



Ard-Reachtair Cuntas agus Ciste
Comptroller and Auditor General

Report on the
Accounts of the Public Services 2019

September 2020

© Government copyright

Report of the Comptroller and Auditor General

Accounts of the Public Services 2019

Article 33 (4) of the Constitution of Ireland requires me to report to Dáil Éireann at stated periods as determined by law. The Comptroller and Auditor General (Amendment) Act 1993 provides the main basis for such reporting.

Statutory reporting provisions

Section 3 (10) of the 1993 Act requires me each year to prepare a written report that includes

- any matters I consider it appropriate to report arising from my audits of the appropriation accounts prepared by the Accounting Officers of government departments and offices in relation to the appropriations voted by Dáil Éireann for the previous financial year
- any matters I consider it appropriate to report arising from my examinations of the internal accounting controls operated by government departments and offices (in the current or previous financial year) to ensure the regularity of their financial transactions, the correctness of their payments and receipts, the reliability and completeness of their accounting records and the safeguarding of the assets owned and controlled by them
- the results of my examinations of the accounts of the revenues collected by the Revenue Commissioners – these examinations include assessment of whether the accounts are complete and accurate, and whether the Revenue Commissioners have established and applied systems, procedures and practices that are adequate to secure an effective check on the assessment, collection and proper allocation of the revenues.

Other statutes require me to prepare and present reports to Dáil Éireann on certain specific matters together with my section 3 (10) report.

Separately, section 11 of the 1993 Act provides for the preparation by me of certain special reports.

Presentation of this report

This is my report under Section 3 (10) of the 1993 Act relating to the 2019 financial year. The report is set out in four parts, which deal with the following matters

- the Central Fund of the Exchequer
- voted expenditure in 2019
- examinations of Revenue systems
- reports on other matters including statutory reports on the audits of the accounts of the National Treasury Management Agency, and of the Irish Fiscal Advisory Council.

The report was prepared on the basis of audited information, where available, and other information, documentation and explanations obtained from the relevant government departments and offices. Drafts of relevant parts of the report were sent to the departments and offices concerned and their comments were requested. Where appropriate, those comments were incorporated into the final version of the report.

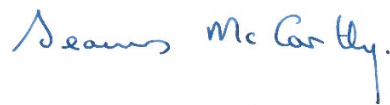
The report is concerned with the accountability of departments and offices in respect of their administration of public funds. References to third parties should be read only in that context.

I hereby present my report for the year ended 31 December 2019 to Dáil Éireann in accordance with Section 3 (11) of the 1993 Act.

Presentation of appropriation accounts 2019

Section 3 (11) of the 1993 Act also requires me to present the appropriation accounts for the various Votes to Dáil Éireann together with the report prepared under section 3 (10).

I have certified each appropriation account for the year ended 31 December 2019 and submit those accounts, together with my audit certificates, to Dáil Éireann.



Seamus McCarthy
Comptroller and Auditor General

30 September 2020

Contents

Central government

1	Exchequer financial outturn for 2019	11
2	Central government funding of local authorities	27

Voted expenditure

3	Vote accounting and budget management	45
4	Control over welfare payments	59
5	Implementation of financial management shared services	81
6	Delay in payment of counsel fees by the Chief State Solicitor's Office	103
7	Catering and ancillary services in prisons	109
8	Management of the schools estate	131
9	Remediation of landfill sites	145
10	Financial management and reporting for fishery harbour centres	163
11	Measuring performance for Exchequer spending on social housing	177
12	Progress under the Land Aggregation Scheme	199
13	The Pyrite Remediation Scheme	221

Revenue

14	Management of tax appeals	237
----	---------------------------	-----

Other matters

15	Accounts of the National Treasury Management Agency	263
16	Post Office Savings Bank Fund	281
17	Ireland Apple escrow fund	287
18	Irish Fiscal Advisory Council	293

**Report on the
Accounts of the Public Services 2019**

Central Government

1 Exchequer financial outturn for 2019

- 1.1** All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.¹ Central Fund receipts principally include tax revenues and the proceeds of borrowing undertaken on behalf of the State by the National Treasury Management Agency (NTMA). Issues from the Central Fund are used mainly to fund expenditure on State services and to service and pay back State debt.
- 1.2** The annual Finance Accounts present the receipts into and issues from the Central Fund together with details relating to NTMA borrowing and information about certain liabilities and assets of the State.² This report summarises the transactions on the Central Fund and highlights some key trends. Because the Finance Accounts do not include a balance sheet, this report also provides a summary of
- key assets and liabilities, including the national debt
 - payments due in the future in relation to public private partnership (PPP) arrangements, the value of which is not included in general government debt.

1 State revenue not paid directly into the Central Fund includes, for example, Pay Related Social Insurance receipts, which are paid into the Social Insurance Fund.

2 The Finance Accounts do not purport to be a comprehensive financial statement for the State, or of its assets and liabilities. It is estimated that the Finance Accounts represent around 75% of total government revenue and expenditure.

3 The 2019 report on public debt is available at www.gov.ie/en/publication/d45694-annual-report-on-public-debt-in-ireland-2019

4 The December 2019 update is available at www.gov.ie/en/publication/f7301b-fiscal-data-contingent-liabilities-update-december-2019

Fiscal transparency

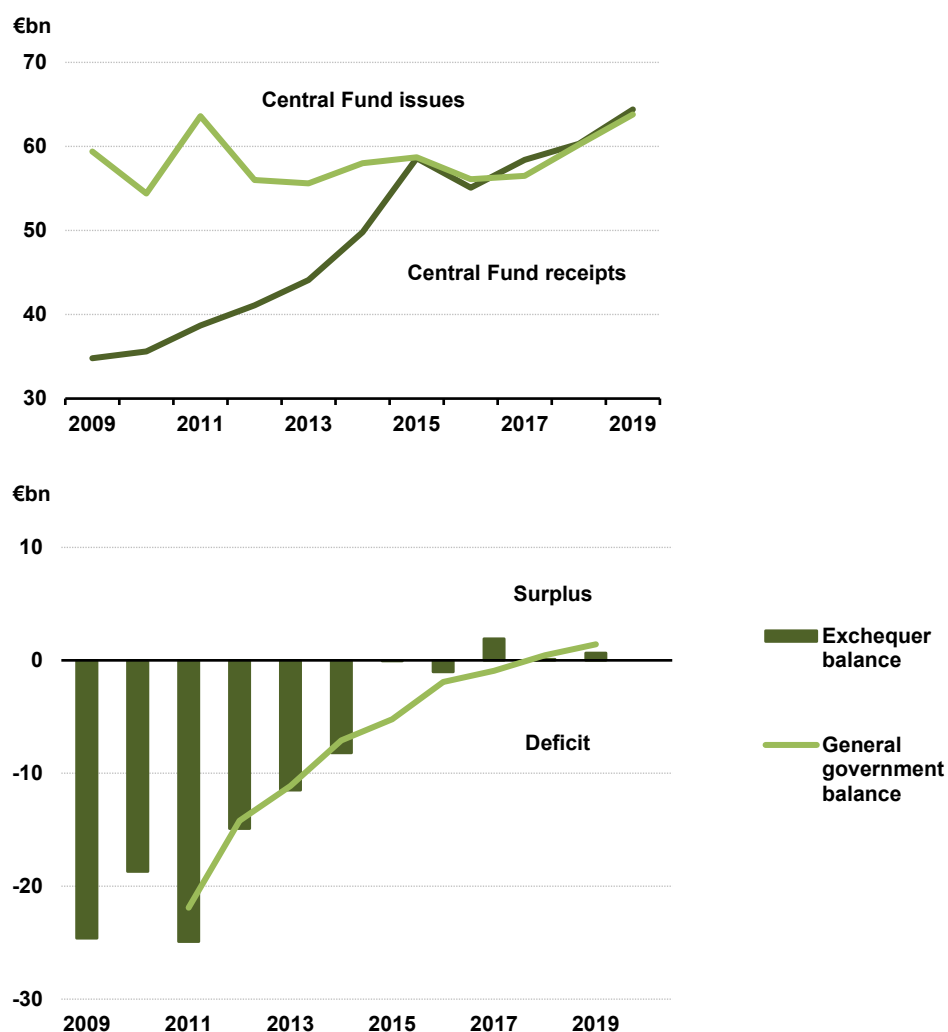
- 1.3** Transparency can be achieved through the publication of comprehensive, timely, reliable and comparable information about the State's fiscal performance and financial position. While a significant amount of data is made available in a number of publications produced at various intervals throughout the year, fiscal transparency would be improved if all relevant information was brought together into a single annual financial report.
- 1.4** Annual and quarterly government finance statistics are prepared by the Central Statistics Office. These publications include a statement of revenue and expenditure and a statement of government net worth. An outline of the compilation of these statistics is set out in Annex 1A.
- 1.5** The Department of Finance publishes fiscal monitor and fiscal data statements on a monthly basis providing information on Exchequer and general government income and expenditure. The Department also produces an annual report analysing Ireland's public debt³ and an annual update on the government's contingent liabilities (including PPPs).⁴ Separately, the Department of Public Expenditure and Reform publishes summary information on PPP expenditure and commitments on an annual basis.
- 1.6** Annex 1B provides an overview of the key fiscal publications issued each year.

Fiscal trends

1.7 In 2019, there was an Exchequer surplus of €647 million. This compared to a surplus of €99 million in 2018 (see Figure 1.1). The net surplus or deficit position of the Central Fund (i.e. the surplus or deficit of Central Fund receipts over issues, excluding borrowing) is referred to as the **Exchequer balance**.

1.8 The **general government balance** is a broader measure than the Exchequer balance. It measures the fiscal performance of the general government sector, and is the standard benchmark used for comparative purposes across the European Union.¹ In most years, the general government balance closely tracks the Exchequer balance (see Figure 1.1). Aside from the broader definition of the general government sector, the differences between the measures relate mainly to variations in accounting treatments. In 2019, Ireland's general government balance was in surplus (€1.42 billion) for a second consecutive year (surplus of €445 million in 2018).²

Figure 1.1 Central Fund receipts and issues, and Exchequer and general government balances, 2009 to 2019



¹ For example, the general government balance is used for fiscal monitoring under the European Union Stability and Growth Pact. The Pact is the set of rules under which member states of the European Union are expected to manage their public finances.

² The general government surplus for 2018 was initially reported at €46 million. The revised general government surplus for 2018, as published by the Central Statistics Office in July 2020, is €445 million.

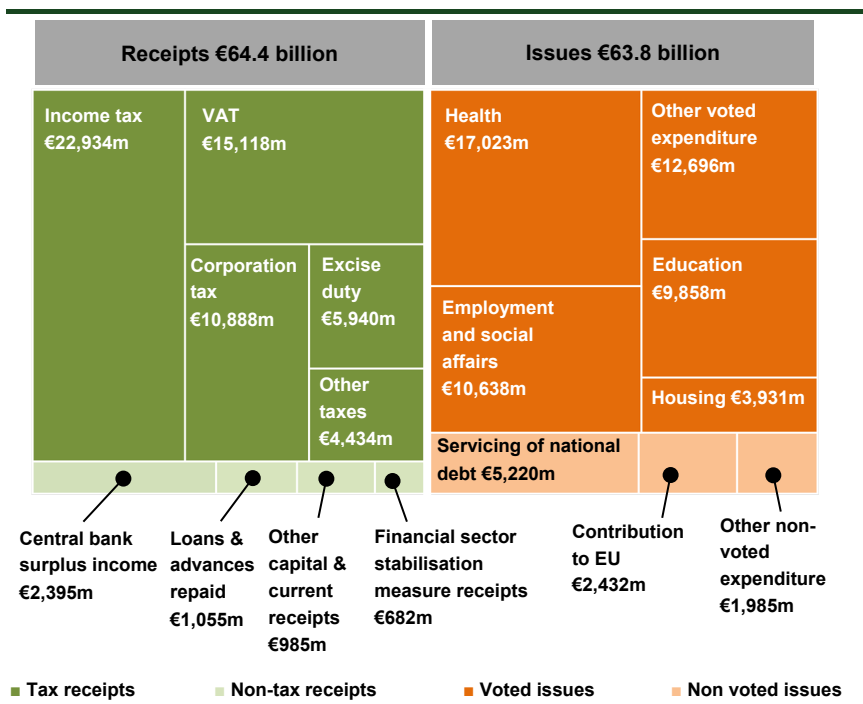
Source: Finance Accounts 2009 to 2019 (Exchequer balance). Central Statistics Office: Government Income and Expenditure, July 2020 (general government balance).

Note: a Central Fund receipts and issues shown include the service of national debt but exclude borrowing undertaken by the NTMA on behalf of the State and the repayment of national debt. See Annex 1C, Figure 1C.1 for analysis of Central Fund receipts and issues for 2015 to 2019.

Central Fund receipts and issues

- 1.9 Receipts into the Central Fund in 2019 totalled €64.4 billion, the bulk of which (92%) was accounted for by taxes (see Figure 1.2).¹ Issues in 2019 totalled €63.8 billion comprising issues for voted services (85%), servicing of national debt (8%), contributions to the EU (4%) and other non-voted expenditure (3%).

Figure 1.2 Central Fund receipts and issues in 2019



Source: Finance Accounts 2019

Tax and other Exchequer receipts

- 1.10 Total receipts into the Central Fund increased by €4.1 billion in 2019, of which nearly €3.8 billion related to increases in tax revenue.

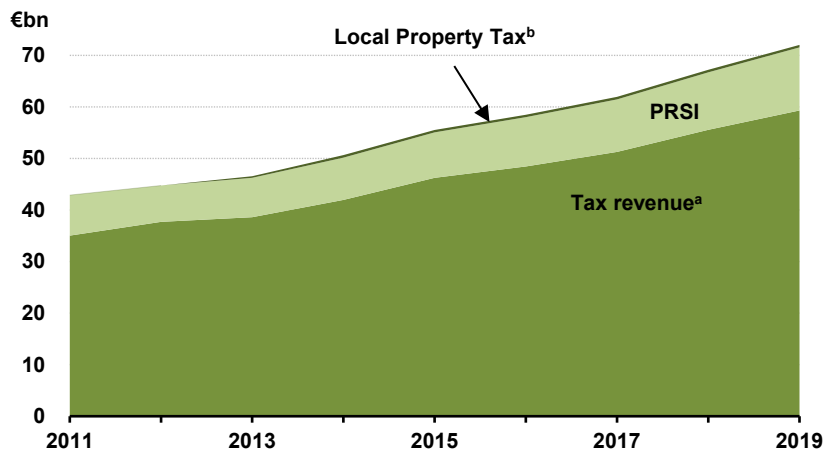
Tax receipts

- 1.11 In 2019, tax and PRSI² collected increased by €4.8 billion (7%) with receipts up across almost all taxheads (see Figure 1.3).
- Income Tax receipts were up by nearly €1.7 billion (8%), mainly due to increased numbers in employment and an increase in average earnings per employee. Largely due to the same factors, PRSI receipts (collected by the Revenue Commissioners and paid into the Social Insurance Fund) increased by €1.1 billion.
 - VAT receipts grew by €883 million (6%), arising from increases in retail sales and in exports to non-EU countries.
 - An increase of €523 million (10%) in Excise duties is largely attributable to a recovery in tobacco excise receipts from the 2018 level which had been affected by the introduction of plain packaging rules.
 - Corporation Tax receipts had year-on-year growth of just over €500 million (5%), with higher payments from large companies being a significant factor.

¹ An analysis of Central Fund receipts and issues (excluding NTMA borrowing) for the years 2015 to 2019 is set out in Annex 1C, Figure 1C.1.

² PRSI receipts are paid into the Social Insurance Fund.

Figure 1.3 Tax revenue and PRSI receipts, 2011 to 2019



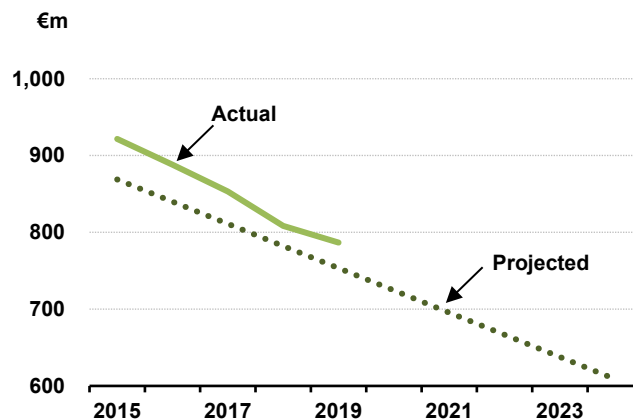
Source: Finance Accounts. Local Government Fund accounts. Social Insurance Fund accounts.

- Notes:
- a The tax revenue shown include motor tax receipts which in the period 2011 to 2017 were paid into the Local Government Fund. Since 2018, motor tax is paid into the Central Fund.
 - b Local Property Tax was paid into the Central Fund up to 2017. Since then, it has been paid into the Local Government Fund.

Motor tax

- 1.12 Motor tax receipts of €962 million in 2019 were down nearly €15 million (1.5%) on 2018. This represented a continuation of the trend of declining receipts related to changes in the assessment regimes for motor tax on both private vehicles and commercial vehicles.¹
- 1.13 Receipts in respect of private vehicles, accounting for 82% of total motor tax receipts, were €787 million in 2019 (down €22 million on 2018). The trend of declining private vehicle tax receipts is in line with projections presented in a 2016 report on motor tax collection which forecast that revenue from the tax would fall as older vehicles are replaced with newer more efficient ones (see Figure 1.4).²

Figure 1.4 Annual motor tax receipts^a on private vehicles, 2015 to 2019, and projected to 2024



1 Private vehicles registered before July 2008 are assessed based on engine size whereas those registered after July 2008 are assessed based on emissions. From 2016, new tax bands were introduced for heavy goods vehicles weighing in excess of 4,000 kilogrammes — the new highest tax rate of €900 was significantly lower than the maximum rate (€5,195) under the previous structure.

2 Comptroller and Auditor General, Special Report 97 *Administration and Collection of Motor Tax*, December 2016.

Sources: Department of Finance. Office of the Comptroller and Auditor General.

- Note:
- a Actual tax receipts are recognised on the basis of cash received in the year and may include arrears relating to earlier years.

Other Exchequer receipts

- 1.14** Non-tax current receipts amounted to €3.3 billion in 2019, up €443 million (15%) on the previous year. The increase mainly relates to
- an increase of €287 million in Central Bank surplus income related to the profit on disposal of floating rate notes¹
 - an increase of €123 million in receipts collected by the Department of Communications, Climate Action and Environment related to Ireland's gross share of auction proceeds for allowances under the EU Emissions Trading System.²
- 1.15** Capital receipts, at just under €1.8 billion in 2019, remained relatively stable. Within this amount, payments to the Exchequer from the Irish Bank Resolution Corporation (IBRC) amounted to €682 million. Payments arise from claims made by the Department of Finance for amounts owed to it at the date of the liquidation of IBRC in 2013. The timing of payments is decided by the special liquidators of IBRC, depending on the cash available to them.

Central Fund issues

- 1.16** Issues from the Central Fund in 2019 amounted to €63.8 billion (2018: €60.2 billion).
- Issues for voted services increased by €3.7 billion. There were large increases in 2019 in issues to the Department of Health (up €1.5 billion), the Department of Education and Skills (up €0.6 billion) and the Department of Housing, Planning and Local Government (up €0.6 billion).
 - Payments of €5.2 billion related to the servicing of borrowing undertaken by the NTMA were 12.5% lower year-on-year than in 2018, reflecting reductions in the cost of borrowing and the maturity of some high coupon bonds (see Figure 1.7).
 - Ireland's annual contribution to the EU budget of €2.4 billion in 2019 was 3.5% below the previous year. The primary component of Ireland's contribution is gross national income (GNI) related payments which stood at €1.85 billion in 2019 (2018: €1.98 billion). The reduced contribution in 2019 was mainly due to Ireland receiving a reimbursement of nearly €146 million as part of the EU Commission's annual balancing payment process in June 2019.³
 - A capital contribution of €758 million was made to Irish Water in 2019 to replace existing commercial debt related to the domestic sector. This was underpinned by a capital contribution deed signed by the Minister for Finance on 6 December 2019.

¹ As there is no open market for these floating rate notes, the NTMA estimates their value based on prevailing market conditions.

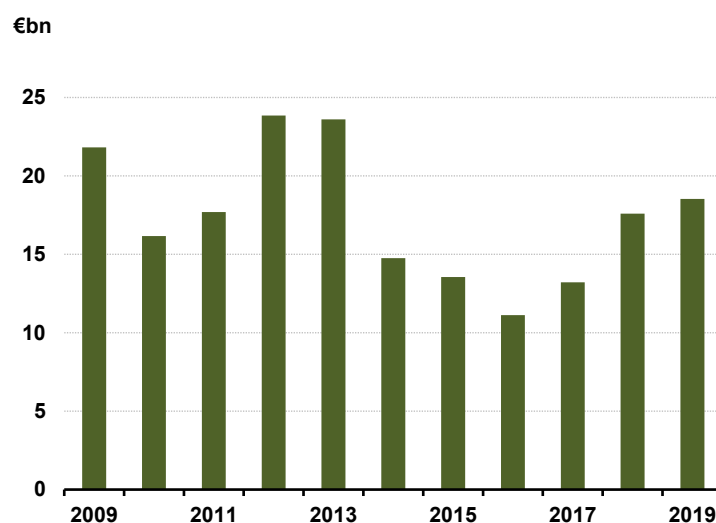
² Late receipts of nearly €85 million relating to 2018 were not posted until 2019.

³ The annual balancing process exists to either reimburse or charge member states in the event that their actual GNI or VAT output differs from the forecasts on which their annual contribution was originally calculated.

Exchequer assets

Cash and financial assets

- 1.17** The value of cash and other financial assets held by the Exchequer stood at €18.5 billion at end 2019 (see Figure 1.5). The increase of €943 million (5%) year on year reflects the impacts of the Exchequer surplus of €647 million and net borrowing of €297 million in the year. See Annex 1C, Figure 1C.2.

Figure 1.5 Cash and other financial assets held by Exchequer, 2009 to 2019

Source: Finance Accounts, 2009 to 2019

- 1.18** At 31 December 2019, Exchequer cash and financial assets included €1.91 billion of Housing Finance Agency guaranteed notes and €25 million of Strategic Banking Corporation of Ireland (SBCI) guaranteed notes. These assets may not be readily realisable dependent on market conditions.

Exchequer loans and advances issued

- 1.19** Excluding the Housing Finance Agency and SBCI guaranteed notes, loans and advances provided from the Central Fund totalling €1.88 billion were outstanding at the end of 2019 — a decrease of €120 million compared with 2018. The movements and outstanding balances for the major categories of loans and advances at the end of each year since 2015 are shown in Annex 1C Figure 1C.3.
- 1.20** In addition to these loans and advances, the Central Fund is entitled to reimbursement of small outstanding balances in the Credit Institutions Resolution Fund¹ and the Credit Union Fund.²

¹ The Minister for Finance contributed €250 million to the resolution fund in December 2011. Resolution costs were lower than anticipated and €240 million was returned to the Central Fund in November 2018. The balance of €10 million will be repaid over time.

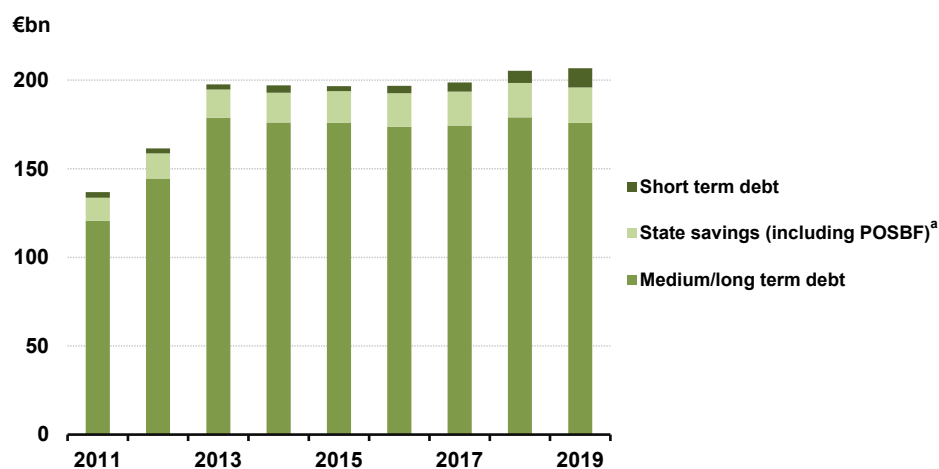
² In December 2012, the Minister for Finance advanced €250 million to the fund to help restructure the credit union sector. In November 2018, €238 million was returned to the Exchequer. As at the end of 2019, €486,000 of the original advance remained available for return to the Exchequer at some point in the future.

Exchequer liabilities

- 1.21** Exchequer liabilities are detailed in part two of the Finance Accounts. In addition, the Department of Finance publishes an annual report on public debt in Ireland.

Gross national debt

- 1.22** Ireland's gross national debt at the end of 2019 stood at €206.7 billion, reflecting an increase of €1.5 billion from 2018 (see Figure 1.6).
- 1.23** Medium and long term debt at end-2019 accounted for 85% (€175.9 billion) of the gross national debt. It comprised mainly borrowings in the form of government bonds (€130.1 billion) and loans received under the EU-IMF Programme of Financial Support for Ireland (€43.3 billion).

Figure 1.6 Gross national debt at redeemable par values, end 2011 to end 2019

Source: National Treasury Management Agency

Note: a The majority of borrowings under the Post Office Savings Bank Fund (POSBF) are incorporated into the national debt through what are referred to as 'ways and means' advances or borrowing from ministerial funds.

1.24 Debt arising from the various State savings schemes increased by 2.7% and amounted to €17.8 billion at end-2019. In addition, borrowings from the Post Office Savings Bank Fund amounted to €2.14 billion.¹

1.25 Short-term debt accounted for €10.9 billion of gross national debt at end-2019, an increase of 57% from end-2018.² The end-2019 borrowing comprised 'short-term paper' debt of €10 billion and €878 million in surplus funds transferred from the surplus public expenditure monies account at the year-end.³

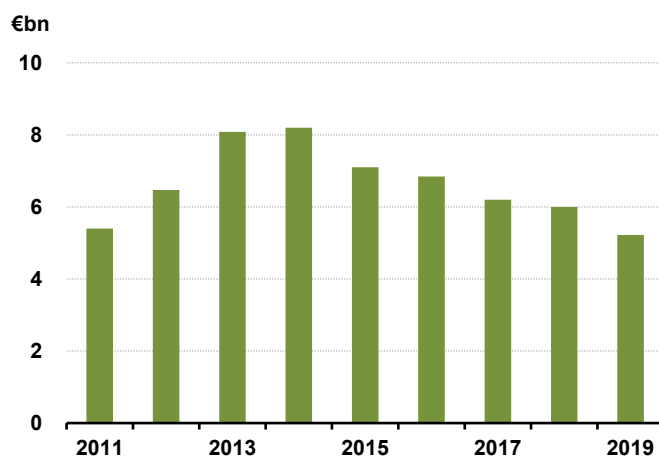
Debt service costs

1.26 The debt service cost for 2019 was €5.2 billion, down 12.5% on 2018 (see Figure 1.7). This comprises interest on the gross national debt of just under €5 billion, interest paid on cash and other financial assets of €76 million, and fees and operating expenses of €172 million.

1 In the Finance Accounts, this is described as short term borrowings of the Exchequer, drawn down as part of 'ways and means' of funding Exchequer requirements from a number of funds under the control of the Minister for Finance.

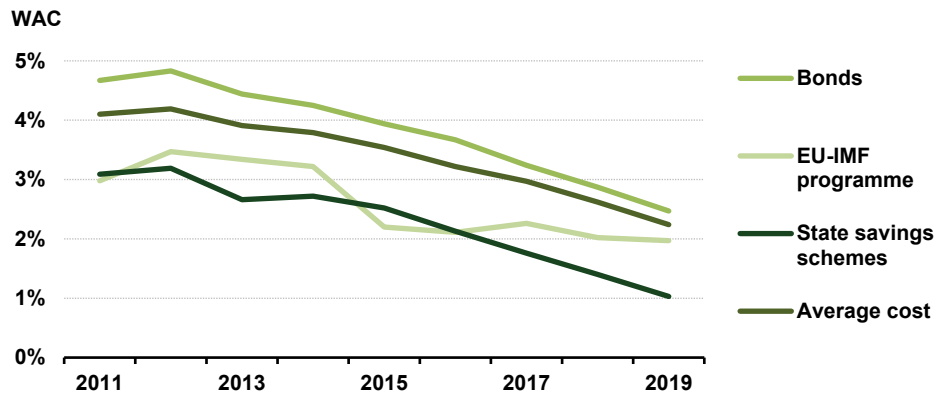
2 Short-term debt has an original maturity of less than one year. The proceeds can be used to fund the Exchequer as bridging finance in the replacement of longer term debt, and for other liquidity management purposes.

3 The surplus public expenditure monies account records the borrowings and repayments of surplus funds held in the supply account of the Paymaster General.

Figure 1.7 Debt service costs, 2011 to 2019 (cash basis)

Source: National Treasury Management Agency

Figure 1.8 Weighted average cost of gross national debt, 2011 to 2019



Source: National Treasury Management Agency

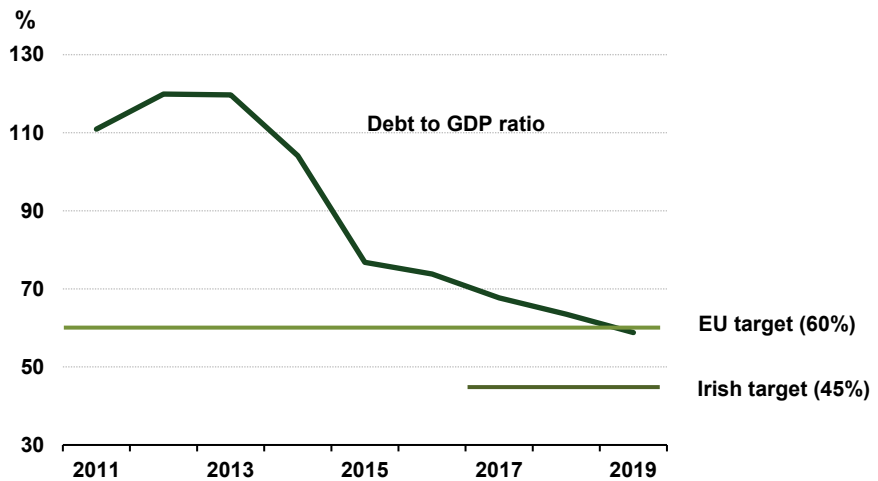
1.27 The average cost of State borrowing continued to decline in 2019. At the end of the year, the overall weighted average cost of servicing the gross national debt was estimated at 2.24% (end-2018: 2.6%) (see Figure 1.8).

General government debt target

1.28 General government debt is a more comprehensive measure of State indebtedness than national debt and is the standardised measure which all EU countries are legally obliged to report under the Maastricht Treaty.¹

1.29 European fiscal rules state that member states’ general government debt should not exceed 60% of GDP or, if greater, should steadily decrease towards the 60% target. Ireland’s general government debt ratio was 59% at end 2019 (see Figure 1.9). The Department of Finance has stated that the 60% threshold may not be optimal for Ireland, given the distortions associated with Irish GDP. In 2017, the Government adopted a debt target of 55% of GDP for the medium term, and a target of 45% to be achieved by 2025.

Figure 1.9 Ireland’s debt to GDP ratio, 2011 to 2019



¹ General government debt means the debt liabilities of central government, local government, and government funds, excluding debt owed by one sector of government to another.

Source: Central Statistics Office

Public private partnerships

- 1.30** A public private partnership (PPP) is an arrangement between a public authority and a private partner designed to procure and deliver public infrastructure assets and/or services under long-term contracts. The asset is funded and constructed by the private partner, following which it is made available for public use and is paid for by the State and/or by users (through user charges) over an extended period (typically 20 – 25 years), after which the asset comes into State ownership.
- 1.31** PPPs are viewed as an ‘off-balance sheet’ funding mechanism from a general government perspective, as liabilities to make future payments under PPP contracts are generally not included in the calculation of general government debt.
- 1.32** PPPs have been used in Ireland since 1999. Initially, they featured mainly in the transport and education sectors, but in recent years their use has been expanded to include large infrastructure projects in the health, justice and housing sectors. In 2019, the PPP model was used for the delivery of social housing for the first time in Ireland when two contracts were signed for the construction of around 1,000 homes, with future payment commitments totalling just under €600 million. One further large social housing PPP development, comprising almost 450 new houses, is at the planning stage.
- 1.33** The Department of Public Expenditure and Reform maintains a spreadsheet showing future commitments under PPP projects. At the end of 2019, 27 PPP schemes were fully operational and a further three were at various stages of development. Details in relation to the related payments and obligations are set out in Figure 1.10 which shows that at the end of 2019, future PPP commitments totalled almost €7.1 billion. Projected commitments effectively represent the Exchequer’s liability to make future payments and comprise the sum of all future unitary payments.

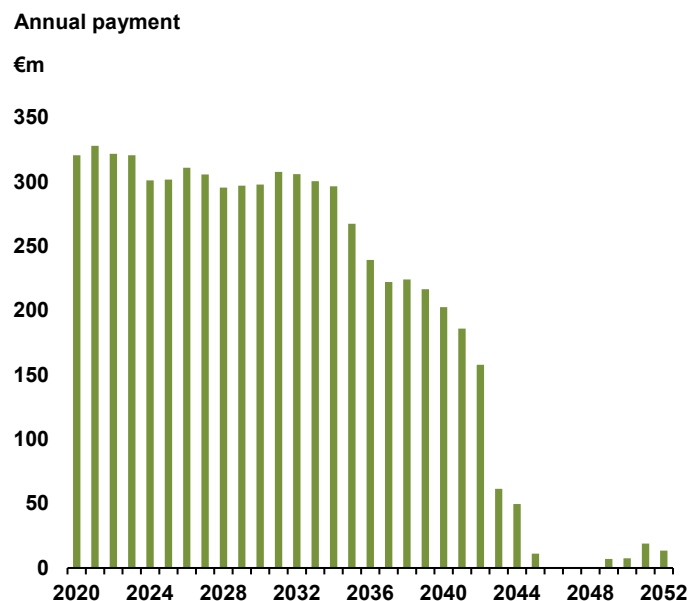
Figure 1.10 Summary of PPP payments and obligations at end 2019

Department/ Agency	PPP unitary payments to end-2019 ^a	Other PPP payments to end-2019 ^b	Projected future PPP unitary payments	Projected total cost of all payments ^c
	€m	€m	€m	€m
Housing	—	33	598	631
Courts	239	51	715	1,005
Health	22	36	384	441
Education	761	80	1,917	2,758
Transport	1,973	332	3,089	5,394
OPW	349	26	392	767
Total^d	3,344	558	7,095	10,996

Source: Department of Public Expenditure and Reform PPP tracker. Any apparent differences in totals are due to rounding.

- Notes:
- a Represents the cumulative construction and operation payments on concession schemes and availability payments on PPP schemes. All figures are inclusive of VAT.
 - b This category includes capital expenditure payments related to a PPP project but which do not fall within the unitary payments category e.g. land acquisition, enabling works, VAT bullet payments and sponsoring authority variations.
 - c The projected total cost represents payments to date plus the future nominal liabilities in respect of the projects. Projected future nominal committed payments are calculated on an assumed future annual inflation of 2% per annum.
 - d Total PPP cost figures and future commitments are subject to change.

Figure 1.11 Projected PPP unitary payments, 2020 to 2052^a



Source: Department of Public Expenditure and Reform

Note: a Total PPP future payments and commitments are subject to change.

1.34 Expenditure on PPP unitary payments totalled €252 million in 2019. The profile of projected unitary payments under contracts in place at the end of 2019 is shown in Figure 1.11.¹ The Exchequer is committed to making payments totalling around €300 million a year until 2034 at which time payments will taper off, largely because older PPP contracts will have been completed.

1.35 The projected future commitments may increase, as further contracts are entered into with PPP partners.

¹ Excludes data relating to social housing bundles. Data unavailable at time of publication.

Annex 1A Central Statistics Office government finance statistics

The European Union's statistics authority, Eurostat, requires each member state to produce a range of finance statistics that comply with specified definitions and standards.

The Central Statistics Office (CSO) is responsible for the official reporting of Ireland's government finance statistics.

The CSO's government finance outputs and general government statistics include the following key statements

- Table 1 — general government transactions: revenue, expenditure, financing and deficit
- Table 2 — general government: net worth, gross and net debt
- Table 3 — general government: detailed classification of revenue and output
- Table 4 — general government: detailed classification of expenditure and consumption
- Table 5 — general government financial transactions
- Table 6 — general government balance sheets net worth at market value excluding pension liabilities
- Table 7 — general government gross and net debt.

For the purpose of the compilation of the general government finance statistics, the general government sector encompasses both central and local government, non-commercial State-owned bodies and extra budgetary funds, the larger approved housing bodies and voluntary hospitals.

The full list of entities included is published on the CSO's website.

Annex 1B Overview of the key fiscal publications issued each year

Issuing Body	Report	Frequency	Content
Department of Finance	Fiscal monitor	Monthly	<p>Provides a commentary on provisional Exchequer income and expenditure for the relevant month and shows the cumulative position for the year to date.</p> <p>Compares year-to-date outturn figures against the projected profile.</p>
Department of Finance	Fiscal data	Monthly	<p>Provides estimates of revenue and expenditure of all sectors of general government on a monthly basis.^a</p> <p>Aims to provide timely data on the impact of each subsector (i.e. central government and local government) on the overall general government position.</p>
Department of Finance	Annual report on public debt	Annually	<p>Provides a broad analysis of changes in public debt in Ireland, along with an analysis of the composition, ownership and maturity profile of Ireland's debt.</p> <p>Also provides an overview of government assets and liabilities.</p>
Department of Finance	Contingent liabilities update	Annually	Provides data on contingent liabilities of government that may potentially have large impacts on public budgets.
Department of Finance	Finance accounts	Annually	Audited financial statements of the Exchequer, containing an analysis and classification of the payments into and out of the Central Fund as well as details of the national debt.
CSO	General government statistics	Bi-annually	Provides statistical information on financial and non-financial transactions by the government sector (see Annex 1A).
Department of Public Expenditure and Reform	PPP project details	Annually	The summary update on PPPs provides indicative information in relation to PPP projects generally, based on information provided by departments and agencies.

Source: Office of the Comptroller and Auditor General

Note: a Some of the data is provisional and based on best estimates at the date of publication. Where necessary, figures are updated in subsequent months as better data becomes available.

Annex 1C Data tables

Figure 1C.1 Composition of Central Fund receipts and issues, 2015 to 2019^a

	2015	2016	2017	2018	2019
	€m	€m	€m	€m	€m
Receipts					
Current receipts					
Tax revenue	45,601	47,864	50,737	55,557	59,313
Transfer from Local Government Fund	481	318	230	—	—
Central Bank surplus income ^b	1,719	1,800	1,836	2,108	2,396
National Lottery surplus income	193	219	227	225	250
Dividends from State bodies	551	269	324	261	262
Other current revenues	572	498	248	311	440
Capital receipts					
Loans/advances repaid ^c	5,348	2,143	1,021	933	1,055
Financial sector stabilisation measures receipts	3,682	1,871	3,723	341	682
Exceptional capital receipts ^d	335	—	—	—	—
Other capital receipts	106	75	30	572	31
Total receipts	58,588	55,057	58,376	60,308	64,429
Issues					
Issues for voted expenditure	42,863	43,986	46,291	50,445	54,146
Service of national debt	7,107	6,845	6,227	5,967	5,220
Contribution to EU budget	1,952	2,023	2,016	2,519	2,432
Oireachtas Commission	106	114	110	131	126
Loans/advances ^c	5,111	2,320	963	975	935
Financial sector stabilisation measures	30	4	—	—	—
Irish Water (shares, capital contributions and loans)	96	184	270	—	758
Transfer to Local Government Fund ^e	461	463	480	12	—
Ireland Strategic Investment Fund contribution	335	—	—	—	—
Payments to local authorities to repay HFA loans	427	—	—	—	—
Other payments	164	136	113	160	165
Total issues	58,652	56,075	56,470	60,209	63,782
Surplus/(deficit) for the year	(64)	(1,018)	1,906	99	647

Source: Finance Accounts 2015 to 2019

- Notes:
- Transactions of the Central Fund account and the Capital Services Redemption Account are consolidated. The latter account is maintained by the NTMA for servicing national debt and transactions of a normal banking nature.
 - The amount received into the Central Fund each year principally consists of the surplus income for the previous financial year, as per the audited financial statements of the Central Bank of Ireland.
 - See Annex 1C, Figure 1C.3 for further details.
 - Exceptional capital receipts are non-recurrent. The 2015 figure relates to Aer Lingus share capital disposal receipts.
 - Related to application of Local Property Tax (LPT) receipts, which were included in tax revenue prior to 2018. With effect from 1 January 2018, LPT receipts are paid directly into the Local Government Fund by the Revenue Commissioners, rather than indirectly through the Central Fund.

Figure 1C.2 Movements in Exchequer cash and financial asset balances, 2015 to 2019

Movement in year	2015	2016	2017	2018	2019
	€m	€m	€m	€m	€m
Balance at 1 January	14,759	13,554	11,119	13,217	17,593
Net Exchequer borrowing/ (repayment) in year	(1,141)	(1,417)	193	4,276	297
Exchequer surplus/(deficit)	(64)	(1,018)	1,906	99	647
Balance at 31 December	13,554	11,119	13,217	17,593	18,536
Composition of cash and financial assets at 31 December	2015	2016	2017	2018	2019
	€m	€m	€m	€m	€m
Exchequer account ^a	7,964	8,385	10,533	15,338	16,502
Commercial bank deposits	1,779	199	—	—	—
Non-Irish treasury bills	1,184	—	—	—	—
SBCI medium-term guaranteed notes ^b	—	85	85	85	25
Housing Finance Agency guaranteed notes	2,424	2,032	1,742	1,558	1,913
Collateral funding	203	418	857	612	96
Balance at 31 December	13,554	11,119	13,217	17,593	18,536

Source: Finance Accounts 2015 to 2019. Any apparent differences in totals are due to rounding.

- Notes:
- a Includes balance of €250,000 held in the Capital Services Redemption Account (CSRA) (2018: €310,000).
 - b Strategic Banking Corporation of Ireland (SBCI) was established under the Strategic Banking Corporation of Ireland Act 2014. Its aim is to ensure access to flexible funding for Irish small and medium enterprises by facilitating the provision of lower-cost funding and flexible products. The issued share capital of the SBCI is owned by the Minister for Finance.

Figure 1C.3 Loans and advances, 2015 to 2019

	2015	2016	2017	2018	2019
	€m	€m	€m	€m	€m
European Agricultural Guarantee Fund					
Opening balance	677	599	770	740	725
Repayments	(677)	(599)	(770)	(740)	(725)
Loans issued	599	770	740	725	750
Closing balance	599	770	740	725	750
Social Insurance Fund					
Opening balance	—	—	—	—	—
Repayments	(4,365)	(1,370)	—	—	—
Advances	4,365	1,370	—	—	—
Closing balance	—	—	—	—	—
Insurance Compensation Fund					
Opening balance	833	812	706	636	636
Repayments	(100)	(106)	(70)	—	(80)
Loans issued	79	—	—	—	—
Closing balance	812	706	636	636	556
EU stability support to Greece					
Opening balance ^a	346	347	347	347	347
Closing balance	346	347	347	347	347
Other loans and advances					
Opening balance	273	177	194	236	293
Repayments/loans conversion ^b	(260)	(164)	(181)	(193)	(250)
Loans issued	164	180	225	250	185
Closing balance	177	194	236	293	228

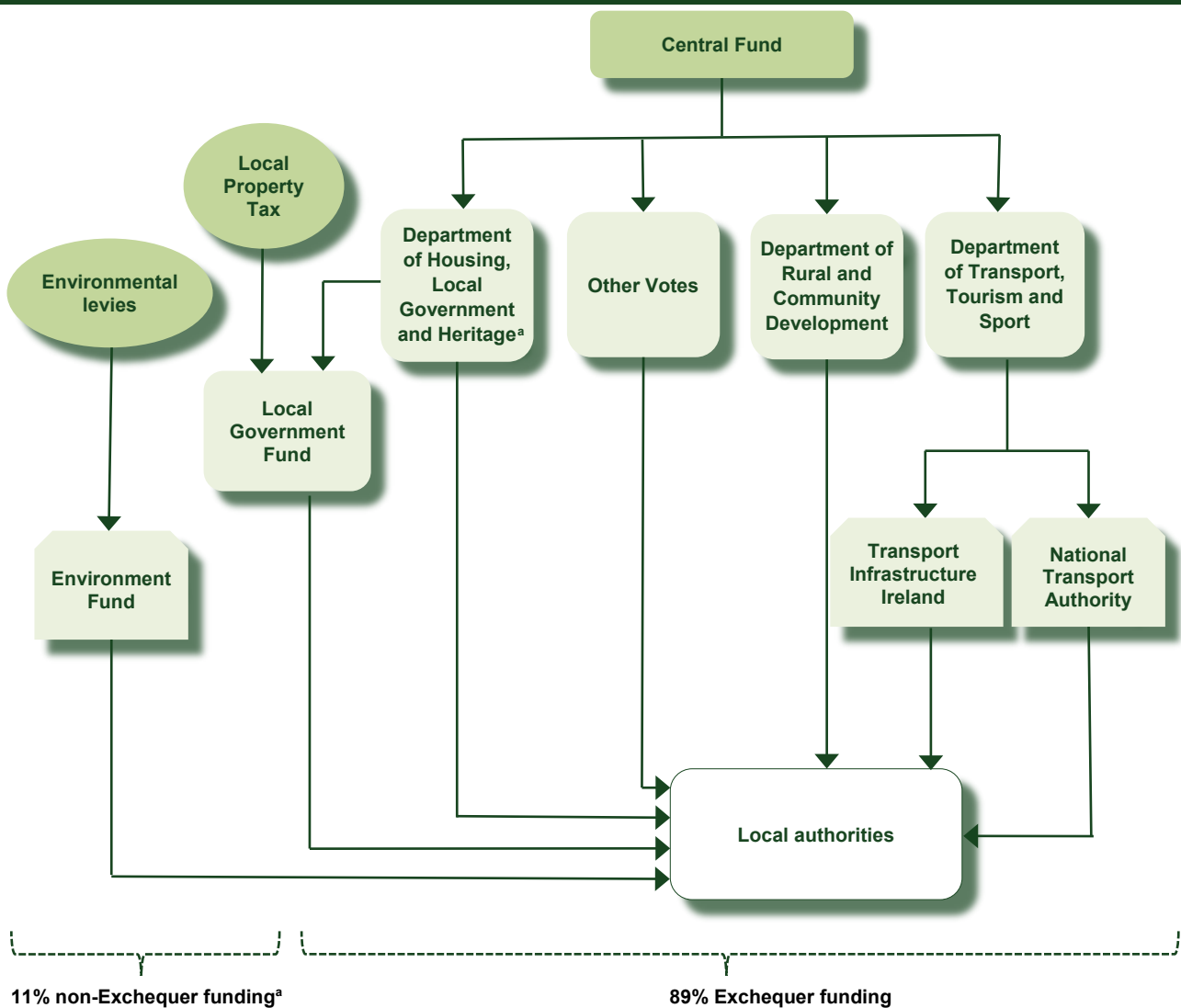
Source: Finance Accounts 2015 to 2019. Any apparent differences are due to rounding.

- Notes:
- a The net amount issued in 2010 was €346 million. The loan balance was restated in 2016 to the full amount outstanding.
 - b In 2016, a loan of €96 million to Irish water was converted into a capital contribution. This was a non-cash transaction but reduced the amount of loans outstanding at the end of 2016 by €96 million (included in the figure of €164 million shown).

2 Central government funding of local authorities

2.1 Local authorities receive a substantial part of their annual funding from a range of central government departments and agencies (see Figure 2.1). The primary objective of this report is to provide an overview of the funds flowing from and through central government sources to local authorities, and of the purposes for which funds have been provided.

Figure 2.1 Flow of central government funding to local authorities in 2019



Source: Office of the Comptroller and Auditor General

Note: a The Department of Housing, Local Government and Heritage contributed €185 million (4% of total funding) to the Local Government Fund, for subsequent distribution to local authorities. This is classified as Exchequer funding.

Central government transfers

1 Includes all identified transfers of greater than €1 million. There may be some additional smaller transfers that have not been included.

2 In 2019, the Department of Housing, Local Government and Heritage provided funding of €185 million to the Local Government Fund (2018: €125 million). This is classified as Exchequer funding.

3 Under Statutory Instrument 339 of 2020 Heritage (Transfer of Departmental Administration and Ministerial Functions) Order 2020, responsibility for heritage transferred to the Department. The Department was previously named the Department of Housing, Planning and Local Government.

4 Local property tax is administered by the Revenue Commissioners. Receipts are paid by the Revenue Commissioners into the Local Government Fund.

5 The flow of funds to and from the LGF changed materially from 1 January 2018.

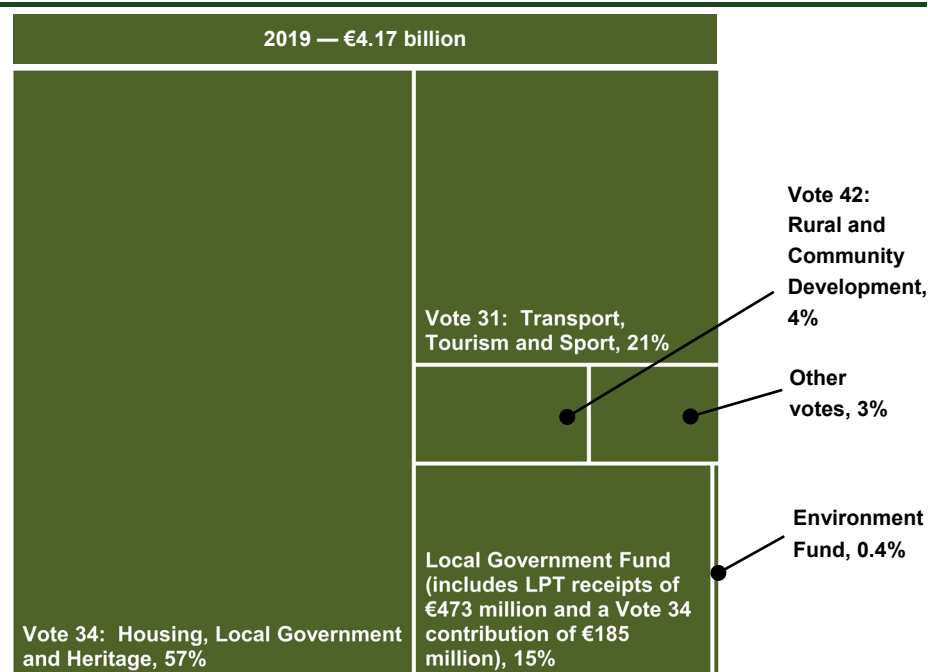
- Local property tax receipts are now paid directly to the LGF by the Office of the Revenue Commissioners — previously, those receipts had passed through the Exchequer.
- Motor tax receipts are no longer paid into the LGF — they are now paid into the Central Fund.
- Payments to Irish Water for subvention, payments to local authorities for Group Water Schemes and recoupment of local authority water services capital loans are no longer made from the LGF — these are now paid by the Department.
- There are no longer payments from the LGF to the Department of Transport, Tourism and Sport to fund regional and local roads and other public transport — that Department now provides this funding directly.

2.2 In 2019, funding to local authorities from central government sources totalled €4.17 billion (see Figure 2.2) — an increase of 13% on the €3.69 billion in 2018.¹ The increase mostly related to increased funding for social housing. About 89% of this total originated as Exchequer funding, compared to 86% in 2018.² The balance of the funding was provided through the Local Government Fund and the Environment Fund.

2.3 The Local Government Fund (LGF) is administered by the Department of Housing, Local Government and Heritage (the Department).³ In 2019, the LGF was financed mainly by local property tax (LPT) receipts (€473 million) and a contribution of €185 million from the Exchequer, via the Vote for Housing, Local Government and Heritage.^{4,5}

2.4 The Environment Fund is administered by the Department of Communications, Climate Action and Environment. It was established primarily to support environmental initiatives, campaigns and programmes, many of which are organised at local or regional level under the auspices of local authorities. The Fund is comprised of the proceeds of the plastic bag levy, which is paid by consumers and collected from retailers by the Revenue Commissioners, and receipts from the landfill levy. Disbursements from the Fund are ring-fenced to assist projects that aim to protect or enhance the environment.

Figure 2.2 Sources of central government financing for local authorities 2019



Source: Analysis by the Office of the Comptroller and Auditor General

Local property tax allocations to local authorities

- 2.5** Up to 2014, the Local Government Fund provided funding to local authorities for their 'day-to-day' activities through 'general purpose grants'. From 2015, general purpose grants are no longer paid and have been replaced by LPT allocations. LPT allocations to individual authorities, and the purpose that such receipts can be applied to, are calculated by reference to the base funding requirement.

Base funding requirement

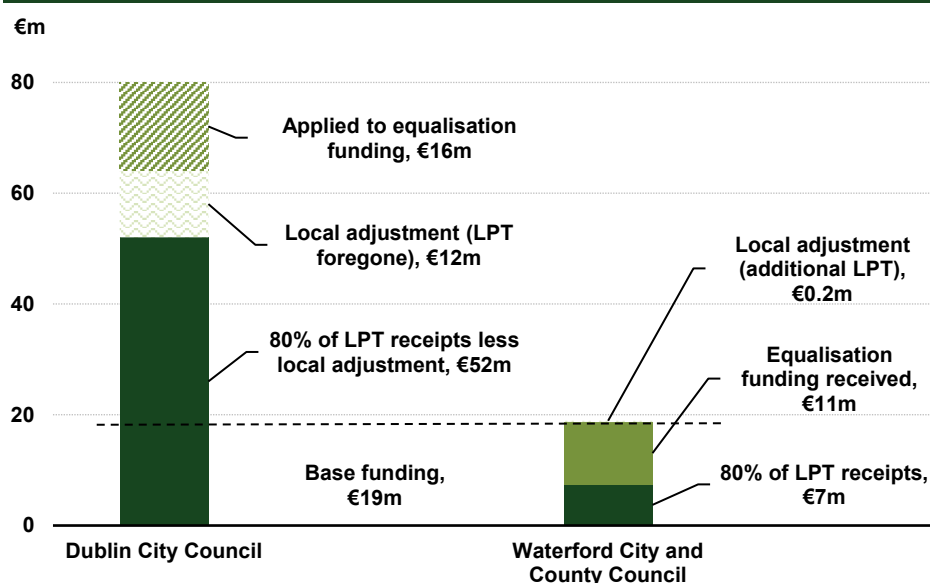
The base funding requirement is linked, for the most part, to the level of funding previously allocated from the Local Government Fund as general purpose grants (€281 million in 2014) and to the level of pension related deductions retained by local authorities (€74 million) in 2014.

Effectively, the LPT allocation now replaces both of these previous sources of funding. In 2019, the base funding requirement for all local authorities was €355 million.

- 2.6** The estimated LPT yield for each local authority is calculated using the Revenue Commissioners' data on net declared liabilities in the prior year. The starting point is that 80% of LPT yield is **locally retained** in the authority where the tax is raised and 20% is made available for redistribution as equalisation funding.
- 2.7** The 80% retained allocation is then compared to the base funding requirement for each local authority and where it is lower than the base funding requirement, additional equalisation funding is allocated to that authority. Where the 80% allocation is higher than the base funding requirement, no additional funding is allocated.
- 2.8** A final adjustment to the allocation is made in relation to any changes to the tax rate applied by individual local authorities. In 2019, four local authorities reduced their LPT rates and as a result, their LPT allocations were reduced by €28 million. Five authorities decided to increase their 2019 LPT rates above the basic rate and as a result received additional allocations of €3 million. Annex 2A shows the impact of variations applied by these nine local authorities in 2019.
- 2.9** The calculation of LPT allocations and the applications of those allocations in individual local authorities involves a number of calculations including the authority's receipts, its base funding requirement and any local variations to the tax rate. Figure 2.3 sets out the impact for two local authorities with similar base funding requirements with one in surplus and the other in deficit.¹ In summary
- Dublin City Council had LPT receipts of €80 million. Its LPT allocation was €52 million, calculated on the basis that it would retain 80% of its receipts (€64 million) with a deduction of €12 million due to a reduction in LPT rates implemented by Dublin City Council in 2019.
 - Waterford City and County Council had LPT receipts of €9.3 million. Its LPT allocation was €18.9 million calculated on the basis of retention of 80% of its receipts (€7.4 million), the allocation of an additional €11.2 million of equalisation funding and the retention of €200,000 due to an increase in LPT rates implemented by the Council in 2019.

¹ For illustrative purposes, the detailed calculations for four authorities are set out in Annex 2B — two authorities in a surplus position and two in a deficit position.

Figure 2.4 provides an overview of the allocation of LPT to local authorities

Figure 2.3 Comparison of LPT allocation in two local authorities, 2019

Source: Department of Housing, Local Government and Heritage

Figure 2.4 Allocation of LPT to local authorities for 2019^a

	80% retention > base	80% retention < base	2019 All	2018 All
Number of local authorities	10	21	31	31
	€m	€m	€m	€m
Total LPT receipts	317	169	486	486
Local retention (80%)	254	136	389	388
Equalisation funding				
- LPT redistribution (20%)	—	97	97	97
- Exchequer contribution	—	41	41	42
Pre-variation LPT allocations	254	274	528	527
Adjustment for local variations in tax rate	(28)	3	(25)	(23)
Post-variation LPT allocations	226	277	503	504
Of which				
- for authority's own general use	117	277	394	395
- self-funding of housing/roads services	109	—	109	109

Source: Department of Housing, Local Government and Heritage

Note: a Figures may not tot due to rounding.

2.10 The application of LPT allocations is also related to the base funding requirement.

- Where an authority receives equalisation funding, all of its allocation is provided for the authority's 'own use'.
- Where an authority is in a surplus position (i.e. the retained LPT amount (80%) is greater than the base funding), the surplus is distributed between discretionary 'own use' purposes, and directed contributions towards the authority's spending on housing and roads.

2.11 In 2019, for the ten authorities in a surplus funding position (relative to the baseline)

- €117 million was available for the local authorities' own use, after a reduction of €28 million due to a local variation implemented by four local authorities
- €109 million was allocated to self-fund housing and road services.^{1,2}

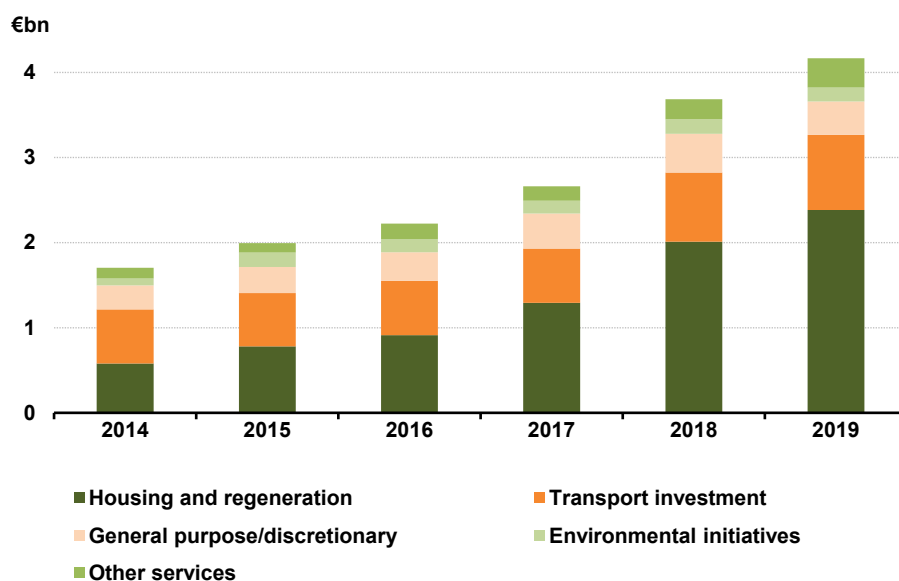
2.12 For the 21 local authorities requiring equalisation, €277 million was available for the local authorities' own use, which included an additional €3 million collected due to a local variation implemented by five local authorities.

Application of central government funding

2.13 Most of the funding sourced from central government and provided to local authorities must be used for specified local authority services. These can be grouped into five broad programme categories. Figure 2.5 presents a breakdown of the transfers to local authorities for 2014 to 2019 showing the programmes being supported (a detailed breakdown is at Annex 2C).

2.14 In 2019, around 78% of the total provision from central government to local authorities was accounted for by two categories — housing and regeneration programmes (57%), and transport (21%).

Figure 2.5 Central government transfers to local authorities, by expenditure programme, 2014 to 2019

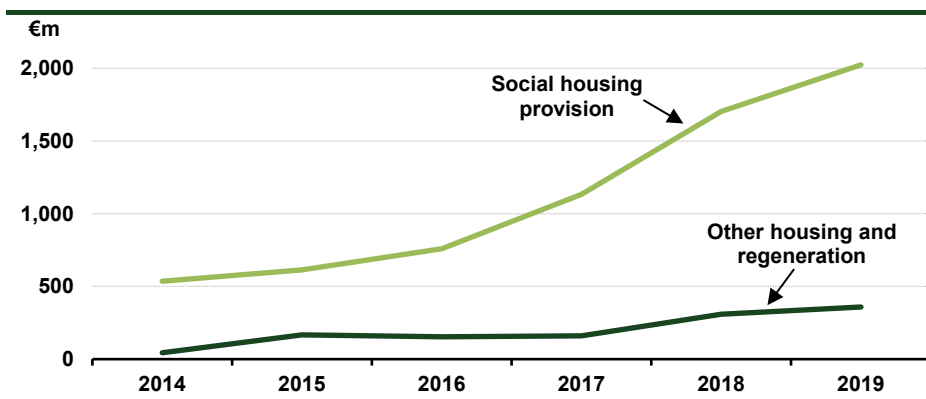


1 In 2019, the allocation to fund housing was €92.6 million and to fund roads was €16.6 million. The Department notify each local authority of the allocation of the surplus — it is typically in the order of 85% to fund housing and 15% to fund roads.

2 Nine of the ten local authorities in surplus had LPT allocated to fund housing and roads. The LPT surplus for Meath County Council did not exceed 20% of LPT and therefore none of the surplus was restricted to the funding of housing and roads.

Housing

Figure 2.6 Funding to local authorities for investment in housing and regeneration, 2014 to 2019



Source: Annex 2C

- 2.15** The level of funding to local authorities has increased significantly each year since 2016 — more than half of all funding to local authorities is now for housing supports.
- 2.16** The Department provides the bulk of the funding for housing and regeneration directly to local authorities. In addition, nine local authorities were required to fund housing services from their retained LPT receipts, to a value notified to the authority by the Department. Figure 2.6 indicates the trend in the level of central government funding for social housing provision and other housing and regeneration.
- 2.17** The funding is used by the local authorities to support the provision of social housing stock and a range of social housing and other housing supports (see Figure 2.7).
- 2.18** In 2019, the Department of Justice and Equality provided €0.8 million to local authorities for housing support activities of which €0.6 million was eligible for EU funding under the Asylum, Migration and Integration Fund (AMIF) — that Department may recoup from the EU up to 75% of the funding provided.

Figure 2.7 Application of housing funding by local authorities, 2019

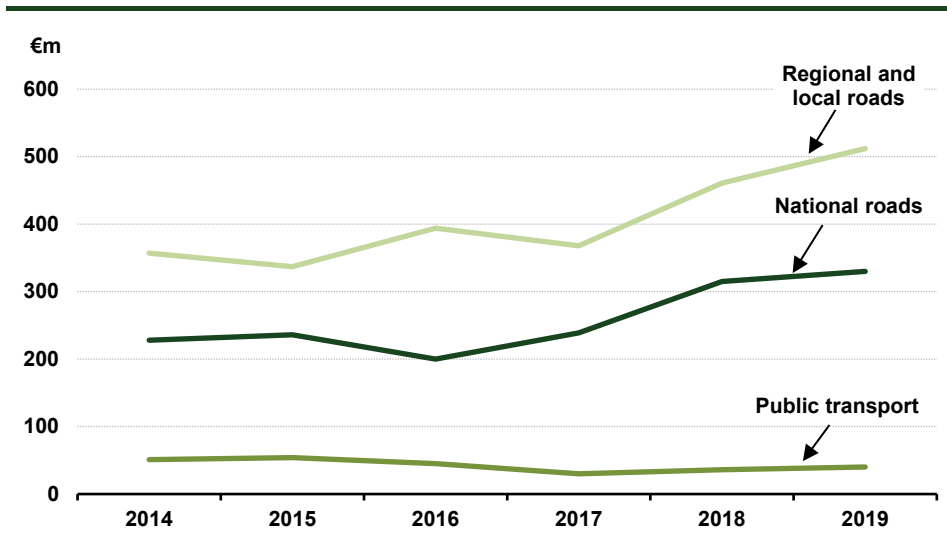
Provision of social housing stock and other housing supports	Improvement of existing housing units
<ul style="list-style-type: none"> ▪ the local authority build and acquisitions programme ▪ voluntary and cooperative housing ▪ the housing assistance payment ▪ the social housing current expenditure programme ▪ the rental accommodation scheme ▪ accommodation for homeless persons ▪ provision of traveller-specific accommodation 	<ul style="list-style-type: none"> ▪ returning vacant local authority housing stock to productive use ▪ regeneration and remedial work^a ▪ adaptation grants for older people and people with a disability ▪ energy efficient works on local authority stock

Source: Department of Housing, Local Government and Heritage

Note: ^a Regeneration and remedial work includes the development of some new housing units.

Transport investment

Figure 2.8 Funding to local authorities for transport infrastructure, 2014 to 2019



Source: Annex 2C

2.19 Figure 2.8 shows the trend in the level of funding from central government sources provided to local authorities in respect of the key transport areas. Expenditure on transport by local authorities is funded through a number of organisations (see Figure 2.9).

Figure 2.9 Transport investment, by organisation and role

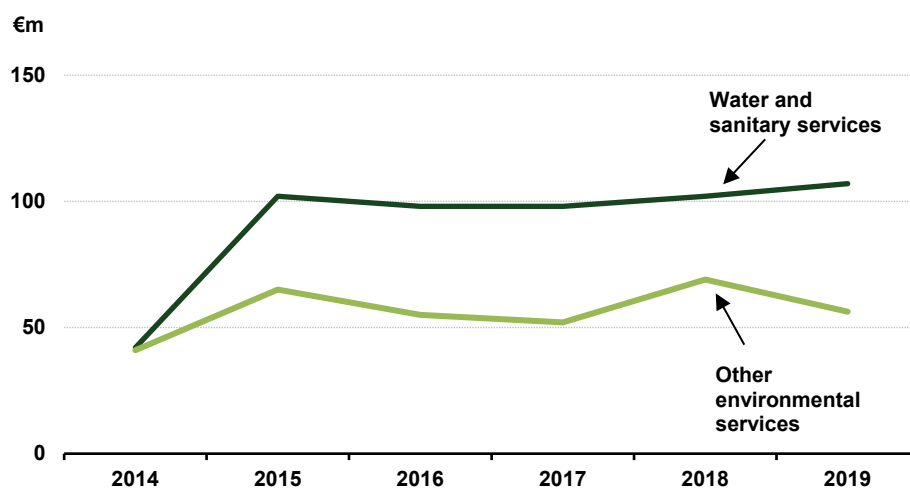
Organisation	Role
Department of Transport, Tourism and Sport	<ul style="list-style-type: none"> directly funding local authorities for the upkeep of regional and local roads
Transport Infrastructure Ireland ^a	<ul style="list-style-type: none"> improvement and maintenance of national roads uses local authorities as its agents to deliver roads projects, and channels expenditure through them
National Transport Authority ^a	<ul style="list-style-type: none"> funds local authorities for improvements in the public transport system objectives include increased accessibility to public transport for older people, improved traffic flows, more routes for cyclists and pedestrians and better access for buses and taxis
Department of Rural and Community Development	<ul style="list-style-type: none"> provides funding to carry out improvement works on private and non-publicly maintained roads leading to, for example, multiple homes, farmland, or amenities such as lakes and beaches

Source: Department of Transport, Tourism and Sport

Note: a Transport Infrastructure Ireland and the National Transport Authority operate under the aegis of the Department of Transport, Tourism and Sport.

Environmental initiatives

Figure 2.10 Funding to local authorities for environmental initiatives, 2014 to 2019



Source: Annex 2C

2.20 Figure 2.10 shows the trend in the level of funding from central government sources provided to local authorities in respect of environmental initiatives.

1 Under Section 12 of the Water Services Act 2014, public water services property was not rateable. This exemption as applied to Irish Water was ended by section 61 of the Water Services Act 2017, which was commenced with effect from 18 October 2019. Irish Water public water services property has therefore become rateable with effect from 1 January 2020.

2.21 In 2019, the Department provided €107 million for water and sanitary services, including a water quality programme. This included Local Government Fund transfers totalling €47 million to compensate local authorities for budget shortfalls due to public water service property not being rateable.¹

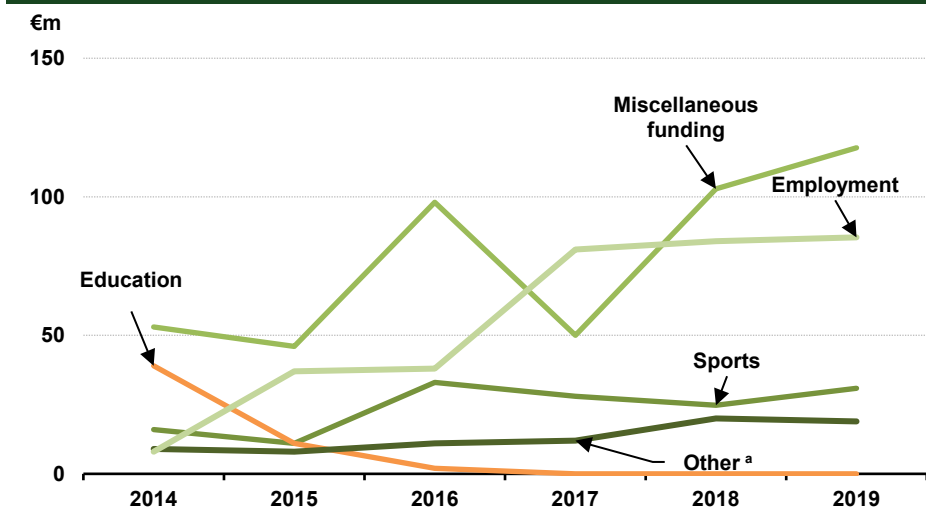
2.22 Funding for environmental initiatives in 2019 includes

- funding of €28 million for flood relief works provided by the Office of Public Works to 26 local authorities
- funding of €23 million for waste management programmes including €9.5 million provided in relation to landfill remediation — €6.7 million from the Department of Communications, Climate Action and Environment and €2.8 million from the Environment Fund.²

2 Land remediation is discussed further in Chapter 9 — *Remediation of landfill sites*.

Other services

Figure 2.11 Funding to local authorities for other services, 2014 to 2019



Source: Annex 2C

Note: a Other category includes fire and emergency services and library services.

- 2.23** Central government bodies also fund local authorities to assist in providing a range of services such as education, employment, sports and cultural projects, fire and emergency services, heritage services, and library and archive services. Figure 2.11 shows the trend in the level of funding in respect of such services.

Employment

- 2.24** In 2015, the Department of Business, Enterprise and Innovation began to provide funding to local authorities through Enterprise Ireland, to cover the costs associated with providing local enterprise development supports to the micro-enterprise sector via their Local Enterprise Offices (LEOs). Funding amounted to €37.9 million in 2019.
- 2.25** The Department of Rural and Community Development provides funding for communities and individuals through the Social Inclusion and Community Activation Programme (SICAP). In 2019, funding of €38 million was provided. The programme is managed on the Department's behalf by Pobal.
- 2.26** The Department of Employment Affairs and Social Protection reimburses local authorities for expenditure incurred on certain community employment and jobs initiative projects (€6.9 million in 2019).

Miscellaneous services

2.27 The Department of Rural and Community Development provided almost €80 million for miscellaneous capital services — €38.5 million in funding under the EU LEADER programme, €18.4 million under the Rural Regeneration Development Fund, €12.9 million for town and village regeneration, €4 million for community enhancement and €6 million for capital supports for disadvantaged people.

2.28 The Department of Defence paid €3.6 million to local authorities for Civil Defence activities.

Sports and cultural projects

2.29 Funding was allocated to sports grants, playgrounds and cultural projects — mainly from the Department of Rural and Community Development (€15.6 million) and the Department of Culture, Heritage and the Gaeltacht (€9.4 million).

Other

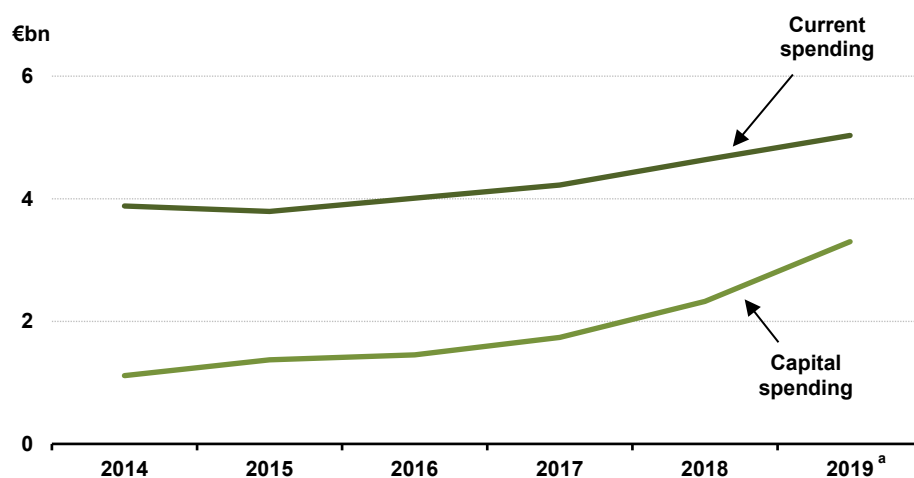
2.30 The Department of Health provided €7.5 million in funding to local authorities, 83% of which was for the Local Authority Veterinary Service.

Trends in local authority expenditure, 2014 to 2019

2.31 Aggregate expenditure by local authorities in 2018 (the last year for which full audited information is available) was €6.96 billion.¹ This comprised around €4.64 billion in current expenditure and around €2.32 billion in capital expenditure (see Figure 2.12).

2.32 Expenditure for 2019 is expected to be €8.4 billion — €5.1 billion of current expenditure and €3.3 billion of capital expenditure.² On that basis, transfers from central government accounted for 49.6% of the total spent by local authorities in 2019 (2018: 53%).

Figure 2.12 Local authority expenditure by type, 2014 to 2019



¹ Includes expenditure by the 26 county councils, three city councils, and two city and county councils.

² Collation of local authority expenditure outturns for 2019 had not been finalised by the Department of Housing, Local Government and Heritage at the time of this report.

Source: Department of Housing, Local Government and Heritage

Note: a Figures for 2019 are estimates. For all earlier years, audited figures are used.

Central oversight of local authorities

- 2.33** In each local authority, policy decisions are the ‘reserved function’ of the elected councillors. Reserved functions include passing an annual budget, housing policy decisions and policies on environmental protection. A chief executive manages each local authority on a day-to-day basis — responsibilities include delivering on strategic objectives as set out in the corporate plan, administering schemes and allocating grants.
- 2.34** There are three main mechanisms for central government oversight of local authority financial performance — the Department of Housing, Local Government and Heritage, the Local Government Audit Service and the National Oversight and Audit Commission.

Department of Housing, Local Government and Heritage

- 2.35** The Department of Housing, Local Government and Heritage oversees the operation of the local government system, providing the policy framework within which local authorities work and deliver services to the communities. The Local Government Finance section of the Department oversees local authorities financial performance through the sanctioning of loans and the monitoring of revenue and capital accounts.
- 2.36** The Local Government Finance section monitors local authorities compliance with reporting requirements in relation to the General Government Balance — reporting requirements include quarterly reports on revenue, capital and debtors which must be submitted to the Department within eight weeks after quarter-end. Reports on borrowing must be submitted within 14 days after quarter-end.

1 The borrowing of money by a local authority is governed by section 106 of the Local Government Act 2001 (as amended). Each loan application from a local authority must include a resolution passed by the Council. Section 106 of the Act also provides for the introduction of regulations in relation to borrowing by local authorities — no such regulations have been introduced.

2 If the matter relates to the responsibility or interest of two or more Ministers, it is the responsibility of the Minister who has greatest interest in the matter. In the event that there is no clear sanctioning Minister (or section within the Department), Local Government Finance section may sanction loans or co-ordinate a loan approval request seeking observations from a number of sections/departments on the different aspects of the sanction request.

3 One loan application had not been sanctioned by June 2020 for policy reasons rather than financial reasons.

4 Local Government audit fees of €2.1 million were paid to the Department and accounted for as appropriations-in-aid in respect of 2019.

Borrowing

- 2.37** The decision to borrow is a reserved function of the local authority but borrowing requires central government sanction.¹ Borrowings by a local authority must be sanctioned by the Government Minister with policy responsibility for that area — sanctioning departments must consult with the Local Government Finance section.² The sanctioning Department(s) provides an assessment of the financial viability of the loan for the local authorities concerned, and an assessment as to whether the borrowing can be accommodated within the context of the fiscal rules.
- 2.38** The Department stated that no request for sanction to borrow has been refused for financial reasons in recent years. A borrowing moratorium was placed on one local authority since March 2013 and no approval for borrowing has been sought by this authority since that date.
- 2.39** In 2019, requests for sanction to borrow were received from 13 local authorities – 12 were approved.³ The amount of sanctioned borrowing in 2019 ranged from €1 million to €30.5 million.

Local Government Audit Service

- 2.40** The financial statements of each local authority are audited by the Local Government Audit Service (LGAS).⁴ The audit opinion and any matters arising from the audit are reported to the relevant local authority. A copy of each audit report is sent to the Minister for Housing, Local Government and Heritage and published on the Department’s website. The Department identifies sector wide issues in audit reports for follow up, and engages with relevant local authorities in the event it requires information on a particular issue.

- 2.41** LGAS also carries out value for money audits of local authority operations. The results of those audits are reported to the Minister.
- 2.42** LGAS publishes an activity report each year. It summarises the audit findings in respect of the annual financial statements of each local authority. The latest annual activity report was published in July 2020 and includes the results of the audits of the 2018 financial statements.¹ The report highlights both sectoral and authority-specific issues such as income and expenditure for the sector, the cumulative revenue position of each local authority, and revenue collection performance.
- 2.43** In relation to the audit of 2018 financial statements, LGAS found that
- the closing cumulative revenue balances in 30 out of the 31 local authorities improved (before transfers to and from reserves) during 2018 — reflecting the control local authorities exercised over their spending
 - while all local authorities with deficit balances improved their deficits during the year, a number of significant cumulative adverse balances continue to be highlighted — including for Sligo, Donegal and Waterford who each had year-end deficits greater than €5 million.
- 2.44** In relation to loans made to local authorities, LGAS reported that total loans at 31 December 2018 amounted to €3.55 billion (€3.67 billion at 31 December 2017) — of which 92% was borrowed from the Housing Finance Agency. Loans comprised
- mortgage loans (27% of loans) which are used to fund annuity loans issued to customers for home purchase
 - non-mortgage loans (43% of loans) included loans for the purchase or construction of assets (for example council buildings) or bridging finance — LGAS stated that these types of loans continue to be an area of audit focus by virtue of their size or the number of balances, as they have to be funded from a local authority's own resources resulting in pressure on the council's finances
 - recoupable loans (30% of loans), included loans to voluntary housing organisations and for water infrastructure for which there exists a commitment to meet the costs of the loan (an equivalent amount is included as a long-term debtor).

1 Local Government Audit Service, *Overview of the Work of the Local Government Audit Service*, July 2020.

2 Unfunded balances relate to expenditure for which there is no agreed future funding.

3 The Local Government Reform Act 2014 provided for the Commission which was formally established by Statutory Instrument 297 of 2014.

4 The Commission's annual report for 2019 sets out its strategy and reports on its activities. See *National Oversight and Audit Commission Annual Report 2019*, August 2020.

