



Ard-Reachtair Cuntas agus Ciste
Comptroller and Auditor General

Report on the
Accounts of the Public Services 2023

September 2024

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Report of the Comptroller and Auditor General

Accounts of the Public Services 2023

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 revenue of the State collected by the Revenue Commissioners and of the accounts of such other persons who receive money which is by law payable into the Exchequer — these examinations include assessment of whether the accounts are complete and accurate, and whether the systems, procedures and practices have been established 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 2023 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 2023
- examinations of State receipts
- 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 any third parties should be read only in that context.

I hereby present my report for the year ended 31 December 2023 to Dáil Éireann in accordance with Section 3 (11) of the 1993 Act.

Presentation of appropriation accounts 2023

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 2023 and submit those accounts, together with my audit certificates, to Dáil Éireann.



Seamus McCarthy
Comptroller and Auditor General

30 September 2024

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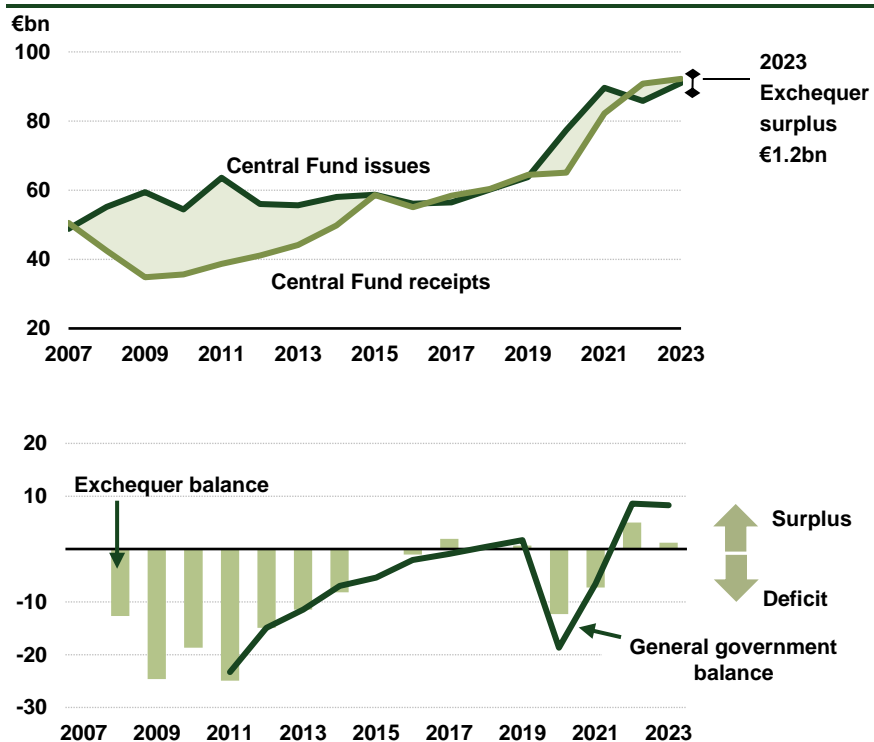
**Report on the
Accounts of the Public Services 2023**

Central Government

1 Exchequer financial outturn for 2023

- 1.1 All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.¹ Issues from the Central Fund are used mainly to fund expenditure on State services, and to service State debt.
- 1.2 The annual Finance Accounts present the receipts into and issues from the Central Fund, together with details relating to borrowing undertaken by the National Treasury Management Agency (NTMA) on behalf of the State.²
- 1.3 In 2023, the Exchequer surplus was just under **€1.2 billion**. This compares with a surplus of €5 billion in 2022. The reduction was the net outcome of the combination of factors including increased public expenditure and the transfer of €4 billion from the Central Fund to the National Surplus Reserve Fund in February 2023 (see Figure 1.1).
- 1.4 A more complete view of the State's fiscal performance in 2023 indicates there was a general government surplus of around **€8.3 billion**. This represents a small decrease (€300 million or 3%) on the 2022 general government surplus of €8.6 billion.³

Figure 1.1 Central fund receipts and issues, and Exchequer and general government balances, 2007 – 2023^a



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

2 Transactions recorded in the Finance Accounts represent around 77% of total general government revenue and expenditure.

3 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. Annual and quarterly general government finance statistics are prepared by the Central Statistics Office. See Annex 1A for an outline of these statistics.

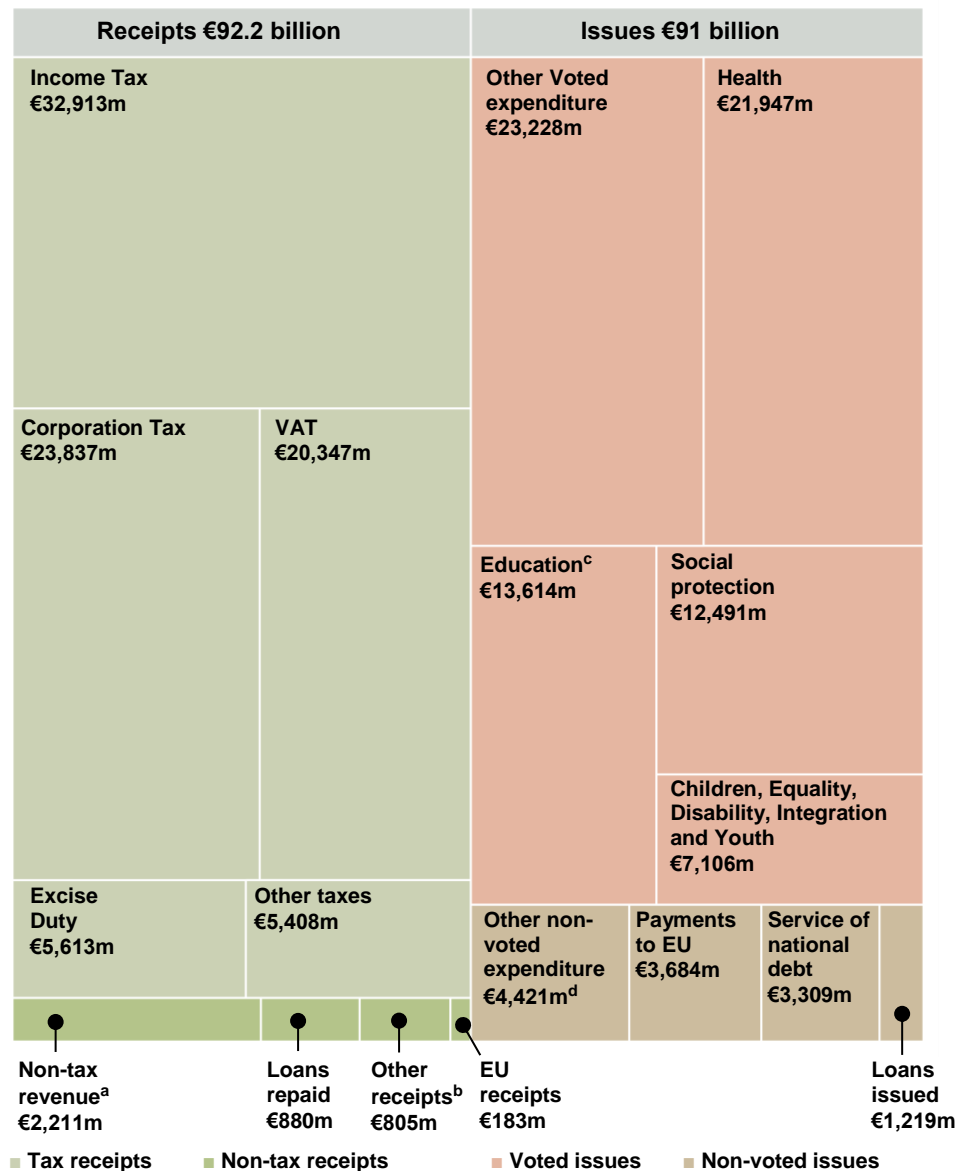
Source: Finance Accounts 2007 to 2023 (Exchequer balance). Central Statistics Office: Government Finance Statistics, April 2024 (general government balance).

Note: a Central Fund receipts and issues 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 1B, Figure 1B.1 for analysis of Central Fund receipts and issues for 2018 to 2023.

Central Fund receipts and issues

1.5 Central Fund receipts in 2023 totalled **€92.2 billion**. Taxes accounted for 96% of the receipts (see Figure 1.2).¹ Issues in 2023 totalled **€91 billion** comprising issues for voted services (86%), servicing of national debt (4%), contributions to the European Union (EU) (4%) and other non-voted expenditure (6%).

Figure 1.2 Central Fund receipts and issues in 2023



Source: Finance Accounts 2023. Any apparent differences in totals are due to rounding.

- Notes:
- a Includes Central Bank surplus income (€500m), yield from National Lottery (€241m), NAMA surplus income (€350m), share dividends (€419m) and receipts collected by Government departments and offices (€411m).
 - b Includes Gaeltacht loans repaid (€13,000), investment in international bodies (€894,000) and other receipts (€805m).
 - c Includes Department of Further and Higher Education, Research, Innovation and Science with expenditure of €3.2 billion in 2023.
 - d Includes payments to the National Surplus Reserve Fund of €4 billion and €57 million in payments charged to the Central Fund in respect of certain salaries, allowances and pensions.

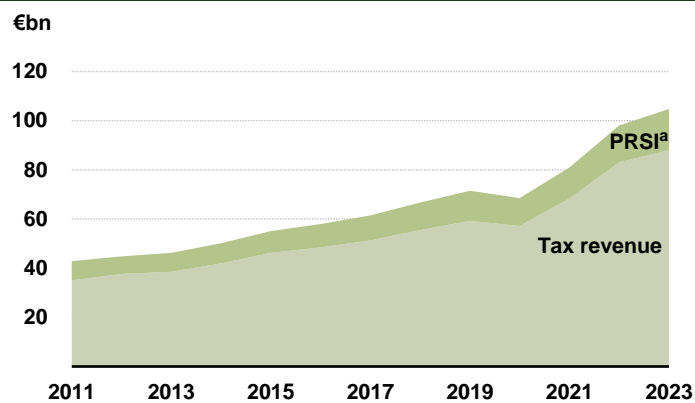
1 An analysis of Central Fund receipts and issues (excluding NTMA borrowing) for the years 2017 to 2023 is set out in Annex 1B, Figure 1B.1.

Exchequer receipts

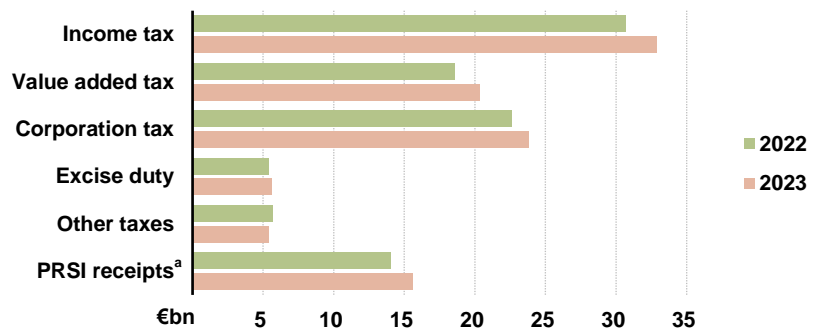
Tax receipts

- 1.6 Tax receipts in 2023 were €88.1 billion, the highest ever tax yield collected by the State. Significant increases in income tax (7%), corporation tax (5%) and VAT (9%) contributed to the record yield (see Figure 1.3).
- 1.7 Corporation tax receipts were the State’s second-largest income stream in 2023, exceeding VAT receipts for the second consecutive year. Corporation tax represented 27% of total Exchequer tax receipts, while VAT receipts represented 23%.

Figure 1.3 Tax revenue and PRSI receipts, 2011 – 2023



Year on year change by receipt type



Source: Finance accounts. Social Insurance Fund accounts.

Note: a PRSI receipts are paid into the Social Insurance Fund.

Non-tax receipts

- 1.8 There were a number of events that resulted in non-standard Exchequer receipts in 2023.

Temporary solidarity contribution

- 1.9 Non-tax revenue in 2023 included a €167 million temporary solidarity contribution. This was a one-off contribution that applied to surplus 2022 and 2023 profits of energy companies with activities in the extraction, mining or refining of petroleum, natural gas, coal or the manufacturing of coal products.

