the grounds. These penalties amounted to 13 per hour for cars parked outside the car park, or an average in excess of 600,000 per year since the car park opened. The rate of 13 per hour is based on a multiple of the daily parking rate.
- 1.5. Hospital management admit that there was a failure to control public parking as set out in the legal agreement with the car park operators. A settlement of this issue is being negotiated. This involves the introduction of new access ID system and the installation of bollards on footpaths to prevent inappropriate parking.
- 1.6. A subsidiary company was formed to hold the land occupied by the car park and to facilitate the funding of the development. The company has not produced accounts since 1998. Arrangements are being made to transfer the land back to hospital, produce accounts and to wind up the company.

2. Proceedings of the Committee

- 2.1. The committee met with the Chief Executive of Beaumont Hospital and his officials and with the Secretary General of the Department of Health and Children and his officials on 22 May 2003.

3. The Accountability Issues

- 3.1. The accountability questions examined by the Committee were:
 - Cost to the State of the project
 - Criteria for evaluating the project

- Loss of revenue from parking rent due to fines
- Production of Accounts for Beaumont Hospital Car Park Company Ltd
- Reaction of the Department of Health and Children

4. Examination of the Issues

Cost to the State of the project

- 4.1. The car park project is estimated to have cost the State between 8.9 and 13 million. As the project did not involve funding from the exchequer there was no requirement to refer it to the Department of Finance. The Department of Health and Children was the sanctioning department and should have taken the tax expenditure (revenue foregone) into account.
- 4.2. The project was viewed by the Department of Health as not involving a draw on the Health vote. Instead it would enhance income flow to hospital that would relieve public expenditure. The Department views the project as being of long term benefit to the hospital once the current problems are resolved.
- 4.3. On foot of the experience of this project, the Department has prepared guidelines for the analysis and appraisal of future projects. These were cleared with the Office of the C&AG and have been issued to all health boards.

Criteria for evaluating the project

- 4.4. The hospital had a car parking problem in the late 1990s. It was approached by the manager of the Tallaght hospital project to find out if Beaumont would be interested in a car park scheme similar to Tallaght. The idea of a car park and the approach to it were informal. The hospital management considered the scheme in the narrow sense of the benefit to the hospital itself rather than the wider picture. Achieving best value for the State was not considered to be an imperative of the hospital at the time.
- 4.5. The choice facing the hospital was to leave car parking as it was or have it developed in the way it was. At the time, the prospects of getting money for a car park from the Department's capital allocation would have been a low priority. The Department of Finance would have preferred to see a more thorough appraisal of potential funding options for the project. Three proposals were assessed. The rejected proposals offered better rental income but were turned down on deliverability grounds. One proposal required approvals from stakeholders that would have taken too long to avail of the tax relief. The other was rejected on the basis of the financial deal on offer.

Loss of revenue from parking rent due to fines

- 4.6. The hospital received approximately 120,000 in rental income instead of a projected 1.8 million. This was a significant loss to the hospital, of the order of 1 million per year, especially as it had previously earned approximately 500,000 per annum from the old car park. The loss of the rental income did

not have a significant negative effect on the services of the hospital as the budget is in excess of 200 million.

- 4.7. When the contract with the developer was finalised, hospital management relied considerably on advisers (project manager, quantity surveyor, financial adviser, legal adviser) when the project was being put together. This meant that hospital management were not as familiar with the detail of the advice.
- 4.8. In accordance with the agreement, the developers were entitled to fine the hospital for illegal parking in the grounds. The difficulty for the hospital was that it would have had to spend money, which it did not have, on fences, barriers and bollards to prevent this parking.
- 4.9. The hospital took a long time to address the issue. This is attributed to a break down in reporting mechanisms within the hospital which meant that the car park did not get the attention it should have. There were eight levels between the board of the hospital and the Beaumont Hospital Car Park operating partnership. It was not considered a core activity of the hospital whereas now, all activities are considered relevant to the core business. Many lessons were learned from this experience. More stringent reporting has been introduced. A governance committee and a finance committee have been formed by the hospital board.
- 4.10. As part of the settlement the hospital has negotiated to recover utility overheads (electricity and insurance) in excess of 20,000. In addition, arrears of rent in the region of 290,000 for three of the four quarters in the year to June 2002 will be recovered. This means that the fines for the year to June 2002 will be reduced from 650,000 to 250,000. The basis for the fine has been reduced to below the daily rate because the developer now accepts that the number of cars parking illegally is less than was thought as 40% were staff cars not displaying the proper stickers. The renegotiation also provides 125 free car parking spaces to the hospital. This is considered to be a reasonable deal, the total commercial value of the deal is in excess of the losses to the hospital over the first four years of the contract.