2.45 LGAS published a VFM report in 2019 which focused on the level of interest-only loans owed by local authorities. The report concluded that local authorities need to monitor and assess the impact on their income and expenditure account if these interest-only loans move to repayment of both principal and interest. LGAS also published (in April 2019) a report on the level of capital unfunded balances at end-2016.²

2.46 Local authorities also had bank investments of €1.9 billion and a further €0.1 billion in cash at 31 December 2018.

National Oversight and Audit Commission

2.47 The National Oversight and Audit Commission was established in July 2014.³ The Commission has a wide range of functions focused on the scrutiny of local government performance, including their financial performance.

2.48 It exercises this scrutiny by means of both overview and thematic reports and, where warranted, oral hearings on matters within its remit.⁴ It also monitors the implementation by local authorities of its recommendations.

- 2.49** The Commission publishes an annual review of local authority performance indicators. In relation to the sustainability of local authority finances, the Commission noted that in respect of 2018, eighteen local authorities were in a cumulative revenue surplus position, while thirteen had a cumulative revenue deficit, of which
- the cumulative deficit was less than 5% of 2018 total income for nine authorities
 - the cumulative deficit was between 5% and 10% of 2018 total income for three authorities
 - the cumulative deficit was 30% of 2018 total income for one authority.
- 2.50** Due to the impact of Covid-19, the Commission's report on local authority performance indicators for 2019 is not expected to be published until late 2020.

Conclusions

- 2.51** Central government funding to local authorities is highly complex, with transfers from a number of departments for a wide variety of stated purposes. Some streams of funding are delivered directly from funding departments to local authorities, while others are routed through departmental agencies.
- 2.52** Local Property Tax allocation is linked to historic local authority base funding requirement which for the most part relates to the amount allocated in 2014. In 2019, under an established formula, LPT receipts of €97 million from ten local authorities together with an Exchequer contribution of €41 million were redistributed to the remaining 21 local authorities as equalisation funding.
- 2.53** Transfers of funding from central government sources to local authorities in 2019 totalled almost €4.2 billion. This represents a cumulative increase of 144% from the lowest level of transfer in 2014, coinciding with the replacement of general purposes grants by LPT-based funding transfers in 2015. In parallel with the increased funding, oversight of local authority spending has increased since 2014, through the operation of the National Oversight and Audit Commission.

Annex 2A Variations of Local Property Tax rates in 2019

Local authorities may vary the rate of Local Property Tax (LPT) in their administrative area for the following year by up to 15% of the basic rate of the tax.

Four local authorities resolved to reduce their LPT rates for 2019 and five authorities decided to increase their 2019 LPT rates above the basic rate.

Where an authority decides to vary the LPT basic rate upwards, it retains 100% of the resultant additional income collected in that local authority area. Likewise, where the rate is reduced, that authority absorbs the full impact of the reduction of LPT that is not collected.

Figure 2A.1 Impact of variation by local authority in 2019

Local authority	2019 Local variation factor (percentage)	(Loss)/gain to LA following variation, compared to original allocation ^a	Total 2019 LPT allocation post variation
			€000
Local authorities requiring equalisation			
Laois County Council	+10%	494	9,053
Limerick City and County Council	+7.5%	1,178	18,732
Longford County Council	+15%	318	9,224
Waterford City and County Council	+2.5%	233	18,912
Wexford County Council	+10%	1,223	14,770
Total		3,445	
Local authorities in surplus			
Dún Laoghaire-Rathdown County Council	-15%	-7,780	33,712
Dublin City Council	-15%	-12,009	52,039
Fingal County Council	-10%	-3,825	26,778
South Dublin County Council	-15%	-4,742	20,548
Total		-28,356	

Source: Department of Housing, Local Government and Heritage

Note: a Figures may not tot due to rounding.

Annex 2B Local Property Tax allocations for sample local authorities, 2019

Figure 2B.1 shows the LPT allocation for four local authorities, to show the impact of a local authority being in a surplus or deficit position and the impact of a local adjustment on LPT allocation.

Figure 2B.1 LPT allocation for four local authorities in 2019

	Local authorities where 80% of receipts is greater than baseline funding — i.e. in a surplus position		Local authorities where 80% of receipts is less than baseline funding — i.e. in a deficit position	
	Dublin City Council	Clare County Council	Tipperary County Council	Waterford City and County Council
	€m	€m	€m	€m
80% local retention	64.1	8.1	9.4	7.4
20% towards equalisation funding	16.0	2.0	2.4	1.9
Total LPT receipts	80.1	10.1	11.8	9.3
Baseline	19.1	4.4	26.0	18.7
Surplus/(deficit)	44.9	3.7	(16.5)	(11.2)
Local adjustment	(12.0)	—	—	0.2
Equalisation funding	—	—	16.5	11.2
LPT allocation	52.0	8.1	26.0	18.9
Application				
Own use 20% of LPT receipts	16.0	2.0	—	—
Roads and housing - balance of surplus	28.9	1.6	—	—
Own use balance of allocations	7.1	4.5	26.0	18.9
Application of LPT	52.0	8.1	26.0	18.9

Source: Department of Housing, Local Government and Heritage

Annex 2C

Figure 2C.1 Central government transfers to local authorities, by expenditure programme, 2014 to 2019^a

Expenditure category	2014	2015	2016	2017	2018	2019
	€m	€m	€m	€m	€m	€m
Housing and regeneration^b						
Social housing provision	536	614	759	1,133	1,704	2,024
Affordable housing, etc. ^c	39	3	2	3	—	—
Infrastructure funding ^c	—	—	—	—	7	22
Other housing supports	5	114	92	79	215	258
Regeneration	—	50	60	78	86	79
	580	781	913	1,293	2,012	2,383
Transport investment						
National roads improvement	228	236	200	239	315	330
Regional and local roads improvement ^b	357	337	394	368	461	512
Public transport (capital payments)	51	54	45	30	36	40
	636	627	639	637	812	882
Environmental initiatives						
Water and sanitary services	42	102	98	98	102	107
Flood relief works	21	44	34	28	31	28
Waste management	5	3	18	17	25	23
Recycling	2	—	—	—	—	—
Other environmental measures	13	18	3	7	13	6
	83	167	153	150	171	164
Other services						
Higher education grants	39	11	2	—	—	—
Employment schemes	8	37	38	81	84	86
Swimming pools	—	1	4	6	1	—
Fire and emergency services	7	6	9	12	13	13
Library service	2	2	2	7	7	6
Sports grants, playgrounds and cultural projects	10	9	28	13	22	30
Heritage services (architectural heritage)	5	1	1	2	1	4
Miscellaneous funding	53	45	99	48	108	119
	124	112	183	169	236	258
General purpose grants	282	—	—	—	—	—
LPT allocations — general purpose/discretionary ^b	—	306	310	393	395	394
Remuneration-related payments (LGF) — general purpose/discretionary	—	—	25	20	60	86
Total funding provided to local authorities	1,705	1,993	2,223	2,662	3,686	4,167

Source: The Office of Public Works; Department of Housing, Local Government and Heritage; Department of Education and Skills; Department of Transport, Tourism and Sport; Department of Culture, Heritage, and the Gaeltacht; Department of Health; Department of Children and Youth Affairs; Department of Justice and Equality; Department of Agriculture, Food and the Marine; Department of Employment Affairs and Social Protection; Department of Communications, Climate Action and Environment; Department of Defence; Department of Business, Enterprise and Innovation; Department of Rural and Community Development; Local Government Fund and Environment Fund financial statements (2019 unaudited).

- Notes:
- a Adjustments have been made to some previously reported amounts to reflect amounts not previously included and reclassifications. Some figures in the table have been rounded.
 - b The total LPT allocation from the Local Government Fund in 2019 was €503.6 million, allocated as follows: housing €92.6 million; roads €16.6 million; general purpose/discretionary €394.4 million.
 - c From 2018, expenditure incurred under the Affordable Housing/Shared Ownership Subsidy is included under 'other housing supports'. In 2017, expenditure amounting to €1.6 million relating to infrastructure funding was included in 'other housing supports'.

Voted Expenditure

3 Vote accounting and budget management

- 3.1 Dáil Éireann provides money for the services of government departments and offices by
- approving estimates of receipts and expenditure for those services in the course of each year
 - giving statutory effect to the estimates in an annual Appropriation Act.
- 3.2 Expenditure is provided for under 'votes', with one or more covering the functions of each department or office. The first part of the estimate for each vote (referred to as the ambit) provides an outline of the services to be financed. The ambit is incorporated in the annual Appropriation Act and so represents the purposes for which funds have been authorised by Dáil Éireann.
- 3.3 At the end of each financial year, each department and office is required to prepare an account, known as the appropriation account, for each voted service administered by it. The statutory requirement is for the appropriation account to report the outturn for the year compared with the amount provided by Dáil Éireann.
- 3.4 In addition to voted services, some government departments administer statutory funds. Generally, these are funded from sources other than the Central Fund and therefore, that funding is not 'voted' by Dáil Éireann. Examples of such funds and their main income sources are
- Social Insurance Fund (PRSI contributions)
 - Local Government Fund (local property tax receipts)
 - National Training Fund (training fund levy receipts and EU grants)
 - Environment Fund (plastic bag and landfill levies).
- 3.5 In presenting estimates and reports on voted expenditure, the Department of Public Expenditure and Reform includes the Social Insurance Fund (€9.7 billion in 2019 estimates) and the National Training Fund (€486 million in 2019 estimates) in total gross **voted** expenditure. The Department considers that this provides a more complete picture of overall Government expenditure.

Results of 2019 audits of appropriation accounts

- 3.6** Audits of the 2019 appropriation accounts for all votes have been completed. Each account, together with the related audit report, is being presented to Dáil Éireann with this report.

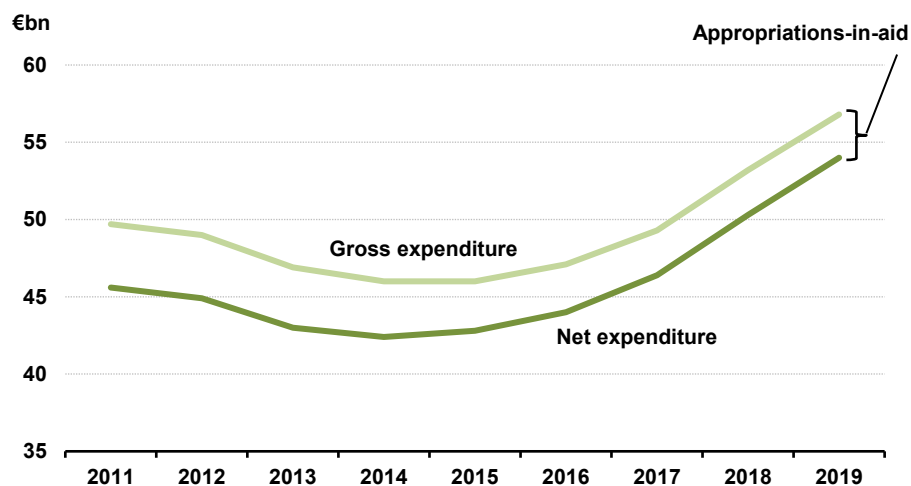
Appropriations

- 3.7** A summary of the amounts appropriated in 2019 for voted public services is included in Annex 3A (Figure 3A.1). The outturn for the year is also shown, together with the surplus of appropriations over expenditure.
- 3.8** The final amount appropriated for public services in 2019 was €57.4 billion. This comprised supply grants totalling €54.6 billion, capital funding carried over from 2018 totalling €93 million and appropriations-in-aid of €2.7 billion.

Vote outturn

- 3.9** Aggregate expenditure and appropriations-in-aid of all votes for the years 2011 to 2019 are presented in Figure 3.1. The total amount spent by departments and offices in 2019 was €56.9 billion (gross). After deduction of realised appropriations-in-aid totalling €2.9 billion, the net expenditure in the year was €54 billion.

Figure 3.1 Voted expenditure outturn, 2011 to 2019

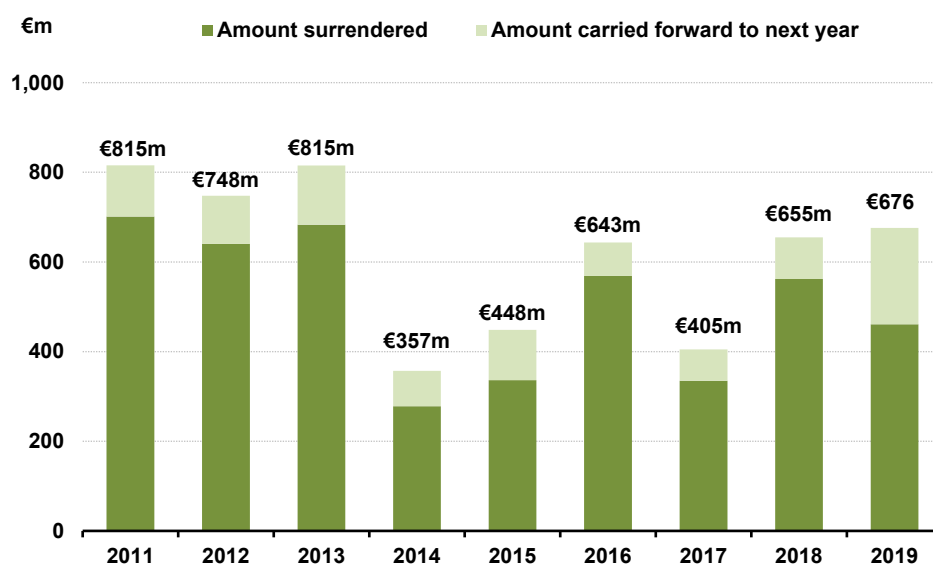


Source: Reports on the Accounts of the Public Services, 2011 to 2019, Annex 3A

Surpluses

- 3.10** Departments and offices are not permitted to spend more than the amount appropriated for each vote. When the expenditure in the year is less than the amount provided, the surplus is liable to be surrendered to the Exchequer.
- 3.11** All departments and offices managed within their overall voted allocations in 2019 and surpluses were recorded by all votes.
- 3.12** The 2019 surpluses amounted to €676 million (see Figure 3.2). Of that amount, a total of €215 million was approved for carry over to 2020.¹ The balance of €461 million was due for surrender. The sums liable for surrender or carried over to 2020 for each vote are shown in Annex 3A (Figure 3A.2).

Figure 3.2 Surplus appropriations, 2011 to 2019



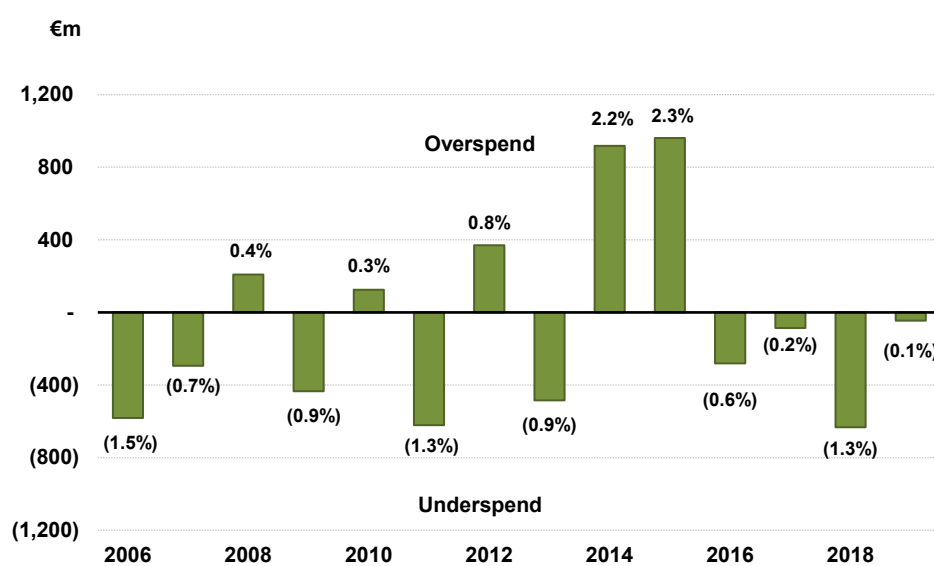
¹ Four votes — Transport, Tourism and Sport; Business, Enterprise and Innovation; Housing, Planning and Local Government; and Health — account for nearly three quarters of the total carried over across all votes.

Source: Reports on the Accounts of the Public Service, 2011 to 2019, Annex 3A

Budget variance

- 3.13** The original estimate amount approved by Dáil Éireann for 2019 represents the forecast of the amount required to meet the cost of the services to be provided from each vote. The budget variance is the difference between the original estimate of net expenditure and the actual outturn in a year.¹ Since 2016, the net expenditure across all votes has been less than the total provided (see Figure 3.3). The underspend in 2019 was 0.1% of the original budgeted amount.

Figure 3.3 Net expenditure variance from original budget, all votes, 2006 to 2019



Source: Analysis by the Office of the Comptroller and Auditor General

Budget variance by vote

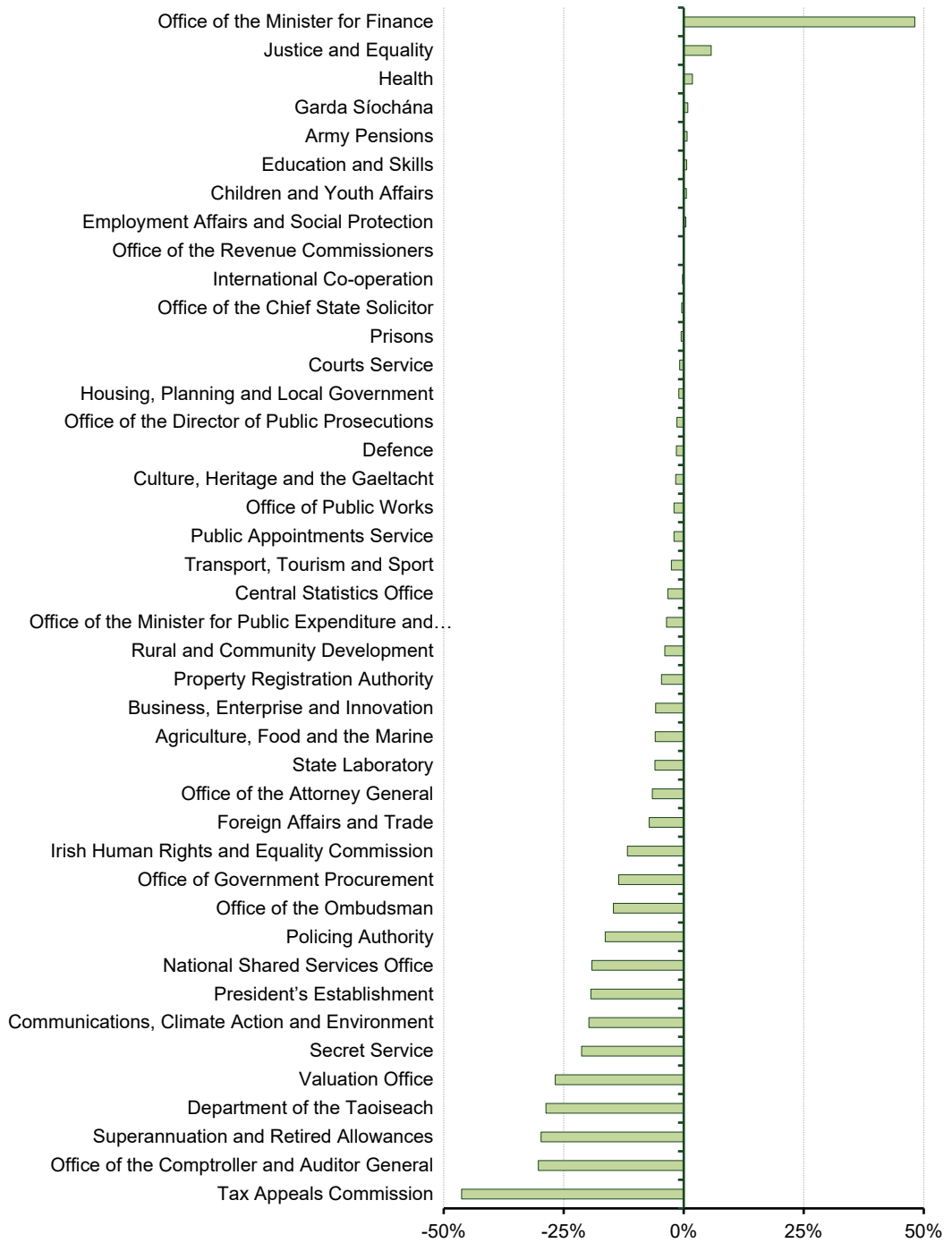
- 3.14** The three votes with the largest monetary net variance in 2019 were Health (€303 million more than the original estimate), Superannuation and Retired Allowances (€110 million less than the original estimate), Communications, Climate Action and Environment (€86 million less than the original estimate).

- 3.15** Figure 3.4 sets out, for each vote, the proportionate variance between actual expenditure and the original estimate in 2019.

- For eight votes, the net expenditure outturn was greater than the original estimate. The Office of the Minister for Finance, at 48%, had the largest percentage overspend compared with its original estimate.
- The remaining 34 votes incurred net expenditure less than originally anticipated in the revised estimates. Tax Appeals Commission, at 46%, had the largest percentage underspend compared with its original estimate.
- Each appropriation account explains material variances from the amount originally voted by Dáil Éireann. Explanations are provided for each spending subhead where the outturn is at least $\pm 5\%$ ($\pm 25\%$ in the case of administration subheads) different from the amount provided, and at least $\pm \text{€}100,000$.

¹ There is a statutory provision to allow unspent capital allocations to be carried over to the following year for use for the same purpose, with Department of Public Expenditure and Reform agreement. In this report, such carryover amounts are treated as part of the (following year) annual departmental appropriations.

Figure 3.4 Net expenditure variance by vote, as a proportion of the original budget, 2019



Source: Analysis by the Office of the Comptroller and Auditor General

Funding of variances

- 3.16** When the Dáil approves a vote estimate, it does so at the aggregate level. Departments are allowed some scope to manage budgets by moving allocations between programmes and subheads, but only if the Department of Public Expenditure and Reform agrees. This process of reallocation of funding is referred to as virement.
- 3.17** If large adjustments to the budgets for programmes or subheads are required as the year progresses, formal approval must be sought from the Dáil. This is done through the 'supplementary estimate' process. This process may also be used, if required, to increase the cash limit for a vote for the year or to adjust expected appropriations-in-aid. Details of supplementary estimates requested are discussed at the relevant Dáil committees (typically in the final quarter of the year) before approval is sought from the Dáil itself.
- 3.18** In 2019, thirteen votes required substantive supplementary estimates to increase the overall amount available.¹ The scale of the budgetary increases approved for 2019 ranged from €470,000 for the Public Appointments Service to over €338 million for Health (see Figure 3.5).

¹ A supplementary estimate that does not increase the overall amount available for the Vote is referred to as a 'technical supplementary estimate'. These are used to move the funding originally made available between existing subheads.

Figure 3.5 Substantive supplementary estimates 2019

Vote	Increases approved (‘000)	Reason for additional requirement
Health	338,055	Increased costs in demand led services such as primary care reimbursement, social care services and long term residential care.
Employment Affairs and Social Protection	100,000	Payments to social welfare recipients related to the Christmas bonus.
Education and Skills	68,000	Increased costs such as teachers' pay; school transport services; State Examinations Commission reforms and schools infrastructure.
Justice and Equality	33,300	Increased costs for asylum seeker accommodation; operations of the Magdalen redress scheme.
Office of the Minister for Finance	21,200	Legal settlement of proceedings arising from the air travel tax introduced in Budget 2009.
Agriculture, Food and the Marine	19,424	To fund aid measure to support beef farmers; increased expenditure under agriculture schemes; cost associated with Brexit preparations.
An Garda Síochána	17,500	Increased security costs; demand led training and development expenditure; increased costs of upgrading and maintaining stations.
Children and Youth Affairs	15,000	Increased costs associated with children's residential services.
Transport, Tourism and Sport	10,000	Increased funding for tourism marketing due to the uncertainties raised by Brexit; additional expenses such as rental costs and system updates.
Office of the Chief State Solicitor	5,000	Additional funding required for a number of high profile and complex cases during the year.
Office of the Revenue Commissioners	4,104	Increased costs to meet critical Brexit infrastructure.
Army Pensions	1,900	Higher than anticipated level of pension related payments.
Public Appointments Service	470	Increased recruitment costs.

Source: Analysis by the Office of the Comptroller and Auditor General

Figure 3.6 Votes with supplementary estimates, 2013 to 2019^a

Vote	2013	2014	2015	2016	2017	2018	2019
20 Garda Síochána	●	●	●	●	●	●	●
35 Army Pensions	●	●	●	●	●	●	●
26 Education and Skills		●	●	●	●	●	●
37 Employment Affairs and Social Protection			●	●	●	●	●
38 Health ^b	●	●	●		●	●	●
31 Transport, Tourism and Sport	●	●	●	●	●	●	●
40 Children and Youth Affairs		●	●			●	●
24 Justice and Equality	●					●	●
30 Agriculture, Food and the Marine		●	●	●	●	●	●
17 Public Appointments Service		●	●		●		●
7 Office of the Minister for Finance			●				●
34 Housing, Planning and Local Government		●			●	●	
21 Prisons		●	●			●	
13 Office of Public Works						●	
27 International Co-Operation						●	
32 Business, Enterprise and Innovation		●	●	●	●	●	●
12 Superannuation and Retired Allowances		●	●		●	●	●
29 Communications, Climate Action and Environment			●				●
22 Courts Service		●		●		●	
5 Office of the Director of Public Prosecutions					●		
28 Foreign Affairs and Trade				●			●
36 Defence		●		●			
6 Office of the Chief State Solicitor			●				●
18 National Shared Services Office	●		●				
2 Department of the Taoiseach		●					
33 Culture, Heritage and the Gaeltacht		●					
9 Office of the Revenue Commissioners							●
12 Superannuation and Retired Allowances							●

Source: Analysis by the Office of the Comptroller and Auditor General

- Notes:
- Indicates an increase in the net expenditure estimate i.e. a substantive supplementary estimate.
 - Indicates that the increase in net expenditure was a token €1,000 i.e. a technical supplementary estimate.
- a Vote titles and numbers are as per the 2019 Revised Estimates for Public Services. For some votes, different titles may have applied in earlier years in which a supplementary estimate was approved.
- b Prior to 2015, the data relates to the HSE Vote. From 2015, the HSE no longer holds a vote. Since then, Exchequer funding is provided to it through grants from the Health Vote.

Exchequer extra receipts

- 3.19** All receipts of central government departments and offices are liable for lodgement in the Central Fund, unless Dáil Éireann decides that they may be applied as appropriations-in-aid. Examples of receipts that are not treated as appropriations-in-aid include Ireland's receipts from the EU Emissions Trading System, Property Registration Authority fees and court fine receipts. These are transferred to the Central Fund, and are referred to as Exchequer extra receipts. Windfall receipts are also usually brought to account in this way, including proceeds of significant sales of property, receipts on foot of surplus income or profits of State companies, interest, dividends or capital repayments, compensation payments and voluntary surrender of salary.
- 3.20** Where Exchequer extra receipts arose in 2019, the amounts are shown in notes to the relevant appropriation accounts. The total Exchequer extra receipts recorded by departments and offices in 2019 was €301 million (2018: €286 million). The aggregate amount of those receipts reported in each account is set out in Annex 3A (Figure 3A.3).

Annex 3A Vote financial outturn

Dáil Éireann provides money for the ordinary services of government departments and offices by approving estimates of the amounts required for those services in the course of each year, and giving statutory effect to those estimates in the annual Appropriation Act. The expenditure is provided for under a series of 'votes'. By law, an appropriation account must be produced for each vote. The account must provide details of the outturn for the year against the amount provided by Dáil Éireann.

Figure 3A.1 provides a summary of the outturn on expenditure and receipts relative to the amounts appropriated for public services in 2019.

Figure 3A.2 shows how surplus appropriations in 2019 were applied — either through deferral of expenditure to 2020, or by surrender to the Exchequer.

Figure 3A.3 shows the Exchequer extra receipts recorded against each vote in 2019.

Explanations of some of the terms used in the tables are given below.

Supply grant	The money granted (or voted) by Dáil Éireann for each of the public services.
Deferred from 2018	Amount of capital funding not spent in 2018 and carried over for expenditure on capital services in 2019. The carry-over of these sums was approved by Dáil Éireann.
Appropriations-in-aid	Departmental receipts which, with the agreement of Dáil Éireann, may be retained to defray the expenses of the vote to which they relate.
Total appropriations	Sum of the supply grant, deferred 2018 capital moneys (if any) and appropriations-in-aid.
Surplus for the year	The excess of total appropriations by Dáil Éireann over the gross expenditure together with any surplus on appropriations-in-aid. The surplus for the year is liable for surrender back to the Exchequer.
Deferred surrender	Amount of capital funding not spent in 2019 which was carried over for expenditure in 2020. These carry overs were approved by Dáil Éireann.
Surplus to be surrendered	Amount of money appropriated in 2019 but not spent in the year or deferred to 2020, and so required to be surrendered to the Exchequer.
Exchequer extra receipts	Departmental receipts that are not appropriated-in-aid of the vote, but are transferred to the Exchequer.

Figure 3A.1 Summary of appropriations for public services in 2019, by vote

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2018	Appropriations -in-aid	Total	Gross expenditure	Appropriations -in-aid	Net expenditure	Gross surplus (deficit)	Excess/ (deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1	President's Establishment	4,434	-	82	4,516	3,655	78	3,577	861	(4)	857
2	Department of the Taoiseach	34,337	-	929	35,266	25,188	707	24,481	10,078	(222)	9,856
3	Office of the Attorney General	15,592	-	761	16,353	15,153	580	14,573	1,200	(181)	1,019
4	Central Statistics Office	54,714	-	1,449	56,163	55,192	2,298	52,894	971	849	1,820
5	Office of the Director of Public Prosecutions	42,809	-	910	43,719	43,090	895	42,195	629	(15)	614
6	Office of the Chief State Solicitor	39,616	-	955	40,571	40,437	988	39,449	134	33	167
7	Office of the Minister for Finance	60,916	-	1,380	62,296	60,166	1,333	58,833	2,130	(47)	2,083
8	Office of the Comptroller and Auditor General	8,657	-	5,981	14,638	13,799	7,764	6,035	839	1,783	2,622
9	Office of the Revenue Commissioners	382,684	-	67,487	450,171	449,066	70,541	378,525	1,105	3,054	4,159
10	Tax Appeals Commission	3,208	-	140	3,348	1,772	49	1,723	1,576	(91)	1,485
11	Office of the Minister for Public Expenditure and Reform	58,993	-	2,463	61,456	59,545	2,676	56,869	1,911	213	2,124
12	Superannuation and Retired Allowances	371,298	-	243,603	614,901	598,656	337,680	260,976	16,245	94,077	110,322
13	Office of Public Works	439,738	-	24,205	463,943	455,131	24,314	430,817	8,812	109	8,921
14	State Laboratory	9,795	-	1,066	10,861	10,831	1,623	9,208	30	557	587
15	Secret Service	1,250	-	-	1,250	984	-	984	266	-	266
16	Valuation Office	12,730	-	1,362	14,092	10,810	1,486	9,324	3,282	124	3,406
17	Public Appointments Service	15,328	-	175	15,503	14,810	253	14,557	693	78	771
18	National Shared Services Office	50,324	1,168	5,740	57,232	47,479	5,833	41,646	9,753	93	9,846
19	Office of the Ombudsman	11,718	-	456	12,174	10,418	416	10,002	1,756	(40)	1,716
20	Garda Síochána	1,672,308	3,581	120,147	1,796,036	1,794,042	121,288	1,672,754	1,994	1,141	3,135

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2018	Appropriations -in-aid	Total	Gross expenditure	Appropriations -in-aid	Net expenditure	Gross surplus (deficit)	Excess/ (deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
21	Prisons	349,536	-	9,476	359,012	357,896	10,284	347,612	1,116	808	1,924
22	Courts Service	90,624	2,500	47,781	140,905	139,416	47,084	92,332	1,489	(697)	792
23	Property Registration Authority	30,449	56	610	31,115	29,727	639	29,088	1,388	29	1,417
24	Justice and Equality	457,014	942	98,134	556,090	540,083	91,105	448,978	16,007	(7,029)	8,978
25	Irish Human Rights and Equality Commission	6,662	-	89	6,751	5,973	92	5,881	778	3	781
26	Education and Skills	9,868,656	-	512,390	10,381,046	10,373,414	511,021	9,862,393	7,632	(1,369)	6,263
27	International Co-operation	543,826	-	1,100	544,926	543,601	1,186	542,415	1,325	86	1,411
28	Foreign Affairs and Trade	212,500	-	58,951	271,451	266,384	69,213	197,171	5,067	10,262	15,329
29	Communications, Climate Action and Environment	421,991	15,000	242,711	679,702	587,170	236,493	350,677	92,532	(6,218)	86,314
30	Agriculture, Food and the Marine	1,323,107	22,000	333,317	1,678,424	1,635,121	388,443	1,246,678	43,303	55,126	98,429
31	Transport, Tourism and Sport	2,326,869	18,366	24,964	2,370,199	2,301,192	25,791	2,275,401	69,007	827	69,834
32	Business, Enterprise and Innovation	896,966	27,600	53,272	977,838	929,268	58,977	870,291	48,570	5,705	54,275
33	Culture, Heritage and the Gaeltacht	335,195	700	3,764	339,659	335,343	5,046	330,297	4,316	1,282	5,598
34	Housing, Planning and Local Government	3,937,303	-	61,175	3,998,478	3,960,523	63,231	3,897,292	37,955	2,056	40,011
35	Army Pensions	246,033	-	5,000	251,033	250,966	5,081	245,885	67	81	148
36	Defence	735,313	-	22,735	758,048	756,094	32,154	723,940	1,954	9,419	11,373
37	Employment Affairs and Social Protection	10,699,773	1,000	217,700	10,918,473	10,871,161	223,035	10,648,126	47,312	5,335	52,647
38	Health	17,030,315	-	460,000	17,490,315	17,459,254	463,858	16,995,396	31,061	3,858	34,919
39	Office of Government Procurement	18,031	96	450	18,577	16,164	492	15,672	2,413	42	2,455
40	Children and Youth Affairs	1,497,676	-	27,637	1,525,313	1,517,775	27,064	1,490,711	7,538	(573)	6,965
41	Policing Authority	3,324	-	52	3,376	2,845	65	2,780	531	13	544
42	Rural and Community Development	260,682	-	30,520	291,202	290,683	40,305	250,378	519	9,785	10,304
Total		54,582,294	93,009	2,691,119	57,366,422	56,880,277	2,881,461	53,998,816	486,145	190,342	676,487

Source: 2019 Appropriation Accounts. Any apparent differences in totals are due to rounding.

Note: a The net surplus is comprised of the excess of total appropriations by Dáil Éireann over the gross expenditure together with the excess/deficit on appropriations-in-aid.

Figure 3A.2 Application of surplus 2019 appropriations, by vote

Vote	Service	Surplus for the year	Deferred surrender (to 2020)	Surplus for surrender
		€000	€000	€000
1	President's Establishment	858	—	858
2	Department of the Taoiseach	9,856	—	9,856
3	Office of the Attorney General	1,019	—	1,019
4	Central Statistics Office	1,820	—	1,820
5	Office of the Director of Public Prosecutions	614	—	614
6	Office of the Chief State Solicitor	167	—	167
7	Office of the Minister for Finance	2,083	—	2,083
8	Office of the Comptroller and Auditor General	2,622	—	2,622
9	Office of the Revenue Commissioners	4,159	—	4,159
10	Tax Appeals Commission	1,485	—	1,485
11	Office of the Minister for Public Expenditure and Reform	2,124	146	1,978
12	Superannuation and Retired Allowances	110,322	—	110,322
13	Office of Public Works	8,921	8,000	921
14	State Laboratory	587	—	587
15	Secret Service	266	—	266
16	Valuation Office	3,406	—	3,406
17	Public Appointments Service	771	150	621
18	National Shared Services Office	9,846	1,024	8,822
19	Office of the Ombudsman	1,716	—	1,716
20	Garda Síochána	3,135	—	3,135
21	Prisons	1,924	—	1,924
22	Courts Service	793	—	793
23	Property Registration Authority	1,417	—	1,417
24	Justice and Equality	8,978	—	8,978
25	Irish Human Rights and Equality Commission	781	—	781
26	Education and Skills	6,263	—	6,263
27	International Co-operation	1,411	—	1,411
28	Foreign Affairs and Trade	15,330	—	15,330
29	Communications, Climate Action and Environment	86,313	27,296	59,017
30	Agriculture, Food and the Marine	98,430	19,800	78,630
31	Transport, Tourism and Sport	69,834	48,611	21,223
32	Business, Enterprise and Innovation	54,275	42,150	12,125
33	Culture, Heritage and the Gaeltacht	5,597	3,435	2,162
34	Housing, Planning and Local Government	40,011	33,500	6,511
35	Army Pensions	148	—	148
36	Defence	11,374	—	11,374
37	Employment Affairs and Social Protection	52,647	1,187	51,460
38	Health	34,919	30,000	4,919
39	Office of Government Procurement	2,455	59	2,396
40	Children and Youth Affairs	6,965	—	6,965
41	Policing Authority	544	—	544
42	Rural and Community Development	10,304	—	10,304
	Total	676,490	215,358	461,132

Source: 2019 Appropriation Accounts

Figure 3A.3 Exchequer extra receipts 2019, by vote

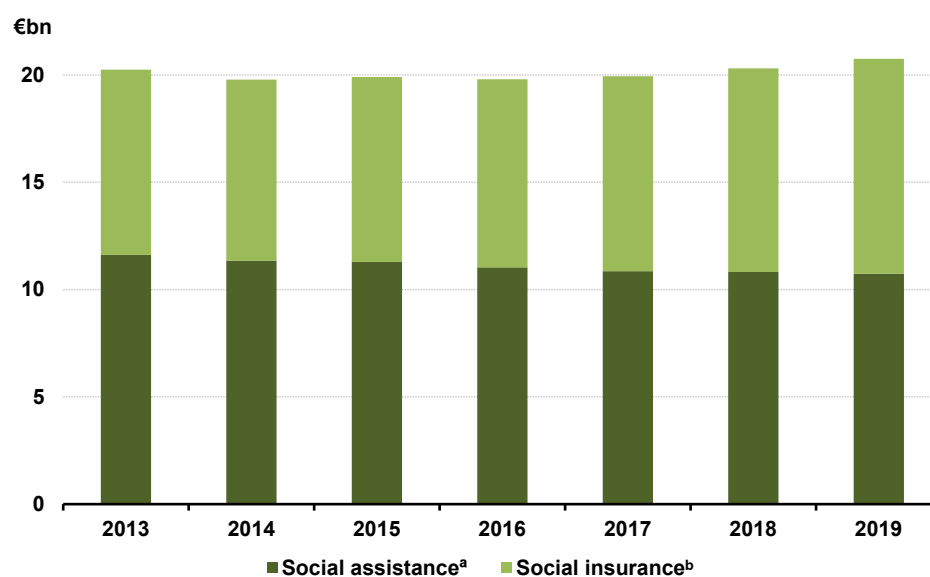
Vote	Service	Extra receipts realised
		€000
1	President's Establishment	—
2	Department of the Taoiseach	43
3	Office of the Attorney General	—
4	Central Statistics Office	—
5	Office of the Director of Public Prosecutions	—
6	Office of the Chief State Solicitor	10,715
7	Office of the Minister for Finance	42
8	Office of the Comptroller and Auditor General	—
9	Office of the Revenue Commissioners	1,588
10	Tax Appeals Commission	—
11	Office of the Minister for Public Expenditure and Reform	19
12	Superannuation and Retired Allowances	—
13	Office of Public Works	—
14	State Laboratory	—
15	Secret Service	—
16	Valuation Office	—
17	Public Appointments Service	—
18	National Shared Services Office	—
19	Office of the Ombudsman	12
20	Garda Síochána	5,000
21	Prisons	—
22	Courts Service	8,344
23	Property Registration Authority	69,865
24	Justice and Equality	25
25	Irish Human Rights and Equality Commission	—
26	Education and Skills	716
27	International Co-operation	—
28	Foreign Affairs and Trade	—
29	Communications, Climate Action and Environment	123,191
30	Agriculture, Food and the Marine	1,124
31	Transport, Tourism and Sport	50,680
32	Business, Enterprise and Innovation	9,131
33	Culture, Heritage and the Gaeltacht	17
34	Housing, Planning and Local Government	15,256
35	Army Pensions	—
36	Defence	12
37	Employment Affairs and Social Protection	22
38	Health	50
39	Office of Government Procurement	544
40	Children and Youth Affairs	4,455
41	Policing Authority	—
42	Rural and Community Development	15
	Total	300,866

Source: 2019 Appropriation Accounts

4 Control over welfare payments

- 4.1 The Department of Employment Affairs and Social Protection (the Department) incurred expenditure of approximately €20 billion each year in the period 2013 to 2019. Welfare payments are funded by the Exchequer in the case of assistance payments and by the Social Insurance Fund for benefit payments (see Figure 4.1).

Figure 4.1 Welfare payments 2013 to 2019



Source: Appropriation accounts of the Department of Employment Affairs and Social Protection and financial statements of the Social Insurance Fund

- Notes:
- a Subventions to the Social Insurance Fund and administration expenses paid by the Department and recouped from the Social Insurance Fund have been excluded.
 - b Payments to the National Training Fund have been excluded as these are amounts collected on behalf of the Department of Education and Skills.

- 4.2 Expenditure of €20.8 billion in 2019 represented 24% of general government expenditure and was equivalent to 6% of GDP (10% of GNI*).
- 4.3 While total expenditure has remained relatively stable, social assistance payments decreased as a percentage of total expenditure, falling from 57.4% in 2013 to 51.7% in 2019. This represents a relative reduction in assistance type payments, in particular working age income supports, reflecting improvements in macro-economic indicators, and a relative increase in age related social insurance benefits such as the State contributory pension which has increased from just under €4 billion in 2013 to over €5.6 billion in 2019.
- 4.4 The Department operates around 80 schemes and programmes, some of which are delivered directly and some in partnership with third party organisations, other government departments and State agencies. In 2019, over 1.3 million people were in receipt of a weekly social welfare payment and over 630,000 people received monthly child benefit payments.

4.5 The Department is required to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Dáil Éireann, and that its financial transactions conform with the authorities under which they purport to have been carried out. Financial transactions are considered to be 'regular' when both of these conditions are satisfied.

4.6 Any payments in excess of entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise in a number of ways, including

- **Suspected fraud** — where it is suspected that a claimant for welfare payments intentionally provides incomplete or inaccurate information in relation to a claim, or deliberately fails to inform the Department of relevant changes in circumstances (such as an increase in means or a change in medical condition) affecting a claim in payment.
- **Claimant error** — which arises when the claimant has provided inaccurate or incomplete information, or failed to report a relevant change in circumstances, but there is no fraudulent intent on the claimant's part.
- **Official error** — where benefits are paid incorrectly due to inaction, delay or mistakes made by the Department's staff.^{1,2}

4.7 The level of expenditure incurred means that even a small incidence of error and suspected fraud can result in a large monetary loss to the Exchequer or to the Social Insurance Fund.

4.8 In seeking to minimise loss through error and suspected fraud, a balance must be struck between, on the one hand, making the claim process as straightforward as possible for the applicant and giving timely assistance to claimants, and on the other hand, the level of information collection and the intensity of claim checking. The review of existing cases to detect and deter error and suspected fraud is an important issue for the Department.

¹ In some cases, claimant and official error can also result in claimants receiving less than they are entitled to (an underpayment).

² Where the last review of a claim was conducted more than five years previously (or three years previously for working age schemes), excess payment is categorised as an official error.

Objectives of examination

4.9 This examination

- presents an overview of the Department's activities which are targeted at detecting and deterring fraud and error
- evaluates the Department's effectiveness in this regard by reference to the results emerging from its monitoring and control activities.

Compliance and anti-fraud strategy

4.10 In September 2019, the Department published a strategy covering the period 2019 to 2023. The objectives of the strategy are to

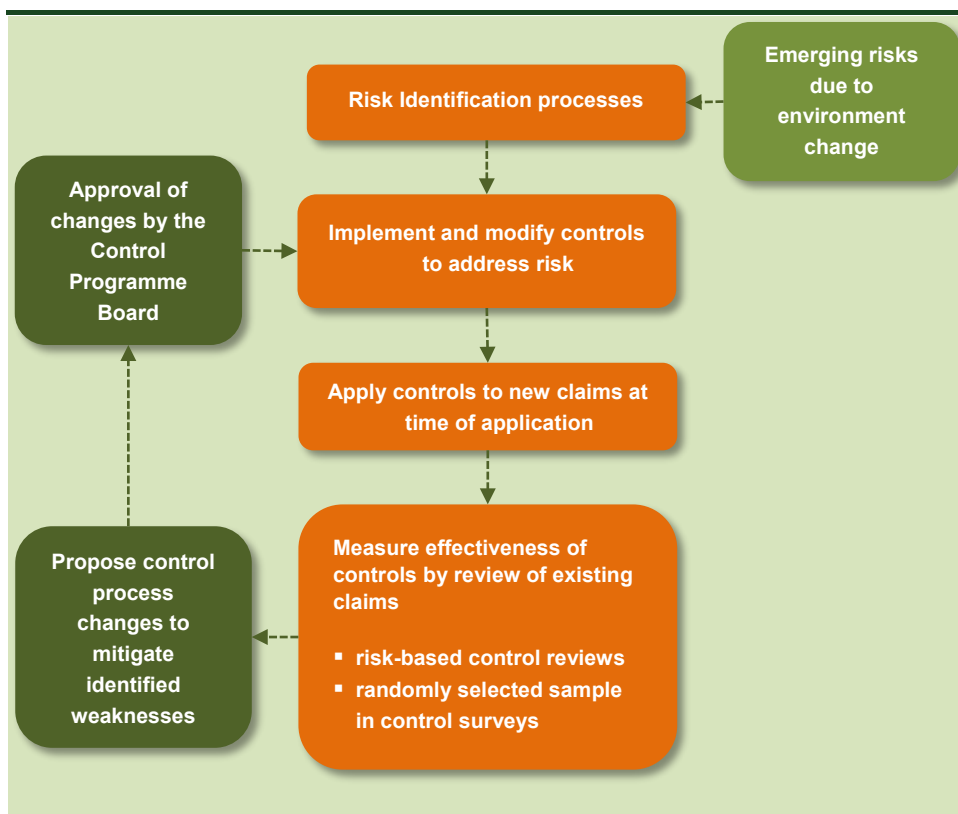
- prevent fraud and error entering the social welfare system
- discourage non-compliance with the social welfare system
- detect instances of suspected fraud and error as quickly as possible
- have in place appropriate governance and oversight arrangements over control activity.

The key elements of the strategy are set out in Annex 4A.

4.11 The Department utilises a range of methods to evaluate its effectiveness in preventing, detecting and deterring error and suspected fraud. These include control surveys of a random sample of claimants to assess the level of error and suspected fraud on a scheme, and monitoring the outcome of control reviews that use a risk-based approach to review claims.

4.12 A key feature of effective risk management is the identification and implementation of enhanced controls on foot of analysis of information in relation to how the system is currently operating. Figure 4.2 summarises the Department's approach to risk management.

Figure 4.2 Key elements of the Department's control process



Source: Analysis by the Office of the Comptroller and Auditor General

Control surveys

- 4.13** The Department has a programme to undertake control surveys of social welfare schemes. The surveys involve reviews of random samples of claims in payment to establish if the recipients are entitled to the payments they are currently receiving and if so, whether the correct amounts are being paid. The surveys assist the Department in identifying scheme-specific risks and required changes to the scheme control measures in place.

Control survey methodology

Control surveys generally review between 500 and 1,000 randomly-selected claims for each scheme and aim to provide an estimate — to a 95% confidence level — of the level of incorrect payment. The surveys capture

- the gross excess payment which is the total value of overpayment identified
- the net excess payment — which adjusts for transfers to other schemes where a claimant (and/or a dependent person) was found to be paid in excess of their entitlements on the scheme reviewed, but was entitled to a different benefit welfare payment.

The Department views the net excess payment identified as being the most accurate measure of the level of excess payment on schemes.

- 4.14** Since 2014, the Department planned to undertake two or three control surveys annually. The time it takes to complete and publish the findings of the controls surveys can vary from one year to up to three years. In addition, the commencement or publication of some of the planned surveys have been delayed. Annex 4B provides information on the Department's approach to control surveys as well as activity in that regard in 2020.
- 4.15** Under the Department's compliance and anti-fraud strategy for the period 2019 to 2023, the Department has initiated a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance. The Department has stated that the continuous sampling approach may identify seasonal risk factors that may not be captured by point-in-time surveys.
- 4.16** Figure 4.3 shows the expenditure in 2019 on Vote and Social Insurance Fund schemes in respect of which control surveys have been undertaken (at least once) since 2012 and the level of irregular payment identified.¹

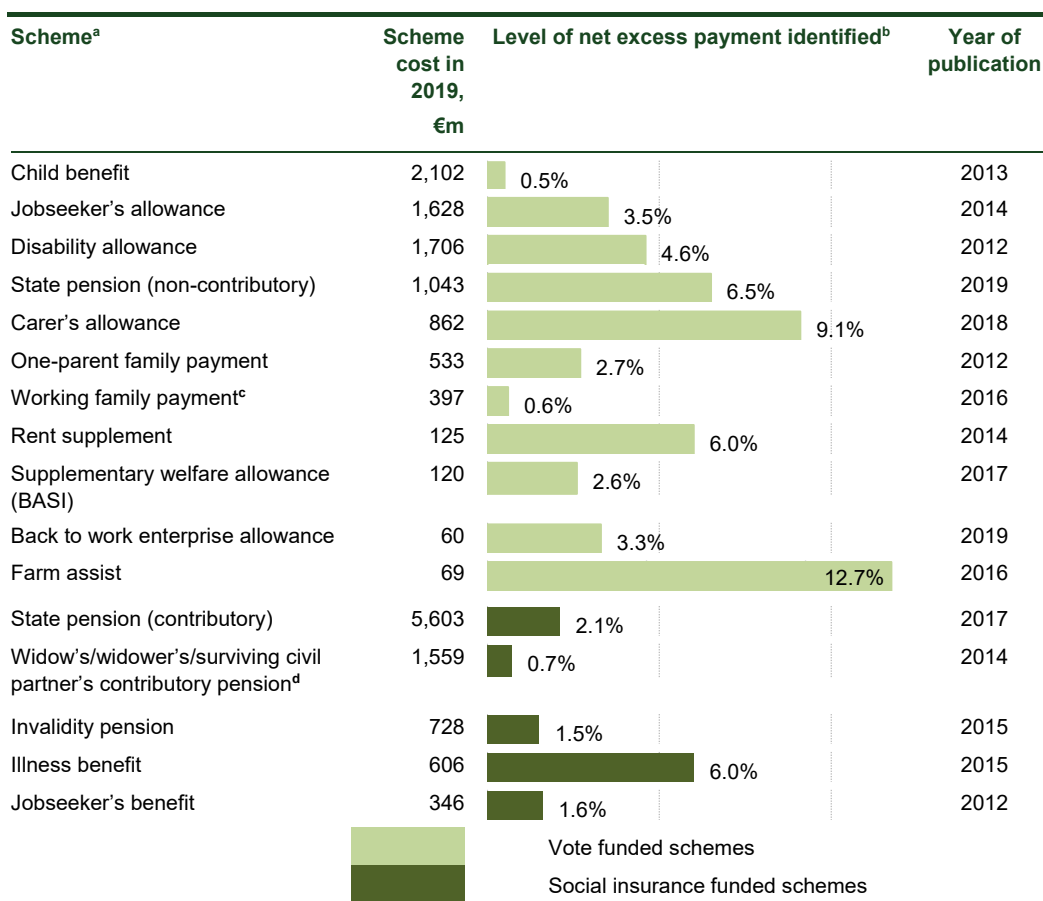
Implications of control surveys for audits

- 4.17** There is wide variation in the level of excess payments found by surveys of Vote funded schemes carried out between 2012 and 2019 (see Figure 4.3). Apart from child benefit, which is a universal payment (i.e. not means-tested), estimated rates of net excess payments range from 0.6% of scheme expenditure (working family payment) to 12.7% of scheme expenditure (farm assist).
- 4.18** There is also variation in the level of excess payment in the social insurance funded schemes surveyed. Estimated rates of net excess payments for social insurance funded schemes range from 0.7% (Widow's/widower's/surviving civil partner's contributory pension) to 6% (illness benefit).

¹ In aggregate, the schemes included in Figure 4.3 accounted in 2019 for 80% (€8.6 billion) of voted expenditure, and 88% (€8.8 billion) of Social Insurance Fund expenditure.

4.19 The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2019 appropriation account for Vote 37 Employment Affairs and Social Protection and the 2019 financial statements of the Social Insurance Fund to the material level of irregularity of scheme payments.

Figure 4.3 Estimated level of irregular payments in surveyed schemes



Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The household benefits survey in 2016 is not included because the survey only related to beneficiaries not in receipt of another welfare payment and represented only 7% of those in receipt of the benefits package. Since 2016, schemes representing a further 62% of household benefit recipients have been examined as part of control surveys for State pension (contributory), State pension (non-contributory) and carer's allowance — the Department estimates the error rate in respect of entitlement to the benefits package for the schemes surveyed to be 1.3% by value.
 - b Net excess payment is the value of excess payments identified less transfers to other schemes.
 - c Previously known as the family income supplement.
 - d This figure was incorrectly stated as 7.4% in the Report on the Accounts of the Public Services 2018, instead of the correct figure of 0.7% as shown above.

Back to work enterprise allowance control survey (2019)

- 4.20** In 2019, the Department published the results of a control survey of the back to work enterprise allowance scheme involving expenditure of €60 million in 2019.

Back to work enterprise allowance scheme control survey report (August 2019)

Under the back to work enterprise allowance scheme, individuals in receipt of a qualifying payment who start a new enterprise as a self-employed person retain full benefit payments for the first year and 75% for the following year. Different control regimes applied to different groups of claimants. For claims commencing from July 2017, the Department's policy was to carry out a case review after three months and again after nine months. The reviews at three and nine months were not applied to cases already in payment at July 2017.

The survey examined 401 claims: 207 claims were pre-July 2017 claims and 194 were post-July 2017 cases.

Overall, the survey found 12 claims (3%) with excess payments, representing 3.3% of scheme expenditure for the sample. This included 1.6% of expenditure where the review found the claimants were not involved in viable self-employment, 1.3% where the claimants failed to provide the required information (suspected fraud) and 0.5% where the claimants did not meet the scheme eligibility criteria.

The survey found that the level of non-compliance reduced significantly after the change in claim review policy — eleven pre-July 2017 claims were in overpayment; only one claim put in payment after July 2017 was in overpayment.

This examination reviewed a sample of 25 claims inspected by the control survey and found five cases where the three and nine-months reviews should have been conducted but were not.

The response of the Department to the survey findings was to re-issue direction to case officers and divisional managers to conduct three-month and nine-month reviews of each case.

Control reviews of claims

4.21 The Department's control review process examines claims to ensure that the claimant was/is entitled to a payment and that the level of payment was/is correct. The selection of claims to be reviewed is based on a risk that the payment is not correct. The Department characterises control reviews as being initiated by the Department and requiring engagement with the customer (or their representatives where applicable) that is over and above regular or systemic contact, and being a review of¹

- a claim that is or was in payment
- the claimant's ongoing or past eligibility with scheme conditions and terms
- compliance with scheme conditions for the payment, including payment components for qualifying adult or child dependents and other allowances (for example living alone allowance) where relevant
- adherence to scheme conditions, such as availability for work and medical eligibility.

1 Where a review of entitlement is initiated by a claimant, it is not considered a control review by the Department.

2 For example, the Control Division proposed a target of 8,000 non-medical reviews and 3,000 medical reviews for the disability allowance scheme. The Business Analytics Unit (BAU) identified 2,500 of the 11,000 claims to be reviewed.

3 The Department sets a target for savings. Savings are calculated on the assumption that detected overpayments would have continued if not detected for a period of between 4 and 136 weeks (the period used is dependent on the scheme and whether the payment was reduced or terminated). Savings recorded by the Department in 2017, 2018 and 2019 were €530 million, €556 million and €505 million respectively.

4 In 2019, the Management Board amended the proposed target for five schemes.

5 The BAU identify claims for review by a range of means including predictive modelling (e.g. for the one parent family payment scheme and disability allowance), risk-factor modelling (e.g. widows pension), business rules (e.g. jobseeker's schemes), dataset to generate reviews (non-contributory State pension) and combinations of the above approaches. Risks such as a history of overpayments are systematically assigned to claimants when modelling a scheme whereas a Deciding Officer exercises judgement on such issues when selecting claims for review.

Process to determine the review rate

4.22 There is no statistical methodology underlying the target number of reviews to be conducted by each scheme. The Department's Control Division proposes the annual target for the number of reviews to be carried out by each scheme, following consultation with the management of that scheme area.^{2,3} The Control Programme Board reviews and approves the proposed targets which are then presented to the Management Board for approval.⁴

4.23 In accordance with good practice, a range of factors should influence the setting of the annual target for control reviews for each scheme including

- the level of expenditure and number of claimants on the scheme
- estimated levels of incorrect payment, as determined by recent control surveys/reviews
- identification of existing and emerging risks of incorrect payment from knowledge gained by staff and the work of the Business Analytics Unit (BAU)
- the type of review that is required — e.g. mailshot, desk review, home visit or medical assessment etc.

Criteria for selection of individual cases for review

4.24 Individual cases for review are selected by the scheme area and may be selected as a result of risks identified by the scheme area itself or cases identified as high-risk by the BAU, through data matching arrangements, or as a result of (anonymous) reports to the Department.⁵ Risk factors used by scheme areas include

- risks identified from outcomes of any previous control surveys and from current control review activity or risks identified on similar schemes, and risks associated with the type of scheme (e.g. working age schemes tend to be more open to fraud)
- length of time since last review, as risk increases with time between reviews
- identifying various sectors of the economy where there is a higher risk of fraud and abuse (e.g. casual workers).

4.25 The Department records the event instigating a control review — for example, reviews proposed by the BAU, or selection under control survey or intelligence-led reviews. The Department stated that analysis of these events facilitates the identification of patterns in review outcomes and the number and type of reviews being conducted by schemes.

4.26 The scheme areas decide on the type of control review to be conducted which comprise

- desk reviews where the customer is not seen face-to-face (including mailshot reviews) and consist of an examination of entitlement to a payment based on available documentation¹
- desk reviews where the customer is seen including face-to-face interviews with customer for claims managed at Intreo centres²
- inspections undertaken by social welfare inspectors which may include home visits and/or on-site interviews with claimants and employers
- investigations by the Special Investigations Unit³
- medical examinations or assessments (including desk-based assessment).

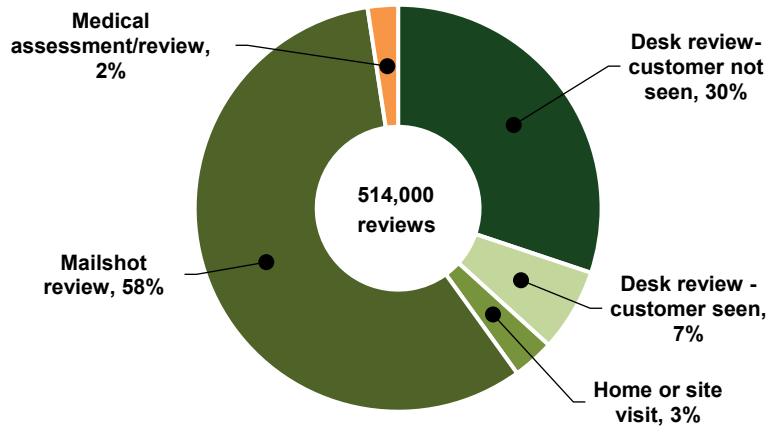
4.27 The categorisation of reviews conducted in the period April to December 2019 are shown in Figure 4.4 (earlier data is not directly comparable due to a change in the way data was recorded). The types of assessment, or ratios between the types of assessments are not set by the Control Division — this is decided by the areas operating the individual schemes, based on their operational experience. Most child benefit reviews are conducted by mailshot while most jobseeker reviews are desk-based, where the customer is not seen — other schemes comprise a mixture of review types.

1 Available documentation may include information received in respect of the claim or from a customer enquiry, questionnaire (mailshot response), continuing eligibility enquiry or customer self-assessment returned.

2 An Intreo centre is a single location for all employment and income supports.

3 The Special Investigations Unit (SIU) conducts a range of control activities and projects, working with Revenue staff, the Workplace Relations Commission and other compliance and enforcement agencies. The SIU focus is on direct intervention, high visibility activity and direct engagement (including face-to-face interviews).

Figure 4.4 Types of reviews conducted, April to December 2019



Source: Department of Employment Affairs and Social Protection

Outcome of reviews conducted

4.28 For the purposes of this examination, for each scheme, the number of control reviews conducted was compared with the number and value of overpayments raised in 2019, to calculate the average overpayment amount detected per review. In relation to this analysis the following should be noted.

- Virtually all overpayments raised in most years are detected from control reviews apart from overpayments totalling €12.2m which were raised in 2019 as result of difficulties arising on transition to a new illness benefit system (see paragraph 4.50 and 4.51). These overpayments were excluded when calculating average overpayments for control reviews for that scheme.
- In addition to overpayments identified on foot of control reviews, overpayments may also arise where a claimant or their representative notifies the Department that they were paid in excess of their entitlement.¹ In these cases, the value of individual overpayments is normally low and would not have a significant impact on the analysis.
- There can be a time lag between a control review being conducted and an overpayment being raised. However, since the level of overpayments raised each year by scheme are broadly consistent (see paragraph 4.47), this delay would not have a significant impact on the analysis.
- In calculating the total number of control reviews conducted, the Department includes reviews conducted as part of the control survey process. In some cases overpayments may be raised as a result of these reviews. However, the number of reviews conducted and overpayments raised as part of the control survey process is not material by reference to the total number of reviews conducted.

4.29 A risk-based review of claims, if effective, should result in a higher incidence of overpayments being identified than in a randomly selected sample of claims — one of the purposes of control surveys is to identify risk factors for the purpose of focussing control reviews on cases most likely to evidence error or suspected fraud. Figure 4.5 shows that the incidence of overpayments detected through risk-based control reviews was significantly higher than through control surveys for four high value expenditure schemes. Risk based reviews of contributory State pension detected over five times the rate of overpayment when compared to random reviews of that scheme.

Figure 4.5 Incidence of overpayment detection

Scheme (year control survey published)	Percentage of survey cases with overpayments	Percentage of review cases with overpayments in 2019
State pension, non-contributory (2019)	20%	31%
Carers allowance (2016)	13%	21%
State pension, contributory (2016)	5%	26%
Invalidity pension (2015)	3%	68%

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

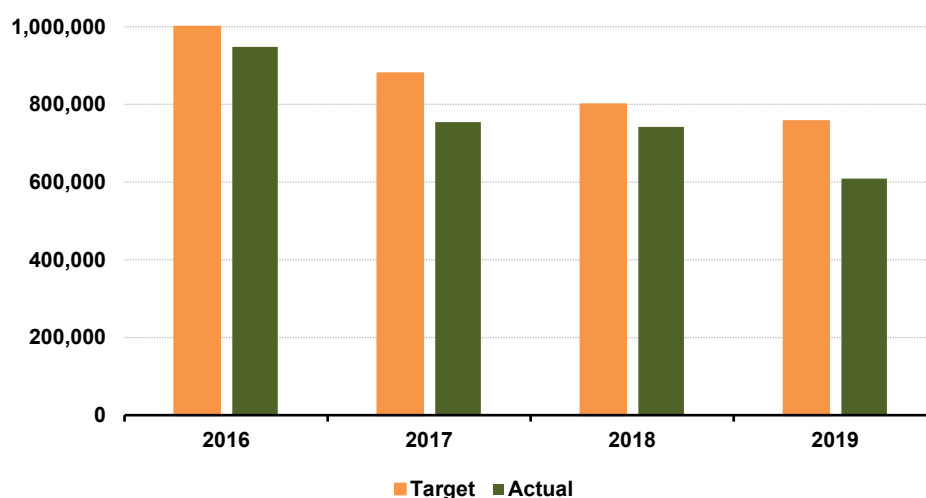
¹ This can occur in instances where claimants received payments in excess of entitlement where the Department had not been notified of a change in the claimant's circumstances or where the claimant continued to be paid after death.

- 4.30** There is a very high rate of overpayments detected by reviews of invalidity pensions, some of which are due to delays in the notification of death from representatives of claimants. The General Register Office (GRO) provides information on deaths to the Department which can be matched to claims in payment. Of the 1,165 invalidity pension reviews conducted in 2019 by the Department, 441 'paid after death' overpayment cases arose with an average overpayment detected of €836.
- 4.31** The BAU uses a variety of approaches including, *inter alia*, predictive modelling, risk-factor modelling, analysis of business rules and data analytics to identify cases for review. In 2019, cases selected for review by BAU accounted for 4% of the total reviews conducted.¹
- 4.32** The Department stated that these cases are prioritised for review by the schemes areas and show a slightly higher rate of overpayment detection than reviews initiated by the schemes areas. For example, in 2019, disability allowance reviews proposed by BAU detected overpayments in 22% of cases compared with 18% of cases initiated by schemes. For jobseeker's allowance, reviews proposed by BAU detected overpayments in 31% of cases compared with 28% of cases initiated by schemes.
- 4.33** The target number of reviews to be conducted in 2019 was 757,000 which was 43,000 less than in 2018. Compared to 2018, changes in the target number of control reviews ranged from an increase of 15,000 for child benefit to a decrease of 28,500 for jobseekers.
- 4.34** Figure 4.6 shows the target and actual number of reviews conducted in recent years. In 2019, the Department conducted 80% of the target number of reviews (609,000 reviews carried out, against a targeted 757,000 reviews). About one third of the targeted reviews were not conducted in relation to illness/disability and supplementary welfare allowance schemes. The Department stated that the main shortfall in reviews related to child benefit (due to a judicial review in 2019) and jobseeker's schemes (due to lower unemployment).²

¹ The BAU selected 31,000 cases in 2019 — 23,000 cases (4% of the total) were examined during 2019 with the remaining 8,000 cases to be reviewed during 2020.

² In 2019 the Data Protection Commission issued negative findings regarding the methodology of child benefit reviews. The Department took the decision to suspend the reviews for a number of months while the Department sought a judicial review. The Data Protection Commission subsequently decided not to defend the judicial review proceedings and agreed to an order of *certiorari* quashing its findings. The programme of issuing continuing eligibility certificates re-commenced in January 2020.

Figure 4.6 Control reviews target and conducted, 2016 to 2019

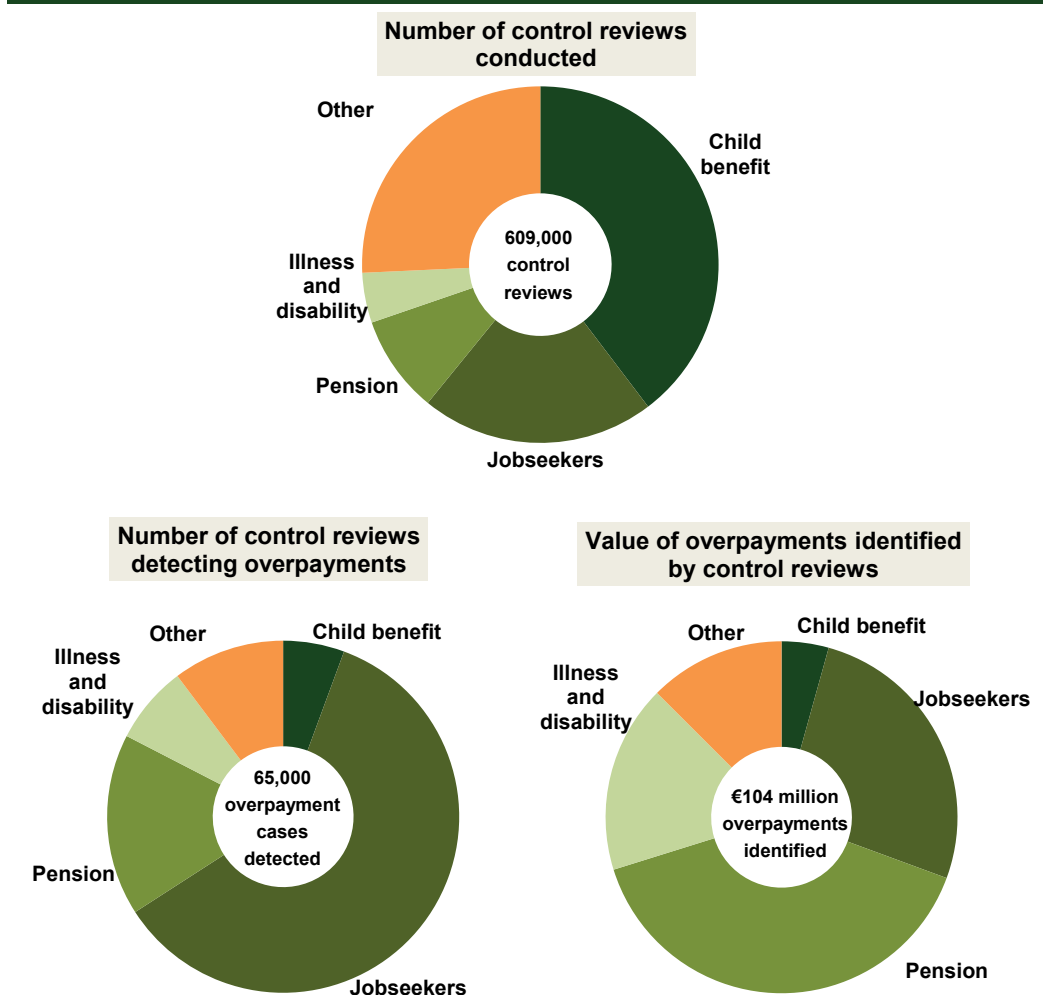


Source: Department of Employment Affairs and Social Protection

4.35 Figure 4.7 shows control reviews statistics for reviews finalised in 2019, by scheme area. It is evident that while a significant proportion of control reviews are being conducted on child benefit payments, the outcome of these reviews does not result in the detection of a significant proportion (or value) of overpayments.¹

4.36 The Department stated that the high number of claim reviews for child benefit as compared to other schemes reflects both the fact that child benefit is one of the largest schemes in terms of claims in payment and the methodology that the Department has in place for conducting the reviews via postal declarations and scanning solution whereby reviews can be conducted at low cost (as compared with other schemes that require medical reviews, inspector visits, etc.). The deterrent effect of conducting these reviews should also be noted as they serve as a reminder to customers of the need to inform the Department in relation to changes in their circumstances (e.g. moving abroad, child leaving a household, etc.). While the value of overpayments compared to other schemes is lower this is because the average annual payment value is lower. The savings are still large in monetary terms and are a multiple of the cost of conducting the claim reviews.

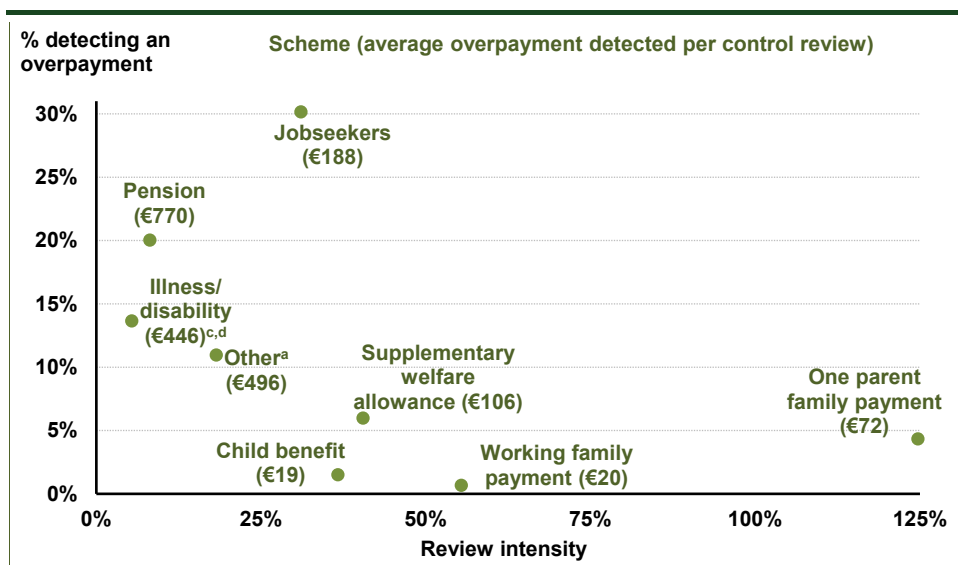
Figure 4.7 Overview of control reviews conducted in 2019^a



¹ In 2019, 37% of child benefit claimants were reviewed with just 1.5% of reviews conducted resulting in the identification of an overpayment and the average overpayment identified was €19. The child benefit control review process is largely automated (primarily a mailshot approach where the claimant completes a questionnaire), unlike the review process on other schemes. The Department stated that, for this reason, a reduction in the number of child benefit reviews would not release a significant amount of resources that could be used to conduct control reviews on other schemes.

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

Note: a The information presented relates to the number of control reviews and the number and value of overpayments detected by those control reviews. It excludes 12,400 overpayment cases (value of €12.2 million) detected following issues arising on transition to a new illness benefit system, as detailed in paragraph 4.50 and 4.51.

Figure 4.8 Review intensity and proportion of control reviews resulting in an overpayment, 2019

Source: Department of Employment Affairs and Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Other comprises around 5% of all reviews and 6% of active claims in 2019.
 - b Review intensity is based on the actual number of reviews conducted in 2019 and the number of active claims at any time during 2019.
 - c This analysis excludes 12,400 overpayment cases identified following issues arising on transition to a new illness benefit system as these were not the result of control reviews as detailed in paragraph 4.50 and 4.51.
 - d Illness/disability schemes includes invalidity pensions.

4.37 Using a risk based approach, the proportion of reviews that identify overpayments and the average value of overpayments detected would be expected to be in line with the proportion of claimants reviewed. The challenge is to select the correct review intensity that is cost effective.

4.38 As part of this examination, the review intensity (the proportion of claimants who received a payment during the year that are subject to review) was compared with the proportion of reviews conducted that resulted in the identification of an overpayment. The results are set out in Figure 4.8.

4.39 There is a high review intensity of claimants of the working family payment and the one parent family payment — but the average overpayment detected is low relative to some other schemes. By comparison, Figure 4.8 shows that some schemes with relatively low levels of review result in the identification of proportionally high level of overpayment. For example

- 8% of pension claimants were reviewed in 2019 and 20% of reviews detected an overpayment — the average overpayment detected per review was €770.
- 6% of individuals claiming illness/disability payments (excluding invalidity pensions) were reviewed and 11% of the reviews conducted in 2019 resulted in an overpayment being identified — the average overpayment detected per review was €415.¹
- 2% of invalidity pension claimants were reviewed in 2019 and 68% of the reviews resulted in an overpayment being identified — the average overpayment detected per review was €1,140.

¹ These figures exclude 12,400 overpayment cases detected following issues arising on transition to a new illness benefit system as these overpayments were not the result of control reviews (see paragraph 4.50 and 4.51 for further details).

- 4.40** This analysis shows that there may be scope to increase the review intensity for some schemes where the reviews conducted are identifying proportionally more overpayments than other schemes.
- 4.41** The Department stated that the level of control review of working family payment, the one parent family parent and supplementary welfare allowance schemes is warranted, despite the relatively lower level of overpayments detected, due to the frequent change of circumstances of claimants.

Integrating results of control reviews in the control process

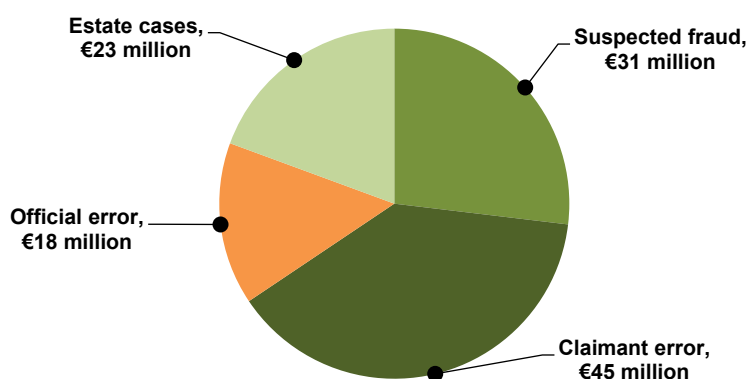
- 4.42** The Department's Control Programme Board oversees the control process for all schemes. The Control Programme Board reports to the Department's Management Board through its chair (an Assistant Secretary). The Board includes representatives (each at principal officer level) of the Control Division, the BAU/Special Investigations Unit, geographical division representatives and representatives from certain schemes. The Control Programme Board meet around six times per year.
- 4.43** The Control Programme Board is responsible for approving changes to control processes. There is no structured submission to the Control Programme Board identifying the characteristics of reviews that detected overpayments. However, the Control Programme Board provides a forum for members to highlight concerns or results from the work of projects to address specific risks (for example, a local area activation group). The Department stated that specific risks identified by such projects are also brought to the attention of the Control Division, who liaise with the Special Investigations Unit on a more immediate basis.
- 4.44** Examples of control process changes approved by the Control Programme Board in 2019 include the move to rolling control surveys for certain schemes, expansion of analytic reviews to carers schemes and new practices for employment-related investigations.
- 4.45** As part of this examination, a sample of one hundred control reviews conducted in 2019 for four schemes — disability allowance, rent supplement, State pension (contributory), and jobseeker's allowance were examined. The examination found that while there was evidence that the reported control reviews had been conducted, the absence of a clear record of the work undertaken as part of the control review — i.e. the documentation reviewed and the matters considered when finalising the review outcome, including whether or not to raise an overpayment — made it difficult to assess the assurance gained from the control review in ten cases (10% of the sample examined). The examination had to seek clarification from the Department on issues such as the reasons why overpayments were not raised in certain cases, the variation in the level of documentary evidence supporting the control review, and the reasons for frequent control reviews of some individual claimants. The Department stated that it is not uncommon that some individual claims are reviewed more frequently than others for various reasons including, changes in personal/family circumstances, fluctuation of earnings, selection by BAU or control surveys or identified risks by scheme areas.
- 4.46** The issue of deficient control review documentation was also identified by the Ombudsman. In 2019, the Ombudsman examined 33 cases of the recovery of overpayments by the Department and had concerns in relation to 15 cases, including concerns that there was insufficient documentary evidence available to support some of the Department's decisions.¹

¹ *Fair Recovery*, Office of the Ombudsman, 2019.

Overpayments

- 4.47** Where the Department identifies that an incorrect payment is being made, an overpayment may be raised. Overpayments are virtually all identified through control reviews.¹ In recent years (2015 to 2019), the level of overpayments raised has been broadly consistent, in the range €108 million to €117 million (in 2019, it was €117 million). While Social Insurance Fund (SIF) and Vote expenditure is broadly equal, the level of overpayments detected in social insurance funded schemes is generally only one-fifth of the level detected in Vote-funded schemes. Means-tested schemes, because the income of claimants changes over time, tend to have higher rates of error/fraud than insurance-based schemes in respect of which eligibility is determined at a single point in time based on social insurance contributions made up to that time.
- 4.48** In addition to the reasons for incorrect payment identified earlier (suspected fraud, claimant error and official error), the Department identifies a further category of overpayments referred to as estate cases. This is where a deceased individual is found to have had greater assets than had been declared to the Department during the most recent means assessment. Figure 4.9 shows the categorisation of overpayments for 2019.

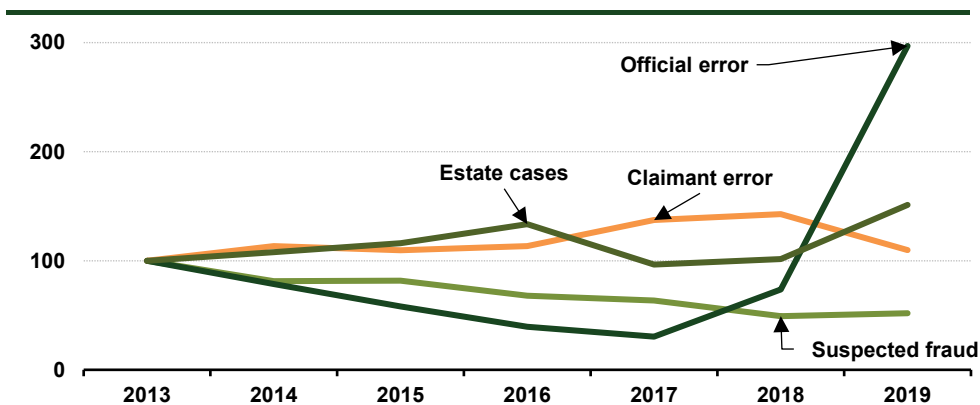
Figure 4.9 Categorisation of overpayments identified by the Department, 2019



¹ An exception occurred in 2019 where 12,400 overpayment cases with a total overpayment value of €12.2 million arose following issues arising on transition to a new illness benefit system (see paragraph 4.50 and 4.51). The value of these overpayments is included in the analysis below and is classified as official error.