Sale of mobile licences

- 1.10** The communications sector regulator, ComReg, made an interim payment to the Exchequer of €140 million in May 2023 under section 30.9 of the Communications Regulation Act 2002. This payment relates to fees paid by telecom companies who were awarded rights to spectrum bands following a 5G multi band spectrum auction.¹

Disposals of banking shareholdings (AIB and PTSB)

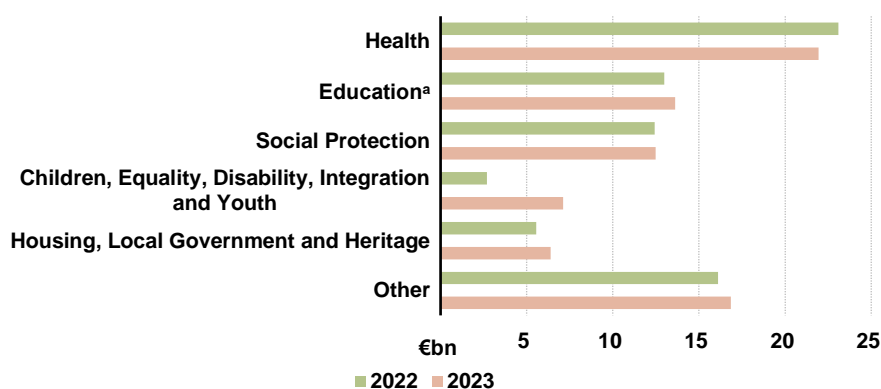
- 1.11** Total proceeds of €287 million were received in 2023 from phases one and two of the AIB share trading plan. These shares were sold during 2022 with the proceeds transferred to the Exchequer in January 2023. The proceeds from all remaining AIB share sales during 2023 remain with the NTMA pending further consideration by the Minister for Finance.
- 1.12** Proceeds of €215 million were received for participation in the AIB share buyback programme.
- 1.13** Receipts of €55 million for the disposal of 5% of the Irish State's shareholding in PTSB were also received following a share placement process completed in June 2023.

Central Fund issues

- 1.14** Issues from the Central Fund increased in 2023 to €91 billion — up €5.2 billion or 6% on the prior year (€85.8 billion). The issues included transfers to the National Surplus Reserve Fund of €4 billion.

Voted issues

- 1.15** Issues for Voted expenditure increased by over €5.5 billion (8%) to €78.4 billion. This reflected allocations of funding to address cost of living pressures, and support for Ukrainian refugees (see Figure 1.4).

Figure 1.4 Issues for Voted departmental expenditure, 2022 and 2023

Source: Finance Accounts 2023

Note: a Includes Department of Further and Higher Education, Research, Innovation and Science with expenditure of €3.2 billion both in 2022 and 2023.

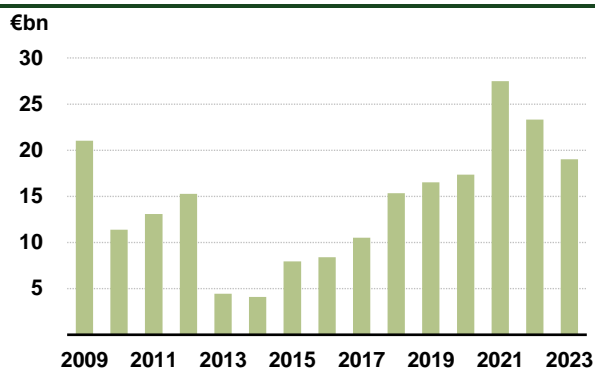
¹ Spectrum bands are suitable for providing 5G and widespread mobile coverage, along with increasing the capacity of mobile and fixed networks. The award of spectrum rights, which will last for around 19 years, increases the spectrum available for fixed and mobile services by 46%.

Exchequer assets

Central Fund cash balance

- 1.16** The value of cash held by the Exchequer totalled €19 billion at end 2023 (see Figure 1.5). This was down from the end 2022 cash balance of €23.3 billion, but the decrease in cash held was offset by increased Exchequer lending (see below).

Figure 1.5 Central fund cash balance, 2009 – 2023



Source: Finance Accounts, 2009 to 2023

Exchequer lending

- 1.17** At 31 December 2023, other Exchequer financial assets amounted to €9.9 billion, up from €3.05 billion in 2022. The end 2023 balance included €4.1 billion in Housing Finance Agency guaranteed notes, €4.8 billion of treasury bills and €1 billion in short-term cash advances to European debt offices.
- 1.18** Amounts totalling €201 million were issued from the Central Fund in 2023 to Uisce Éireann (formerly Irish Water) under a loan agreement entered into with the Minister for Finance in June 2020. Under the agreement, over €1 billion will be made available to Uisce Éireann to repay existing non-domestic commercial debt and to fund its future non-domestic water borrowing requirements. The total amount drawn down to end 2023 was €814 million (see Annex 1B, Figure 1B.3).

Shareholding in Irish companies

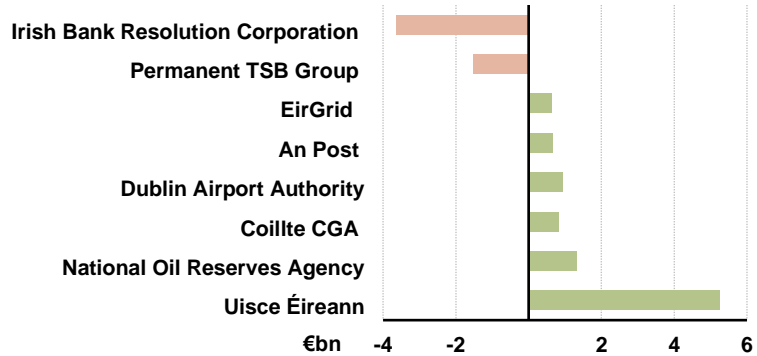
- 1.19** Shareholdings in 24 State and private companies are disclosed in the Finance Accounts.^{1,2} The State's interest in these companies is recorded at historic cost, and at 31 December 2023 totalled €7.79 billion. This included a new shareholding acquired in AirNav Ireland in 2023.
- 1.20** Shareholdings at cost in Irish Bank Resolution Corporation Limited (IBRC), Permanent TSB Group, Coillte CGA, Uisce Éireann and the Dublin Airport Authority represent just over 95% (by value) of the total shareholdings as disclosed in the 2023 Finance Accounts.
- 1.21** Up to end 2013, the Finance Accounts also disclosed details of the net asset value (NAV) of the shares.³ Figure 1.6 illustrates the difference between the NAV and the historic cost of the equity for the eight companies with the highest movement. The total NAV for those eight companies at 31 December 2023 was €11.95 billion and the historic cost was €7.5 billion, a difference of almost €4.45 billion.

1 See statement 1.8(A) of the Finance Accounts 2023.

2 The Finance Accounts are not a comprehensive financial statement for the State, and do not list all its assets and liabilities. The Department of Finance pointed out that the State holds an interest in more entities than those set out in the Finance Accounts.

3 Net asset value, or NAV, is the value of a company's assets minus its liabilities.

Figure 1.6 Movement in net asset value of share capital to historic cost, at end 2023



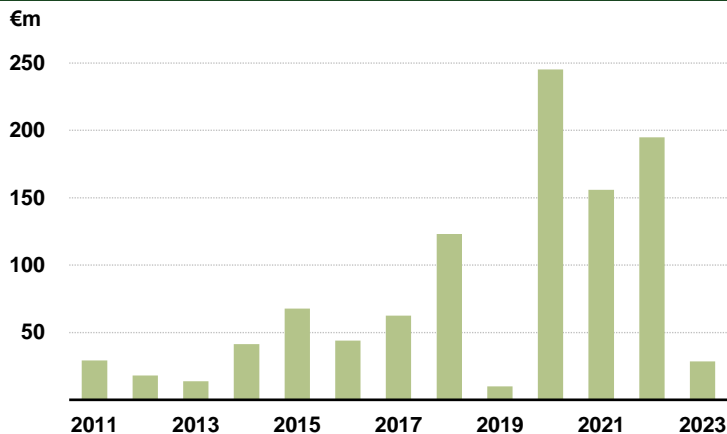
Source: Department of Finance

Sundry Moneys Account

1.22 The Sundry Moneys Account (SMA) is a temporary holding account that records transactions and balances that usually are received into the Central Fund of the Exchequer, but that are held back until proper and sufficient instructions are received to allow final disposal of the funds. The SMA is managed by the Department of Finance and is accounted for in an appendix to the Finance Accounts. Administratively, the objective is to minimise the time that funds are held in the account, to ensure their timely receipt into the Central Fund.

1.23 Receipts into the SMA in 2023 totalled over €819 million, while transfers out to the Central Fund amounted to €963 billion. In 2023, funds totalling just under €23 million were transferred from the SMA to other destinations: the European Union (€4.1 million) and the Department of Housing (€18.8 million). The balance held in the SMA at the end of 2023 was €28 million, over half of which had been received in the previous 30 days. This represents a significant reduction from the balance held in this account at the end of 2022 (see Figure 1.7).

Figure 1.7 Sundry Moneys Account year-end balances, 2011 – 2023



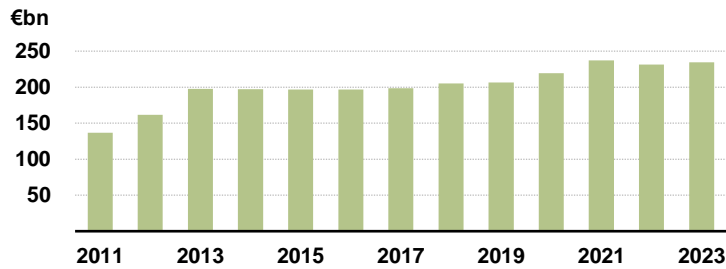
Source: Sundry Moneys Account, 2011 to 2023

Exchequer liabilities

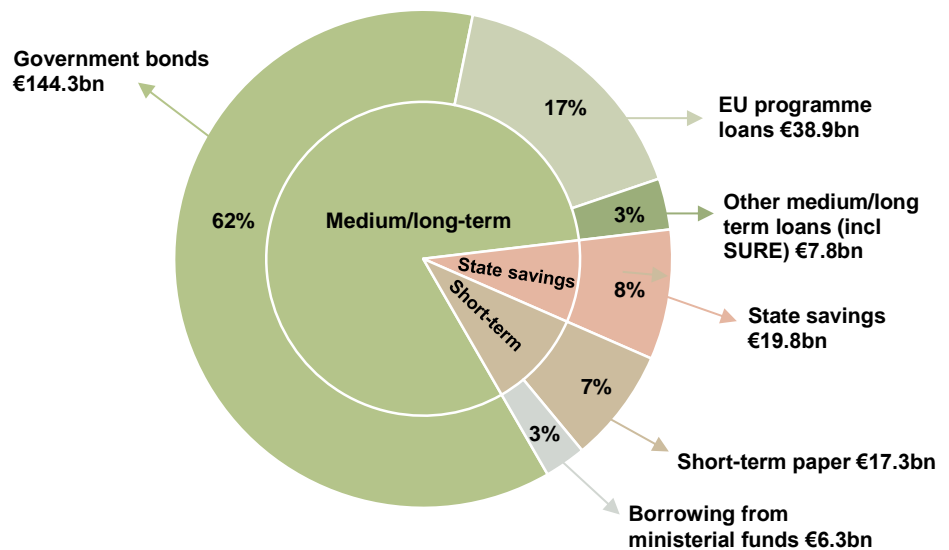
National debt

- 1.24 Ireland’s national debt increased by 1.4% (€3.3 billion) in 2023 to €234.5 billion at the year-end (see Figure 1.8).¹
- 1.25 Over 81% (€191.1 billion) of the national debt at end-2023 was in the form of medium and long-term borrowing. This comprised mainly government bonds (fixed rate, amortising and inflation linked bonds), EU programme loans (European Financial Stabilisation Mechanism and European Financial Stability Facility) and the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE).
- 1.26 Debt arising from the various State savings schemes accounted for €19.8 billion, or 8% of the national debt at end-2023.
- 1.27 Short-term debt accounted for €23.6 billion of the national debt at end-2023. This comprised ‘short-term paper’ to the value of €17.3 billion; borrowings from the Post Office Savings Bank Fund of €4 billion; and €2.3 billion of surplus funds held in the supply account of the Paymaster General.^{2,3}

Figure 1.8 National debt at redeemable par values, 2011 – 2023



Composition of national debt at end-2023



1 National debt is defined by section 1 of the National Treasury Management Agency Act 1990 as the debt outstanding for the time being of the Exchequer.

2 Short-term paper debt has an original maturity of less than one year.

3 The surplus public expenditure moneys (SPEM) account records the borrowings and repayments of surplus funds held in the supply account of the Paymaster General.

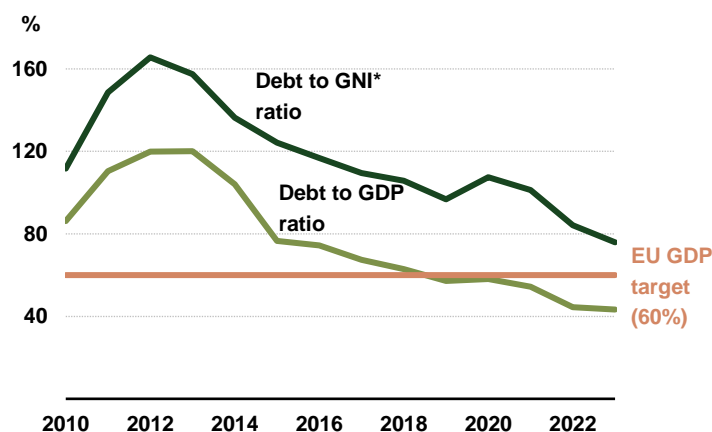
Source: Financial Statements of the National Debt of Ireland 2023, National Treasury Management Agency. Any apparent differences in totals are due to rounding.

1.28 €17.2 billion in short-term paper was issued to Government bodies. In effect, this was borrowing of surplus funds they hold. The majority of this is held in the form of Exchequer notes and comprised €15.5 billion borrowed from central government bodies and funds; €1.3 billion from local authorities; and the balance from other public sector bodies.