Production of Accounts for Beaumont Car Park Company Ltd (BCPC Ltd)

- 4.11. The Committee expressed concern about the absence of accounts for BCPC Ltd. It was explained that the intention was for the land on which the car park was built was to be transferred to the company in return for a loan note of 1.3 million. When the car park was built, the land was to be transferred back to the hospital and the company wound up. In February 2000, a sinking fund was initiated to facilitate the buy back of the car park. The Company allowed a bank to take a charge on the sinking fund in favour of the developer. This is preventing the transfer of land. All parties are agreeable to a resolution of the issues to allow for the winding up of the company.

- 4.12. The Company was fined in 2002 for late filing of company returns. This is now in hand and the accounts for the years 1999 to 2002 are being prepared. The C&AG has been requested to serve as auditor of the company.

Reaction of the Department of Health and Children

- 4.13. The Committee ascertained that the Department of Health and Children has responded to this case by adding specific guidance for this type of arrangement to its existing guidelines on EU directives, Department of Finance guidelines and public procurement in relation to construction contracts. The guidelines call for a full project appraisal involving all possible methods of funding, including a proper business case and specification, proper control and management of the project and facility and proper tendering procedures, contracts and post project review. A further set of guidelines on other commercial activity within hospitals is planned.
- 4.14. The Department noted its responsibility in this matter was to set up the relevant authorities and relationships between service providers but that it would be physically impossible to micro manage the car park or any other specific service in the hospital. Although the guidance does not specifically refer to determining full cost to the tax payer, the Department argued that this is what is intended.
- 4.15. The Committee expressed its concern that the loop is still open, in that although guidelines are in place, no one is taking overall responsibility for the tax payers' interests. The Department of Finance gave an undertaking to consider if any strengthened reporting arrangements or clarifications were needed.

5. Adoption of Reports

- 5.1 The Committee noted Value for Money Report 42.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A significant loss of value for money arose from the implementation and management of this project. The estimated cost to the taxpayer is between 8.9 million and 13 million.
- There was a total lack of strategic reasoning as to why the car park was built in the first instance.
- There were serious deficiencies in the management and operation of the car park. The hospital did not do enough to protect its interests in relation to the subsequent operation of the car park.

- The scheme allowed a private developer to have zero risk and guaranteed profits.

and recommends in general that

- The business case for significant schemes that involve taking advantage of available tax breaks should be referred to the National Development Finance Agency to confirm that a proper cost benefit analysis from a taxpayer perspective has been made.
- The roles of the beneficiary agencies, its sponsoring department and the Department of Finance in contracts of this nature should be more clearly established through a strengthening of the existing guidelines and communication to departments and agencies.