Source: 2019 appropriation account of the Department of Employment Affairs and Social Protection and 2019 financial statements of Social Insurance Fund.

Figure 4.10 Index of value of overpayments raised by the Department, 2013 to 2019 (2013 = 100)



Source: Appropriation accounts of the Department of Employment Affairs and Social Protection, and Social Insurance Fund financial statements. Analysis by the Office of the Comptroller and Auditor General.

4.49 In general, the detected value of overpayments attributed to suspected fraud has trended down since 2013. Overpayments detected that resulted from official error spiked significantly in 2019, mainly due to issues related to the implementation of a new illness benefit IT system.

4.50 Overpayments in 2019 of €12.2 million in illness benefit claims arose on the transition to a new illness benefit claim processing system. In August 2018, the Department transferred the operation of the illness benefit (IB) scheme from a legacy IT system to its core IT system. Problems arising from this transfer led to difficulties in processing illness benefit claims which had a negative impact on claimants. At the time, there were also issues with GPs in the ongoing delivery of the scheme resulting in the receipt of various types of certificates, many of which were not capable of being 'scanned' or input into the new system in a way that would facilitate its smooth operation. A decision was made to implement an auto-certification process to ensure claims could be processed in a timely manner and allow time to resolve issues with the GPs.¹

4.51 The Department stated that while it recognised that some overpayments would occur, it was a necessary and proportionate change to ensure that vulnerable or sick claimants were not deprived of financial supports. At the time, there was no estimate of the level of overpayments that might occur. As a result of the decision, illness benefit payments in excess of entitlement were made in the period August 2018 to mid-2019 — the majority of the overpayment debt was raised for recovery in the first half of 2019.

¹ Under the auto-certification process, the Department processed claims, including cases where an updated medical certificate had not been received to ensure that claimants were not deprived of financial supports.

4.52 In addition to the illness benefit auto-certification overpayments of €12.2 million, there were illness benefit overpayments to a value of €2.5 million in respect of 11,000 claimants, as a result of payments being issued twice to claimants due to duplication in the scheduling of one weekly EFT payment run in December 2019. The Department has stated that they have made arrangements to recoup the overpayments from the individuals involved, that the underlying issue that gave rise to the overpayments has been addressed and that there is no likelihood of it re-occurring in the future.² The overpayment debts in these cases were not raised for recovery until February 2020 and is therefore not included in the 2019 overpayments amount of €15.8 million recorded in the SIF accounts.

² The payments processing batch run procedures have been amended to include additional controls and checks for operators which will help prevent this issue recurring. This includes payment trend analysis which identifies and signals out of norm payment creation which must then be approved by a manager and business owner before the payment production can proceed.

4.53 The rate of overpayment recovery has also been consistent in the period 2015 to 2019, in the range €78 million to €82 million (€79 million in 2019).

Conclusions and recommendations

- 4.54** The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2019 appropriation account for Vote 37 Employment Affairs and Social Protection and the 2019 financial statements of the Social Insurance Fund to the material level of irregularity of scheme payments.
- 4.55** Since 2014, the Department planned each year to undertake two or three point-in-time control surveys. The time it takes to complete and publish the findings of the controls surveys can vary from one year to up to three years.
- 4.56** The Department has initiated, from 2020, a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance.

Recommendation 4.1

The Department should address the causes of the delays in completing and publishing the results of the point-in-time control surveys and tightly control the administration, finalisation and publication of the newly introduced surveys based on continuous sampling.

Accounting Officer's response

Agreed.

At all times, the Department strives to complete and publish control surveys as quickly as possible and to the highest standards and has generally delivered survey reports on target. In most years (2015, 2016, 2017 and 2019) two control survey reports were published. Our operational experience has shown, however, that each survey tends to raise different types of issues which can take time to resolve. In particular, we have found that schemes with a medical component tend to take longer to complete because of their nature and the underlying eligibility conditions attaching to the schemes. The Department will review the manner in which these surveys are conducted with a view to making whatever improvements are possible to complete the surveys in the most efficient and timely manner. In addition, the move to continuous sampling for larger schemes will expedite the production of control survey reports. Control survey reviews receive priority and the Department will endeavour to ensure that two surveys are published yearly as has been the case in four of the last five years.

- 4.57** Most control reviews comprise a mailshot to the claimant (in particular in relation to child benefit reviews) or do not require a personal engagement with the claimant. The Department's control division proposes the annual target for the number of reviews to be carried out by each scheme area which is approved by the control programme board and the Management Board.
- 4.58** The intensity of control reviews for individual schemes is not commensurate with the proportion of cases where an overpayment is detected or the average overpayment detected. Therefore, the process for setting the target number of reviews for each scheme area may not result in the most effective use of available resources.

Recommendation 4.2

The Department needs to review its approach to setting targets for the number of reviews to be conducted, to ensure the most effective use of available resources.

Accounting Officer's response

Agreed.

In advance of setting targets for 2021, the Department will review its overall approach to setting annual targets across the various scheme areas, taking on board the recommendations made by the Comptroller and Auditor General. In this regard the Department would point out that the use of risk-factor analysis and business analytics can yield a higher level of overpayment detection on a targeted set of control reviews and it does not necessarily follow that increasing the number of reviews will result in the same high level of detection across a larger review set. Target setting will be reviewed with the relevant stakeholders during last quarter of 2020 and first quarter of 2021.

- 4.59** In 2019, the Department conducted 80% of the target number of reviews. The biggest shortfall in the volume of reviews was in relation to child benefit and jobseeker's schemes. The biggest shortfall in terms of percentage of target was in relation to illness/disability and supplementary welfare allowance.

Recommendation 4.3

The Department should ensure that it has adequate resources to conduct planned reviews and monitor the completion of these reviews on an ongoing basis. It should ensure that prompt action is taken where a significant shortfall between planned and actual reviews is likely to occur.

Accounting Officer's response

Agreed.

The issue with respect to suspension of child benefit reviews has been addressed earlier in this chapter. The Department will examine its capacity to meet planned reviews, during the last quarter of 2020 and first quarter of 2021, when setting targets, while recognising the competing demands placed on staff resources. While there is always a balance to be struck between the processing and administration of new claims or requests for reviews from claimants and control reviews, the Department will endeavour to ensure that dedicated resources allocated to control reviews will be maintained. Reviews will be monitored on an ongoing basis to take action where significant shortfall is envisaged.

- 4.60** Data produced by the Department show that its risk-based approach, particularly those claims selected for review by the BAU, is more effective than random sampling of claims. However, claims selected for review by the BAU represented only 4% of all claims reviewed. The level of overpayments detected by control reviews has been broadly consistent in recent years and the level of recoveries has also been broadly consistent.

- 4.61** The Control Programme Board was established to oversee the control process for all schemes. However, there is no formal structure for reporting significant control issues identified by control reviews by each scheme on a periodic basis to the Control Programme Board.

Recommendation 4.4

The Department should formalise the structure for collating and reporting significant control issues identified by control review testing for each scheme.

Accounting Officer's response

Part agreed.

The Department's Control Programme Board receives an update at each of its meetings regarding the progress being made across the various schemes areas in meeting their review and savings targets for the year. While learnings from the control reviews undertaken are discussed currently, the Department will ensure that a formal structure of communication will be implemented by the scheme areas to the Control Programme Board in future. Control Division will also analyse the underlying causes of overpayments and report the findings to the Control Programme Board. This would facilitate a systematic approach to the identification of required actions which might include the implementation of new controls or the modification of existing procedures. The Department will ensure that all discussions among Board members, on issues affecting targets, and learnings from control reviews will be included in the minutes in future to confirm that these issues have been considered in detail.

- 4.62** The examination found in respect of a sample of one hundred control reviews conducted in 2019 that there was evidence to support that the reported control reviews had been conducted — each control review had been recorded on the IT system. However, the examination also found that the absence of a clear record of the work undertaken as part of the control review made it difficult to assess in some 10% of cases what assurance was gained from the control review.

Recommendation 4.5

The Department should consider whether the current documentation in respect of the control reviews is sufficient or whether it should be changed in order to facilitate the systemic recording of work undertaken and decisions reached including the identification of potential improvements of scheme controls.

Accounting Officer's response

Agreed.

The Department will consider the current documentation recorded and retained to underpin control reviews, during the last quarter of 2020 and first quarter of 2021, within the limits of data protection regulations with a view to ensuring that there is as complete as possible a record as to how decisions are reached.

- 4.63** In general, the detected value of overpayments in relation to suspected fraud has trended down since 2013. Overpayments detected that resulted from official error grew significantly in 2019. The increase mainly related to €12.2 million illness benefit overpayments due to the implementation of a new IT system, which points towards a need for more robust testing prior to 'go live'.

Recommendation 4.6

The Department should ensure that new systems are fully tested and relevant stakeholders have agreed to operate the new system, in advance of material changes to a process.

Accounting Officer's response

Agreed.

The Department already performs a detailed range of system, integration, and user tests before any IT system is deployed and had successfully migrated most of its main schemes (including pensions, disability, invalidity, carers, child benefit, treatment benefit etc.) onto the BOMi IT platform before the illness benefit system was migrated. As part of the process of implementing the illness benefit system the Department had also successfully migrated a sub-segment of the illness benefit claim load (partial capacity benefit recipients) earlier in 2018. The Department commissioned an independent review of the illness benefit system deployment the results of which, including the need to ensure full co-operation by all stakeholders, even where such stakeholders are not affiliated with a recognised body for negotiating purposes, have now been considered by the Department's programme governance committee and will be factored into all future system deployments.

Annex 4A Key elements of the Compliance and Anti-Fraud Strategy 2019 to 2023

Prevent	<ul style="list-style-type: none"> ▪ Authentication of customer identity ▪ Validation of data supplied ▪ Minimisation of official error through training and systems development ▪ Provision of clear and understandable information on scheme rules ▪ Increase awareness of requirement to notify Department of change in circumstances
Deter	<ul style="list-style-type: none"> ▪ Investigation ▪ Overpayment recovery ▪ Prosecution
Detect	<ul style="list-style-type: none"> ▪ Data analytics ▪ Data matching (internal and third party) ▪ Risk assessment ▪ Claim reviews ▪ Special Investigation Unit ▪ Control surveys for schemes
Account	<ul style="list-style-type: none"> ▪ Targets for control activities ▪ Quarterly report to Department's Management Board ▪ Annual published report on control activities

Source: Department of Employment Affairs and Social Protection

Annex 4B

Control surveys

Eligibility to a welfare payment varies from scheme to scheme and may require satisfying criteria relating to age, family circumstances and/or economic status. Most scheme payments depend on either a social insurance contribution record or a claimant's income from other sources.¹

There are two main survey approaches used by the Department

- a point-in-time survey which examines a sample of claimants in receipt of a payment at a specific period of time (for example, the State Pension non-contributory scheme control survey examined 1,000 claimants in payments on the week beginning 16 October 2017)
- a continuous sampling process where a scheme is sampled at specified intervals, over the course of the year (for example, the examination of 250 claimants of jobseeker allowance claimants in January, April, July, and October each year.

The Department has been conducting point-in-time control surveys of schemes for many years, with each review considering 500-1,000 claims — eighteen such reviews were published in the period 2012 to 2019. The point-in-time approach will continue for all schemes except the larger schemes.

Under the Department's Compliance and Anti-Fraud Strategy for the period 2019 to 2023, the Department has initiated, from 2020, a continuous sampling process for certain larger schemes — jobseeker's allowance and disability allowance. In relation to State pension while the strategy had planned to conduct rolling surveys it has since amended this approach and will now select a single annual sample for review and will review contributory and non-contributory schemes in alternate years.²

The Department has implemented further changes since the publication of the Compliance and Anti-Fraud Strategy in September 2019. The Strategy had proposed a control survey of the disability allowance scheme for 2020 — the Department subsequently stated that this would not commence until 2021 due to recent changes in scheme control processes.

Figure 4B.1 shows control surveys planned to be conducted during 2020 and the expected publication date.

¹ A claimant's income is determined through means testing.

² The contributory scheme will be surveyed in 2020, 2022, etc. and the non-contributory scheme will be surveyed in 2021, 2023, etc.

Figure 4B.1 Control surveys planned for 2020 and expected publication date

Scheme	Year commenced/to commence	Planned publication
Point in time basis		
One parent family payment	2019	Q4 2020
Jobseekers benefit	Will not commence until 2021 ^a	Not specified
State pension (contributory)	Will not commence until 2021 ^a	Not specified
Rolling survey basis		
Jobseekers allowance	2019	Q4 2020
Disability allowance	Will not commence until 2021 ^{a,b}	

Source: Department of Employment Affairs and Social Protection

- Notes:
- a The planned survey has not commenced due to the impact of Covid-19.
 - b The control survey of the disability allowance scheme was postponed to allow changes in process controls to become embedded in practice.

5 Implementation of financial management shared services

- 5.1** The Government decided in February 2012 to implement a shared services model for certain administration functions in the Irish public sector.¹ The National Shared Services Office (NSSO) was set up in 2014 as an administrative office, with its own vote (Vote 18), within the Department of Public Expenditure and Reform (the Department). In January 2018, the NSSO officially became a new separate civil service office, with its own accounting officer.
- 5.2** There are three strands (or projects) to the rollout of the shared services model managed by the NSSO — human resources (HR), payroll and financial management.
- 5.3** Prior to the implementation of shared services, each public service body was responsible for administering its own payroll, human resource and finance functions. Typically, a number of clerical and administrative staff in each body were assigned responsibility for administering these specialist functions.
- 5.4** While potential salary cost savings were identified as a significant benefit to be delivered by a shared service model, the potential for some non-financial benefits was also recognised. For example, the change to financial management shared services is expected to facilitate the move to accrual accounting and, by utilising standardised structures, to facilitate comparability and enhance financial control and performance through significantly improved financial information. The NSSO also expects that the project will facilitate fiscal transparency and could deliver other benefits through central management and skills development in areas including cyber and data security and procurement management.
- 5.5** Over €32 million has been spent on developing the capacity and subsequently delivering the administrative functions for HR and payroll shared services.
- The HR shared service was the first to be established and began supporting its first wave of clients in 2013. Today, it services over 38,000 civil servants in 42 central government departments and offices. The NSSO has listed the key services provided as pension administration, pay adjustments, increments and employee schemes, organisational structural management, document management, leave and absence administration, and recoupments and training.
 - Payroll shared services have also been provided since 2013. The NSSO currently provides payroll services to 145,000 payees in 54 public sector bodies, including 60,000 pensioners. The key services provided include weekly, fortnightly and monthly pay runs, administration of pay and remuneration, and pension administration.
 - In addition, the NSSO's customer relations and support services function provides service management support to clients, support to individual customers by way of contact centres (including helpdesks supporting the Department's eProbation, ePMDS and OneLearning services), data protection monitoring and guidance, quality assurance and overall audit co-ordination with the NSSO's Employee Services Division.

¹ A 2008 review by the Organisation for Economic Co-operation and Development (OECD) assessed the preparedness of Ireland's public service for meeting upcoming economic and social challenges. The report recommended that the Irish public service should prioritise development of integrated and shared services. *Ireland: Towards an Integrated Public Service*, OECD public management review, June 2008. The implementation of shared services was a key element of the 2011 *Public Service Reform Plan*.

- 5.6** The project to implement a financial management shared services (FMSS) model aimed to replace 31 different financial management and reporting systems in use across 48 Government departments, offices and agencies with a single financial IT system supported by a new finance shared services centre.
- 5.7** To the end of 2019, a total of €38.4 million (excluding VAT) had been spent by the NSSO on the FMSS system. The business case for the project was approved by Government in January 2016.
- 5.8** The FMSS system was originally expected to 'go live' in the middle of 2018. As of September 2020, the system has yet to be delivered. As a result of design issues that had emerged, the deployment of the system was paused in July 2018. In November 2018, a design review process was initiated. As this work had not been envisaged in the original business case, significant additional costs have been incurred in resolving system design issues and getting the project back on track. This report examines the progress made to date relative to the original plan, and reviews the arrangements now in place to complete the development.

Accounting Officer comments — scale of shared services

- 5.9** The aims of implementing a shared service model in the civil service are to modernise the HR, payroll, accounting and finance functions; to move transactional processing activities away from government departments to a specialist centre that transacts, automates and improves data quality, processing and management information more efficiently and effectively; and to enable strategic capability and better decision making locally across each function.
- 5.10** The FMSS is a large scale and complex programme that will transform the finance function as it did payroll and HR, moving transactional activity to shared services, addressing existing legacy system issues and eliminating the significant manual effort required to meet reporting requirements. It will also allow the finance function retained in Government departments and offices to focus more on financial management rather than transactional activities.
- 5.11** Rather than just being an IT project, it involves the fundamental redesign and standardisation of how data is mapped, recorded and controlled; and the redesign, standardisation and automation of end-to-end finance and accounting transactional processes that commence in the finance unit in the government department through the shared services centre to the production of standard accounts and management information for the annual appropriation accounts and central finance reporting for Government, underpinned by technology.

The FMSS system plan

- 5.12** Unlike the HR and payroll shared services which were substantially built on existing common software already in use, the FMSS project envisaged the design and building of a whole new system to be deployed across the civil service.
- 5.13** The project aims to consolidate the provision of a range of financial services onto one single platform, including
- accounts payable and receivable
 - fixed asset accounting and asset management
 - general ledger and inventory accounting
 - ensuring compliance and controls
 - transactional audit reporting
 - preparation of financial statements.
- 5.14** The NSSO expects that when the project is complete, it will provide financial management services for all of central Government utilising a single common chart of accounts, standardised accounting processes and a single integrated financial management system. It envisages that it will deliver a centralised approach to eProcurement and will support enhanced strategic decision-making capability through access to better cost information.

Project appraisal

- 5.15** At the outset, the Department established a Programme Board for the FMSS project. This comprised a chairperson, the FMSS Programme Director (an NSSO official), assistant secretaries from six public sector bodies and representation from the Office of the Government Chief Information Officer and the Office of Government Procurement. The role of the Board was to provide advice and management support, and to oversee decision making.
- 5.16** A May 2013 baseline report commissioned by the Department found that the annual cost of financial services across 48 public sector bodies was €36.6 million. The report estimated that there was potential to reduce operating costs by between €6.4 million and €14.6 million a year, through the delivery of more efficient and effective financial activities, including the introduction of a shared service model.¹
- 5.17** A range of inefficiencies were identified with the existing arrangements including
- there were multiple systems in use across the civil service with some bodies using proprietary accounting systems that had been customised for their unique needs
 - there were large variations between organisations in the cost to process simple financial transactions such as an invoice
 - there was duplication across finance and IT departments
 - the alignment of staff grades was not optimal particularly in transaction processing.

¹ The potential savings solely related to the introduction of a shared service model were not quantified.

- 5.18** Based on a feasibility study conducted by the Department, the preferred solution was to establish a shared services centre using a single financial management system across three locations.¹ The NSSO subsequently issued a request for tender for the provision of a single financial management system.
- 5.19** An updated business case for the FMSS was prepared for Government in December 2015, with the estimated project costs brought up to date to reflect the bid submitted by the successful tenderer. At that point, €3.8 million (excluding VAT) had been spent on the baseline exercise, feasibility study and tender process for the project. The business case outlined that a further €40 million (excluding VAT) would be required in capital costs, plus a contingency provision of €3.6 million (excluding VAT) in respect of project risks and delay risks.²
- 5.20** Accordingly, the business case proposed a total investment of €47.4 million including the €3.8 million already spent and the contingency provision. This was to support deployment of the new FMSS system across five 'waves' of client bodies, with a completion date in the middle of 2020. The projected payback period for the project was just over 7 years (see Figure 5.1).

Figure 5.1 Summary of December 2015 business case approved

	Existing (pre-FMSS)	Expected (post-FMSS)
Staff (full-time equivalent)	564	419
Annual cost to deliver service	€46.5m	€31.1m
Annual saving		€15.4m
Total implementation cost (ex VAT)		€47.4m
Projected payback period		7.1 years ^a
Expected completion date		Q2, 2020
Net present value (NPV) over 15 years		€53.2m

Source: NSSO

Note: a The projected payback period relates to the anticipated €43.6 million additional spend. The payback period increases to 9.5 years when the €3.8 million already spent is included.

¹ The other options considered were to retain the existing systems (i.e. the 'do nothing' option), to outsource the function to an external shared services provider, or to establish a shared services centre using a number of different financial management systems.

² Whereas the business case for the FMSS did not specify whether the budget for the project was inclusive or exclusive of VAT, the submission to Government noted that the €40 million budget excluded VAT. For comparison with the business case, the FMSS figures will be presented as VAT exclusive.

- 5.21** The FMSS project, as outlined in the business case, was approved by a Government decision in January 2016.
- 5.22** Due to the difficulties of incorporating requirements for processing EU funding, the business case provided for an option to exclude the Department of Agriculture, Food and the Marine (DAFM) from the scope of the project. When the project was approved, a decision on whether to include DAFM in the scope of the project was deferred. Excluding DAFM would reduce the costs of the project by an estimated €3.6 million but would also reduce the projected annual savings by up to €3.3 million, and significantly extend the payback period.

- 5.23** The business case also included a sensitivity analysis which outlined the potential impact of median and worst case scenario risks, such as a 25% increase in cost, or a two-year delay in implementation (see Figure 5.2). The variables were shown individually. The business case did not show the potential overall impact on the implementation costs or the net present value, should a combination of the downside risks materialise.
- 5.24** The Accounting Officer has stated that the business case did not reflect all the challenges the programme could face, given the highly complex nature of streamlining and simplifying the long established local financial processes from 48 public sector bodies onto a single platform with standard processes. She stated that the business case did, however, envisage the potential for delays on the project and an associated increase in costs.






Figure 5.2 Sensitivity analysis in business case for FMSS system

Potential adverse variations in assumptions	Potential impact on		
	Project cost €m	Annual savings €m	Payback period years
Increase of 25% in implementation cost	+ 10		+ 0.8
Two year extension to implementation timeline	+ 11.6		+ 2.9
Rate of retirements/leavers reduced to 1% of roles	+ 1.4		+ 0.1
Increase of 25% in number of staff (FTE) required to operate FMSS	+ 0.7	- 3.4	+ 1.2
Increase of 25% in number of staff (FTE) required to operate retained functions		- 3.2	+ 1
Rate of continuous improvement reduced to 1%		- 1.5	+ 0.1
Increase of 25% in recurring technology costs		- 1	+ 0.4

Source: NSSO

- 5.25** The appraisal process implemented by the NSSO was assessed against requirements in the Department of Public Expenditure and Reform's *Public Spending Code* (see Figure 5.3). The appraisal process was generally compliant with the requirements. The need for the project was established through a baseline report, and a number of potential options to meet that need were subsequently explored in a feasibility study. The business case approved by Government included updated costings reflecting the outcome of the procurement exercise. However, a formal project brief was not prepared for the FMSS project.
- 5.26** A project brief should define all of the design requirements for a project. While extensive design requirements were set out in the request for tender, there have since been several changes to those requirements.
- 5.27** The NSSO has stated that the changed specification requirements arose because the subsequent working group process was unable to agree on the standardisation necessary to support a successful deployment. Shortcomings in relation to the specification of requirements are considered later in this report.

Figure 5.3 Compliance with *Public Spending Code* key appraisal requirements

Key requirements	Assessment ^a
Was an adequate strategic assessment process completed for the project?	
Was an adequate preliminary business case prepared?	
Was an adequate planning process undertaken leading to the preparation of the project brief?	
Was the tender strategy adequate?	
Was an adequate updated business case incorporating the results of the tender process prepared?	

Source: Analysis by the Office of the Comptroller and Auditor General

Note: a  = requirement met.
 = requirement partially met.
 = requirement not met.

Project progress to date

- 5.28** Implementation of the FMSS system was expected to be fully complete in all of the departments within the project scope by the end of June 2020. Implementation was planned to take place over five waves. The NSSO assigned each of the target future clients of the FMSS system to a specific wave for deployment.

Timeline

- 5.29** Figure 5.4 compares the actual project timeline to the milestones set out in the December 2015 business case. The project is currently running three years and nine months behind the original schedule. A working FMSS system has not yet been delivered.
- 5.30** The Accounting Officer has stated that changes are not unusual on a programme of this scale and complexity. She stated that the potential for delays of up to two years was anticipated in the original business case.

Project cost

- 5.31** The total project cost (including contingency) anticipated in the December 2015 business case was €47.4 million (excluding VAT). This was expected to cover the cost of the entire project including the design, building, testing and full deployment of all five waves.
- 5.32** To the end of 2019, the NSSO has spent €38.4 million (excluding VAT) on the FMSS project.¹ It estimates that the actual project expenditure for 2020 will be €15 million (excluding VAT).

¹ The cumulative project expenditure inclusive of VAT is over €45 million.

Figure 5.4 Comparison of planned and actual timelines

Timescale	Planned	Actual	
2016	Q1	Finalise contract with system implementation (SI) partner.	
	Q2		
	Q3	Complete chart of accounts. Design of single FMSS.	SI contract signed.
	Q4		
2017	Q1	Complete initial build of FMSS.	
	Q2		
	Q3		
	Q4	Complete wave 1 deployment.	
2018	Q1		
	Q2	Complete wave 2 deployment.	
	Q3		Entry into user acceptance testing delayed; and project deployment paused.
	Q4		System design triage commenced.
2019	Q1	Complete wave 3 deployment.	
	Q2		External consultant review of governance structures issued to Programme Board.
	Q3	Complete wave 4 deployment.	
	Q4		
2020	Q1		
	Q2	Complete wave 5 deployment.	
	Q3		Chart of accounts completed. Design specification for FMSS agreed.

Source: NSSO

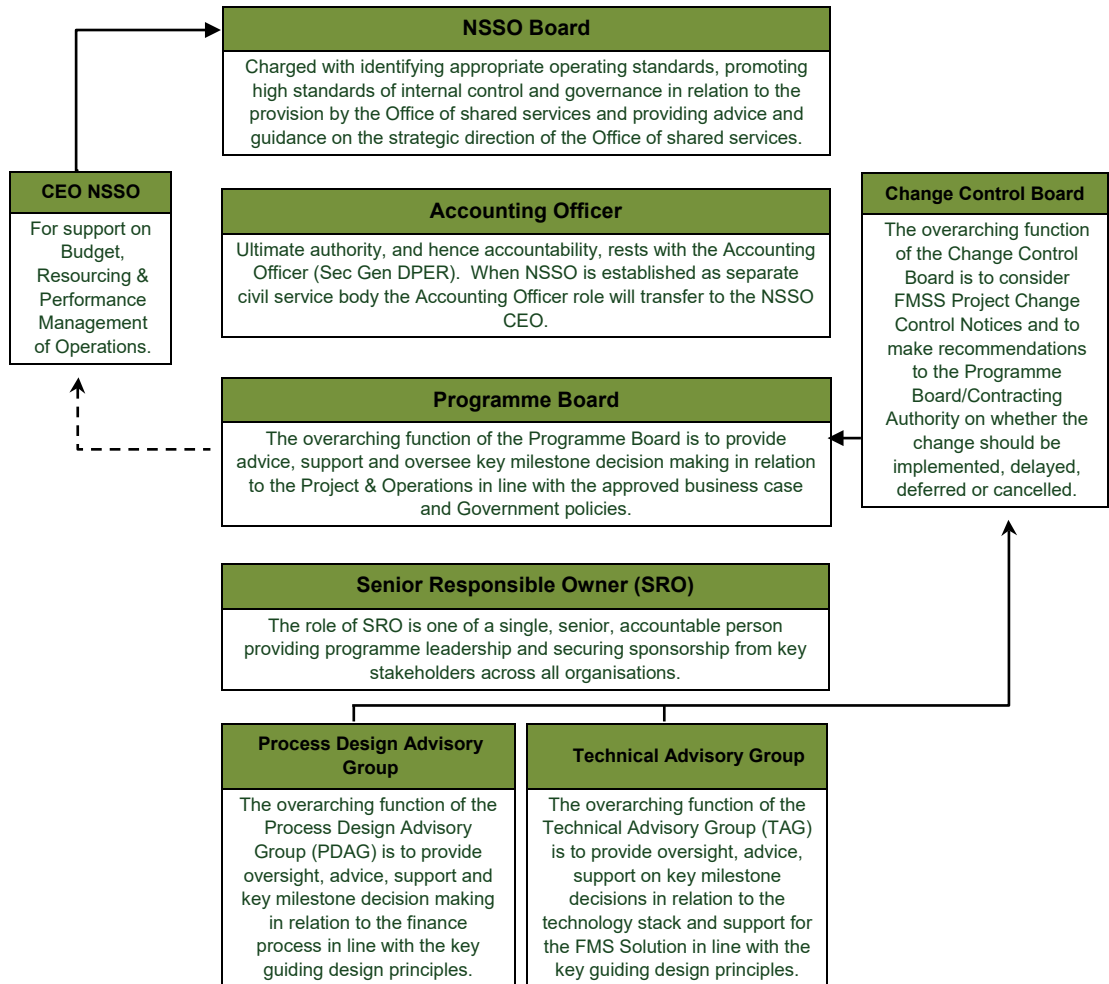
- 5.33** A Government decision in September 2020 approved the continued deployment of the FMSS system over an extended project timeline to 2025. It also approved additional funding, bringing the total approved budget for the project to €115 million, including VAT.
- 5.34** The Accounting Officer has stated that the NSSO is working through a process with the system implementation partner to agree a remobilisation plan for the implementation of the solution and deployment to the first wave of clients. She stated that due to the nature of the programme, significant up-front expenditure was required to establish the base infrastructure including hardware, software and licensing costs for all deployment waves.
- 5.35** A review by an external consultancy firm¹ of the critical areas of concern in relation to the FMSS project presented in February 2019, identified significant project cost overruns, with the cumulative spend to that point at approximately 70% of the total agreed project budget. The consultant reported that the project was essentially still in the design phase, and proposed that completion of the original scope was likely to require an order of magnitude of spending significantly beyond the original budget estimate.
- 5.36** The NSSO has estimated that €10.3 million (excluding VAT) of the project expenditure to the end of 2019 related to additional costs not envisaged in the business case. Much of that expenditure was potentially avoidable. The planned entry of the project into the user acceptance testing phase did not occur in July 2018. Between then and December 2019, the NSSO incurred significant costs in reviewing and amending the system design, reviewing the operational effectiveness of governance structures and capacity within the project team, and resolving contractual issues with the system implementation partner. The €10.3 million additional costs included project team expenditure, amounts paid to the system implementation partner for design 'triage' and maintenance, and amounts paid to the external consultant for reviews of various aspects of the project.

¹ A summary of the key conclusions of the review is presented in Figure 5.6.

Project governance and management systems

5.37 The governance arrangements established for the FMSS project are summarised in Figure 5.5.¹

Figure 5.5 Governance arrangements for the FMSS project 2013 to 2017^{a,b}



Source: NSSO

- Notes:
- a From January 2018 (when the NSSO was established as a separate office), the structures changed. The Chief Executive of the NSSO (CEO) was appointed Accounting Officer and no longer reports to the NSSO Board, which is now an advisory board only.
 - b The SRO (Programme Director) reports into the CEO. The Programme Board has been given decision making authority on aspects of the project, whereas previously it operated in an advisory capacity only.

5.38 Overall responsibility for the project in the initial stages was with the Secretary General of the Department, as the then Accounting Officer for the NSSO. This responsibility transferred to the Chief Executive of the NSSO once it was established as a stand-alone body in January 2018.

¹ A chart setting out the current governance arrangements is included at Annex 5A.

- 5.39** In addition to the Programme Board, the governance structure included the following elements.
- **Project team** — A project team was set up to undertake the baseline study. After a subsequent feasibility study, the team was intended to consist of 20 full-time civil servants including a project manager, technology lead, deployment lead and organisation lead to support the operation of the project. Appointing staff to these positions was considered to be on the critical path to the project's success. However, resourcing the team proved difficult and some roles were filled by engaging contract staff.
 - **External support to project team** — A procurement exercise was undertaken to engage an external team to assist the project team in the management and delivery of the project. This involved providing assistance across all areas of the programme, including the evaluation of tenders, the establishment of the FMSS, advice and support in leading working groups, and support services after the system began operating. The contract with the selected service provider was signed in August 2014.
 - **Advisory groups** — To assist the project team, a process design advisory group and a technical advisory group were established. The Accounting Officer has stated that the purpose of these groups was to provide functional design advice and leadership necessary to drive and support the significant change required across the civil service for this major transformation, and oversight of the design implementation.

Reviews of project governance and feasibility

- 5.40** The governance structure was reviewed by the Programme Board in 2016 to ensure it was suitable for the design and build phase. In early 2018, an external consultant was engaged to provide an independent assessment of the feasibility of the plan for the FMSS to 'go live'. The consultant was later engaged to provide two additional assessments on aspects of the project, each of which identified inadequacies in governance processes (see Figure 5.6).
- 5.41** In November 2018, as recommended by the external consultant, the NSSO commenced a system design 'triage' process to identify gaps in the system design. This required the design to be brought back through the working groups to be reassessed and to investigate the issues relating to potential gaps. The consultant also recommended an approach to provide a rapid response to design gap issues.
- 5.42** The Accounting Officer has stated that the system design triage process reviewed the end-to-end functionality compared to the original request for tenders requirements, and subsequent events such as data protection/GDPR; changes in the banking arrangements for the Paymaster General and reporting reform, and in the context of viability for future use and maintenance. It was considered important that this process should include engagement with subject matter experts from the public sector bodies. The NSSO stated that the financial management and reporting environment is not static and that the request for tenders could not take into account all the extra future requirements.

Figure 5.6 Key findings of reviews of the FMSS project conducted by external consultant**May 2018 — Report on the feasibility of the plan to go live**

The report noted that the project was at high risk and made recommendations including the need for

- enhanced governance structures
- improved project management practices
- technical design completion
- readiness confirmation by the public sector client bodies
- support with readiness monitoring.

February 2019 — Report on critical areas of concern

The issues noted in the report included

- Agreement with the system implementation partner on a practical and commercial way forward was absent.
- Significant new system design requirements were emerging from the triage reviews — this indicated significant confusion over the requirements to support the user community and what was built by the system implementation partner.
- The NSSO was unable to exit the design phase due to a failure of programme governance. The consultant concluded that the existing governance forums would be unlikely to be able to resolve the design issues without major intervention.
- There were significant gaps in the programme organisational structure — deficiencies were noted in key areas such as technical teams and functionality/process areas.
- Because the programme was essentially still in the design phase, the consultant noted that completion of the original scope of the programme was likely to require an order of magnitude of spend beyond the original case.
- The business case had not taken into account factors such as the benefits of avoided capital cost of upgrading the system or the avoided cost of achieving accrual accounting for central government departments and offices.

May 2019 — Report on the project governance structure

The report included four key findings

- There was a lack of evidence of design sign-off.
- There was a lack of decision-making legitimacy and uniform understanding of the decision process.
- There were gaps in key roles, capability and conflicts due to dual roles held in some cases.
- There were gaps in operational effectiveness of design forums.

The report made four recommendations to improve the governance structure

- Reset and document the design authority and decision path and share it widely so that it is universally understood and accepted.
- Address the gaps in roles, capabilities and conflicts within design forums.
- Address the operational effectiveness of design forums and ensure the correct composition of members.
- Commence robust and rigorous programme decision-making tracking.

- 5.43** In February 2019, the external consultant recommended a pause in the project to allow the Programme Board to take stock and review the critical issues. In addition to identifying significant design issues, the consultant recommended that enhancements to the governance model be implemented. In particular, the process design advisory group would be reconstituted as a decision-making authority to provide an efficient and appropriate mechanism for design decisions for a programme of this breadth and complexity. The review also emphasised the importance of securing the total commitment of client bodies for the design changes, so the project proceeded through an extensive engagement process with the full complement of working group members and finance officers.
- 5.44** A review of Programme Board minutes indicates that resourcing of positions within the project team and weaknesses in the governance framework have been problems since the outset of the project. Gaps in key roles such as the programme management officer and the lack of a 'senior user' — a person with a core business interest in the system when operational, and with the authority to specify how it should function — were identified as having affected the efficient progress of the project. The bringing in of contracted staff and staff loaned by departments for roles on the project team were identified as having led to increased costs.
- 5.45** While the NSSO attempted to implement appropriate project governance structures, in practice these did not function as envisaged because they lacked decision-making authority. The Programme Board minutes show that the Board met on a regular basis and discussed a range of relevant issues, and that a project risk register was maintained. However, there was no process in place to officially sign off on decisions during the design phase. The project initiation document was never formally completed or signed off.
- 5.46** The external consultant concluded that a failure in governance and decision making for the design process of the programme was the reason for the inability of the project to move on from the design phase. Key changes made include the strengthening of the roles and terms of reference of the technical advisory group and the process design advisory group and of the role of a senior user on the project.
- 5.47** The Assistant Secretary in the Department of Public Expenditure and Reform with responsibility for government accounting has now been appointed as a senior user for the programme, with responsibility for input to ensure the design supports current and future government accounting policy. The current governance arrangements for the project are outlined at Annex 5A.

Specification of project requirements

- 5.48** The original approved concept for the FMSS system envisaged that all of the relevant financial processes would be performed on a single financial management system, accessed by both NSSO staff and staff from the client organisations. Common and standard business processes were to be implemented except where there was a clear and justifiable reason for doing otherwise.

- 5.49** A feasibility study for the project identified a need for a detailed process to identify specific business requirements which would not be met by standard system functionality. The requirements analysis was to be performed as part of a system design phase prior to procurement/implementation of any new system. The Programme Board aimed to have all the requirements built into the request for tenders and to contractually bind the system implementation partner to deliver the requirements. The key stages of the specification of project requirements are set out in Figure 5.7.

Figure 5.7 Key stages in specification of FMSS project

Date	Action
August 2014	Report to the Programme Board states that process maps and business requirements had been completed and signed off by all working groups on the project.
November 2014	Draft request for tenders developed. The draft request for tenders was subject to a peer review process which was coordinated by the Office of the Government Chief Information Officer (OGCIO). In addition, the request for tenders was reviewed by the process design advisory group, the Chief State Solicitor's Office (CSSO) and the Office of Government Procurement (OGP).
December 2014	Approval to issue the request for tenders was delayed as the CSSO, OGP and the OGCIO raised concerns in relation to the clarity of the requirements, inclusion of commercial clauses and the cost and complexities with respect to recording EU funding. Separately, the peer review process raised concerns in relation to the risks of the project due to the size and scale, concerns in relation to the change management element and the requirements of the system.
March 2015	Draft request for tenders approved by the Programme Board following amendments to address the issues raised.
April 2015	The request for tenders was issued six months later than planned.

Source: NSSO Programme Board minutes

- 5.50** The final request for tenders set out a range of requirements under four headings (see Annex 5B). The key features envisaged in the request for tenders included
- common finance processes tailored to the needs of the Irish civil service, automated where practical, with maximum reliance upon standard system functionality and with a continued focus on a strong financial control environment
 - one-time data capture and a single, consistent data set across all related processes with full and dynamic integration of all the modules of the system
 - the ability to meet new and emerging reporting needs through both cash and accruals based accounting
 - a flexible, sustainable and scalable solution that can respond to changes in the scope of services and/or customers' demands, and the evolving needs of the public service.

Customisation

- 5.51** Prior to the commencement of the FMSS project, it was noted that the majority of the financial management systems then in use had been customised to meet individual requirements of departments and offices. In total, an estimated 3,680 separate customisations had been made to the systems in order to provide the functionality required. About three quarters of the customisations were made by the Department of Agriculture, Food and the Marine.¹
- 5.52** The need for customisation has been a feature of the FMSS project from the start.
- Customisations to the request for tenders requirements were notified to the system implementation partner during the design phase. By June 2017, the Programme Board had been notified of 193 customisations accepted by the system implementation partner. The level of customisation required outside of the request for tenders requirements were reported as being due to the passage of time since the requirements specification exercise in 2015 and to the scale of the project.
 - In September 2017, when the project was being moved to the build phase, it was reported to the Programme Board that there were 238 further requirements which needed to be dealt with through additional customisation. Subsequently, the system implementation partner had indicated that it was not in a position to meet the complete wave 1 deployment planned for June 2018.

Common chart of accounts

- 5.53** A key aspect of the FMSS project was the need to introduce a common chart of accounts which would be used by all in-scope public sector bodies, and would enable both consolidation and transparency. A chart of accounts is a listing of all of the accounts and account codes that an organisation has identified as required for recording transactions in its general ledger. The account codes are generally broken down into function and/or by divisions in an organisation. The account codes in a standard business financial management system are generally designed to support the recording and reporting of income, expenditure, assets and liabilities.
- 5.54** Government departments and offices deliver a range of public services and, in addition to normal commercial/business revenues and expenses, provide different types of funding and support to individuals and organisations. This includes a wide and diverse range of grant payments. As the FMSS is intended to operate on a single technology platform, and to provide transparency of reporting, the system can only have a single standard chart of accounts.
- 5.55** Minutes of the Programme Board meetings indicate that discussion of the potential problems with the requirement for a single chart of accounts to be produced for the FMSS was first recorded in April 2013.

¹ The Department customised its SAP financial management system in order to comply with European Union regulations for making payments under the Common Agricultural Policy.

- 5.56** A working group was established to consider and develop a chart of accounts. This work ran concurrently with the development of the request for tenders, with a view to having an agreed structure when a system implementation partner was appointed, and in good time for design. In June 2016, it was envisaged that the chart of accounts would be finalised by the end of 2016. However, work on the chart of accounts continued and was still ongoing throughout the design of the system. The chart of accounts was re-examined in detail as part of the design triage process and was finalised in 2020. However, the mapping of the chart of accounts to allocate the existing account codes used by individual public sector bodies to the standard FMSS codes has not been completed.
- 5.57** The Accounting Officer has stated that it was a major challenge for the design team to achieve agreement on a single common chart of accounts, as various public sector bodies have their own non-standard charts of accounts on their existing legacy systems. The target departments and offices were strongly of the view that a continuing granularity would be necessary to support their data analytics and reporting requirements.

Management of system implementation partner contract

- 5.58** Two responses were received to the request for tenders. During the evaluation, one of the bids was deemed non-compliant due to a technical issue. Following a delay, the process continued and the remaining bidder was awarded the contract.
- 5.59** Following further delays, a contract for an Oracle-based technology solution was signed between the NSSO and the system implementation partner in September 2016. The contract was for a specified fixed price over a four-year term. The maximum amount due to be paid under the contract is €30.4 million (excluding VAT). However, the fixed price does not include any change control notes which may be required. These are paid for in addition to the fixed price contract value. The key elements of the contract are set out in Annex 5C.
- 5.60** The contract provides for a change control procedure to facilitate any increase/decrease or change in the scope of the system or any changes in the timing of the project. In the event of a proposed change, the system implementation partner prepares a draft change control note which includes an analysis of the impacts, costs and risks associated with the change. Each change can then be accepted, delayed, deferred or rejected. The cost of the changes reflects the proportional effort based on the project plan or a rate card (cost per day per type of employee required) set out in the contract. A dispute resolution procedure is included in the contract to allow for any disputes over the contract terms or change control notes.
- 5.61** The contract with the system implementation partner stated that a schedule of deliverables for each phase would be mutually developed and agreed between the parties and included within the draft project initiation document (PID) for each wave. A PID for the first wave of the project was drafted but never formalised.

5.62 The project did not progress as envisaged.

- A dispute arose early in the contract term over whether the contract price included an analysis phase to establish if the request for tenders requirements could be optimised with Oracle's experience of providing financial management solutions. This was not factored into the draft PID but the project team were of the view that this phase was provided for in the contract. The matter was referred to a formal dispute resolution process as provided under the contract. This dispute continued throughout the work on the project.
- User acceptance testing had been due to commence in July 2018, in advance of the deployment of the system for the first wave of clients in September 2018. However, the Programme Board noted that an integrated FMSS system had not yet been developed. As a result, the Programme Board and the project team decided to pause the planned deployment of the system.¹
- After the deployment of the system was paused, the NSSO stopped paying the system implementation partner under the original contract terms as the fixed milestone payment did not apply. As set out in the contract, elements of work not included in the original milestones are paid for under the change control note agreement. While the deployment was paused, the system implementation partner was paid through the change note system for its continued involvement in the project. A negotiation under this process took place with the system implementation partner to keep a downsized team on site to facilitate the work related to design triage.
- The NSSO paid €17.1 million (excluding VAT) to the system implementation partner between the start of the contract and the end of 2019.² The Accounting Officer estimates that around €12 million of that sum relates to work envisaged in the contract. The remaining €5.1 million is classified as additional work including design triage (€3.1 million), dispute resolution (€1.4 million) and the cost of changes to request for tenders requirements (€0.6 million).

¹ The NSSO has stated that there was no contingency in the plan if user acceptance testing was moved and therefore the September go-live was no longer possible. The re-planning activity undertaken by the NSSO after the deployment was stalled highlighted the need for a greater level of analysis of the issues and therefore a design triage phase was initiated.

² The amount paid including VAT is €21 million from the start of the project to the end of 2019 with €8 million being classified as additional work.

5.63 Discussions are ongoing with the system implementation partner but to date, no formal plan has been agreed for the completion of the project. The Accounting Officer has stated that the programme is progressing towards the signing of a PID for remobilisation and deployment of the FMSS system to wave 1 clients.

Conclusions and recommendations

- 5.64** The project to implement the FMSS system is a complex and challenging one. It aims to replace 31 different financial management and reporting systems in use across 48 Government departments, offices and agencies with a single financial IT system supported by a new finance shared services centre. Unlike the HR and payroll shared services which were substantially built on existing common software already in use, the FMSS project envisaged the design and building of a whole new system to be deployed across the civil service. This has turned out to be significantly more challenging than originally envisaged. As a result, the project is very significantly behind the original schedule, and costs are likely to be very significantly in excess of the amount projected when the project first received Government approval in January 2016.
- 5.65** The business case for the FMSS project projected total expenditure of €47.4 million (excluding VAT) and delivery of the completed project by June 2020. The NSSO had spent €38.4 million (excluding VAT) on the project by the end of 2019, and anticipates expenditure of a further €15 million in 2020.
- 5.66** A Government decision in September 2020 approved the continued deployment of the FMSS system over an extended timeline to 2025 with additional funding which brings the total approved budget for the project to €115 million, including VAT.
- 5.67** The first wave of client bodies was planned to commence using the system in mid-2018, but the system is not yet ready for deployment.
- 5.68** A substantial element of the work on the FMSS project was contracted out to a system implementation partner, following a competitive tendering process in 2016. A fixed price contract with a value of €30.4 million (excluding VAT) was signed with the partner firm in September 2016.
- 5.69** Disputes have arisen between the NSSO and the system implementation partner in relation to implementation of the project and work was interrupted in July 2018 when the planned deployment of the FMSS was paused. Design triage and governance review processes commenced in late 2018 have now been completed with a revised design specification prepared and an agreed chart of accounts signed off in 2020. The NSSO is currently negotiating with the system implementation partner with a view to agreeing a revised plan for remobilisation and deployment of the system to the first wave of public sector bodies.
- 5.70** The NSSO has estimated that expenditure totalling €10.3 million (excluding VAT) representing just over one quarter of total expenditure up to the end of 2019 had not been envisaged in the business case cost estimate. Much of that expenditure related to reviewing and amending the system design and to multiple reviews of various aspects of the project and was potentially avoidable.

Recommendation 5.1

The NSSO should work with the system implementation partner to agree revised costings for the remaining phases of work, along with an associated timeline for key milestones.

Accounting Officer response

Agreed.

A revised budget and indicative timeline is now approved by Government. The planning for the remaining phases of work is underway with the system implementation partner.

- 5.71** A 2019 OECD review included a number of recommendations aimed at modernising the accounting frameworks for government departments and offices. This includes a move to accrual accounts and ultimately the production of 'whole of government' accounts. The report identified the successful implementation of FMSS as a key enabler in the modernisation project and noted that the delivery of that project in line with the project scope and schedule would be critical in the implementation of accrual accounting. The accounting modernisation project envisages project inception and set-up in the period 2019 – 2020 and the definition of the new framework in the period 2020 – 2023.

Recommendation 5.2

The NSSO should ensure that the revised design specification satisfies the key requirements of the intended client base and will be capable of catering for known future requirements such as the move to accrual accounting.

Accounting Officer response

Agreed.

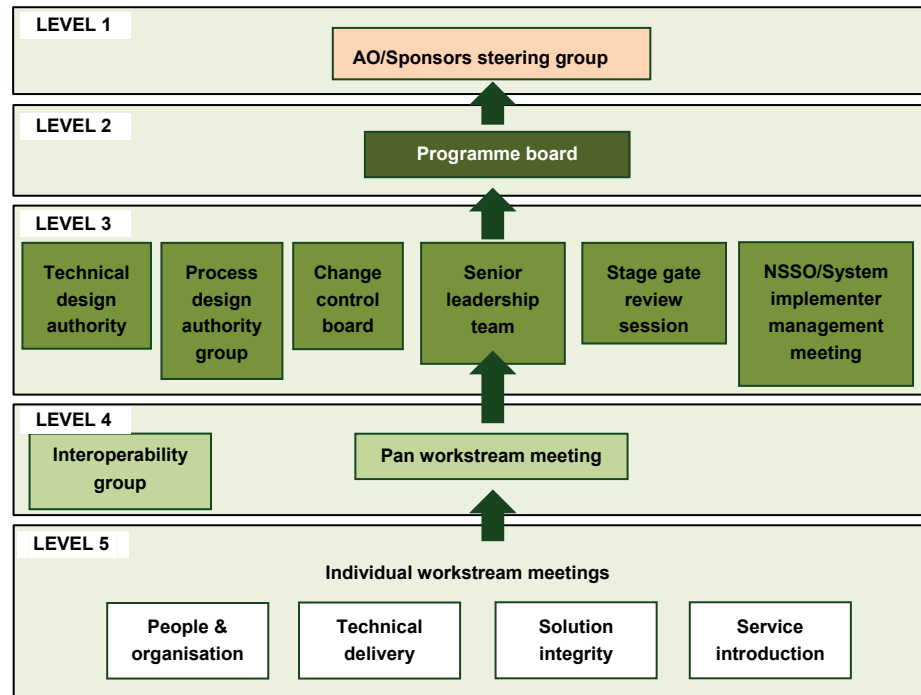
The NSSO has completed an extensive design review process, engaging with government departments and working group representatives during the course of the lengthy review process.

The NSSO is now finalising a revised implementation plan for deployment to wave 1 clients.

The NSSO is also engaging closely with advisors to the Department of Public Expenditure and Reform, including the Assistant Secretary in that department with responsibility for government accounting, in relation to the accruals accounting and fiscal transparency reform programme, with a view to ensuring that the project design will cater for all public sector accounting standards in relation to accrual accounting.

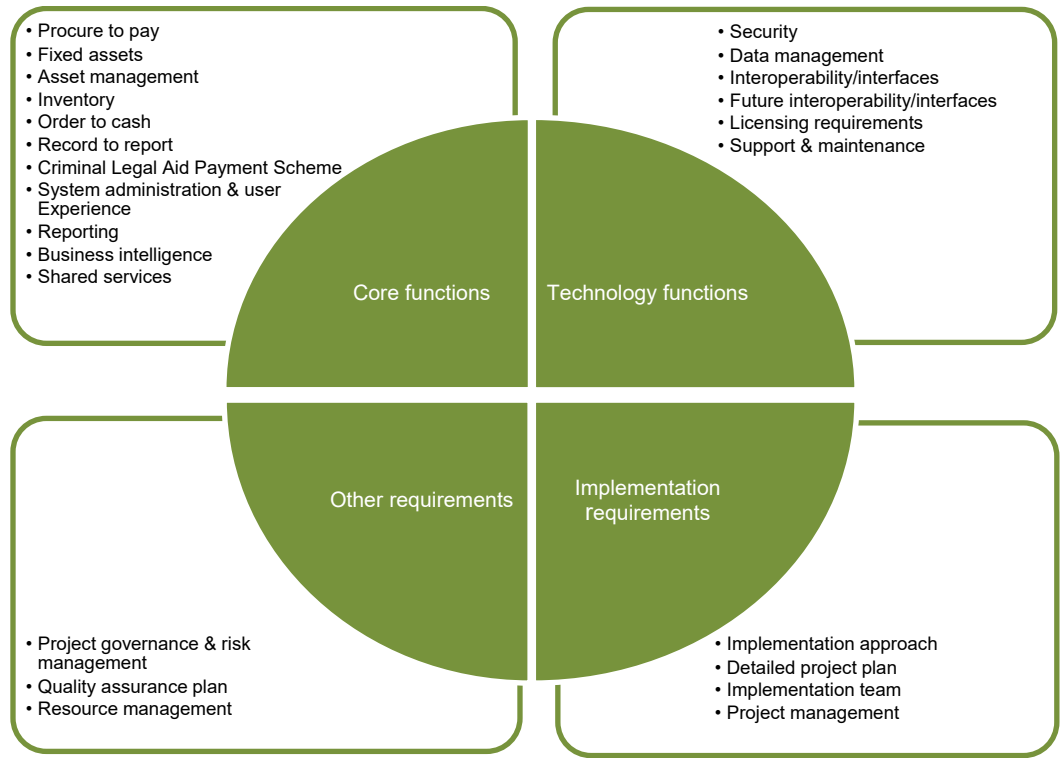
These actions are essential to the success of this programme. No additional actions are proposed at this time.

Annex 5A FMSS project governance arrangements



Source: NSSO

Annex 5B Request for tenders requirements



Source: NSSO

Annex 5C Key elements in the contract to deliver the FMSS

Phase	Components
Mobilise & install	A short phase where the contractor mobilises its team, initiates the project, installs the hardware and software, and establishes the managed service provision arrangements.
Design	Involves the design of the common footprint and the required configurations and customisations to effectively translate the request for tender requirements into a comprehensive and fully documented solution design. This phase commences with a conference room pilot (or equivalent) to support a fit-gap analysis for the system.
Build	Involves the build of the common footprint for the system and its customisation to the specification required by client bodies in the first deployment wave. A build phase will precede each subsequent wave for the configuration and customisation of the solution to the specification required by client bodies in each wave.
Test	Involves testing of the build of the common footprint for the system and the customisations for client bodies in the first deployment wave. A test phase will precede each subsequent wave for the testing of the configurations and customisations of the single FMS required by client bodies in each wave.
Training	Involves all activities related to training, including creating a strategy and plan, developing a user evaluation process, developing training materials, managing training logistics and preparation for end user training.
Deploy	Involves preparation for go-live, readiness assessments, data migration, end-user training, cutover activities and post go-live support to ensure successful deployment of the system to client bodies.
Stabilise & project closure	Involves transitioning from end of deployment to handing over to normalised support arrangements.

Source: NSSO. Pages 63 and 64 of the NSSO contract with the system implementation partner.

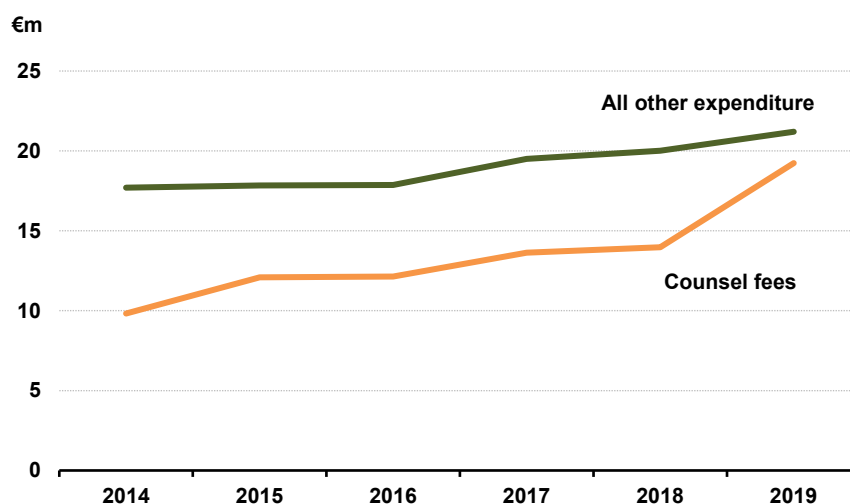
6 Delay in payment of counsel fees by the Chief State Solicitor's Office

- 6.1** The Chief State Solicitor's Office (CSSO) provides litigation, advisory and conveyancing services to government departments and offices and to certain other State agencies. The CSSO also provides solicitor services at tribunals of inquiry and commissions of investigation and represents Ireland at the Court of Justice of the European Union. While the CSSO is organisationally a constituent part of the Office of the Attorney General, it is funded through its own vote (Vote 6 Office of the Chief State Solicitor).
- 6.2** The CSSO responds to the demands of its client bodies for legal services as required. Expenses related to such services are usually borne by the CSSO and charged to the vote, without being recouped from the client body.¹ However, court awards against a client body, or the settlement expenses of a case, are met by the client body concerned.
- 6.3** The CSSO makes extensive use of the services of counsel to progress many of the legal cases it handles. Payments of fees to counsel in respect of such services increased from just under €10 million in 2014 to just under €20 million in 2019 (see Figure 6.1). The sharpest rise was in 2019 when spending on counsel fees increased by almost 38%.
- 6.4** Itemised claims for payment of fees (referred to as 'fee notes') are submitted to the CSSO periodically by counsel.
- 6.5** Fee notes received by the CSSO undergo a detailed evaluation process. The notes are first subjected to an internal approval process that examines the level of fees claimed. In certain cases, the fee notes can then be referred to a professional fees control group² and to the Office of the Attorney General for approval. In exceptional cases, where the fee notes exceed certain thresholds, they are sent to the Department of Public Expenditure and Reform for final sanction.

1 Exceptionally, in 2017, the Department of Finance agreed to meet 50% (€462,000) of counsel fees payable in the Apple case. The CSSO paid an equivalent amount which was charged to Vote 6 in 2017.

2 Meetings of the professional fees control group are attended by the Chief State Solicitor and/or a number of assistant chief state solicitors. The group reviews fee notes referred to it, along with related documentation, before issuing payment instructions with the aim of ensuring value for money, fairness and consistency. The group also reviews fees payable to legal cost accountants and makes decisions on the recovery of certain legal fees payable to the State.

Figure 6.1 CSSO expenditure on counsel fees and on all other (non-counsel fee) items, 2014 to 2019

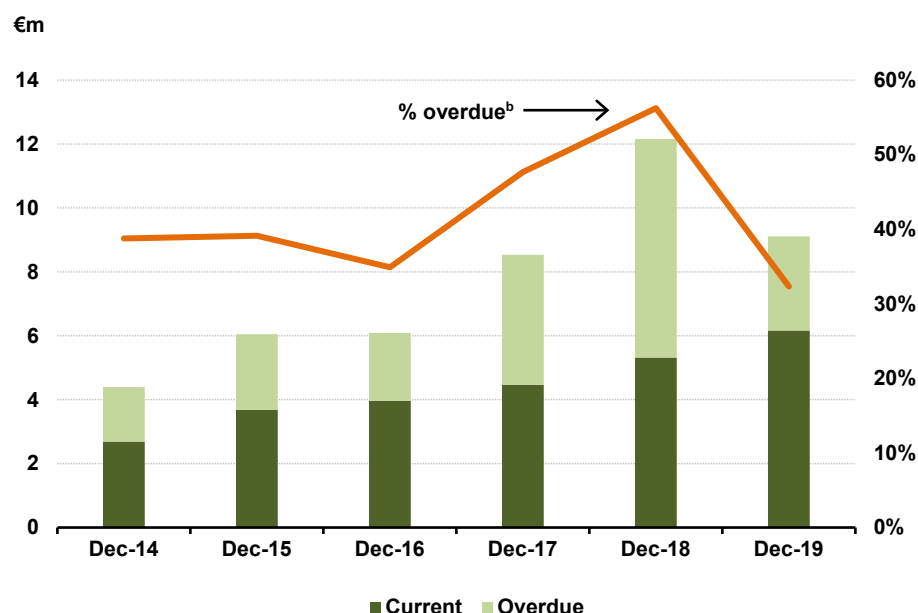


Source: Vote 6 appropriation accounts, 2014 to 2019

Fee payment targets

- 6.6** The CSSO has agreed with the Bar Council to make payments in respect of fee notes by the end of the quarter after the quarter in which they are received. As a result, the CSSO could take up to six months to settle a claim, depending on when the fee note is received, and still be within the terms of the agreement.
- 6.7** In practice, the payment of counsel fees by the CSSO has drifted into a significant level of arrears (see Figure 6.2).¹ The total value of fee notes on hand at the end of 2014 was around €4.4 million. Of this, 39% was overdue for payment under the terms of the agreement with the Bar Council. At the end of 2018, fee notes to the value of around €12.2 million were on hand, with 56% of this amount being overdue. By the end of 2019 — following the approval of a supplementary estimate of €5 million to top up the original estimate of €13.5 million for the CSSO Vote — the outstanding claims had fallen to a total of around €9.1 million, of which almost one third was overdue for payment.

Figure 6.2 Value of counsel fee notes on hand^a, and percentage overdue, at year end 2014 to 2019



Source: CSSO

- Notes:
- a Value on hand represents the aggregate gross value of fee notes on hand and awaiting payment processing at the end of December each year. The overdue fee notes are those that were received before 30 September in the relevant year.
 - b The line depicts the value of overdue fee notes as a percentage of all fee notes on hand at the end of December each year.

Accounting for fee liabilities

¹ The Appropriation Account for the CSSO discloses details of all counsel fees, including fees for work done on behalf of the Criminal Assets Bureau. Figure 6.2 does not include outstanding fees for work done on behalf of the Criminal Assets Bureau.

- 6.8** Vote accounting is done on a cash basis, which means that transactions are recognised in the appropriation account in the period in which they occur, rather than in the period to which they relate. However, the standard accounting policies set by the Department of Public Expenditure and Reform require that any accrued liabilities of a vote (i.e. liabilities incurred but not yet paid) are recognised in the statement of financial position attached to the vote appropriation account.

- 6.9** The CSSO has a modified accounting policy in respect of counsel fee liabilities to the effect that it accrues any assessed fee notes outstanding at the year-end that get paid by the end of the following February. The CSSO has stated that this approach dates back to 2004 when the accounts function was taken back in-house from the Department of Finance. In the 2019 account, the amount accrued was €2.65 million (2018: €2.61 million). In practice, this substantially understates the level of liabilities at the reporting date. However, an additional note to the account (note 2.11) discloses the aggregate value of fee notes on hand at the year-end that are not recognised as accrued liabilities.

Principle of payment of matured liabilities

- 6.10** Government departments and offices are expected to manage their operations within the level of funding voted for them by Dáil Éireann. If spending significantly above the approved allocation is required, then it is necessary for an application to be made for a 'supplementary estimate'. Exceeding the funding level approved for a service in a specific year — referred to as an 'excess vote' — very rarely occurs. When an excess vote does arise, it requires prompt explanations to be provided to the Committee of Public Accounts after the publication of the appropriation accounts, and an additional special vote of Dáil Éireann to approve the excess spending.
- 6.11** An important control over the expenditure of funds is that liabilities that are due are paid promptly and not allowed to accumulate and carry over from one accounting period to the next. This consideration is in addition to that of fairness to suppliers, who are entitled to be paid promptly when they have delivered required services (or goods) to an appropriate standard.
- 6.12** Vote accounting rules consider liabilities to be 'mature', and therefore payable, when services (or goods) have been provided, and the demand for payment has been properly made.¹ Where these conditions are met, payment procedures should be initiated, even at the risk of incurring an excess vote.

Views of the CSSO Accounting Officer

- 6.13** Recent years have seen a marked increase in the complexity of work being handled by the CSSO, in areas such as commercial litigation and transactional work, procurement work, and advisory and litigation work resulting from our membership of the European Union and the implementation of directives in areas such as environmental law, planning, employment law and social welfare law.
- 6.14** Litigation is becoming increasingly challenging and complex with plaintiffs suing for multiple or alternative reliefs. There is an increasing challenge to the exercise of the power of the State and to constitutional norms.
- 6.15** As a result, a feature of payments made in recent years is the increase in payments at the upper end of the fee range — a direct consequence of the increase in complexity. The rolling twelve-month total of fee notes received are well in excess of €20 million.

¹ Department of Public Expenditure and Reform's *Public Financial Procedures* and Department of Finance Circular 32/95 *Payments (Matured Liabilities)*.

- 6.16** Meetings with the Department of Public Expenditure and Reform to discuss the payment of counsel fees commenced in November 2018 and continued through 2019. The initial meetings were arranged in order for the CSSO to brief the Department on the operation of the counsel fees process, to promote an understanding of the challenges involved in the management of the counsel fees budget, and to discuss any ongoing issues. For 2020, meetings are scheduled to occur at the end of each quarter.¹ The agenda for the meetings includes ongoing matters of mutual interest concerning counsel fees.
- 6.17** The nature of the payment agreement with the Bar Council inevitably means that some level of fees will always be carried over at year end. The volume and value of such fees will vary from year to year, depending on receipts in the last quarter. Part of the rationale for seeking a supplementary estimate in 2019 was to move the CSSO to a position whereby all outstanding fees 'due' to be paid during that year could be paid, thus allowing the CSSO to regularise overdue payments and to pay current fee notes as per the agreed payment schedule. The total figure estimated to achieve this in late 2019 was around €7.69 million. The amount ultimately approved by the Department of Public Expenditure and Reform and sanctioned by the Oireachtas was €5 million.²
- 6.18** Reducing the amount of fee notes that are 'overdue' has been achieved by a combination of the introduction of timelines for each stage of the processing of fee notes together with additional resourcing in the area. It is of course the case that many fee notes are paid much sooner than the 'due date' as per the agreed payment schedule. While the longer term aim is to move to true 'real time' processing — a position that would require a major change to the current system of fee note processing — the more immediate aim is to reach the situation where no fee note on hand for processing was received by the Office earlier than the previous quarter. Effectively, this would be 'real time' processing as per the agreed payment schedule.
- 6.19** While it is hoped to reach this position during 2020, we must reiterate that due to the demand-led nature of the service provided by this Office, coupled with the unpredictable nature of the volume and timing of the work, and consequently the receipt of fee notes relating to that work, it is not possible to guarantee that the Office will have sufficient funds, in any given year, to fully discharge all fees due for payment on time — in other words, to permanently sustain this form of real time processing and payment.
- 6.20** The CSSO is working to augment existing measures aimed at reducing expenditure in the area of counsel fees, while ensuring that the quality of the legal service provided is not adversely impacted. Working in conjunction with the Office of the Attorney General, the CSSO measures are aimed at targeting those areas of larger spend on behalf of clients, particularly in contentious matters, and include augmenting existing client early engagement and ongoing case management processes, with a view to reducing spend on counsel, where possible.
- 6.21** The Department of Public Expenditure and Reform has allowed an increase of €1.5 million in the estimate for the fees to counsel sub-head for 2020, bringing the total provision for this year to €15 million. The CSSO will make every effort to remain within this allocation. However, the demand-led nature of the service provided by the Office, and the unpredictable nature of the volume and timing of its work, remains a constant feature impacting this objective.

¹ The Department has stated that it instigated meetings in 2020 on foot of the supplementary estimate sanctioned for 2019 with the primary objective of reviewing actions put forward by the Chief State Solicitor to manage and control expenditure on the fees to counsel sub-head, in line with voted allocations.

² The Department has stated that, in addition, it sanctioned virement on an exceptional basis of some €737,277 to further offset accumulated counsel fee liabilities.

Conclusions and recommendations

- 6.22** Prompt payment for services rendered and goods supplied is an important principle in ensuring that voted expenditure is properly reported and controlled. The progressive build-up of accrued counsel fee liabilities and the increase in the percentage of fees that are overdue indicates that services of counsel contracted for by the CSSO are not being paid for or recognised in the appropriation account for Vote 6 in a timely way. This results in a lack of transparency about how much is being spent on the services of counsel each year.
- 6.23** Normally, a payment processing target is expressed in terms of a specific period of time elapsing from the date of receipt of a claim for payment e.g. within 30 days, within 60 days, etc. In effect, the CSSO has committed to make counsel fee payments within 90-180 days of receipt of a payment claim. However, in a significant proportion of cases (as measured by value of payments), the CSSO has been failing to honour the implicit credit terms.
- 6.24** The CSSO accrues in the statement of financial position for counsel fee liabilities paid in the first two months after the end of the period of account. This is arbitrary.

Recommendation 6.1

The CSSO should accrue for the value of all fee notes received and not yet discharged, adjusted for the estimated mark down of the fee notes based on historical mark down rates. While this involves an element of estimation, the amount reflected in the statement of financial position would better reflect the true value of the accrued liability.

Accounting Officer's response

Agreed.

Having considered the matter, we note that as the markdown applying to counsel fees can vary significantly, the true value of accrued liability of counsel fees cannot be easily determined, and therefore, the Office will include the value of all fee notes on hand at year end adjusted by an estimated markdown.

- 6.25** *Public Financial Procedures* requires departments and offices to monitor and manage their expenditure within the allocations approved by Dáil Éireann. Notwithstanding the accelerated level of payment of counsel fees by the CSSO in 2019 facilitated by a substantial supplementary estimate, the liability in respect of counsel fees accrued at the year-end has increased to represent a sizeable proportion of the annual estimate provision. In effect, this represents a substantial first charge on the following year's provision and raises the risk that the CSSO will seek further supplementary estimates or that an excess vote will be incurred.

7 Catering and ancillary services in prisons

- 7.1** Catering in prisons is a significant operation that involves the procurement, storage and control of foodstuffs (including beverages), and the preparation and distribution of sufficient suitable meals and drinks daily to a prisoner population averaging just under 4,000 at 12 locations around the State.¹ These catering operations are managed by Irish Prison Service staff, and the related costs are charged to the Prison Service vote (Vote 21). In 2019, the Irish Prison Service incurred expenditure of €8.2 million on food for its prisoner population.
- 7.2** A number of related or ancillary services operate within prisons but are not funded by the Prison Service. These include mess committees that operate staff catering services, as well as prison shops (usually referred to as 'tuck shops') whose profits are transferred to a separate account for the benefit of prisoners. In addition, prisons operate accounts for prisoners' personal money. An overview of these services is presented in Figure 7.1.

Focus of this examination

- 7.3** Prisons catering for prisoner meals and mess committees frequently purchase the same types of food inputs from the same suppliers. Prison shops are managed by assigned prison officers and are expected to operate on a 'for-profit' basis. Prisoner welfare funds generated by the profits from prison shops are controlled by respective prison management. The overlaps and relationships between the services create significant control challenges for Prison Service management. This examination was undertaken to review the operation of those controls. Specifically, it sought to review
- the adequacy of arrangements for monitoring and control of catering expenditure and in particular, controls over payments for food purchases and food stocks
 - the effectiveness of agreements between the Prison Service and staff mess committees and the systems in place to monitor compliance with those agreements
 - whether prison shops operate on a 'for profit' basis and the effectiveness of oversight arrangements to ensure there is appropriate control over stock and sales
 - the arrangements in place for the use of money lodged to the prisoner welfare fund and the oversight arrangements to ensure that the funds are used appropriately for the benefit of the prison population.

¹ There are ten closed places of detention and two open places of detention.

² We intended to carry out the audit on site in Limerick Prison but this was not possible due to the COVID 19 restrictions put in place in March 2020.

- 7.4** The examination involved site visits to nine prisons to establish the local operation of catering and related services, and a desk audit² of the operation of the tuck shop and prisoners' welfare accounts in Limerick prison. In addition, the team interviewed senior members of staff in the Care and Rehabilitation and Finance Directorates in the Prison Service headquarters (in Longford), as well as carrying out a review of the processing of catering invoices for payment.

Figure 7.1 Operation of ancillary services in Prison Service

Staff catering services

The Prison Service does not normally provide meals or other refreshments for prison staff on duty. Instead, an arrangement is in place with staff representative bodies under which the Prison Service makes available facilities within eight of the prison campuses to allow voluntary mess committees to operate staff catering services. The mess committees purchase the required food and arrange for the preparation and provision of the food in prisoner work training kitchens. The purchase of supplies by the committees and other costs are funded through staff purchases of meals. The committees are responsible for their own governance and financial management, and financial statements are not published.

Prison shops

Arrangements are in place in all prisons for the operation of shops that sell a range of confectionery, soft drinks, tobacco products, toiletries, magazines and other items to prisoners. The prison shops are operated on a 'for profit' basis. Purchases are made on a cashless basis, with payment for items consumed being drawn from prisoners' personal money accounts. The shops are operated for a number of hours each day by assigned prison officers. Trading accounts for the prison shops are kept separately from the vote account, but the total of the end of year bank account balances for all prison shops is disclosed in notes to the appropriation account.

Prisoner assist programme fund

Trading profits generated in prison shops are transferred to a prisoner assist programme fund (PAPF) account controlled by the respective prison governors. The funds transferred to the PAPF are intended for use for the sole benefit of prisoners, either collectively or in individual hardship cases. These welfare accounts are not treated as part of the vote, but the total of the end of year PAPF bank account balances is disclosed in notes to the appropriation account.

Prisoners' personal money

The Prison Service operates a personal money service for prisoners while they are incarcerated. This includes daily amounts payable to each prisoner, along with any personal money they bring with them on committal, or that is contributed from time to time by others (e.g. family members) on their behalf.

The daily amount payable to each prisoner under an incentivised regimes policy in place ranges from €0.95 for the basic level to €1.70 for the standard level and €2.20 for the enhanced level. Amounts are transferred to prisoner accounts on a weekly basis and these payments are part of vote expenditure.

This money may be used at the direction of the prisoner to pay for items purchased from the prison shop. Any unspent balance remaining in the account is paid over to the prisoner on discharge or if not requested by the prisoner upon release, is transferred to the PAPF account. The personal money accounts are also not treated as part of the vote, but end of year bank balances for the accounts are disclosed in notes to the appropriation account.

Control of catering services

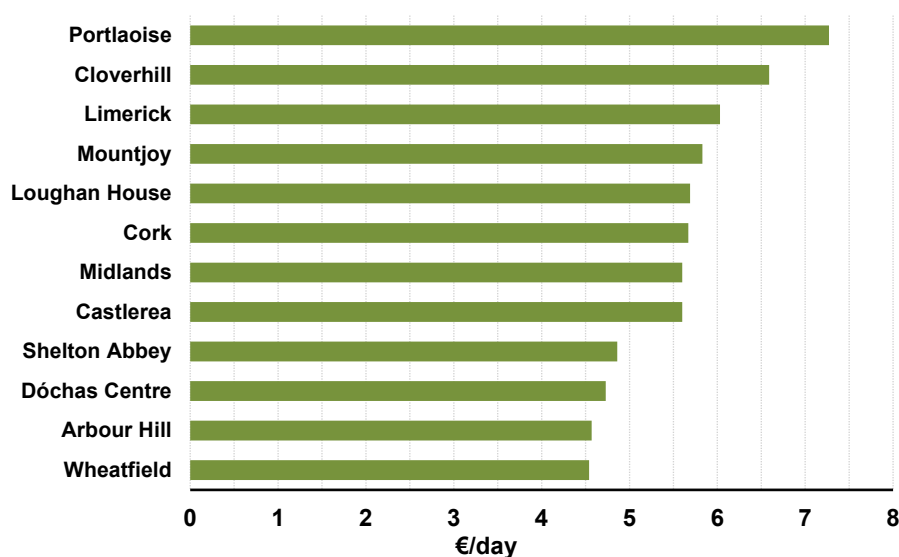
- 7.5** The Care and Rehabilitation Directorate of the Prison Service devises 28-day menu plans for use in all prisons. The key features of the menu system are as follows
- The menu is designed to deliver an average of approximately 2,500 calories for men and 2,000 calories for women daily, in line with recommendations by the Food Safety Authority of Ireland.
 - Recipes with ingredient listings and quantities for a 2,500 calorie intake per prisoner accompany the menu. The menu includes a list of supplementary dishes that can be swapped to cater for specific dietary needs or if dishes prove unpopular.
 - Each person is provided with a cereal-based breakfast, a main mid-day meal including a dessert and a lighter meal in the evening. In addition, each prisoner is provided with a daily allocation of milk and bread (half a sliced pan) together with individual portions of butter, jams and marmalade. Supplies of tea, milk and sugar are available during meal times at food serving stations.
- 7.6** With some exceptions, meals are generally consumed by prisoners in their cells.
- 7.7** Individual catering budgets are not assigned to each prison as there are no devolved budgets at prison level. The arrangements for procurement and payment are as follows
- The Office of Government Procurement, on behalf of the Prison Service, undertakes the tendering for catering supplies for Irish prisons. This results in the creation of a register of approved suppliers. Each prison orders directly from the approved suppliers.¹
 - Where appropriate, food is purchased as individual portions, for example single-serving portions of chicken or fish. Other foodstuffs, such as minced meat and diced stewing beef, are ordered by weight, having regard to recipe specifications and prisoner numbers. Food and kitchen supplies are accounted for as consumable items.
 - Foodstuffs delivered to each prison are checked to the accompanying delivery dockets and signed for. Any shortages in deliveries should be noted by the prison and a credit note sought.
 - Summary invoices supported by copies of the signed delivery dockets are sent by the suppliers to Prison Service headquarters where they are processed and paid.
- 7.8** The Accounting Officer has stated that the annual prison catering budget is ordinarily based on the previous year's expenditure and, where possible, takes into account potential price increases and likely changes in prisoner numbers. Comparative analysis is done on actual expenditure against budgeted on a monthly basis and a review of changes in prisoner population is part of that exercise.

¹ The Irish Defence Forces and the Health Service Executive avail of the same tendering process.

Cost of food per prisoner

- 7.9** In 2019, the Prison Service incurred expenditure of €8.2 million in relation to purchases of food for prisoners. This represented an increase of just under 11% on the expenditure of €7.4 million in 2018. This may be partially explained by increases in the prices of certain foods commonly purchased by the Prison Service and a 2% increase in the average daily number of prisoners from 3,893 in 2018 to 3,971 in 2019.
- 7.10** The expenditure on food for prisoners in 2019 equates to an average of €5.66 per day (just under €40 per week) per prisoner (2018: €5.23 per day). Analysis of payments for food indicates that the cost of providing prisoner meals in 2019 varied from €7.27 per day in Portlaoise Prison to €4.54 per day in Wheatfield Prison — a variance of 60% (see Figure 7.2). The recorded daily expenditure in the Dóchas Centre — a prison for women — was €4.73 per prisoner.

Figure 7.2 The daily cost of food per prisoner, by prison, 2019



Source: Irish Prison Service

- 7.11** The Accounting Officer has stated that the daily average cost of prisoner meals in 2019 (€5.66) is at a similar level to that in 2009. In relation to the variance in expenditure between prisons, she noted that organisational policy is that some changes to the 28-day menu can be made at local level for reasons of security/medical/health etc. and this may include portion sizes in excess of the recommended serving. A number of factors that would impact on the daily cost in individual prisons were noted as follows
- Prison demographics such as age profile, degree of addiction, poverty and level of homelessness can influence the quantities consumed. Typically, males in the 18 – 25 age cohort consume more than either older males or female prisoners. Catering in prisons also has to accommodate food allergies and different cultural and religious dietary requirements.
 - In Portlaoise, some prisoners have extra menu options available to them, by long standing arrangement including for historical and political reasons.
 - Cloverhill, as a remand prison, has a more transient population with higher levels of vulnerability which influences the quantities consumed in that prison.
 - Occasional official events are catered in prisons.¹

¹ For example, over the last two years Mountjoy Prison has catered events in connection with Gaisce — The President's Award and the Duke of Edinburgh's International Award; as well as a seminar on higher education in partnership with Cambridge University and a broadcast delivered in conjunction with Solas.

Training in catering

- 7.12** Meals in prison are prepared by prison staff and prisoners who are trained in food preparation (see Figure 7.3). The Prison Service informed the examination team that in October 2018, an average of 221 prisoners per day attended work and training in the main prisons and staff mess kitchens.

Figure 7.3 Prisoner training in food preparation and nutrition

Training in food preparation

Prisoner training in food preparation takes place on an ongoing basis as part of the integrated activity of prison kitchens. The individuals concerned receive training on the preparation of meals, in line with City and Guilds standards. (During 2018, 34 prisoners were registered for City and Guilds accreditation.)

Training in nutrition

In addition, there are home economics, cookery or nutrition programmes offered in the majority of prison education centres, with several classes offered each week. These courses are designed to equip prisoners with basic cooking skills and nutritional knowledge, with a view to their rehabilitation and release.