General government debt target

- 1.29** General government debt (GGD) 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
- 1.30** At the end of 2023, GGD totalled €220.7 billion. The difference (around €13.8 billion) between GGD and national debt is due to netting (on consolidation) of the debt securities held by other government bodies and the addition of local government borrowing from outside the government sector.
- 1.31** European fiscal rules state that member states' GGD should not exceed 60% of their Gross Domestic Product (GDP) or, if greater, should steadily decrease towards the 60% target.² Due to past strong GDP growth, Ireland's GGD ratio had reduced to 43.3% at end 2023 (see Figure 1.9).
- 1.32** GNI* is an indicator (based on Gross National Income) designed specifically to measure the size of the Irish economy by excluding globalisation effects. At the end of 2023, the debt-to-GNI* ratio was 75.9% (84.2% in 2022).³

Figure 1.9 Ireland's debt to GDP and debt to GNI* ratios, 2011 – 2023 (percentage)



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

² In April 2024, the Council of the European Union adopted significant reforms to the EU fiscal rules. Under these new rules the 60% target remains unchanged.

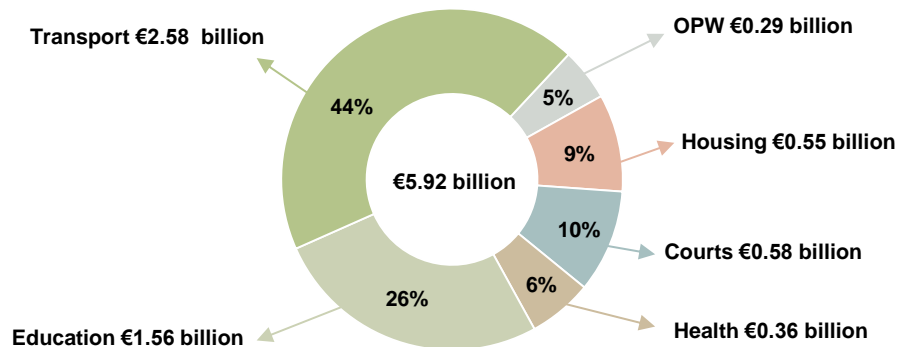
³ The debt-to-GNI* ratio for 2022 was initially reported at 82.3%. This was subsequently revised to 84.2%, as published by the CSO in July 2024.

Source: Central Statistics Office. Department of Finance.

Public private partnerships

- 1.33** 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 25 years), after which the asset comes into State ownership.
- 1.34** PPPs are typically regarded as an ‘off-balance sheet’ funding mechanism from a general government perspective, because liabilities under PPP contracts are generally not included in the calculation of GGD. Liabilities are met as they arise from voted issues out of the Central Fund, or from user charges in the case of PPP concession projects.
- 1.35** Future commitments under PPP projects are tracked by the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure). At the end of 2023, 30 PPP schemes were fully operational and nine were at development stage. At that date, future PPP commitments totalled just over €5.92 billion (2022: €6.3 billion) (see Figure 1.10).
- 1.36** Expenditure on PPP unitary payments totalled around €338 million in 2023. Under the deals currently in place, the Exchequer is committed to making payments totalling on average around €333 million a year until 2035.¹ Thereafter, payments under those deals will taper off, largely because the older contracts will have been completed.

Figure 1.10 Composition of projected total cost of all PPP outstanding payments



¹ Aggregate annual repayment levels in this period could increase as new PPP contracts are put in place.

Source: Department of Public Expenditure

Funding of The Land Development Agency DAC

- 1.37** The Land Development Agency (the Agency) was established in 2018 by statutory order. Its primary function is to coordinate land within public control for use for housing purposes, and to develop and manage housing on public and other land, on its own account or in combination with others. The Agency was funded directly from Vote 33 Housing, Local Government and Heritage until March 2022.
- 1.38** Under The Land Development Agency Act 2021, the Agency was reconstituted as a designated activity company (DAC).^{1,2} The Act provides for the Minister for Housing, Local Government and Heritage and the Minister for Public Expenditure, National Development Plan Delivery and Reform (Minister for Public Expenditure) to be the sole shareholders in The Land Development Agency DAC.
- 1.39** The Act also provides for the Minister for Finance to direct the allocation of funding from the Ireland Strategic Investment Fund (ISIF) — managed by the NTMA — as loans to the Land Development Agency, or for the purpose of discharging his liability in respect of the shares allotted and issued by the Agency to the Minister for Public Expenditure, or the Minister for Housing, Local Government and Heritage, in accordance with Section 25(2) or Section 25(3) of the Act.
- 1.40** The total ISIF funding made available in respect of investment in the Land Development Agency was capped by the 2021 Act at €1.25 billion.
- 1.41** In March 2022, the Minister for Finance directed the NTMA to transfer €100 million from ISIF to the Agency for the purpose of discharging his liability for shares in the company to be allocated as set out in Section 25 (2) of Act i.e.
- shares to the value of €1 million allocated to the Minister for Housing, Local Government and Heritage
 - shares to the value of €99 million allocated to the Minister for Public Expenditure.
- 1.42** In 2023, the Minister for Finance directed further payments totalling €825 million from the ISIF for the purpose of discharging his liability in respect of further shares allotted and issued by the Agency to the Minister for Public Expenditure.
- 1.43** In March 2024, the Act was amended to increase the total funding that may be issued from the ISIF to the Agency to €2.5 billion.³
- 1.44** The State's investment in shares of the Agency is not disclosed in the Finance Accounts.^{4,5} It is also not recognised in the statement of financial position of Vote 11 Public Expenditure, National Development Plan Delivery and Reform. Instead, a note to the Vote 11 appropriation account discloses the Minister for Public Expenditure's shareholding in the Land Development Agency DAC.

1 The Agency established under the 2018 order was dissolved by the 2021 Act, and its staff, assets and liabilities transferred to the Land Development Agency DAC on 31 March 2022.

2 The Act provides for the Agency to be audited by the Comptroller and Auditor General (commencing for the 2022 financial year).

3 Section 69 of the [Local Government \(Mayor of Limerick\) and Miscellaneous Provisions Act 2024](#).

4 See statement 1.8(A) of the Finance Accounts 2023.

5 The Department of Finance stated that the Finance Accounts are not a comprehensive financial statement for the State, its assets and liabilities and that the State holds an interest in more entities than those set out in the Finance Accounts.

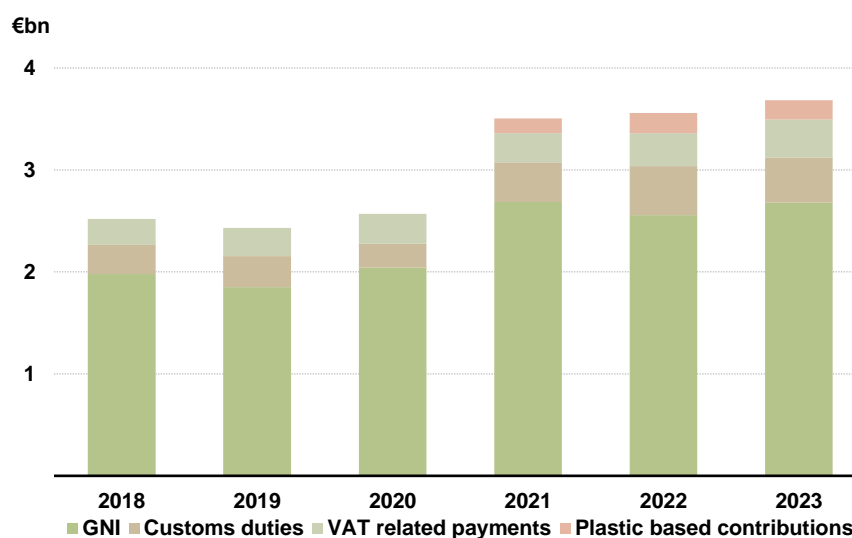
Reporting Ireland's EU transactions

- 1.45** In January 2020, the Department committed to publish an annual report, on a consolidated basis, on the financial transactions between Ireland and the EU. The aim of the report is to provide a comprehensive overview of such transactions in a single document, since this information is not otherwise readily available.
- 1.46** The Department published its report on Ireland's 2022 transactions with the EU in September 2024.¹

Ireland's contribution to the EU

- 1.47** In 2023, Ireland contributed €3.7 billion to the European Union budget (See Figure 1.11).² The contribution comprises the following elements.
- GNI 'own resource' contribution of €2.7 billion — based on the level of income as defined by gross national income (GNI) of a member state.³
 - 'Traditional own resource' (TOR) contribution of €445 million — based on customs duties collected by the Revenue Commissioners on imports from outside the EU, of which 75% is payable to the EU.
 - VAT-based contribution of €371 million — 0.3 per cent on Ireland's VAT base.
 - A plastics-based contribution amounting to €189 million (a decrease of €8 million when compared to 2022).

Figure 1.11 Ireland's contribution to the EU budget, 2018 – 2023



¹ Annual Report on Ireland's Transactions with the EU 2022 can be found [here](#).

² This excludes payments by Ireland arising from funding recovered by the EU and fines imposed by the EU.

³ GNI own resource contribution is deemed the balancing element to ensure that all agreed expenditures in an EU annual budget are sufficiently covered by the total budget revenues. Depending on the total annual revenues required to finance expenditures, a uniform call rate is applied to each member state's GNI. The call rate varies from year to year.

Source: Finance Accounts 2018 to 2023

Contribution corrections

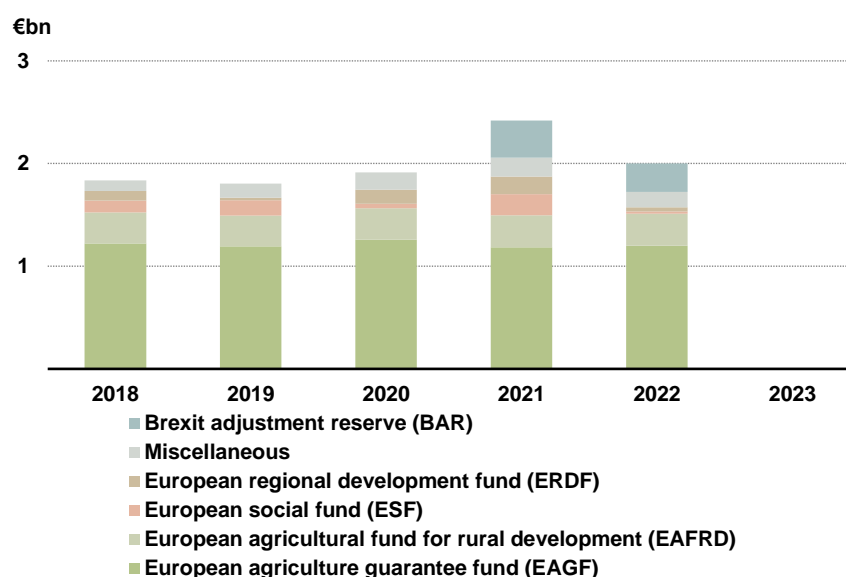
- 1.48** The EU Commission identified an EU-wide fraud pattern relating to the import of textiles and footwear from China at significantly understated value, which led to a systematic loss of EU 'traditional own resources' (TOR) over several years. The Commission calculated Ireland's share of the total EU losses incurred at €30.4 million (0.69%). Ireland paid the €30.4 million from the Central Fund in 2021, on reserve, to avoid the accumulation of late payment interest on the losses.

- 1.49** The payment in respect of the fraud will be fully reimbursed following the outcome of a Court of Justice of the EU case taken by the European Commission against the UK, in March 2022. A first tranche of €9.8 million was reimbursed by a deduction from Ireland's July 2023 TOR liability. The remaining amount (€20.6 million) was deducted from Ireland's August 2024 TOR liability.
- 1.50** Expenditure of the European Public Prosecutor's Office (EPPO) is borne by the participating EU member states.¹ Because Ireland (as well as Denmark, Hungary and Sweden) does not participate in the EPPO, it receives an adjustment to the annual contributions. Just over €31 million was refunded to Ireland by way of reducing Ireland's contributions in December 2023.

Ireland's receipts from the EU budget

- 1.51** Ireland received €2 billion from the EU in 2022 (see Figure 1.12).

Figure 1.12 Sources of Ireland's receipts from the EU budget, 2018 – 2023



Source: *Ireland: Budgetary Statistics*, Department of Finance. 2023 statistics not available at time of publishing of the report.

Brexit Adjustment Reserve

- 1.52** The Brexit Adjustment Reserve (BAR) was created to help counter the adverse economic and social consequences of Brexit for all member states. The allocation of the BAR to member states took into account
- the importance of fisheries in the United Kingdom's exclusive economic zone
 - the importance of trade with the United Kingdom, and
 - the importance of the neighbouring links for the maritime border regions with the United Kingdom and their communities.

- 1.53** The BAR regulation came into effect on 11 October 2021. Ireland, as one of the member states most affected by Brexit, was allocated funding of €1.165 billion. Subsequently, €150 million of this funding was transferred across to Ireland's allocation for REPowerEU measures (see paragraph 1.60).

¹ In accordance with Article 332 of the TFEU, and based on Article 91(7) of Council Regulation (EU) 2017/1939.