3. VFM Report Number 43 – Building Maintenance Service – 16 April 2003

1. The Facts

- 1.1. VFM report number 43 examined the structure, finances and operation of the Building Maintenance Service (BMS) of the Office of Public Works (OPW). The BMS has 220 staff and carries out general maintenance work on State property and specialist refurbishment and repair work on architecturally and historically important State property. The estimated cost of running BMS operations in 2002 was 13.5 million. The examination was prompted by the summary accounts for 2000 which reported a loss of 4.3 million on total expenditure of 11.3 million.
- 1.2. The examination established that the reason for the losses was a failure to include all charges for work done in invoices issued to customers and in some cases a failure to issue invoices at all. This arose from shortcomings in the computer system and a lack of expertise in using the system.
- 1.3. Although it is a long standing aim that the BMS should compete with the private sector on a commercial basis, in practice, the BMS is the first port of call for most Departments in Dublin for routine maintenance. This is due to the ready availability of BMS staff, a lack of formality and general satisfaction with the services provided.
- 1.4. The limited competitive forces and a lack of clear business targets has led to a failure to charge the full cost of work done and a continuation of inefficient work practices. The OPW has had an inspection and advisory role since 1994 but has only started to conduct surveys of the property portfolio in 2000. This was done to draw up prioritised maintenance schedules.
- 1.5. The Accounting Officer reported that the loss was turned to a profit of 1.27 million in 2002 largely as a result of implementation of a ten point plan which is on-going. The key points in the plan were:
 - upgrading of the computer system, which is now working well;
 - applying market rates in BMS charges to other Departments
 - addressing downtime
 - a managed reduction in staff numbers which are expected to be 25% lower by 2006;
 - improved management of absenteeism;
- 1.6. There are several other significant developments affecting the workload of the BMS. The transfer of historic properties and national monuments back to OPW is expected to absorb any surplus staff that may exist. Measured term contracts are being introduced under which Departments will be able to draw down maintenance services from the private sector at rates cleared by OPW. OPW will withdraw from charged services. Some progress has also been made on job demarcation and the long term aim is for a multi skilled workforce. This requires very detailed negotiation with the trade unions.

2. Proceedings of the Committee

- 2.1. The committee met with the Chairman of the Office of Public Works and his officials on 16 April 2003.

3. The Accountability Issues

- 3.1. The accountability questions examined by the Committee were:

- Background to the losses in 2000
- Change in Work Profile
- Implementation of consultant reports
- Operational performance issues

4. Examination of the Issues

Background to the losses in 2000

- 4.1. The Committee examined the reasons for the losses of 4.3 million reported in 2000. There had been a failure in the computer system that led to work done not been invoiced, undercharging for work and inefficient collection of accounts receivable. The aim is to be as competitive as the private sector. As a result there was significant reorganisation when the problems arose. Part of the rationale is to produce commercial style accounts whether they tell a good or bad story.
- 4.2. Systems were not in place to calculate the price of a job on a full cost basis that absorbs the cost of support services. The Committee inquired how this is done. OPW includes many overheads in its costing rates but does not a fully developed system to support full costing. The accounts for the business unit uses both notional costs and notional income in an effort to make the information comparable with the private sector. This is needed for internal benchmarking purposes but deviates from normal accounting practices.
- 4.3. The loss reported was a notional loss and did not involve an actual loss to the taxpayer. A new firm was brought in to manage the computer system. This was successful and the contract may be extended. The services are treated as “bought in staff”.
- 4.4. The Committee examined the situation concerning the level of bad debts reported in the BMS accounts. 814,000 of amounts invoiced to clients in 2000 was reported to be outstanding. The BMS has had some difficulty in collecting money due to it but has tightened its procedures for monitoring the collection of debts. In the final resort, it is not possible to enforce the collection of outstanding amounts from other departments but BMS can threaten to withdraw its service unless payment is received. In many cases the buildings concerned are owned by OPW so that the maintenance work eventually must be done whether a department is willing to pay for it or not. It

was reported that under the new arrangements, the departments use call off contracts to get the work done by private sector contractors and settle their bills directly with the contractors. Accordingly, the BMS is no longer in the payment loop.

Change in Work Profile

- 4.5. The Committee inquired about proposed changes in work profile and the likely impact on staffing in the BMS business unit. It is proposed that the BMS will withdraw from chargeable maintenance work such as for the Garda stations. This will reduce its current operations by one-third and the work will be done by the private sector. The OPW is negotiating attractive rates for this work. The proposed arrangement is a means of addressing an increasing workload with diminishing resources.
- 4.6. No costings have been prepared to support the proposed changes. BMS management set charge rates for its services in 1998 in line with the market but had only updated them in 2002. The experience is that many BMS clients treat BMS as their preferred supplier for repair work. Over 90% of BMS operations is in Dublin. BMS has about a 20% market share in the repairs and maintenance of public sector occupied property.
- 4.7. All new major construction activity is tendered to the private sector. OPW measures the cost of repair work done by in-house staff against the costs that would be incurred if a private sector firm was engaged for the work. Significant repair work is tendered to the private sector.
- 4.8. In 1994, the Department of Finance asked OPW to inspect all government buildings every two years, set out a schedule of work and bid for the work. The Committee asked about progress in these tasks. There are over 2,000 buildings in the state property portfolio and the work is about 80% complete. The aim is to adopt a planned maintenance approach when draw-down contracts are in place, to the extent that resources allow.
- 4.9. The BMS will concentrate on buildings exempted from charges such as the Government buildings complex and cultural institutions. There will be a switch to programmed and planned maintenance which is expected to absorb the existing work force which is declining and no redundancies are planned. This work requires more resources to manage and schedule planned maintenance and is a means of retaining those skills for the core business of the Office.
- 4.10. There is some easing of demarcation although it will continue until there is agreement with the unions.