Detailed attendance numbers in prison education centres are only available on the new Prison Education Management System (PEMS) from September 2019 — data available for October 2018 only shows the number of students who attended classes in the education centres for each week but not by educational category. During October 2019, 555 prisoners participated in home economics, cookery or nutrition programmes.

Accredited training targets are not set for prisoners who engage in catering training in either home economics or prison kitchens.

Source: Irish Prison Service

- 7.13** The purchase of foodstuffs charged to the prisoner education and training budgets was reviewed as part of this examination.
- 7.14** In most prisons, the types of food products purchased for the home economics courses were similar to those used in the preparation of prison meals. While there can be situations in which additional food items may be purchased from suppliers that are not on the approved products list, it is not Prison Service policy that high value items should be used in any prison kitchens or classrooms.
- 7.15** However, there was evidence of a difference in the type of food purchased in one prison. In that case, the products purchased included a quantity of luxury items e.g. fillet steaks, rib roasts, boneless leg of lamb, prosciutto and expensive catering chocolate. The Governor of the prison concerned has now commenced an investigation to determine the circumstances surrounding the expenditure.

7.16 The Accounting Officer has stated that for 2018 and 2019, the cost of such items purchased in the prison was €9,302 and they were used to support the provision of cookery classes to prisoners. However, it has not been possible from the work training activity returns to Prison Service headquarters to be definitive on what activity was taking place or if there were official events catered for using some of the products listed.

7.17 The Accounting Officer has also stated that additional controls around ordering have since been put in place on a national basis. Where products are required outside of the approved product list for the work training and education kitchens, these are subject to approval at local level by the Assistant Chief Officer — Catering, the head teacher and/or at Care and Rehabilitation Directorate level.

Operation of controls over catering

7.18 The examination found there was a lack of segregation of duties in relation to catering. In most prisons, the same member of staff was responsible for placing orders, checking deliveries, storage and delivery to cooking facilities.

7.19 An internal audit recommendation following examinations in a sample of prisons in 2018 and in 2019 was that staff employed on stores duties are provided with training in stores management, health and safety and in the accounting processes for goods received.

7.20 This examination found that some prison staff lacked knowledge about procedures and policies and about the application of key operating controls in the requisitioning of food, the checking of deliveries and in stores management. In particular, weaknesses observed in the system for verification of quantities delivered raise the risk of suppliers being overpaid due to a failure to obtain due credit notes.

7.21 Prisons Service headquarters sends checked invoices for payment by the Financial Shared Services Centre (FSSC) operated by the Department of Justice and Equality. Internal audit noted that, in 2017, the FSSC returned 206 invoices relating to deliveries to various prisons as the invoices had already been paid.

7.22 The Finance Directorate monitors actual costs against budget at Prison Service level throughout the year and prepares an end-of-year financial report which analyses and compares categories of costs by prison, including catering costs. However, the examination found no evidence of either the Care and Rehabilitation Directorate or the Finance Directorate monitoring the quantity of food purchases, by prison, for prison meals and education courses against the detail in the 28-day menu and approved supplier contract prices. In addition, internal audit did not carry out any examinations of the catering functions in 2018 or 2019.

Accounting Officer's comments — operation of controls

- 7.23** The Finance Directorate provides monthly monitoring reports internally to all budget holders in Prison Service headquarters and externally to the Financial Management Committee of the Department of Justice and Equality.
- 7.24** The Accounting Officer has stated that since 2019, food ordering and quantities for the prison kitchens are now overseen by assistant chief officers.¹ Food invoices are now monitored by this officer for compliance with approved supplier contract prices and approved product lists, where these apply. Supplier contract prices are spot checked by Finance Directorate staff prior to the processing of invoices and monitoring of quantities is now carried out at prison level.
- 7.25** The duties of the assistant chief officers now also include ensuring that
- all records with regard to the catering/bakery function are kept to the required standard, and are made available to all food safety and catering/bakery operation inspections
 - the annual business plan for the catering/bakery area is developed to include targets of activity levels in the delivery of certified training.
- 7.26** The Accounting Officer noted that there are a range of written procedures which deal with processes around receipt of deliveries and control over stock as well as manuals which cover processes such as hygiene, storage and food preparation. The Accounting Officer also provided details of planned actions to improve control in this area.
- An updated comprehensive standard operating procedure for general stores management is currently being finalised by the Prison Finance Directorate with a view to roll out before the end of 2020.
 - The continuing roll-out of central requisitioning to prisons will further improve controls around ordering of goods by the use of product catalogues and system-based authorisation. This has already been rolled out to three prisons and is to be further progressed later in 2020.

Staff mess committees

- 7.27** At 31 December 2019, the Prison Service employed 3,405 staff, 94% (3,198) of whom are assigned to duties within the prisons where shift work is the standard work practice. Catering services for staff are provided through the operation of voluntary mess committees (see Figure 7.4).
- 7.28** The Prison Service has provided guidance to the mess committees, including advice on the frequency of committee meetings, the rotation of members and the maintenance of a secure financial accounting system. Specific requirements from the guidance include
- mess committee bank accounts must be separate from prison bank accounts and require not less than two signatures for payment of invoices
 - requisitions from suppliers must be made separately from prison requisitions
 - credit from suppliers should not exceed one month
 - sales prices must cover all costs associated with operating the mess committee — costs must not be charged to the prison vote
 - menus are finalised in conjunction with work and training officers.

¹ The online or paper order pads used by prison-based staff to order food items included on the 28-day menu have fixed fields for food prices (consistent with agreed contract prices), so only the quantities ordered may vary. Approval is required at an appropriate level prior to ordering items not on the approved product list.

Figure 7.4 Staff catering in prisons

Voluntary mess committees established in 2012 currently operate in eight prisons. (Mountjoy Prison and the Dóchas Centre share the same facility and there are no mess canteens in Arbour Hill, Shelton Abbey or Loughan House). The mess committees operate as separate and independent entities from the Prison Service (see Annex 7A).

Staff areas within prisons, including staff messes, are generally located in buildings within the prison complex but detached from where prisoners are housed and prison meals are prepared. Staff messes incorporate food preparation and storage facilities.

The committees utilise prison kitchen facilities, separate from the main prison kitchens, to provide staff meals under a work training opportunity for prisoners. Separate to food ordered by the Prison Service for the delivery of prisoner meals, mess committees can purchase food from the approved supplier lists at prices agreed under Prison Service contracts.

The mess committees have responsibility for payment for the food used in the preparation of staff meals and for setting sale prices to achieve break-even in their operation. The type and number of meals prepared are decided locally with reference to the requirements of staff.

Source: Irish Prison Service

- 7.29** Trading accounts for the mess committees are not provided to the Prison Service and no financial detail is provided in notes to the appropriation account. From information requested from the mess committees, the Prison Service has collated for 2018 and 2019 annual receipts and end of year bank balances for each mess committee. In 2019, receipts totalled €1.4 million and at the year-end, mess committees had bank balances totalling just over €98,000 (see Annex 7B).
- 7.30** The governance advice provided to the mess committees does not constitute a formal agreement setting out the respective roles and responsibilities of both parties. It does not, for example, set out how the Prison Service can get assurance that none of the food used in the provision of staff meals is a charge on the prison vote, that good accounting records are maintained or that prices are set at a level to recover costs. It is also silent on such matters as cash handling, insurance and taxation.
- 7.31** The need for the Prison Service to get assurance on the operation of the mess committees is all the more important when weaknesses exist in the requisitioning of food supplies for the main prison kitchens, in food stores management and in the payment of supplier invoices.

Accounting Officer's comments

- 7.32** Mess committees are responsible for setting prices, making payments, cash management, financial/procurement controls, procedures and reports and liaising with outside bodies including the Revenue Commissioners etc.
- 7.33** The Prison Service has engaged with each mess committee to remind them periodically of their governance obligations and to reinforce to the committees their responsibilities for adherence with policies, procedures, controls and Revenue regulations.

- 7.34** Notwithstanding this, the Prison Service is currently undertaking a review of the governance arrangements in place between the Prison Service and the mess committees. It will include clarifying respective responsibilities (jointly and separately) and the assurances required from the committees to Prisons Service headquarters for the continued operations.
- 7.35** During 2019, a submission was made to the Revenue Commissioners in relation to clarifying the VAT status of mess committees following which there were meetings and an examination of records at Mountjoy Prison, and follow-up information was provided. In July 2020, the Revenue Commissioners determined that mess committee activities are not subject to VAT.

Operation of prison shops

- 7.36** Each prison operates a shop facilitating the purchase of a range of items including confectionary, cigarettes, soft drinks and toiletries. The procedures for the shops specified by the Prison Service are set out in Figure 7.5.

Figure 7.5 Prison shops operating procedures

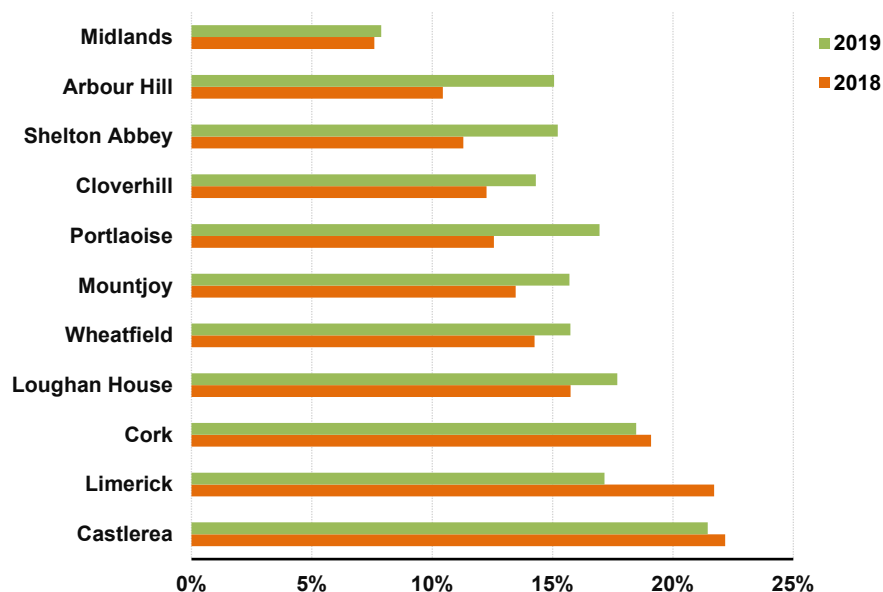
Stock purchases, with the exception of certain items including fruit and newspapers, must be procured from an approved supplier at wholesale prices and with bar codes for scanning based on normal recommended retail prices.

Cash is not exchanged for purchases by prisoners. Payment for items purchased, recorded by scanning the bar codes, is deducted from individual prisoner account balances. The payments are transferred monthly to the shop bank account, and suppliers are paid from the account. Staff purchases from the shops, which were cash transactions, ceased to be permitted in April 2019.

A separate bank account is operated for each shop and a monthly stock-take of the shop inventory is performed. This provides the basis for calculating gross profit earned.

Source: Irish Prison Service

- 7.37** In 2019, turnover across all the prison shops totalled nearly €7 million. The gross profit recorded across all the shops in 2019 was €1,040,000 (2018: €926,000). This equates to an average gross profit margin of 15%, up from 14% in 2018. However, the margins varied widely, from about 8% in the Midlands Prison to 21% in Castlerea Prison (see Figure 7.6). The profit margin increased in a number of prisons between 2018 and 2019.
- 7.38** Each prison shop is independently managed. The Accounting Officer has stated that about 95% of all goods are purchased from the central supplier with the balance being purchased from local suppliers. This latter category of goods may be sold to prisoners at a low or nil profit margin, which would impact the gross profit earned.
- 7.39** The Prison Service informed the examination team that an internal audit examination has been requested to review the records in the Midlands Prison, given the comparatively low gross profit percentage reported.

Figure 7.6 Gross profit margin for prison shops, by prison, 2019 and 2018

Source: Irish Prison Service

Operation of controls over prison shops

- 7.40** As part of this examination, the operation of a number of key controls was reviewed. This included stock control, preparation and review of accounts and bank reconciliations, profitability of shops and control over cash.

Stock control and control over purchases

- 7.41** The operation of stock control systems is a key control mechanism for any trading activity and without it there is a deficit of information to explain variances in gross profit earnings. Policies and procedures set by the Prison Service do not require local prison management to record the quantities of merchandise purchased and sold, or to produce stock listings for comparison with physical stock on hand.
- 7.42** A modern ICT based system is in place for the scanning and recording of sales. All other functions have manual based processes from the ordering of stock to the payment of supplier invoices and the counting of stock at month end. The Accounting Officer has stated that while there is no facility to record incoming quantities on a product by product basis, it is possible to track movement of quantities based on purchase invoices, delivery dockets, point of sale system records and the monthly stock counts.
- 7.43** The Accounting Officer has acknowledged that the stock control systems are in need of modernisation which should include the introduction of an end-to-end, product by product, bar coded ICT based system. The Prison Service expects that the tender process to procure a new multi-site stock management system will commence before the end of 2020.

- 7.44** A review of items purchased by prison shops as part of this examination identified a number of issues.
- Some items sold in the prison shops were not purchased from approved suppliers, including Xbox players and games. The Accounting Officer has stated that the Xbox players supplied met specifications determined by the prisons concerned and that the normal communications capability of the players was disabled. Sales prices for these products are agreed locally.
 - The examination found that, contrary to the stated Prison Service procedures, invoices for supplies to prison shops were not date stamped and no evidence was found of checking to delivery dockets and price lists before payment. Previous financial spot checks/internal audit reports had identified issues, including non-date stamping, and raised them with prison management. However, prison management have stated that checking of delivery dockets to price lists is carried out before payment is issued.
 - The examination found a number of cases where there were payments from the shop bank account for items unrelated to the purchase of stock. These included €14,533 spent on flooring in Mountjoy prison; and the purchase of a till register in the Midlands prison. The examination team was informed that all of the items identified were directly related to the delivery of the prisons shop service.
 - The examination team was also informed that payments from the shop accounts for diesel and parking fees in Portlaoise and Cork prisons were to reimburse staff for costs incurred for journeys made to purchase stock from local suppliers.
- 7.45** The Accounting Officer has stated that it was permitted to pay expenses related to the operation of the prison shops from the shop bank accounts. However, in the interests of consistency and to simplify the comparison of gross profit percentage between locations, it has recently been decided to remove the option of purchasing non-stock items from the prison shop bank accounts.

Accounts and bank reconciliations

- 7.46** There can be delays in the preparation and submission of required monthly accounts for the prison shops to Prison Service headquarters. These accounts are intended to record values for opening stock, sales, purchases, closing stock and gross profit earned. In 2018 and in 2019, on average 78% of the monthly accounts were submitted within one month of the due date.
- 7.47** Until the accounts are prepared, there is no basis for calculation of the shop gross profit. This can have an adverse knock-on effect on the timing of funding available to some of the prisoner welfare (PAPF) accounts.
- 7.48** No monthly income and expenditure accounts were submitted to the Finance Directorate from May 2018 to December 2018 due to resourcing issues in one prison. The monthly accounts for all of the missing periods, and from January 2019 to December 2019, were subsequently completed with the assistance of the Finance Directorate.

- 7.49** The examination also found there was late preparation and submission of monthly reconciliations of the shop bank accounts to Prison Service headquarters. We noted deficiencies in the process followed in the preparation of the bank reconciliations, including a number of examples where the bank balance was not reconciled to the accounting records. The examination team were informed that this can occur occasionally because the template used does not provide a specific line item for lodgements in transit at the period end. A new template which resolves this issue has now been rolled out and training has been delivered.
- 7.50** The accounting records submitted to the Prison Service did not always show evidence of review by the prison governors in accordance with procedure. The Accounting Officer has stated that with the planned implementation of an ICT based integrated financial system, such monthly processes at prison level will not be required in the future. In the interim, the Finance Directorate will issue a reminder to governors of the requirement to review all accounts prior to submission to Prison Service headquarters.
- 7.51** Resource limitations can be an issue both at prison level and at headquarters and the manual nature of the process hinders proactive analysis.

Payment to supplier

- 7.52** The examination found that the shop in Cloverhill prison had built up a debt of around €95,000 to an approved supplier which was being repaid in tranches in 2017 and 2018. This issue was identified by the Finance Directorate during an on-site financial control spot check in 2016. That examination found that the debt had built up over a number of years, since at least 2013, by a combination of overstated profits due to accounting errors and transfers to the prison's PAPF account of amounts greater than the actual net surplus. Action was taken at the time to rectify the situation including stopping payments to the PAPF account until the debt was cleared. The debt has now been fully discharged.

Control over cash

- 7.53** Up to April 2019, staff could make purchases from the prison shops on a cash basis. The examination found that a practice operated in two prison shops during the period under review where all or part of the receipts from such cash sales to staff had not been lodged to the shop bank account. In one prison, the receipts were used to purchase stock items from local suppliers.¹ In the other, the cash received was left in the custody of the governor and used at his/her discretion. In both prisons, the records maintained to record how the cash was spent were incomplete. These practices may also have resulted in risks of erosion of the shops' trading profits. Since April 2019, cash purchases by staff are no longer permitted.

- 7.54** The Accounting Officer has stated that cash purchases from local suppliers are generally low in number and value and can arise where prison shops have difficulty in sourcing certain products for prisoners.

¹ Local suppliers are used for certain products (e.g. fruit, personal hygiene products, magazines etc.) which prisoners purchase in the prison shops.

Prisoner assist programme funds

- 7.55** Profits generated in prison shops are transferred to prisoner assist programme funds (PAPFs) intended to support projects for the sole benefit of prisoners. There are 11 funds for 12 prisons — there is one fund for the Mountjoy complex.¹ The Prison Service has established standard operating procedures for the operation of the PAPFs (see Figure 7.7).

Figure 7.7 Operation of prisoner assist programme funds

Prison Service procedures require each governor to prepare an annual plan outlining expected PAPF income and expenditure, with costed project and programme proposals, based on business objectives and priorities. In advance of finalising their annual plans, governors are required to consult with the Estates Directorate and the Care and Rehabilitation Directorate to check that proposed projects and programmes complement and do not duplicate actions planned by those directorates.

In quarter one each year, the Finance Directorate in Prison Service headquarters requests the annual plans to enable further reviews which seek to ensure there is no duplication of activities funded by the voted expenditure and that detailed consultation occurs for any capital or equipment purchases. If follow-up is required in relation to individual plans, the Finance Directorate engages further with the relevant governor. Initiatives of the Director General e.g. allocations to charity or to community return programmes, may be directed to be incorporated into the plans.²

Updated procedures in September 2018 removed the requirement for the Director General to approve the annual plans on the basis that it was considered unnecessary and had no material impact on risk.

The Prison Service procedures also require the preparation of quarterly expenditure reports and bank reconciliations for each of the PAPF accounts. These are to be signed off by the respective prison governors and submitted to Prison Service headquarters.

Prison Service procedures in place up to September 2018 set out a number of restrictions on how the funds in the PAPF accounts were to be used.

- Expenditure must be in accordance with the approved annual plan of expenditure, and comply with Prison Service procurement policy and, where applicable, with the Department of Public Expenditure and Reform capital appraisal guidelines.
- Funds must not be used to make payments to providers of services to prisoners or in respect of staff activities or associations or any other operations not directly for the benefit of prisoners or their families.
- Other than in exceptional circumstances, PAPF balances carried over from one year to the next may not exceed 10% of the profits transferred from the relevant prison shops. Requests to carry over in excess of the 10% limit must be submitted for approval of the Director of Finance.

In relation to the restrictions above, the current procedures (implemented with effect from September 2018) state that the PAPF must not be used to make payments to service providers used on a regular basis (e.g. barbers, gym instructors etc.); and do not set a limit on amounts that can be carried over.

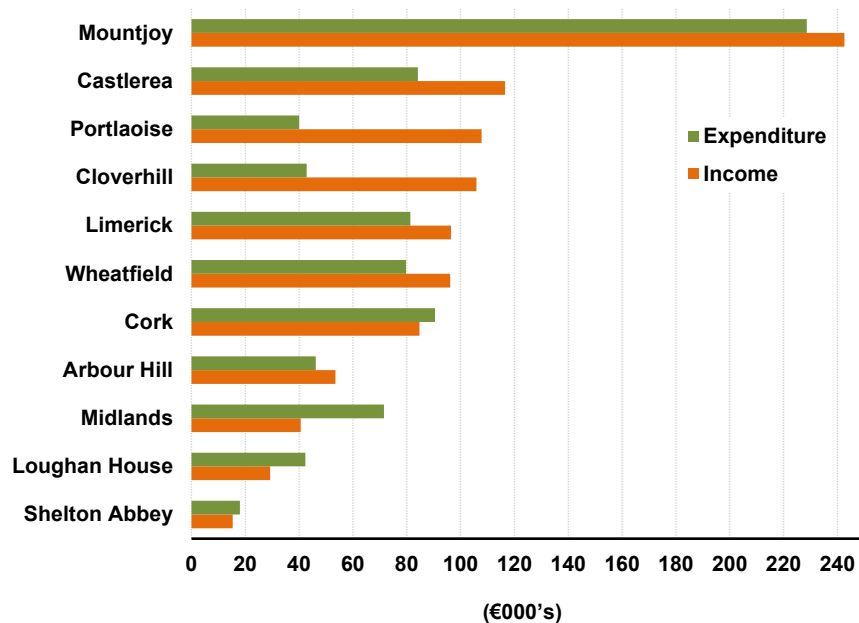
¹ As the funding mainly comes from prison shop profits and there is a single prison shop for Mountjoy and the Dóchas Centre, there is also a single PAPF covering both prisons.

² Community return is an incentivised scheme for the supervised temporary release of qualifying prisoners who complete unpaid community work as a condition of their early release.

PAPF expenditure

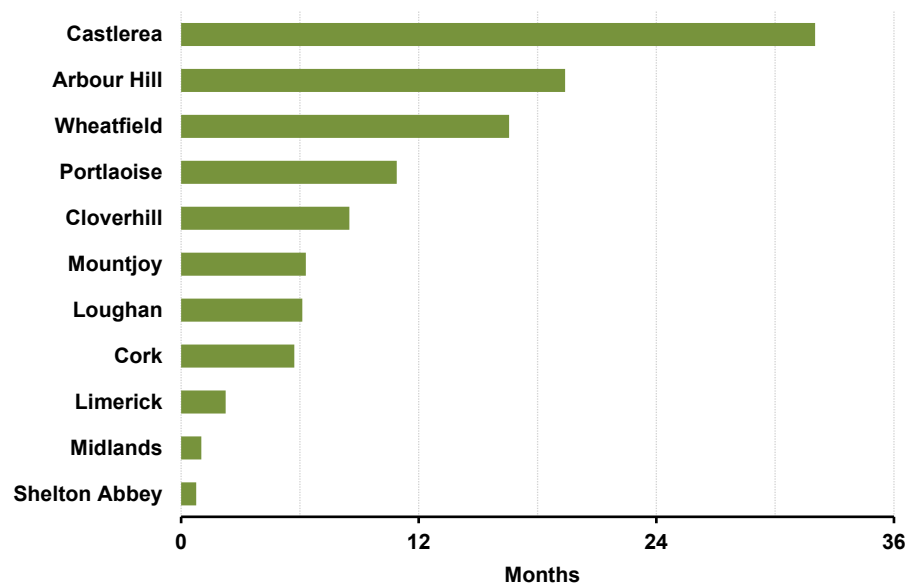
- 7.56** The aggregate balance in the PAPF accounts across all prisons at 31 December 2019 was €792,000 — up from €629,000 at the end of 2018. The income on all PAPF accounts during 2019 was €989,000 (2018: €1.03 million); expenditure in 2019 was €825,000 (2018: €766,000). In most prisons, spending in 2019 was less than the income of the fund (see Figure 7.8).

Figure 7.8 PAPF income and expenditure, by prison, 2019



Source: Irish Prison Service

- 7.57** The amounts held in PAPF bank accounts were compared to prison shop profits for the year to calculate the number of months' profit held in the bank account at year end (see Figure 7.9). In three prisons, the funds held in the PAPF bank account at the end of 2019 exceeded a full year's profit in the prison shop. In the case of Castlerea prison, the funds held in the PAPF account represent over two and a half times the prison shop profit for the year.
- 7.58** The Accounting Officer has stated that the balances on the PAPF accounts demonstrate financial prudence and mitigate the risk of cash flow problems that could occur if payments continually exceeded receipts.
- 7.59** A substantial part of the expenditure from the funds is categorised as being for 'community return' scheme purposes. Significant expenditure is also incurred for the benefit of or in respect of individual prisoners, including the payment of funeral expenses, and purchases on behalf of certain prisoners from the prison shop (including tobacco products). The pattern of spending varies from prison to prison.

Figure 7.9 PAPF funds at end 2019 compared to prison shop profit 2019

Source: Analysis by the Office of the Comptroller and Auditor General of data from the Irish Prison Service

Controls over PAPF expenditure

7.60 Controls over PAPF accounts were reviewed as part of this examination. The following issues were noted.

- There have been significant delays in the preparation and submission of annual plans from prison governors to the Finance Directorate. Annual plans for only seven of the 11 funds were received for 2018; ten plans were received for 2019.
- For 2019, just 64% of the required quarterly PAPF returns were submitted within one month of the due date. However, this did represent an improvement on the comparable 2018 figure of 45%.
- While governors had signed off on all quarterly PAPF accounts for 2019, there was little evidence of a formal review of the accounts and/or of querying of unexpected or unusual results. The reports that are prepared do not compare income and expenditure outturns to budgets and plans. The Accounting Officer stated that the complete PAPF process is under the control of the prison governor who is authorised to sign cheques from the prison PAPF bank account and reviews income, expenditure and bank reconciliations. There is no formal budgeting process and the income is mainly dictated by the level of gross profits on shop sales.
- Up to 2019, the funds carried over from one year to the next could not exceed 10% of profits transferred from prison shops. This limit was not complied with for 2017 or 2018.
- There was a shortfall in PAPF income for the year in the Midlands Prison, reflecting the low profit margin in the shop and the late submission of accounts to facilitate a transfer from the shop account to fund the PAPF. As a result, the PAPF balance in the Midlands Prison reduced from €40,000 at the end 2018 to just €9,000 at the end of 2019.

- Over several months in 2018, two prisons converted PAPF funds to cash in amounts totalling €22,000 and €1,000 respectively. The cash was retained in each prison in what was referred to as the governors' cash box and used as directed by the respective governors. In both prisons, record keeping was insufficiently detailed to demonstrate that the cash was used in all cases for purposes appropriate to the PAPF. The examination team were informed by the Prison Service that the practice of governors holding funds in cash boxes ceased in 2018.
- An examination of payments from the PAPFs in 2018 and 2019 found that some of the expenditure was not in accordance with the Prison Service standard operating procedures for that account. This included some payments for the benefit of staff and payments related to the operation of the prison. In the majority of cases, the Accounting Officer noted that the payments had been made in error from the PAPF or were paid from PAPF based on an incorrect interpretation of the use of the PAPF. Examples of the examination findings, together with related observations from the Accounting Officer are provided in Annex 7C.
- The examination also identified payments from a PAPF totalling €44,500 to a service provider without first obtaining a tax clearance certificate or considering the application of a withholding tax. The Prison Service noted that a contribution of €12,000 towards the cost of this service was received from an external organisation and lodged to the PAPF bank account, reducing the net cost to the Prison Service to €32,500.

7.61 The Accounting Officer has stated that there have been resourcing issues at prison level with challenges experienced in the recruitment of executive and clerical officer grades. Training and support of administrative staff was identified as an issue following a recent business process review exercise and a team has now been assigned as a central resource to support administrative staff and provide expertise and training in a number of areas including financial reporting.

7.62 In response to the examination findings, the Accounting Officer stated that there were around 1,600 transactions totalling €1.65 million from PAPF accounts during the two-year period in question. She acknowledged that some coding errors, misclassifications and misinterpretations had occurred. She stated that certain prisons may have mistakenly charged some amounts that should have been vote expenditure to the PAPFs. Additionally, some staff-related expenditure may have been incorrectly charged to the PAPFs rather than to a separate staff development fund (SDF). The SDF was created in 2006 and was managed by the Finance Directorate in Prison Service headquarters. The moneys in the SDF had been transferred from the PAPFs on the basis that they represented profits earned from prison shop sales to staff. Governors could apply to receive funding from the SDF to support staff-related initiatives. The SDF ceased to operate in 2019 following the discontinuance of prison shop sales to staff.

Conclusions and recommendations

- 7.63** The provision of adequate and appropriate meals for prisoners is a critical part of the operation of the Irish prison system, and represents a sizeable charge to the vote for the Prison Service. In parallel with this function, there exists a complex system of other economic activity and transactions, separate from the standard vote funding and accounting systems. In general, the systems in place to control, monitor and report on all of this activity are weak and need to be significantly improved.

Catering services

- 7.64** Annually, the Prison Service spends over €8 million on food and related products. In 2019, the daily cost of providing prisoner meals varied widely between prisons, from €7.27 in Portlaoise Prison to €4.54 in Wheatfield Prison — a variance of 60%.
- 7.65** Catering budgets and target or expected catering costs are not determined for individual prisons. Instead, spending on catering is monitored at Prison Service vote level.
- 7.66** Contrary to Prison Service policy, some high value food items were purchased and charged to the education budget.

Recommendation 7.1

The quantities of food purchased and catering costs incurred by individual prisons should be monitored and variances investigated and costed.

All food purchased for education or training purposes should be ordered from approved suppliers, at contract prices and reflect the educational aim of teaching basic cookery skills and nutritional values to prisoners. Any exceptions should be pre-approved, at an appropriate level.

Accounting Officer's response

Agreed.

Mechanisms on how best to introduce catering budgets and reporting by prison will be examined and an appropriate solution will be implemented to take account of all the potential drivers of prison food costs including the unpredictability concerning the numbers entering and leaving prison, external factors that influence food price increases and the process of control surrounding quantity usage. Procedures for dealing with exceptions surrounding corporate events and educational aims of cookery skills training have been reviewed and improved.

Detailed food usage reports with comparisons to the 28-day menu will be introduced before the end of 2020. Catering budgets by prison will be introduced to coincide with the financial year 2021 following finalisation of the estimates for 2021.

Staff mess committees

- 7.67** Voluntary mess committees established in 2012 in each of the relevant prisons coordinate the operation of canteen facilities for prison staff. Mess committees operate as separate and independent entities.
- 7.68** The staff mess committee arrangement is not covered by a written agreement between the parties. While the Prison Service provided some governance guidance to the mess committees covering areas such as the keeping of accounts, the setting of meal prices to recover the costs of food inputs and the timely payment of supplier invoices, it does not engage with the mess committees or obtain written assurances that its guidance is being followed.
- 7.69** The Prison Service does not have processes that are adequate to ensure there is no unintended subsidisation of food costs for the staff committees.
- 7.70** A management review of the operational effectiveness of mess committees in providing work training opportunities to prisoners while maintaining a mechanism for the provision of meals to staff is overdue.

Recommendation 7.2

A management review of the operational effectiveness of providing work training opportunities to prisoners in staff messes should be undertaken. The review should also consider the extent to which the governance guidance provided to the voluntary mess committees has been complied with, and if it needs to be strengthened.

Accounting Officer's response

Agreed.

A governance review of the voluntary mess committees is now underway.

Operation of prison shops

- 7.71** The prison shops are required to operate on a 'for-profit' basis. Across all prisons, shop sales in 2019 were almost €7 million and gross profits of just over €1 million were earned.
- 7.72** The gross profit margins earned by the shops in 2019 varied significantly, from 21% in Castlerea Prison to 8% in the Midlands Prison. The accounting and stock recording systems in use do not facilitate analysis of operating performance. Better information will allow gross profits margins to be reckoned having regard to the mix of products sold, and compared to the gross profit earned.

Recommendation 7.3

Prison shop stock and accounting systems need to be updated and enhanced and used as the basis for verifying if gross profits earned are as expected having regard to the mix of goods sold.

Accounting Officer's response

Agreed.

It is acknowledged that the systems need updating and modernising and this process is already underway. It is expected that a tender will issue before the end of 2020 for the most cost efficient and effective solution for a multi-site stock management system for prison-based tuck shops, to also be integrated with a central financial management system and the current point of sale prisoner funds management system.

Prisoner assistance programme fund

- 7.73** The surpluses generated from prison shop sales are intended to be utilised in a variety of ways for the benefit of individual prisoners or for groups of prisoners.
- 7.74** Up to September 2018, Prison Service procedures required funds to be used rather than be accumulated and limited the carry-over from one year to the next to 10% of annual receipts. Since then, the limitation does not apply. In 2019, prison shops returned a gross profit of just over €1 million. At the end of 2019, balances held in PAPF accounts totalled €792,000 representing nine months of shop profits. In three prisons, the amount held in the PAPF accounts represented more than a year of the prison shop profit.
- 7.75** This examination found some examples where expenditure was not in accordance with the Prison Service procedures for the PAPF. This included payments for the benefit of staff and payments related to the operation of the prison. In the majority of cases, the Accounting Officer noted that the payments had been made in error from the PAPF or were paid from PAPF based on an incorrect interpretation of the use of the PAPF.

Recommendation 7.4

Prison managers should be reminded of the policy and procedures for the administration of the PAPF. In addition, because payments are made locally, training should be delivered to local prison managers in relation to public procurement guidelines and taxation requirements.

Accounting Officer's response

Agreed.

In addition, subject to funding, it is intended to remove the PAPF and to manage the requirement for this type of expenditure through voted funds, in conjunction with the estimates process for 2021.

Annex 7A Arrangements for the provision of staff canteen facilities in prisons

Key features	Description
Operational model	Mess committees are allowed to operate in prison premises. Staff representatives and the prison governor (or his/her representative) constitute the membership of the committees.
Location and governance	Mess committees operate independently, but the Prison Service has provided a governance practice note covering responsibilities of the committees and arrangements for requisitioning, banking and accounting.
Administration arrangements	Mess committees operate independently of the Prison Service.
Payment for supplies, utilities, premises, equipment, insurance and other operating costs	The Prison Service provides the premises, supervision by work and training officers and prisoner trainees, together with meeting the overhead costs of running the facilities. Mess committees requisition and pay for food supplies.
Compliance with public procurement rules	Mess committees are independent of the Prison Service and as a result, not subject to public procurement rules.
Determination of selling price	Prices for meals, etc. are determined by the mess committees and are set to cover the cost of the food purchased.
Control over surplus funds	Funds fully controlled by the mess committees.
Accounting arrangements	This is the responsibility of the mess committees.
Monitoring by Prison Service management	None
Oversight by internal audit and audit committee	None
Recognition of financial transactions in Prison Service appropriation account.	Financial transactions or balances for mess committees are not recognised.

Source: Analysis by the Office of the Comptroller and Auditor General

Annex 7B Annual receipts and end of year bank balances for Voluntary Mess Committees

Committee	2018		2019	
	Receipts €	Bank balance €	Receipts €	Bank balance €
Mountjoy	287,310	24,574	294,425	21,609
Cloverhill	102,505	8,439	125,199	2,483
Wheatfield	271,059	29,517	285,978	51,994
Midlands	286,000	4,550	318,597	5,670
Portlaoise	123,061	4,372	125,980	2,198
Cork	90,822	9,648	89,786	5,177
Limerick	78,507	5,716	81,181	4,231
Castlerea	85,601	4,678	83,245	4,874
Total	1,324,865	91,494	1,404,391	98,236

Source: Irish Prison Service

Annex 7C Examination of PAPF expenditure in 2018 and 2019

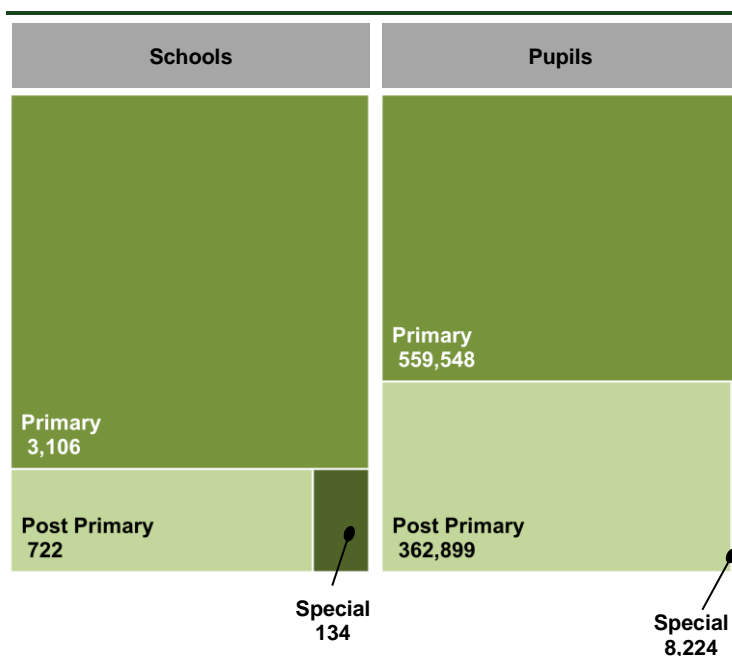
Findings	Accounting Officer observations
<p>Disbursements for the benefit of staff in one prison during 2018, which included</p> <ul style="list-style-type: none"> ▪ €4,300 in payments to the voluntary mess committee for staff meals availed of during extended shifts due to Storm Emma. ▪ €3,537 spent in pubs and restaurants in the vicinity of the prison for various staff events. ▪ €2,460 in payments for a staff medal ceremony. ▪ €2,060 contributed to a staff trip to Copenhagen. ▪ €915 in payments to the voluntary mess committee for staff meals during a search detail. 	<p>A decision was taken centrally to compensate the voluntary mess committee for the cost of meals provided free of charge during Storm Emma. The €4,300 was incorrectly reimbursed to the mess committee from the PAPF rather than the vote.</p> <p>The transactions totalling €3,537 date back to the period when cash sales to staff were permitted from the prison shop. A new policy around staff-related payments is to be developed.</p> <p>The €2,460 was in respect of the cost of long service awards to prison officers. The payment was charged in error to the PAPF instead of the staff development fund.</p> <p>The €2,060 expenditure was in respect of an approved group study trip to Vestre Prison in Copenhagen. It was a reciprocal trip following a prior visit to Ireland by a delegation from Denmark and was miscoded to the PAPF rather than the staff development fund.</p> <p>The search staff, who had travelled from different locations throughout the country, were provided with a light lunch. The governor mistakenly authorised the amount to be repaid to the voluntary mess committee from the PAPF.</p>
<p>Payments totalling €7,440 for a Sky TV subscription for a staff mess over a 24-month period.</p>	<p>This was an incorrect interpretation of the use of the PAPF, as prisoners view Sky TV on breaks from working in the mess kitchens. The practice has now been discontinued.</p>
<p>Payments of a capital nature e.g. purchase of carpeting and furniture (€5,247) and of gym equipment (€3,864).</p>	<p>These payments were in respect of items purchased for the benefit of prisoners so they are proper to the PAPF.</p>
<p>Payment of €3,800 for crane hire.</p>	<p>This payment was made in error from the incorrect bank account. It should have been made from the prison imprest bank account and subsequently reimbursed from the vote.</p>

Source: Analysis by the Office of the Comptroller and Auditor General

8 Management of the schools estate

- 8.1** The Department of Education and Skills (the Department) has overall responsibility and oversight for the management of the nation's school estates. This accommodates just under 4,000 schools catering for around 931,000 pupils (see Figure 8.1).
- 8.2** The Department provides capital funding under the free education scheme to non-fee paying schools for site acquisition, major and minor capital works and maintenance.¹ All schools are eligible to apply for funding under the Emergency Works Scheme (EWS) for urgent works, as a result of an emergency situation or on receipt of an enrolment application from a special needs pupil.
- 8.3** During the period 2012 to 2019, the school sector has benefitted from substantial investment in the estate, with a significant number of new schools and major extensions completed. In this period, the Department incurred capital expenditure of just over €4 billion for the sector (see Figure 8.2). Expenditure of €3.1 billion was incurred on the acquisition of sites and the completion of capital works projects such as the construction of new schools and extension and refurbishment of existing schools. The balance of €1 billion related mainly to summer, minor and emergency works and other capital related expenditure.
- 8.4** In 2019, €665 million was spent on capital works projects, of which €69 million related to site acquisitions.

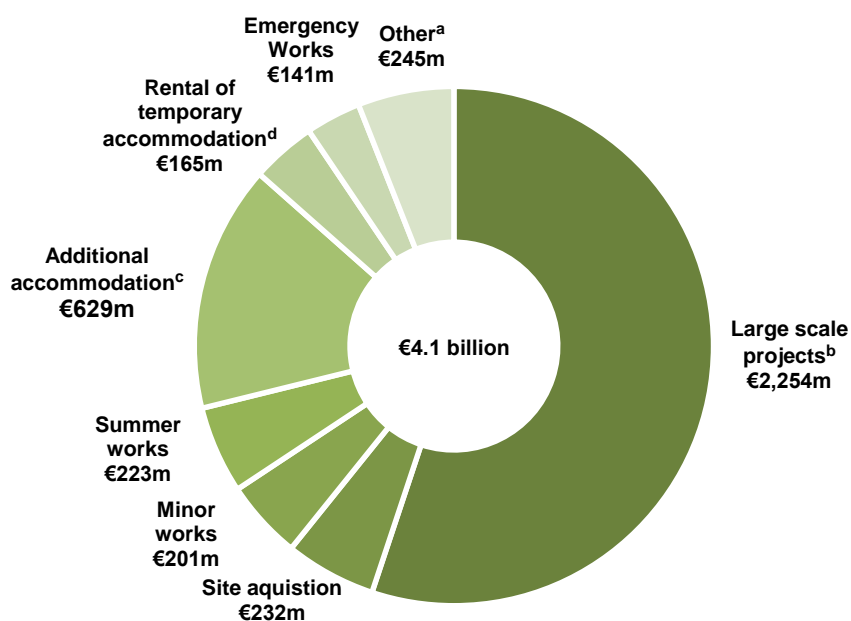
Figure 8.1 Overview of the school system, 2018/2019



¹ In general, fee paying schools do not receive capital grants or capitation payments. However, in 2018, ICT capital grants to the value of €689,500 were paid to fee paying schools and a further €268,500 was paid for other capital-related expenditure.

Source: Department of Education and Skills

Note: a Post-primary schools include 51 post-primary fee-paying schools with approximately 26,000 students.

Figure 8.2 Capital expenditure on the schools estate, 2012 to 2019

Source: Office of the Comptroller and Auditor General

- Notes:
- a Other includes expenditure on the replacement of prefabs, furniture and equipment, remediation of schools and other miscellaneous expenditure.
 - b Large scale projects are projects with expenditure in excess of €1 million for the construction of new schools or the extensions or refurbishment of existing schools.
 - c Under the additional accommodation scheme, schools can apply to the Department for approval to add a small number of classrooms or a special needs unit to their existing building.
 - d Total expenditure of €4.1 billion includes some current expenditure related to the rental of temporary accommodation.

8.5 Because the estate is valuable both financially and in terms of the function it serves in accommodating the school population, it needs to be well managed and maintained. The primary objectives are to

- make the best use of the existing resources, and
- ensure that any future investment is based on evidence that identifies needs in accommodating the school population and prioritises available resources in addressing those needs.

8.6 This report looks at the Department's arrangements for

- monitoring the condition of properties within the school estate
- funding of maintenance and refurbishment of the school estate
- governance of ownership and control of properties within the school estate.

Monitoring the condition of the schools estate

- 8.7** A good estate management system should facilitate assessment of the condition of school property assets based on appropriate standards and their functionality by reference to factors impacting education outcomes. Information about the estate should be stored on a controlled and up-to-date asset management system, which should be the primary source for all school infrastructure data. The types of information that should, at minimum, be recorded on an estate management system are described in Figure 8.3.

Figure 8.3 Estate management system basic data requirements

An estate management system should hold key data about each school campus/site such as

- site size and ownership
- the area of the buildings including details of the building type, use and any temporary accommodation on site
- details about the condition and age of the buildings
- facilities available, including the nature of each space/room
- details about programmes of capital and maintenance works completed, underway and/or scheduled
- facilities management data.

Source: *Planning for School Infrastructure*, Audit Office of New South Wales, May 2017

- 8.8** The estate management system should allow assets to be viewed at a local area level to ensure that the buildings in a catchment area are fit for purpose and are used efficiently at a strategic/planning level, taking account of other relevant factors such as school transport networks, demographic data and housing development. In order to provide support for the planning, funding and prioritisation of decisions across the school estate, the estate management system should be regularly updated, and enhanced as required with up to date information on the condition of existing school buildings.
- 8.9** The Department does not currently have a centralised database/asset management system which collates in an integrated and systematic way information relating to the condition or age of school buildings or other details in relation to the type of building, for example, school buildings that may have heritage status and require special attention.
- 8.10** The absence of an adequate asset management system prevents the Department assessing reliably
- how the condition of the school estate is changing over time
 - the requirements for repairs, upgrades and, in extreme cases, replacement of schools.

Initiatives to develop a database

8.11 The 2011 – 2016 Programme for Government included a commitment that the Department's "*central database of school accommodation will be overhauled to ensure a complete inventory of school buildings and associated structures is maintained so deficiencies are easily identifiable*" with a view to developing a national inventory of school infrastructure. At that time the Minister stated "*While we have significant information on facilities in individual schools, we currently have no structured system for gathering and storing this data nationally in a horizontal manner that facilitates decision making on a spatial planning level.*"

8.12 Since 2001 the Department has undertaken three pilot projects in relation to developing a national inventory database of school buildings. These are described below.

Co. Kildare inventory pilot — (2001 – 2002)

8.13 In 2001, the Department conducted a pilot project in Co. Kildare that collected comprehensive information about school accommodation in approximately 125 primary and post-primary schools. The information gathered included site survey drawings and building condition reports. The purpose of the project was to aid the long-term planning of capital provision through a detailed identification of accommodation needs via measured surveys and general building condition reports for each school. The project was completed in 2002. The resulting information was placed on a geographic information system (GIS) database. When completed and assessed, it was decided not to extend the survey to all schools nationwide based on cost, availability of staffing resources and the necessity to continually update reports.

Accommodation inventory (2010)

8.14 In 2010, an inventory of temporary and permanent accommodation, went live on an ICT portal (Esinet) used by schools.¹ Schools were invited to provide information about their buildings and it was intended that data gathered would be integrated into the GIS system. The Department has stated that while many schools submitted information, the inventory data has not been updated by schools in recent years. Given the pace of expansion of many schools, the current accommodation position on the inventory system is therefore unlikely to be correct.

Five areas pilot study — (2012)

8.15 A third pilot project in 2012 involved five areas — Tuam, Navan, Clonmel, Portlaoise and part of Limerick city. This project was intended to allow the Department to identify the best and most cost-efficient way to gather the information and to identify the data that would be most valuable and applicable for future planning purposes. It involved a detailed survey of existing school facilities in the target areas. The intention was to integrate more detailed school inventory information with data separately available from the GIS. The Department has stated that the outcome of this pilot project was assessed and an internal project team was appointed to progress the development of the inventory database on a prioritised basis for the rest of the country. The data gathered from these areas was integrated into the GIS system.

¹ Esinet is a platform for interactive communication between the Department and its partners, including schools.

- 8.16** With the completion of these pilot projects, the Department concluded that the approach adopted in the pilots was not appropriate for a nationwide rollout on the basis of
- usability and deployment of the approach
 - inability to maintain accuracy of the accommodation and condition report data on a sustainable basis
 - cost and
 - duration to implement.

As such the Department determined a different approach was required to develop and to roll out a centralised database/asset management system.

- 8.17** Except for the pilot areas, the inventory database has not been further developed and the condition of existing school properties at a catchment level is not, therefore, a factor taken into account when developing future schools or allocating funding for upgrades or repairs.

Department's information system

- 8.18** Since 2008, the Department maintains a national GIS database. Currently, the primary purpose of this database is to assist in planning for school places. The Department divides the country into 314 planning areas and uses information from a range of sources¹ to estimate demand for school places.

- 8.19** In October 2019, the Department sought to progress the development of a national inventory of school capacity. As part of the annual enrolment returns, schools were requested to provide information on the demand for school places, the school's capacity and the number of classrooms, including the number accommodated in temporary accommodation such as prefabs. This information was uploaded to the Department's GIS during 2020.

- 8.20** The Department has stated that it intends, as part of the October 2020 school returns process, to request schools to provide additional accommodation information, in relation to
- the number of rooms being used for special education teaching
 - whether there is a general purpose room or whether one is available locally
 - availability of hot water for hand washing for staff and pupils
 - the source of school heating (oil, natural or LPG gas, heat pumps, electricity, biomass pumps).

- 8.21** A fully integrated asset management system should include information on the condition of available existing infrastructure and maintenance requirements on a systemic basis. The Department still lacks such a system, which means that the allocation of funds for repair, maintenance and replacement continue to be based primarily on applications from individual schools.

- 8.22** The Department intends to develop the national inventory of school accommodation on GIS to support its energy retrofit programme. It is planned that this inventory will provide details on school building types, the gross floor area, building fabric and condition as well as the energy performance and energy consumption characteristics of each building.

¹ Sources from Ordnance Survey maps, child benefit data, and recent and planned housing developments.

School maintenance and refurbishment funding

- 8.23** Funding for maintenance, refurbishments and addressing emergency issues at a school can be obtained under one or more of three schemes, referred to as: summer works; minor works; and emergency works. An overview of each scheme is provided in Figure 8.4. The combined expenditure under the three schemes in 2019 was €86 million.

Figure 8.4 Schemes for maintenance and improvements of the schools estate

Scheme	Summer works	Minor works	Emergency works
Expenditure 2019	€31 million	€29 million	€26 million
Purpose of scheme	Funding to schools for small-scale works for completion normally during summer months.	Funding to primary schools only to allow small scale works and improvements to be carried out to their school buildings. The Department may advise school authorities to use the grant to prioritise some specific works.	This scheme ensures that funding is available to all schools in an emergency situation, or on receipt of an enrolment application from a pupil with special needs that will require equipment or special accommodation.
What type of work is covered	Mainly gas works, electrical works, mechanical works, roof and windows works.	Includes <ul style="list-style-type: none"> ▪ improvements to buildings and grounds such as re-surfacing of school yards, repainting and redecorating ▪ purchase of physical education equipment and furniture including ICT equipment. 	Addresses situations which <ul style="list-style-type: none"> ▪ pose an immediate risk to health, life, property or the environment, which was sudden and unforeseen and would prevent the school or part thereof from opening ▪ would prevent a special needs pupil attending the school.
How are grants allocated	Boards are required to submit, along with the application, evidence of the condition of the current facilities, technical reports and cost estimates to the Department. Grant approvals are issued after reviewing these items. Schools may apply for one small scale project only per year.	Funding is distributed under this scheme using fixed sums per pupil and per school. Funding is made available to all primary schools for the school year, made up of €5,500 basic grant plus €18.50 per mainstream pupil and €74 per special needs pupil attending the school.	Applicants have to provide evidence of the emergency situation and a cost estimate to the Department.

Source: Department of Education and Skills

- 8.24** In addition to these three schemes, part of the annual capitation grants paid to schools¹ may be spent on general maintenance at the discretion of the school's principal or the board of management. In 2019, capitation grants totalling €204.1 million were paid to primary and post-primary schools in the free education scheme. It is not possible to estimate the amount spent on maintenance as this is not reported to the Department.

- 8.25** Because second level schools are not eligible to apply for minor works grants, they therefore must rely largely on capitation grant payments and their non-pay grant income for the general upkeep of the schools.

¹ Capitation grants are paid to primary and voluntary secondary schools based on the number of recognised pupils enrolled in the schools.

Estate management by individual schools

8.26 Good estate management at an individual school level requires effective planning and management and access to good information. At a school level, the following elements would normally be required

- information on land and buildings, including the condition of each element of the schools estate
- details of energy and water usage
- information on health and safety and statutory compliance requirements
- a maintenance plan including a priority list of estate maintenance projects to be completed in the next year, two years and five years.

Guidance for schools

8.27 The Department has stated that it is the responsibility of school boards of management to ensure that their schools are properly maintained. In 1998, the Department issued a manual in relation to maintenance for primary schools. Since then, it has not issued any further guidance in relation to estate management.

8.28 The UK Department for Education has issued recent guidance to assist individual schools to manage their own school estates.¹ This identifies the most important issues for those responsible for management of school property and premises. The guidance also includes checklists for school managers to aid them in ensuring

- that their premises are safe and suitable and that the risks associated with their buildings are identified and managed
- the land and buildings are managed effectively and efficiently.

8.29 The checklist aims to focus timely attention on critical areas which could lessen the need for significant capital expenditure and disruption in the future. The guide also describes the fundamentals of good estate management for schools and provides an overview of the important policies, processes and documents schools should aim to have in place. These include

- an estate vision, strategy and plan
- documented processes and procedures
- details of health and safety and statutory compliance requirements
- logs of estate maintenance
- details about the land and buildings
- procedures in relation to management of energy and water usage.

8.30 A key element required for effective estate management at school level is the development of a school maintenance plan including short and long term objectives, priorities for works, budgets and timelines. Understanding the condition of the estate potentially helps school boards to make informed decisions about the estate and to develop good maintenance plans. However, there is no evidence that schools generally have a coordinated planned approach to school maintenance.

¹ See *Good estate management for schools: tools, UK Department of Education, April 2018 (updated March 2019)*.

Governance of the schools estate

- 8.31** Traditionally, the Department relied heavily on educational partners (typically patron bodies such as church authorities) to provide sites for school buildings, the construction of which were subsequently funded from the Vote. Since 1999, the Department has directly acquired sites on which schools have been constructed and subsequently transferred to the control of school patrons and boards of management.

Schools on Minister-owned sites

- 8.32** The Department has stated that currently 13% of schools are built on Minister and Education and Training Boards (ETB) owned sites and that the remaining sites are owned by the school patrons. The Department maintains ownership records of schools built on Minister-owned sites.
- 8.33** There are currently no lease agreements in place with patron bodies to govern the use and upkeep of schools built on Minister-owned sites. The Department commenced a process of preparing a new 'template' lease agreement for this purpose in 2011. The Department has stated that, following protracted engagement with the patron bodies over a number of years, the terms of the new school lease for schools on Minister-owned sites were finalised in August 2019. The Department has published a lease template and further information on its website. The Department is currently working with school patrons and the Chief State Solicitors Office (CSSO) on the implementation of these leases.
- 8.34** Under the Education and Training Act 2013 the disposal or leasing of ETB property is a reserved function of their boards. However, the Code of Practice for ETBs also requires them to obtain sanction from the Minister in respect of the disposal or leasing of property.

Schools on patron-owned sites

- 8.35** Traditionally, the Department has used legal instruments including charging leases and declarations of trust to secure the State's interest in schools built on patron-owned sites. They remain in place for a number of schools. However, these instruments proved to be cumbersome to maintain over time. Where these are in place, the Department has stated that it holds records for these schools. The Department have also stated that it does not track changes of ownership for patron-owned sites, and relies on the State registries maintained by the Property Registration Authority for this information.
- 8.36** In 2004, the Department received advice from the CSSO recommending that a 'deed of charge and covenant' would be a more efficient and effective mechanism to secure the State's interest in relation to schools built on patron-owned land.¹ This would set out a number of terms and conditions pertaining to the use of the school facilities and ensuring usage is in accordance with the Education Act 1998 and any rules, regulations and directives issued by the Minister.

¹ The year 2009 was incorrectly recorded in the original published report.

- 8.37** The Department has stated that it is engaging with the school patrons and the CSSO to finalise the form of the deed of charge and covenant and also to establish if an aggregated application process could be used to implement the deed. This aggregated application process would allow the deed to be registered against a group of schools for a patron as one application rather than registering deeds for individual schools in separate applications. Further engagement with the patrons, CSSO and the Property Registration Authority will be required to agree an effective aggregated application process.
- 8.38** The legal agreements relating to the protection of the State's interest were requested from the Department for a sample of 12 school projects funded under the *School Building Plan 2012 – 2016*. Of these, two were ETB schools where the Department relies on the statutory and governance relationship between the Minister and ETBs to secure the Minister's interest. Of the other ten schools, only one had an existing legal agreement in place. The Department also stated having regard to the community based nature of schools and the collaborative and mutually beneficial relationship which exists between the Department and school patrons and the very low rate of annual school closures, the risk of loss to the State is considered to be very low. In the unlikely event that it should arise, the Department states it would seek to enforce its equitable interest in the patron-owned schools to which it had provided capital grant funding. For the sample of 12 schools, new school leases are due to be implemented for eight Minister-owned schools, and deeds of charge and covenant are also due to be implemented for two patron-owned schools. The remaining two schools are operated by the ETBs.
- 8.39** The Department has stated, since 2011, that patron bodies of schools built on land owned by the Minister, have agreed to sign the appropriate lease agreements when they are rolled out.
- 8.40** 162 projects have been completed since 2012 on patron-owned sites (including ten Public Private Partnership (PPP) projects). The total investment is €847 million.¹ The absence of legal agreements between the Department and the relevant school authorities relating to these and earlier projects creates a risk that the Minister's investment is not currently safeguarded should circumstances change for the patron body. A further 32 projects have been completed on ETB owned sites with a total investment of €271 million. The absence of a legal agreement in these cases is not a concern because disposal of ETB assets requires the Minister's sanction.

¹ This figure includes capital costs incurred by the Department associated with ten PPP schools, such as site costs and development levies but excludes construction costs which are paid by way of monthly unitary charge, together with maintenance and lifecycle costs.

Recognition of assets

- 8.41** While the Department provides almost all of the funding for capital expenditure for schools, the related assets are not recorded in the Department's financial statements. There are differences depending on whether the site is owned by the Minister or not.
- Schools built on sites owned by the Minister are recorded in the Department's financial statements until such time as the project has been completed. On completion, the asset is transferred to the school's patron and removed from the Department's financial statements on the basis that control and management of the school has moved to the patron and the board of management. This is in accordance with accounting requirements for appropriation accounts. The Department treats the transfer of the control of the asset as a disposal for accounting purposes in its financial statements. However, ownership is not transferred. The Department's Planning and Building Unit maintains a portfolio of Minister-owned sites including properties which have been handed over to school authorities and sites under development.
 - For sites not owned by the Minister, capital funding is provided directly to the schools, ETBs and other patron bodies for the construction of new schools on these sites. The resulting assets are not recorded in the Department's financial statements.
- 8.42** Irrespective of site ownership, the property asset values are not recorded in the financial statements of the patrons/boards of management or of the ETBs. As a result, there is no effective mechanism to allow compilation of a valuation of the school estate.

Conclusions and recommendations

- 8.43** The 2011 – 2016 Programme for Government included a commitment to overhaul the Department's central database of school accommodation to ensure a complete inventory of school buildings and associated structures was established. Having this in place would support a more efficient approach to the management and decision making for the entire school estate and help identify deficiencies in the schools.
- 8.44** The Department conducted a number of pilot programmes in this regard but these have not been developed or rolled out for the system as a whole. The absence of information in a consolidated database in relation to the condition of individual schools within the school estate impacts on the efficiency of the processes the Department uses to
- plan and direct investment resources in an efficient manner
 - evaluate how the condition of the school estate is responding to investment and therefore to assess whether it is achieving its aims
 - make well-informed strategic decisions, including about the levels and distribution of funding.

- 8.45** The primary aim of the database currently in use by the Department is to identify the demand for and capacity to deliver school places in catchment areas. The Department accepts that the extent of information currently available on the condition, characteristics and features of school buildings is at a low level and that this will need to be addressed over a number of years to be of real value in order to identify and to prioritise schools where works are most needed. The Department noted that the development of a national inventory of school accommodation will support its planned energy retrofit programme and will assist in planning for future needs and for the reopening of schools following events such as a pandemic.
- 8.46** *The National Development Plan 2018 – 2027* includes a planned allocation of funds totalling €2.5 billion for school accommodation over the period. The Department plans to put more emphasis on maximising the use of existing stock through refurbishment rather than the construction of new schools. A comprehensive centralised database/asset management system to collate information relating to the condition of schools in an integrated and systemic way would enhance the efficiency and effectiveness of this approach.
- 8.47** The methods used by the Department to allocate funding for maintenance and renovations of school property is primarily based on providing capitation grants or applications for specific grants. The Department is unable to estimate future maintenance costs on a 'whole of school estate' basis due to the absence of a centralised database/asset management system that provides details of the condition of schools. Without a method to allow assessment of need, based on the condition of each school, the Department cannot reliably target those schools most in need of funding.

Recommendation 8.1

The Department should conduct a survey of all school property (including sites/buildings acquired but not in use) in a consistent way using appropriate building and estate-management standards to assess their condition and their functionality by reference to factors impacting education outcomes.

Accounting Officer response

Agreed.

The Department's focus over the last decade has necessarily been on the delivery of additional capacity driven by demographic demands which reflects priorities set out in the National Development Plan. The development of the Department's GIS and databases, which now include a national inventory of school capacity, have necessarily reflected this priority and greatly assist the forward planning process.

Further development of the database to include details in relation to the fabric and condition of school buildings together with data on their energy consumption is planned. This information will be important to support the planned rollout of a national deep energy retrofit programme from 2023 onwards for schools built prior to 2008.

- 8.48** Boards of management or school principals have direct responsibility for maintaining schools. In 1998, the Department issued guidance to primary schools in relation to maintenance but has not issued any further guidance since then. There is little evidence that comprehensive preventative maintenance plans are in place generally at school level. The availability of such plans and their review by the Department would help to ensure that the available funding is allocated based on identified and prioritised needs.

Recommendation 8.2

The Department should issue guidance and good practice information to assist schools with their maintenance responsibilities, and in particular, to assist schools in the preparation of effective estate management policies and preventative maintenance plans. After a sufficient notice period, the submission of such plans should become a requirement where an application is made to the Department for maintenance or project funding.

Accounting Officer response

Agreed.

As a first step, the Department will formulate a programme plan to develop updated estate management guidance for schools and will work with education partners on the appropriate processes and timescales for their implementation. This will also reflect the planned rollout of an energy retrofit programme envisaged as part of the National Development Plan.

- 8.49** An estimated 87% of the school estate is on land that is not owned by the Minister or ETBs. Despite advice from the Chief State Solicitor's Office (CSSO) in 2004, and the expenditure of over €3 billion in major capital works in schools since 2012, the Department has not implemented legal agreements to provide for the continued use of funded buildings as educational facilities.¹ As a result, there is a risk that the State's investment may not be safeguarded should the circumstances of the patron change or the site is sold to a third party.

Recommendation 8.3

The Department should ensure that legal agreements are put in place between it and school authorities to ensure the Minister's interests are protected. This should be done as a matter of urgency.

Accounting Officer response

Agreed.

In respect of Minister-owned sites the Department is working with school patrons and the CSSO to implement the school leases.

In respect of patron-owned sites, a deed of charge and covenant is currently being prepared by the CSSO. To ensure the effective and efficient implementation, the Department, together with the CSSO, are investigating whether an aggregate application process can be devised to implement the deed by school patron for a group of schools rather than by individual schools.

¹ The year 2009 was incorrectly recorded in the original published report.

- 8.50** The Department provides funding for almost all of the expenditure incurred in relation to construction of the State's primary and post primary schools. Thereafter, the Department provides grants for additional works and for maintenance. The value of the related assets is not recognised in the Department's or the educational authorities' financial statements.

Recommendation 8.4

The Department should consider the appropriateness of the current accounting arrangements in which the value of taxpayer-funded assets are not recognised in the Department's or the educational authorities' financial statements.

Accounting Officer response

Agreed.

The Department will consider this issue and will also seek guidance, as appropriate, from the Department of Public Expenditure and Reform.

9 Remediation of landfill sites

- 9.1** Waste is defined in the EU Waste Framework Directives¹ as any substance or object which the holder discards, intends to discard or is required to discard. The processing of waste generally consists of either recovery — which involves extracting useful materials or energy resources from the waste — or disposal which, for non-hazardous waste, involves depositing in landfill sites. A key feature of landfill as a disposal method is that the sites used require ongoing control and long-term oversight to ensure environmental risks are managed when in operation but also after closure.
- 9.2** Responsibilities in relation to the oversight and management of waste in Ireland are spread across a number of public bodies (see Figure 9.1). The Department of Communications, Climate Action and Environment (the Department) has overall responsibility for waste management policy and legislation.²
- 9.3** In a judgement against Ireland in 2005, the European Court of Justice ruled that Ireland was generally and persistently failing to fulfil its obligations under EU Directive 75/442/EEC on waste, as amended by EU Directive 91/156/EC, based on its performance in relation to a number of identified landfill sites.³
- 9.4** The Department established a landfill remediation grant scheme in 2006 to provide capital funding in respect of essential works undertaken on licensed landfill sites which closed (i.e. ceased accepting municipal waste) prior to 1 January 2006. The grants — up to a maximum of 75% of the required outlay — were made available to local authorities with limited resources to assist them to give effect to remediation and aftercare plans agreed with the Environmental Protection Agency (EPA), consistent with the conditions of the relevant licence.
- 9.5** The Department's grant scheme was expanded in April 2018 to fund 100% of the capital costs of the remediation and aftercare of discontinued landfill sites operated by local authorities, private landfills taken into State ownership and illegal dumps as well as the restoration or creation of wetlands to compensate for those previously used as dumps.

Focus of the examination

- 9.6** This examination was undertaken to establish in the context of the remediation grant scheme
- whether the remediation requirements have been assessed for all sites under the management or control of local authorities
 - the cost of landfill remediation to date and the reliability of estimates of future costs in relation to the remaining sites requiring work
 - whether landfill operators are contributing appropriately to the costs of closure, restoration and aftercare of landfills, in line with the 'polluter pays' principle.
- 9.7** The examination was carried out through enquiries and examination of records and data held by the Department and by the EPA. Local authorities are not within the scope of the mandate of the Comptroller and Auditor General.

¹ The EU Waste Framework Directives are implemented in Ireland by the Environmental Protection Agency Act 1992, the Waste Management Acts 1996 and 2001 and the Protection of the Environment Act 2003. Several statutory instruments also deal with specific aspects of EU Directives such as SI No. 390/1979 and SI No. 126/2011.

² The name of the Department is expected to change to the Department of the Environment, Climate and Communications.

³ ECJ case 494/01; judgement issued on 26 April 2005.

- 9.8 A number of specific remediation projects funded wholly or in part by the Department were reviewed as part of the examination. These are summarised in the report as case studies to illustrate the nature of the work involved in landfill remediation, and the administrative challenges that may arise for the Department in ensuring that public funds are used appropriately and to good effect.

Figure 9.1 Overview of roles and responsibilities in relation to waste management

Entity	Area of responsibility
Department of Communications, Climate Action and Environment (the Department)	<ul style="list-style-type: none"> Overall waste management policy and legislation.
Local authorities	<ul style="list-style-type: none"> Waste management within their areas of jurisdiction and operating waste handling facilities, including landfill sites. Issuing permits for the operation of waste handling facilities. Powers and obligations to tackle illegal waste activity.
National Waste Collection Permit Office (NWCPO)	<ul style="list-style-type: none"> Operating from Offaly County Council, it administers the waste collection permit system on behalf of all local authorities.
Regional waste management planning offices (3)	<ul style="list-style-type: none"> Coordination of the local authorities' waste management planning function. Preparation and implementation of the regional waste management plans.
Waste enforcement regional lead authorities (3)	<ul style="list-style-type: none"> Coordination of waste enforcement actions within regions. Setting priorities and common objectives, designed to ensure consistent enforcement of waste legislation within regions. Work overseen by a national steering committee, established by the Department, with representatives from a range of regulatory authorities.
Environmental Protection Agency (EPA)^a	<ul style="list-style-type: none"> Regulatory body for large waste facilities and landfills. Issues operating licences and inspects the facilities.^b
Office of Environmental Enforcement (an office within the EPA)	<ul style="list-style-type: none"> Has functions concerning the implementation and enforcement of environmental legislation. Supervisory function in respect of the environmental protection activities of local authorities and may take action against a local authority that is not discharging its environmental protection functions properly.

Source: Office of the Comptroller and Auditor General

Notes: a Established under the Environmental Protection Agency Act 1992.

b The Waste Management Act 1996 provides for the licensing and regulation of landfill sites by the EPA. This Act also provided for penalties, monitoring of landfills, and certain duties of local authorities.

Identification and assessment of landfill sites

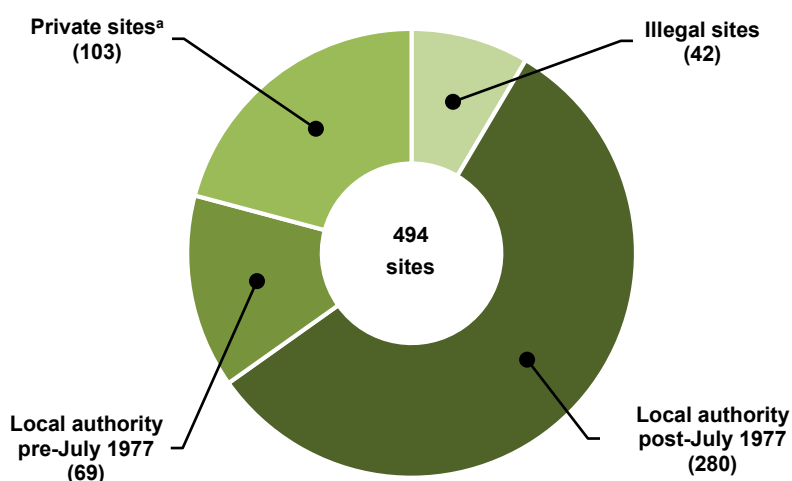
- 9.9** The 1996 Waste Management Act provided for local authorities to identify sites within their jurisdictions at which waste disposal or recovery activities had been carried on, to assess any risk of environmental pollution and to identify remedial measures. As well as municipal landfills, this included unregulated waste disposal sites. However, this requirement was generally not actioned as there was no national standard for the local authorities to follow in assessing risk and in identifying the necessary remediation works. That deficit was addressed in 2007 with the publication by the EPA of a code of practice for environmental risk assessment of unregulated waste disposal sites.
- 9.10** The legal obligations on local authorities for landfills were expanded in 2008.¹ In addition to having to register sites they themselves had operated in the period between July 1977 and March 1997 (at which time the EPA became responsible for licensing and regulating landfill operations) and to carry out an environmental risk assessment, local authorities now had to make applications to the EPA for approval and authorisation of any proposed remediation works.
- 9.11** At July 2020, the total number of identified landfill sites was 611.² This included
- 117 sites licensed and regulated by the EPA since March 1997, and which it continues to monitor — consisting of 64 sites operated by local authorities and 53 operated privately.
 - 494 unregulated sites registered by local authorities on a web-based register established by the EPA.³ Over 70% of the sites are former local authority-operated landfills. Around 21% were privately operated sites, while just over 8% were illegal dump sites (see Figure 9.2).

1 SI No. 524/2008 — Waste Management (Certification of Historic Unlicensed Waste Disposal and Recovery Activity) Regulations 2008.

2 This figure incorporates landfills for different waste types and situations including municipal solid waste, inert waste and landfills attached to industrial facilities e.g. licensed by the EPA as integrated pollution prevention and control activities.

3 The EPA hosts the Waste Management Act Section 22 register. Local authorities are responsible for the completeness and verification of the data entered. It is a dynamic register, updated on an ongoing basis as new information comes to light. It has been agreed that the hosting and management of the register will move from the EPA to the local authorities and work is underway within the NWCPO in Offaly County Council in that regard.

Figure 9.2 Landfill sites on the Section 22 register, as at 31 December 2019



Source: Waste Management Act Section 22 register hosted by the EPA

Note: a Includes 101 private sites licensed under SI No. 390/1979 and two private sites closed before 1980.

Assessment of sites

9.12 The environmental risk assessment of the sites on the Section 22 register involves three progressive stages.

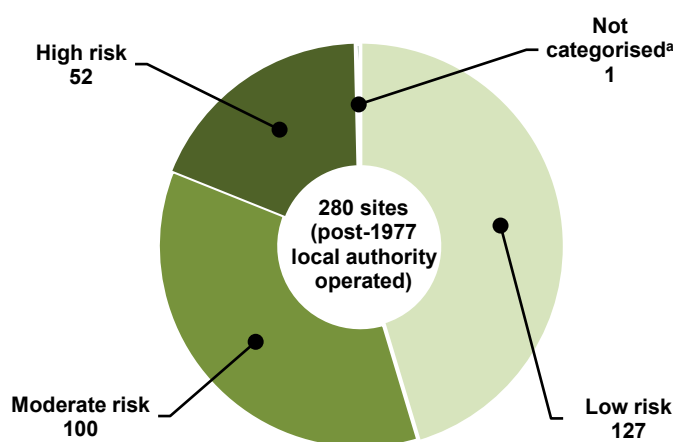
- Tier 1 assessment — development of a conceptual site model and risk assessment — this allows for the categorisation of sites into low, moderate and high risk.
- Tier 2 assessment — more detailed site investigations and testing.
- Tier 3 assessment — refinement of the conceptual site model and completion of a quantitative risk assessment for all moderate and high risk sites.

Risk assessments

9.13 By the end of 2019, all 280 of the post-1977 local authority sites on the Section 22 register had been risk assessed and all but one had been categorised (see Figure 9.3). Over half of the sites were assessed as either high risk or moderate risk.

9.14 Neither the EPA, nor the Department, nor the regional waste management planning offices were able to provide the examination team with complete information on the risk assessment status of the remaining 214 sites on the Section 22 register as at 31 December 2019.

Figure 9.3 Risk rating of post-1977 local authority operated landfill sites



Source: Department of Communications, Climate Action and Environment

Note: a The Department has stated that the actual risk category for one site, which had been risk assessed and remediated as part of a road development, could not be verified by the local authority.

Actions to mitigate the risk

- 9.15** On completion of the three-tier risk assessment process, local authorities are required to prepare remediation plans to address the risks identified for a site.
- 9.16** In line with Department policy and the regional waste management plans, the primary objective of remediation works is the elimination or management of any environmental risk posed by a waste-impacted site. Three broad strategies are used for remediation of a site.
- The most frequently used approach is to leave the waste deposited in landfills on site. This typically requires installing an engineered cap, a leachate containment or drainage system, and landfill gas extraction structures (gas burned off at a flare, collected for energy generation or released through passive gas vents), with aftercare management of the site extending over many years. The latter includes ongoing management and monitoring for leachate and gas, until the site stabilises and no longer poses a threat to public health or the environment.
 - A less used remediation option is to remove all waste for disposal elsewhere and to fill and restore the landfill site with inert matter.
 - A third option exists where certain waste may be removed from the site, leaving the balance in situ to be managed appropriately.
- 9.17** A Ministerial direction issued in 2005 and the EPA code of practice both specify that for illegal sites identified, remediation requires the removal of all waste except where it is shown that an alternative solution provides greater protection to the environment and the health of the local population.
- 9.18** The site remediation plans prepared by local authorities are assessed for funding purposes in different ways. The approach taken depends on whether the site was operated by the local authority or a private operator and on when it operated.
- 9.19** Remediation plans in respect of local authority landfill sites operated in the period between July 1977 and March 1997 are submitted to the EPA along with applications for certificates of authorisation. Approval is granted by the EPA, via a certificate of authorisation, when it is satisfied that the proposed works and aftercare programmes are suitable and robust. Although 152 of the 280 sites had been assessed as being high or moderate risk, by the end of 2019, the EPA had issued final certificates of authorisation for remediation work in only 11 cases (7% of the 152 sites) (see Figure 9.4). Applications had been received in respect of a further 18 high or moderate risk sites. The EPA informed the examination team that applications in respect of five of those sites were at an advanced stage of certification.
- 9.20** Remediation plans for other types of sites — illegal, private and pre-1977 local authority landfills — must be signed off by a qualified person (either within the local authority or an external consultant) before grant funding can be approved by the Department. There is no central data on the status of remediation of the 214 sites in this category identified up to the end of 2019.

Figure 9.4 Actions in relation to remediation of local authority sites that operated post 1977,^a at 31 December 2019

	High or moderate risk	Low risk and not categorised	All sites
Final certificates of authorisation for remediation work issued	11	2	13
Applications for certificates of authorisation submitted to EPA ^b	18	9	27
Assessment ongoing or no action	123	117	240
All sites	152	128	280

Source: EPA

- Notes:
- a This table relates to sites that operated between July 1977 and March 1997, and that had ceased operations prior to EPA licensing.
 - b The EPA informed the examination team that five applications were at an advanced stage of certification.

Remediation of EPA regulated sites

- 9.21** From March 1997, the EPA became the regulatory and licensing authority for all operational landfills, whether local authority or privately operated. By end 2019, all but three of the 117 licensed sites had ceased operating (see Figure 9.5). Licences issued were specific to the type of waste which could be deposited and contained technical specifications and conditions to manage the environmental risk. Adherence to the conditions of the licence is subject to ongoing monitoring by the EPA. Licensing infringements may result in prosecution of the landfill operators.
- 9.22** Convictions were secured by the EPA against local authorities on 18 occasions for breaches of licensing conditions, usually concerning odours, nuisance or failure to install adequate infrastructure. Five prosecutions were taken by the EPA in relation to privately-owned licensed landfills, resulting in three convictions, with the Probation Act being applied on two occasions.

Figure 9.5 Status and enforcement activity of sites regulated by the EPA, at 31 December 2019

	Privately owned	Local authority	Total
Closed	50	64	114
Operational	3	—	3
Total number of sites	53	64	117
Prosecutions resulting in a conviction	3	18	21

Source: EPA

Department's expenditure on remediation

- 9.23** Up to the end of 2019, the Department had provided a total of €158.4 million on landfill remediation of 122 sites. Over four fifths of the expenditure was provided from voted funds, with the balance issuing from the Environment Fund. The level of expenditure for landfill remediation varied significantly between sites.
- 9.24** The Department provided €52.4 million for land remediation at the Haulbowline former industrial site in Cork harbour. In addition to the Department's expenditure, the Department of Agriculture, Food and the Marine spent a further €24.6 million between 2011 and 2019 on remediation of the Haulbowline site. This brings the total funding provision for remediation of that single site to €77 million.
- 9.25** The Department provided over €23.9 million for remediation work on a former licensed commercial landfill site at Kerdiffstown in County Kildare (see Case study 3) and €9.6 million for enforcement action and aftercare works at a licensed and former privately operated landfill site at Kilconnell in County Galway (see Case study 4). The Department estimates that up to a further €68 million may be required to complete remediation work at the Kerdiffstown and Kilconnell sites.
- 9.26** Funding provision to the end of 2019 for remediation of other sites was significantly more modest, at just over €72 million for 119 sites — an average of around €609,000. However, remediation is not yet completed on most of the sites. The total cost of completing ongoing remediation works at sites (other than Kerdiffstown and Kilconnell) has not been estimated.
- 9.27** In addition to unregulated sites identified by local authorities, illegal dumping of waste in 17 sites in Northern Ireland has been identified as having originated from south of the border. Remediation of the problem in 12 of the sites (accounting for an estimated 42% of the illegal waste) has been completed, through removal of the waste and restoration of the sites, at a cost to the Irish State of approximately €8 million.¹ Negotiations with the Northern Ireland authorities on the method of remediation of the remaining five sites are ongoing.
- 9.28** Estimates of potential future remediation costs in relation to other identified landfill sites are not available. The Department has stated that most of these projects are currently undergoing tier 2 and tier 3 risk assessments which will inform the site resolution plan and projected remediation costings are consequently not yet available.

Case study 1: remediation of a regulated local authority landfill involving restoration of wetlands

- 9.29** The case study outlines the process of remediation undertaken at a local authority landfill located at Tramore, County Waterford. The landfill operated for many years, accepting a wide range of waste, including hazardous waste, and the EPA had been critical of aspects of how it was operated.
- 9.30** The remediation works carried out at the landfill site and the adjacent wetland cost a total of €12.3 million, of which €11.3 million came from the Exchequer and the Environment Fund and €1 million came from Waterford County Council. The works undertaken included restoration of damaged wetland habitats (cost €7.6 million) and the remediation of Tramore landfill (cost €4.7 million). All capital remediation works have been completed, and the Tramore landfill is being managed and monitored to protect the environment.

¹ Funding for the payments came from the Environment Fund.