- 1.54** Since 2021, Ireland has received three payments from the BAR totalling €802 million — around 79% of the revised allocation. This comprised €361.7 million in 2021, €276.7 million in 2022 and €163.7 million in 2023.

Recovery and Resilience Facility (RRF)

- 1.55** The Recovery and Resilience Facility (RRF) provides financial support to member states to accelerate economic recovery from the impact of the Covid-19 pandemic and to make member states more resilient.¹ The Department of Public Expenditure is responsible for its implementation in Ireland.
- 1.56** In order to access RRF funding, member states were required to prepare a National Recovery and Resilience Plan (NRRP), setting out a programme of investments and reforms which must be completed by August 2026.
- 1.57** Ireland's NRRP was approved in September 2021. It outlined measures to a total value of just under €1 billion. Ireland was allocated RRF grant funding totalling €914 million, with drawdown of the funding contingent on Ireland achieving specified milestones and targets.² Payment of the RRF grant is in five instalments.
- 1.58** The European Court of Auditors reported in July 2024 that the absorption of RRF funds is progressing with delays and that while the Commission and member states had taken actions to address these delays, risks remain regarding the completion of measures and therefore the achievement of the RRF's objectives.³ As of August 2024, a total of €265 billion, or 37% of the maximum amount (€724 billion) available under the RRF regulation had been disbursed to EU member states.
- 1.59** Under the RRF regulation, a member state can revise its NRRP in the following circumstances
- to benefit from additional REPowerEU funds — the EU's plan to rapidly reduce dependence on Russian fossil fuels, boost the independence and security of the Union's energy supply and accelerate the green transition
 - to reflect a change in a member state's maximum financial allocation under the RRF
 - to reflect the resources needed in order to take up additional RRF loans
 - where a member state can demonstrate that objective circumstances render the implementation of certain milestones and targets unfeasible — for example due to inflation or supply chain issues.
- 1.60** Since 2021, Ireland has requested amendments to its NRRP in line with the regulations to take account of milestones and targets that were no longer achievable due to objective circumstances, and to avail of additional REPowerEU funding. Following the Commission's approval of the modified plan, which includes a REPowerEU chapter, the plan is now worth €1.153 billion (in grants).
- 1.61** The increase is in respect of REPowerEU measures such as the reform of offshore wind development in Ireland. These measures are being financed by a transfer from the BAR allocation amounting to €150 million, and a REPowerEU grant of €89 million.
- 1.62** The NRRP projects are initially funded through normal voted issues from the Exchequer, with related funds subsequently recouped from the EU after the required milestones and targets have been achieved and verified.

¹ The RRF was established by Regulation (EU) 2021/241 which came into force on 19 February 2021.

² Ireland's *Recovery and Resilience Plan 2021* can be found [here](#).

³ European Court of Audit special report 13/2024: *Absorption of funds from the Recovery and Resilience Facility* can be found [here](#).

1.63 In September 2023, the Department of Public Expenditure submitted its first RRF payment request to the EU for €324 million (28% of the available allocation). The Commission approved the disbursement of the funds to Ireland on 11 July 2024.

1.64 Ireland received the payment in July 2024. No further payment requests in respect of the RRF had been made at time of completion of this report.

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 the harmonised definitions and standards within the European System of Accounts 2010.

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

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

- Table 1.1 — general government finances
- Table 1.2 — general government transactions: revenue, expenditure, financing and deficit
- Table 2.1 — general government; detailed classification of revenue and output
- Table 2.2 — general government; detailed classification of expenditure and consumption
- Table 3.1 — general government gross and net debt
- Table 3.2 — general government financial transactions
- Table 3.3 — general government: detailed breakdown of net worth
- Table 3.4 — general government net worth, gross and net debt.

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 Data tables

Figure 1B.1 Composition of Central Fund receipts and issues, 2018 – 2023^a

	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
Receipts						
Current receipts						
Tax revenue	55,557	59,314	57,165	68,410	83,130	88,117
Central Bank surplus income ^b	2,108	2,395	2,050	666	1,068	500
National Lottery receipts	225	251	270	290	258	241
Dividends from State bodies	261	262	133	152	199	419
NAMA surplus income	—	—	2,000	1,000	500	350
Other current revenues	311	440	197	422	413	701
Capital receipts						
Loans advanced/repaid ^c	933	1,055	1,680	10,382	3,474	880
Financial sector stabilisation measures	341	682	3	—	—	—
National Surplus Reserve Fund	—	—	1,500	—	—	—
Receipts from EU	89	24	25	645	277	183
Other capital receipts	483	6	5	274	1,455	805
Total receipts	60,308	64,429	65,028	82,240	90,774	92,197
Issues						
Issues for voted expenditure	50,445	54,146	67,849	71,579	72,840	78,385
Service of national debt	5,967	5,220	4,676	3,745	3,841	3,309
Contribution to EU budget	2,519	2,432	2,569	3,507	3,557	3,684
Oireachtas Commission	131	126	132	133	137	152
Loans/advances ^c	975	935	1,523	10,264	3,050	1,018
Uisce Éireann (shares, capital contributions and loans) ^c	—	758	372	130	112	201
Transfer to Local Government Fund ^d	12	—	—	—	—	—
National Surplus Reserve Fund	—	—	—	—	2,000	4,000
Other payments	160	165	224	255	251	269
Total issues	60,209	63,782	77,345	89,612	85,788	91,019
Surplus/(deficit) for the year	99	647	(12,317)	(7,372)	4,985	1,178

Source: Finance Accounts 2017 to 2023. Any apparent differences in totals are due to rounding.

- 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 Figure 1B.3 for further details.
 - 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 1B.2 Movements in Exchequer cash and financial asset balances, 2018 – 2023

Movement in year	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
Balance at 1 January	13,217	17,593	18,536	19,200	29,149	26,351
Net Exchequer borrowing /(repayment) in year	4,276	297	12,981	17,321	(7,783)	1,382
Exchequer surplus/(deficit)	99	647	(12,317)	(7,372)	4,985	1,178
Balance at 31 December	17,593	18,536	19,200	29,149	26,351	28,911
Composition of cash and financial assets at 31 December						
Central Fund cash balance	15,338	16,502	17,362	27,474	23,306	19,003 ^a
Cash deposits	—	—	—	—	—	1,000 ^b
Treasury bills	—	—	—	—	25	4,768
Housing Finance Agency guaranteed notes	1,558	1,913	1,586	1,665	3,010	4,130
SBCI medium-term guaranteed notes ^c	85	25	—	10	10	10
Collateral funding	612	96	252	—	—	—
Balance at 31 December	17,593	18,536	19,200	29,149	26,351	28,911

Source: Finance Accounts 2017 to 2023. Any apparent differences in totals are due to rounding.

- Notes:
- a Includes a balance of €150,000 held in the Capital Services Redemption Account (CSRA) (2022: €204,000).
 - b Exchequer short-term cash advances to European debt offices. To support liquidity management, debt offices in Europe borrow and lend cash to each other on a short-term bi-lateral basis.
 - c 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 1B.3 Loans and advances, 2018 – 2023

	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
European Agricultural Guarantee Fund						
Opening balance	740	725	750	670	655	670
Repayments	(740)	(725)	(750)	(670)	(655)	(670)
Advances	725	750	670	655	670	670
Closing balance	725	750	670	655	670	670
Social Insurance Fund						
Opening balances	—	—	—	—	—	—
Repayments	—	—	(600)	(9,370)	(2,380)	—
Advances	—	—	600	9,370	2,380	—
Closing balance	—	—	—	—	—	—
EU stability to support Greece						
Opening balance	347	347	347	344	323	310
Repayments	—	—	(3)	(22)	(13)	(61)
Closing balance	347	347	344	323	310	249
Insurance Compensation Fund						
Opening balance	636	636	556	414	345	160
Repayments	—	(80)	(142)	(69)	(185)	(120)
Closing balance	636	556	414	345	160	40
Uisce Éireann						
Opening balance	—	—	—	372	502	613
Loans	—	—	372	130	112	201
Closing balance	—	—	372	502	614	814
Other loans and advances						
Opening balance	236	293	228	296	284	43
Repayments/loans conversion	(193)	(250)	(185)	(253)	(241)	(30) ^a
Loans issued	250	185	253	241	—	348 ^b
Closing balance	293	228	296	284	43	360
Total closing balance	2,001	1,881	2,096	2,109	1,797	2,134

Source: Finance Accounts 2018 to 2023. Any apparent differences in totals are due to rounding.

Notes: a Advances to An Post repaid.

b Advances to PMG Supply Account under the Appropriation Act 2022.

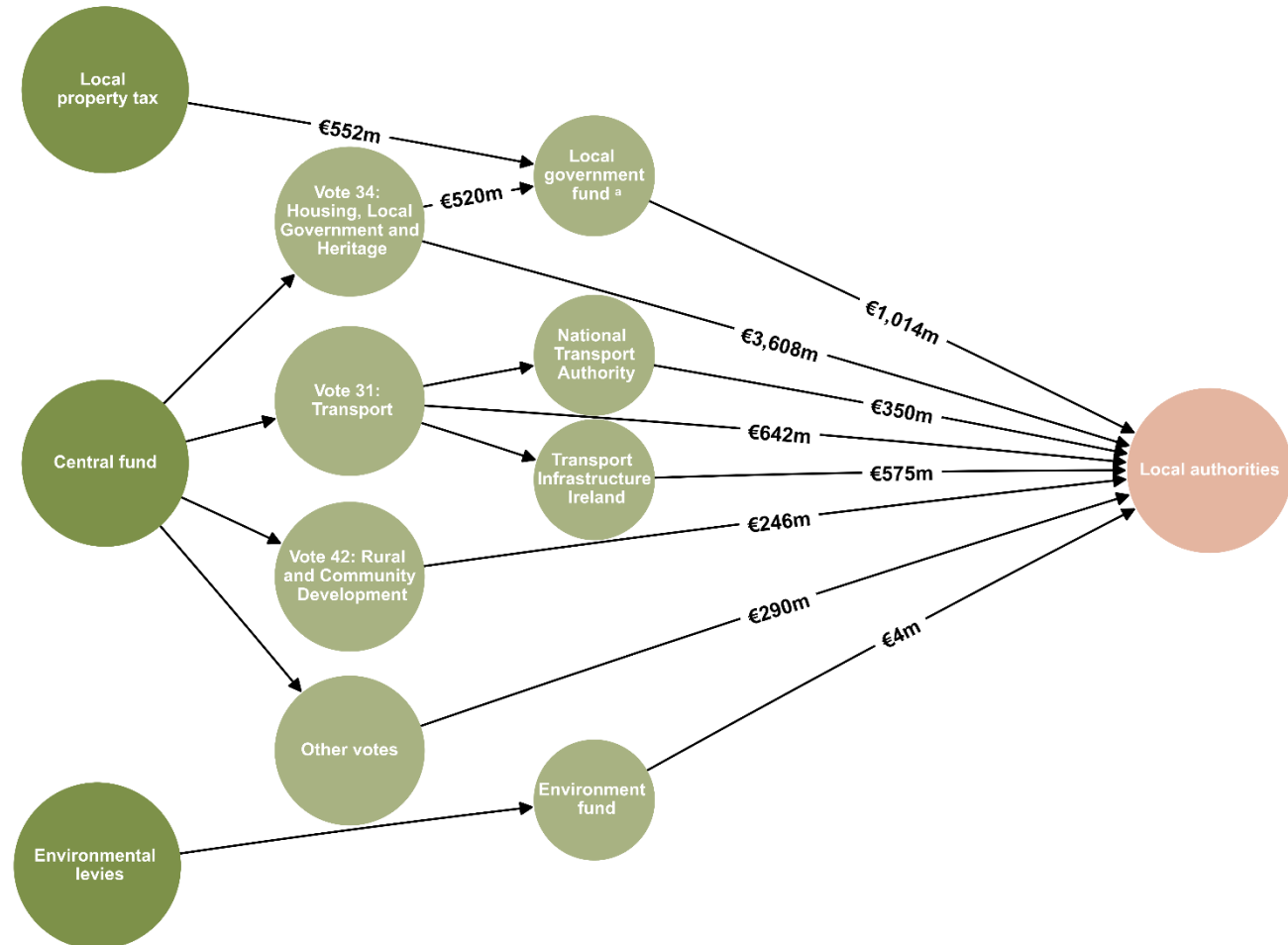
2 Central government funding of local authorities

Local authorities receive a considerable amount of their annual funding from various central government departments and agencies (see Figure 2.1).

The 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 those funds have been provided.

The primary sources of central government funding are the Department of Housing, Local Government and Heritage — through Vote 34 and the Local Government Fund — and the Department of Transport.

Figure 2.1 Flow of central government funding to local authorities in 2023



Source: Office of the Comptroller and Auditor General

Note: a The flow of funding to and from the Local Government Fund may not be equal in a given year.

Section 1 Central government transfers and application of central government funding

In 2023, funding from central government to local authorities totalled almost €6.73 billion. This was a net increase of around €750 million (12%) on 2022, and up around 83% since 2018 (see Figure 2.2).

The main purposes for which Central Government funding was provided were for the delivery of social and affordable housing, along with a broad range of other housing supports; transport investment; a contribution towards local authority general activities (budget support); and support for environmental initiatives (see Figure 2.3).