Implementation of consultant reports

- 4.11. The Committee inquired about the implementation of recommendations from several consultants reports and the VFM report. A firm of consultants was called in to help analyse many of the issues raised in the VFM report including

downtime, sick leave and costings. Virtually all the recommendations of the Murray report concerning management structures have been implemented but there has been slower progress with the recommendations on operational issues like multi-skilling, and demarcation. The Committee asked whether a comprehensive strategic plan had been developed, as recommended in the VFM report. OPW consider that implementation of the new management structure and the pursuit of draw-down contracts goes a long way towards the report's recommendations.

- 4.12. The Committee asked how a maintenance job is costed. It was explained that the business units do not have their own finance and human resources sections but depend on a centralised finance function within corporate services. A service manager would assess the work required and indicate a cost for the job. Quotations are issued when requested. The BMS is moving to a situation where quotations would be issued regardless of whether they are sought or not.

Operational performance issues

- 4.13. The Committee asked why materials costs had increased between 1998 and 2001 when a new materials management system was implemented. One factor is the nature and volume of the work done. The value of materials charged out increased by 77% while the price increases was 11%. This was partly due to the renovation of Farmleigh House which was a once-off project.
- 4.14. The Committee inquired about levels of downtime, overtime and sick leave raised in the VFM report. The report found that downtime was about 20% of working hours although in the north central district it was 47%. The figures for downtime are abnormal because they include travel to and from a site. BMS has twelve employees on long term sick leave which distorts the absenteeism rate. Excluding these employees, the rate is about 4% which is the norm for the civil service. The rules on sick leave are managed through the Chief Medical Officer. A number of employees have recently retired on the grounds of ill health.

5. Adoption of Reports

- 5.1 The Committee noted Value for Money Report 43.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The Building Maintenance Service (BMS) should have a cost accounting function to support the full costing of its work.

- It is unsatisfactory that normal procedures for the collection of amounts due from other departments cannot be enforced.

and recommends in general that

- The BMS accounts should be prepared on a full cost basis using generally accepted accounting principles compatible with its private sector comparators.
- External financial statements should be prepared in compliance with generally accepted public sector financial reporting standards. It is not appropriate for notional profits to be reflected in external financial statements but they should be included in internal costing analysis.
- Quotations should be issued for all BMS jobs.

4. Special Report 4 on Financial Control and Management in the Irish Blood Transfusion Service – 2 April 2003

1. The Facts

- 1.1. The Comptroller and Auditor General issued Special Report number 4 on Financial Control and Management in the Irish Blood Transfusion Service. The report drew attention to shortcomings in three areas:
 - Deficiencies in budgeting and costing
 - Lack of adequate cash management; and
 - Project management deficiencies.
- 1.2. The deficiency in budgeting and costing referred to an absence of a proper costing system which is needed for the pricing of blood products. The IBTS collects in the region of 145,000 units of blood per year. The pricing approach used was to increment previous years figures. Between 1998 and 2002 the price of blood charged to Health Boards increased significantly from 80.18 to 223.07.
- 1.3. The report drew attention to a large increase in the overdraft of IBTS during the period which resulted in overdraft interest of 74,328 in 2000 and 163,043 in 2001. Furthermore, penalty interest arising from obligations for late payments to suppliers under the prompt payment legislation amounted in 321,000 in 2001 -2002. The IBTS is self funded, drawing its revenues from the sale of blood products to Health Boards and hospitals. The cash problem arose due to technical difficulties with the implementation of new information systems in 2001 which delayed the processing of invoices for the first three months of the year. The IBTS also incurred significant legal costs for representation at the Lindsay Tribunal. These have yet to be reimbursed and amount to 7.2 million.
- 1.4. The IBTS was involved in a number of IT projects that were due to be implemented by 1999. Delays in the finalisation of these projects increased their costs from 4.26 million to 9.3 million. Part of this cost was due to a need to make older systems Y2K compliant at a cost of 400,000.
- 1.5. The issues reported by the C&AG should be put in the context of major organisational change at IBTS including the relocation of its headquarters and processing and testing facilities from Pelican House to St James's, decentralisation of operations and a high turnover of senior staff. A 1997 consultants report had noted the limitations in financial control and governance arrangements and the recommendations of this report have taken longer than expected to implement.
- 1.6. The C&AG reported that during 2002 financial management and controls were strengthened.