Case study 1 Tramore — Waterford County Council

1939

Site operational

2005

Site closed

2006

Landfill works commenced

2007

2008

Wetland creation works commenced

2018

Tramore Landfill during works

Key facts

Type of landfill: Regulated municipal site

Costs: €12.3 million — Exchequer €11.3 million, Waterford County Council €1 million

Status: Remediated/restored

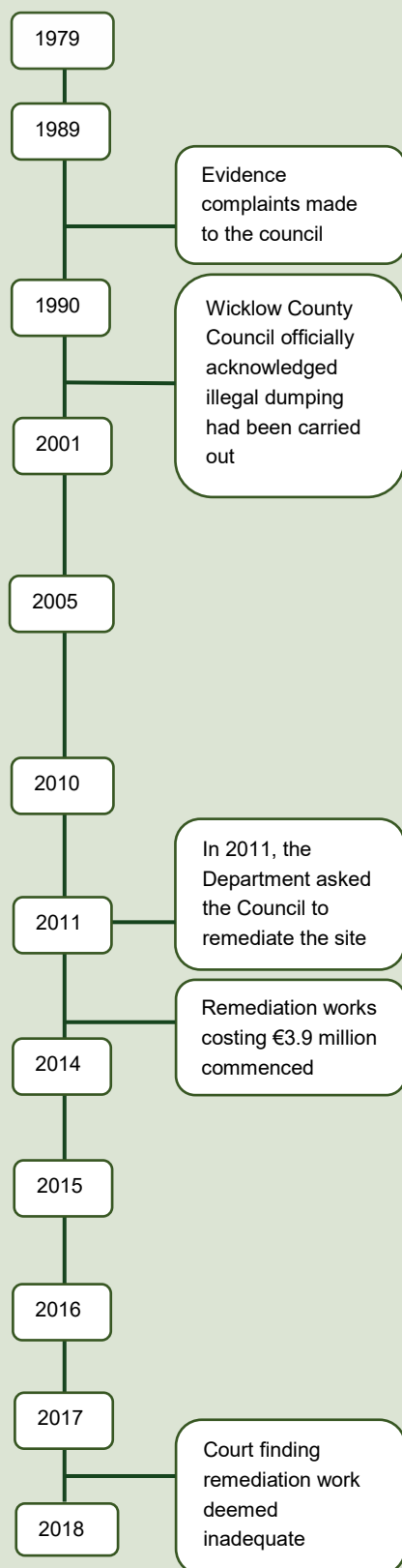
Key aspects

- Tramore landfill was operated by Waterford County Council from 1939 to 2005 when it ceased operation.
- Hazardous waste had been accepted at the site.
- An EPA assessment in 2001 noted that the operational practices at the facility were poor.
- Problems identified by the EPA with this site included:
 - there was no landfill gas management at the facility
 - there were no leachate control measures on site.
- A new wetland had to be recreated to replace one that had been damaged. Included in the cost of recreating the wetland was the purchase of adjacent agricultural land for €2.4 million.
- Works on the Tramore landfill were carried out between 2006 and 2012 and works on the Tramore wetland creation were carried out between 2008 and 2014.

Case study 2: remediation of illegal waste site

- 9.31** The case study outlines the circumstances of a landfill remediation project undertaken at Whitestown in County Wicklow, where large quantities of waste were illegally deposited over many years up to 2001. The illegal dump at Whitestown was cited in the 2005 European Court of Justice case as an example in which Ireland was failing to fulfil its obligations under the 1975 Waste Framework Directive.
- 9.32** In 2005, Wicklow County Council sought to have the polluters and the then owners rectify the site and a licence issued by the EPA specified that all non-inert waste was to be removed off-site. A number of criminal convictions resulted from investigations undertaken by the Council.
- 9.33** In 2008, the subsequent owners of the site commenced legal proceedings seeking orders requiring the Council to remediate the site on the basis that the Council and its agents (amongst others) had, over many years, illegally deposited waste on the site. In 2011, the Department asked the Council to remediate the site as a matter of priority. The Department took the decision to underwrite the Council's costs for the remediation because of the risk of pollution and to avoid further EU infraction proceedings, including potential daily fines.
- 9.34** The Council, working with the EPA, established a technical working group to oversee the proposed programme of site investigation, risk assessment and remediation works. The working group recommended and the Department agreed to leave much of the waste at Whitestown on site. Following a tender competition, the remediation works undertaken on behalf of the Council were completed in 2015 at a cost of €3.9 million.
- 9.35** On foot of legal proceedings subsequently taken by the owners of the site against the Council, the High Court found that the remediation undertaken at Whitestown was not in compliance with EU law and that the remediation methodology was flawed, resulting in hazardous waste being mixed with other waste, and potential contamination of the site. In addition, the need for ongoing monitoring of the landfill site means that the Council cannot state when it will be in a position to hand the site back to its owners. The Court ordered the Council to remove to a licensed waste disposal facility all waste (and all soil or other materials contaminated or potentially contaminated by such waste) from all areas of the site including areas that were already the subject of attempted remediation, and to appropriately fill and landscape the site with inert matter sourced elsewhere.
- 9.36** The Department has stated that the costs of the required remediation work at the Whitestown site are not yet known and that Wicklow County Council has been contacted regularly to provide updates on on-going works and to submit a new site resolution plan. The Department has not received further remediation plans or a site resolution plan and no further funding application has been made by Wicklow County Council. The Department is not a party to the High Court proceedings.

Case study 2 Whitestown — Wicklow County Council

**Key facts**

Type of landfill: Illegal

Costs to date: €4.1 million

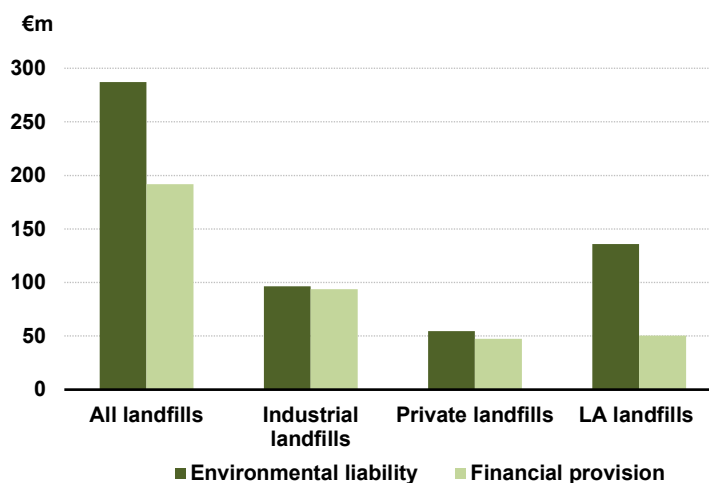
Status: Site resolution plan awaited

Key aspects/future costs

- The site has been described as the largest illegal dump discovered in the State and was operated from 1979 until late 2001.
- Waste including domestic, hospital, industrial and construction waste had been dumped illegally at this site. Some of the construction waste came from civil engineering works undertaken by or on behalf of local authorities, including toxic tarmacadam and road spoil.
- The site was cited in the 2005 European Court of Justice judgement in Case C 494/01 as an example of Ireland's failure to comply with the 1975 Waste Framework Directive.
- Remediation work was carried out on the site commencing in 2013, at a cost to the Department of €3.9 million.
- The owner of the site (Brownfield Restoration (Ireland) Limited) took a legal case against Wicklow County Council alleging that the Council did not carry out a proper remediation of the site.
- The High Court found in 2017 that remediation work carried out by the Council in 2014 had been deficient.
- Following the High Court decision, a tier 1 environmental risk assessment was completed in February 2019. The assessment indicated that the site is high risk.
- Site investigation is currently underway and it is expected that a site remediation plan will be completed and circulated to relevant stakeholders before the end of November 2020.
- The Department has no detail on the final costs to remediate the site.
- As at 31 December 2019, the State has spent €0.2 million on site investigations and in developing a remediation plan.

Financial provision for remediation costs

- 9.37** Under Irish environmental law, the EPA requires licensees to make adequate financial provision to manage the potential environmental liabilities which may occur as a result of their licensed activities. Financial provision is a requirement of the Landfill Directive 1999/31/EC which came into effect from July 2009 and involves putting in place a financial instrument or other approved financial provision to cover the full cost of responding and remedial measures if an incident occurs, and/or the costs of closure, decommissioning, restoration, aftercare and management. The provisions apply to a total of 63 sites, including 50 that have operated after July 2009 and 13 local authority sites closed before July 2009 where the EPA has required financial provision to be put in place due to some contamination on the site. Different arrangements apply depending on whether the site is privately owned or operated by the local authority.
- **Private/industrial sites (25)** — Drawing on lessons learned where financial provisions proved inadequate or failed in a legal challenge, the EPA has in recent years strengthened its requirements in respect of all landfills, particularly privately operated/industrial landfills, including those which have closed. Once environmental liability costings are agreed with the EPA, the options for the operators in question include the putting in place of secured funds, on-demand bonds and environmental impairment insurance policies.
 - **Local authority sites (38)** — For local authority sites operating since July 2009, the relevant local authorities have been asked to project the cost of the closure, restoration and aftercare works for the sites and to provide the EPA with a written agreement accepting liability for undertaking the works. Once the potential liability has been agreed, the local authority may make
 - special reserve to meet all liabilities arising, or
 - establish special reserve to partially meet the liability and provide an undertaking that the balance of funding will come from borrowings and annual budgets, or
 - give an undertaking to finance all liabilities as they arise from annual budgets and borrowings.
- 9.38** Financial provision agreements are now in place in respect of
- eight of 13 private landfills — covering 87% of the estimated environmental liability
 - ten of 12 industrial landfills — covering 97% of the estimated environmental liability
 - four of 38 local authority landfills — covering 37% of the estimated environmental liability.
- 9.39** As at 31 August 2020, the value of financial provisions in place in relation to environmental liabilities associated with incidents and closure/aftercare at all licensed landfills stood at €191.7 million — €141.2 million for privately operated/industrial landfills and €50.5 million for local authority licensed landfills (see Figure 9.6).

Figure 9.6 Environmental liability and financial provision for landfill sites

Source: Office of the Comptroller and Auditor General

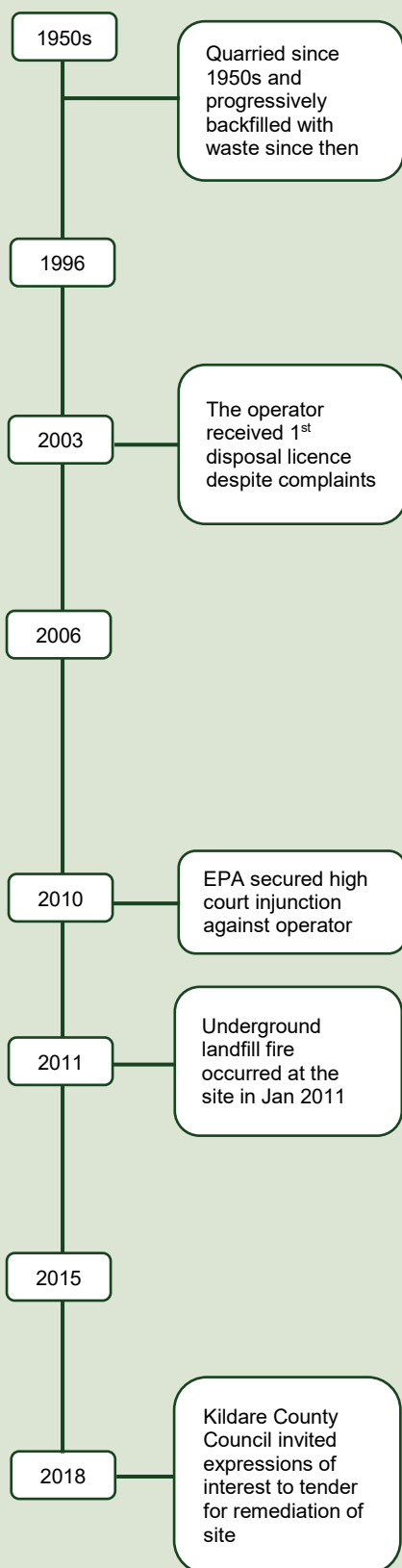
Case study 3: remediation of a regulated private landfill

- 9.40** The case study relates to a privately-owned landfill at Kerdiffstown, County Kildare that had operated commercially over many years. The operator was found to be in breach of the terms of the licence on several occasions. In February 2011, the EPA took possession of the site because of concerns for public health and safety. Ownership of the site now resides with Kildare County Council and in March 2019 the EPA granted the Council a licence to manage the site.
- 9.41** By the end of 2019, a total of €23.9 million had been provided by the Department to meet the costs of enforcement actions, securing the site and carrying out preparatory works for remediation. The cost for the remaining remediation works and for the proposed end use of the site as a public recreational park is estimated at €50 million. The procurement process to award a tender for these additional works is on-going with a view to awarding a contract in the latter half of 2020.
- 9.42** Criminal proceedings are underway. In earlier proceedings taken by the EPA against the operators, the High Court set aside limited liability protection in order to impose personal liability on company officers. A fine of €20 million was imposed in 2015 but this has not been paid.

Case study 4: takeover of regulated waste management facility following receivership

- 9.43** The case study is an example of a more recently established landfill, operating commercially since 2005 at Kilconnell in County Galway under a licence issued by the EPA. A substantial financial provision to cover liabilities arising in the event of closure, remediation and aftercare was a condition of the licence. A receiver was appointed to the company in 2013.
- 9.44** The EPA encountered difficulties in the release of the financial provision and the High Court ruled against the EPA in a case taken against the operator, its bank and the receiver. A negotiated settlement with the bank of €2 million was subsequently achieved. Based on current assessments, the cost of site closure works and long term monitoring is estimated at €17.8 million.

Case study 3 Kerdiffstown — Kildare County Council



Key facts

Type of landfill: Licensed private landfill site

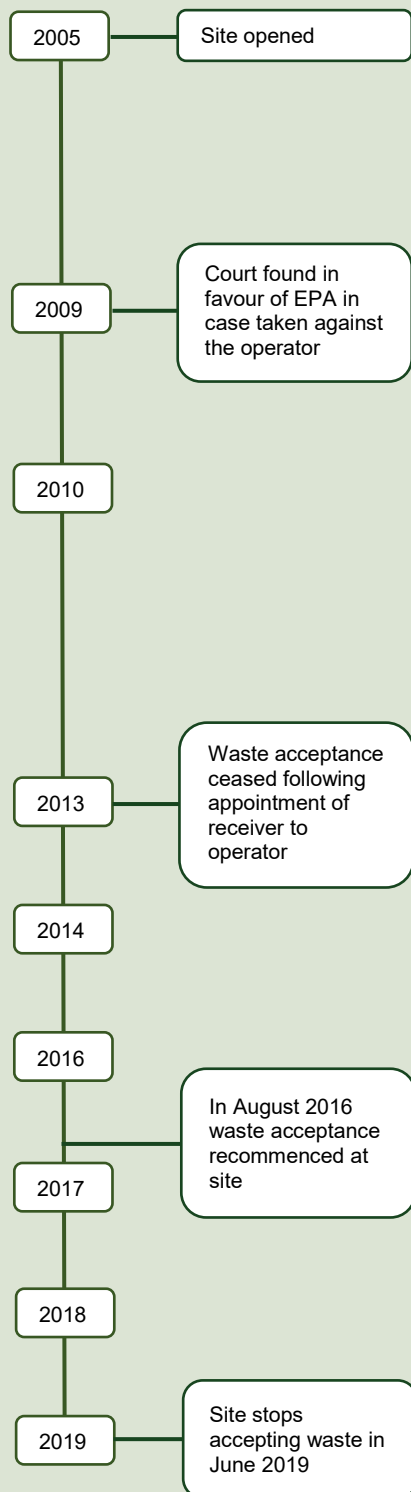
Costs to date: €23.9 million

Status: Under remediation

Key aspects/future costs

- The site was originally a sand and gravel quarry which has been progressively backfilled with waste since the 1950s. The site was operated under a local authority waste permit, and later by a waste licence for structural waste issued by the EPA in 2003.
- The operator was found to be in breach of the terms of the licence on several occasions with breaches ranging from security and management of the site to the type of waste being accepted.
- In 2010, the EPA secured a High Court injunction against the operator of the site. The operator of the facility vacated the site soon after.
- In January 2011, a major fire ignited at the site which took 30 days to bring under control.
- Because of concerns for public health and safety and for the environment, the EPA exercised its statutory powers and took possession of the site.
- Ownership of the site transferred to Kildare County Council in June 2015.
- On foot of a file prepared by the EPA, a criminal case taken by the Director of Public Prosecutions against the landowner concluded in 2015 with fines of €20 million imposed. The fine, which was payable to the Exchequer, has not been paid as the company in question has no assets.
- As at 31 December 2019, the State has spent €23.9 million on enforcement actions and securing and remediating the site.
- The estimated cost for remediation and the proposed end use of a public recreational park is €50 million. The procurement process to award a successful tender for these works is ongoing with a view to awarding a contract later in 2020.

Case study 4 Kilconnell — Galway County Council

**Key facts**

Type of landfill: private landfill — greenfield site turned into a landfill under licence issued by the EPA from December 2005

Costs to date: €9.6 million

Status: Closed in 2020 with requirement for ongoing aftercare

Key aspects/future costs

- In 2005, a commercial operator opened the Kilconnell landfill, under a waste licence issued by the EPA.
- A condition of the licence was that the operator make adequate financial provision for potential liabilities in the event of closure, aftercare and remedial measures in the event of an incident.
- The landfill accepted waste from December 2005 to May 2013 at a rate of 100,000 tonnes per annum for disposal and up to 27,320 tonnes per annum of engineering material for recovery purposes.
- The landfill ceased to operate in May 2013 when a receiver was appointed to the operating company.
- In July 2013, the EPA exercised its powers to enter the site and appointed Galway County Council as agents and authorised officers on an emergency basis. In 2015, Galway County Council took over the site.
- In August 2016, waste acceptance recommenced with the landfill under the control of Galway County Council. The site ceased operations in March 2020 and is no longer active.
- The EPA had legal difficulties in enforcing the financial provision in relation to the site.
- The High Court ruled against the EPA in a case brought against the operators, their bank and the receiver to release the financial provision set aside for the purpose of financing the closure, remediation and after care of the site.
- The EPA appealed the High Court decision to the Supreme Court. The appeal was withdrawn when a settlement was agreed with the bank.
- Based on current assessments, the cost of site closure works and long term monitoring (for 30 years) is estimated at €17.8 million.

Conclusions and recommendations

- 9.45** Waste management in Ireland has undergone significant structural change in the last two decades. There has been a move away from almost total reliance on landfill to the present situation where considerable quantities of waste are recycled or recovered, and there is significant reliance on incineration of non-recyclable waste. This is reflected in the steady decline in the number of operating landfills — just three were operational in 2019. Notwithstanding this change, the past reliance on landfills means that remediation and ongoing monitoring of closed sites will remain a significant cost into future years.
- 9.46** A total of 611 landfill sites have been identified. Almost all of these have now ceased operations. The sites are very diverse in terms of their regulation and operation, reflecting changing statutory arrangements over the past five decades, against a backdrop of progressively tightening EU waste management requirements and the threat of fines for non-compliance. A consequence of the changing arrangements is that responsibility for the oversight and remediation of the sites is dispersed among many agencies.

Recommendation 9.1

The Department should conduct a comprehensive review of governance arrangements related to landfill sites to ensure that responsibilities for oversight and monitoring of landfill sites are clearly defined and assigned to ensure that appropriate steps to eliminate risks to the environment and communities are taken in a timely and efficient manner.

Accounting Officer's response

Agreed.

Extensive work has already been undertaken to improve governance arrangements for the landfill remediation programme including the appointment of regional coordinators in the local authority sector and the establishment of a steering group in 2019. The steering group, chaired by the Department and supported by the regional waste planning offices, meets quarterly to review project progress, allocation and drawdown of funds, and to identify and respond to emerging policy and operational issues. It is proposed to finalise a memorandum of understanding with the EPA and local authority sector (by the end of March 2021) which will set out the agreed roles and objectives for each body in the delivery and management of the national response to landfill sites to ensure a continued and consistent response to mitigating any environmental risk posed by landfill sites.

- 9.47** Monitoring environmental risk factors associated with landfill sites is important in ensuring that the environment is protected and remediation costs are minimised.
- 9.48** The EPA monitors environmental risk factors on an ongoing basis on the 117 landfill sites it has licensed and regulated since March 1997 (64 operated by local authorities and 53 privately operated). By the end of 2019, only three privately operated landfills were still in operation.

- 9.49** The EPA does not monitor environmental risk factors at the remaining 494 landfills that have been identified by the local authorities and are registered on an EPA-hosted database.
- 9.50** More than half (152) of the 280 sites operated by local authorities and subsequently closed between June 1977 and March 1997 have been assessed as of either moderate or high risk. Remediation plans have been submitted to the EPA, as part of applications for certificates of authorisation, in respect of only 29 (19%) of these. Certificates of authorisation have been issued in respect of only 11 sites (7%).
- 9.51** Neither the EPA, nor the Department, nor the regional waste management planning offices were able to provide the examination team with complete information on the risk assessment status of the remaining 214 sites on the register as at 31 December 2019 which included pre-1977 local authority sites, private sites and illegal sites.

Recommendation 9.2

The Department should develop proposals for ensuring that all outstanding risk assessments are completed on a timely basis and that remediation plans are put in place as a matter of priority in respect of those landfill sites which are assessed as of either moderate or high risk.

Accounting Officer's response

Agreed.

The completion of outstanding risk assessments and the putting in place of appropriate remediation plans is a priority for the Department and local authorities. This work is significantly advanced and ongoing at local authority level, monitored by the steering group. Information on historic and legacy landfill sites is set out in the existing regional waste management plans (RWMPs) from 2015 and a comprehensive update will be included in the next set of RWMPs which are due to be published in 2021.

- 9.52** A total of €77 million was expended by central government departments on remediation of the Haulbowline site. In addition, under a grant scheme that applied to sites that closed before April 2009, the Department has expended nearly €106 million in support of local authorities undertaking remediation works on 121 landfill sites. Works on 22 sites have been completed. On two of the larger sites (Kerdiffstown and Kilconnell) where work is ongoing, the Department projects grant funding of a further €68 million will be required. There is no estimate of the expenditure that may be required by local authorities in relation to the remaining sites where remediation is ongoing.

Recommendation 9.3

The Department should develop medium term estimates of the future costs associated with landfill remediation.

Accounting Officer's response

Agreed.

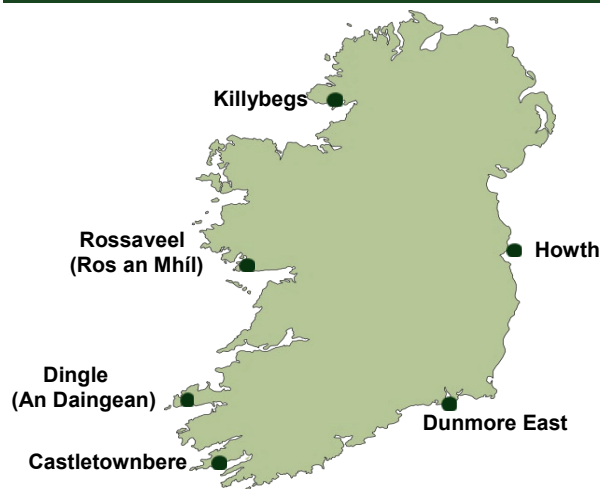
The Department has well established cost estimates for a number of sites, such as Kerdiffstown and Kilconnell and the development of medium term estimates of other future costs will be a key output for the steering group.

- 9.53** Financial provision arrangements as part of EPA licensing are intended to ensure that there will be sufficient resources available to fund restoration and aftercare costs when landfill sites close, or when pollution incidents occur during operation.
- 9.54** Kilconnell landfill is an example of where the financial provision arrangement in place failed to provide the funds required to meet closure and aftercare costs. Instead, the Department is having to fund substantial costs associated with closure, remediation and ongoing monitoring of the site.
- 9.55** The EPA has taken action to improve the value and robustness of the financial provisions put in place in respect of all landfills, particularly privately operated/industrial landfills. As at the end of August 2020, for the 22 privately operated/industrial landfills for which projected environmental liability costings had been agreed, financial provisions were in place to cover more than 93% of those costings. Nevertheless, there remains a gap of €10 million between the environmental liabilities costed and the financial provisions put in place for privately operated/industrial landfills.

10 Financial management and reporting for fishery harbour centres

- 10.1** Fishery harbour centres (the centres) are designated at six locations throughout the State (see Figure 10.1).¹ The primary function of the centres is to develop and support fishery-related activities in Ireland. In addition, the centres' facilities may be used to promote leisure and amenity activities, and to assist social and economic development in the local areas.

Figure 10.1 Location of fishery harbour centres



Source: Office of the Comptroller and Auditor General

- 10.2** The Department of Agriculture, Food and the Marine (the Department) has direct responsibility for management and operation of the centres. Day-to-day operations are funded through harbour dues and charges set by law, and rents from State-owned properties. In addition, annual capital grant funding from the Exchequer is made available for the development and maintenance of harbour facilities.
- 10.3** The financial transactions of the centres are managed by the Department through a statutory fund, known as the Fishery Harbour Centres' Fund (the Fund), which is audited on an annual basis.
- 10.4** Following the transfer of responsibility for marine affairs (including fisheries) to the Department in 2007, significant delays emerged in the preparation and presentation of audited financial statements for the centres. A special report about the financial management and reporting for the centres was completed in April 2014.² The report sets out the background to the financial reporting delays and a number of related financial management issues, including billing of harbour dues, billing of rental income and the effectiveness of debt collection. The report included seven recommendations which were all accepted by the Department.

¹ The centres are designated under the Fishery Harbour Centre Act, 1968.

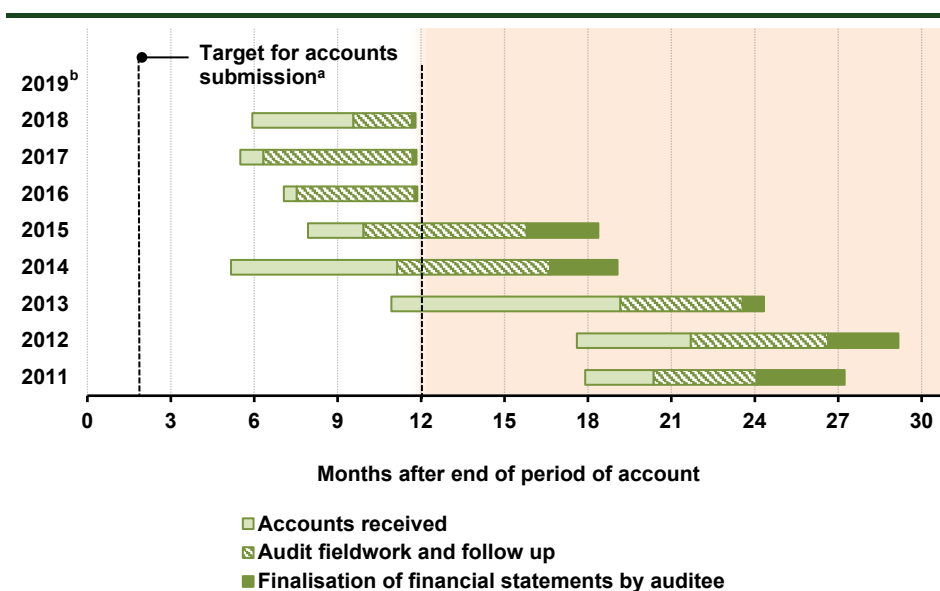
² C&AG special report number 82, *Financial Management and Reporting for Fishery Harbour Centres*, April 2014.

- 10.5** The Committee of Public Accounts (PAC) examined the special report at its meeting on 16 October 2014, and published its own report on the matter in June 2015.¹ The Committee's report contained 13 recommendations. Eight of the PAC's recommendations were closely related to recommendations in the special report.² In April 2016, the Minister for the Department accepted 12 of the PAC's recommendations, which included the eight related to recommendations in the special report.³
- 10.6** Given the elapse of time since the completion of the special report, it was considered appropriate to assess
- the timeliness of financial reporting now
 - how the Department has implemented the recommendations contained in the report
 - the governance arrangements put in place by the Department for implementing the recommendations.

Timeliness of financial reporting

- 10.7** There has been a significant improvement in the timeliness of financial reporting on the business of the centres (see Figure 10.2). Up to 2019, significant advances were achieved in the timeliness of submission of accounts for audit. The 2019 financial statements were not submitted for audit until 9 September 2020. The Department explained that the 2019 financial statements were delayed due to complexities associated with the recognition in the financial statements of harbour land and buildings and infrastructure for the first time as well as delays due to the Covid pandemic.

Figure 10.2 Timeliness of financial reporting on the fishery harbour centres, 2011 to 2019



1 Public Accounts Committee — *Report on the Fishery Harbour Centres* (June 2015).

2 All recommendations in special report number 82 (except recommendation 5) had an equivalent recommendation in the Committee's report.

3 Circular 09/2016 *Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Fishery Harbour Centres* (April 2016).

Source: Office of the Comptroller and Auditor General

- Notes:
- a Time targets for the submission of financial statements for audit vary between different categories of body. For the fishery harbour centres account, the legislation does not specify the target time for submission of financial statements for audit. The *Code of Practice for the Governance of State Bodies (2016)* requires draft accounts to be submitted for audit within two months after the end of the accounting period.
 - b The 2019 financial statements were submitted for audit on 9 September 2020 i.e. just over eight months after the end of the period of account.

Implementation of recommendations

- 10.8** The special report set out seven recommendations to the Department in relation to financial management and reporting for the centres. Progress in implementing the recommendations was assessed as at 28 February 2020. However, the assessment also took account of relevant developments after that date.
- 10.9** The current status of each recommendation has been assessed in terms of being implemented, part implemented, in progress or not implemented. The assessment of each recommendation is set out below.

Format of financial statements

Recommendation 1: The Department should review the format of the accounts for 2012 (and later years) with a view to ensuring consistency with up-to-date accounting practice.

- 10.10** The format of the centres' financial statements was devised many years ago. The report highlighted the need to improve the quality and usefulness of the financial information presented in the financial statements and identified inconsistencies in the accounting policies and practices when compared with current accounting practice.
- In the statement of financial position, fixed asset values are based on cumulative expenditure incurred on harbour properties from the various dates they were designated as fishery harbour centres. The value of existing assets transferred at the date of designation are not recognised.
 - Fixed assets are not categorised by type in the notes to the account.
 - Fixed assets are not depreciated.
 - Reviews are not undertaken for asset obsolescence or impairment.
 - Unusually, the statements dealing with the transaction in a year are prepared on both a cash and an accrual basis. Financial statements are normally prepared either on a cash basis or an accrual basis but not on both.
 - No cash flow statement is prepared — accrual-based financial statements typically include a cash flow statement.
 - A statement on internal financial control was not included as part of the annual financial reporting process for the centres.
- 10.11** Since the special report was completed in April 2014, the financial statements for the Fund have been enhanced in a number of ways.
- A statement on internal financial control has been included in the annual financial statements since the 2012 statements (signed May 2015).
 - The value of motor vehicles and plant and machinery was recognised for the first time in the statement on financial position as at 31 December 2018.¹
 - The draft financial statements for the Fund for the year ended 31 December 2019 recognise the value of fixed assets including land, building and infrastructure assets (valued on the basis of valuations provided by the Valuation Office) and capital assets under construction.² The 2019 draft financial statements also include a depreciation policy for these fixed assets.

¹ Motor vehicles and plant and machinery with a net book value of €626,000 were recognised.

² This included assets valued at €494 million at 31 December 2019 — land, building and infrastructure assets totalling €457 million and capital assets under development of €37 million.

Otherwise, the format and accounting policies of the financial statements have not changed.

- 10.12 *Assessment:*** This recommendation has only been partly implemented. While the Department has taken action to address some of the inconsistencies in accounting policies and practices identified in the special report, some work remains to be done to bring the format of financial reporting into line with standard accounting practice. The Accounting Officer has committed to establishing a project group to review this issue and make recommendations. The Department will then seek approval from the Minister for Public Expenditure and Reform, as appropriate, for any changes required.

Governance of the fishery harbours

Recommendation 2: The Department should review the governance arrangements for the centres to ensure that they adequately take account of the nature of the business.

- 10.13** The services the fishery harbour centres provide are mainly of an industrial/commercial nature. These include management and rental of property for commercial enterprises in the harbour precincts; provision of infrastructure and services such as auction halls; electricity; water and ice provision; levying and collection of fees for fish landings; and parking, etc. In some harbours, there is also a significant element of amenity and/or tourist activity. This type of activity is very different to much of the other activity of the Department, which is more administrative in nature. Furthermore, because the harbour centres were integrated into departmental systems, a number of problems arose when they were transferred between Departments in 2007.
- 10.14** The special report recommended that the management and governance arrangements of the centres should be reviewed to take account of the nature of the business.
- 10.15** Prior to the completion of the special report in April 2014, the Department had carried out an internal review of the management and reporting structures at the centres which was approved by the Management Board in July 2013.¹ The objective of the review was to re-organise and maximise the potential of the staff resources at each of the six centres in the context of achieving increased efficiencies and the objectives of the Croke Park Agreement.
- 10.16** Arising from the review, changes were made to the management and reporting structures at the centres which included the separation of the operational day-to-day functions of the centres from the property and debt management functions. The Department stated that the revised structures allowed it to provide a dedicated property unit to focus on management of the harbour properties in tandem with the pre-existing debt recovery unit already working to improve the financial returns owed to the centres.
- 10.17** The review also provided for the establishment of an internal fishery harbour centre management committee, at principal officer level. The Committee originally comprised representation from the sea fisheries administration division and the marine engineering division. Following publication of the special report, the Department amended the membership of the Committee to include also the accounts division.
- 10.18** The harbours management committee does not have a formal 'terms of reference', and it does not prepare minutes of its meetings or have formal reporting arrangements.

¹ *Reform of Management & Reporting Structures at Department of Agriculture, Food and the Marine's six Fishery Harbour Centres: Leading to improved efficiencies, effectiveness and the elimination of dual streaming*, June 2013.

- 10.19** The Department has stated that the management committee meets as appropriate, and at least twice a year and that it has an effective remit to consider the following matters¹
- strategic, operational and management issues
 - financial issues
 - capital programme
 - accounts preparation and
 - health and safety.
- 10.20** The Department is currently formalising the management committee's terms of reference and arranging that its proceedings will be formally recorded and reported periodically to the Management Board of the Department.
- 10.21** The Department stated that the governance arrangements have been further enhanced by inputs from annual harbour users' meetings for each harbour and an annual harbour masters' forum in which all six harbour masters discuss matters affecting the operation of the harbours.
- 10.22** **Assessment:** This recommendation was part implemented. The Department made changes to the management and reporting arrangements for the centres following an internal review, including the establishment of a new management committee, and these were further adjusted following the completion of the special report. However, there has been no formal review of the merits of possible alternative governance structures e.g. establishment of a stand-alone State body to manage the business of the harbours.
- 10.23** The Accounting Officer has stated that the adjustments to the accounts format, the significant reform of the debt collection processes, the valuation of assets and the establishment of a management committee are substantive evidence of review of governance. He accepts that such a review might have formally considered other structural options of a policy nature, including moving this element of the Department's functions to an existing State body, or the creation of a State body to carry out these functions of the Department. However, he stated that the Department has never been convinced that either accountability or transparency for the fishery harbour centres would be improved by the establishment of a State body, with the obvious additional expense of a new layer of senior management and board members, or the dissipation of accountability through multiple layers of administration, or that the primary focus of the fishery harbours administration — the provision of infrastructure and services for the development and regulation of the fishing industry — might have been improved by transferring the functions from the Department to a State body. It is equally the case that the scale of these operations is significantly smaller, from a financial point of view, than many other divisions of the Department.

¹ Reference is made to this Committee, with the matters it should have particular regard to and the frequency of its meetings, in the *Fishery Harbour Centre Best Practice Manual*, September 2020.

Review of charging orders

Recommendation 3: The Department should, at regular intervals, formally review the adequacy of the charging order to ensure that all charging rates reflect current economic conditions, and that all relevant activities and services by centres are captured.

- 10.24** A statutory instrument called a charging order sets the rates the centres charge for their services. For example, the charges vessels pay for entering a harbour or landing their catches are set in this order. Other charges include car parking fees and the costs associated with electricity usage and other overheads.
- 10.25** In response to the recommendation, the Department agreed to carry out a formal review of the orders every three years (commencing in 2015). However, it has not updated the charging orders since 2012.
- 10.26** At the end of October 2019, the Department completed a review of the charges under the order, identified a new series of charges and, based on legal advice, drafted six new charging orders to replace the single 2012 charging order. The Department has stated that, as of 28 February 2020, the process of updating the charging orders was at an advanced stage but the review of the 2012 order was unexpectedly but necessarily protracted as operational issues took considerable time to resolve.
- 10.27** Asked about the delay in signing the orders and implementing the new charges, the Department stated that there is a legal issue in regard to car parking charges in one of the centres which needs to be clarified before the orders can be signed by the Minister. The Department also explained that the Act requires that whenever the Minister proposes to make an order he shall publish the proposal and make it available for public consultation for 21 days and then consider any objections before deciding whether to introduce a new charging regime. The Department stated that once clarity is received from the Office of the Attorney General in relation to car parking charges and on any other related issues should they arise, it plans to proceed to public consultation.
- 10.28** The Department pointed out that the biggest contributor to fishery harbour income is generated by fishing activity and that the landing charges are based on the average price of fish landings in the previous year which means that the landing charges from the 2012 order are dynamic and still represent current economic circumstances.
- 10.29** **Assessment:** Work on implementing this recommendation is still in progress. In line with the original commitment, the orders should have been reviewed twice since the special report was completed. As outlined above, the Department intends to finalise new orders shortly and thereafter to complete a triennial review of the appropriateness of the charges.

Management of commercial property

Recommendation 4: The Department should immediately review those properties which are currently being provided free of charge or are vacant, with a view to ensuring that a proper competitive return is being obtained by the centres.

- 10.30** The special report highlighted that a number of properties located in the fishery harbour centres that were owned by the State were either unoccupied or were being used by third parties without paying a rental charge.
- 10.31** The Department has stated that it keeps its full property portfolio under review on an ongoing basis as part of its property management function. In January 2020, the Department formalised the reporting structure for the review process of the property portfolio by introducing a requirement to present an annual report to the Department's Management Board for its consideration.
- 10.32** The only agency currently being afforded free or "peppercorn" rent is the lifeboat service (RNLI). This has been and remains Departmental policy, in recognition of their charitable status and their contribution to the safety of seafarers.
- 10.33** Of the 249 properties on the property portfolio as at 3 February 2020, 17 were classified as vacant. Of the 17 vacant properties, six were deemed potentially available for tender or disposal, while 11 were deemed unsuitable for tender or disposal. The Department confirmed that it is actively working on resolving issues and engaging with relevant parties in respect of all of the vacant properties with a view to preparing them for third-party occupancy, development or disposal.
- 10.34** **Assessment:** This recommendation has been implemented.

Sale of properties

Recommendation 5: The Department should ensure that appropriate arrangements are in place in the case of property sales to enable it to continue to obtain a return from the property pending the completion of the sales process.

- 10.35** The special report noted that, during the planned sale of a property in 1992, the proposed purchaser was allowed to occupy the property without paying rent. The sale process became protracted, and had still not been finalised by 2014, when the report was completed. For the intervening 22 years, the premises had been occupied rent free.
- 10.36** The Department stated that this property sale was a unique legacy case. The sale was completed in 2017, and the purchaser was in occupation between 1992 and then without any rent being charged. The Department confirmed that since the special report was completed to the end of February 2020 that there has been no other case where a property had been sold to an existing occupant without rent being charged until the sale was closed.

- 10.37** The Department stated that since the completion of the report, rather than sell, the general policy is to lease property on a commercial basis in order to ensure a steady stream of income which is required to meet the ongoing costs of operating the centres. The *Fishery Harbour Centre Best Practice Manual* was changed in 2020 to reflect this general policy.
- 10.38** Of the 249 properties on the property portfolio on 3 February 2020, rent was not being charged on four parcels of land which are in the process of being sold. In addition, rent was not being charged on another parcel of land which is not on the property portfolio and is in the process of being sold. According to the Department, these are parcels of land on the periphery of two centres, which had historically formed part of domestic gardens, have no commercial, strategic or operational value and are being sold at their commercial valuation.
- 10.39** **Assessment:** This recommendation has been implemented.

Efficient debt collection

Recommendation 6: The Department should set specific targets for reducing the time taken to collect debts. It should also focus earlier attention on larger customers as arrears emerge, and devise and document appropriate strategies to work with those customers.

- 10.40** The prompt collection of debts is an important part of the effective financial management of any organisation. Due to delayed invoicing by the fishery harbour centres, the Department faced significant challenges in collecting its debts. As a result, debts of around €4 million were outstanding at the end of 2014.¹ Debts were outstanding on average by 256 days.²
- 10.41** In 2016, the Department introduced changes to its debt management and recovery function. As part of this, the monitoring of accounts receivable debt (including fishery harbour centre debt) is carried out centrally by a debt monitoring unit in the Department's accounts division. A dedicated debt management unit within the Sea Fisheries administration division concentrates on the collection and recovery of the centres' debts, working in conjunction with and as an integral part of the new procedures and processes.
- 10.42** A bespoke central debt management system was set-up in the Department's accounting system to bring consistency to its debt management activities. The system facilitates and tracks the steps taken to recover debt at an individual debtor level. The Department considers that the current procedures and system are effective in delivering the objectives of reducing debt collection timelines and overall debt levels.
- 10.43** Outstanding debt has been reduced from some €4 million as of 31 December 2014, to €1.9 million at 31 December 2019. Average debtor days have been reduced from 256 days at the end of 2014 to an estimated 128 days at 31 December 2019.³
- 10.44** **Assessment:** This recommendation was part implemented. There is more active management of debtors, and the value of debt outstanding and the average debtor days have been substantially reduced. The Department has not set targets for what it wants to achieve in terms of debt level or timeliness but has committed to doing so whilst taking account of the likely impact of the pandemic restrictions.

¹ The debt figure of €4 million excludes debt of €1.6 million which was deemed not due and owing following a Supreme Court judgement in December 2015.

² 'Average debtor days' is a standard measure of the timeliness of debt collection. It is defined as the average number of days a body's debtors are taking to pay. It is calculated in the centres as follows: the year-end trade debtors figure divided by the trade income figure (i.e. harbour dues and rents) multiplied by 365 days.

³ Based on draft 2019 financial statements.

Valuation of land, infrastructure and buildings

Recommendation 7: The Department should obtain a current valuation of centre land and property. This would give more complete and up-to-date information and support financial analysis of the centres' performance, and decision making regarding the use of the centres' assets.

- 10.45** Significant assets are managed by the centres on behalf of the State. At the time the special report was completed (in 2014), the most recent independent valuation of the property assets in the centres had been undertaken in 2004. This valued property at the five centres then designated at €259 million. This valuation did not take account of property at the Dingle centre which was only designated a fishery harbour centre in 2007. When significant assets are acquired by an existing enterprise, the standard practice is to recognise them in the financial statements at their current value. In accordance with the Fund's accounting policies, fixed assets in the Dingle centre transferred at the date of designation were not recognised in the financial statements.
- 10.46** In 2015, the Valuation Office provided the Department with an updated valuation for all six centres (as at 31 December 2014) at a provisional value of €638 million which was disclosed in a note to the Fund's 2017 financial statements.¹ However, the Department believed that this valuation did not take account of the totality of the centres' properties (buildings, land and related infrastructure) resulting in it commissioning a new mapping exercise in order to ensure the completeness of its property assets.
- 10.47** The mapping exercise took just over three years to complete and involved the creation of a digital database of each centre, based on the maps of Ordnance Survey Ireland, detailing the physical footprint of the centres and all structures contained within it.
- 10.48** In November 2019, following the completion of the mapping exercise for the six centres, the Department sought an updated valuation as at 31 December 2019 of its property assets on a centre-by-centre basis from the Valuation Office using the digital database as the source data for the revaluation exercise. In quarter three, of 2020 the Valuation Office provided a valuation of €457 million for land, buildings and infrastructure for the six centres. This valuation is reflected in the statement of financial position in the draft 2019 financial statements of the Fund. According to the Department, the reduction in the value of the six centres from the previous valuation was due to the greater level of detail afforded by the mapping exercise which allowed for more accurate replacement costs to be applied to the asset listing resulting in a more accurate, although lower valuation.
- 10.49** **Assessment:** This recommendation has now been implemented. An inventory of property was completed in November 2019 and a formal valuation was completed in quarter three 2020.

¹ The 2015 valuation was revised to €647 million which was disclosed in a note to the Fund's 2018 financial statements.








Monitoring of implementation of the recommendations

- 10.50** Any process of change management requires an implementation plan with appropriate monitoring and oversight arrangements. This requirement extends to the implementation of recommendations made by external and internal auditors.
- 10.51** Formal processes for implementation of change are especially important in an organisation as large, complex and diverse as the Department of Agriculture, Food and the Marine. In public sector bodies, it is standard practice that the Audit Committee would maintain a monitoring role in relation to recommendations of the auditors.
- 10.52** We enquired of the Department how it had managed the implementation of the recommendations set out in the special report. The Department reported as follows:
- Responsibility for implementation of the recommendations was shared between the Department's assistant secretary with responsibility for corporate affairs and the assistant secretary with responsibility for the marine.
 - Implementation of the recommendations has been a collaborative process involving the accounts, sea fisheries and marine engineering divisions. The Department did not develop a formal action plan incorporating time frames and key responsibilities.
 - No specific resources/budget were allocated to implement the recommendations.
 - Actions to implement recommendations were not approved separately by senior management.
 - Monitoring of implementation of the recommendations was undertaken as part of ongoing work practices and procedures of the Department. There was no specific monitoring report cycle. The Department did not supply any evidence to indicate the involvement of the Audit and Risk Committee in monitoring the progress of implementation. However, the Department stated that while its Internal Audit Unit was not specifically asked to keep the recommendations under review, the Unit did carry out two independent audits of the centres' operations, dealing with collection of fees and debt management (February 2016) and the harbour development programme (July 2017).
 - Progress in relation to implementation was reported to the Secretary General via the annual process of the submission of the financial statements of the Fund, the Department's annual report and briefings ahead of attendance at PAC meetings.

Conclusions and recommendations





- 10.53** The very significant delays in financial reporting on the operations of the fishery harbour centres outlined in the 2014 special report were dealt with promptly by the Department. Audited financial statements for 2012 were not available until mid 2015 i.e. 29 months after the end of the year of account. Audited financial statements for all years since 2016 have been available within 12 months of the end of the year of account. There is scope for further improvement in relation to timeliness of financial reporting for the centres.
- 10.54** The Accounting Officer for the Vote for Agriculture, Food and the Marine accepted all the recommendations set out in the special report. While progress has been made on their implementation up to 28 February 2020, further work is required to complete the project of modernising the financial management and reporting for the centres (see summary position in Figure 10.3).

Figure 10.3 Implementation status of recommendations made in special report 82 (April 2014), as of 28 February 2020^a

Recommendations	Status
1 The Department should review the format of the accounts for 2012 (and later years) with a view to ensuring consistency with up-to-date accounting practice.	
2 The Department should review the governance arrangements for the centres to ensure that they adequately take account of the nature of the business.	
3 The Department should, at regular intervals, formally review the adequacy of the charging order to ensure that all charging rates reflect current economic conditions, and that all relevant activities and services by centres are captured.	
4 The Department should immediately review those properties which are currently being provided free of charge or are vacant, with a view to ensuring that a proper competitive return is being obtained by the centres.	
5 The Department should ensure that appropriate arrangements are in place in the case of property sales to enable it to continue to obtain a return from the property pending the completion of the sales process.	
6 The Department should set specific targets for reducing the time taken to collect debts. It should also focus earlier attention on larger customers as arrears emerge, and devise and document appropriate strategies to work with those customers.	
7 The Department should obtain a current valuation of centre land and property. This would give more complete and up-to-date information and support financial analysis of the centres' performance, and decision making regarding the use of the centres' assets.	

Source: Office of the Comptroller and Auditor General

Note: a The assessment also took account of relevant developments after 28 February 2020.

Key:  Implemented  Part implemented
 In progress  Not implemented

- 10.55** Better and earlier progress may have been made in relation to the agreed recommendations if the Department had taken a more structured approach to monitoring their implementation. While there was formal assignment of responsibility for implementation and annual reporting on progress, the Department missed out on putting in place other key good practice elements that help ensure effective change management (see Figure 10.4).

Figure 10.4 Key good practice principles in relation to change management

Assign responsibility — the accounting officer/accountable person should formally assign responsibility for implementation of change/recommendations to a relevant individual(s).

Develop an action plan — this should set out: the change objectives and a statement of what successful change would mean; the necessary actions; a timeline, with intermediate time targets; the resources to be assigned.

Plan approval — ensure that the action plan is endorsed/approved by the relevant senior management/accounting officer/accountable person.

Allocate the resources — ensure that sufficient appropriate resources are made available to implement the process of change; this may require freeing up existing management resources from current responsibilities.

Monitor the plan — establish a formal mechanism to regularly monitor: progress on implementation of the plan; availability of resources; delivery of change milestones — for recommendations arising from audits (external or internal) this should normally include the organisation's audit and risk committee.

Report on progress — there should be periodic external reporting to keep stakeholders informed of progress.

Source: Office of the Comptroller and Auditor General

Recommendation 10.1

In relation to the operation of fishery harbour centres, the Department should complete a review of the financial reporting and financial management processes. Following consultation with relevant parties, it should adopt a formal plan to implement recommendations identified by that review within a specified timescale.

Accounting Officer's response

Agreed.

Since the publication of the special report, robust procedures and processes have been put in place covering all aspects of the management of the harbours. Procurement processes, management of capital works, invoicing, management of debt etc. are all now in a much more secure framework. Nonetheless, I will establish a project group to make the arrangements to prepare the harbours' accounts on an accruals basis and to review the current financial management processes.

Recommendation 10.2

The Department should set an appropriate target date for earlier presentation of its annual financial statements for the fishery harbour centres and should develop a plan to achieve delivery within that target timeframe. This plan should also take account of the requirements for the preparation, audit and presentation of the other financial statements the Department is required to produce.

Accounting Officer's response

Agreed.

However, there has already been a significant improvement in the timeliness of financial reporting which is recorded in this chapter, although there are particular circumstances in 2020 that meant that the 2019 accounts could not be submitted as early as those for 2018.

10.56 The Department made changes to the management and reporting arrangements for the centres following an internal review, including the establishment of a new fishery harbour centre management committee, and these were further adjusted following the completion of the special report. However, there has been no formal review of the merits of possible alternative governance structures e.g. establishment of a stand-alone State body to manage the business of the harbours.

10.57 The fishery harbours management committee does not have a terms of reference under which it operates, minutes are not prepared in respect of meetings held and there are no formal reporting arrangements to the Department's Management Board, Audit and Risk Committee or other appropriate authority.

Recommendation 10.3

The Department should ensure that all management committees have a clearly defined terms of reference that has been approved at an appropriate level, minutes of meetings held are prepared and approved and that there are appropriate formal reporting arrangements.

Accounting Officer's response

Agreed.

I am considering formal terms of reference for the management committee which I will shortly approve. This will require the preparation of a quarterly report on harbour activities for presentation to the Department's Management Board.

11 Measuring performance for Exchequer spending on social housing

- 11.1** Government departments have an ongoing obligation to demonstrate that they have used funding provided by the Oireachtas in the manner intended and to good effect. Annual estimates of spending for the various services are presented in advance to the Oireachtas together with schedules setting out targets for key activities and outputs to be delivered, as well as relevant impact and context indicators, for each spending programme.¹
- 11.2** While the spending outturn for the programmes is reported in the relevant appropriation account and is subject to audit, the outturn in relation to the performance and context indicators is not reported in the accounts. Instead, the outturn is presented with the following year's spending estimate.
- 11.3** This examination was undertaken to assess the performance information presented by the Department of Housing, Planning and Local Government (the Department)² in relation to its spending on social housing. This accounts for the majority of the Department's housing programme,³ which accounted for expenditure of over €2.4 billion in 2019. The main objective of the assessment was to establish if the measures used and published by the Department provide a complete and accurate account of what is being achieved by the spending in a timely way.

1 The spending estimates are published each year in the Revised Estimates Volume (REV) by the Department of Public Expenditure and Reform.

2 The name of the Department is expected to change to the Department of Housing, Local Government and Heritage.

3 Aside from its responsibilities specific to social housing, the Department's priorities for the wider housing sector include to ensure that housing is built to the appropriate standards and in the right locations, to improve the quality of rented housing and to strengthen tenant and landlord protection.

4 Section 93 (1) of the Planning and Development Act 2000 defined those eligible to benefit from an affordable housing scheme as persons in need of accommodation whose income would not be adequate to meet the payments on a mortgage.

5 For further information on AHBs, see Chapter 10 Funding and oversight of approved housing bodies in *Report on the Accounts of the Public Services 2017*; Comptroller and Auditor General, September 2018.

- 11.4** As part of the examination, public expenditure performance measurement frameworks used in other jurisdictions were reviewed to identify good practice principles and approaches. The key principles to be applied in relation to individual performance measures and to performance measurement systems as a whole are set out in Annex 11A.
- 11.5** Performance measures utilised in relation to social housing in other jurisdictions were also reviewed and compared with the Department's performance framework.

Social housing provision

- 11.6** The Department defines social housing as the provision by Government of housing support for vulnerable individuals and those unable to provide for accommodation from within their own resources.
- 11.7** The Housing Act 1988 recognised that certain groups may experience difficulty in accessing housing, including homeless people, older people and those with specific health issues. The Act requires housing authorities to consider the needs of such groups when conducting housing needs assessments. Affordable housing schemes that allow certain people to purchase a home at below market cost fall under the definition of social housing.⁴
- 11.8** Housing supports are provided mainly through local authorities or approved housing bodies (AHBs).⁵ While there are many other parties involved in social housing provision in Ireland, the key stakeholders are set out in Figure 11.1.

Figure 11.1 Main stakeholders in social housing provision

Main stakeholder	Role	Responsibility
The Exchequer	Funding	Provides (through the Department) most of the money required to fund social housing through a variety of funding streams.
The Housing Finance Agency (HFA)	Loan funding	Established in 1982, operating under the aegis of the Department, it provides loan funding to local authorities and AHBs for any purpose authorised under the Housing Acts. The HFA is self-financing and does not receive any Exchequer subvention. ^a
Local authorities	Housing provision, tenancy management Oversight for AHBs	Provide social housing by building new stock, or buying/leasing stock from a private sector source. The stock of housing is then leased to households eligible for social housing.
Housing and Sustainable Communities Agency (Housing Agency)	Promote the supply of housing to meet current and future demand Regulatory role	Provides expert advice to stakeholders, implements certain housing programmes and is involved in policy development. The Agency's Regulation Office regulates AHBs pending the establishment of the independent AHB Regulatory Authority.
Approved Housing Bodies (AHBs)	Housing provision and tenancy management	Provide social housing by building new stock, or buying/leasing stock from a private sector source. The stock of housing is then leased to households eligible for social housing.
National Oversight and Audit Commission	Oversight role	An independent statutory body established in 2014 that provides oversight of the local government sector, including conditions in local authority housing.

Source: Analysis by the Office of the Comptroller and Auditor General

Note: a The HFA raises its funds on domestic and international capital markets, with the support of a guarantee from the Minister for Finance.

- 11.9** Local authorities and AHBs may build or acquire social housing either through wholly capital funded structures or blended capital and current funding structures. Wholly current funding structures are used for leasing, Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS) (see Figure 11.2).
- 11.10** Rent supplement¹ is a separate financial support available through the Department of Employment Affairs and Social Protection. It is not strictly considered a social housing support and households in receipt of rent supplement on a long term basis, who are eligible for social housing, are being transferred to HAP.

¹ Rent supplement is a means-tested payment available to certain people living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources.

Figure 11.2 Social housing delivery methods

Delivery method	Description
Build/acquisition	Units are constructed or acquired from the private market by local authorities or AHBs and then let to eligible households.
Lease	Units are secured on a lease basis, typically long term, through the Department's social housing current expenditure programme. The programme provides financial support to local authorities for the leasing of houses and apartments, and also to meet operational expenses incurred by AHBs.
Rental Accommodation Scheme (RAS)	Local authorities source accommodation from the private market and enter into a tenancy agreement with the landlord and the RAS recipient. The tenant pays the differential rent. ^a The local authority has the responsibility to source other accommodation if the current accommodation becomes unavailable to the recipient through no fault of their own.
Housing Assistance Payment (HAP)	Housing units are sourced from the private sector by recipients themselves. The rent is paid directly to the landlord by the local authority and the tenant pays the differential rent. The Department intends that HAP will eventually replace RAS and rent supplement.
Homeless support services	Local authorities and other bodies provide accommodation and other supports to homeless people.
Rent supplement	Income support provided by the Department of Employment Affairs and Social Protection to assist low income households with rental payments. Under the Government's Rebuilding Ireland Action Plan (2016 – 2021), it is envisaged that all recipients of rent supplement will be transferred to the Housing Assistance Payment (HAP) scheme by 2020.

Source: Summarised from Economic and Social Research Institute Working Paper No. 594 (June 2018) and the Department of Public Expenditure and Reform Spending Review 2018

Note: a Under the differential rent system, the amount of rent paid by the tenant to the local authority depends on total household income.

Strategic objectives

- 11.11** The Department's strategic objectives in relation to social housing for the period 2016 to 2021 have been set out in the *Rebuilding Ireland Action Plan (2016 – 2021)*. The plan — which focuses on the housing market as a whole — includes the following targets
- increase the overall supply of new homes to 25,000 per annum by 2020
 - deliver over 50,000 social housing units between 2016 and 2021¹
 - meet the housing needs of an additional 87,000 households through RAS and the HAP scheme.
- 11.12** The Department reports quarterly on *Rebuilding Ireland*, including on targets and outputs for social housing provision set out under five delivery streams — build, acquisition, lease, HAP and RAS. The targets for social housing provision up to the end of 2019 have been achieved (see Figure 11.3). Just over 100,000 units of social housing were secured through the five delivery streams — almost 10% above the target for the period 2016 to 2019.

¹ The original target of 47,000 social housing units was increased to 50,000 and additional funding was provided in Budget 2018.

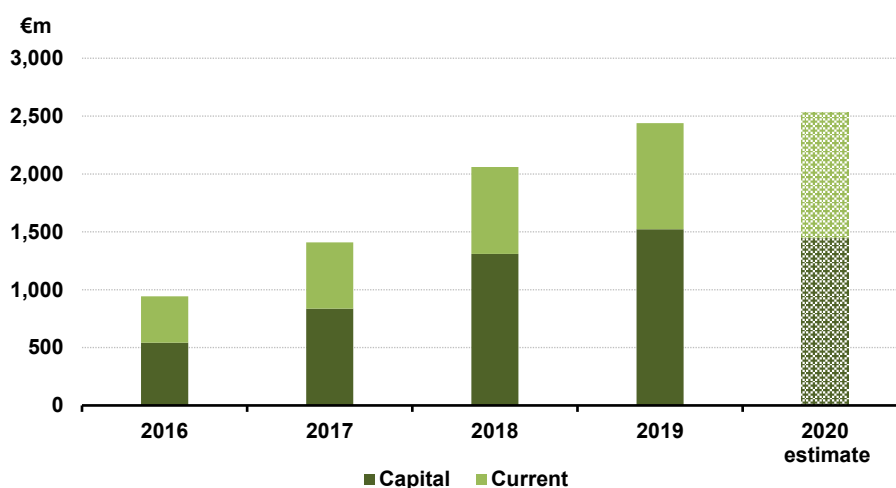
Figure 11.3 Rebuilding Ireland target outputs 2016 – 2021 and outturn to 2019

	Build	Acquire	Lease	RAS	HAP	Total
Cumulative target 2016 – 2021	33,617	6,830	10,036	3,800	86,510	140,793
Target by end 2019	16,974	5,230	4,955	3,200	60,760	91,119
Actual at end 2019	17,904	9,553	3,781	3,944	64,942	100,124

Source: Department of Housing, Planning and Local Government

Expenditure trends

- 11.13** Expenditure on the Department's housing programme in 2019 was two and a half times the corresponding figure for 2016 (see Figure 11.4).¹

Figure 11.4 Expenditure on housing programme, 2016 to 2019 (outturn)^a and 2020 (Estimate provision)^b

Source: Department of Housing, Planning and Local Government, Revised Estimates for Public Services 2020

- Notes:
- a Outturn figures for 2016 to 2019 exclude administration costs but include surplus local property tax receipts applied by local authorities towards the delivery of housing programmes. Expenditure on housing by other stakeholders (e.g. Department of Employment Affairs and Social Protection, AHBs) is not included.
 - b 2020 figures are drawn from the Revised Estimates 2020, with administration subheads excluded.

¹ The actual increase was from €943 million in 2016 to €2.44 billion in 2019.

- 11.14** Expenditure is accounted for under a range of subheads (see Figure 11.5).

Figure 11.5 Housing programme subheads, 2019 (expenditure outturn) and 2020 (estimate provision)

Sub head	Description	2019 outturn ^a	2020 provision ^b
		€000	€000
A1	Administration — pay	15,331	16,956
A2	Administration — non pay	3,080	6,680
A3	Local authority housing	955,745	789,087
A4	Social housing current expenditure programme	139,127	190,886
A5	Rental Accommodation Scheme	134,290	133,000
A6	Housing Assistance Payment Scheme	382,408	497,729
A7	Capital Assistance Scheme	88,364	94,875
A8	Capital Loans and Subsidy Scheme	51,686	54,500
A9	Communal facilities	25	500
A10	Mortgage to rent	17,998	23,000
A11	Capital Advance Leasing Facility	139,399	113,800
A12	Traveller accommodation and support	14,036	19,210
A13	Accommodation for homeless	165,000	166,000
A14	Housing for people with a disability and older people	167	500
A15	Estate regeneration/remedial works	78,511	71,750
A16	Energy efficiency — retrofitting	47,454	48,238
A17	Repair and leasing scheme	3,772	10,700
A18	Private housing grants	51,912	59,000
A19	Mortgage allowances	403	600
A20	Affordable housing/shared ownership subsidy	2,397	4,000
A21	Infrastructure fund	22,279	186,000
A22	Pyrite and MICA remediation	30,000	40,000
A23	Housing and Sustainable Communities Agency	7,500	10,500
A24	Residential Tenancies Board	12,460	9,951
A25	Rented accommodation inspection	—	8,500
A26	Other services	1,896	2,996
	Programme total	2,365,240	2,558,958

Source: Appropriation account for Vote 34 Housing, Planning and Local Government, Revised Estimates for Public Services 2020

- Notes:
- Certain local authorities are directed by the Department to apply some of their annual local property tax receipts for social housing and roads investment. In 2019, the local property tax resources made available for social housing purposes was €92.7 million. This was divided between programmes funded under subheads A3, A7, A8, A10, A11, A12, A15, A16, A18, A19 and A20.
 - 2020 provision figures are drawn from the Revised Estimates 2020. The Department expects that this will be supplemented by €90.5 million in surplus local property tax receipts to be applied by local authorities towards housing programmes.
 - Subheads highlighted are related specifically to social housing provision and supports.

11.15 Aside from voted funding provided by the Department, other public sector entities contribute financially towards the provision of social housing in a number of ways. For example

- Some local authorities are required to fund housing services from surplus local property tax receipts up to a value notified by the Department.
- The Housing Finance Agency provides AHBs and local authorities with loan funding.
- Some major social housing construction projects are being developed on a public private partnership basis, with ownership reverting to local authorities after a set contract period.
- The Department of Employment Affairs and Social Protection funds rent supplement payments to eligible households.

Programme performance targets

11.16 The Department has developed a set of measures of the key outputs and activities funded under the housing programme. These are presented in a schedule attached to the estimate for the programme, together with target values to be achieved. A small number of 'context and impact indicators' are also presented, but without target values: instead, historical data is presented in relation to those measures.

11.17 For the 2020 estimate — published in December 2019 — a total of 19 key output and activity measures were provided (see Figure 11.6).¹ The schedule included target values for each measure for the years 2018, 2019 and 2020.² Only the 2018 outturn was available at the time of publication, and this was also reported. This indicated that the Department had achieved or substantially achieved³ 15 of the 17 key high level output targets associated with its housing programme for 2018.

11.18 In the published estimate, the measures are related to the programme, rather than to individual subheads. For the purpose of this examination, the Department was asked to match the performance measures with the budget allocations for 2020. Some of the measures relate to multiple subheads, while others relate to single subheads. As a result, it is difficult to link the aspects of performance referred to in most of the measures to the related expenditure.

11.19 There are no performance measures in relation to some of the spending subheads. Measures are not presented where the spending relates to the Department's administrative costs in relation to the housing programme, or where the expenditure relates to grants to agencies operating under the aegis of the Department engaged in functions associated with the housing sector (Housing and Sustainable Communities Agency, Residential Tenancies Board). However, there are a number of subheads without identifiably related performance measures but which appear to be amenable to identification of such measures. For example,

- Subhead A13: There is no output or activity measure in relation to the subhead for accommodation for homeless people, under which expenditure of €165 million was provided in 2019. The aggregate number of bed-nights of accommodation provided (or availed of by homeless people) would be a potential measure of output for that expenditure. It is noted however that the 'number of adults exiting homelessness' (5,135 in 2018) is included as an impact indicator for the housing programme as a whole, and without a target value.

¹ Prior to 2018, the Department had 10 subheads rather than the current 26. The aim of the disaggregation in the 2018 REV was to enhance transparency by providing greater detail on the constituent elements of each subhead. Since the publication of *Rebuilding Ireland* in 2016, the number of key high level metrics appearing in the REV has increased from ten (in the 2015 REV) to 19 in the 2020 REV.

² The same data is published in a compendium *Public Service Performance Report* published by the Department of Public Expenditure and Reform each year. The latest available report, relating to 2019, was published in July 2020 and is available on the gov.ie website.

³ For the purposes of this analysis, a target was considered to have been 'substantially achieved' where the outturn was at or above 85% of the target level.

Figure 11.6 Housing programme high level metrics, 2020

	Metric/Indicator for 2020	Associated subheads	Target 2019	Target 2020
1	Total no. of social housing needs met	Multiple	27,360	27,517
2	Total no. of social housing units to secure through current funded programmes	A4, A5, A6	19,490	18,981
3	No. of additional households to transfer from rent supplement to Rental Accommodation Scheme	A5	600	600
4	Total no. of social housing units to secure through social housing capital programmes	A3, A7, A11, A15, A16, A17	7,870	8,686
5	Total no. of social housing units to secure through all build programmes	A3, A7, A11, A15, A16	6,545	7,736
6	Total no. of social housing units to secure through local authority build programmes	A3, A15, A16	4,197	4,719
7	Total no. of social housing units to secure through approved housing body build programmes	A7, A8, A11	2,348	3,017
8	No. of special needs units to deliver under Capital Assistance Scheme	A7	425	400
9	No. of units to deliver under the National Regeneration Programme	A15	200	200
10	No. of traveller specific units to deliver	A12	120	130
11	No. of units to upgrade under retrofitting programme	A16	3,000	1,000
12	No. of additional households to be supported by Housing Assistance Payments (HAP)	A6	16,760	15,750
13	No. of vacant social housing units to be refurbished and brought back to productive use	A16	303	180
14	No. of properties repaired and brought into leasing under the Repair and Leasing Scheme	A17	950	150
15	No. of grants to assist older people and people with disabilities to remain in their home for longer	A18	11,000	12,000
16	No. of dwellings remediated under pyrite and mica schemes ^a	A22	Not specified	450
17	No. of short term letting investigations commenced	A25	Not specified	2,750
18	No. of private rental minimum standard compliance inspections ^b	A25	48,500	64,500
19	Number of new private homes, including more affordable homes discounted on open market prices, delivered on local authority or privately owned sites and supported by the provision of grant funding for infrastructure works through the Serviced Sites Fund and Local Infrastructure Housing Activation Fund	A21	3,200	4,155

Source: Vote 34 Housing, Planning and Local Government, *Revised Estimates Volume 2020*, Department of Public Expenditure and Reform, December 2019. Associated subheads: additional information provided by the Department.

Notes: a Measures 16 and 17 are new measures introduced in the 2020 REV.

b Measure 18: the 2020 target is based on 20% of the number of tenancies registered with the Residential Tenancies Board at 31 December 2018.

- Subhead A10: The number of 'mortgage to rent' beneficiary households, who received a total of €18 million in 2019, is not included as a measure.
- Subhead A20: The number of affordable housing shared ownership subsidy recipients, who received €2.4 million in 2019, is not included as a measure.

11.20 There is no specific performance measure or target in relation to the highest value expenditure subhead i.e. subhead A3 local authority housing. This subhead accounted for expenditure totalling nearly €1 billion in 2019, with a REV provision for a further €789 million in 2020.¹

11.21 Even where output measures are provided, many do not relate comprehensively to the expenditure incurred. For example,

- While €134 million was spent on the Rental Accommodation Scheme (RAS) in 2019 under subhead A5, one of the measures associated with the subhead is the number of households (600 a year) to be transferred to the RAS from rent supplement support, which is paid from the Vote for Employment Affairs and Social Protection. A more relevant performance measure for subhead A5 would be the (average) number of households supported during 2019 through RAS expenditure. Furthermore, there is no context given for the transfer target: rent supplement supported 23,770 households in 2019, at a cost of just over €125 million.
- Measure 2 'total no. of social housing units to secure through current funded programmes' relates to expenditure under three subheads (A4, A5 and A6) under which a total of €656 million was spent in 2019, and for which the 2020 provision is €822 million. The 2019 target was just under 19,500 households, while the 2020 target is just under 19,000. The measure (and target) refers to new tenancies put in place in the year, and takes no account of tenancies continuing under the various schemes, in respect of which expenditure is ongoing.

Sources of performance data

11.22 The Department records social housing data through a variety of different computerised systems. In parallel, it sends quarterly surveys to local authorities asking them to quantify and classify many of their activities under different schemes. Local authorities receive reports from the AHBs and send the aggregate figures to the Department.² Since the process is largely manual, receipt, validation and compilation of this raw data can take up to eight weeks each quarter.

11.23 The Department informed the examination team that it is working on the development of an integrated system for the management of housing-related data and schemes. This system will go significantly further than just output and financial data management, and will be an end-to-end solution from application through to completion. The system aims to combine multiple separate programme systems currently in operation into a single structure, where data is entered directly at local authority level and then picked up for automated validation, rather than manual systems of data collection currently in operation. A dedicated housing ICT project team is in place in the Department together with a complete governance structure and project board. The final business case is nearing completion and it is expected that, subject to approval, the next phase will commence shortly. In the interim, a number of data refinements and improvement processes continue to be worked on.

¹ The Department has stated that surplus local property receipts of over €49 million were applied by local authorities in 2019 towards the programme funded under Subhead A3. It expects €76 million in surplus local property tax receipts to be applied towards that programme in 2020.

² AHBs report at intervals to local authorities on additional stock, and this is in turn reflected in local authority reports to the Department.

Performance reporting by NOAC

11.24 The National Oversight and Audit Commission (NOAC) is an independent statutory oversight body for the local government sector in Ireland. In its annual local authority performance indicator report,¹ NOAC provides information on the local authority-owned housing stock, including movements in the stock in year taking account of build or purchase acquisitions, renovation of existing vacant units and disposals through sales or demolition. The information on housing stock and flows is available at individual local authority level. The report also provides information on a range of issues including estimated average cost of maintenance of local authority housing units; the average turnaround time between one tenant leaving a social house and the next tenant moving in, and the number of persons relying on emergency accommodation at the year end. The quality of the statistical information gathered by NOAC from local authorities is validated by a programme of cyclical inspection visits to the authorities.

11.25 Usefully, the NOAC performance report for 2018 also includes trend analysis for four selected measures related to social housing matters, based on data collected and reported from 2014 on (see Annex 11B).² This indicates that

- The stock of local authority social housing dwellings increased from around 129,500 in 2014 to just under 134,900 in 2018 — an increase of 4.1% in 4 years.
- The percentage of local authority dwellings vacant at the year-end was 3.5% in 2015, and this dropped to 2.8% in 2018. (The figure was not reported for 2014).
- The average time taken by local authorities to re-let a dwelling decreased from 29 weeks in 2017 to 27.8 weeks in 2018. Comparable data was not available for earlier years, because of a change in the definition of the measure for 2017 on.³
- The percentage of those in emergency accommodation who were classed as long term homeless (i.e. homeless more than six months) increased from 30% at the end of 2014, to just under 62% at the end of 2018.

1 Performance indicator reports for the years 2014 to 2018 can be accessed from the NOAC website at [NOAC Reports – National Oversight & Audit Commission](#).

2 *Local Authority Performance Indicator Report 2018*, NOAC Report No. 22, September 2019. Other indicators for which analysis is provided relate to a variety of matters including pavement condition, domestic waste collection, pollution cases and inspections of new buildings.

3 For the years 2014 to 2016, the report presented the median time taken between lettings per local authority. The average time between lettings reflects the full range of duration of re-letting delays.

11.26 The commentary in the NOAC report on the local authority housing statistics recognises that, as set out in *Rebuilding Ireland*, a significant level of social housing provision is through the AHB-acquired stock of housing, and through current expenditure schemes such as RAS and HAP. NOAC considers that local authorities play a key role in managing and steering the delivery of housing supports by AHBs, and in delivering housing supports through other delivery mechanisms such as the HAP. While NOAC provides some high level information on the output of social housing by all such means, along the lines reported in relation to *Rebuilding Ireland*, there is no overview of the total social housing stock, or of the number of households supported under the various schemes.

11.27 The information published by NOAC also does not provide a clear link between the expenditure on social housing and the performance targets or outturns.

Examples of good practice for performance measurement

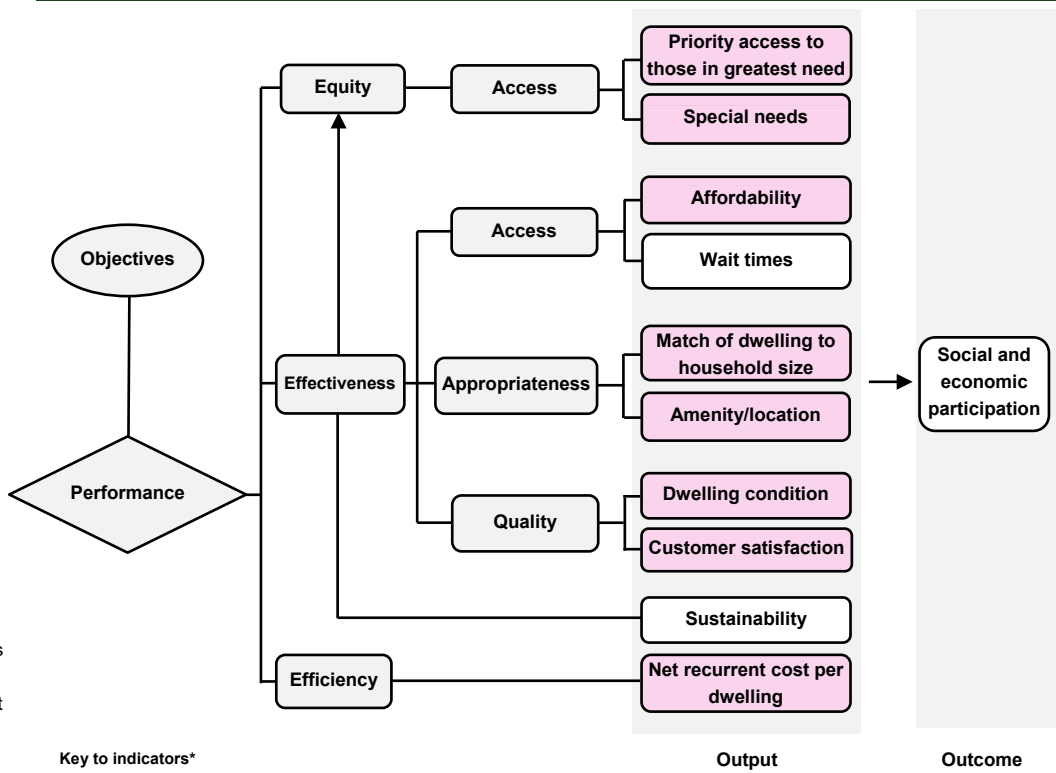
Measurement of social housing performance in Australia

11.28 Australia has a relatively comprehensive and well established performance measurement framework for social housing delivery. It uses performance budgeting which links financial allocations to measurable outputs. While performance reporting for government spending on social housing is now well developed in Australia, the system has been subject to a number of changes over the years. Apparent gaps in available data have been gradually closed, though others have opened as the system continues to evolve.¹ There is potential to draw lessons from the evolution of the Australian performance framework which can assist the development of performance reporting in Ireland.

11.29 The structure of the Australian social housing performance measurement framework changed relatively little between 1997 and 2003. From 2005 onwards, the performance management system included five output indicators and seven outcome indicators (see Annex 11C). Outputs were framed as intermediate results, with outcome indicators being linked to the purpose of social housing provision. Over the years, various measures were re-categorised from outcome to output indicators.

11.30 Figure 11.7 summarises the Australian social housing performance framework currently in place. The output measures used are categorised into three groups related to equity, effectiveness and efficiency. Effectiveness indicators make up the greatest share of indicators, focusing on issues that directly impact households in need of support e.g. waiting times, affordability and the condition of housing units.

Figure 11.7 Australian social housing performance framework



¹ For example, while a 'sustainability' output metric has been formulated in terms of balancing housing need against social, financial and environmental concerns and is included in the current performance framework, data was not available to report against this metric in 2020.

Source: Australia Productivity Commission, *Report on Government Services 2020*

Note: a The Australian report indicated that the most recent data for the output indicators highlighted in pink is either not comparable and/or not complete.

Operation of social housing in Australia

In Australia, social housing is defined as rental housing provided by government or non-government (including not-for-profit) organisations at below market rates to Australians with low-to-moderate incomes.¹ Other housing supports provided that sit outside this definition include a nationally available rent subsidy and supports for those seeking to purchase their home.

As at 30 June 2018, there were nearly 419,000 dwellings provided by the three main social housing programmes. While the number of social housing dwellings increased over the past decade, social housing as a share of the total Australian housing stock declined from 5.1% in 2011 to 4.2% in 2016.

Local government has responsibility for providing social housing in Australia, and generally owns or leases a stock of property. Eligibility for social housing is determined on the basis of income level. 'Low income' households are defined in New South Wales as those earning between 50% and 80% of the median income in Sydney, while 'very low income' households are those earning less than 50% of the median income.

Social housing rent is set as a proportion of the tenant's income — typically 25% to 30% — or the market rent (whichever is lower).

The Australian National Social Housing Survey 2018 found that around 195,000 Australian households were on waiting lists for social housing.

11.31 Key features of the Australian performance framework include

- The major elements of performance (objectives, outputs and outcomes) are laid out in a coherent chain.
- Performance assessment in relation to social housing expenditure has moved away from process-driven, internally-focused efficiency indicators in favour of effectiveness indicators that are outward-focused and aim to measure additional benefit derived by households.
- Although at times more difficult to collect and interpret, the Australian framework has deliberately opted to focus on qualitative data (such as customer satisfaction and the condition of dwellings) rather than on many quantitative indicators (such as occupancy levels and rent arrears).

Sources of performance data

11.32 In many European jurisdictions, housing policy is informed by analysis of administrative data which is often a byproduct of other processes e.g. property tax data. Bespoke housing databases are maintained in some jurisdictions. Examples include Austria's *Housing Register of Buildings and Dwellings*, the Czech Republic's *Register of Census Districts and Buildings* and Denmark's *Register of Buildings and Dwellings*.

11.33 Internationally, supporting detail in relation to housing performance is often obtained through surveys.

¹ *National Social Housing Survey 2018*, Australian Institute of Health and Welfare, 2019.