In 2023, funding for housing and regeneration increased by around €470 million (15%), while funding for transport investment increased by just over €170 million (12%).

Figure 2.2 Central government funding, 2018 – 2023^a

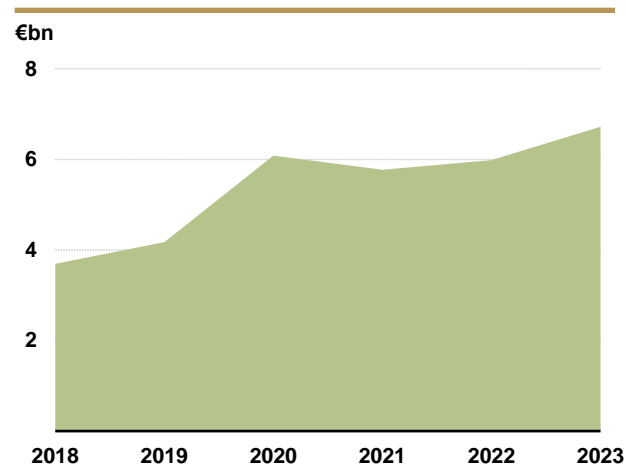
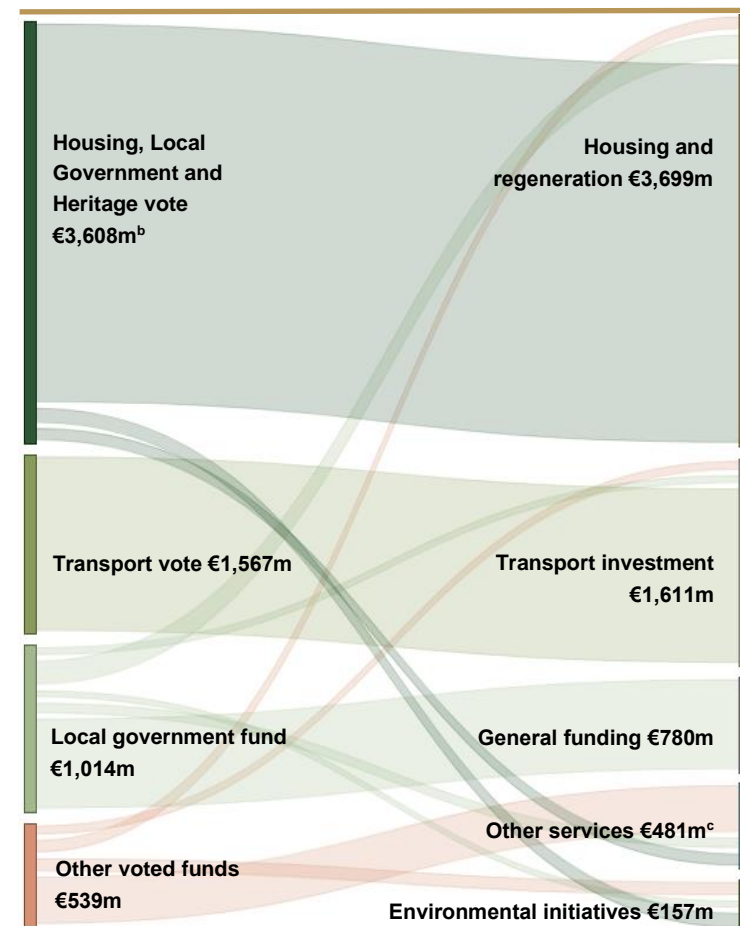


Figure 2.3 Grouped analysis of central government funding by programme category, 2023



Source: Annex 2A

- Notes:
- a The total funding for 2022 has been revised downwards by around €52 million in response to updated information provided by the Department of Agriculture, Food and the Marine during the 2023 examination. See section 5 for more information.
 - b This excludes receipts of €48.15 million in additional superannuation contributions and audit fees from local authorities.
 - c Other services include funding of €4 million for Covid-19 related expenditure.

Section 2 Housing and regeneration

The Department of Housing, Local Government and Heritage provides most of the funding for local authority expenditure on housing and regeneration — around 98% in 2023. The funding is used by local authorities for the provision of social housing stock (managed by local authorities and approved housing bodies) and other housing supports including the housing assistance payment (HAP), rental accommodation scheme (RAS), and accommodation for homeless people. The funding is also used for the improvement of existing local authority housing units and adaptation grants for older people and for people with a disability. Capital funding of around €9.5 million was also provided directly to local authorities in 2023 for housing people displaced by the Russian invasion of Ukraine.

The Department of Rural and Community Development also provides funding to local authorities for rural regeneration — €62 million in 2023 (2022: €53 million). This funding is used to support schemes targeting building vacancy, infrastructure to develop town-centre housing, and the development of community or public facilities that enhance heritage and other community assets.

Figure 2.4 Central government funding to local authorities for investment in housing and regeneration, 2018 – 2023

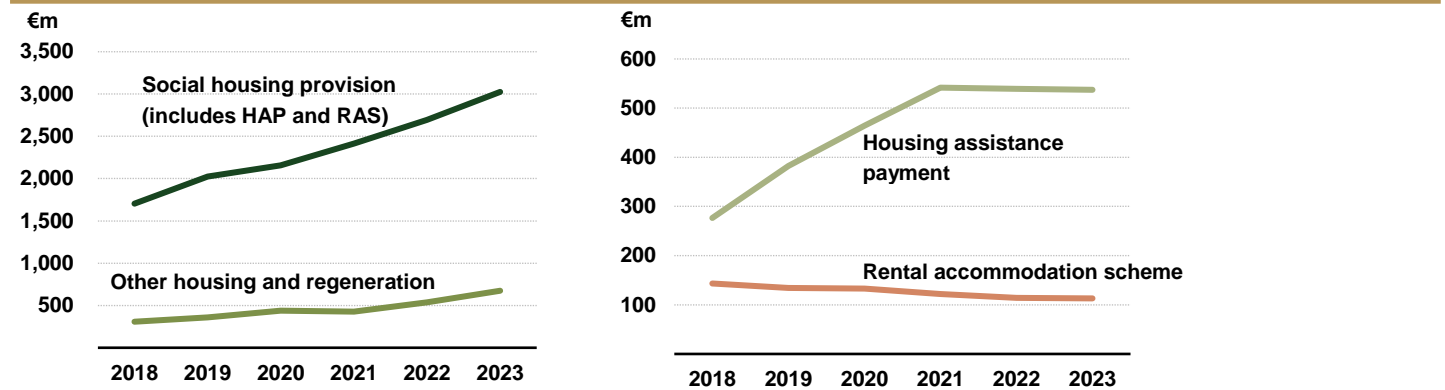
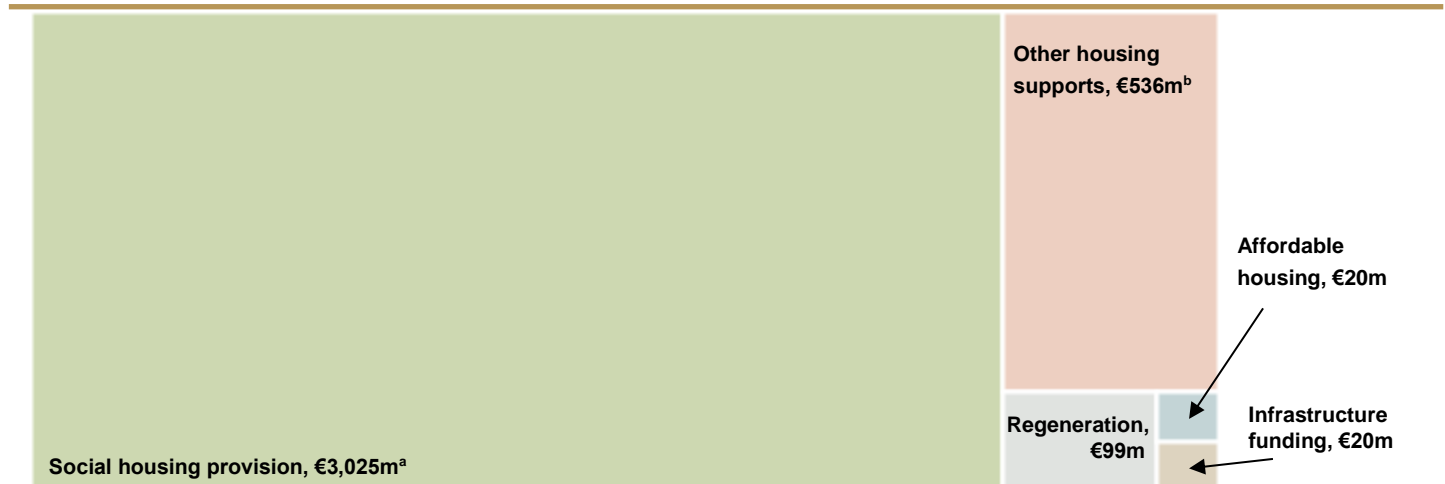


Figure 2.5 Breakdown of funding for housing and regeneration purposes, 2023



Source: Annex 2A

- Notes:
- a Includes funding of €168 million from the local property tax allocation that local authorities above the baseline are required to spend on housing in lieu of Exchequer funding.
 - b Includes funding of around €500,000 from the Department of Further and Higher Education, Research, Innovation and Science and the Department of Justice.

Section 3 Transport investment

The Department of Transport and the Department of Rural and Community Development provide funding to local authorities for roads and public transport investment. The Department of Transport provides funding for regional and local roads, as well as active travel, directly to local authorities, with funding for other purposes provided through the National Transport Authority and Transport Infrastructure Ireland. Some local authorities also support their expenditure on regional and local roads from local property tax allocations (€16.5 million in 2023).

Figure 2.6 Central government funding to local authorities for transport investment, 2018 – 2023

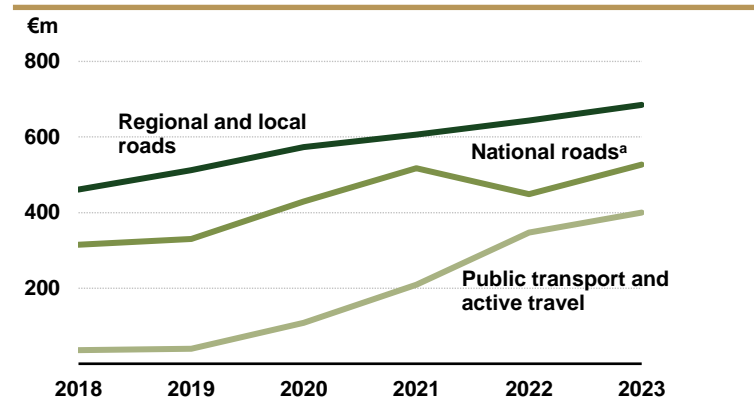
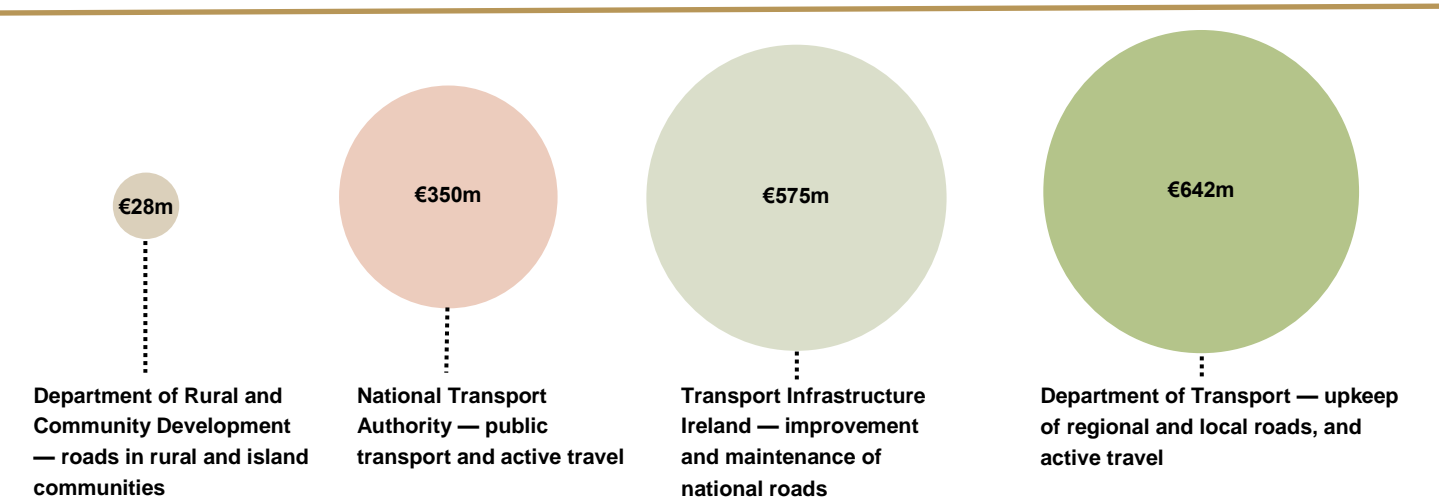


Figure 2.7 Transport investment by organisation and role, 2023^b



Source: Department of Transport and Department of Rural and Community Development

Notes: a Includes electric car infrastructure funding.

b This figure does not include the funding of €16.5 million from local property tax allocations for expenditure on regional and local roads.