2. Proceedings of the Committee

- 2.1. The committee met with the Acting Chief Executive of the Irish Blood Transfusion Service and with officials from the Department of Health and Children on 2 April 2003.

3. The Accountability Issues

- 3.1. The accountability issues examined by the Committee were:

- The underlying reasons for the cash management difficulties and the resulting costs to the taxpayer
- Costs of representation at the Lindsay Tribunal
- Progress on the implementation of the consultants report
- The IT project management difficulties
- The pricing system for blood products

4. Examination of the Issues

The underlying reasons for the cash management difficulties and the resulting costs to the taxpayer

- 4.1. The origin of the problems was the impact on daily operations of the introduction of new budget and accounting systems. Up to the end of 1999, a standalone system was used to generate invoices. It was expected that the Progres system would be operational before the end of 1999. When the implementation was delayed, an interface was needed to the existing blood system. The value of invoices for that period was 15.3 million. In the same period 12.8 million was received leaving a shortfall of 2.5 million. At the same time there were significant outlays in respect of the capital projects associated with the move to St James's.
- 4.2. In order to cover the cash flow problems the overdraft was increased from 1.5 million to 4.76 million and was fully used. Interest on the overdraft was 163,000 in 2001.

Costs of representation at the Lindsay Tribunal

- 4.3. The IBTS incurred significant costs of representation at the Lindsay Tribunal. The Tribunal does not guarantee costs at the outset – it is necessary to go to the taxing master at the end of the Tribunal to have the costs agreed. The Committee asked why it was not feasible to agree to settle legal bills when the IBTS itself was reimbursed. The Department noted that 30 parties had been represented at the Tribunal and accordingly, it felt constrained from recouping the costs of any of the parties. The IBTS was treated in the same way as all other parties.
- 4.4. The current situation is that the full cost to the IBTS in respect of the Lindsay Tribunal amounted to 8 million and this is now with the Taxing Master. Current liabilities to Counsel are 2.37 million.

Progress on the implementation of the consultants report

- 4.5. The Committee asked about progress in the implementation of the 1997 consultants report on the reorganisation of the IBTS. The main recommendations of the report have been implemented. The skills in the finance department have been strengthened through appointment of a director of finance and a management accountant. An internal audit function has also been set up. Devolved budgeting was introduced in 2002 and is to be extended later in 2003.
- 4.6. The finance committee also functions as an audit committee and consists of two board members, the CEO, director of finance and two other officials. Two meetings per year are devoted to audit business where audit plans are tabled and the audit reports and follow-up actions are discussed.