Conclusions and recommendations

- 11.34** Social housing delivered by local authorities or AHBs through either capital projects or current expenditure programmes are substantially funded through the Vote for Housing, Planning and Local Government. Additional funding sources for the capital costs of acquisition of social housing are lending to local authorities and AHBs by the Housing Finance Agency, and the development of public private partnerships. Current funding for housing support is also provided from the Vote for Employment Affairs and Social Protection in the form of rent supplement, which is intended as short-term assistance, with households that continue in need of support being transferred to other forms of social housing support, as appropriate.
- 11.35** Because of the multiple forms of support for housing with different criteria for access and the changes — demographic and/or financial — that occur in households' needs, monitoring and reporting on the performance of the public bodies involved in social housing support is a complex process. While the Department has other important responsibilities in the sector, the bulk of its housing programme expenditure relates to the provision of social housing. The Department spent €2.4 billion on housing in 2019, which is two and a half times the corresponding figure for 2016.¹ Given the scale of the expenditure and the impact on the lives of those affected, it is important that an appropriate performance measurement framework is in place to facilitate assessment of whether desired outcomes are being achieved in a way that delivers value for money.
- 11.36** Strategic objectives and targets for government involvement in the housing sector have been set out in *Rebuilding Ireland 2016 – 2021*. These targets are being reported on regularly, and indicate that the overall targets for social housing are being met, albeit through a different balance of delivery methods compared to what was originally envisaged.
- 11.37** The Department has achieved or substantially achieved most of the performance targets it has set for the housing programme funded under the Vote for Housing, Planning and Local Government. These are predominantly output targets that measure aspects of the programme-funded activity. However, the measures used are not well aligned with the nature of the activity that is funded. Some substantial funding lines have no output or activity measures associated with them. Some measures relate to a number of funding lines, so it is difficult to see what contribution each spending channel is making. A number of the measures/targets relate to incremental values — e.g. new HAP tenancies created — rather than to the full scale of support provided through the funding stream i.e. average weekly number of HAP tenancies supported in the year. None of the measures focus on economy or efficiency aspects of performance e.g. average cost of acquiring a new residential unit, or average cost of RAS or HAP tenancies.
- 11.38** Outcome indicators and targets are also required to demonstrate whether programme objectives are being achieved. For example, an output indicator measuring the numbers receiving social housing support might be complemented by an outcome indicator measuring the percentage of those requiring supports who are actually receiving them.
- 11.39** Benchmarking and international comparison are also facilitated where outcome indicators are expressed in the form of relevant percentages rather than in absolute terms. For example, a target of increasing publicly owned social housing to X% of the total housing stock by Year Y is more meaningful and comparable than a target of delivering Z new units per year.

¹ The actual increase was from €943 million in 2016 to €2.44 billion in 2019.

Recommendation 11.1

The Department should develop more appropriate output and activity measures for its housing expenditure programme. It should also seek to develop new outcome and effectiveness indicators for the programme, including targets expressed in percentage terms, to reflect its strategic objectives for the housing sector.

DHPLG Accounting Officer's response

Agreed.

While acknowledging that certain improvements could and should be explored, generating new performance indicators requires the availability of appropriate data. The availability of data, be that existing data, or some new data collection tool is intrinsic to the feasibility of being able to produce meaningful, comparable and accurate reports and my Department is very open to exploring using available datasets to enhance performance reporting and potentially explore ways to address the particular gaps in outcome reporting highlighted in this report.

This Department is very reliant on regular data provision from 31 local authorities, and has been working very hard in recent years to standardise data collection and interpretation. Any additional reporting requirements must be carefully considered in the context of the proportionality of additional administrative burden.

- 11.40** NOAC produces useful and reliable performance information in relation to the local authority housing stock. Given the build-up of data reporting over time, it now allows trends to be identified and analysed. However, the set of measures it produces has insufficient focus on the financial aspects of local authority direct provision of social housing. Furthermore, although local authorities have a much broader role in social housing provision, both in their statutory role as housing authorities and through their involvement in the support of households through AHBs and under the RAS and HAP schemes, NOAC does not compile or report on performance in those areas.

Recommendation 11.2

The Department should consider, in consultation with NOAC, whether there is a case for expanding the scope of NOAC's performance reporting in relation to social housing, to recognise the role of local authorities as statutory housing authorities, and their central involvement in the provision of social housing other than through their own housing stock.

DHPLG Accounting Officer's response

Agreed.

This recommendation will be further explored and considered in consultation with NOAC.

The 2018 NOAC report recognised the important role played by local authorities in managing and steering the delivery of housing supports by other bodies, and in delivering housing supports through other delivery mechanisms such as HAP. As set out in Rebuilding Ireland, delivery of housing supports is now achieved through collaboration between local authorities, AHBs and other entities using both traditional methods of delivery and also more innovative approaches to provision. In that context, while the housing stock of local authorities remains a key focus for NOAC, social housing delivery by other entities must also be acknowledged.

- 11.41** The Department of Public Expenditure and Reform recommends that the number of output targets for an area of spending should be proportionate to the level of expenditure. This examination noted that the Department did not have metrics in place for some major housing programme expenditure subheads in the 2020 REV.

Recommendation 11.3

The Department should re-examine the output indicators used for its overall housing programme in the REV to ensure that the numbers of targets set in relation to different subheads reflect the relative levels of expenditure.

DHPLG Accounting Officer's response

Agreed.

The Department acknowledges the rationale for apportionment of numbers of targets against levels of expenditure and in that context will be satisfied to review the output indicators in relation to the different subheads. It will continue to be the case that certain programmes may achieve substantial outputs for citizens, even with moderate exchequer investment and will accordingly continue to be reflected in the performance indicators.

- 11.42** Within the REV presentation, it should be possible to match performance data included in the key high level metrics section with expenditure under specific subheads.

Recommendation 11.4

The Department of Housing, Planning and Local Government should ensure that key high level metrics contained in the REV have a direct link to specific housing programme subheads.

DHPLG Accounting Officer's response

Agreed.

The Department will examine and seek to ensure that to the greatest extent possible, key high level metrics contained in the REV have a direct link to specific housing programme subheads. In some more complex cases, the metric may require contextualisation and in some cases there may be a link to multiple subheads, for example performance metrics related to homelessness could relate to build or acquisition related capital subheads, or to current subheads under HAP or the social housing current expenditure programme. In the case of certain AHB delivery (capital advance leasing facility), both capital and current subheads are relied upon to achieve outputs.

- 11.43** There is potential for Ireland to draw valuable lessons from international experience of performance reporting on the housing sector. The performance measurement framework for social housing delivery in Australia has been refined over many years, with the recent emphasis being on outward-looking effectiveness indicators.
- 11.44** The current Australian framework includes qualitative indicators such as dwelling condition and customer satisfaction. While collecting and interpreting such data presents some difficulty, the information gleaned has the potential to greatly enrich performance reporting.

Recommendation 11.5

The Department of Housing, Planning and Local Government should examine the potential to introduce appropriate qualitative indicators for performance measurement in the housing sector.

Given the current guidance that only quantitative indicators should be included in the REV, the Department should also decide on an appropriate mechanism to publish qualitative performance information.

DHPLG Accounting Officer's response

Agreed.

As regards the publication of qualitative performance measurement outside of the REV, this will be carefully examined, and considered in the wider context of other reporting structures in place, for example quarterly statistical social housing delivery publications, or quarterly reporting on all actions under the five pillars of Rebuilding Ireland. Generating new indicators, whether for inclusion in the REV, or elsewhere, relies on the level of coverage and accuracy of data that is already available or can be extracted from some new data collection structure. The Department will consider the potential for example to draw on census results and EU statistics on income and living conditions — however, the limitations of such data will need careful consideration.

Programme performance measurement generally

- 11.45** While the focus of this examination was on the housing sector, some of the issues identified have wider implications that should be considered by the Department of Public Expenditure and Reform. There is potential to strengthen and clarify the link between financial allocations and key high level metrics for all votes in the REV.
- 11.46** There is no single document in the vote accounting cycle which brings together information on both financial outturns and performance against output or outcome indicators.
- 11.47** The REV includes information on outturn against performance targets but does not include information on financial outturns. Separately, appropriation accounts for each vote report financial outturns compared to the budgets approved but do not include performance information.

Recommendation 11.6

The Department of Public Expenditure and Reform should conduct a review of the current process for developing estimates and subsequently the production of accounts to identify opportunities for increased transparency through greater integration of financial and performance information.

DPER Accounting Officer's response

Agreed.

I agree with greater integration of financial and performance information. The 2019 OECD report on *Financial Reporting in Ireland*¹ set out a range of recommendations to improve the process of Government financial reporting. These reforms include movement to an international standards-based accruals accounting system, more timely delivery of financial reports, and a more comprehensive approach to whole-of-Government reporting.

¹ *Financial Reporting in Ireland*,
OECD Journal on Budgeting
Volume 2019/1.

The report also recommended that consideration be given to more integrated Government reporting, which would include a financial outturn for the previous year, accrual based financial statements, and information on the strategy and performance of the Department. While the immediate priority in this reform is the movement towards a standards-based accruals accounting framework, the Department will also consider options for the more integrated type of annual report proposed by the OECD, as part of the reform process.

Annex 11A Characteristics of good performance measurement frameworks

The characteristics of a good performance measurement framework can usefully be considered in relation to the design of an individual or specific measure or indicator of performance, and the quality of the system of performance measures or indicators of an organisation's performance as a whole.

Figure 11A.1 A good performance measure or indicator

Characteristic	Description
Relevant	Measure addresses achievement of a core performance objective
Attributable	Department has the ability to influence results of activity
Avoids perverse incentives	Use of the measure is unlikely to lead to a perverse outcome
Well defined	Measure is easily understood and consistent, and measures what is intended
Comparable	Measure should be capable of being compared e.g. to past periods or between similar departments
Reliable	There are stable and consistent data collection processes across collection points and over time
Timely	Measure is produced frequently and quickly enough to track progress and for it to be useful
Accurate and verifiable	The data used to generate the measure is accurate, complete and can be validated independently

Source: Based on a UK framework jointly developed by the National Audit Office, Audit Commission, Cabinet Office, Office for National Statistics and HM Treasury. *Choosing the Right Fabric: A Framework for Performance Information*, 2001.

Figure 11A.2 A good system of performance measures or indicators taken together

Characteristic	Description
Comprehensive	Giving a picture of what the organisation is doing, covering all significant areas of work
Balanced	The number of measures/indicators should be proportionate to the level of spending
Appropriate	The measure should be appropriate to, and useful for, decision makers within the organisation, and meeting the needs of stakeholders outside the organisation
Robust	Generation of the information should be able to withstand organisational or personnel changes
Integrated	The system of measures should be integrated with the organisation's business planning and management processes
Cost-effective	Balances the benefits of performance information against the costs of producing that information

Source: Based on a UK framework jointly developed by the National Audit Office, Audit Commission, Cabinet Office, Office for National Statistics and HM Treasury. *Choosing the Right Fabric: A Framework for Performance Information*, 2001.

Annex 11B NOAC performance indicator report data

Performance indicator	2014	2015	2016	2017	2018
Number of dwellings in the ownership of the local authorities at the year end	129,511	129,860	n/a	133,394	134,880
Percentage of the total number of local authority owned dwellings that were vacant at the year end	n/a	3.50	3.02	2.73	2.77
Time taken from the date of vacation of a dwelling to the date in year when a new tenancy had commenced in the dwelling, averaged across all dwellings re-let (weeks) ^b	24.28	22.56	20.90	28.99	27.75
Number of adult individuals in emergency accommodation that are long-term (i.e. 6 months or more within the previous year) homeless as a percentage of the total number of homeless adult individuals in emergency accommodation at the end of year	30.34	45.27	58.46	54.38	61.58

Source: NOAC Performance Indicators Report 2018

Note: a n/a denotes no information was available for this year.

b For the years 2014 to 2016, the figure shown represents the median time between lettings, rather than the average.

	Output Indicator	Note on measurement	1997-1999	2000	2001-2003	2004	2005	2006-2010	2011	2012-2016	2017	2018-2019	2020
15	Gross cost per unit	Administration, operating and capital costs											
16	Net cost per (output) unit	Net cost (excluding rent received from tenants)											
17	Net recurrent cost per dwelling	Total administration and operating costs. It does not include any cost of capital											
18	Rate of return on assets	Net surplus plus interest divided by average total assets											
19	Rate of return on equity	Net surplus divided by average total equity											
20	Rate of return on assets and equity	Net surplus divided by average total assets and average total equity											
21	Equity value	Difference between the average total assets and the average total liabilities of a housing authority											
22	Level of provision	Housing supplied compared against target provision											
23	Occupancy rates	Number of dwellings occupied as a proportion of total dwellings											
24	Rent collection rate	Total rent actually collected as a percentage of total rent charged and/or percentage of tenants in arrears											
25	Turnaround time	Average time in days for vacant dwellings, which are available for letting, to be tenanted											
26	Turnaround rent foregone	Rent lost while properties were vacant between lettings											
27	Wait times	Households in receipt of a housing allocation in the previous 12 months, by their time spent on the social housing list											
28	Sustainability	Housing needs are met and balanced against future housing needs and social, financial and environmental concerns											

Source: Report on Government Services 1997 – 2020. Analysis by the Office of the Comptroller and Auditor General.

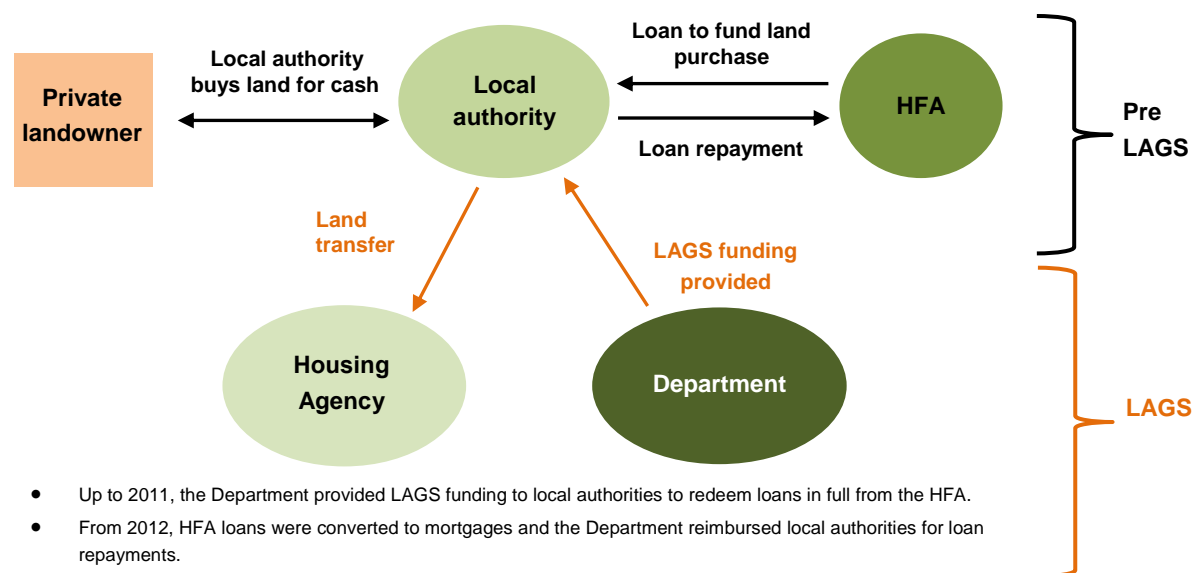
- Notes:
- a Green indicates that the output indicator was in use in the relevant year.
 - b Orange indicates that the output indicator was re-designated as an outcome indicator in the relevant year.

12 Progress under the Land Aggregation Scheme

- 12.1** The Department of Housing, Planning and Local Government (the Department)¹ supports the acquisition by local authorities of land for social and affordable housing. In the past, this included the authorisation of borrowing by local authorities for this purpose from the Housing Finance Agency (HFA). Arising from the financial crisis in 2008, many local authorities experienced difficulties in meeting loan repayments to the HFA.
- 12.2** The Land Aggregation Scheme (LAGS) was established in 2010 to alleviate the financial burden on local authorities relating to maturing HFA loans, where development of the associated residential land had not proceeded.
- 12.3** In return for LAGS funding, local authorities were required to transfer the related land, for a nominal fee of €1 per site, to a special purpose body called Housing and Sustainable Communities Ltd. That body is no longer in existence and all assets, including land, were transferred to the Housing and Sustainable Communities Agency (the Housing Agency).
- 12.4** Figure 12.1 illustrates the operation of LAGS and sets out the funding arrangements under the original scheme as well as revised arrangements introduced in 2012. The scheme closed in December 2013 with no further applications being accepted.

¹ The name of the Department is expected to change to the Department of Housing, Local Government and Heritage.

Figure 12.1 Overview of LAGS operation and funding arrangements



- Up to 2011, the Department provided LAGS funding to local authorities to redeem loans in full from the HFA.
- From 2012, HFA loans were converted to mortgages and the Department reimbursed local authorities for loan repayments.

Source: Office of the Comptroller and Auditor General

Note: a Under the original arrangements, local authorities did not have to transfer the land prior to receiving funding from the Department. From 2012, LAGS funding was conditional on the land having already been transferred.

12.5 I have reported previously on LAGS, dealing with matters relating to the development of the scheme, the transfer of sites to the Housing Agency and the subsequent development of those sites.¹

12.6 This examination presents an update on the transfer of approved sites from local authorities and reviews progress made by the Housing Agency in developing sites that have transferred. It also provides an overview of LAGS funding to date and considers the impact of the scheme in the context of the level of indebtedness of local authorities.

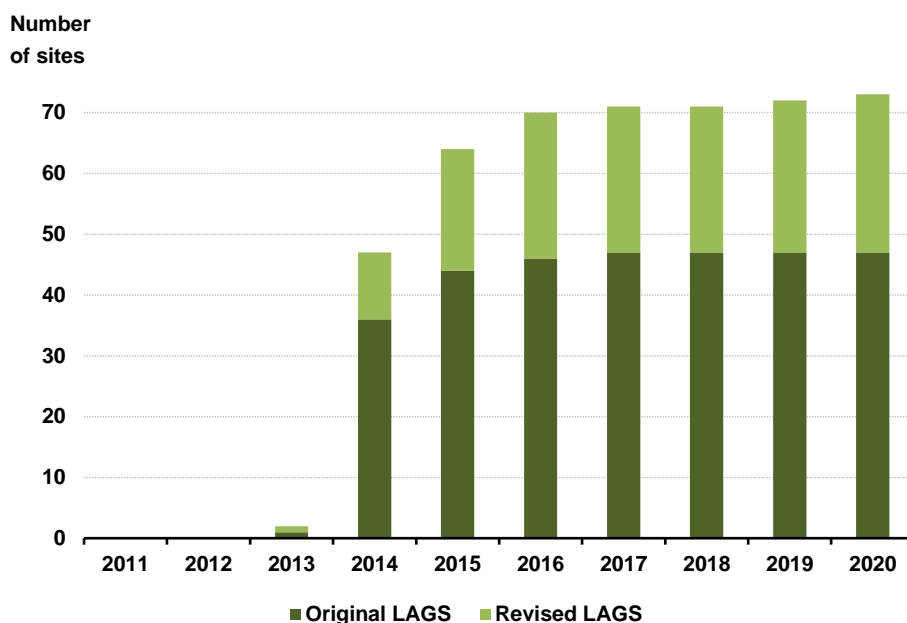
Transfer of land to the Housing Agency

12.7 Of the 47 sites (totalling 172 hectares) approved for transfer under the first iteration of LAGS during 2010 and 2011, 46 sites have now been fully transferred and registered in the ownership of the Housing Agency.²

12.8 Of the 26 sites (totalling 76 hectares) approved since the revised LAGS funding arrangements were introduced in 2012, 22 have now been fully transferred and registered in the ownership of the Housing Agency. For the other four sites (totalling 8.6 hectares), beneficial ownership has transferred to the Housing Agency but title registration is pending in the Property Registration Authority.³

12.9 Figure 12.2 shows the rate at which ownership of LAGS sites was transferred from local authorities to the Housing Agency. The bulk (85%) of the 73 site transfers that have occurred took place in either 2014 or 2015.

Figure 12.2 Transfer of LAGS sites to Housing Agency (cumulative), 2011 to 2020^{a,b}



¹ Chapter 6, *Report on the Accounts of the Public Services 2013*; Chapter 5, *Report on the Accounts of the Public Services 2015*.

² Beneficial ownership of a 13.5-hectare site in Bantry has been transferred to the Housing Agency by Cork County Council but title registration for the site is pending in the Property Registration Authority.

³ One of the four is a small (0.11 hectare) site in Royal Oak Road, Co. Carlow. Given the relatively low (approximately €50,000) sum involved, the related HFA loan for this site was redeemed in full even though the application was approved after the revised LAGS arrangements were put in place.

Source: The Housing Agency

Notes: a Annexes 12B and 12C respectively give details of sites transferred to the Housing Agency under the original LAGS arrangements and the revised arrangements.
b For five sites, beneficial ownership has transferred to the Housing Agency but title registration is pending in the Property Registration Authority of Ireland.

Development of land by the Housing Agency

- 12.10** The Housing Agency is responsible for managing sites transferred to it under the scheme, including developing a strategy for utilisation of the land. When considering development options for individual sites transferred to it under LAGS, the Housing Agency seeks input from the relevant local authority and other interested parties. The Housing Agency requires sanction from the Minister for Housing, Planning and Local Government before disposing of or developing a site. At the end of 2019, the Housing Agency retained ownership of 92% of the land transferred to it under LAGS.¹
- 12.11** Since the closure of the scheme to new applications in December 2013, the focus of LAGS has turned to the development and utilisation of the sites.
- 12.12** The sites transferred from local authorities to the Housing Agency had been acquired by local authorities prior to 2007/2008 for social housing projects. In a 2010 circular² announcing the establishment of LAGS, the Department noted that it was likely that some land purchased by local authorities may not be used for housing projects in the short to medium term for reasons including over-supply in the housing market and changes in housing policy away from large 'green field' developments.
- 12.13** Under LAGS, only land which had reasonable residential development potential and which there were no plans to develop in the short to medium term could be transferred. There was no onus on local authorities to partake in the scheme. The Department approved or rejected the inclusion of sites in the scheme following its consideration of an assessment carried out by the Housing Agency.
- 12.14** In February 2018, the Agency formulated a strategic development and management plan for LAGS sites. The main aim of the plan was to set out a path to achieving housing development on the majority of the LAGS lands within the bounds of good planning, sustainable communities and financial feasibility. Under the strategic plan, LAGS sites were grouped according to their viability and development potential and categorised as being either
- ready for immediate development — 36 sites (159 hectares), or
 - unlikely to be suitable for near-term development due to lack of housing demand, zoning or other issues — 37 sites (89 hectares).
- 12.15** The plan estimated that the 36 sites with potential for immediate development had the capacity to deliver approximately 3,370 homes. As set out in Figure 12.3, a range of delivery strategies were envisaged for those sites. The development capacity for the other 37 sites was estimated at around 1,900 homes.³

¹ Annex 12A provides details of a number of cases where the Housing Agency has transferred ownership of all or part of a site obtained under LAGS to a third party.

² Circular SHIP 2010/09, *Revised arrangements for the funding of land for social housing purposes and Land Aggregation Scheme*, April 2010.

³ For the 37 secondary sites, the Agency considers proposals which may bring them into use in the medium or longer term.

Figure 12.3 Delivery strategies included in the strategic plan 2018

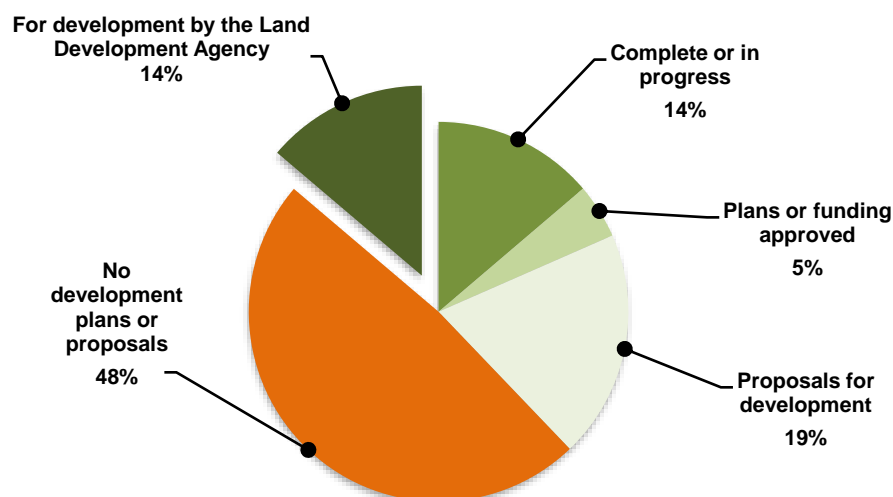
Delivery option ^a	Estimated Development capacity (homes)
E-tender process to find development partners	1,780
Local authority (LA) – led development	847
Approved housing body (AHB) – led development	324
Public private partnership development	246
LA – led development, with ownership transferred to AHB on completion	175
Total	3,372

Source: LAGS Strategic Development and Management Plan 2018, Housing Agency

Note: a Three developments contain elements of two or more delivery options.

12.16 The Housing Agency informed the examination team that it is currently prioritising development of sites that are already serviced and have the most potential to deliver housing at scale in the shortest timeframe. Figure 12.4 shows the extent of development that has occurred across all LAGS sites. Annexes 12B and 12C show which sites are included in each category.

Figure 12.4 Progress in developing LAGS sites, as at end December 2019^a



Source: Department of Housing, Planning and Local Government; Housing Agency. Analysis by the Office of the Comptroller and Auditor General.

Note: a The percentages shown represent the hectares in each category as a proportion of the total hectares across all 73 sites.

Development completed or in progress (19 sites, 14% of overall area)

- 12.17** In total, 98 social housing units have been completed to date on LAGS sites. A further 762 units are at various stages of physical development, of which 50 will be made available to private tenants under the national cost rental model.¹ The developments completed or in progress are spread across 19 different sites (35 hectares).²

Development plans or funding approved (4 sites, 5% of overall area)

- 12.18** Details of the four sites (13.3 hectares) with development plans or approved funding are provided in Figure 12.5. The Housing Agency has estimated that these sites have the potential to deliver up to 800 units.

Figure 12.5 LAGS sites with plans or funding approvals, status as at May 2020

LAGS site	Developer	Purpose	Status as at May 2020
Gibbet Hill, Waterford	Private developer and Waterford County Council	Development of affordable and social housing units.	Construction scheduled to commence in 2021.
Lissywollen, Athlone (2 sites)	Alanna Homes Roadbridge JV and Westmeath County Council	Initial development of 200 housing units and longer term potential for a further 370, with approximately 30% of the units for social housing and the remainder for private tenure.	Construction scheduled to commence in 2020. The consortium is to construct the access road and housing units over six phases. The transfer to the County Council includes requirements for it to procure the development and completion of dwellings in the relevant phases in defined timescales.
St Joseph's Road, Mallow	N/A		Approval in principle obtained. The lands may be transferred to Cork County Council for development with similar conditions as applied to Lissywollen.

Source: The Housing Agency

Land with proposals for development (18 sites, 19% of overall area)

- 12.19** In September 2018, the Housing Agency sought expressions of interest from experienced and resourced approved housing bodies to work with the Agency on developing a number of LAGS sites. Responses were received in respect of eight sites suitable for immediate development. The sites have the potential to deliver an estimated 324 housing units. As at May 2020, all eight of these sites were at an early stage of development including development of the site concepts, exploring feasibility and other preplanning activities. For one site, the planning application is expected to be lodged in October 2020.

¹ Under the cost rental model, rents charged cover only the cost incurred in delivering, managing and maintaining the homes.

² At one 24-hectare site in Hampton Balbriggan, development has been completed on part (1.4 hectares) of the site. The remaining site area is to be developed by the Land Development Agency.

- 12.20** Separately, the Housing Agency received ten responses from approved housing bodies to an invitation to put forward proposals for sites deemed not ready for immediate development. These sites have an estimated potential to deliver 699 housing units. As at May 2020, three proposals have been put on hold and categorised as not suitable for development, mainly due to zoning restrictions. The remaining seven sites, with the estimated potential to deliver 423 housing units, are at an early stage of development.

To be developed by the Land Development Agency (3 sites, 14% of overall area)

- 12.21** The Department has stated that three sites¹ categorised as ready for immediate development but not currently under development will be transferred to the Land Development Agency (Figure 12.6 and Annex 12B).

Figure 12.6 Land Development Agency – Establishment and accountability arrangements

The Land Development Agency was established on an interim basis (pending the enactment of primary legislation) in September 2018.

The Agency was established with the aim of co-ordinating the optimal use of State-controlled land, with a focus on the provision of housing. The Government has provided capital funding of €1.25 billion to support the activities of the Agency.

The establishment order for the Agency (SI 352 of 2018) states that the first financial period for the Agency runs from 14 September 2018 to 31 December 2019. The SI provides for the Agency to appoint auditors of its financial statements. It has appointed a private firm to audit the financial statements for its first financial period.

The general scheme for the Land Development Agency Bill 2019 provides that the financial statements of the Agency and its group entities (when established under legislation) will be subject to audit by the Comptroller and Auditor General; and that the Agency will be accountable to the Committee of Public Accounts. However, since the Bill has not yet been enacted, the Comptroller and Auditor General has not been assigned the role of auditor and the Agency consequently does not fall within the remit of the Committee of Public Accounts.

Source: Department of Housing, Planning and Local Government; Housing Agency and electronic Irish Statute Book

¹ The three sites are at Hampton, Balbriggan (22.7 hectares), Hackettstown, Skerries (7.3 hectares) and Devoy Barracks, Naas, (4 hectares).

- 12.22** Transfers to the Land Development Agency will facilitate the development of social and affordable housing as well as potential development of school and community uses. The sites are at an early stage of development and the arrangements for land transfers have not been finalised. Prices for the transfers have yet to be determined.

Sites with no development plans or proposals (29 sites, 48% of overall area)

- 12.23** As at the end of December 2019, there were no development plans approved, or development proposals made, in respect of nearly half of the land acquired by the Housing Agency under LAGS.¹
- 12.24** Of the 36 sites categorised as being available for immediate development, there were no development plans or proposals made in four cases. The Housing Agency considers that those four sites have the potential to provide 781 housing units.
- 12.25** There were no development plans or proposals made for 25 of the 37 secondary sites. The bulk (88%) of those sites have been assessed as having very low demand for social housing units. The Housing Agency estimates that the 25 sites have the potential to deliver just over 1,100 housing units.

Accounting for site values

- 12.26** The Housing Agency initially valued the sites at their €1 acquisition price in its financial statements. The Department subsequently sought legal advice from the Chief State Solicitor's Office regarding the appropriate accounting treatment given the conditions of the scheme and, in particular, the restrictions on how the Housing Agency could use or dispose of LAGS land.
- 12.27** In 2018, the Housing Agency engaged a number of qualified valuers to carry out valuations on the 69 LAGS sites that it still held. The purchase price paid by the local authorities for those sites was about €115 million. The 2018 valuations totalled €55 million.² The land is now recognised at market value in the financial statements of the Housing Agency.
- 12.28** The Housing Agency has advised that no date has been scheduled for the next revaluation of LAGS sites.

¹ One small (0.52-hectare) site at Glin Co. Limerick was not developed by the Housing Agency but was sold to a local community group for the purpose of developing homes for the elderly (see Figure 12A.1).

² A breakdown of the valuations per site is provided in Annexes 12B and 12C. A number of part disposals have occurred since the revaluations were carried out.

³ The final site transferred in 2020. The purchase price of individual sites transferred was calculated on a pro rata basis taking account of the proportion of the site transferred and the purchase price of the full site.

⁴ In line with the principles governing the self-funding of housing services from surplus Local Property Tax (LPT) receipts, a local authority's LPT self-funding obligation must be met before it can receive Exchequer funding under relevant programmes, including LAGS.

LAGS funding to local authorities

- 12.29** Local authorities paid approximately €125 million to acquire the 72 sites transferred under LAGS as at 31 December 2019.³
- 12.30** The Department paid local authorities €111 million during 2010 and 2011 to redeem the HFA loans associated with the 47 sites approved under the first iteration of LAGS. The Department has no further funding obligations under LAGS in relation to those sites.
- 12.31** When LAGS closed to new entrants in December 2013, the outstanding balance on the annuitised loans for 25 sites approved under the revised LAGS arrangements stood at €52.1 million. The Department has an ongoing commitment to reimburse local authorities in respect of capital and interest payments made to the HFA in connection with those loans.
- 12.32** For some local authorities, surplus Local Property Tax (LPT) receipts must be offset against claims under LAGS, thereby reducing the amount to be reimbursed by the Department.⁴

12.33 Since the implementation of the revised LAGS arrangements up to 31 December 2019, local authorities have claimed €12.2 million in respect of repayments made on annuitised HFA loans. Of that total, €2.5 million in surplus LPT receipts was offset against those claims and the balance of €9.7 million was reimbursed to local authorities by the Department.

12.34 As at 31 December 2019, the outstanding balance on the annuitised loans is €41 million (breakdown at Annex 12C). The Department estimates that the future cost of capital and interest payments will amount to approximately €2.7 million per year, depending on the interest rates in force. As in previous years, that cost is likely to be shared between the voted funding and surpluses in local authority LPT receipts.

Impact of LAGS on local authority debt

12.35 Under the Local Government Act 2001, local authorities are permitted to borrow in certain circumstances. A decision to borrow is a reserved function of local authority members and the loan must be sanctioned by the relevant minister.

12.36 The Department considers local authority borrowing requests using a range of indicators including the current level of indebtedness, ability to fully service the loan, restrictions on borrowings under rules around the general government balance and the overall purpose of the loan.

12.37 The bulk (about 90%) of the borrowing undertaken by local authorities is accounted for by HFA loans.¹ The breakdown of the €3.3 billion balance on HFA loans at 31 December 2018 was

▪ Voluntary housing and water loans ²	€973 million
▪ Funding of assets/grants	€892 million
▪ Mortgage loans ³	€813 million
▪ Bridging finance	€425 million
▪ Shared ownership/rented equity	€145 million
▪ Other	€20 million.

12.38 As part of its oversight role for the local authority sector, one of the Department's objectives is to ensure that local authority finances are on a sustainable footing.⁴ LAGS was introduced in 2010 with the objective of gradually unwinding loans taken out by local authorities (with the approval of the Department) from the HFA to purchase land for social and affordable housing investment programmes.

12.39 While total local authority debt has decreased significantly from €5.1 billion at end 2009 to €3.6 billion at end 2018, LAGS is responsible for only a small portion of the decrease. Over that period, LAGS removed an estimated €122 million in land-related debt from local authority balance sheets.⁵

12.40 The Department has ongoing funding commitments to local authorities under LAGS in relation to repayments on loans with outstanding balances of €41 million at 31 December 2019. The Department has stated that while some LAGS debt remains on the books of local authorities, it does not affect their ability to borrow.

1 Other loans are generally sourced from the Office of Public Works or commercial banking institutions.

2 Repayments made by local authorities on these loans can be fully recouped from the Department.

3 These are annuity type loans used by local authorities to fund equivalent annuity loans issued to customers to buy houses. The local authority's loan repayments are funded by the corresponding repayments from its customers.

4 Chapter 2, *Report on the Public Services 2019*, provides an overview of the funds flowing from and through central government to local authorities and of the purposes for which the funds are provided.

5 Comprising loans of €111 million fully redeemed during 2010 and 2011 and a reduction of €11 million in loans on sites approved under the revised LAGS arrangements implemented in 2012. This estimate does not take account of the effect of surplus LPT receipts being offset against some local authority claims under LAGS.

Conclusions and recommendations

- 12.41** The Land Aggregation Scheme (LAGS) was established to support local authorities by alleviating the financial burden of servicing loans taken out from the HFA where land acquired for the delivery of social and affordable housing had not yet been developed.
- 12.42** A key feature of the scheme was that land should be transferred to the Housing Agency, which was assigned responsibility for managing and developing the sites. There were delays in effecting some of the transfers. The current position is that 68 of the 73 approved LAGS sites have been fully transferred and registered in the ownership of the Housing Agency. In the case of the other five, beneficial ownership has transferred to the Housing Agency but title registration in the Property Registration Authority has not yet been completed.
- 12.43** The land transferred to the Housing Agency under LAGS was acquired originally by local authorities on the basis that it was suitable for housing. Guidance issued by the Department on the introduction of LAGS noted that, for a variety of reasons, some of the land acquired by local authorities was not likely to be used for social housing in the short to medium term. Only land with reasonable residential development potential was accepted into LAGS. In the context of the current shortage in housing supply, particularly for social and affordable units, the land represents a significant opportunity. The land was assessed as having the potential to deliver a total of approximately 5,270 residential units.
- 12.44** In a 2018 strategic development and management plan, the Housing Agency categorised 36 of the 73 LAGS sites as being ready for immediate development. These were assessed as having the potential to accommodate the development of 3,370 units — around 64% of the overall potential of the LAGS sites. There are currently no developments plans or proposals in place for four of those sites.
- 12.45** To date, 98 social housing units have been completed. A further 762 units are at various stages of development, of which 50 will be made available to private tenants under the national cost rental model. Collectively, these units represent around 26% of the assessed potential of the sites available for immediate development.

Recommendation 12.1

The Housing Agency should seek to put development plans in place as a matter of urgency for the four sites identified in 2018 as being ready for immediate development but for which there are currently no development plans or proposals.

Chief Executive's response

Agreed.

The Housing Agency will consult with the relevant local authorities and the Land Development Agency regarding the potential to develop these lands as soon as is pragmatic.

- 12.46** The other 37 LAGS sites were categorised in the 2018 plan as being unlikely to be suitable for near-term development due to lack of demand, zoning issues or other reasons. There are no development plans or proposals in place for 25 of those sites.

Recommendation 12.2

The Housing Agency should seek to develop a longer term plan for each of the sites considered not ready for immediate development. If development for social housing purposes is unlikely even in the longer term, the Housing Agency should consider the potential for alternative uses of the land in the public interest.

Chief Executive's response

Agreed.

The Housing Agency will carry out a further review of sites assessed as secondary sites in our 2018 Strategic Development and Management Plan to establish if there will be a medium term need for social or other housing on the sites or if there are other community needs which may be satisfied by these sites. Subject to the outcome of this review, the Agency, after first consulting with the Department of Housing, Planning and Local Government and our Board, and the relevant local authorities will where appropriate consult with the Land Development Agency and the Office of Public Works to establish if there are other potential uses for the land.

- 12.47** The land still held by the Housing Agency at the end of 2018 was valued at €55 million. That land had initially been purchased by local authorities for about €115 million.
- 12.48** LAGS sites which had initially been carried at their €1 acquisition price are now reflected at fair value in the financial statements of the Housing Agency. No date has been scheduled for the next revaluation of the LAGS sites.

Recommendation 12.3

The LAGS land is being held by the Housing Agency for disposal. In its accounting policies, the Housing Agency should specify a maximum interval between revaluations for lands held under LAGS and should indicate when the next revaluation is planned.

Chief Executive's response

Agreed.

Subject to Board approval, the Housing Agency is proposing to introduce a biennial review of land values using a desk-top study methodology. A qualified valuer will be engaged to advise the Housing Agency on relevant movements in land values since the previous valuation date and these movements in value will be applied to the Agency's lands. Every six years, a full revaluation will be carried out on each plot of land in the Agency's ownership.

- 12.49** During 2010 and 2011, the Department advanced LAGS funding of €111 million to local authorities to redeem HFA loans. Since the implementation of revised funding arrangements in 2012, up to 31 December 2019, local authorities claimed a further €12.2 million in respect of repayments made on annuitised HFA loans.
- 12.50** The Department has ongoing funding commitments to local authorities under LAGS in relation to repayments on loans with outstanding balances of €41 million at 31 December 2019. The Department has stated that while some LAGS debt remains on the books of local authorities, it does not affect their ability to borrow.
- 12.51** The LAGS has not operated to the level originally envisaged in terms of reducing local authority debt. Nevertheless, total local authority debt has decreased significantly from €5.1 billion at end 2009 to €3.6 billion at end 2018.

Annex 12A Disposals of LAGS sites by the Housing Agency

As at 31 December 2019, the Housing Agency had transferred ownership of all or part of eight LAGS sites (19.4 hectares) to third parties and was in the process of transferring ownership of another four sites (6.5 hectares). See Figure 12A.1.

The Agency retains any proceeds from the sale of LAGS sites. Sales proceeds are used for housing purposes, following consultation with the Department. Transfers of sites to local authorities for the purpose of developing social and affordable housing are at a nominal value.

Figure 12A.1 Disposals of LAGS sites, as at 31 December 2019

No	Land location	Area ha	Purchaser/ Disposal recipient	Price €	Date of transfer/sale	Purpose of land transfer
1	Duntahane Road, Fermoy, Co. Cork	1.90	Dept. of Education and Skills	248,000	2015 (partial)	Construction of new primary school. Completed.
1	Duntahane Road, Fermoy, Co. Cork	2.08	Cork C.C.	Nominal value	2018 (remainder of site)	Construction of 46 units and 1 community building. Construction commenced in Q4, 2018 and due for completion in early 2020.
2	Glin, Co. Limerick	0.52	Glin Homes for the Elderly Ltd	25,000	2017	Construction of homes for the elderly.
3	Enniskerry Road, Sandymount, Dublin	2.80	Dun Laoghaire – Rathdown C.C.	Nominal value	2018	Construction of social and cost rental housing. Construction of 155 residential units commenced in June 2019. Homes to be delivered in 2021.
4	Craddockstown, Naas, Co. Kildare	3.58 of 7.93	Kildare C.C.	Nominal value	2019 (partial)	Construction of 74 social housing units. Construction commenced in March 2019.
5	Nancy's Lane, Clane, Co. Kildare	3.7 of 8.49	Kildare C.C.	Nominal value	2019 (partial)	Development of 77 social housing units. Construction commenced in November 2019.
6	Oakwood, Macroom, Co. Cork	2.26	Cork C.C.	Nominal value	2019	Construction of 50 social housing units, commenced in December 2019.
7	The Miles, Clonakilty, Co. Cork	1.99	Cork C.C.	Nominal value	2019 (partial)	Delivery of social housing. Construction of 52 social housing units commenced in December 2019.
8	Devoy Barracks, Naas, Co. Kildare	0.55 of 5.66	Kildare C.C.	Nominal value	2019 (partial)	Construction of local enterprise and innovation centre. Construction commenced in November 2019.
9	Hampton, Balbriggan, Co. Dublin	1.47 of 24.21	Fingal C.C.	Nominal value	In progress	Delivery of social housing units via rapid build.
10	Ballymoneen Road, Co. Galway	2.27	Galway City Council	Nominal value	In progress	Delivery of social housing units.
11	Meelin, Co Cork	1.65	Meelin Community Group	€35,000 (not yet received)	In progress	Development of community activities ground.
12	Cloughmacsimon, Bandon Co. Cork	1.13 of 3.63	Department of Education	€200,000 (not yet received)	In progress (partial)	Construction of new primary school.

Source: The Housing Agency and the Department of Housing, Planning and Local Government.

Annex 12B Sites transferred by local authorities to Housing Agency, under initial LAGS arrangements

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
Development completed or in progress									
Cork C.C.	Oakwood, Macroom	3.46	€1,238,000	€1,126,472	2.26	07/11/2013	Nil	N/A	Cork C.C.
Dun Laoghaire-Rathdown C.C.	Enniskerry Rd, Sandycroft	3.20	€8,825,000	€10,257,875	2.80	27/02/2014	Nil	N/A	Dun Laoghaire-Rathdown C.C.
Galway City Council	Ballymoneen Road	5.44	€6,250,000	€7,006,412	2.28	24/11/2015	2.28	€2,940,000	—
Kildare C.C.	Craddockstown, Naas	8.76	€3,809,000	€4,750,580	7.93	29/10/2015	4.35	€5,900,000	LA and Housing Agency
Kildare C.C.	Clane, Naas	8.49	€2,793,000	€3,595,901	8.49	20/10/2015	4.79	€3,200,000	LA and Housing Agency
Limerick C.C.	Knocklong	4.17	€413,000	€434,019	3.46	27/02/2014	3.46	€170,800	—
Meath C.C.	Townparks, Kells	4.39	€2,100,000	€2,516,241	4.39	02/06/2016	4.39	€1,500,000	—
Wexford C.C.	Ballyowen, Gorey	2.86	€1,260,000	€602,893	0.95	27/02/2014	0.95	€220,000	—
Wexford C.C.	Carrick on Bannow	3.15	€495,000	€111,339	0.52	27/02/2014	0.52	€100,000	—
Wexford C.C.	Creagh 'B', Gorey	10.88	€2,793,000	€369,488	0.73	27/02/2014	0.73	€180,000	—
Total sites with development completed or in progress		54.80	€29,976,000	€30,771,220	33.81		21.47	€14,210,800	

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
Development plans or funding approved									
Mallow Town Council	St. Joseph's Road	5.26	€2,984,000	€3,877,077	5.26	21/08/2015	5.26	€970,000	—
National Building Agency (2 sites) ^d	(1) Cartontroy & Kilnafaddoge; (2) Lissywollen	5.50	€3,174,000	€4,167,544	5.50	27/02/2014	5.50	€700,000	—
Waterford City Council	Gibbet Hill	2.93	€1,270,000	€1,620,215	2.93	27/02/2014	2.93	€590,000	—
Total sites with development plans or funding approved		13.69	€7,428,000	€9,664,836	13.69		13.69	€2,260,000	

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
Land with proposals for development									
Carlow C.C.	Tinryland	3.20	€635,000	€499,835	1.89	27/02/2014	1.89	€224,200	—
Carlow C.C.	Slate Row, Hacketstown	4.04	€559,000	€611,677	3.23	27/02/2014	3.23	€455,000	—
Cork C.C.	Carrigtwohill	3.28	€2,412,000	€1,474,014	2.02	26/11/2014	2.02	€450,000	—
Kildare C.C.	Nurney	4.16	€653,000	€829,896	4.16	12/08/2015	4.16	€170,000	—
National Building Agency	Tullow Road, Carlow	1.96	€3,000,000	€3,327,875	1.96	10/06/2017	1.96	€395,000	—
Sligo C.C.	Tubbercurry	1.66	€152,000	€34,062	0.22	27/02/2014	0.22	€7,320	—
Tralee Town Council	Ballyard, Tralee	14.33	€4,318,000	€5,585,790	8.28	02/09/2014	8.28	€300,000	—
Wexford C.C.	Parish Field, Bunclody	2.30	€543,000	€283,233	0.71	27/02/2014	0.71	€100,000	—
Wexford C.C.	Taghmon	4.21	€635,000	€829,214	3.40	27/02/2014	3.40	€350,000	—
Wicklow Town Council	Hillview, Ballynerrin	6.03	€3,028,000	€1,390,145	2.90	27/02/2014	2.90	€1,080,000	—
Total land with proposals for development		45.17	€15,935,000	€14,865,741	28.77		28.77	€3,531,520	

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
For development by the Land Development Agency									
Fingal C.C.	Hampton, Balbriggan ^e	24.21	€19,046,000	€26,479,174	24.21	27/02/2014	24.21	€11,650,000	—
Naas Town Council	Devoy Barracks	5.66	€8,888,000	€11,522,100	5.66	20/10/2015	5.11	€7,000,000	LA and Housing Agency
Total sites for development by the Land Development Agency		29.87	€27,934,000	€38,001,274	29.87		29.32	€18,650,000	

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
No development plans or proposals									
Clare C.C.	Lisdoonvarna	4.41	€1,901,000	€2,189,982	4.41	08/05/2014	4.41	€80,000	—
Cork C.C.	Colleras, Goleen	0.82	€393,000	€348,337	0.50	27/02/2014	0.50	€30,000	—
Cork C.C.	Knocknagree	2.03	€203,000	€241,595	1.31	27/02/2014	1.31	€30,000	—
Cork C.C.	The Slip, Bantry	15.26	€2,413,000	€2,788,750	13.48	07/12/2016 Registration pending with PRAI	13.48	€950,000	—
Cork C.C.	Meelin	1.65	€89,000	€115,032	1.65	27/02/2014	1.65	€32,000	—
Cork C.C.	Lombardstown	2.76	€349,000	€152,184	1.34	26/11/2014	1.34	€50,000	—
Kildare C.C.	Brallistown	4.04	€1,550,000	€1,929,294	4.04	08/06/2015	4.04	€130,000	—
Laois C.C.	Golflinks Road, Rathdowney	1.98	€267,000	€342,668	1.98	21/02/2014	1.98	€62,000	—
Laois C.C.	Castletown	5.62	€508,000	€111,392	1.50	27/02/2014	1.50	€100,000	—
Laois C.C.	Portlaoise Road, Mountrath	3.10	€654,000	€849,818	3.10	27/02/2014	3.10	€80,000	—
Laois C.C.	Adj. to Cemetery Ballinakil	1.25	€140,000	€178,188	1.25	27/02/2014	1.25	€50,000	—
Laois C.C.	Woodbrook, Mountrath	3.56	€762,000	€370,383	1.72	27/02/2014	1.72	€175,000	—
Limerick C.C.	Glin	1.71	€338,000	€124,123	0.52	27/02/2014	Nil	N/A	Local community group

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)		
		Hectares bought	Cost	HFA loan recouped ^a	Hectares transferred	Transfer date	Hectares owned by Housing Agency	Site valuation ^b	Site owner ^c
Limerick C.C.	Ballyhahill	1.67	€63,000	€54,466	1.21	27/02/2014	1.21	€59,600	—
Limerick C.C.	Mountcollins	2.34	€152,000	€135,694	1.48	27/02/2014	1.48	€28,800	—
Limerick C.C.	Bruff	2.37	€190,000	€229,899	2.07	27/02/2014	2.07	€99,200	—
Offaly C.C.	Shinrone	3.67	€381,000	€371,847	2.87	27/02/2014	2.87	€100,000	—
Sligo C.C.	Ballintogher	1.31	€210,000	€274,344	1.31	27/02/2014	1.31	€39,120	—
Sligo C.C.	Lisnalurg	13	€11,198,000	€4,828,276	11.80	11/08/2015	11.80	€420,000	—
Waterford C.C.	Townparks East, Tallow	6.40	€857,000	€871,053	4.30	27/02/2014	4.30	€330,000	—
Wexford C.C.	Hospital Hill, Bunclody	5	€1,067,000	€1,252,881	4.39	27/02/2014	4.39	€434,000	—
Total sites with no development plans or proposals		83.95	€23,685,000	€17,760,206	66.23		65.71	€3,279,720	
Total all categories		227.48	€104,958,000	€111,063,277	172.37		158.96	€41,932,040	

Source: The Department of Housing, Planning and Local Government and the Housing Agency.

- Notes:
- a Includes capital element plus interest of loan recouped.
 - b The site valuations were carried out in 2018. A number of part disposals occurred during 2019. In those cases, the valuation amount shown relates to the entire site, prior to any disposal.
 - c Sites are fully owned by the Housing Agency unless stated otherwise.
 - d Approval was granted for Lissywollen site only (3.3 hectares of 5.5 hectares).
 - e Development is already completed on 1.4 hectares of the site at Hampton, Balbriggan.

Annex 12C Sites transferred by local authorities to Housing Agency, under revised LAGS arrangements

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)			
		Hectares bought	Cost	HFA loan annuitized	Hectares transferred/ to transfer	Transfer date	Hectares owned by Housing Agency	Site valuation	Site owner ^a	HFA loan balance
Development completed or in progress										
Carlow County Council (C.C.) ^b	Royal Oak Road	10.1	€3,226,000	€50,484	0.11	Yet to transfer	Nil	N/A	Respond Housing Agency	Nil
Cork C.C.	The Miles, Clonakilty	2.46	€762,000	€1,066,686	2.46	15/04/2015	0.47	€965,000	Cork C.C	€853,513
Cork C.C	Duntahane Road, Fermoy	3.98	€2,618,000	€3,535,156	3.98	16/10/2014	Nil	N/A	DES ^c and LA	€2,733,804
Cork C.C.	Townsend Street, Skibbereen	0.13	€152,000	€253,467	0.13	03/08/2016	0.13	€125,000	-	€210,486
Dundalk Town Council	Mount Ave, Dundalk	3.09	€3,400,000	€4,158,868	3.09	12/08/2015	3.09	€1,150,000	-	€3,595,023
Laois C.C.	Abbeyleix Road, Portlaoise	1.49	€1,048,000	€1,383,355	1.49	12/11/2015	1.49	€450,000	-	€1,052,392
Laois C.C.	Old Knockmoy Road, Portlaoise	1.03	€1,680,000	€2,067,743	1.03	21/02/2014	1.03	€300,000	-	€1,609,081
Cork C.C.	Barrack Road, Youghal	1.16	€900,000	€1,136,077	1.16	29/08/2019 Registration pending with PRAI	1.16	€170,000	-	€1,074,377
Total sites with development completed or in progress		23.44	€13,786,000	€13,651,836	13.45		7.37	€3,160,000		€11,128,676

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)			
		Hectares bought	Cost	HFA loan annuitized	Hectares transferred/ to transfer	Transfer date	Hectares owned by Housing Agency	Site valuation	Site owner ^a	HFA loan balance
Land with proposals for development										
Carlow C.C.	Paupish	2.20	€735,000	€960,510	2.20	08/06/2015	2.20	€380,000	-	€748,707
Cork C.C.	Cloughmacsimon, Bandon	3.63	€2,159,000	€3,006,467	3.63	29/01/2015	3.63	€535,000	-	€2,405,638
Laois C.C.	Derry Road, Durrow	1.03	€450,000	€554,089	1.03	09/03/2015	1.03	€80,000	-	€431,182
Limerick C.C.	Cappamore	2.50	€254,000	€99,397	1.25	22/04/2014	1.25	€10,800	-	€75,842
Tullamore Town Council	Collins Lane, Tullamore	5.79	€3,925,000	€4,836,977	4.34	21/05/2015	4.34	€1,100,000	-	€3,673,575
Wexford C.C.	Campile	2.99	€174,000	€236,635	0.76	25/08/2015	0.76	€100,000	-	€189,344
Wexford C.C. (2 sites)	Castlemoyle	10.64	€3,345,000	€3,744,513	7.35	15/12/2014 Registration pending with PRAI	7.35	€550,000	-	€2,833,495
Total land with proposals for development		28.78	€11,042,000	€13,438,588	20.56		20.56	€2,755,800		€10,357,783

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)			
		Hectares bought	Cost	HFA loan annuitized	Hectares transferred/ to transfer	Transfer date	Hectares owned by Housing Agency	Site valuation	Site owner ^a	HFA loan balance
For development by the Land Development Agency										
Fingal C.C.	Hackettstown	7.3	€5,523,000	€7,285,628	7.30	16/09/2013	7.30	€4,250,000	-	€5,629,439
Total land for development by the Land Development Agency		7.3	€5,523,000	€7,285,628	7.30		7.30	€4,250,000		€5,629,439

Local authority (LA)	Location	Purchased by LA		Transferred by LA			Current position (as at 31 December 2019)			
		Hectares bought	Cost	HFA loan annuitized	Hectares transferred/ to transfer	Transfer date	Hectares owned by Housing Agency	Site valuation	Site owner ^a	HFA loan balance
No development plans or proposals in place										
Cork C.C.	Union Hall	1.40	€444,000	€622,233	1.40	05/09/2016 Registration pending with PRAI	1.40	€260,000	-	€526,969
Cork C.C.	Stagpark, Mitchelstown	13.35	€4,317,000	€3,781,435	8.59	30/11/2016	8.59	€530,000	-	€3,025,731
Cork C.C.	Dripsey	1.30	€540,000	€708,517	1.30	20/05/2015	1.30	€47,500	-	€566,922
Fingal C.C.	Garristown	3.34	€1,778,000	€1,554,332	2.77	23/01/2013	2.77	€1,026,000	-	€1,182,464
Laois C.C.	Bride Street, Ballinakill	0.92	€260,000	€340,359	0.92	14/03/2016	0.92	€40,000	-	€258,930
Laois C.C.	Doonane	0.74	€100,000	€123,158	0.74	21/02/2014	0.74	€25,000	-	€95,839
Laois C.C.	Golflinks Road, Rathdowney	2.13	€1,000,000	€1,243,533	2.13	27/02/2014	2.13	€63,000	-	€967,695
Offaly C.C.	Kilcormac	1.42	€800,000	€622,331	1.22	16/10/2014	1.22	€40,000	-	€476,486
Sligo Borough Council	Ballinode	15.18	€6,146,000	€8,830,266	15.18	23/12/2014	15.18	€500,000	-	€6,717,659
Total sites with no development plans or proposals in place		39.78	€15,385,000	€17,826,164	34.25		34.25	€2,531,500		€13,818,695
Total all categories		99.30	€45,736,000	€52,202,216	75.56		69.48	€12,697,300		€40,934,593

Source: The Department of Housing, Planning and Local Government and the Housing Agency

Notes: a Sites are fully owned by the Housing Agency unless stated otherwise.

b A small portion (0.11 hectares) of the 10.1-hectare site is due to transfer to the Housing Agency under LAGS. Given the relatively low outstanding loan amount, the HFA loan was redeemed in full, rather than annuitised. The site had yet to transfer to the Housing Agency at 31 December 2019.

c Department of Education and Skills.

13 The Pyrite Remediation Scheme

- 13.1** Pyrite is a common mineral that can be found in certain types of rock. The presence of pyrite in construction materials such as aggregates used as hard core under floors can lead to problems. When exposed to oxygen and moisture, pyrite may cause structural defects in buildings by causing the hardcore beneath ground floor slabs to swell and result in cracks to walls and floors. In mid-2007, it became apparent that a number of private housing developments were affected by damage caused by such reactive pyrite heave.
- 13.2** Homebond is a provider of structural defect guarantees/warranties for purchasers of new homes. The company carried out remediation of dwellings where, subject to the terms of its cover, it was satisfied that pyrite damage had occurred and there was resulting damage. The remediation works continued until mid-2011 when Homebond withdrew its guarantee for pyrite-damaged houses. This followed a court decision on a case that held the supplier of construction material liable for damage caused by pyrite rather than the developer.¹
- 13.3** In September 2011, in the wake of Homebond's decision, the Minister for the Environment, Community and Local Government (the Minister) announced the establishment of the Pyrite Panel (the Panel). The Panel produced a report in 2012 that set out the scale of the problem and made suggestions as to how it could be resolved. On foot of the Panel report, in December 2012, the Government approved a request from the Minister for the establishment of a Pyrite Resolution Board.
- 13.4** The Pyrite Resolution Board (the Board) was established on an administrative basis in February 2013. In tandem with the establishment of the Board, the Department of Housing, Local Government and Heritage (the Department) commenced work on the development of a general scheme for a pyrite remediation bill.²
- 13.5** In October 2013, the Minister received Government approval for
- the roll-out of a pyrite remediation scheme (the scheme) to be financed from Exchequer funds under the auspices of the Pyrite Resolution Board
 - initial funding of €10 million
 - drafting of a pyrite resolution bill.
- 13.6** The Pyrite Resolution Act came into effect on 10 January 2014. The Act provided for
- the establishment of the Pyrite Resolution Board on a statutory basis to determine the scope of the programme, oversee the implementation of the scheme and manage the application and appeals process, and
 - administration and implementation of the scheme by the Housing and Sustainable Communities Agency (the Housing Agency) who would assess and make recommendations to the Board on applications from homeowners for inclusion in the scheme.

¹ James Elliot Construction Ltd vs Irish Asphalt Ltd, 25 May 2011.

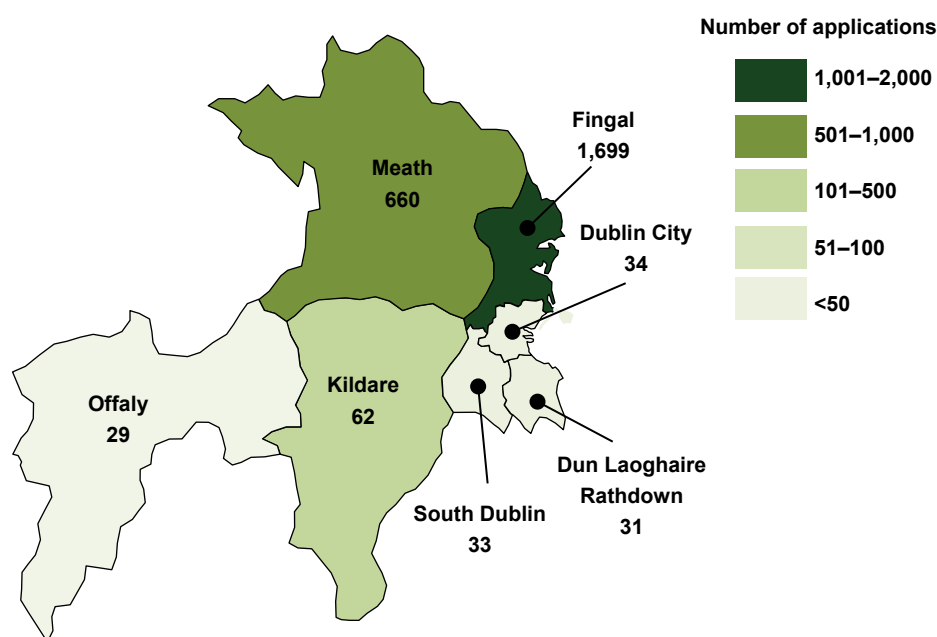
² Previously named the Department of Housing, Planning and Local Government.

- 13.7** The scheme commenced in February 2014. Its primary objective was to remediate dwellings that were significantly damaged by pyrite, at no additional cost to the homeowner. It is a scheme of 'last resort' for affected homeowners who have no other practical option to obtain redress, and is limited to dwellings with significant pyrite damage located in certain local authority areas.
- 13.8** This examination was carried out to assess the progress achieved to the end of 2019 in dealing with the problem of pyrite used in home building up to 2014 and to consider the cost of the scheme introduced to remedy the problem.

Scale of pyrite problem

- 13.9** In estimating the possible maximum exposure to the pyrite problem, the Panel determined that 10,300 dwellings in 74 estates may have reactive pyrite present in the hardcore and require remediation.¹ To the end of 2019, pyrite-related damaged dwellings across seven local authorities are included in the scheme. Dwellings located in two local authorities, Fingal and Meath, account for over 90% of the applications to the scheme (see Figure 13.1).

Figure 13.1 Applications submitted by local authority, end 2019



Source: Pyrite Resolution Board. Analysis by the Office of the Comptroller and Auditor General.

¹ In estimating the scale of the problem, a total of 12,250 ground floor dwellings was determined. At the time of reporting, the Panel identified approximately 1,950 dwellings that had either already been remediated or had made a claim with a guarantee provider.

Operation of the scheme

- 13.10** The scheme applies to classes of dwellings that are used or suitable for use by a person (or persons) as a place to reside such as houses, apartments, duplexes and maisonettes. To be eligible for the scheme certain criteria must be met (see Annex 13A).

Roles of the Pyrite Resolution Board and the Housing Agency

- 13.11** The Board is made up of a chairman and four members who meet monthly. Its primary function is to
- consider and determine applications for inclusion in the scheme
 - direct and oversee the implementation of the scheme and
 - manage the application and appeals process.
- 13.12** The Housing Agency is tasked with the
- administration and implementation of the scheme
 - remediation of approved dwellings as directed by the Board
 - provision of verification reports to the Board and
 - liaison with scheme participants.
- 13.13** The administration of the scheme operates over eight stages from submission of application to the closure of the case. Details on each stage are set out in Figure 13.2.
- 13.14** Each application requires a building condition assessment (BCA) certificate issued by an independent competent person engaged by the homeowner.¹ The BCA reports on whether the cause of damage to the property is pyrite related and is significant enough to warrant acceptance into the scheme. Each year, the Board carries out internal audits on a sample of BCAs to ensure that the dwellings have the requisite level of pyrite-related damage to satisfy the scheme conditions. By the end of 2019, the Board had carried out 666 BCA audits of which 655 (98%) were deemed satisfactory.
- 13.15** A panel of eight qualified contractors to carry out remediation and a panel of seven engineering consultants to specify and oversee the work were established in 2014. (These were subsequently reduced to five contractors and three consultants after a framework review in 2018). In total, six individual contracting companies and eight consultants have been involved in the remediation of the closed cases to the end of 2019.

¹ A competent person undertaking a BCA must have sufficient theoretical and practical training, experience and knowledge appropriate to the nature of the work undertaken.

Figure 13.2 Pyrite Remediation Scheme stages**Application and validation**

- The Board considers the validity of the application under the eligibility criteria based on the submitted building condition assessment (BCA).

Assessment, verification and recommendation

- The Housing Agency verifies that the damage to the dwelling is caused by pyrite. Based on the Housing Agency's recommendation, the Board makes a decision to include or exclude the dwelling in the scheme.

Remedial works plans

- A consultant engineer, appointed by the Housing Agency, prepares a remedial works plan.

Tendering and tender analysis

- The remedial works contract goes out for tender to a panel of qualified contractors. Tender responses are reviewed by the Housing Agency.

Decision to contract

- The Housing Agency reports to the Board on the tenders received for the remedial works contract and recommends a works contractor for the award of the contract. The contract is awarded by the Board.

Dwelling remediation

- The dwelling is remediated by a contractor, under the supervision of an engineer.

Retention period

- Defects resulting from the remediation works arising within a 12-month retention period will be repaired.

Application closure

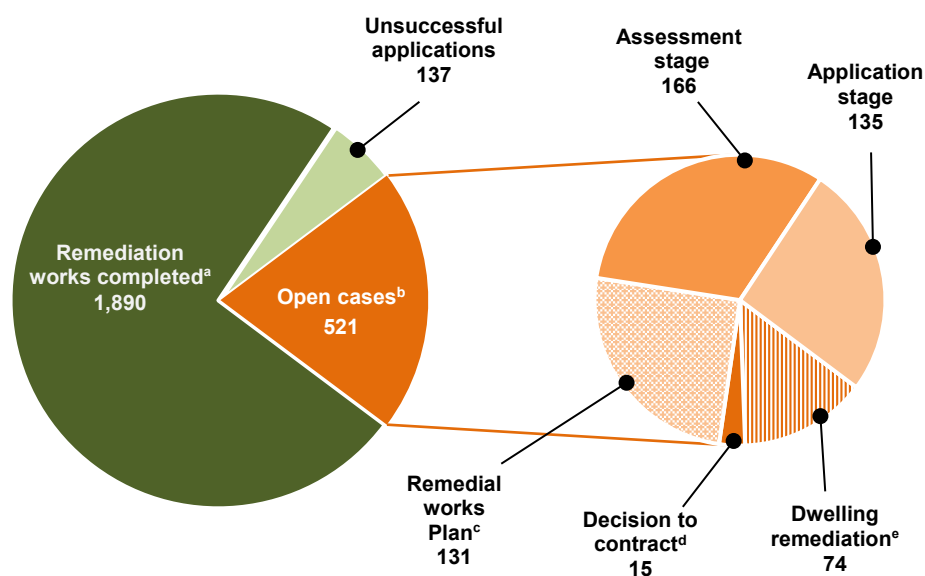
- The application is considered closed after the retention period or once the particular defects, if any, are repaired.

Scheme progress

13.16 To the end of 2019, a total of 2,548 valid applications were received, with 2,110 (83%) approved for inclusion in the scheme.¹ Of these, 137 (5.4%) were unsuccessful for reasons including not meeting the scheme eligibility criteria, or application withdrawn (see Figure 13.3).

13.17 By end 2019, remediation works have been completed on 1,890 properties (74% of valid applications) with the remaining 521 (20%) cases open.

Figure 13.3 Summary of applications received as at 31 December 2019



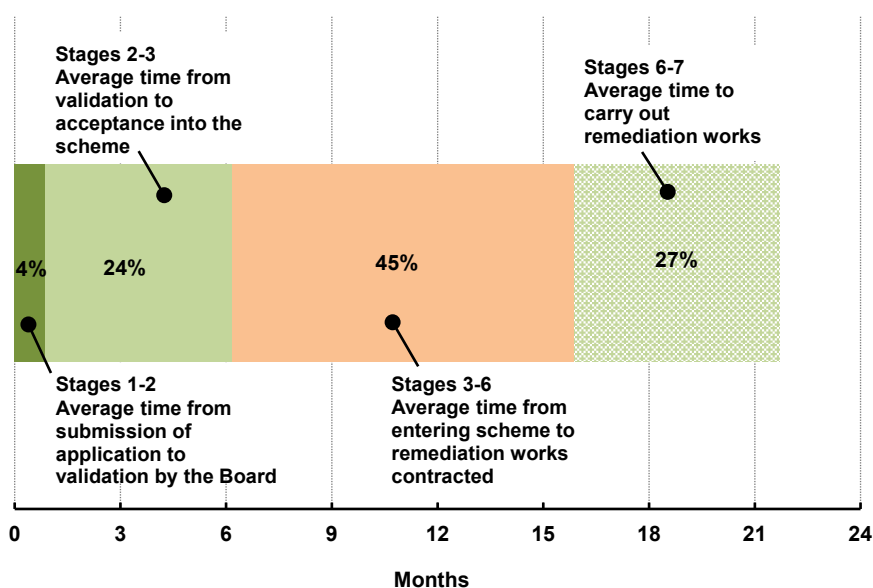
Source: Pyrite Resolution Board. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Of the remediation works completed cases, 639 applications are at retention stage of which 135 cases are over the 12-month period.
 - b Analysis of the open cases is conducted on data as at 9 March 2020.
 - c Applications at stage 3 with an average time lapse since application submitted of 311 days (11 cases from 2015, 1 from 2016 and 2 from 2017).
 - d Applications at stage 4 with an average time lapse since application submitted of 327 days (1 case from 2016 and 2 from 2017).
 - e Applications at stage 6 with an average time lapse since application submitted of 580 days (2 cases from 2014, 1 from 2016 and 12 from 2017).

¹ The Board received 2,592 applications in total but discounted 44 duplicate applications.

13.18 For the cases with remediation works completed, the process from submission of application to completion of works took on average just under 22 months. The 12-month retention period post-works brings the average time from submission of application to project closure to almost three years. Homeowners waited on average 15 months from acceptance onto the scheme until remediation works were completed. Figure 13.4 sets out the average timeline taken for applications to progress between the scheme stages.

Figure 13.4 Average time at each stage of the scheme: submission of application to completion of works



Source: Pyrite Resolution Board. Analysis by the Office of the Comptroller and Auditor General.

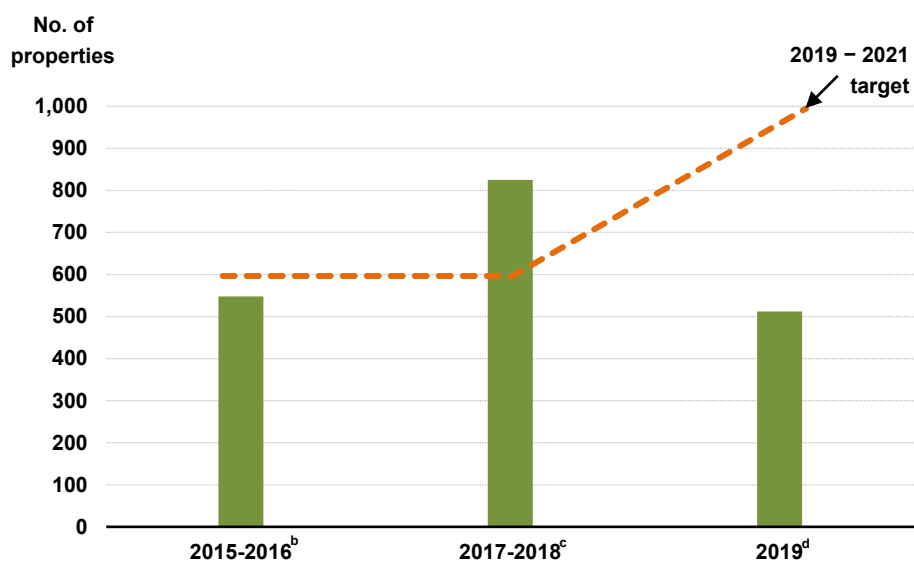
13.19 The Board does not set targets or have performance indicators in relation to the processing of claims. The number of days taken for an application to move from one stage to another fluctuates significantly. The reasons identified by the Board include

- incomplete applications
- longer time frames for processing of one-off and self-build dwellings than applications received from estates which satisfy the eligibility requirements
- grouping individual applications into projects in order to secure reasonable efficiencies
- longer time for dwelling remediation due to unexpected issues, for example addressing of structural defects.

Dwellings remediated

13.20 Up to the end of 2019, remediation works had been carried out on 1,890 dwellings.¹ The Board set two-year targets for the number of dwellings to be remediated over the period 2015 to 2018 and a three-year target for the period 2019 to 2021. The outturn has been up to or significantly ahead of the targets (see Figure 13.5). In 2019, work completed was 51% of the target for the three years 2019 to 2021.

¹ A total of 1,251 properties were fully remediated with the project closed and 639 properties were still in the retention period.

Figure 13.5 Properties remediated by year, 2015 – 2019^a

Source: Pyrite Resolution Board. Analysis by the Office of the Comptroller and Auditor General.

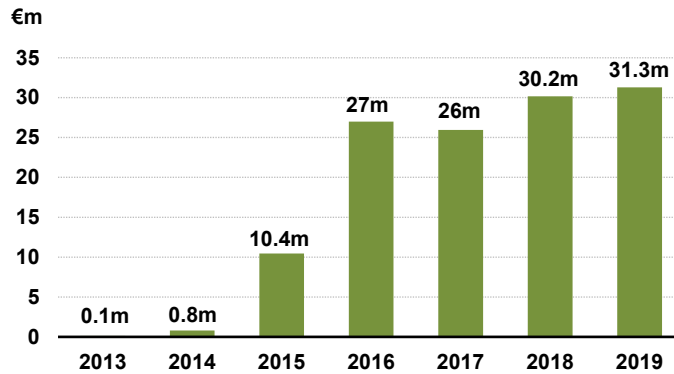
- Notes:
- a Five dwellings were remediated in 2014, the year the scheme commenced.
 - b 148 dwellings remediated in 2015 and 400 in 2016.
 - c 392 dwellings remediated in 2017 and 433 in 2018.
 - d 512 dwellings remediated in 2019. The target set is for a 3-year period (2019 – 2021).

Scheme expenditure

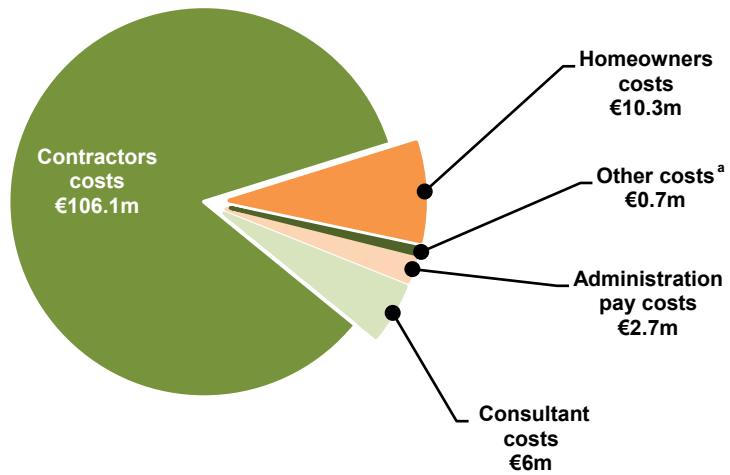
- 13.21** Based on the information available prior to the establishment of the scheme as reported by the Pyrite Panel, the scale of the potential pyrite problem (10,300 dwellings) and the projected average cost of remediation (€45,000) indicated that the scheme could cost over €460 million. Subsequently, proposals to fund the scheme communicated to Government, referred to estimates of up to 6,000 dwellings requiring remediation at an average cost of €50,000 (inclusive of ancillary expenses), suggesting a potential cost of €300 million.
- 13.22** Expenditure on the scheme increased rapidly (see Figure 13.6). By the end of 2015, the scheme had cost approximately €11 million. By the end of 2019, the total scheme expenditure was nearly €126 million.
- 13.23** Payments to contractors accounted for 84% of total costs, with homeowner expenses and consultant costs accounting for 8% and 5% respectively. Administration staff pay came to just over 2% of total scheme costs.
- 13.24** By the end of 2019, the all-in average cost per dwelling for remediation was around €65,000.

Figure 13.6 Pyrite Remediation Scheme costs, 2013 – 2019

Annual costs



Total costs breakdown



Source: Housing Agency audited financial statements, 2013 to 2018 and draft financial statements 2019. Analysis by the Office of the Comptroller and Auditor General.

Note: a Other costs include legal and professional (€503,000), ICT (€99,000) and other administration costs (€96,000).

1 The total cost to complete the programme was based on the estimated number of applications received and approved to the end of 2018, the estimated cost of remediation associated with each application and the estimated number of remediated dwellings to be completed each year.

Future projected costs

13.25 A preliminary indicative five-year projection, covering the period 2019 – 2023 was prepared by the Housing Agency and presented to the Board in 2018. The projection identifies a requirement for additional government funding of €84 million, allowing the remediation of an additional 1,248 dwellings covering the period 2020 to 2023 inclusive.¹ Projections of recoveries from third parties with a liability towards all or part of the costs was not considered when estimating future costs.

- 13.26** Based on the costs projected and the actual costs incurred to the end of 2019, the scheme will cost approximately €210 million up to the end of 2023 and will remediate approximately 3,140 dwellings.
- 13.27** The Department notes that the rate of applications are trending downwards and it considers it reasonable to expect this downward trend to continue. The Board indicated that under the current terms of the scheme, it would appear that the majority of the cases that would qualify have made applications. There is no 'sunset clause' or a closing date for applications in the Pyrite Resolution Act. The Department notes that the situation is being monitored and for the present there is sufficient and legitimate demand to continue the scheme.

Recovery of costs from third parties

- 13.28** Legislation provides that the Board may recover from any party with a liability and the capacity, all or part of the costs of remediating dwellings. Such liable parties are the relevant quarries, builders, developers, contractors and homeowners in receipt of compensation.¹ To the end of 2019, just over €1.79 million (1.4%) of the total scheme cost was recouped from third parties.

Recoupment from developers

- 13.29** The Board has stated that most of the builders/developers allegedly involved in development of homes affected by pyrite damage are in liquidation, dissolved, in receivership, have ceased trading or have no funds. The Board pointed out that while the Act enables it to pursue parties with a liability, it does not contain an obligation or instruction to pursue parties with a liability.
- 13.30** The Board initiated only one legal case against a developer during the life of the scheme, which resulted in a settlement of €2.5 million, signed on 12 May 2020. This represents 15% of the remediation costs incurred by the Board for this development.
- 13.31** Of the 68 identified liable builders/developers (94% of all applications), the Board recouped money from three companies with a liability without needing to prosecute them before the courts.²
- 13.32** The Board noted its preference for negotiation over legal proceedings because of the high costs associated with a court case and the insecurity of the outcomes. In addition, it noted legal difficulties it faces such as many cases being statute barred and that proof of negligence would be difficult to establish to ground an action in tort.

¹ Where a homeowner receives payment in respect of pyrite damage to his or her dwelling other than under the scheme and where the Board has commenced or completed remediation works to the dwelling concerned, the homeowner is required to refund the Board the cost of the remediation or the amount of the payment if that is the lesser amount.

² The Board indicated that of these 68 companies, 30 are dissolved, 11 are in receivership, nine are in liquidation, four ceased trading/went out of business, three had no funds and 11 are operating as normal.

Contributions from Homebond

- 13.33** Homebond was the provider of structural defect guarantees/warranties for an estimated 74% of the eligible scheme applications. The company signed an agreement with the Board in June 2014 to contribute towards the scheme costs. The agreement involved Homebond providing technical and project management services for the first 1,000 dwellings subject to a €2 million limit. If the €2 million limit was not reached for the first 1,000 units, the arrangement would be revisited.
- 13.34** The Board stated that both parties met at least eight times and following the remediation of 1,000 dwellings, Homebond agreed to continue with the services provided subject to the €2 million limit. To the end of 2019, Homebond has provided services and staff to the value of €1.76 million.

Costs in relation to non-pyrite related damage

- 13.35** During the course of pyrite remediation works, structural defects not related to pyrite damage were identified in some cases. A separate supplemental agreement between the Board and Homebond was signed in 2015, requiring Homebond to make an appropriate contribution towards the cost of such structural works. The agreement was that Homebond would pay costs less than €5,000, while costs greater than that would involve examination by a quantity surveyor, employed by the Housing Agency. The surveyor examines the defects and determines the cost of rectification in order that the parties can reach agreement. Once the cost is agreed, the figure is final and cannot be re-visited.
- 13.36** The Board has stated that there have been cases where structural defects were identified and remediated and where the Board and the Housing Agency are of the opinion that further to the supplemental agreement, Homebond should make a contribution to the costs for remediating structural defects. The Board estimates that the total cost of remediating non-pyrite related defects was €954,289.
- 13.37** The Board estimates that the initial claim against Homebond is about €887,231. This represents 93% of the estimated total cost of remediating non pyrite related defects. The Board could not provide detail on the process involved in invoicing Homebond and how the amount to be paid by them relating to non-pyrite related remediation works is tracked and stated that the matter is being reviewed. To the end of 2019, Homebond's contribution towards these costs amounted to €52,289 — 6% of the estimated claim.

Scheme monitoring and performance measurement

- 13.38** The key objective of the scheme is to procure the remediation of certain dwellings with significant pyritic damage with optimum efficiency and value for money. Monitoring expected outcomes is important to ensure that funds are used efficiently and effectively and that value for money is obtained.
- 13.39** In monitoring performance, the Housing Agency submits a suite of reports to the Board on a monthly basis, including contractually committed costs and estimates, project tracker and actual and forecasted cash flows. These reports indicate the actual versus budgeted expenditure but, while the variance amounts are highlighted, no written explanations are directly provided in the report.
- 13.40** In monitoring the scheme, the only key performance indicator (KPI) set by the Board is the number of remediated dwellings. The Board has not adopted target times for dwelling remediation (e.g. from receipt of an application to completion of remediation work) or developed performance indicators to measure the quality of the remediation work completed.
- 13.41** In 2019, the Board conducted a survey of 98 homeowners that participated in the scheme to establish the level of overall satisfaction with the remediation services provided. The survey results show that
- 80% of the respondents were either satisfied or strongly satisfied with the overall process of pyrite remediation
 - 71% felt the value of their home had been restored.