Section 4 Environmental initiatives

Funding is provided to local authorities for a range of environmental services, including water and sanitation projects, waste management, and flood relief.

The Office of Public Works provided local authorities with funding of around €31 million for flood relief works in 2023 (2022: €28 million).

Figure 2.8 Central government funding to local authorities for environmental initiatives, 2018 – 2023

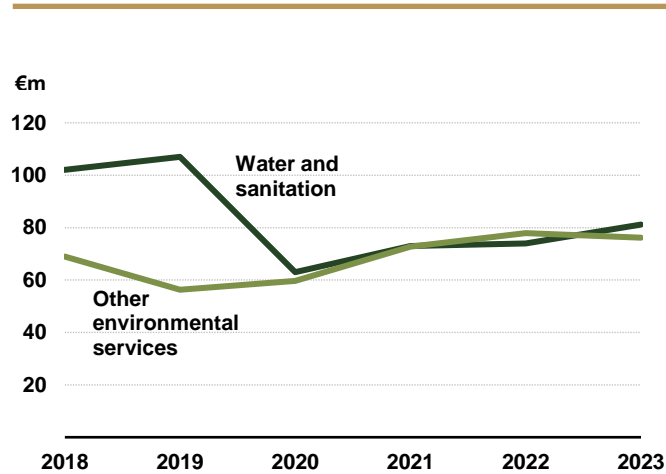
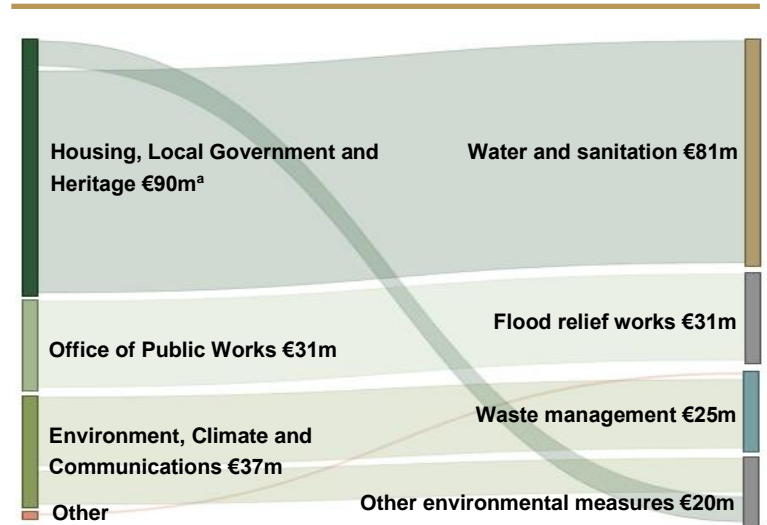


Figure 2.9 Environmental initiatives — sources and purposes of funding, 2023



Source: Annex 2A

Note: a Includes €860,000 funding from the Local Government Fund.

Section 5 Miscellaneous capital programmes

The Department of Rural and Community Development provided €42 million (2022: €44 million) to local authorities in respect of the LEADER programme, almost €10 million for the community recognition fund, just under €6 million for the community enhancement programme, and the balance of around €6 million for a range of other programmes.

The Department of Agriculture, Food and the Marine provided capital funding of around €37 million in 2023 for harbour development projects (2022: €1.6 million).^a

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided, through Bord Fáilte, funding of over €6.5 million for miscellaneous capital projects.

Figure 2.10 Central government funding to local authorities for miscellaneous capital programmes, 2018 – 2023^{a,b}

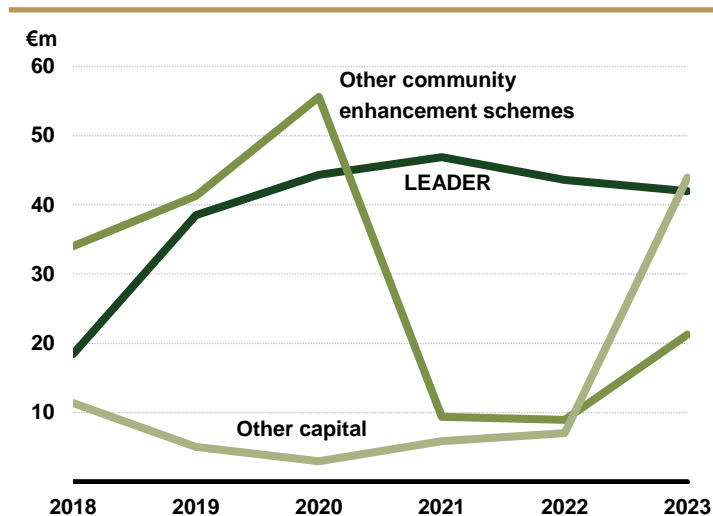
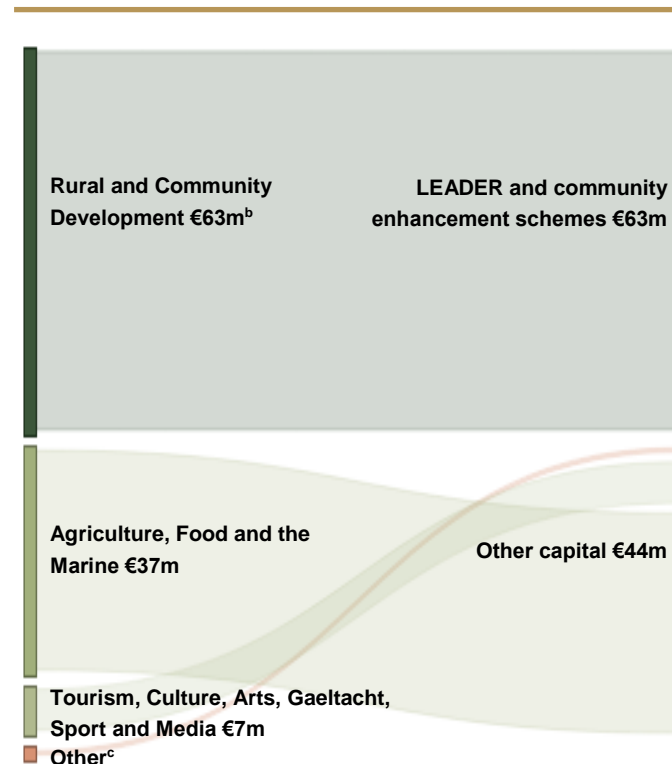


Figure 2.11 Miscellaneous capital programmes — sources and purposes of funding, 2023



Source: Annex 2A

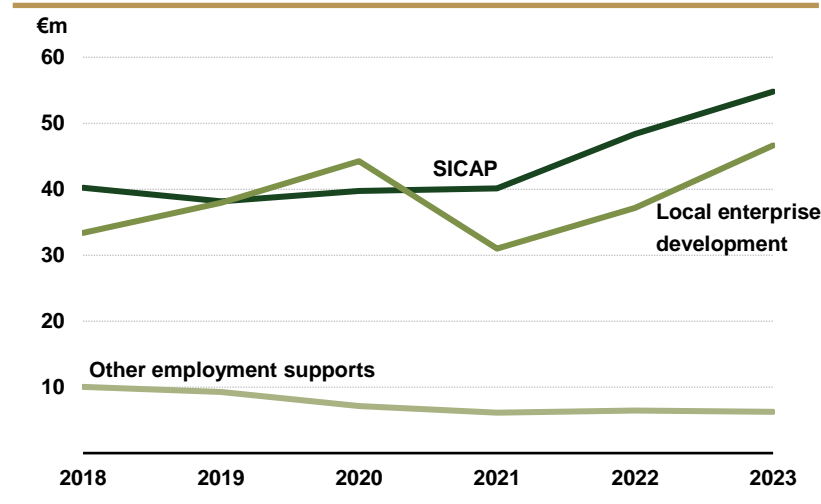
- Notes:
- a The Department previously reported 2022 transfers to local authorities as including €52 million provided via Bord Iascaigh Mhara (BIM) for local business and commercial development. This funding was in fact used by BIM itself. The 2022 amounts have been amended accordingly.
 - b This reflects the gross funding. Reimbursements from local authorities of €850,000 are not included.
 - c Approximately €400,000 was funded by OPW.

Section 6 Employment schemes

The Department of Rural and Community Development provided just under €55 million (2022: €48 million) to local authorities for the Social Inclusion and Community Activation Programme (SICAP). Around €9.7 million (2022: €5 million) of the funding was provided for supports to people displaced by the Russian invasion of Ukraine.

In 2023, the Department of Enterprise, Trade and Employment, through Enterprise Ireland, provided €47 million (2022: €37 million) to local authorities for the local enterprise programme delivered by local enterprise offices (LEOs).

Figure 2.12 Central government funding to local authorities for employment schemes, 2018 – 2023



Source: Annex 2A

Section 7 Other services

In 2023, other services supported by central government funding included €51 million (2022: €16 million) from the Department of Children, Equality, Disability, Integration and Youth for accommodation for persons displaced by the Russian invasion of Ukraine. It also included funding of €7 million (2022: €7 million) from the Department of Health, paid via the Food Safety Authority of Ireland, for the local authority veterinary service and €4 million (2022: €4 million) from the Department of Defence for civil defence activities.

The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media provided €16.2 million of funding (2022: €15.5 million) to local authorities through Sports Ireland in 2023.

In 2023, a total of €41 million was provided to support the fire and emergency services (2022: €32.6 million). €31.6 million was provided from the Housing vote — this included €6.7 million for salary costs for retained firefighters on foot of a Workplace Relations Commission agreement. The HSE also provided €9.2 million to support the Dublin Fire Brigade Ambulance Service.

Figure 2.13 Central government funding to local authorities for other services, 2018 – 2023

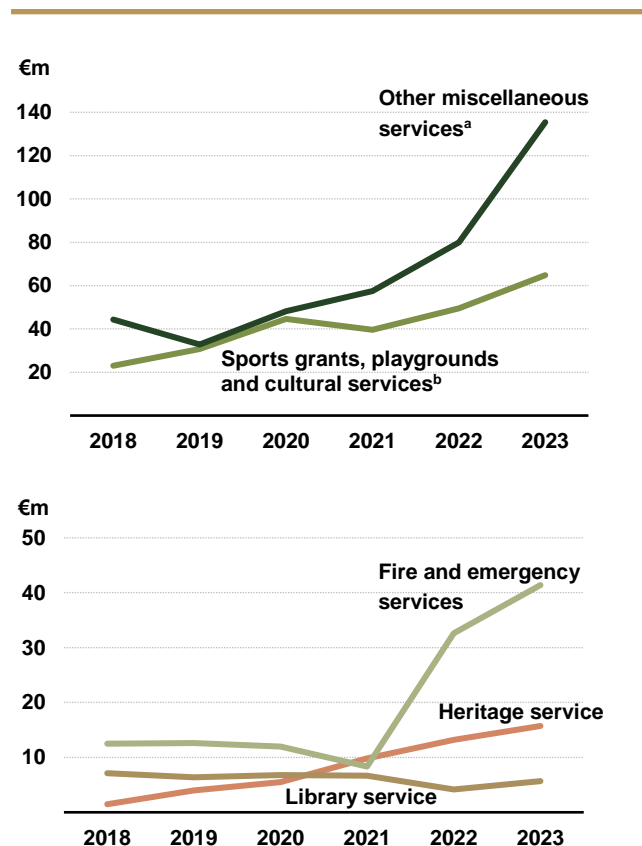
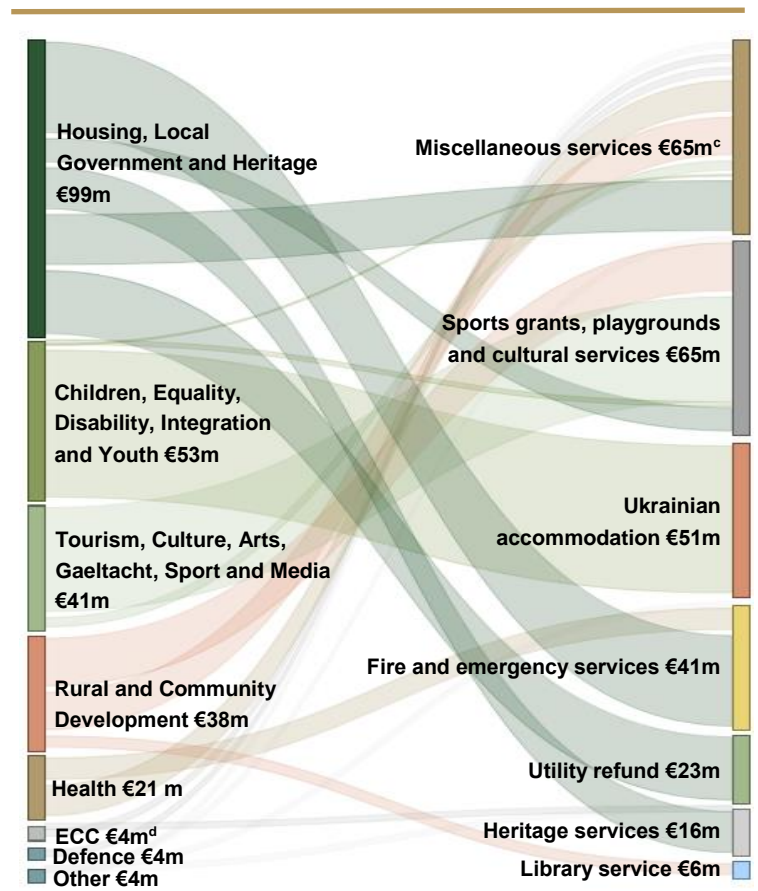


Figure 2.14 Other services — sources and purposes of funding, 2023



Source: Annex 2A

- Notes:
- a This is further broken down in Figure 2.14 between miscellaneous services, Ukrainian accommodation and utility refund.
 - b Includes funding for swimming pools in respect of 2018.
 - c Includes Covid-19 related expenditure of almost €4 million.
 - d ECC refers to the Environment, Climate and Communications Vote.