The IT project management difficulties

- 4.7. The Committee explored the reasons for the increase in the cost of IT projects from 4.26 million to 9.04 million.
- 4.8. It was unexpected that the blood bank control system (BBCS) was required to be made Y2K compliant. This cost 400,000. The regulator was not satisfied that the system was validated to the standard required and the cost of this validation was a further 283,000. The original project was proposed in 1996, a contract was placed in September 1997 but the project only commenced in 1998. The need for Y2K compliance was not factored into the original plan.
- 4.9. There was an expectation that assistance would be received from Scotland where the same system had been implemented. However, it was discovered that the setting of parameters in Scotland was different to Ireland and the document provided was therefore of limited use.
- 4.10. A fault was noted in the software referred to as the “locking issue”. This was a serious problem as it meant that one person could issue a unit of blood while at the same time another person could quarantine it. When the fault was notified to the systems vendor, they did not accept responsibility. The system is a market leader in the field of blood banking. No other user of the system around the world had a similar problem. All 116 programmes needed to be checked and corrected at a cost of 500,000. While legal action to recover this amount was considered it was not pursued as it was felt that it could further hinder implementation of the system and there was a risk of a long case in the French courts with no certainty of a successful outcome.
- 4.11. The projects were undertaken at a time of extremely high staff turnover. In the last six years there have been five CEOs. There have been three IT managers since 1998.

The pricing system for blood products

- 4.12. The Committee examined the high increases in the prices of blood products over the past three years. The cost base increased because of the introduction of “good manufacturing practice” infrastructure, used by pharmaceutical companies as opposed to blood banking facilities, in response to the problems faced prior to 1994. IBTS is one of the first organisations in Europe to introduce nucleic acid testing for HIV and Hepatitis C.
- 4.13. In 2000, the prices were increased by 2% which was in line with inflation, but in 2001 there was a 25% price increase largely to cover the exceptional cost difficulties being faced. In 2000, revenue was 58.2 million while the direct processing costs were 59% and wages were 30%.
- 4.14. There was a further 46% increase in prices in 2002. One of the reasons for the high increase was the loss of income from not being able to sell plasma due to the variant CJD risk. This resulted in lost sales of 3.1 million and a need to import plasma to cover demand. There was also a once off cost due to the opening of a centre in Tuam. In 2002, revenue had increased to 105 million but salaries were 26% of total costs. There were significant increases in pay to certain groups which resulted in payroll costs increasing from 17.4 million to 27.3 million.
- 4.15. A new approach to pricing for 2003 onwards is to consider potential cost increases at the time of preparing the budget. Operational factors such as income foregone are also included. No increase in prices was made for 2003.

5. Adoption of Reports

- 5.1 The Committee Special Report 4.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- A significant loss of value for money occurred at the Irish Blood Transfusion Service (IBTS) in 2000 and 2001.
- The IBTS incurred 237,000 in overdraft interest and suffered 321,000 in late payment penalty interest at a time when it was owed considerable sums in respect of its representation at the Lindsay Tribunal.
- Project management and risk management of a number of IT projects was poor leading to a doubling of their cost from 4.26 million to 9.3 million.

and recommends in general that

- Where significant liabilities are incurred for Tribunals that last for several years, there should be a mechanism for an interim settlement of invoices.

- The Audit Committee at IBTS should be separated from the Finance Committee.

5. Special Report 5 on Garda Interview Recording Systems – 26 June 2003

1. The Facts

- 1.1. The report sets out the results of an examination carried out of the procurement of audiovisual recording equipment for use in the interviewing of suspects by the Garda Síochána. The origins of the report are from concerns expressed by an unsuccessful tenderer about the fairness and objectivity of the procurement process and specific requests to the C&AG to examine the issue.
- 1.2. The Garda Síochána has enjoyed delegated sanction in respect of these purchases for many years. As part of upcoming legislation there will be a transfer of accounting officer responsibility to the Garda Commissioner.
- 1.3. The value of the contract awarded was 3.67 million for the supply of 252 audiovisual systems. The tender was won by a supplier with an existing business relationship with the Garda Síochána, having won 12 contracts for the supply of CCTV cameras. The unsuccessful tenderer bid 2.87 million.
- 1.4. The government contracts committee approved a contract with the successful bidder on 28 March 2001 and the contract was placed on 1 April 2001. The unsuccessful bidder was not informed of the result of the competition until 26 April 2001. The delay in notifying the unsuccessful bidder is a breach of the rules but would not have affected the tender outcome.
- 1.5. The equipment is designed to record three tapes simultaneously as required under the Criminal Justice Act, 1984, (Electronic Recording of Interviews) Regulations, 1997. In 2002 and 2003 18,535 hours and 25,291 hours of interviewing were recorded using 51,577 and 36,459 tapes respectively.
- 1.6. The examination concentrated on two issues: whether the acquisition of the equipment complied with public procurement law and the extent to which the management of the acquisition represented good public procurement practice in terms of equity and value for money.
- 1.7. The C&AG found that the procurement process could and should have been organised in a better fashion in the interests of fairness and transparency. Specifically, the use of one make of equipment for pilot testing in the seven years up to implementation of the national scheme, and the purchase of six systems two months before the tender competition, ran the risk of influencing the ultimate award decision, given that the evaluation team comprised members of the Garda telecommunications section who had dealings with the successful bidder. It was imperative to provide for the utmost transparency and objectivity at the evaluation of tender stage in order to ensure decision-making is above reproach. According to legal advice received, there were no breaches of the rules that actually affected the destination of the contract, however, the evaluation marking sheets could have been more detailed.