- 13.42** Due to the format of the survey, it is not possible to establish why one fifth of respondents were not satisfied with the process or why 29% felt the value of their home had not been restored.

Conclusions and recommendations

- 13.43** The pyrite scheme was introduced as a scheme of last resort for homeowners whose dwellings were affected by pyrite.
- 13.44** Up to the end of 2019, there were 2,548 applications to the scheme. By the end of 2019, dwellings had been remediated in three quarters of those cases. It took on average just under 22 months to complete the works from the date the application was received with actual remediation work accounting for just over one quarter of this time. Target timelines for dwelling remediation have not been adopted.
- 13.45** The initial estimate of the cost of the scheme communicated to the Government in 2013 was that the scheme could potentially cost up to €300 million, based on 6,000 dwellings requiring repair.
- 13.46** The cost of the scheme up to the end of 2019 was €126 million. Total expenditure under the scheme is currently projected at €210 million up to the end of 2023 for the repair of approximately 3,140 dwellings. This represents 52% of the projected number of dwellings and 70% of the cost estimated when requesting Government approval. There is no closing date for the scheme.
- 13.47** The Pyrite Resolution Act provides for the recovery of liabilities from relevant third parties, including suppliers of pyrite-contaminated materials and developers. However, recoveries from third parties have been very limited, amounting to €1.79 million, or 1.4% of the scheme cost to date. Arising from settlement of a legal case against a developer in May 2020, there is agreement for recovery of a further €2.5 million.
- 13.48** Homebond has been identified as the provider of guarantees/warranties to the builders/developers in over 74% of eligible scheme application cases. The Board entered an agreement with the company whereby the company contributed support for the scheme delivery. However, the contribution by Homebond is limited to a value of €2 million. By the end of 2019, Homebond had contributed technical and project management services relating to the implementation of the scheme, to the value of €1.76 million.
- 13.49** Included in the cost of the scheme is the cost of remediation works not related to pyrite that only came to light during the remediation process. The Board estimates the total cost of all such works at €954,289.
- 13.50** Homebond agreed to make an appropriate contribution toward the cost of remediating non-pyrite related damage. The Board estimates the potential claim against Homebond relating to the non-pyrite related remediation work carried out amounts to €887,231. On foot of claims lodged, Homebond paid the Board €52,289 in 2016. The Board could not provide details on the process for tracking the remaining amounts recoverable from Homebond in relation to non-pyrite related remediation works and stated that the matter is being reviewed.

Recommendation 13.1

The Board and Agency should put in place a robust process to quantify the cost of remediating non-pyrite related damage. In addition, the Board should ensure that procedures are put in place to ensure Homebond's complete liability as agreed is monitored and recouped effectively.

Response of the Chairman, Pyrite Resolution Board

Agreed.

The Board, jointly with the Housing Agency will put in place more robust processes to allow for the quantifying of non-pyrite related damage. It will also put in place additional procedures that continue to ensure that Homebond's complete liability as agreed is monitored and recouped effectively. This matter has been the subject of ongoing discussions with Homebond and progress will be accelerated in autumn 2020.

Response of the CEO, Housing Agency

Agreed.

The Housing Agency will re-examine the processes in place to ensure that all structural defects are recorded.

Annex 13A Conditions for eligibility to the Pyrite Remediation Scheme

- Dwellings must be located within the administrative areas of Dún Laoghaire-Rathdown, Fingal, Kildare, Meath, Offaly or South Dublin County Councils; or Dublin City Council.
- Dwellings must have been constructed and completed between 1 January 1997 and 12 December 2013.
- Dwellings must have been assessed, tested and certified as having a damage condition rating of 2 and it must be verified that damage is attributable to pyrite heave.
- An application can only be made in respect of one dwelling and the dwelling must have been purchased before 12 December 2013.
- The applicant must be able to show, to the satisfaction of the Board, that he/she does not have available to him or her any practicable option, other than under the Scheme or the use of his or her own resources, to remediate or secure the remediation of the dwelling.

Source: Pyrite Resolution Board

Revenue

14 Management of tax appeals

14.1 Taxpayers can avail of two mechanisms to resolve issues in dispute with the Office of the Revenue Commissioners (Revenue) in relation to their tax affairs.¹

- Taxpayers can seek a review of the handling of their tax affairs. This review is conducted by the manager of a local tax office and if the taxpayer is not satisfied with the outcome of the review they may request a review be carried out by an independent internal or external reviewer. This procedure does not affect a taxpayer's right to make an appeal.
- Taxpayers who are dissatisfied with a tax assessment or decision made by Revenue have 30 days from the date of the assessment to make an appeal to the Tax Appeals Commission (the Commission). Generally, appeals are of either the amount of tax assessed or the application of tax law having a bearing on the amount of tax potentially due and owing.

¹ In this report, the term 'taxpayer' refers to any individual or entity with the right to a review or appeal.

² There are some exceptions — if the taxpayer made a true and accurate return and paid at least 90% of the tax due, or if the taxpayer had made a return and entered a genuine 'expression of doubt' as to the correct treatment of a matter covered in the return, the taxpayer is not liable to pay interest.

³ Chapter 22, Revenue debt management, *Report on the Accounts of the Public Services 2014*.

⁴ The Office of the Appeal Commissioners was dissolved when the Commission was established. That Office was charged with the adjudication of tax prior to the establishment of the Commission. A taxpayer who wished to exercise their right of appeal was required to submit notice of appeal to Revenue in the first instance who then transferred cases to the Appeal Commissioners in the event that the parties wished to proceed to hearing.

14.2 In circumstances where the determination of an appeal is against the taxpayer, the taxpayer is liable to pay the difference between the tax they had already paid (if any) and the amount determined on appeal plus interest on the additional amount from the day that it originally became due.²

14.3 A previous examination found that over one third of all tax debt showing as outstanding in 2014 was under appeal and that half of the tax had been under appeal for more than three years.³ The report recommended a review of the recording of appeals in Revenue's systems as well as the development of more comprehensive debt management performance indicators.

14.4 The Tax Appeals Commission was established on 21 March 2016 as an independent statutory body under the Finance (Tax Appeals) Act 2015 (the Act). The Commission is responsible for the management and determination of appeals against Revenue assessments and decisions. Taxpayers who are dissatisfied with a tax assessment or decision made by Revenue must make an appeal, in writing, to the Commission.⁴

14.5 Initially, two commissioners were appointed to hear appeals. Because of the volume of appeals received, one temporary commissioner was appointed in June 2017 with a further three temporary commissioners appointed in 2019, one of whom is appointed on a half time basis. In July 2020, a Chairperson with overall responsibility for the management and business of the Commission was appointed under the Finance (Tax Appeals and Prospectus Regulations) Act 2019.

14.6 Funding totalling €3.3 million was provided for the Commission's operations in 2019 under the annual estimates process. The expenditure incurred in the year totalled €1.8 million.

Objectives of this examination

14.7 This examination

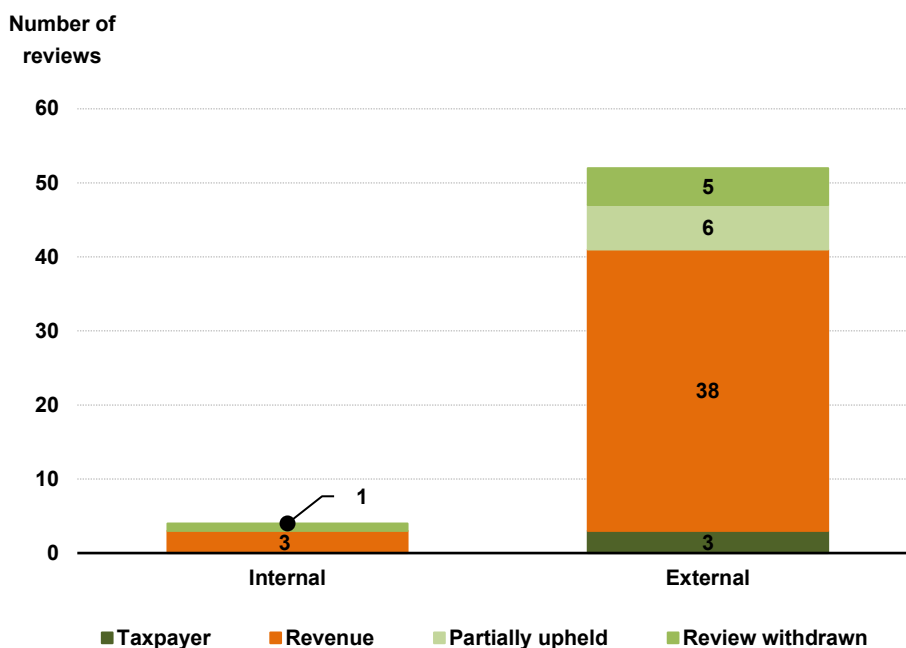
- analyses the results of case reviews in the period 2016 – 2019
- provides details of the current appeal process
- reviews the outcome of appeal cases
- examines debt collection following appeal
- reviews trends in the value of tax under appeal in the period 2016 – 2019
- evaluates the procedures for management of appeal cases including the timeliness of disposal of such cases and the Commission’s ICT systems
- reviews progress in implementing the recommendations of a 2018 review of the Commission’s workload and operations.

Review of Revenue’s handling of cases

14.8 Revenue reviews in 56 cases were completed in the period 2016 – 2019 (see Figure 14.1). In most cases, the review was conducted by an external reviewer. In over 75% of cases, the review found in favour of Revenue. The review found in favour of the taxpayers in just 6% of cases. In the remaining cases, aspects of the review found in favour of both parties or the review was withdrawn by the taxpayer.

14.9 It is important to note that the reviews refer to administrative processes in handling a case and do not directly result in a revised assessment. However, following the review it may happen (rarely) that the tax collected by Revenue was incorrect. Each year, Revenue publishes a summary of review decisions issued in that year.

Figure 14.1 Outcome of Revenue’s internal and external reviews 2016 – 2019



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

The appeals process

- 14.10** Taxpayers who are dissatisfied with a tax assessment or decision made by Revenue have 30 days from the date of the original assessment to make an appeal, in writing, to the Commission. An overview of the process is outlined in Figure 14.2 and Figure 14.3 indicates the communication flows.

Figure 14.2 Overview of the tax appeal process

In order to make a valid appeal

- any outstanding tax returns must be submitted, and
- the liability declared by the taxpayer (if any) must be paid.

Once an appeal is lodged with the Commission by a taxpayer or agent, collection of disputed liability is suspended until either the taxpayer and Revenue settle the dispute or there is an outcome from the appeal. Revenue does this by including a 'stop' instruction, referred to as a 'Stop 16', on the taxpayer's record for the tax in dispute. When an appeal is determined (decided by the Commission or a court, settled, dismissed or withdrawn), the Stop 16 instruction is removed.

When it is decided that an appeal is a valid appeal, the Commission may direct the taxpayer and/or Revenue to provide a statement of case which sets out the details of the appeal including an outline of the relevant facts, written documents or other records upon which the party intends to rely, details of the statutory provisions to be relied upon and whether the party considers that the matter under appeal is one that could be settled by way of an agreement with the other party.¹

Responsibility for managing tax appeals lies with the Commission, including

- assessing the validity of an appeal request
- setting out and agreeing with the taxpayer and Revenue the outline of the case
- listing, hearing and determining the appeal.

From the taxpayer's perspective, there is a single tax appeal process that starts with the submission of an appeal and may ultimately end with a determination from the Commissioners or a Court. Where the Commissioners make the decision not to accept an appeal, that decision is treated as final and conclusive. A decision not to accept an appeal may be made in the following circumstances

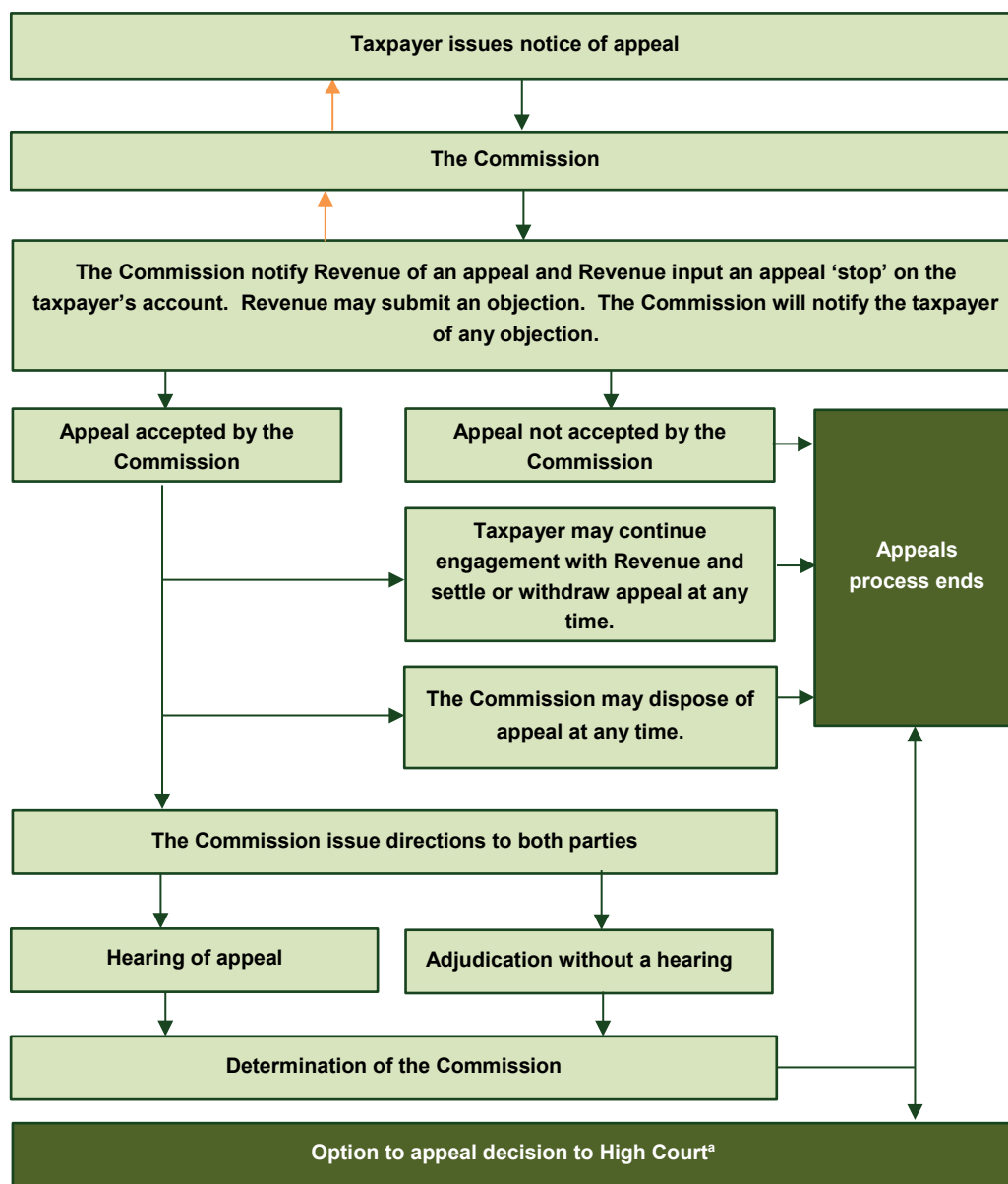
- it is deemed not to be a valid appeal
- the appeal is without substance or foundation
- the appeal is a late appeal and specified criteria have not been satisfied.²

Source: The Tax Appeals Commission

¹ Section 949(2)(d) of the Taxes Consolidation Act 1997 requires a taxpayer making an appeal to set out in detail the grounds for the appeal.

² The commissioners may accept a late appeal if the appellant was prevented by absence, sickness or other reasonable cause from making the appeal within the period specified by the Act and the appeal is made thereafter without unreasonable delay and within a period of 12 months after the end of the period specified by the Act for the making of that appeal. Late appeal may be made later than 12 months, subject to certain conditions. This is provided for by section 949O(2) TCA 1997.

Figure 14.3 Tax appeal process



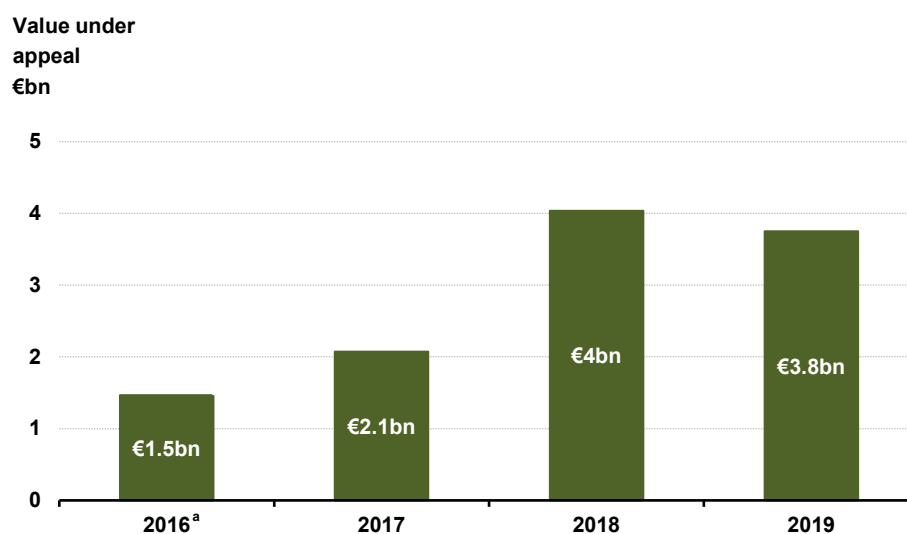
Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General

Note: a The option to progress to the High Court can only be made on a point of law.

Trends in the value of tax under appeal

- 14.11** The Commission was established in March 2016 and at inception, 1,456 'legacy' appeals with a value (as assessed by Revenue) of €1.1 billion were transferred to it.¹ At the end of 2019, approximately €3.8 billion was recorded by the Commission as being under appeal (see Figure 14.4). This included €2.2 billion related to five appeal cases lodged in 2018 which accounted for the very large increase in value over the course of that year.

Figure 14.4 Total value of tax under appeal, 2016 to 2019



Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General

Note: a The 2016 year-end tax under appeal amount includes €1.1 billion of legacy and pre-establishment cases on hand.

- 14.12** While details of tax appeals are recorded on the Commission's ICT systems, the primary taxpayer record is maintained on Revenue's ICT systems.
- 14.13** Revenue uses a separate module within its case management system (RCM) to manage appeal cases. This module includes details on the progress of an appeal through the various stages of the appeal process, the statement of case as provided by Revenue to the Commission and other relevant documentation including the date a stop was placed on the collection of the debt and Revenue's assessment of the amount under dispute. This module is separate from the integrated taxation processing system (ITP) used by Revenue to maintain the case base, process tax returns, payments, refunds and repayments.² There is no electronic interface between the two systems.
- 14.14** Data extracted from the Revenue appeals module detailing the number of open appeals and the value of tax under appeal is used on a monthly basis for management reporting purposes within Revenue.
- 14.15** The examination team requested a listing of all cases currently noted as under appeal in Revenue's systems. Initial data provided by Revenue for the examination indicated 4,347 cases under appeal as at 31 December 2019 with a debt amount of €3.2 billion. The examination compared the values recorded in Revenue's system against the value recorded on the Commission's system and noted a large number of cases where the values under appeal differed.

¹ Revenue transferred 1,159 appeals and the Office of the Appeals Commission transferred 297 open appeals to the Commission.

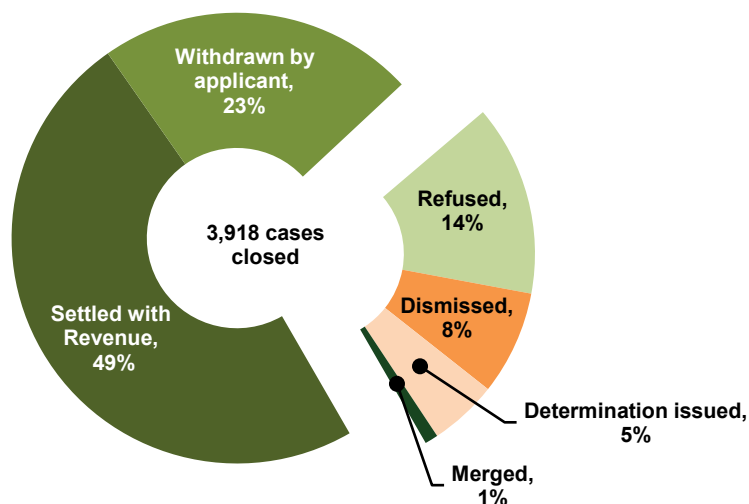
² The integrated taxation processing (ITP) system is Revenue's core integrated tax and customs administration system. The stop on tax debt collection (Stop 16) in appeal cases is applied on this system.

- 14.16** Arising from the discrepancies, Revenue requested all case managers with open appeals to review cases in the appeals module and to update the amount in dispute, as at end June 2020. As a result of this review, revised data provided to the examination team indicated 4,434 cases and €3.7 billion in tax under appeal at end December 2019.
- 14.17** Differences can arise between the figures Revenue records as tax under appeal and the figures the Commission state as tax under appeal for a number of reasons.
- The amount under appeal may be amended in Revenue’s records where an aspect of the appeal is settled or withdrawn but the amount is not amended on the Commission system because they may be unaware of the settlement or withdrawal.
 - There can be a time lag between the date the Commission close a case and notify Revenue, to Revenue closing the appeal on the Revenue appeals module.¹
 - Human error may occur in recording the amount under appeal.

Outcome of appeal cases

- 14.18** The Commission provided the examination with a listing of all cases closed since its establishment on 21 March 2016. A total of 3,918 appeals cases were closed in the period. Nearly half (49%) of cases were closed as the taxpayer reached a settlement with Revenue and almost a quarter (23%) were withdrawn by the taxpayer. The Commission refused or dismissed 22% of cases and was required to make a formal determination in only 5% of cases (see Figure 14.5).

Figure 14.5 Outcome of taxpayer appeals to the Commission, 21 March 2016 to December 2019



Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

- 14.19** Where possible, the Commissions’ approach is to facilitate the resolution of appeals without a hearing. Under provisions set out in the Act, it is possible to adjudicate without a hearing, if both parties agree. The aim is to complete proceedings in an expeditious manner. Since inception, the Commission has used this mechanism in 38% of the determinations issued.

¹ Under the Act, The Commission shall notify all parties in writing within 21 days of a determination.

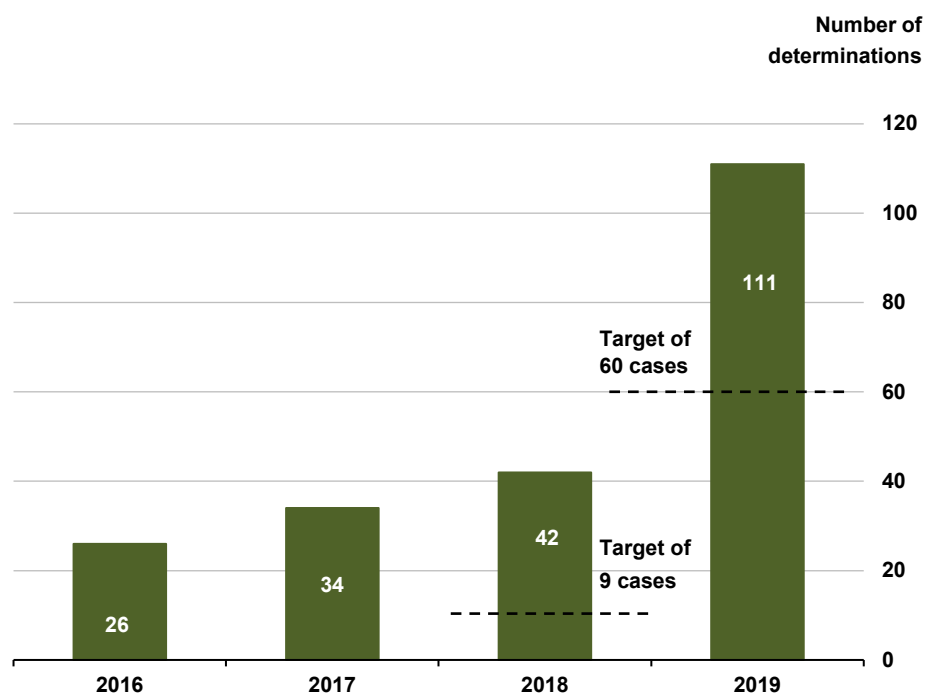
14.20 The outcome of an appeal can result in a revised tax assessment. Revenue's ICT systems do not facilitate the compilation of summary reports to examine the impact of appeals on original tax assessments. Such reports would compare original assessments with the final agreed liability, allow Revenue to monitor trends in that regard and consider what, if any, action may be required in circumstances where there are significant reductions/increases in the original assessment for particular tax types as a result of appeal.

Publication of determinations

14.21 The outcome of appeals determined can provide useful information to tax practitioners and to taxpayers in relation to the interpretation of tax law. Under the Act, the Commission is required to publish on its website, within 90 days of a determination, a report on the determination. The report includes background to the case, the legislation relied upon, details of submissions, conclusion reached and the outcome — whether in favour of the taxpayer or Revenue. The Commission has issued 213 determinations since its establishment.

14.22 Figure 14.6 shows the number of determinations issued during the period 2016 – 2019. One case determined in 2019 resulted in the conclusion of 31 other appeals lodged with the Commission and the issuing of 32 separate determinations.¹

Figure 14.6 Case determinations issued 2016 to 2019



Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

14.23 The Commission website includes a copy of the determinations in order of date published. The website does not include a summary of the case and does not include a search facility by, for example, tax type or nature of issue under dispute. Whilst complying with the requirements of the Act to publish determinations on the Commission website, this information has limited use to end users. However, the Commission noted that it publishes within its annual report summaries of complex determinations and groups smaller determinations by category.

¹ The determination related to income tax and the deductibility of certain tax losses. The Commission ruled on one case but there were appeals lodged from 32 individuals all relating to the same tax issue.

- 14.24** Revenue considers the Commission's determinations issued in the context of publishing new manuals or amending existing manuals. Determinations by the Commission do not create new law or precedent and Revenue may decide to appeal to the High Court against a determination or to seek a change in the law by way of a Finance Bill amendment, subject to the approval of the Minister for Finance. Revenue has appealed nine cases to the High Court, and tax law has been amended on foot of one determination issued.

Collection of tax following an appeal

- 14.25** The examination team asked Revenue for a listing of all completed appeal cases up to 31 December 2019 to ascertain if the liabilities were paid. Revenue was unable to provide this information because, once an appeal is closed and the Stop 16 is removed, the ITP system does not differentiate appeal cases from other standard debt outstanding cases. Once the appealed tax debt is confirmed as properly due, it is pursued in the normal manner alongside any other outstanding liability.
- 14.26** Revenue stated that it has detailed information at an individual taxpayer level and there is no systematic way of retrieving this information. Revenue also stated that there is limited value to developing systems that provide macro-level information.
- 14.27** The examination reviewed a sample of 100 appeals determined or settled in the period 2016 to 2019 to examine the collection rate of the final agreed liability of €168.9 million. The final liability takes account of agreements reached between Revenue and the taxpayer in relation to the interpretation of tax law, any additional information provided by the taxpayer and in some cases a determination by the Commission. It should be noted that in some cases the final agreed liabilities may not agree with the final amounts collected. This reflects the fact that in certain circumstances Revenue has determined that it could not successfully pursue or that it would be uneconomic to pursue the assessed amounts.
- 14.28** At end May 2020, over 90% of the final agreed liability in the 100 sample cases had been collected; less than 1% had been written down; and 9% remained outstanding. The majority of the outstanding liability related to appeals that were closed during 2019.
- 14.29** A number of taxpayers pay the amount in dispute before lodging an appeal with the Commission. This is to prevent interest being applied if the taxpayer is unsuccessful in the appeal. If the taxpayer is successful in the appeal case, Revenue is required to refund the amount prepaid to the taxpayer. Revenue is not in a position to quantify the total amount prepaid relating to tax under appeal at the end of 2019, or how much in total was refunded by Revenue to taxpayers as a result of Revenue losing appeals in 2019.

Management of appeal cases

14.30 The Commission has a number of output targets each year as set out in *Estimates for Public Expenditure*. The Commission has exceeded all output targets adopted. The targets and outcome were as follows

- *Number of tax appeals closed* — this metric was included for the first time in 2019 and a target of 1,500 was adopted. In 2019, the Commission closed 1,584 appeals (2018, 1,439).
- *Number of determinations issued* — the Commission had a target to issue 60 determinations in 2019 (2018, 9). In 2019, it issued 111 determinations (2018, 42).

Caseload

14.31 Data available at end December 2019 shows that between 21 March 2016 and 31 December 2019, 5,819 appeals were lodged with the Commission. Combined with the 1,456 legacy appeals transferred to the Commission upon establishment, this gives a caseload since inception of 7,275 cases with an aggregate quantum of €5.2 billion (see Figure 14.7).¹ A total of 3,918 cases were closed in the same period, leaving a total of 3,357 cases open at 31 December 2019 (see Figure 14.8).

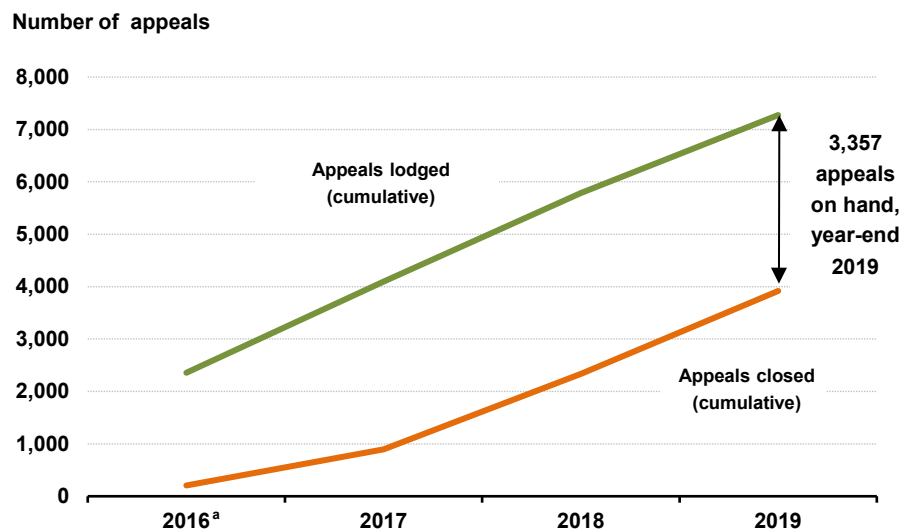
Figure 14.7 Breakdown of quantum of appeal

Header	Number of cases	Quantum appealed €m
No quantum ^a	896	n/a
Less than €1,000	912	0.4
€1,000 – €10,000	1,972	7.5
€10,000 – €100,000	1,946	75
€100,000 – €1 million	1,245	403
€1 million – €10 million	251	699
€10 million – €50 million	39	822
€50 million – €100 million	6	388
€100 million +	8	2,843
Total	7,275	5,238

Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Note: a The monetary value of an appeal is not always calculable by the Commission e.g. where the rate of tax is in dispute, appeals in relation to the refusal of VAT registration, refusal to issue tax clearance certificate or where an appeal represents a refusal of loss relief, deductions or eligibility for an exemption.

¹ Quantum of appeal is the amount of tax in dispute between parties.

Figure 14.8 Cumulative appeals lodged and closed, 2016 to 2019

Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Note: a The year 2016 includes 1,456 cases lodged with the Commission on establishment.

Timeliness of the appeal process

- 14.32** Timely progression and determination of tax appeal cases are important factors in achieving fair treatment for taxpayers. Delays in finalising appeals may also be costly for the State due to the failure to collect taxes due in a timely manner and for taxpayers who may be faced with interest costs if a determination is made against them. In evaluating timeliness, it is useful to examine the age of tax currently under appeal and, for closed cases, the time taken to dispose of the appeal.

Age of tax under appeal at end 2019

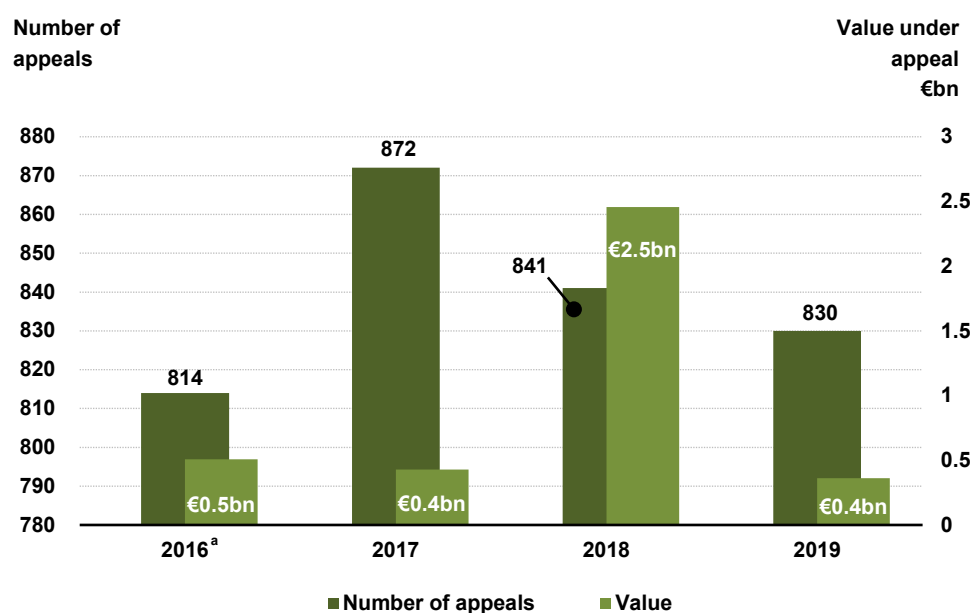
- 14.33** A total of 3,357 cases, with a value of €3.75 billion remain open at 31 December 2019 (see Figure 14.9). The average time cases were open with the Commission to end December 2019 was two years.¹

- Almost a quarter of cases (€508 million in value) were in the appeal system three years or more. 74% of this value relates to legacy cases transferred to the Commission in 2016.
- Over 90% of the value of tax on appeal related to 2018 or earlier years of assessment with a quarter (25%) relating to 2017 or earlier years.

¹ Based on 3,336 cases open at end 2019. Dates of notification of appeal was not available for 21 cases.

- 14.34** Ten cases make up €2.6 billion (69%) of the value under appeal. Two of those cases amounting to €196 million are on appeal for three years or more (see Figure 14.10). Excluding these ten cases, the average age of tax under appeal is two years.

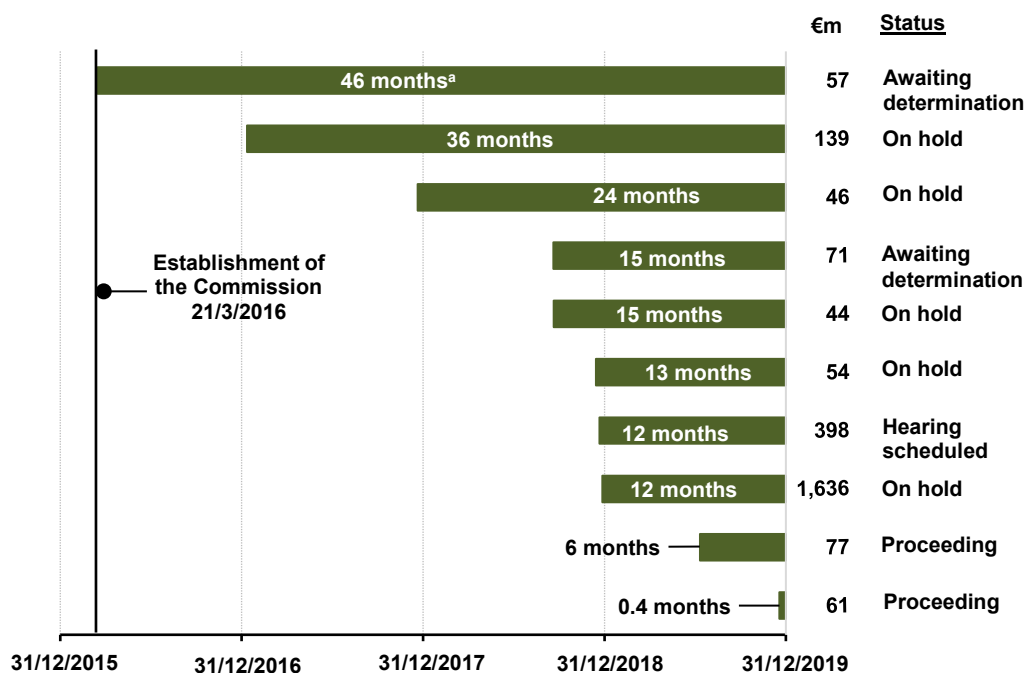
Figure 14.9 Number of appeals and value outstanding by year of receipt at 31 December 2019



Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Note: a 2016 includes legacy appeals, pre-establishment appeals and appeals received by the Commission in 2016.

Figure 14.10 Highest value open appeals, by length of appeal proceedings, quantum and status at 31 December 2019



Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Note: a This case was lodged prior to the establishment of the Commission. The case was transferred to the Commission on 21 March 2016. All legacy and pre-established cases are considered to be lodged at this date.

14.35 The Commission has indicated the delays in concluding the eight cases which are over 12 months in appeal are as follows.

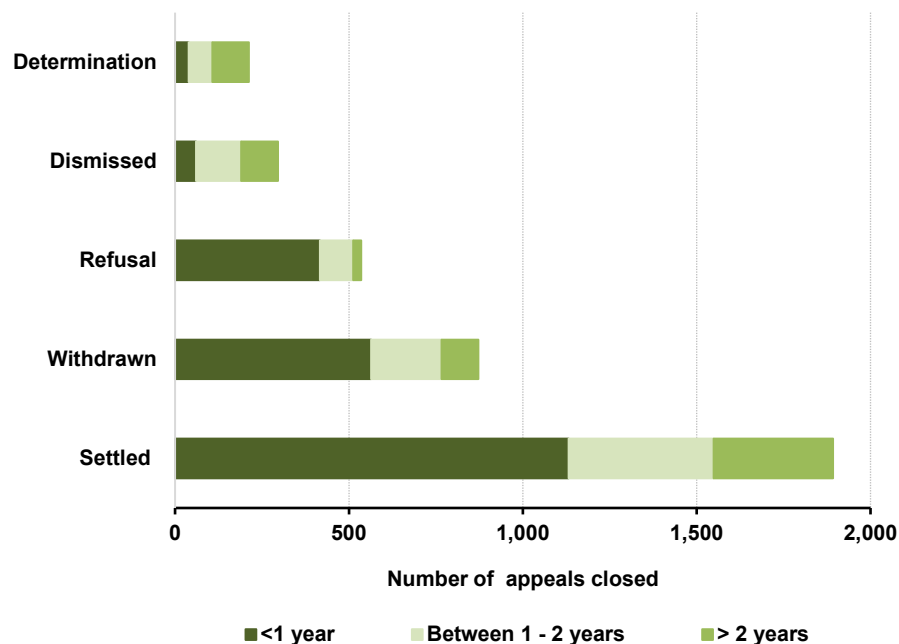
- In one case, the taxpayer requested a stay from the High Court on the Commission review, pending judicial review.
- Four other cases are also on hold — the taxpayer and/or Revenue requested an extension of time for the submission of statements of case which had led to delays of between three to nine months in progressing the cases. All cases are currently with the Commission case managers.
- In one case, a Commission hearing took place in December 2017. A determination was expected in April 2020 but the Commission has stated that it now expects to issue a determination in December 2020.
- In one case, a Commission hearing took place in February 2020 and the Commission expects to issue a determination in January 2021.
- In one case, a hearing is scheduled to take place in November 2020 and will be heard by a three-person Commission for the first time. The Commission expects to issue a determination in January 2021.

Time to determine appeal — closed cases

14.36 In order to calculate the time taken for an appeal, a record of the dates when an appeal notice was submitted by a taxpayer and the appeal was finalised is required. The information in the Commission's case management system is incomplete in that regard. Of the 3,918 cases shown as closed, the date the appeal was received was not recorded in 68 cases and transcription errors were noted in eight additional cases, where the recorded date of closure predated the recorded date the appeal was received by the Commission.

14.37 The time taken to dispose of cases was examined for the 3,842 cases where notice of appeal date and date of closure were recorded (see Figure 14.11)

- 72% of the closed cases had been settled or withdrawn by the taxpayer — of these, 61% were disposed of in under a year
- in 8% of cases, the appeal was dismissed but only one fifth of these cases were disposed of within a year
- just 5% of appeal cases proceeded to a determination and half of these cases took in excess of two years to finalise.

Figure 14.11 Elapsed time of closed appeals, 2016 to 2019

Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Addressing delays in finalising cases

- 14.38** A number of provisions have been set out in the Act to allow the Commission to proceed with cases efficiently. The Commission may direct the parties to attend a meeting known as a case management conference to progress a case that may be hindered for whatever reason. In 2019, the Commission scheduled 39 case management conferences (2018, 159). 17 cases were withdrawn or settled in advance of conferences and 15 cases are proceeding. In the remaining seven cases, the date of the conference was rescheduled.
- 14.39** The taxpayer has a right under the Act to have their appeal heard. The Commission will notify the parties of a hearing date three to six months in advance of the scheduled date. Failure to attend the hearing is treated as a withdrawal. A significant proportion of cases do not proceed on the scheduled hearing date. 224 cases were scheduled for hearing in 2019. In 25 cases, the appeal was withdrawn. The hearing date was deferred in almost two thirds of the remaining cases, with the hearing proceeding as planned in the other one third.
- 14.40** Significant delays are occurring between the date of a hearing and the date a determination is issued. There is no time limit for the Commission to determine a case once an appeal is heard by a commissioner. From data provided to the examination, at the end of 2019, there are 57 cases awaiting a determination from the Commission following a hearing (see Figure 14.12).

Figure 14.12 Cases awaiting a determination following a hearing at 31 December 2019

Year heard	Number of cases	Quantum under appeal €m	Average years awaiting determination
2016	10	37.6	3.5
2017	13	76.1	2.8
2018	19	4.9	1.4
2019	15	48.4	0.6
Total	57	€167	

Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

- 14.41** The Commission stated that plans for the elimination of the backlog in issuing determinations for appeal cases that had been heard began in April 2019. At that time, determinations were outstanding in relation to 61 cases involving tax of approximately €177 million. The Commission agreed to provide the Department of Finance with a bi-monthly update from April 2019 onwards. At 4 June 2020, determinations are outstanding in 38 cases involving tax of approximately €158 million.
- 14.42** In October 2018, an independent external review of the operation of the Commission concluded that changes could be made to assist in clearing the backlog of cases and to equip the Commission to meet the objective for which it was initially established.¹ The Commission has provided a statement of how it has responded to the recommendations and associated timeframes and the progress to end August 2020 (see Annex 14A).
- 14.43** One of the recommendations in the report suggests a target of two months for the finalisation of determinations following the hearing of an appeal.
- 14.44** In cases where the taxpayer or Revenue appeal determinations of the Commission to the High Court, the appeal cannot be finalised. Cases must be appealed within 21 days of a Commission determination and the appeal must be based on a point of law arising in relation to the determination of the Commission. Since 2016, 23 cases were appealed to the High Court. Four cases did not proceed. As at 31 December 2019, 13 cases are awaiting a High Court hearing or determination.
- 14.45** Of the six High Court cases that had proceeded
- one case was struck out
 - one case was settled between the taxpayer and Revenue prior to hearing
 - the determination of the Commission was overturned by the High Court in one case
 - the determination of the Commission was confirmed in two cases
 - the judgement was not to be made public in one case.

¹ *Review of the Workload and Operations of the Tax Appeals Commission* (O' Donoghue report) Report to the Minister for Finance.

Adequacy of the Commission's ICT systems

Case management system

- 14.46** In 2016, the Commission undertook a public procurement exercise to acquire a new case management system (CMS). During 2016 and 2017, expenditure totalling €202,000 was incurred on the CMS solution that was acquired.
- 14.47** In April 2018, the Commission ceased operation of the CMS as the system did not operate as originally intended. The Commission stated that it did not have adequate ownership of the software intellectual property (IP) resulting in overreliance on the service provider to operate and make changes to the system at additional ongoing expense. This was despite the system being customised and designed by the service provider in conjunction with the Commission and written exclusively for and paid for in full by the Commission.
- 14.48** The system was written off by the Commission in its appropriation account at the end of 2018 with a net book value of €84,000.
- 14.49** In 2018, a replacement case management system was developed in-house. Although this system was intended to be used only temporarily, it is still in use and is still being used by the Commission to record and manage all case related material. The invitation to tender for the case management system that was written off included specification of what the Commission considers are key elements of a functioning case management system. The examination compared the system currently in place with the tender specification (see Annex 14C). This indicates the current system cannot facilitate electronic interface with the taxpayer or with Revenue and does not have adequate reporting functionality. These were features specified in the original invitation to tender.
- 14.50** The Commission received funding approval through the estimates process in December 2019 for expenditure of €384,000 in 2020 for planned expenditure on capital ICT equipment including the development of a permanent case management system. A project board was set up and meetings commenced in January 2020. Process mapping of the requirements for the new system is complete. At August 2020, the requirements specification had not yet been updated and the tender process had not commenced.
- 14.51** The work undertaken for this examination also found errors in the data recorded on the CMS. These were attributed to the following control/design weaknesses
- Notice of appeals submitted are inputted on to the CMS by a member of the Commission staff but are not checked for accuracy by another member of staff.
 - All appeals received by the Commission are manually allocated a unique identification reference number on a separate system.
- 14.52** The Commission stated that a process of quality checking of data entry is being put in place and that the new CMS will address the issue of manually allocating unique identification reference numbers.

Remote hearing of cases

- 14.53** The outbreak of the Covid-19 pandemic has created major challenges for the operation of the Commission. Hearings by the Commission were postponed during the period 13 March 2020 to 18 August 2020 due to Covid-19 restrictions. In August, the Commission resumed the scheduling of physical hearings and began offering remote hearings. The Commission intends to prioritise postponed hearings. The Commission estimates the value of the cases affected is approximately €77 million.
- 14.54** Other aspects of the Commission's operations are continuing during the Covid-19 restrictions, although many staff are continuing to work remotely. New appeals are being accepted and processed and publication of determinations is continuing.

Conclusions and recommendations

- 14.55** Taxpayers have a right to appeal an assessment of tax liability made by Revenue. The Tax Appeals Commission is an independent statutory body with responsibility for the management and determination of appeals against Revenue assessments.
- 14.56** Taxpayers may be discouraged from lodging an appeal in circumstances where there may be delays in determining that appeal. Significant delays are occurring in the disposal of appeals. For example, at the end of 2019, there were 3,357 open appeals. The average time that the cases had been under appeal at that date was two years. Almost a quarter of cases (€508 million in value) had been in the appeal system three years or more.
- 14.57** Analysis of appeal cases disposed of between 2016 and 2019 shows that only 5% were as a result of a formal determination of the Commission. Half of the cases involving a determination took in excess of two years to finalise.
- 14.58** Once an appeal is heard by the Commission, there is no time limit on the Commission to issue a determination. At December 2019, there were 57 cases awaiting a determination by the Commission with an amount under appeal of €167 million. In 23 of those cases accounting for over two-thirds of the related value, the case had been heard prior to 2018.

Recommendation 14.1

In order to ensure that cases are progressed efficiently, the Commission should set target timeframes for the disposal of cases and should develop an escalation procedure for cases that have not been disposed of within the target timeframe.

Chairperson's response (The Tax Appeals Commission)

Agreed.

Cases can take a minimum of six months to progress to being ready for scheduling if all steps in the process are required and there is full co-operation by all the parties. Initially, we would propose to set a target of nine months for this process with an escalation process to be followed after this period. The escalation process will ensure that the cases are progressed by the Appeals Support Team, the Case Manager and the applicable Commissioner. Milestones are being developed alongside the case management system which alerts the various personnel when lapses occur. The Commission recognises that more discipline on all parts of the appeal are also required and that is being implemented currently.

Recommendation 14.2

The Commission should set a target timeframe for the issue of a determination following a hearing and should report its performance in that regard.

Chairperson's response (The Tax Appeals Commission)

Agreed.

The Chairperson is introducing a gradient of timeframes from one month to three months for determinations depending on the case

- cases with quantum up to €1 million — one month for issue of determination
- cases with quantum between €1 million and €10 million — two months for issue of determination
- cases with quantum over €10 million — three months for issue of determination.

The timelines on determination are only being introduced and have been tested in terms of the production line in the Commission. As such, no commitment can be given in relation to an external audience at this time but that will be reviewed in quarter 1 2021 and it is hoped a positive response can be given at that time. If information is to be reported on, the Commission intend to commence from new hearings taking place from Quarter 4 2020.

14.59 The Commission's operational procedures were reviewed as part of this examination. There is considerable scope to enhance its administrative procedures.

14.60 The current case management system is not fit for purpose. A system procured in 2016 was subsequently written off and a temporary system was implemented from April 2018. In particular, the system does not allow for electronic interface with the taxpayer and Revenue. In addition, the system does not allow for the compilation of management information to facilitate effective management and accurate reporting of caseload and outcomes.

14.61 The examination identified differences between the amount recorded by Revenue and the Commission in relation to the quantum of tax under appeal.

Recommendation 14.3

In advance of the procurement of a case management system in 2016, the Commission specified its requirements in that regard. The Commission should review and amend these requirements as appropriate and commence procurement of an effective case management system.

In the interim, the Commission should review the quality control procedures applied to performance data to ensure the information is accurate and complete.

Chairperson's response (The Tax Appeals Commission)

Agreed.

The process to replace the case management system is underway. A project board, which includes a representative from the Revenue Commissioners, commenced meeting in January 2020. A significant amount of work on this project including updating the process mapping requirements of the new system has been completed to date. In addition, meetings have taken place with the OGCIO to discuss solutions they may be able to provide. A target date of December 2020 is set for stage one of the project to be complete — the production of a project initiation document. This will allow the procurement process to commence.

Quality control procedures have been developed to reduce the risk of errors from manual entry and are currently being put in place. This includes monthly sampling of cases newly entered on the CMS system by line managers to ensure quality of data entry. Checks will also be carried out on a quarterly basis on a random selection of open files by senior members of the Appeals Support team to ensure the digital and physical files have been updated correctly and all entries on the CMS system are of the required standard. These procedures will be fully operational before end of Q4 2020.

Staff have been instructed to check the details of cases they are updating on CMS to ensure key details such as quantum were entered correctly when the case was first set up or when new details became available. This will now be a part of regular training for all new staff and refresher training on CMS data entry procedure for current staff is scheduled to take place in September 2020. It is intended that these quality control procedures will be further developed and added to as necessary in the future to ensure best practice is achieved

- 14.62** The Commission publish details of all cases determined on their website within 90 days of a determination. The presentation of this material does not facilitate ease of use for taxpayers, agents, Revenue or the public. Reports are not categorised by tax head, or year, and/or a summary of the case is not included. However, the Commission notes that it does publish within its annual report a summary of complex determinations.

Revenue complaint and review procedure

- 14.63** Taxpayers can use Revenue's complaint and review process to resolve disagreements in relation to a wide range of issues where it was not possible to resolve them during the intervention process. Revenue records show that between 2016 and 2019, this process was used 56 times, an average of around 14 cases a year.
- 14.64** The review process does not interfere with a taxpayer's right to make a statutory appeal, if appropriate.

Revenue system of tax under appeal

14.65 There is scope to improve the information in relation to tax appeals and their impact. For example

- Information extracted from the Revenue case management (RCM) system about appeals was not reliable and required extensive revision.
- Information in relation to the original tax assessment and the final assessed liability is recorded at the level of the individual taxpayer. Revenue does not monitor the impact of the appeal process on tax assessed at a global level.
- Revenue does not separately monitor the collection of amounts due in relation to appeals that have been determined.
- Revenue is not in a position to confirm how much tax in total was prepaid pending the outcome of an appeal at end December 2019. This would allow an estimate of how much of the tax under appeal has been paid and how much is actually outstanding. Revenue noted that the information is available on individual taxpayer records.

Recommendation 14.4

Revenue should review the process for recording tax appeal data on the RCM appeals module. All open appeals should be reviewed to ensure the amount recorded is correct.

Chairman's response (Revenue Commissioners)

Agreed.

A review of appeals to update tax in dispute figures in RCM has been completed and procedures have been put in place for a six-monthly review, with central oversight to ensure this position is maintained.

Revenue operational divisions will continue to monitor appeals activity as part of their ongoing management of RCM interventions in respect of their case base and Revenue is in the process of developing a quality assurance programme for periodically reviewing the recording of appeals activities.

Recommendation 14.5

In order to determine the overall effect of the appeal process, Revenue should monitor the overall change in assessed liabilities (by tax type) as a result of appeal.

Chairman's response (Revenue Commissioners)

Part agreed.

Detailed information on pre-appeal assessed liabilities and the change, if any, in those assessed liabilities following an appeal is currently available at individual taxpayer level on Revenue systems. Revenue will, however, consider the development of a monitoring function for appeal cases, as part of further IT systems enhancements. Any significant development, of this type, will be considered from a value for money perspective, having regard to other IT priorities.

Annex 14A Actions by the Tax Appeals Commission to address recommendations in the O'Donoghue Report 2018

O'Donoghue recommendation	Timeframe in report	Tax Appeals Commission responses to recommendation: progress as at 31 August 2020
1. Governance structures		
1.1	Q2 2020	The Chairperson of the Commission was appointed on 1 July 2020.
1.2	Q2 2020	Complete: Additional commissioners have been appointed, as recommended, and have commenced work with the Commission. As at 31 August 2020 there are two permanent and four temporary commissioners (three full time and one part time) employed by the Commission.
2. Independence		
2.1	Q3 2020	The Commission was advised by the Department that they did not consider it appropriate for them to provide this range of corporate supports. The Department recommended that the Commission conduct a review of the corporate supports it needed and put forward a proposal for future provision of service. A memorandum setting out the corporate supports requirements of the organisation were submitted to the Department in November 2019. The Department has submitted the request for additional corporate services posts to the Department of Public Expenditure and Reform. Sanction for an additional Assistant Principal and Executive Officer was granted. The Assistant Principal post was advertised as a secondment and offered to a candidate. The candidate declined the offer in July 2020. As a result of this, in August 2020, it was decided to reorganise staff internally to address this issue and existing staff increased their portfolio, with additional junior staff being recruited in September 2020 to assist.
2.2	Q3 2020	The Commission is prepared to consider adoption of a shared services model if it becomes available at a future date.

2.3	IT services: it is recommended that there is re-engagement between Revenue and the Commission in relation to the provision of IT systems design and support, and hosting facilities. This should be considered as a priority within Revenue in the context of ensuring a properly functioning appeals system, and should be fully supported by the Commissioners in both organisations.	Q4 2022	<p>There has been engagement between Revenue and the Commission on IT matters. Revenue has provided IT support and hosting facilities since the publication of the report.</p> <p>Revenue has been consulted on the development of a new case management system for the Commission. A Revenue representative has been appointed to the project board and it is intended that they will be consulted as a key stakeholder in the project at all stages with particular emphasis on an effective exchange of information interface.</p>
2.4	IT services: the Department should use its influence to ensure that the Office of the Government Chief Information Officer (OGCIO), in recognition of the scale of the Commission, provides full support to the Commission in relation to assisting with IT development; connectivity with government networks; office systems and other sundry technical matters.	Q4 2022	The Commission has entered into an agreement with OGCIO for IT support and maintenance. OGCIO took over responsibility for IT support and hosting from Revenue on 4 August 2020. OGCIO have also been consulted on the development of the new case management system.

3. Additional resources required

3.1	<p>Allocation of additional resources as follows: appeal commissioners x 1; temporary commissioner x 2; principal officer x 1 (to replace the current seconded post — so no addition); assistant principals x 3 (including replacement for current contractor); HEO x 3.5; EO x 2; CO x 3.</p> <p>The intention of this additional resource is to facilitate the creation of a new organisation structure with separate teams specifically to facilitate the identification and management of backlogs together with current caseload. The final determination of how support functions should be organised should be a matter for the principal officer with the agreement of the commissioners.</p>	<p>Q2 2020</p> <p>Q4 2020</p>	<p>The Commission has recruited nearly the full complement of staff recommended in the report. Recruitment of an additional case manager is required.</p> <p>Appointment of the Chief Operations Officer (COO) ensured immediate progress on recommendation of additional resources to facilitate the creation of a new organisation structure. A new interim organisation structure is now in place. It is expected that final determination of optimal operating structure will be led by the chairperson and COO and will be in place by Q4 2020.</p>
3.2	Three-year review: all additional support staff should be appointed as core permanent staff at this point. However, the overall resourcing of the Commission should be re-examined in three years having regard to progress made, ongoing business requirements, and automation and efficiency gains.	Q4 2021	A three-year review of resourcing is expected to take place in Q4 2021 as recommended.
3.3	Recruitment consideration: given the time lags in external recruitment, if the resources required are not available in the timeframe sought by the Commission, consideration should be given to seconding the additional staff on a temporary basis from other organisations in the civil service. Given that both the Department of Finance and Revenue has a direct interest in ensuring the effective operations of the Commission, I would suggest that they should take the lead in the provision of secondees with appropriate skills as a clear demonstration of their commitment to the effective operation of the Commission.	Q4 2020	In all recruitment processes secondment has been explored as an option. It has not proved practical in most cases to fill posts via this method to date. The Department has recently provided an AP on secondment 2 days per week for a period 3 months (mid Sept-mid Dec 2019) to help in the formulation of data protection procedures and policies.
3.4	Workplace mobility: the Commission should request DPER to explore and put in place mobility and career development mechanisms for staff of the Commission and staff of other similar organisations.	Q4 2020	The Commission is a participant in the civil service mobility scheme. The Commission would welcome any further schemes which would encourage staff career development or staff retention.

4. Dealing with backlogs			
4.1	Dealing with backlogs: each Commissioner is accountable in respect of his/her own hearings and determinations. The Commissioners should identify and categorise caseload on hand with a view to determining the scale of the 'backlog' of current cases. They should put a plan in place to deal with this in accordance with some of the suggestions outlined. The plan should indicate a timeframe for the elimination of the backlog and targets for progress against which progress can be reported.	2019-2020	Plans for the elimination of backlogs and targets for progress have been put in place and communicated to the Department of Finance. Commissioners are prioritising finalising cases which have been heard but not yet determined. In relation to legacy appeals, the status of same as at 31 December 2019 is set out at Annex 14B.
4.2	Communication with parties: the Commissioners should communicate with all parties to appeals caught up in the backlog outlining the approaches being taken and identifying when progress might be expected in relation to different categories of appeals.	2019-2020	A review of determinations outstanding was conducted in 2019 and letters sent thereafter. It is intended that this will be repeated as a part of future reviews of cases in any backlog.
5. Process improvements			
5.1	Process improvements: the Commissioners should maximise the delegations available within the Act to optimise the contribution of case managers in the progress of appeals. These delegations should apply to the work of all Commissioners (permanent and temporary).	Q4 2019	A review of the case managers' role and responsibilities was carried out in 2019. This has now been clarified and agreed. A structured case manager development programme has been established and will be progressed during 2020.
5.2	The support structures and systems in place must be optimised through utilisation in a consistent manner by all Commissioners, including temporary Commissioners. The responsibility for ensuring this happens lies with the Accounting Officer.	Q4 2019	Clarification of case managers' role and responsibilities as above have aided progress in this regard. Case managers are now assigned to assist Commissioners on a rota basis to ensure all Commissioners have sufficient access to case manager support.
5.3	The Commissioners should publish indications for expected timeframe for finalisation of determinations following hearing of appeal. A target of two months is suggested. The Commissioners should report on progress in meeting this target.	2019-2020	Given the appointment of a Chairperson and new temporary Commissioners alongside the reduction in backlogs, it is expected that a clearer picture of the timeframe for cases to progress from hearing to determination will be available in Q4 2020. This will be a key indicator for reporting on cases on hand.
5.4	The Commissioners should, using the support of case managers in place, whilst appropriately balancing the issuance of determinations of appeals already heard with scheduling of new appeals, give priority to the finalisation of determinations currently outstanding.	Q1 2019	As outlined in responses to recommendations 4.1, 5.1 and 5.2, plans for the elimination of backlogs, determination of cases already heard and new appeal hearings are already in place. Case managers are assisting will all stages where appropriate.
6. Liaison with Revenue			
6.1	The Commission should formalise liaison arrangements with Revenue to facilitate greater efficiency in the operation of the appeals process.	Q4 2020	The Commission maintains regular contact with the Revenue tax appeals unit and participates in regular Administration Working Group (AWG) meetings with Revenue which are hosted by the Department.
6.2	An interdepartmental group, chaired by the Commission, should be established to explore options for the electronic exchange of information that is required by both the Commission and Revenue in line with Revenue proposal for same.	Q4 2020	These matters have been discussed at AWG meetings. Revenue has been consulted on the design and implementation of the ongoing replacement CMS project which it is hoped will enable such data exchange. A Revenue representative has been appointed to the CMS project board.

Source: The Tax Appeals Commission

Annex 14B Current status of legacy appeals as at 31 December 2019 is as follows

Status of legacy appeals as at 31 December 2019	No. of appeals	Quantum €000
Currently being processed by the Commission		
On hold (e.g. pending outcome of another appeal or High Court determination or party requesting)	314	101,742
Merged/consolidated	57	10,001
Requested further information from parties and awaiting responses — statement of case, outline of arguments, pre/post hearing documents	36	57,427
Hearings/case management conferences scheduled	32	10,812
Awaiting confirmation of closure of appeals	13	3,260
Awaiting determination	5	8,927
Subtotal	457	192,169
Processing required by the Commission		
Appeals support team	34	13,650
Case manager	17	24,805
Scheduling office	17	5,314
Commissioner	1	—
Subtotal	69	43,769
Overall total	526	235,938

Source: The Tax Appeals Commission

Annex 14C Assessment of current case management system in place

Key requirements ^a	Current system in place	
Provide a facility for a taxpayer to submit an appeal and correspond with the Commission online.	There is no facility for a taxpayer to submit an appeal and correspond with the Commission online. A taxpayer must download a form from the Commission's website and submit via post or scan the completed form to info@taxappeal.ie.	●
The system should automatically create a new case on the case management system and generate a unique identifier for the case and pre-populate fields retrieved from the submitted form.	The case management system (CMS) does not allocate a unique identifier to cases appealed. All appeals received are manually allocated a unique identification reference number on an offline shared spreadsheet.	●
The system should facilitate the upload of documents by the taxpayer and attach to the case.	A hardcopy file is maintained for all appeal cases which is updated as the case progresses. Since mid-2019, the Commission has begun the process of digitally recording documents on a shared drive within the Commission's server.	●
The system should be able to automatically exchange information bilaterally and electronically with external parties, for example, the Office of the Revenue Commissioners.	There is no method of exchanging information automatically from the current CMS. All correspondence with Revenue on cases under appeal is by post or email which is not stored in the case management system.	●
Provide the ability for the Commission administrative team to track and work cases efficiently.	There is limited capability for the Commission to track and work cases efficiently on the current CMS system. The system records due dates for return of correspondence but does not alert the users if the time has passed and reminders do not issue from the system which would enable cases to be followed up in a timely fashion.	●
Capture history of all updates to a case including timestamp and username.	The CMS currently in place includes an audit trail showing the last user to alter the data and includes a timestamp.	●
A CMS should provide comprehensive reporting capabilities to enable management to assess progress of appeals, current caseload, length of time cases are open and progression of cases by value and year.	The CMS generates a number of reports which are used by management such as the number of new cases in the year by tax type, the number of cases closed in the year and also length of time cases are open. Reports such as 'new in by tax type' 'closed by year category' 'open appeals' and 'time open' are available. These reports provide a snapshot to management of the caseload, however, the Commission must download the system data and undertake manual manipulation of the data to provide statistics for reporting purposes.	●

Source: The Tax Appeals Commission. Analysis by the Office of the Comptroller and Auditor General.

Note: a This assessment is based on the specifications contained in the request for tender document issued on 18 April 2016 by the Commission.

● In place ● Partially in place ● Not functioning

Other Matters

15 Accounts of the National Treasury Management Agency

- 15.1** Section 12 of the National Treasury Management Agency Act 1990 (the 1990 Act) (as amended) requires the National Treasury Management Agency (the NTMA) to keep accounts of all moneys it receives or expends in the form approved by the Minister for Finance (the Minister), and to submit them for audit by the Comptroller and Auditor General. Following completion of the audit, the NTMA must submit the accounts and the related audit reports to the Minister, who in turn must present them to the Houses of the Oireachtas.
- 15.2** Separately, section 12 of the 1990 Act requires the Comptroller and Auditor General to report to Dáil Éireann with respect to the correctness of the sums brought to account by the NTMA each year. This is the report for 2019 under that section of the 1990 Act.

Accounts of the NTMA 2019

- 15.3** The accounts audited under section 12 of the 1990 Act (as amended) are as follows
- National debt of Ireland
 - NTMA administration account
 - Post Office Savings Bank Fund financial statements¹
 - State Claims Agency financial statements
 - Ireland Strategic Investment Fund (ISIF) financial statements
 - Ireland Apple escrow fund²
 - National Surplus (Exceptional Contingencies) Reserve Fund.
- 15.4** Separately, the NTMA prepares the financial statements of the Dormant Accounts Fund (under the Dormant Accounts Act 2001) and of the Carbon Fund (under the Carbon Fund Act 2007). These are published by the NTMA together with the other (section 12) accounts it publishes.
- 15.5** The accounts for 2019 have been audited. My reports on the audits were issued on 13 May 2020.

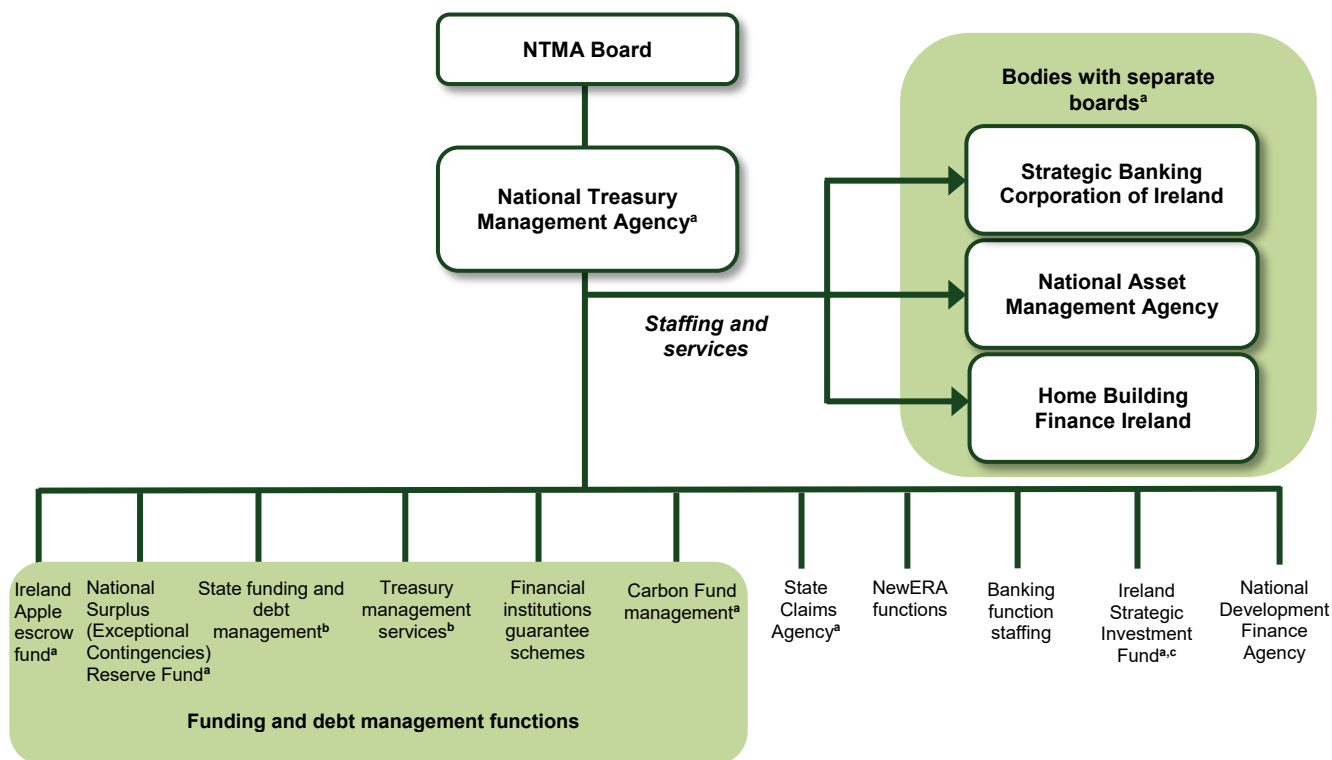
¹ See Chapter 16 *Post Office Savings Bank Fund* for details on the functions and performance of the fund.

² See Chapter 17 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting thereof.

Structure, costs and staffing of the agency

- 15.6 The NTMA was originally set up in 1990. It has since evolved into a complex organisation with multiple functions that extend beyond its original and core role in managing Ireland’s national debt. The structure of the NTMA is outlined in Figure 15.1.
- 15.7 The NTMA assigns staff to the National Asset Management Agency (NAMA), the Strategic Banking Corporation of Ireland (SBCI) and Home Building Finance Ireland and also provides them with business and support services and systems on a cost recoupment basis. These costs are outlined in Figure 15.2. Each of the entities has its own board and is separately accountable to Dáil Éireann.
- 15.8 At the end of 2019, NTMA staff numbers totalled 779 on a whole time equivalent basis. The assignment of staff to the various functions and activities at year-end for 2016 to 2019 is set out in Figure 15.3.

Figure 15.1 Functions of the National Treasury Management Agency



Source: National Treasury Management Agency

- Notes:
- a Separate financial statements are prepared for the activities of each of these functions/entities.
 - b In the case of State funding, debt management and treasury management services, separate financial statements are prepared for the Dormant Accounts Fund, the Post Office Savings Bank Fund and the national debt.
 - c The Ireland Strategic Investment Fund (ISIF) took over the assets and liabilities of the National Pensions Reserve Fund (NPRF) in 2014. Financial statements for the NPRF will continue to be prepared until all remaining assets are legally transferred to the ISIF. At 31 December 2019, foreign assets valued at €51,000 (2018: €50,000) remained in the NPRF.

Figure 15.2 Cost of operations, 2016 to 2019

	2016	2017	2018	2019
	€m	€m	€m	€m
NTMA business units				
Funding and debt management	11.5	12.5	12.3	12.3
Ireland Strategic Investment Fund	10.4	12.5	14.5	15.2
State Claims Agency	19.4	20.8	25.0	28.5
NewERA	5.3	5.4	6.1	6.0
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	2.8	4.3	3.8	3.9
National Development Finance Agency	9.5	10.1	11.3	12.6
Supported bodies				
National Asset Management Agency	46.7	38.1	40.8	40.7
Strategic Banking Corporation of Ireland	4.2	5.2	5.9	5.9
Home Building Finance Ireland ^a	—	—	—	5.3
Total payments	109.8	108.9	119.7	130.4

Source: National Treasury Management Agency

Note: a No costs arose in relation to HBFi prior to 2019.

Figure 15.3 NTMA staffing distribution at year-end, 2016 to 2019^a

	2016	2017	2018	2019
NTMA business units				
Funding and debt management	20	24	24	23
Ireland Strategic Investment Fund	41	44	42	47
State Claims Agency	128	138	148	156
NewERA	19	21	26	25
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	13	11	11	11
National Development Finance Agency	61	67	63	64
NTMA corporate functions				
Finance, technology and operations	125	138	138	133
Legal, compliance, HR and internal audit	35	41	46	43
Risk	20	20	21	20
Other	2	4	9	3
Supported bodies				
National Asset Management Agency	302	264	236	210
Strategic Banking Corporation of Ireland	16	18	17	23
Home Building Finance Ireland	—	—	5	21
Total	782	790	786	779

Source: National Treasury Management Agency

Note: a 2018 and 2019 numbers are based on whole time equivalent. Previous years are based on headcount.

NTMA office move to North Wall Quay

- 15.9** In May 2018, the Agency entered into leases for office accommodation in the Dublin Docklands until May 2043, with an option to terminate in 2033. Staff moves to the new premises were completed in August 2019.
- 15.10** The NTMA had lease agreements of varying duration until 2025 and 2026 in respect of its previous office accommodation at Treasury Building, Grand Canal Street, Dublin 2. The Agency engaged an external property advisor regarding the sub-let, disposal or assignment of existing leases in respect of the office accommodation at Treasury Building. The Treasury Building leases were surrendered to a third party in February 2020. Costs of €0.8 million reflecting the lease commitment and a once off payment to the third party in relation to the surrenders were recognised in the 2019 NTMA administration account.

Performance-related pay

- 15.11** Provision for a discretionary performance-related payment is included in the majority of NTMA employee's contracts. The Remuneration Committee of the NTMA is responsible for approval of the overall amount of performance-related pay in a year and for the approval of individual proposed awards to members of the Executive Management Team (EMT). Awards of performance-related payments to employees below EMT level are approved by the CEO following a review by a sub-committee of the EMT.
- 15.12** Performance-related payments of €2.05 million were made to 200 employees for 2019, of which €200,000 was paid to seven members of the EMT. For 2018, performance-related payments of €1.78 million were paid to 184 employees, of which €145,000 was paid to four members of the EMT. The CEO of the NTMA did not receive a performance-related payment in respect of 2018 or 2019.

Voluntary redundancy scheme

- 15.13** During 2019, payments were made to 33 employees of the NTMA who participated in a voluntary redundancy scheme. Redundancy payments totalling €2.5 million and 'garden leave' costing €0.1 million were incurred. NTMA has stated that the payments were made subject to normal statutory and public sector terms for redundancy payments.
- 15.14** Of the vacancies created following the departure of the 33 employees who participated in the redundancy scheme, ten employee positions were not subsequently filled, twelve positions were filled at a lower annual cost and eleven positions were filled at the same or an increased annual cost. The NTMA has stated that although the redundancy scheme was not introduced as a cost saving exercise, the projected annual cost savings on staff salaries was expected to be €1 million. This would mean that the cost of the scheme should be recouped in two and a half years following its implementation. However, the examination team has not seen any evidence of a report to the NTMA Board documenting the actual savings resulting from the redundancy scheme.

Operations in 2019

Funding, debt and treasury management

15.15 The NTMA borrows on behalf of the Exchequer and manages Ireland's national debt.¹

15.16 The NTMA performs a number of other debt management and treasury functions, including

- treasury operations for NAMA, ISIF, SBCI, HBFi and Irish Bank Resolution Corporation Limited (in special liquidation) (IBRC)
- providing a central treasury service for State bodies and local authorities
- managing the assets of the Dormant Accounts Fund and the Post Office Savings Bank Fund
- oversight of the management and investment of the National Surplus (Exceptional Contingencies) Reserve Fund
- oversight of the investment and management of the Ireland Apple escrow fund on behalf of the Minister for Finance.

Financial Institutions Guarantee Schemes

15.17 Certain eligible liabilities in financial institutions, including deposits and debt securities of up to five years maturity were guaranteed by the Minister for Finance (the Minister) under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the scheme). The NTMA was appointed as scheme operator by the Minister.²

15.18 Each institution with liabilities guaranteed under the scheme was required to pay a fee. The Accounting Officer of the Department of Finance was accountable for the fees received.

15.19 As at 29 March 2018, there were no remaining liabilities guaranteed under the scheme, with the exception of minor residual liabilities resulting from the liquidation of IBRC.³

15.20 Following the liquidation of IBRC in February 2013, a number of claims were made under the guarantee scheme and, in March 2013, the Minister delegated the following further functions to the NTMA⁴

- verification of claims for payment in respect of a deed of guarantee put in place on 29 November 2010 in relation to certain derivative contracts entered into by IBRC
- payment of amounts due under the deed of guarantee.

¹ Summary details of the structure of the national debt and trends in government debt are included in Chapter 1, *Exchequer Financial Outturn for 2019*.

² SI No 490/2009.

³ The final end date for all remaining liabilities under the scheme was 28 March 2018.

⁴ SI No 85/2013.

- 15.21** The State has lodged claims totalling €1,235 million with the joint special liquidators of IBRC.¹ These comprise
- €1,197 million claimed by the NTMA in respect of payments to bondholders, and depositors. This figure also includes expenses of €7.2 million and interest of €109 million.
 - €37.8 million claimed by the Department of Finance in respect of derivatives.
- 15.22** In 2016 and 2017, the joint special liquidators of IBRC paid two dividends totalling €560 million (50% of all admitted unsecured creditors of the liquidation). The special liquidators announced the remaining dividend payment of 50% to admitted unsecured creditors of the liquidation in December 2018. This was received in separate payments in December 2018 and early 2019. The Exchequer received approximately €341 million in 2018 and a further €225 million in January and February 2019 in relation to these payments. A further €109 million was received by the Exchequer in December 2019 which relates to the interest owed on the claims made by the State.
- 15.23** On the commencement of the Anglo Irish Bank Corporation Act 2009, all shares in the bank were transferred to the Minister for Finance, and remained in the ownership of the Minister at the date of the liquidation of IBRC in February 2013. Included in this was £300 million (GBP) of preference shares for which the State received €348 million in December 2019.

State Claims Agency

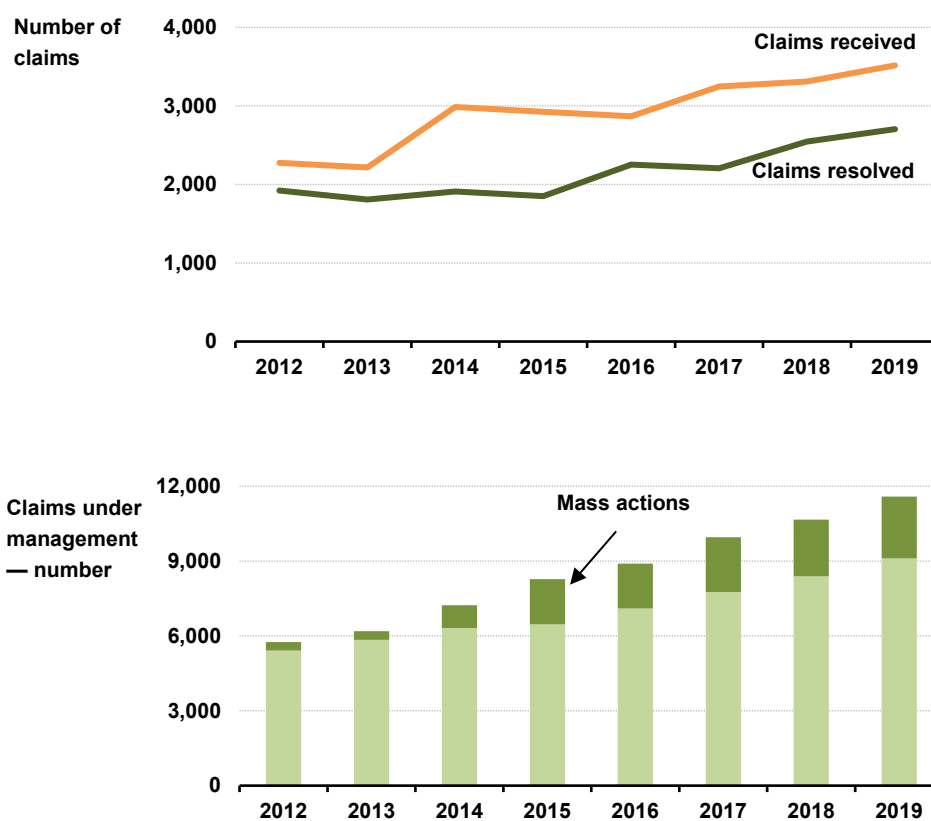
- 15.24** The NTMA manages personal injury, property damage and clinical negligence compensation claims on behalf of the State and certain delegated State authorities. In addition, it has a risk management role, advising and assisting those State authorities in minimising their claim exposures. It also considers and manages third party cost claims against the State and delegated State authorities, arising from all categories of claims. When performing these functions, the NTMA is known as the State Claims Agency (SCA).
- 15.25** The scope of the SCA's remit has broadened in two ways since the start of 2019.
- In 2019, Government delegated the management of claims against foster parents and former foster carers who carry out functions under the Child Care Act 1991, to the SCA.
 - The NTMA has stated that, in 2020, the Government provided a State indemnity to private healthcare facilities and clinicians who were contracted to provide facilities and additional professional medical services resources to the public health system, in the management of COVID-19 cases and the provision of acute hospital care more generally. Government also provided an indemnity to a private sector technology company that is assisting with the COVID-19 testing programme. Management of claims arising from these indemnities has also been delegated to the SCA.
- 15.26** Awards and associated claim costs of the SCA in 2019 amounted to a total of €431.4 million — up 21.7% year on year (2018: €354.6 million). These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €28.5 million (2018: €25 million) in administrative costs in the performance of its SCA functions. These administrative costs are included in the administration expenses of the NTMA and are charged on the Central Fund.