Section 8 Local Government Fund

The Local Government Fund (LGF) is a statutory fund managed by the Department of Housing, Local Government and Heritage (the Department). The receipts into the fund derive from the Exchequer (via the Vote) and from the local property tax (LPT) receipts collected by the Revenue Commissioners.

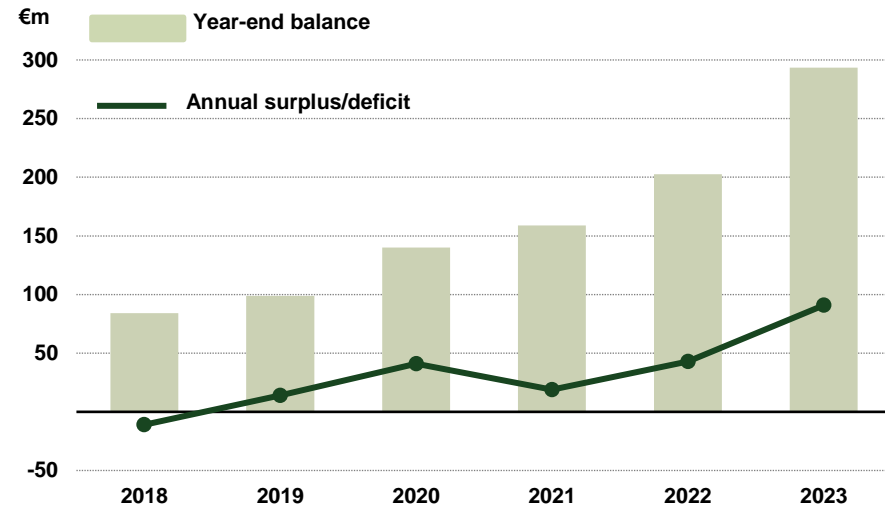
The LGF funding from the Exchequer is intended to assist local authorities with pay and pensions and for miscellaneous schemes.

Towards the end of each year, the Department estimates the total expected LPT liability of property owners for the following year, and a required 'equalisation contribution' from the Exchequer. These projections, based on Revenue data, are used to derive the LPT allocation that local authorities will receive in that year (see Annex 2B for the calculation of the LPT 2023 allocation).

The LPT collected in a particular year may not match the allocations for that year because property owners may pay their LPT in the year prior to liability, or as a late payment in a subsequent year. For example, €74 million of LPT receipts were received in 2023 for the 2024 liability year.

LGF reserves have increased steadily from €84 million at the end of 2018 to around €293 million at the end of 2023 — an increase of approximately 250% (see Figure 2.15). The Department has stated that the main factors contributing to annual surpluses include funding for committed future expenditure, prepayments of LPT and unspent Exchequer equalisation funding due to greater than anticipated LPT receipts for the current year, including LPT arrears. The Department also stated that since 2021, €136 million has been collected in LPT arrears, and that it was not possible to estimate this collection in advance and to build it into annual LPT allocations.

Figure 2.15 Year end reserves and annual surplus/deficit of the Local Government Fund, 2018 – 2023



Source: Department of Housing, Local Government and Heritage, Local Government Fund accounts

Although the Department monitors the transfers into the LGF, a reserves policy for the fund was not put in place until July 2024. The Department stated that the wording of the policy was agreed with the Department of Public Expenditure. It also stated that the Department of Public Expenditure is aware of the LGF reserves which are considered as part of the annual estimates process. The Department also noted that during this process, some of the reserves may be ring-fenced for specific purposes. At end 2023, based on a Government decision, around €90 million of the LGF reserves had been allocated to fund water sector transformation stranded costs in 2024. These costs relate to water expenditure commitments that continue to be borne by the local authorities without a corresponding income stream.

Annex 2A Central government transfers to local authorities by expenditure programme, 2018 – 2023

The trends in funding to local authorities over the period 2018 to 2023 is shown in Figure 2A.1. Some figures may not tot due to rounding.

Sources of funding

The sources of funding reported in Figure 2A.1 below are

The Office of Public Works

Department of Housing, Local Government and Heritage

Department of Transport

Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media

Department of Health

Department of Justice

Department of Agriculture, Food and the Marine

Department of Social Protection

Department of Children, Equality, Disability, Integration and Youth

Department of the Environment, Climate and Communications

Department of Defence

Department of Enterprise, Trade and Employment

Department of Rural and Community Development

Department of Further and Higher Education, Research, Innovation and Science

Local Government Fund account

Figure 2A.1 Central government transfers to local authorities by expenditure programme, 2018 to 2023^a

Expenditure category	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
Housing and regeneration						
Social housing provision	1,704	2,024	2,156	2,413	2,693	3,025
Affordable housing, etc.	—	—	—	4	9	20
Infrastructure funding	7	22	32	16	17	20
Other housing supports	215	258	340	324	420	536
Regeneration	86	79	67	82	90	99
	2,012	2,383	2,595	2,839	3,229	3,699
Transport investment						
National roads improvement	315	330	429	517	449	526
Regional and local roads improvement	461	512	573	606	644	685
Public transport and active travel	36	40	109	209	348	400
	812	882	1,111	1,332	1,441	1,611
Environmental initiatives						
Water and sanitary services	102	107	63	73	74	81
Flood relief works	31	28	31	26	28	31
Waste management	25	23	26	39	37	25
Other environmental measures	13	6	3	8	13	20
	171	164	123	146	152	157
Miscellaneous capital programme						
	64	85	103	62	60^b	107
Employment schemes						
	84	86	91	77	92	108

Figure 2A.1 Central government transfers to local authorities by expenditure programme, 2018 to 2023 (continued)

Expenditure category	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
Other services						
Swimming pools	1	—	—	—	—	—
Fire and emergency services	13	13	12	8	33 ^c	41 ^c
Library service	7	6	7	7	4	6
Sports grants, playgrounds and cultural projects	22	30	45	40	49	64
Heritage services (architectural heritage)	1	4	5	10	13	16
Other miscellaneous services	44	34	48	58	80	135
	88	87	117	123	179	263
Covid-19 supports						
Covid-19 related funding for waived rates	—	—	730	423	123	—
Covid-19 related funding for businesses	—	—	687	78	14	—
Other Covid-19 assistance	—	—	—	136	60	4
	—	—	1,417	637	197	4
LPT allocations — non-programme specific/discretionary	395	394	410	422	423	426
Remuneration-related payments paid from the LGF	60	86	109	130	210	354
	3,686	4,167	6,076	5,768	5,984	6,729

Source: Annex 2A

- Notes:
- a Some figures may not tot due to rounding.
 - b This amount has been revised downwards by around €52 million due to an error in the amounts previously provided by the Department of Agriculture, Food and the Marine which only came to light during the 2023 examination.
 - c Includes funding of around €9 million from the Department of Health, paid via the HSE, for the Dublin Fire Brigade Ambulance Service. This funding was not included in prior years' figures due to an oversight by the Department.

Annex 2B Allocation of local property tax

Local property tax (LPT) funding received by each local authority, and the amount that can be used for local authorities' own purposes (i.e. discretionary funding) is set out in an annual allocation schedule published on the Department's website. The allocation process is underpinned by a Government memorandum that sets out, *inter alia*, the maximum amount of discretionary LPT funding each local authority can receive.

Every local authority is entitled to receive a minimum amount of funding known as baseline funding. Local authorities that do not have a strong enough property base to meet this minimum level of funding have their allocation supplemented by a process known as equalisation. The same 20 local authorities have had their allocation supplemented each year since 2020.

Up to 2023, local authorities initially retained 80% of their LPT projected yield with the remaining 20% redistributed to local authorities below the baseline. Central government also contributed funding to equalisation when the redistribution pool was not sufficient.

Following a change in the allocation process for 2023, local authorities above the baseline can retain all their LPT projected yield, with all equalisation funding now coming from the Exchequer (€110 million in 2023) or from the LGF reserves.

Local authorities are permitted to vary the rate at which local property owners pay the LPT. When local authorities vary upwards they retain the increased revenues, while a downwards revision leads to a reduced allocation. In total, LPT allocations decreased by €7 million in 2023 (2022: €4 million decrease) due to local variations.

Local authorities above the baseline are required to use some of their allocation for housing and transport expenditure that would otherwise be funded by the Exchequer. This totalled €184 million in 2023 (2022: €101 million).

			2023	2022
	Authorities above the baseline	Authorities below the baseline	All	All
Number of local authorities	11	20	31	31
	€m	€m	€m	€m
Total LPT projected yield	355	144	499	494
Local retention ^b	355	144	499	395
Equalisation funding				
— LPT redistribution (20%) ^b	—	—	—	99
— Exchequer contribution	—	118 ^c	118	34
Pre-variation LPT allocations	355	262	617	528
Adjustment for local variations in tax rate	(22)	14	(7)	(4)
	333	277	610	524
Of which^b				
— for authority's own general use	149	277	426	423
— self-funding of housing and roads	184	—	184	101

Source: Department of Housing, Local Government and Heritage

Notes: a Some figures may not tot due to rounding.

b Prior to 2023, 20% of the projected yield of local authorities above the baseline was distributed to those under the baseline. Since 2023 all equalisation funding is provided by the Exchequer.

c Includes €8 million that was allocated from the LGF reserves.

Voted Expenditure

3 Vote accounting and budget management

- 3.1** Government departments and offices receive annual funding from the Exchequer to carry out their statutory functions. Expenditure is provided for under 'votes' approved by Dáil Éireann, with one or more covering the functions of each department or office. Final legal effect is given to the votes in the annual Appropriation Act.
- 3.2** The head of each department or office is appointed as the 'accounting officer' for the relevant vote(s), with a statutory obligation to prepare an annual appropriation account for each relevant voted service, showing how the outturn for the year compared with the amount provided by Dáil Éireann. These accounts are subject to audit by the Comptroller and Auditor General.
- 3.3** The Appropriation Act 2023 provided for spending on voted services (appropriations) totalling €82.9 billion. This was to be funded by the issuing to the votes of €79.9 billion from the Central Fund of the Exchequer (referred to as supply grants), and the use of certain expected vote receipts (referred to as appropriations-in-aid) of €3 billion. In addition, unused capital funding totalling €687.2 million was carried over from 2022 for spending in 2023, bringing the total available vote funding to €83.6 billion.¹