- 1.8. Some consideration was given to the possibility of taking DVD technology on board but it was believed the time was not right. The steering committee included an independent academic expert who was part of the team which recommended to stick with the equipment in place since 1994, and not go down the DVD route.
- 1.9. The C&AG was concerned about the way in which the procurement process had evolved from the pilot scheme testing process. However, the breaches of public procurement rules were not material in the sense that they affected the ultimate award of the contract.
- 1.10. The report recommends that national guidance should be updated to reinforce the integrity of the public procurement process and the attainment of value for money. Proposals has been put to the Department of Finance which provides for independent expertise in the evaluation of all large tenders. Within the *Gárda Síochána*, new divisional procurement committees will be established to approve smaller purchases with training provided. The financial limits in respect of delegated sanction will also be dependent on the outcome of the procurement process. This means that if the *Gárda Síochána* goes for anything other than the cheapest tender, the level of delegated sanction will drop. The figure will be 162,000, provided it opts for the cheapest tender. If it goes for something other than the cheapest tender, the figure drops to 50 at which stage the matter would have to be referred to the Department.

2. Proceedings of the Committee

- 2.1. The committee met with the Secretary General of the Department of Justice Equality and Law Reform and his officials and with officials from the Department of Finance and the Office of Public Works on 26 June 2003.
- 2.2. The Committee noted its disappointment that members of the evaluation team for the tender were not able to be in attendance. This is because the Secretary General of the Department is also the Accounting Officer for the *Gárdaí*.
- 2.3. The Committee also kept in mind that the examination by the C&AG was done within the powers available to him. These imposed certain restraints on the way the examination was carried out. Neither the Committee nor the C&AG are the proper forum for establishing whether party A or part B should have been awarded the contract.

3. The Accountability Issues

- 3.1. The accountability issues examined by the Committee were:
 - Evaluation criteria and scoring used
 - Long duration of the pilot scheme
 - Best practice in procurement for these situations
 - Role of Department of Finance in the matter

4. Examination of the Questions

Evaluation criteria and scoring used

- 4.1. The C&AG's report established that the actual paperwork supporting the allocation of marks to each tenderer for each of the evaluation criteria was sparse and that there was insufficient supporting documentation to make it possible for someone to re-evaluate the basis of allocation of marks.
- 4.2. The Committee probed certain aspects of the scoring in the competition:
- Marks were available for assessment of the equipment and for capability to install equipment. In the case of the winning tender, it appeared that credit was given for installation of the equipment at a UK site even though the company was not responsible for the installation.
 - The tenderers had quoted for the cost of training in two different ways. The winning tender quoted a rate of 734 per day while the unsuccessful bidder quoted 254 per person. The request for tender had asked for an estimate, a procedure and a costing of training operators to use the equipment. The losing bidder had complied to the request for tender whereas the winning tenderer had not.
 - A further issue arose over the evaluation of capacity to implement the contract. It emerged that the evaluation of the winning tenderer relied on internal assessment of the Gardaí. The unsuccessful bidder has stated that while it gave a list of organisations for which it had done work, it did not nominate the organisations as references. Accordingly, there is a doubt whether references were checked or were given in the first place.
- 4.3. As matters of fact are being contested, the Committee did not pursue the matter further but noted that the procedures adopted in this case seemed to be weak and that it was not absolutely clear that everything was above board.