¹ Interest is payable on amounts claimed from the date of each claim to the date of payment by the joint special liquidators.

15.27 The number of claims under management has increased significantly since 2012. At the end of 2019, there were 11,580 claims under management including 2,472 claims in mass actions (general and clinical). In 2019, 2,704 claims were resolved, an increase of 6% over the previous year (see Figure 15.4).

15.28 The estimated cost of settling outstanding claims has been steadily increasing.^{1,2} The estimated outstanding liability at the end of 2019 has been estimated by the SCA at €3.63 billion — over three times the estimated outstanding liability at the end of 2012 (see Figure 15.5). A key factor in the increase in the estimated outstanding liability is the impact of a reduction in the real rate of return used, from 3% to 1% or 1.5% on foot of a determination by the Court of Appeal in 2015.

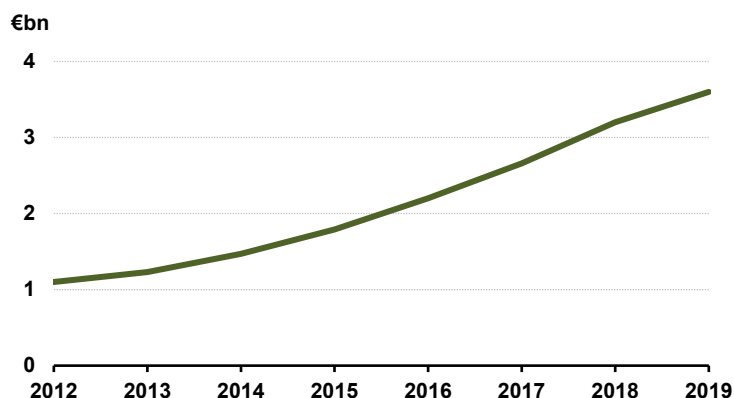
Figure 15.4 Claims received and resolved annually, and claims under management, at year end, 2012 to 2019



1 Of the €3.63 billion outstanding estimated liability at year-end, €452.3 million relates to interim payment orders and 'periodic payment orders'.

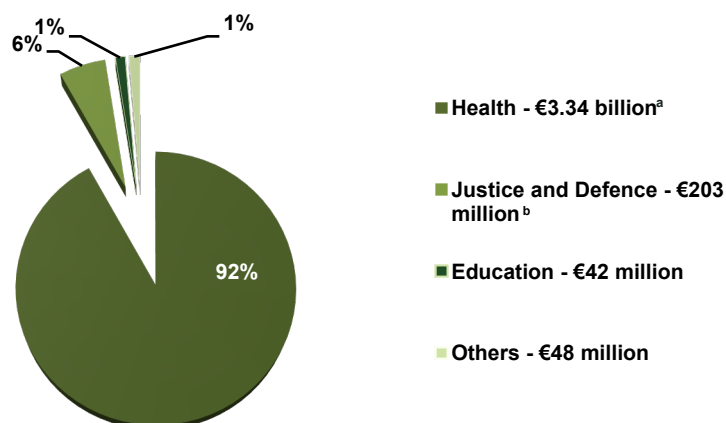
2 No amounts for incurred but not reported claims are included within the estimated outstanding liability at year-end.

Source: National Treasury Management Agency

Figure 15.5 Estimated outstanding liability, at end-2012 to 2019

Source: National Treasury Management Agency

- 15.29** Health sector bodies (including the HSE, Tusla and the Department of Health) accounted for 92% of the estimated outstanding liability at the end of 2019. Two other sectors (Justice and Defence, and Education) accounted for a further 7% (see Figure 15.6).

Figure 15.6 Proportion of estimated outstanding liability for each State authority sector, at end-2019

Source: National Treasury Management Agency

Notes: a The health sector includes the HSE, Department of Health and bodies under its aegis, and Tusla.

b Justice and Defence include the Irish Prison Service, An Garda Síochána, Defence Forces and certain others.

Periodic payment orders

¹ Initial payments in cases to which PPOs apply include settlement of all categories of damages. These are mainly settled on a full and final basis, other than claims for future care in respect of which payments are made on an annual basis under the PPO.

- 15.30** Part 2 of the Civil Liability (Amendment) Act 2017 commenced in October 2018 and introduced periodic payments orders (PPOs) as an alternative to lump sums paid to compensate persons who have suffered catastrophic injuries. PPOs guarantee that such victims will receive annual fixed payments in respect of treatments and care, thereby reducing worries associated with lump-sum payments that may run out for families affected by catastrophic injuries. The total value of PPOs paid in 2019 was €10.8 million.¹

15.31 In November 2019, the High Court delivered its judgment in a directions hearing in a catastrophic injury case and determined that PPOs in their current form are unfair towards plaintiffs.¹ The Court considered the statutory provisions of the Civil Liability Amendment Act 2017, and noted that with compensation payments linked to the harmonised index of consumer prices (HICP), claimants would be undercompensated for their care in the long term. The Court stated that there is potential within the legislation for agreement on PPOs to be linked to an index other than the HICP.² As a result of this ruling, the SCA now expects most claims to be settled on a lump-sum or interim payment order basis, unless there is a change to the index.

Insurance Compensation Fund

15.32 The Insurance (Amendment) Act 2018 sets out the separate roles of the SCA and the Central Bank of Ireland (CBI) in the event of an insurance company liquidation or receivership. In such events, the SCA will make an application to the High Court, on behalf of the liquidator, to approve payments from the Insurance Compensation Fund (ICF), on completion of a due diligence examination of the relevant claims. Once approved by the High Court, the CBI will pay the specified amount to the SCA for distribution to the claimants in respect of an insurance company authorised in an EU member state other than Ireland. In cases where an insurance company is authorised in Ireland, the CBI will pay the specified amount to the liquidator for distribution to the claimants.

15.33 The SCA made its first application to the High Court in November 2018, arising from the liquidation of Setanta Insurance Company Ltd., where the Court agreed to release €20.6 million to 1,300 claimants.

15.34 During 2019, applications to the High Court for disbursements from the Insurance Compensation Fund were successfully made and dispatched to some 780 applicants, in respect of Setanta Insurance Company Ltd (in liquidation) authorised in Malta (€15.2 million) and of Enterprise Insurance Company plc (in liquidation) authorised in Gibraltar (€4.8 million).

Carbon Fund

15.35 The Carbon Fund was established by the Carbon Fund Act 2007 in order to purchase carbon credits to meet Ireland's commitments under the Kyoto Protocol — an international climate change agreement. Under the 2007 Act, the NTMA has responsibility for the purchase, through the Carbon Fund, of carbon credits required to meet Ireland's climate change obligations.

15.36 The assets held in the Carbon Fund are not held for trading purposes but to be submitted as part of Ireland's compliance under the Kyoto Protocol and its obligations under European Union legislation.

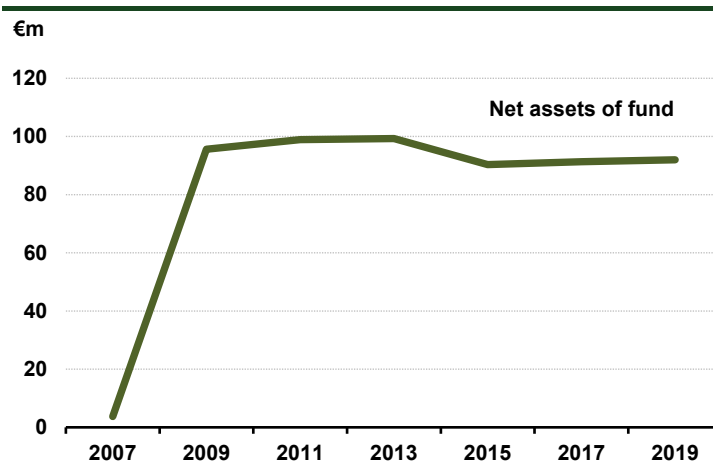
15.37 In 2009, in the light of the slowdown in the Irish economy and the subsequent revised estimate of Ireland's need to purchase carbon credits, it was decided to cease the purchase of credits. The final accounting transactions for the commitment period 2008 — 2012 of the Kyoto Protocol were carried out in 2015, during which time assets worth €9.4 million were surrendered to fulfil Ireland's obligation. At that time, the remaining assets in the Carbon Fund were carried forward towards meeting Ireland's 2020 commitments under the European Union's 2020 Climate and Energy Package.

¹ Hegarty & anor -v- HSE [2019].

² Subsection 511 (3) of the Civil Liability Act 1961 (as inserted by the Civil Liability (Amendment) Act 2017).

- 15.38** In November 2019, the Government decided to re-commence the purchase of greenhouse gas emissions allowances for compliance with Ireland's obligations under the EU Effort Sharing Decision on targets for 2013 – 2020. During 2019, the NTMA purchased 400,576 carbon credits at a total cost of €100,144 (excluding VAT). At the end of 2019, the Carbon Fund held assets with an acquisition cost of €91.9 million (see Figure 15.7).
- 15.39** Ireland's obligations under the Effort Sharing Decision will end in 2020. This will be replaced by the Effort Sharing Regulation which sets binding annual emissions targets for Ireland for the period 2021 – 2030.¹

Figure 15.7 Net assets value of the Carbon Fund, 2007 to 2019



Source: Financial Statements of the Carbon Fund, 2007 to 2019. Analysis by the Office of the Comptroller and Auditor General.

NewERA

- 15.40** The New Economy and Recovery Authority (NewERA) functions of the NTMA were established on a statutory basis in December 2014 on commencement of the relevant sections of the 2014 Act.²
- 15.41** The NewERA functions include the provision of financial and commercial advisory services on a range of issues to a relevant Minister of the Government in respect of a designated body under his/her remit.³ Also, where any Minister holds assets or shares in a body that is not designated for NewERA purposes, or has general responsibility for, or has any function in relation to such a body, NewERA may also provide similar services to that Minister.
- 15.42** Expenditure incurred by the NTMA on NewERA activities in 2019 was around €6 million and is separately disclosed in the NTMA's administration account. During 2019, NewERA provided detailed financial analysis and, where appropriate, recommendations to government Ministers/departments, on a total of 138 submissions for Ministerial consideration made by commercial State bodies. This included advice in relation to a range of critical infrastructure investment plans presented by commercial State bodies, including €4.1 billion in debt financing related requests, €2.7 billion in relation to capital budgets and commitments and €0.8 billion in relation to specific capital projects.

¹ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018.

² The New Economy and Recovery Authority (NewERA) was initially set up on a non-statutory basis following a Government announcement in September 2011.

³ At 31 December 2019, the designated bodies were the Electricity Supply Board, Ervia, Bord na Mona plc, Coillte CGA, Eirgrid plc, Irish Water, An Post and any of their subsidiaries or any company in which any of the designated bodies has an interest.

- 15.43** Advice provided relating to the €4.1 billion debt financing requests, included
- €500 million green bond issuance by ESB, which was Ireland's first corporate green bond to help finance eligible green projects including renewable energy, network connections for onshore wind farms and electric vehicle charging infrastructure.
 - €300 million bond issued by Gas Networks Ireland, to support continuing investment in gas network infrastructure which is expected to play a key role in the transition to a low carbon energy system.
 - €300 million private placement facility raised by Dublin Port Company, to help fund its capital investment programme.
 - €350 million facility raised by the DAA (Dublin Airport Authority) from the European Investment Bank to support its capital investment programme.
 - Short-term extension of Irish Water's €1.25 billion of commercial borrowing facilities pending refinancing with State funding, which is to be implemented over three phases. The first phase of the refinancing of Irish Water's commercial borrowings with State funding was completed in December 2019, through a capital contribution of €758 million from the Minister for Finance.
- 15.44** NewERA advice on the €2.7 billion capital expenditure budgets and commitments was primarily related to the regulated electricity, gas and water network assets of the relevant commercial state bodies.
- 15.45** The advice provided in respect of the €0.8 billion of specific capital expenditure projects included, water and wastewater infrastructure projects in line with Irish Water's ongoing investment plans, to address the deficits in Ireland's public water infrastructure. It also included an acquisition by ESB of a 50% stake in a pre-construction offshore wind farm off the coast of Scotland, as the ESB continues to develop its experience in offshore wind with a view to developing projects off the coast of Ireland in the future.
- 15.46** NewERA undertook a financial and commercial review of RTÉ's revised strategy in 2019, to assist government in its consideration of the revised strategy. NewERA also reviewed an agreement between Coillte and the ESB, to form a joint venture development company that was announced during 2019. The purpose of the joint venture is to deliver 1000 MW of renewable energy by 2030.
- 15.47** NewERA, through the financial advisory services it provides to government Ministers and departments, also has a role to play in assisting the Ministers at their request in understanding the financial implications of its climate objectives. The role of commercial State bodies in helping to meet the State's climate objectives is an area of focus for the State and by extension, for NewERA's advisory work in this area. NewERA was allocated a number of actions for delivery in the Climate Action Plan including the development (in conjunction with the Department of Communications, Climate Action and Environment and the Department of Public Expenditure and Reform) of a framework for the commercial semi-state sector to address climate action objectives. During Q4 2019, NewERA commenced the development of this framework.

Banking system functions staffing

15.48 The NTMA's Banking Unit has been seconded to the Department of Finance since August 2011, where it now forms part of the Department's Shareholding and Financial Advisory Division.¹ At the direction of the Minister, costs of the Banking Unit, comprising staff costs and certain professional advisor costs, continue to be met by the NTMA. Costs incurred by the NTMA in 2019 in relation to the Banking Unit totalled €3.9 million and are separately disclosed in the NTMA's administration account in 2019. The NTMA incurred professional advisor costs of €1.3 million in relation to assessor fees for IBRC. These payments will be recouped by the NTMA from the liquidator of IBRC. At end 2019, €826,000 has been received from the liquidator.

Ireland Strategic Investment Fund

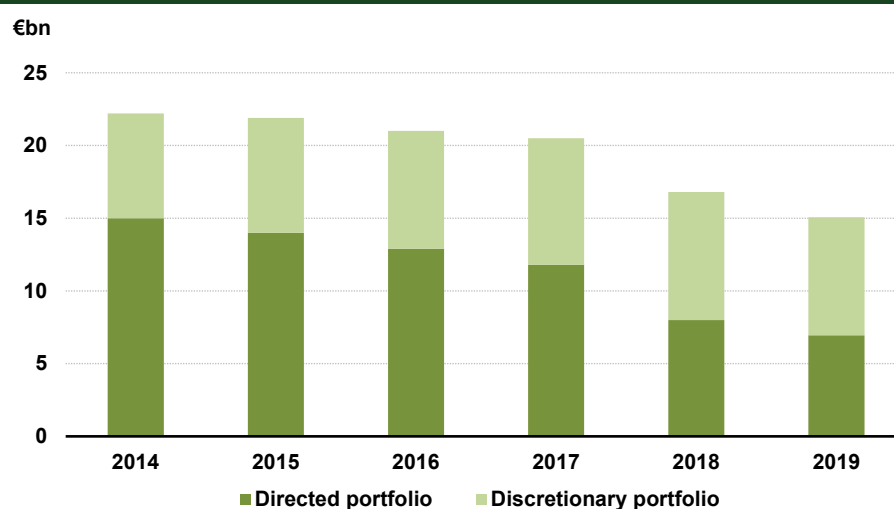
15.49 The Ireland Strategic Investment Fund (ISIF) was established in December 2014, pursuant to the 2014 Act. On its establishment, the assets and liabilities of the National Pensions Reserve Fund (NPRF) became assets and liabilities of the ISIF, apart from a small residual amount of foreign assets and liabilities which are still being worked out.²

15.50 The assets of the fund are held in two portfolios.

- The directed investment portfolio is subject to directions given by the Minister for Finance.³ The Minister has directed that any interest or other income received in respect of deposits and/or securities held in the directed investment portfolio are transferred to the discretionary investment portfolio and are held or invested by the NTMA.
- The discretionary investment portfolio consists of investments made in accordance with the relevant sections of the 2014 Act, where the NTMA holds or invests the assets of the ISIF (other than directed investments) on a commercial basis.

15.51 At 31 December 2019, the ISIF held net assets of €15.1 billion (2018: €16.8 billion). The net assets comprised €6.9 billion (2018: €8 billion) in the directed investment portfolio and €8.1 billion (2018: €8.8 billion) in the discretionary portfolio (see Figure 15.8).

Figure 15.8 Value of ISIF net assets, 2014 to 2019



1 SI No 395/2011.

2 At end 2019, a small number of foreign assets valued at €51,000 had not transferred to the ISIF.

3 Section 43 of the 2014 Act provides that the Minister may give a direction to the NTMA in relation to the holding and management of a directed investment, the exercise of any voting or other rights attaching to a directed investment, and the disposal of a directed investment.

Directed investment portfolio

15.52 In 2019, the value of the directed investment portfolio fell by over €1 billion. This drop in value was due to the decrease in the market price of AIB shares during the year.

15.53 At 31 December 2019, the net assets of the directed investment portfolio comprised

- AIB — 71% shareholding valued at €6 billion (€3.10 per share).
- Bank of Ireland — 13.95% shareholding valued at €734 million (€4.88 per share).
- €215 million held in cash and committed for lending to the Strategic Banking Corporation of Ireland.
- €7 million in loans drawn down by Home Building Finance Ireland (Lending) DAC, a subsidiary of Home Building Finance Ireland.

Discretionary portfolio

15.54 The statutory mandate of the ISIF, in respect of the discretionary portfolio, is to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The NTMA Board is required to determine, monitor and keep under review an investment strategy for the assets of the ISIF, in consultation with the Minister for Finance and the Minister for Public Expenditure and Reform.¹

15.55 The discretionary portfolio value has grown since inception from €7.1 billion to €8.1 billion, comprised of investment gains of over €1.0 billion and cash injections of €1.5 billion, arising from AIB dividends €1.1 billion, Bank of Ireland dividends €41 million and the sale of the State's shareholding in Aer Lingus €335 million. These have been off-set by a €1.5 billion transfer from the discretionary portfolio to fund the National Surplus (Exceptional Contingencies) Reserve Fund.² The discretionary portfolio is comprised of an Irish portfolio (€2.7 billion) and a global portfolio (€5.4 billion).

15.56 Since inception, the ISIF has generated an annualised return of 2.5% per annum to the end of 2019, comprising a return of 6.7% per annum from the Irish portfolio and a return of 1.7% per annum from the global portfolio.

15.57 In July 2018, the Minister for Finance announced that the ISIF would focus on priorities that will support Project Ireland 2040. In February 2019, the ISIF published a new investment strategy which aims to invest €3 billion over the next five years. The aim is to invest in areas that have a substantial and lasting economic impact in Ireland, guided by the objectives of Project Ireland 2040. This will include investments primarily in the following priority themes

- regional — enabling regions, regional businesses, food and agri focus to encourage balanced economic growth
- housing — delivering mass market housing through unlocking land, building for sale and long term rental³
- indigenous business — long term capital to scale to international levels
- climate change — investment in renewable electricity and heat, food and agri and transport, subject to State market support regimes
- Brexit — supporting long-term diversification and sectors adversely affected by Brexit.

¹ Section 39 National Treasury Management Agency (Amendment) Act 2014.

² National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

³ ISIF backed residential housing platforms have sold over 3,000 units at 31 December 2019 and have funding committed or sites acquired to deliver a further 12,000 homes.

15.58 In May 2020, due to the impact of Covid-19 on the Irish economy, the Minister for Finance and Public Expenditure & Reform announced that the ISIF will make available a €2 billion fund to support medium and large enterprises in Ireland affected by the Pandemic. The new fund, known as the Pandemic Stabilisation and Recovery Fund, will be made available through a sub-portfolio within the ISIF.

15.59 The ISIF has also reserved €2 billion for investment in other government priority areas, which include

- €1.25 billion — proposed by the Minister to support the Land Development Agency in its acquisition of a portfolio of lands, for housing and other purposes.
- €750 million — to HBF1. During 2018 under the direction of the Minister for Finance, €20 million was transferred from ISIF to provide initial capital for HBF1. At the end of 2019, €7 million in loans were drawn down by HBF1 (Lending) DAC leaving a balance of €723 million on the loan facility.

Targeted funds

15.60 In 2015, €335 million was transferred from the Exchequer to the ISIF for the purpose of a new Connectivity Fund within the discretionary portfolio. The Connectivity Fund is restricted to investment in projects that enhance Ireland's physical, virtual or energy connectivity. The total deployed by ISIF under the Connectivity Fund up to the end of 2019 amounted to over €90 million. These investments and commitments comprised

- €26 million (\$28 million) equity investment committed to Aqua Comms — supporting subsea fibre-optic network interconnecting New York, Dublin and London via Killala, County Mayo
- €35 million committed to the Dublin Airport Authority
- €18 million committed to the Port of Cork to assist it to relocate from its existing location near the city centre to a redeveloped site in Ringaskiddy
- €14 million committed to Shannon Airport to support the upgrade of the existing runway.

National Surplus (Exceptional Contingencies) Reserve Fund

15.61 The National Surplus (Exceptional Contingencies) Reserve Fund (NSRF) — also known as the 'rainy day' fund — was established in October 2019 with the commencement of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 (the NSRF Act). The fund is designed to help mitigate the impact of a severe economic shock, beyond what are considered normal fluctuations of the economic cycle.

15.62 The fund is controlled and managed by the Minister for Finance (the Minister). Upon commencement of the NSRF Act, the Minister delegated the functions under section 8 of the NSRF Act, to the NTMA by way of Ministerial Order.¹ In addition, the Minister directed the NTMA to

- to prepare an annual investment plan and submit a copy of the plan to the Minister before the end of October each year (or as soon as reasonably practicable thereafter)
- prepare and keep all proper and usual accounts in relation to the fund to be audited by the Comptroller and Auditor General and to submit the audited accounts to the Minister as part of the NTMA's annual report

¹ S.I. No. 535/2019 - National Treasury Management Agency (Amendment) Act 2000 (Delegation of Investment Functions) Order 2019.

- incur any such costs as is necessary in connection with its performance of the functions delegated to it and to charge and pay such costs out of the fund.¹

15.63 The financial statements of the fund for the period 31 October 2019 to 31 December 2019 have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Ireland.

15.64 The investment objective of the fund is to conserve, to the greatest extent possible, the full nominal value (as of the date of such placing or investing) of the fund. In line with the investment plan, the fund is invested in a portfolio of Exchequer notes with maturities between one and 12 months. At the end of 2019, the fund held assets valued at €1.5 billion.²

15.65 The maximum amount that may stand to the credit of the fund is €8 billion.³ A schedule of funding is identified in the NSRF Act whereby the Minister may contribute €500 million to the fund from the Central Fund each year from years 2019 to 2023, unless a resolution is passed by Dáil Éireann authorising the Minister not to pay the funds in a particular year.⁴ In addition to these annual transfers, Dáil Éireann may also pass a resolution approving the transfer of a specified amount into the fund.

15.66 A drawdown from the fund may only occur after the passing of a resolution by Dáil Éireann, following a proposal by the Minister.⁵ Moneys from the fund may only be released to the Exchequer in order to

- remedy or mitigate the occurrence in the State of exceptional circumstances
- prevent potential serious damage to the financial system in the State and ensure the continued stability of that system; or
- support major structural reforms which have direct long-term positive budgetary effects on the State.

¹ No such costs were incurred in 2019.

² In November 2019, under the direction of the Minister for Finance, €1.5 billion was transferred from the ISIF to the fund.

³ Section 3 (1) of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

⁴ A resolution passed by Dail Éireann in December 2019 agreed not to pay €500 million into the fund for 2019.

⁵ In the event that the Dáil is not sitting and the criteria for releasing moneys from the fund has been met, the Minister may, with prior approval of the Government, pay moneys out of the fund to the Exchequer.

15.67 The Stability Programme Update of April 2020 provides for the drawdown of the fund in 2020 in order to mitigate the impact of Covid-19 on the Irish economy.

National Development Finance Agency

15.68 When performing certain infrastructure investment activities, the NTMA describes itself as the National Development Finance Agency (NDFA). The functions of the NDFA include providing financial advice to State authorities for public investment projects which are referred to it with a capital value over €75 million. The NDFA also provides financial advice to State authorities on some projects below this threshold.

15.69 The NDFA also has responsibility for

- the procurement and delivery of public private partnership (PPP) projects for State authorities with certain exceptions such as transport
- the direct procurement of certain education projects
- the provision of contract management services and support for the operation and maintenance of certain PPP education projects
- contract management support on the Convention Centre Dublin PPP under a service level agreement.

15.70 Progress in relation to PPP projects that were ongoing at the end of 2019, is as follows

- Schools PPP bundle five — this involves five schools and one institute of further education providing 4,870 student places. It was delayed following the liquidation in January 2018 of Carillion Construction Ltd. The final remaining two schools and one institute of further education were completed in 2019.
- Technology University Dublin at Grangegorman PPP — the contract award and financial close was completed in March 2018. Following a two-year construction period, the buildings were expected to become operational for the academic term 2020/2021. However, this schedule is expected to be impacted by measures introduced to tackle the spread of Covid-19.
- Social housing PPP programme — this involves the development of c.1,500 social housing units in three bundles. Bundle one construction commenced in March 2019 (534 homes) and while delayed by the impact of measures introduced to tackle the spread of Covid-19, 205 homes are now completed with the remainder to be completed over 2020/2021. Bundle two construction commenced in late 2019 (465 homes) with all homes due for completion in 2021.¹ Pre-procurement work has recently commenced on Bundle three (441 homes).
- Higher education PPP — this involves the development of eleven higher education facilities in two bundles. Bundle one launched to the market in November 2019; tender documents issued in August 2020 and it is expected to reach financial close in 2021. Bundle two is expected to come to the market later in 2020.

15.71 Key projects where the NDFA provided financial advice during 2019, are

- Housing — the NDFA is providing advice in relation to a number of housing projects including social housing leasing, mixed tenure residential developments and mortgage to rent schemes. Together these will account for circa 7,000 homes. One of the projects is expected to reach contract close in 2020.¹
- Climate Action Fund — the NDFA is advising the Department of Communications, Climate Action and Environment on the selection of suitable projects for its €500 million Climate Action Fund.
- Refinancing of PPPs — the NDFA advised three State authorities in relation to the refinancing of three PPP projects in 2019 which realised savings estimated at around €24 million for the State. Projects refinanced were the Schools PPP Bundle 3, the N7/N11 PPP road scheme and the Convention Centre Dublin PPP.

15.72 The NDFA undertakes contract management services and provides support under service level agreements involving monitoring the relevant PPP companies in the performance of their obligations under the PPP contract and seeking to ensure the long-term value of these contracts is achieved. The NDFA provides the following services

- contract management to all operational PPP schools (at the end of 2019, the NDFA was managing the contracts for six projects with a capital value of c. €500 million)
- contract management support on the Convention Centre in Dublin
- contract management support to the higher education PPPs (Cork School of Music and Cork Maritime College).

¹ This timing may be impacted due to the measures introduced to tackle the spread of Covid-19.

National Asset Management Agency

- 15.73** As in previous years, the NTMA assigned staff and provided services to the National Asset Management Agency (NAMA) during 2019. The NTMA incurred costs of €40.7 million (2018: €40.8 million) in that regard, which was recharged to NAMA.¹
- €32.5 million (2018: €34 million) was incurred in respect of staff costs. This comprised staff directly employed by the NTMA and assigned to NAMA (210 staff at 31 December 2019) and the apportioned remuneration cost of NTMA employees operating shared services including IT, human resources and finance.
 - €8.2 million (2018: €6.8 million) in respect of other costs was incurred by the NTMA on behalf of NAMA, including rent, office services and consultancy costs.
- 15.74** Performance-related payments of €479,000 were awarded to 56 staff members in respect of 2019 (2018: €955,000 to 107 staff). These payments are subject to approval by the NAMA Remuneration Committee. The CEO of NAMA was entitled to be considered for performance-related payments for 2019 but cited that in view of the economic challenges facing the country, he would waive his entitlement to be considered for these payments.
- 15.75** NAMA is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).²

Strategic Banking Corporation of Ireland

- 15.76** The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 as a company under the Companies Acts pursuant to the requirements of the Strategic Banking Corporation of Ireland Act 2014, to promote the provision of additional credit to enterprises and other persons in the State, in particular to small and medium enterprises (SMEs) by sourcing funds from national and international lenders (and investors).³
- 15.77** In 2015, under the direction of the Minister for Finance, the ISIF provided a loan facility of up to €240 million to SBCI. In 2016, €25 million of this facility was drawn down. During 2017, the €25 million loan was converted into shares in SBCI and transferred to the Minister in accordance with the 2014 Act.⁴ At the end of 2019, the outstanding commitment on the loan facility with the ISIF remains unchanged since 2017 at €215 million. These amounts are held as cash by ISIF and committed for use only by the SBCI.
- 15.78** The NTMA provides the SBCI with business and support services and systems, staff and treasury services and advice in connection with debt securities and borrowings.⁵ The NTMA incurred costs of €5.9 million for the provision of these services in 2019 (2018: €5.9 million) which were recharged to the SBCI.
- 15.79** Performance-related payments of €103,000 were awarded to seven SBCI staff members in respect of 2019 (2018: €85,000 to 6 staff). These payments are subject to approval by the SBCI Remuneration Committee. The CEO of SBCI received performance-related pay of €25,000 for 2019 (2018: €25,000).
- 15.80** The SBCI is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).⁶

¹ The total administrative costs of NAMA were €67 million in 2019 (€75 million in 2018).

² The report on the audit of NAMA issued on 27 April 2020.

³ SMEs are defined in accordance with Article 2 of EC Recommendation 2003/361/EC (6 May 2003).

⁴ Section 11(7)(a) of the Strategic Banking Corporation of Ireland Act 2014.

⁵ Section 10 of the Strategic Banking Corporation of Ireland Act 2014.

⁶ The report on the audit of the SBCI for 2019 issued on 23 April 2020.

Home Building Finance Ireland

- 15.81** Home Building Finance Ireland (HBFI) was incorporated in December 2018 as a company under the Companies Acts pursuant to the requirements of the Home Building Finance Act 2018 (the HBFI Act), to lend money on commercial terms for the purpose of funding commercially viable residential developments in the State. HBFI is a commercial entity wholly owned by the Minister for Finance (the Minister). Its establishment was part of a wider response to Ireland's housing supply shortage that, over recent years, has seen supply falling short of the estimated demand. Home Building Finance Ireland (Lending) DAC (HBFIL) is a wholly owned subsidiary of HBFI and is its operating (lending) entity.
- 15.82** In May 2019, pursuant to a direction from the Minister, the ISIF entered into a facility agreement with HBFIL, and made available a loan facility of €730 million to HBFIL under the terms of the agreement.¹ At the end of 2019, HBFIL had drawn down €7 million in loans from this facility.
- 15.83** In its first year of operation, HBFI has approved the extension of €108 million in credit facilities to borrowers. The developments HBFI is funding are located in 12 counties, and will allow for the delivery of 537 units, in housing developments which range in size from 10 to 76 units.
- 15.84** Five approved facilities had active construction sites at the end of 2019. HBFI provided funding to developers in 2019 through its Standard Development Funding product offering. The maximum HBFI can lend through this product is €35 million.
- 15.85** The NTMA assigns staff, and provides business and support services and systems to HBFI. The NTMA incurred costs of €5.3 million for the provision of these services in 2019 which were recharged to HBFI.
- 15.86** No performance-related pay was paid to HBFI staff in respect of 2019.
- 15.87** HBFI is accounted for separately and does not form part of the NTMA's accounts for the purposes of section 12 of the 1990 Act (as amended).²

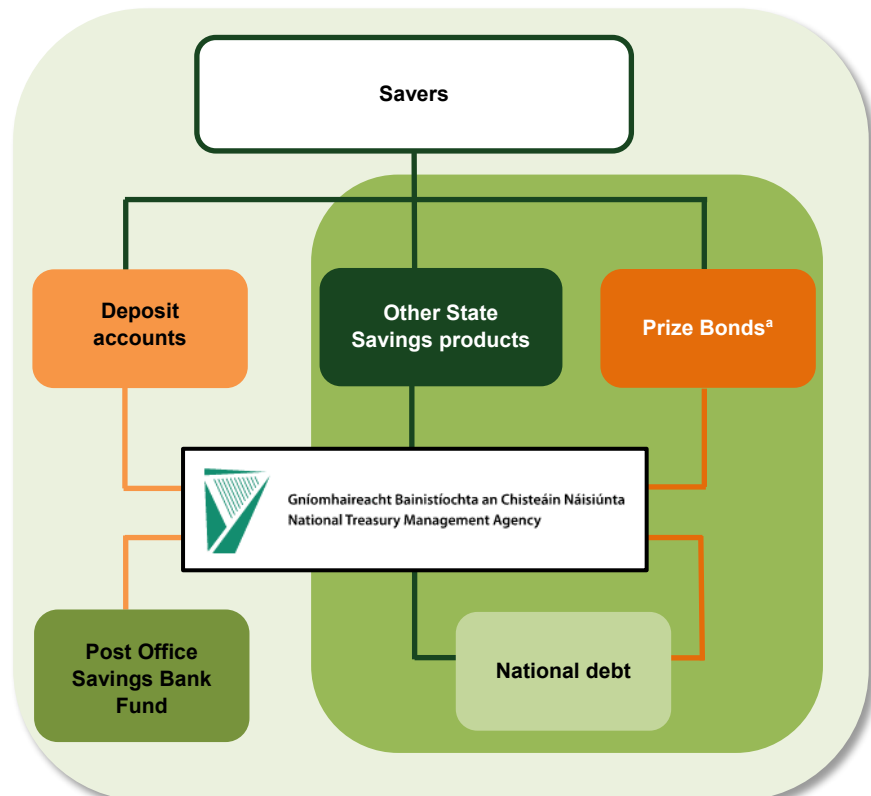
¹ In December 2018, under the direction of the Minister for Finance, €20 million was transferred from the ISIF to HBFI for settlement of the Minister's subscription for shares in HBFI.

² The report on the audit of HBFI for 2019 issued on 5 June 2020.

16 Post Office Savings Bank Fund

- 16.1** 'State Savings' is the combined name applied by the National Treasury Management Agency (NTMA) to a range of government savings products offered to savers in Ireland. The products typically offer savers low risk investments with no fees, charges or commissions, and include variable rate deposit accounts, Prize Bonds and a variety of fixed-rate fixed-term options.^{1,2}
- 16.2** The NTMA has two agency contracts in place for the distribution and administration of State Savings products. A contract with An Post provides for the distribution and administration of the deposit accounts and other State Savings products, with the exception of Prize Bonds. An Post also has a statutory role in relation to the administration of deposit accounts, as set out in the Post Office Savings Bank Act 1861 (as amended) and the Post Office Savings Bank Regulations 1921 (as amended). A contract with the Prize Bond Company provides for the distribution and administration of Prize Bonds, and is a joint venture between An Post and a private company (Fexco).
- 16.3** Most State Savings products are accounted for in the financial statements of the national debt (see Figure 16.1). The exception is balances held in deposit accounts which under legislation³ are required to be accounted for by the NTMA in the financial statements of the Post Office Savings Bank Fund.

Figure 16.1 State Savings products



1 There are a number of variable deposit accounts available to savers, including routine demand deposit accounts, pension savings accounts and childcare savings accounts.

2 Fixed term savings products include 3-year savings bonds, 4-year national solidarity bonds, 5-year savings certificates, 6-year instalment savings and 10-year national solidarity bonds.

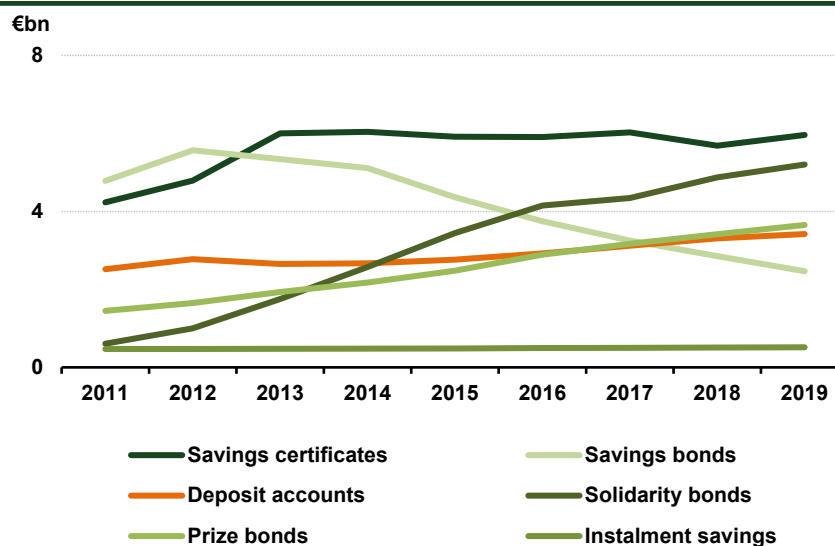
3 SI No. 277 of 1990, National Treasury Management Agency Act 1990 (Delegation of and Declaration as to Functions) Order 1990.

Source: Analysis by the Office of the Comptroller and Auditor General

Note: a Prize Bonds services are provided by the Prize Bond Company DAC.

- 16.4** There have been significant movements in the popularity with savers of the various products over the past decade (see Figure 16.2). In particular, there has been a movement out of savings bonds and into solidarity bonds. Post Office deposit account savings have increased moderately, from balances of around €2.5 billion at the end of 2011 to €3.4 billion at the end of 2019.

Figure 16.2 State Savings products, balances held at year-end, 2011 to 2019^a



Source: Financial statements of the National Debt of Ireland, 2011 to 2019. Financial statements of the Post Office Savings Bank Fund, 2011 to 2019. Analysis by the Office of the Comptroller and Auditor General.

Note: a Savings stamps of €2 million have not been included.

Purpose of the Post Office Savings Bank Fund

- 16.5** The Post Office Savings Bank Act 1861 (as amended) outlines the framework for the creation of the Post Office Savings Bank Fund (the Fund) and the authority for the investment of the associated deposits.

- 16.6** The Fund is used to

- advance surplus moneys in the Fund to the Exchequer as 'ways and means' loans^{1,2}
- assist in the functioning of the Irish government bond market from an issuer perspective by
 - providing liquidity and monitoring, through investment activity in Irish government bonds as part of a secondary bond trading portfolio
 - undertake sale and repurchase transactions of Irish government bonds as an intermediary between the national debt and other market counterparties
- provide short-term funding to the State Claims Agency (SCA) and the National Development Finance Agency (NDFA) for the purpose of funding their activities
- provide 'central treasury' loans to designated State bodies such as local authorities and other designated non-commercial State bodies.³

¹ The Fund does not form part of the Exchequer.

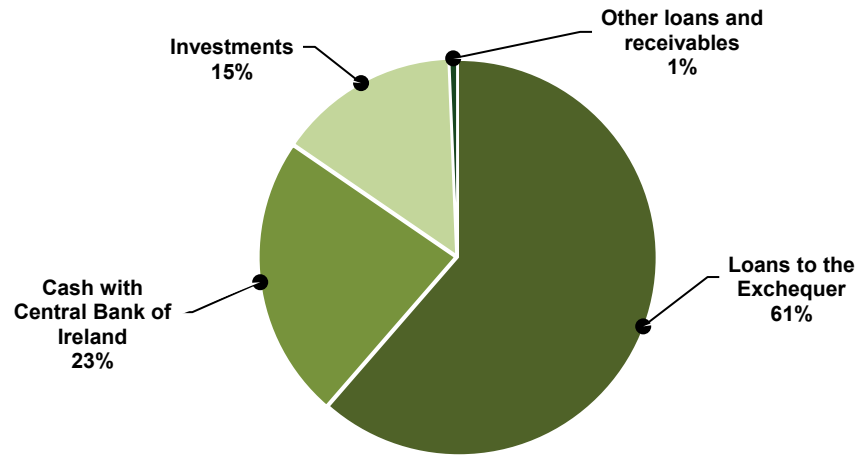
² Surplus moneys lent to the Exchequer as ways and means advances are part of the short-term borrowing of the national debt.

³ Section 18 of the NTMA (Amendment) Act 2000 provides for the NTMA's central treasury services relating to the taking of deposits, or the making of advances to designated bodies.

Fund assets

16.7 The Fund had assets of €3.5 billion at 31 December 2019. At that date, over 60% of the Fund was provided to the Exchequer as a ‘ways and means’ loan, with an additional 23% held as cash in the Central Bank of Ireland (see Figure 16.3). Just 15% of the Fund’s assets were in the form of investments.

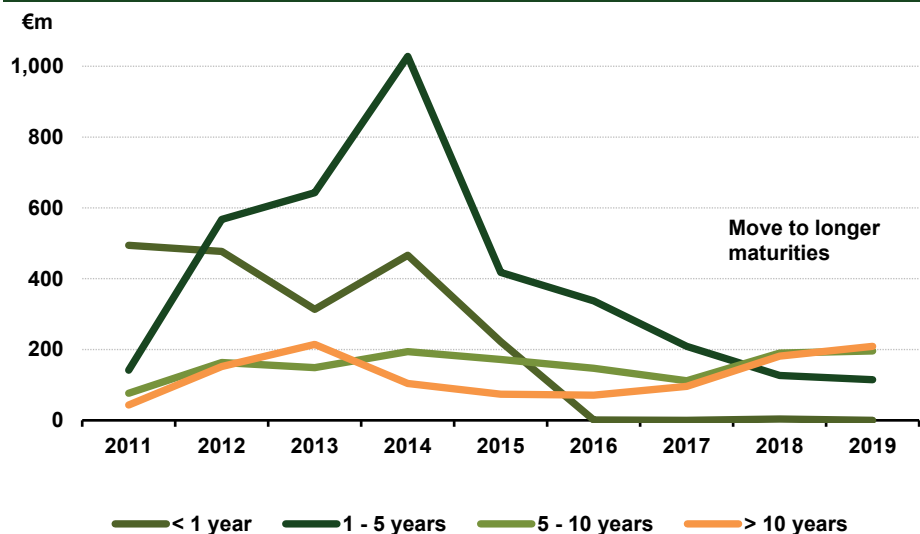
Figure 16.3 Post Office Savings Bank Fund assets, 31 December 2019



Source: Financial statements of the Post Office Savings Bank Fund 2019. Analysis by the Office of the Comptroller and Auditor General.

16.8 The amount of the Fund held in the form of investments increased in the period following the financial crisis, peaking in 2014 at €1.8 billion. Since then, the level of investment has declined. By end 2019, the amount of investments stood at €520 million. From holding a majority of the investments in short to medium term (< 5 year) government bonds in 2014, there has been a relative shift to longer term maturity bonds (see Figure 16.4).

Figure 16.4 Maturities of the Fund’s investment portfolio, 2011 to 2019

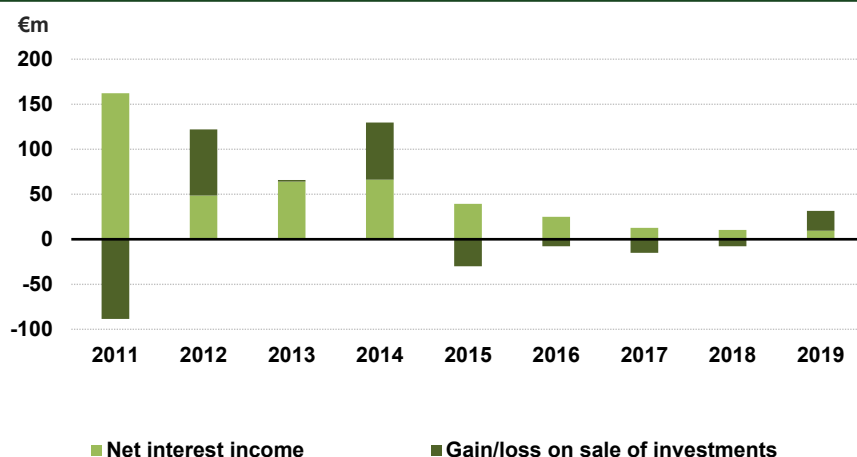


Source: Financial statements of the Post Office Savings Bank Fund, 2011 to 2019. Analysis by the Office of the Comptroller and Auditor General.

Financial performance of the Fund

16.9 The main income streams of the Fund are net interest income¹ and income realised on the sale of investments. Both these sources of income have declined significantly since 2014, reflecting the lower prevailing coupons on bonds in recent years and lower return on cash held (see Figure 16.5).²

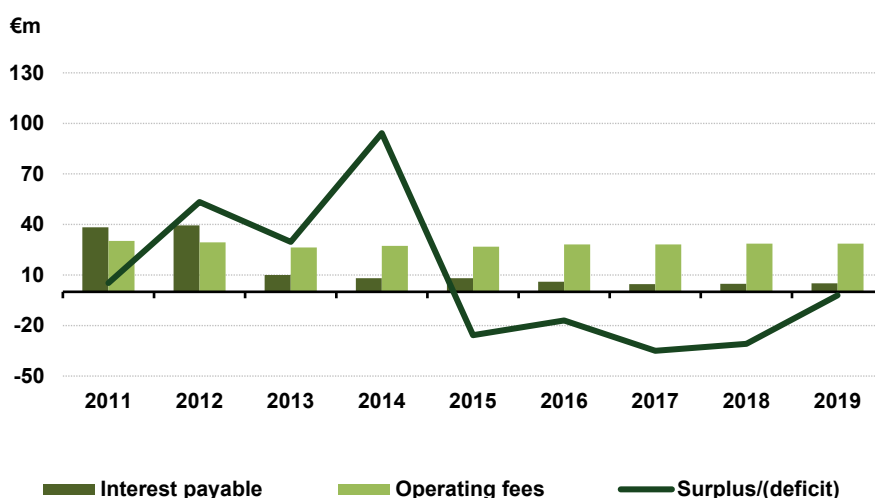
Figure 16.5 Fund income, 2011 to 2019³



Source: Financial statements of the Post Office Savings Bank Fund, 2011 to 2019. Analysis by the Office of the Comptroller and Auditor General.

16.10 Corresponding to the decline in market interest rates over the last number of years, there was decline also in the interest paid to savers on their deposits to the Fund (see Figure 16.6). However, the operating fees payable to An Post remained relatively constant between 2011 and 2019. (The expenditure on such fees in 2019 was €28.6 million.) The net result was that the Fund incurred deficits each year from 2015 to 2019.

Figure 16.6 Fund expenditure and surplus/(deficit), 2011 to 2019³



¹ Net interest income includes net investment interest and interest on cash held at the Central Bank of Ireland.

² Negative interest rates were introduced by the Central Bank of Ireland in June 2014.

³ In 2014, profit on the sale of investments was €63 million, which included once-off gains of €52.2 million arising from the sale of longer-dated amortising bonds acquired during the financial crisis at high yields.

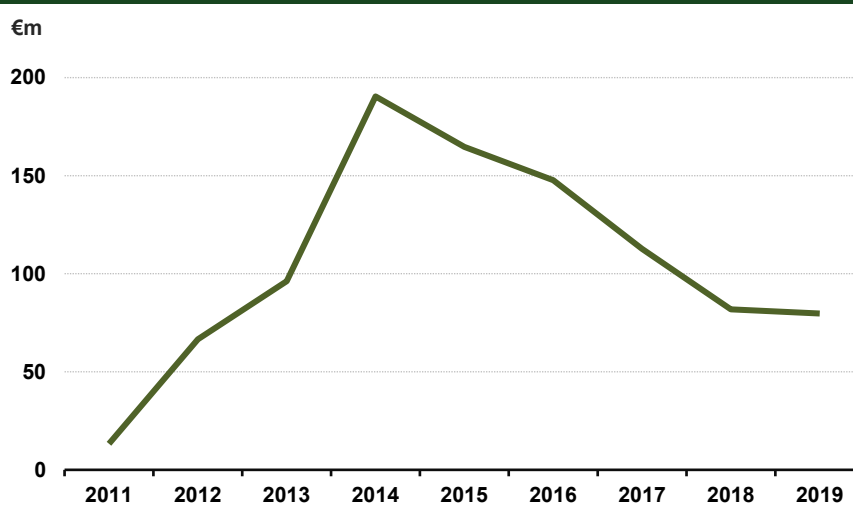
Source: Financial statements of the Post Office Savings Bank Fund, 2011 to 2019. Analysis by the Office of the Comptroller and Auditor General.

- 16.11** The Fund achieved a near break-even position in 2019. This reflected net realised gains on the turnover of Irish government bonds, the prices of which generally increased as Irish government bond yields fell during the year.

Accumulated reserves of the Fund

- 16.12** The surpluses earned by the Fund are retained and held as accumulated reserves. As reported in the financial statements, these reserves declined significantly as a result of the deficits incurred each year from 2015 to 2019 (see Figure 16.7). At the end of 2019, the Fund's accumulated reserves amounted to €79.7 million. This was equivalent to just under 42% of the peak reserves of €190 million held at the end of 2014.

Figure 16.7 Post Office Savings Bank Fund, accumulated reserves, 2011 to 2019



Source: Financial statements of the Post Office Savings Bank Fund, 2011 to 2019. Analysis by the Office of the Comptroller and Auditor General.

- 16.13** The Fund's performance in 2019 was largely attributable to the realisation of market gains on the disposal of some investment assets.
- 16.14** The NTMA has prescribed fund limits in place across its various policies (e.g. market risk and liquidity policies). These limits are monitored and reported by the NTMA Risk department. Under Ministerial guidelines, the NTMA must not allow the Fund reserves to fall below €5 million. There is provision for the Exchequer to cover any potential shortfall in the Fund to the extent necessary, to prevent this. The main mechanism available for this is for the NTMA to vary the level of interest charged on the ways and means advances to the Exchequer.
- 16.15** The financial statements of the Fund are prepared by the NTMA under section 12 of the National Treasury Management Agency Act 1990 (as amended) and are prepared on an accruals basis under the historical cost convention. The accounts are published as part of the NTMA annual report.¹

¹ The 2019 financial statements for the Fund were published on 15 June 2020.

- 16.16** The Minister for Finance has the statutory authority to direct the accounting framework to be used for the Fund's annual financial statements. Under the current framework, the Fund's investments are recorded at their original cost. While the current market value of the Fund's investments at year-end are disclosed as part of the notes to the financial statements, the associated unrealised gains or losses are not recognised in the primary financial statements under the current accounting framework. This does not conform with current generally accepted accounting frameworks, which require investments to be recognised at their current market value.
- 16.17** Other investment activities managed by the NTMA, such as the National Surplus (Exceptional Contingencies) Reserve Fund and the Ireland Apple Escrow Fund are accounted for under generally accepted accounting frameworks. These include reporting on investment balances on a market or fair value basis.

Conclusions and recommendations

- 16.18** Although operating expenses associated with the Fund have remained relatively constant, there has been a large decrease in the income of the Fund from 2015 onwards, reflecting the general low interest rate environment. Consequently, the balance of the Fund reserves has fallen from its peak in 2014 of €190 million, to just under €80 million at the end of 2019. The Fund's investments are also declining as a proportion of the Fund's total assets.
- 16.19** Under Ministerial guidelines, the NTMA has a mechanism available to vary the level of interest charged on the ways and means advances to the Exchequer. The rate charged does not have to reflect the low (or negative) rates of interest available in the market. However, charging a higher rate of interest on these advances will result in an increase in the cost to the State of servicing the national debt.
- 16.20** The accounting framework used for the financial statements of the Fund is historic in nature and does not conform to generally accepted accounting principles. In particular, readily traded investments are not recorded at market value. This is not consistent with the accounting used by the NTMA for other funds, where generally accepted accounting frameworks are in place.

Recommendation 16.1

The Department of Finance should consider the appropriateness of accounting for investments in different ways in different accounts.

Secretary General's response

Agreed.

The Department of Finance will discuss possible options in this respect with the National Treasury Management Agency.

17 Ireland Apple escrow fund

17.1 The Ireland Apple escrow fund is a multi-billion-euro fund held under the terms of a formal agreement between the Minister for Finance (the Minister) and Apple Sales International and Apple Operations Europe (jointly referred to as Apple), pending the final outcome of legal challenges to the findings of a State aid investigation undertaken by the European Commission (the Commission). The investment and management of the fund is jointly overseen by the Minister and Apple. The Minister delegated functions in that regard to the National Treasury Management Agency (NTMA).

Origin of the escrow fund

17.2 In June 2014, the European Commission opened a formal investigation procedure into the tax opinions issued by the Revenue Commissioners in 1991 and 2007 to Apple. The investigation was focused on establishing whether these opinions conferred any advantage on the Apple Ireland subsidiaries relative to competitors, such that they constituted State aid.

17.3 In August 2016, the Commission issued a decision ('the Commission's decision') concluding that Ireland had given illegal State aid to Apple.¹

17.4 The Commission ordered Ireland to recover, from Apple, the alleged State aid plus interest, related to a ten-year period from 2003 up to 2014.² The Commission estimated that the State aid allegedly granted was in the order of €13 billion. Both the Irish Government and Apple separately appealed the Commission's decision.

17.5 Notwithstanding Ireland's appeal against the Commission's decision, the Irish Government complied with its obligation to recover the alleged State aid plus interest from Apple. The Minister agreed with Apple that the amounts collected would be held in an escrow fund until the legal process is completed.

17.6 The Revenue Commissioners computed the alleged State aid to be collected by reference to the Commission's decision. The sum was €13.1 billion plus interest of €1.2 billion. Apple transferred €14.3 billion into the escrow account between May and September 2018.³

17.7 An oral hearing on the case took place in the General Court of the European Union (GCEU) in September 2019. On 15 July 2020, the GCEU issued its judgement annulling the Commission's decision that Ireland had granted unlawful State aid to Apple. An appeal of the GCEU's judgement had to be made by 25 September 2020.

17.8 The EU Commission announced on 25 September its decision to lodge an appeal of the GCEU judgement to the Court of Justice of the European Union (CJEU). As a result, the monies will remain in escrow pending a final decision by the European Court. This process of litigation could take a number of years.

¹ Commission Decision on State Aid SA.38373 of 30 August 2016.

² Article 9, Chapter V of the Commission Regulation (EC) No 794/2004 of 21 April 2004. The Ireland Apple case is the largest State aid recovery ever ordered.

³ Figures in this report have been rounded.

Oversight and management of the fund

- 17.9** Placement of the funds in an escrow account allows the escrow parties (the Minister and Apple) to determine how these funds are invested until a final judgement by the European Court, and the ultimate owner of the fund is determined.
- 17.10** In April 2018, the Minister and Apple entered into an escrow framework deed. This sets out the detailed legal agreement governing the collection and payment of funds from Apple, and any required releases from the escrow account. The arrangements for oversight, management and monitoring of the fund are summarised in Annex 17A. As indicated, the investment and management of the fund is jointly overseen. The Minister has delegated the State's responsibility for oversight to the NTMA, including the appointment of State representatives to the investment committee for the fund. Jointly, the parties have appointed a number of financial services firms to act as investment managers and as escrow agent/custodian of the fund.

Investment strategy

- 17.11** The investment principles and parameters for the escrow fund are set out in the investment policy. The objective of the investment policy is to preserve the capital value of the escrow fund to the greatest extent possible in light of the prevailing market conditions. The agreed risk appetite in respect of the escrow fund is 'low', with investments permitted only in securities that have a low degree of inherent risk, such as highly-rated fixed-income securities of short to medium-term duration. The investment committee reviews the ongoing appropriateness of the investment policy.¹
- 17.12** The escrow fund is exposed to different market, liquidity and credit risks. The risk management programme for the fund seeks to minimise the potential adverse effects of the risks on its financial performance.
- 17.13** The management and monitoring of risks is carried out by the investment managers. The escrow agent/custodian independently monitors compliance by the investment managers with their mandates and reports to the NTMA and Apple on a daily basis. The investment manager mandates are consistent with the investment policy for the fund. Compliance with the investment policy is considered by the investment committee on a quarterly basis. Regular meetings are held between the investment committee and the investment managers to review the investment managers' performance and that of the overall escrow fund.

¹ The investment committee comprises three representatives of the NTMA and three representatives of Apple. An NTMA representative chairs the committee.

² This arises from the terms of Section 12 of the NTMA Act 1990.

³ The financial statements of the escrow fund are prepared pursuant to Section 28(5) of the National Treasury Management Agency (Amendment) Act 2000.

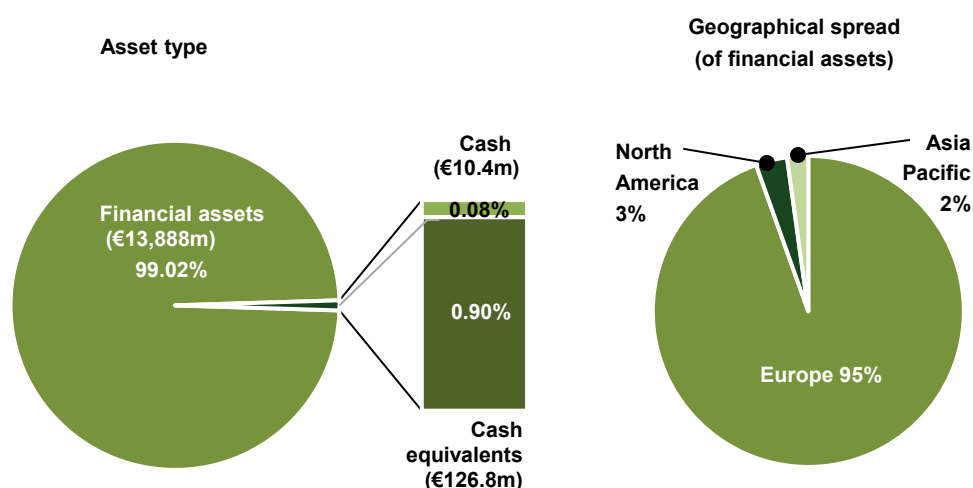
Performance of the escrow fund

- 17.14** As a consequence of the Minister's delegation of the investment functions, the NTMA is required to prepare annual financial statements to be audited by the Comptroller and Auditor General, and to be presented (following audit) to the Houses of the Oireachtas.²
- 17.15** The financial statements of the escrow fund are prepared in accordance with International Financial Reporting Standards (IFRS), as directed by the Minister.³ All financial assets of the escrow fund are priced at fair value, which is the quoted market value at the close of trading on the period end date.

17.16 In line with the investment policy, the escrow fund is invested in highly-rated euro-denominated fixed income securities, or held as cash and cash equivalents. Fixed income securities include sovereign, quasi sovereign and corporate bonds. Cash and cash equivalents include cash and other short-term investments (with maturities of three months or less).

17.17 At 31 December 2019, the total assets held in the escrow fund amounted to €14,025 million (2018: €14,271 million). A breakdown of the assets is shown in Figure 17.1.

Figure 17.1 Assets of escrow fund as at 31 December 2019



Source: Financial statements of the Ireland Apple escrow fund 2019

17.18 The total net assets of the fund¹ reduced in 2019 by €249 million to €14,020 million (2018: €14,269 million). The reduction was primarily due to a 'third country adjustment' amounting to almost €209 million and tax charges of €3 million (see below). The remaining €37 million decline for the year reflects the current negative interest rate environment and negative yields on highly-rated euro sovereign and quasi-sovereign bonds, and fund operating expenses. Between May and December 2018 the decline in value of the fund was €16 million.

Third country adjustment claim

17.19 The Commission's decision noted that the profits to be subjected to tax in Ireland, for the period covered by the decision, could be reduced if Apple was required to pay taxes in another jurisdiction in respect of (some of) the same profits. Such reductions are referred to as 'third country' adjustments and are provided for in the escrow framework deed. The Minister for Finance determines the validity of any third country adjustment applications made by Apple in accordance with the escrow framework deed.

17.20 In May 2019, Apple made a claim for a third country adjustment.

17.21 On 23 July 2019, following the appropriate determinations by the Minister for Finance, with advice from the Revenue Commissioners, almost €209 million was transferred from the fund to Apple in respect of the third country adjustment claim by Apple.

¹ The difference between the total assets and the total net assets is liabilities of the fund outstanding at the year-end.

Taxation

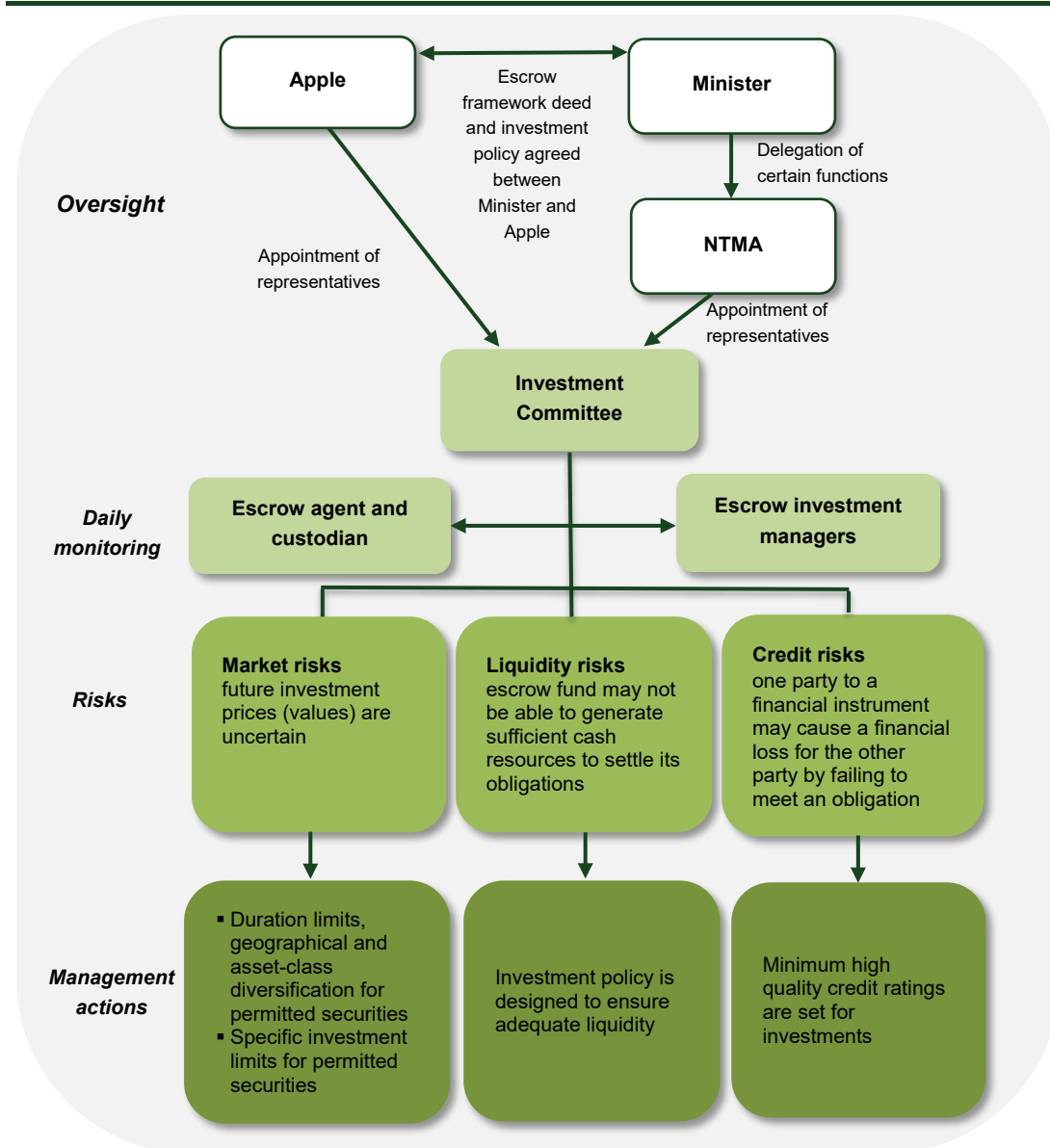
- 17.22** The NTMA (acting as agent of the Minister) and Apple have engaged tax advisors to provide tax advice in respect of the fund.
- 17.23** Payments totalling €9 million (including VAT) were incurred by the fund in respect of fees for the investment managers and escrow agent/custodian from their respective dates of appointment to the end of 2019. Pending confirmation of the appropriate VAT arrangements, the VAT on these fees was accrued in the 2019 financial statements. All VAT amounts due were paid to the Revenue Commissioners in 2020.
- 17.24** The fund's financial statements for 2019 included an expense in the amount of €2 million in respect of withholding tax. This was applied by the escrow agent/custodian on certain investment gains. Subsequent to the 2019 year-end and following discussions with the NTMA and Apple, the escrow agent/custodian determined that it should not have applied the withholding tax in those cases. The NTMA has stated that the fund was refunded in 2020 for the amounts withheld in 2019.

Costs associated with establishment of the escrow fund

- 17.25** Separate to the administration costs incurred directly by the fund, other State bodies incurred costs directly associated with the State aid recovery process and the establishment of the escrow fund. The total costs incurred in relation to this process up to the end of 2019 were approximately €4.04 million (including VAT). This includes all legal costs, consultancy fees and any other associated costs. It excludes the costs of the appeal case taken to the European Courts.

Annex 17A

Figure 17A.1 Oversight, management and monitoring of the escrow fund ^{a, b, c}



Source: Financial Statements of the Ireland Apple escrow fund, 2019. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The role of BNYM as the escrow agent and custodian is to open and maintain escrow bank/securities accounts as well as to hold, apply and realise the escrow funds in accordance with the terms and conditions of the escrow agent/custodian agreement.
 - b The investment managers — Amundi Asset Management, Blackrock Investment Management (UK) Limited and Goldman Sachs Asset Management — are responsible for the management of investments in accordance with an investment manager mandate to preserve the fund's capital to the greatest extent possible in light of prevailing market conditions.
 - c The escrow fund is held by BNYM, as escrow agent and custodian. The investment and management of the escrow fund is jointly overseen by the Minister and Apple through an investment committee. The Minister for Finance is the beneficial owner for the duration of the escrow fund in accordance with the agreed escrow framework deed.

18 Irish Fiscal Advisory Council

18.1 The Irish Fiscal Advisory Council (the Fiscal Council) was established under the Fiscal Responsibility Act 2012 (the Act) to provide independent assessments of the Government's budgetary plans and projections and to inform public discussion of economic and fiscal matters.

18.2 The Fiscal Council's statutory responsibilities are to

- assess the official forecasts produced by the Department of Finance (the Department) in spring and autumn each year¹
- assess whether the fiscal stance of the Government is conducive to prudent economic and budgetary management including by reference to the EU Stability and Growth Pact²
- monitor and assess whether the general government budgetary position is either in balance or in surplus, or is moving at a satisfactory pace towards that condition (the 'budgetary rule' as set out in the Act) and assess whether any non-compliance is as a result of exceptional circumstances³
- endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department, on which the budget and stability programme updates are based.⁴

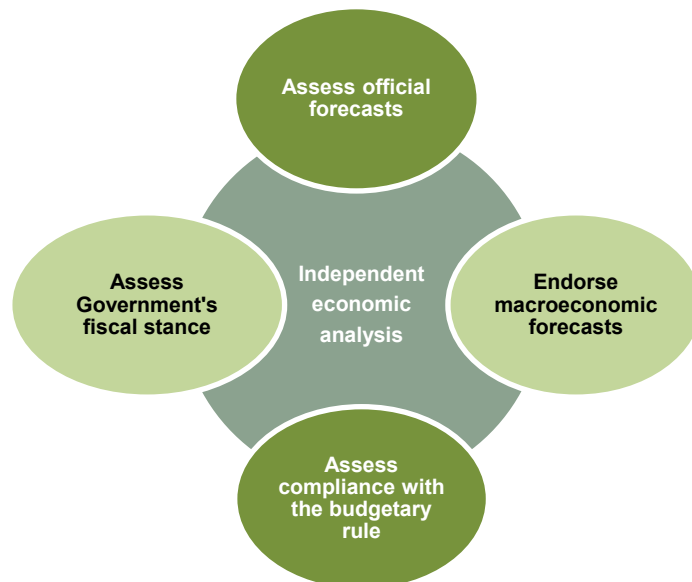
Figure 18.1 Functions of the Irish Fiscal Advisory Council

1 In accordance with the Act, 'official forecasts' are the macroeconomic and budgetary forecasts published by the Department of Finance for the purposes of fiscal planning.

2 The Stability and Growth Pact is a rule-based framework for the coordination of national fiscal policies in the EU.

3 Under the Act, 'exceptional circumstances' include a period of severe economic downturn or an unusual event (outside the control of the Government) which has a major impact on the budgetary position of the Government.

4 A joint memorandum of understanding between the Fiscal Council and the Department underpins the endorsement process.



Source: Irish Fiscal Advisory Council

Accounts of the Irish Fiscal Advisory Council

- 18.3** The Chairperson of the Fiscal Council is the officer accountable for the preparation and presentation of its financial statements for audit. Under the Act, the Fiscal Council is required to keep accounts of receipts and expenditure in the form approved by the Minister for Finance (the Minister)¹ and to submit them for audit by the Comptroller and Auditor General within three months after the end of the accounting period to which they relate. On completion of the audit, a copy of the accounts and of the audit report must be given to the Minister, who in turn must lay them before the Houses of the Oireachtas.
- 18.4** Separately, the Act requires the Comptroller and Auditor General to report to Dáil Éireann with respect to the correctness of the sums brought to account by the Fiscal Council each year. This is the report for 2019.
- 18.5** The accounts of the Fiscal Council for 2019 have been audited, and the report on the audit was issued on 22 September 2020.
- 18.6** I am satisfied that the accounts give a true and fair view of the assets, liabilities and financial position of the Fiscal Council at end 2019 and of its income and expenditure for the year.

Membership and staffing

- 18.7** The Act sets out that the Fiscal Council shall consist of five Council members (the Council), including the Chairperson. Appointments are made by the Minister, with the term of office generally being four years. Council members may not serve for more than two consecutive terms.
- 18.8** Three vacancies arose on the Council during 2019, following the expiration of members' respective terms. The Minister appointed two new members following an open selection process, each for a period of four years, with effect from 18 April 2019 and 1 January 2020. Separately, the Chairperson's term expired on 31 December 2019. One of the Council members, Mr Sebastian Barnes acted in the position until his appointment as Chairperson on 22 July 2020. One remaining vacancy is in the process of being advertised.
- 18.9** At the end of 2019, the Council was supported by seven staff, comprising six economists and an administrator.

1 The Council's financial statements have been prepared in accordance with Financial Reporting Standard (FRS)102.

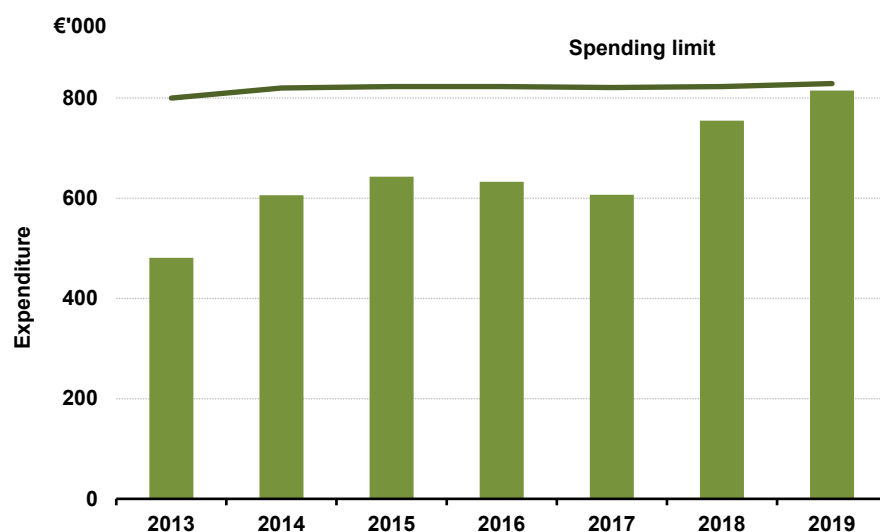
2 Paragraph 9 of the schedule to the Act provides for the funding source and sets the baseline level of spending for the Council on commencement (31 December 2012) at €800,000.

3 The Department of Finance applied the Central Statistics Office *Harmonised Index of Consumer Prices* when determining the ceiling for any year.

Funding

- 18.10** The Fiscal Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.² The funding ceiling for 2019 was €829,000 (2018: €822,500).³
- 18.11** Expenditure of the Fiscal Council totalled just over €815,000 in 2019 (2018: €755,000), of which 53% (2018: 53%) related to salary costs. The largest element of the Fiscal Council's non-pay administration expenditure related to an administration fee payable to the Economic and Social Research Institute (ESRI) in respect of office accommodation costs and support services in 2019 which totalled just over €136,000 (2018: €113,000).
- 18.12** In 2019, the Fiscal Council's expenditure was close to the maximum provided for in the Act (see Figure 18.2).

Figure 18.2 Financial summary of the Irish Fiscal Advisory Council, 2013 to 2019



Source: The Irish Fiscal Advisory Council's annual financial statements. Analysis by the Office of the Comptroller and Auditor General.

- 18.13** Fees and expenses incurred in relation to Council members for 2019 totalled €83,500 (2018: €87,000). Fees in respect of three members were paid to their (public sector or international) employer organisations, rather than to the individuals concerned.¹ Expenses paid to (or in respect of) Council members mainly reflect travel and subsistence costs incurred by international and non-Dublin based members attending Council meetings (which are held in Dublin) and events abroad.
- 18.14** Retirement benefit costs of just over €84,000 (2018: €77,000) were recognised by the Fiscal Council in 2019. The Fiscal Council operates two superannuation schemes for its staff.
- The Single Public Service Pension Scheme (the Single Scheme) is the defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Six staff are eligible for retirement benefits under the Single Scheme.
 - The Fiscal Council has received sanction from the Department of Public Expenditure and Reform to operate a 'model' pension scheme on an administrative basis for the purpose of providing superannuation benefits for staff recruited to the public service prior to the introduction of the Single Scheme. One staff member is participating in the model scheme.

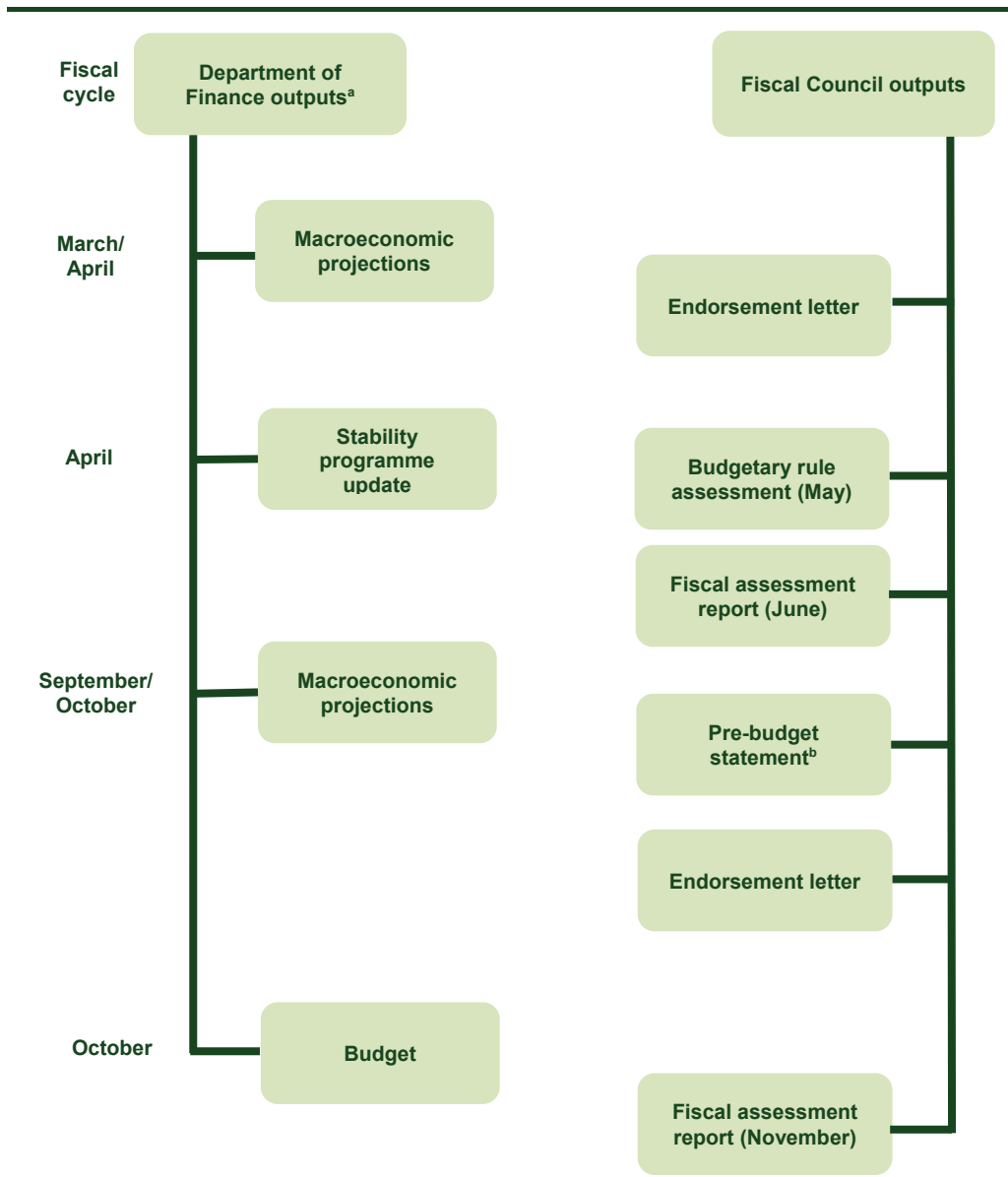
¹ Under the one-person-one salary principle, Council members who are employees of other public bodies do not receive fees in respect of their service on the Council.

Activity of the Fiscal Council

18.15 The Fiscal Council produces a number of annual outputs in response to outputs from the Department. Figure 18.3 outlines these outputs. In addition, the Fiscal Council has produced a number of non-statutory reports and papers (see Annex 18A).

18.16 Under paragraph 11 of the schedule to the Act, the Chairperson of the Council may be called before a Committee of either House of the Oireachtas to account for the performance of the Fiscal Council’s functions. The Council appeared before the Committee on Budgetary Oversight on three occasions during 2019.

Figure 18.3 Irish Fiscal Advisory Council outputs



Source: Office of the Comptroller and Auditor General

- Notes:
- a The Department also publishes a summer economic statement around June/July. This statement was introduced as part of the budgetary reform process.
 - b This statement is published annually in September and takes into account, inter alia, the summer economic statement.

Peer review

18.17 In June 2020, in line with its strategic plan 2020 – 2022, the Council commissioned the Organisation for Economic Co-operation and Development (OECD) to conduct an external evaluation to assess the functioning of the Fiscal Council with respect to its mandate under the Act, its governance structures, how effectively it communicates its work and the impact of its work. This review is currently ongoing.

Annex 18A Irish Fiscal Advisory Council's non-statutory reports

Figure 18A.1 Irish Fiscal Advisory Council's non-statutory reports, 2016 to July 2020

2016	Analytical notes Public Capital: Investments, Stocks and Depreciation Challenges Forecasting Irish Corporation Tax
2017	Working papers Producing Short-Term Forecasts of the Irish Economy
2018	Working papers Estimating Ireland's Output Gap Designing a Rainy Day Fund to work within the Fiscal Rules Nowcasting to Predict Data Revisions Analytical notes A 'Heat Map' for Monitoring Imbalances in the Irish Economy Other reports Stand-Still Scenario for Government Spending in the Medium Term 2019 – 2023
2019	Working papers Ireland's Spending Multipliers The Current Account: a Real-Time Signal of Economic Imbalances or 20/20 Hindsight? Estimating Ireland's Tax Elasticities: A Policy-Adjusted Approach When gravity hits: projecting Ireland's migration Analytical notes Estimating Ireland's Budgetary Semi-Elasticities Other reports Stand-Still Scenario for Government Spending 2020 – 2023
2020	Other reports Long term sustainability report

Source: Irish Fiscal Advisory Council