Long duration and conduct of the pilot scheme

- 4.4. A specific feature of this contract was the fact that a pilot project had run for seven years prior to the tender competition under the direction of a steering committee. The long duration of the pilot period was explained by the fact that in addition to evaluating the equipment, the pilot period also addressed the issue of whether the system should be adopted at all. At the outset, there was under-use of the system because serious criminals were not keen to use it. While the belief had been that the system would be welcomed, in reality, people were not wildly enthusiastic. The Gardaí have come to value the equipment as it eliminates the possibility of making up stories about what happens in Garda stations.
- 4.5. The steering committee responsible for the project was appointed in 1993 and published its first interim report in March 1994 and a second interim report in 1999. The Committee noted that equipment worth 109,000 was installed in June 2000, 15 months after the second interim report had recommended

implementation of a national scheme. The Department agreed that this purchase, treated as an extension of the pilot scheme, was controversial and difficult to understand.

- 4.6. The Committee was concerned that procedures should be put in place to put distance between those who participate in designing a system (the pilot project) and those who may subsequently supply it. In the case of this project, the relationship between the *Gárdaí* and the supplier for the pilot project was so close that an offer from a rival supplier to supply equipment for evaluation was forwarded to the pilot supplier. It was accepted by the Department that this should not have happened.
- 4.7. It was also noted that only one type of equipment was used in the pilot. The Committee was informed that DVD technology was examined but the independent advice at the time was that DVD equipment should not be adopted. The stated reason for this was that the existing equipment was working satisfactorily and the introduction of new technology would cause considerable further delays. On 26 April 2001, the unsuccessful bidder wrote to the Department to advise them of the existence and advantages of CD video recording technology.
- 4.8. The price of the equipment increased considerably during the term of the pilot, from approximately 8,000 in 1993 to 18,000 in 2000. The purchases during the later stages of the pilot were not through competitive tender.
- 4.9. In its interim report, the steering committee specifically recommended that the precise make and model of the recording system should be employed as part of the national system. Neither the Department nor the *Gárdaí* queried the fact that the steering committee was recommending a specific type of equipment to be used. In this respect, the steering committee had total autonomy. The subsequent request for tender did not require a specific make and model of equipment.

Best practice in procurement for these situations

- 4.10. The committee examined certain aspects of best practice in situations where a protracted pilot study is followed by a national tender that have arisen in this case. It specifically addressed the following issues:
 - Whether there was a protocol to give guidance for the evaluation of pilot projects
 - The role of the expert committee in the tender process
 - Whether there was good practice identified for circumstances where the same people who assess the pilot project also evaluate the tender competition.
 - Whether there was a protocol covering the possibility of personal relationships between principals in tendering companies and *gárdaí* evaluating tenders

- 4.11. The responses to the questions raised on the above matters established that the steering committee operated without protocols and with considerable independence. While the steering committee was responsible for recommending what should be purchased, the Gardaí had the final say and chose not to specify the make and model in the request for tender. There was not guidance on best practice to avoid situations where close professional relations may be seen to affect the result of a tender competition. As a result of this case and the C&AG's report, this is being addressed.

Role of Department of Finance in the matter

- 4.12. The Committee considered the role of the Department of Finance in monitoring the proper conduct of tender competitions. It established that monitoring by the Government Contracts Committee, in cases where contracts are awarded to bidders whose bid is not the lowest, is very broad, confining its checks to ensure the fundamental principles of an open objective and competitive procedures are adhered to.
- 4.13. The Department of Finance has noted the recommendations of the C&AG's report and the guidelines are being revised to address the issues in the report. It was acknowledged that the existing procurement rules are general in nature.

5. Adoption of Reports

- 5.1 The Committee did not adopt the C&AG report, pending receipt of further information arising from the questions asked.

Findings and Recommendations

The Committee of Public Accounts

finds specifically that:

- The procurement process followed the expert advice and there were no material breaches of the procurement rules. The procurement process should have been organised in a better fashion in the interests of fairness and transparency.
- The duration of pilot testing was very long.
- The timing of the procurement process has meant that advances in technology have not been taken advantage of.

and recommends in general that

- National guidance on the public procurement process needs to be kept up to date and communicated regularly to all those involved in public procurement.