Changes in vote structure in 2023

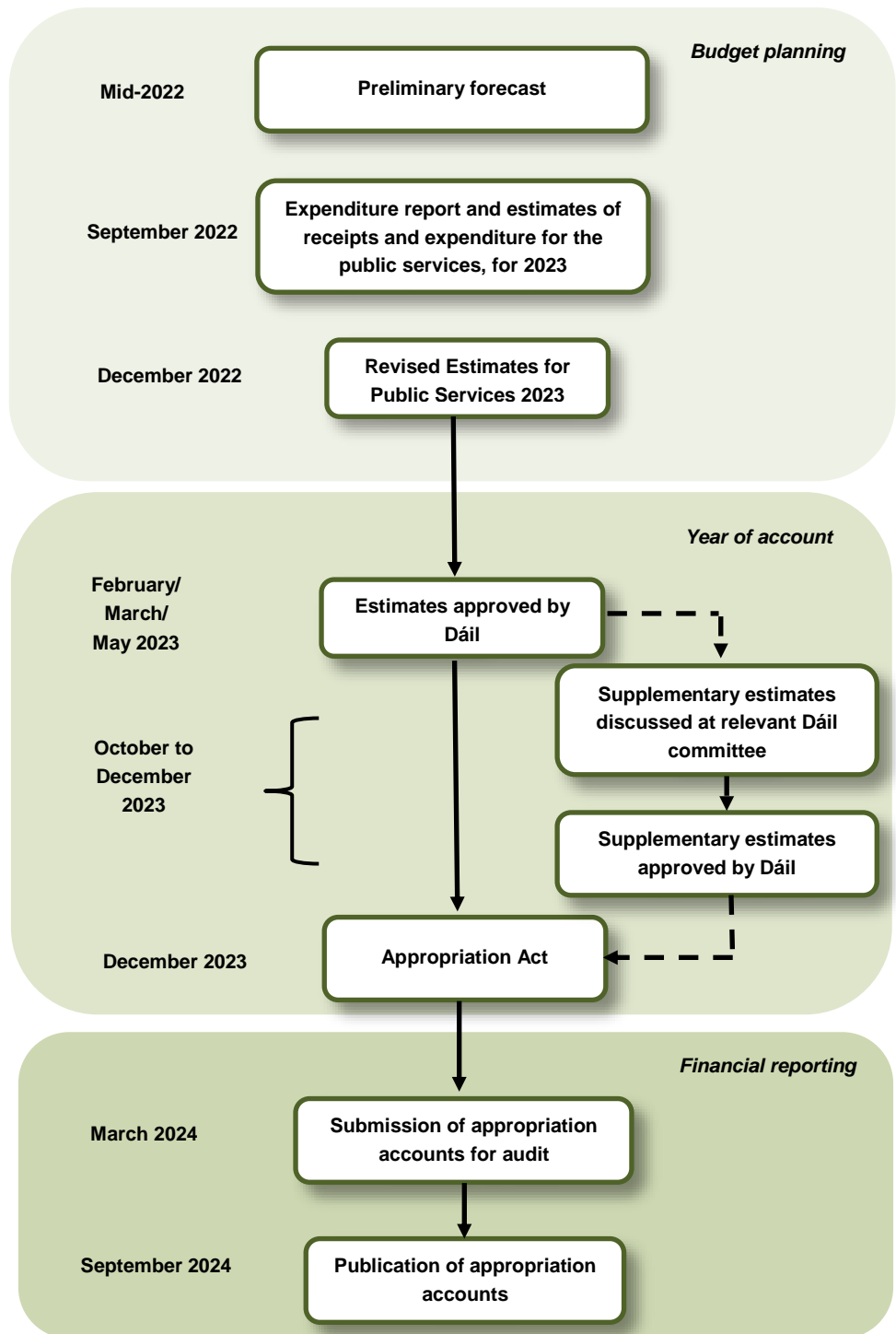
- 3.4** The structure of government departments and of votes may change from year to year to reflect the allocation of functions of individual ministers, the creation of new departments or departmental mergers. These changes generally occur in the period immediately after a general election, but may be instigated by the Taoiseach at any other time during his/her term. There were two significant changes in 2023.
- An Coimisiún Toghcháin (Vote 23) was established on 9 February 2023 as an independent body reporting directly to the Oireachtas.
 - Tailte Éireann (Vote 16) was established on 1 March 2023 as an independent government agency under the aegis of the Department of Housing, Local Government and Heritage. The agency was formed by the merger of the Valuation Office (previously Vote 16), the Property Registration Authority (previously Vote 23) and Ordnance Survey Ireland.

Results of 2023 audits of appropriation accounts

- 3.5** Audits of the 2023 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.

¹ In presenting estimates and reports on voted expenditure, the Department of Public Expenditure, National Development Plan Delivery and Reform generally includes the Social Insurance Fund and the National Training Fund in total gross voted expenditure. These are not voted appropriations, but the Department considers that their inclusion provides a more complete picture of overall Government expenditure.

Figure 3.1 Sequence and timing of the 2023 estimates process^a



Source: Office of the Comptroller and Auditor General

Note: a Further details on the estimates and appropriation account process are set out in the Public Financial Procedures, published by the Department of Public Expenditure, National Development Plan Delivery and Reform.

Annual voted expenditure cycle

- 3.6** The estimates of expenditure presented to the Dáil for approval should reasonably represent the amount that it is expected will be spent on each departmental service. They also effectively serve as cash limits.
- 3.7** If, as the year progresses, large funding adjustments are required after Dáil approval of the estimates, formal approval for these adjustments must be sought from the Dáil. This is done through the supplementary estimate process (see Figure 3.1). This process may also be used to move funds between programmes and subheads, if required. Details of supplementary estimates requested are discussed at the relevant Dáil sectoral committees (typically in the final quarter of the year) before approval is sought from the Dáil itself.

Evolution of vote estimates in 2023

- 3.8** The *Revised Estimates for Public Services 2023*, published in December 2022, provided for total net voted funding of almost €74.3 billion across 45 votes. This was subsequently revised on a number of occasions.
- 3.9** In 2023, ‘further revised estimates’ were presented for the following voted services¹
- Public Expenditure, National Development Plan Delivery and Reform
 - Tailte Éireann
 - An Coimisiún Toghcháin
 - Housing, Local Government and Heritage
 - Health
 - Children, Equality, Disability, Integration and Youth
 - Rural and Community Development.

This resulted in an increase of €40 million in the net amount approved for spending.

- 3.10** Approved supplementary estimates provided a further €5.5 billion, resulting in an aggregate provision of €79.9 billion (net) for voted services in 2023.

¹ For most votes, the standard estimates cycle is followed. However, votes can have a further revised estimate published where changes to their budgets are agreed in the period between the revised estimates and Dáil approval.

Appropriations

- 3.11** A summary of the amounts appropriated in 2023 for voted public services is included in Annex 3A (Figure 3A.1). The outturn for the year is also shown, together with the surpluses of appropriations over expenditure.

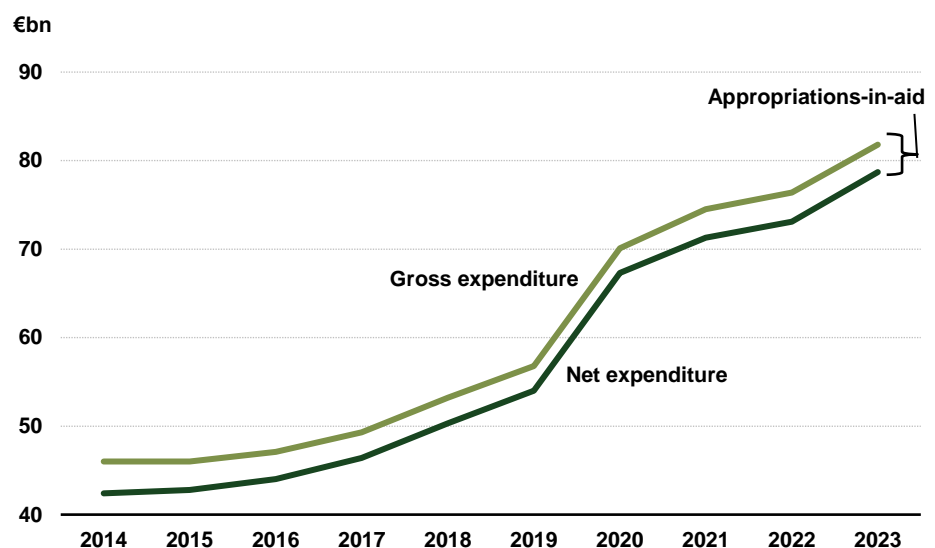
Voluntary early submission of accounts

- 3.12 The statutory deadline for submission of appropriation accounts to the Comptroller and Auditor General for audit is 31 March in the year following the year of account. In the interest of earlier completion of the vote accounting process, the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) asked vote holders with voted appropriations of less than €100 million in 2023 to submit their appropriation accounts, on a voluntary basis, by 11 March 2024.
- 3.13 Out of 22 departments and offices with appropriations of less than €100 million, 11 submitted their accounts by 11 March 2024, and a further four submitted accounts by 15 March 2024. The Department of Public Expenditure also submitted the account for Vote 12 Superannuation and Retired Allowances, with appropriations of €828 million, by 11 March 2024.
- 3.14 The majority (13) of departments and offices that submitted their accounts early had the appropriation account certified by the Comptroller and Auditor General without the need for the account to be resigned by the Accounting Officer.¹ (Departments and offices with appropriations of less than €100 million who did not submit their accounts early were required to explain the reasons to the Government Accounting Unit in the Department of Public Expenditure.)

Vote outturn

- 3.15 The total amount spent by departments and offices in 2023 was €81.8 billion (see Figure 3.2). After deduction of realised appropriations-in-aid totalling €3.2 billion, the net expenditure in the year was €78.6 billion.

Figure 3.2 Voted expenditure outturn, 2014 – 2023



¹ The Accounting Officer is required to sign and date the appropriation account and a separate introduction/ statement on internal financial control. Changes to an account arising from the audit process can result in a re-signing of the appropriation account and/or the statement.

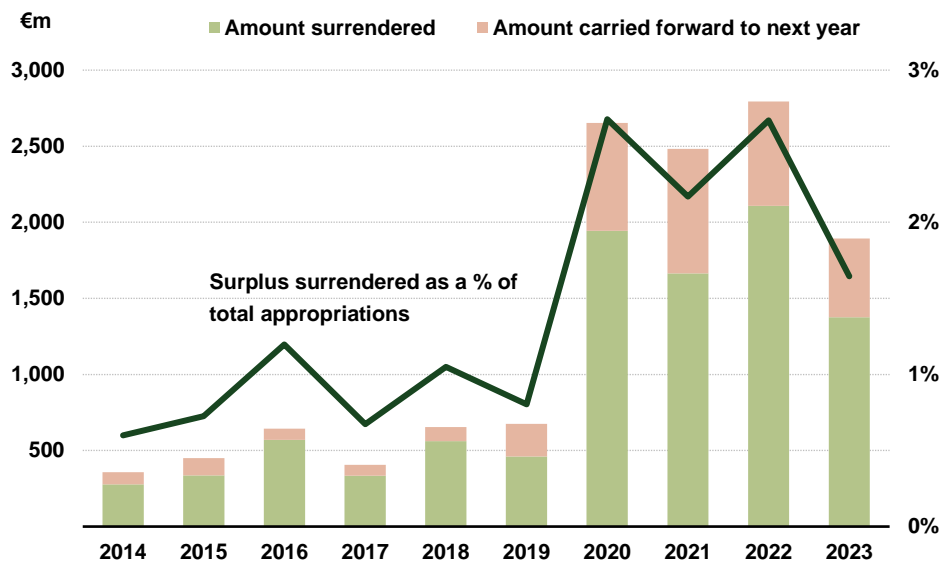
Source: Appropriation Accounts, 2014 to 2023. Analysis by the Office of the Comptroller and Auditor General.

Management of vote surpluses

3.16 Departments and offices are not permitted to spend more than the amount appropriated for each vote. When the net expenditure in the year is less than the amount provided, the surplus is liable to be surrendered to the Exchequer. The carrying over of certain funding to the succeeding year is possible if approved in the Appropriation Act for the year of account, and further sanctioned by the Minister for Public Expenditure, National Development Plan Delivery and Reform under the provisions of section 91 of the Finance Act 2004.

3.17 Surpluses were recorded by all votes in 2023. The 2023 surpluses totalled €1,894 million (see Figure 3.3). Of that amount, a total of €519 million was approved for carry over to 2024. The balance of €1,375 million was due for surrender. The reasons for the underspending recorded by each vote are disclosed in the notes to the relevant appropriation accounts.

Figure 3.3 Surplus appropriations, 2014 – 2023



Source: Appropriation Accounts, 2014 to 2023. Analysis by the Office of the Comptroller and Auditor General.

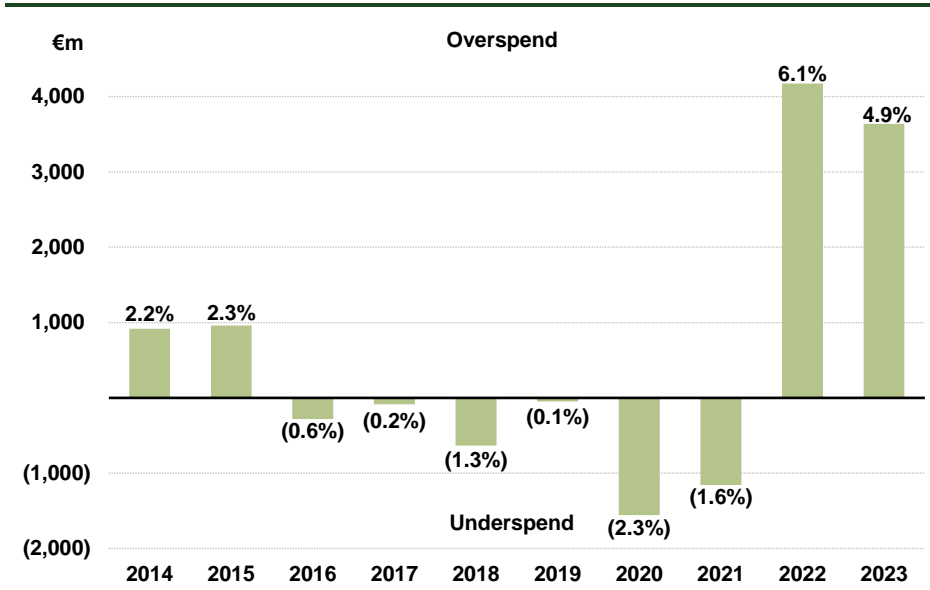
Budget variances

3.18 The estimates approved by Dáil Éireann for 2023 represent the estimated amounts required to meet the cost of the services to be provided from each vote, and forecast appropriations-in-aid. The budget variance is the difference between these estimates of net expenditure and the actual outturn in a year.¹ In 2023, net expenditure was €3.6 billion greater than the original forecast (see Figure 3.4).

3.19 For 17 votes, the net expenditure outturn was greater than the original estimate. Figure 3.5 sets out the proportionate variance between actual expenditure and the original estimate in 2023, for those votes with a variance of more than (+/-)10%.

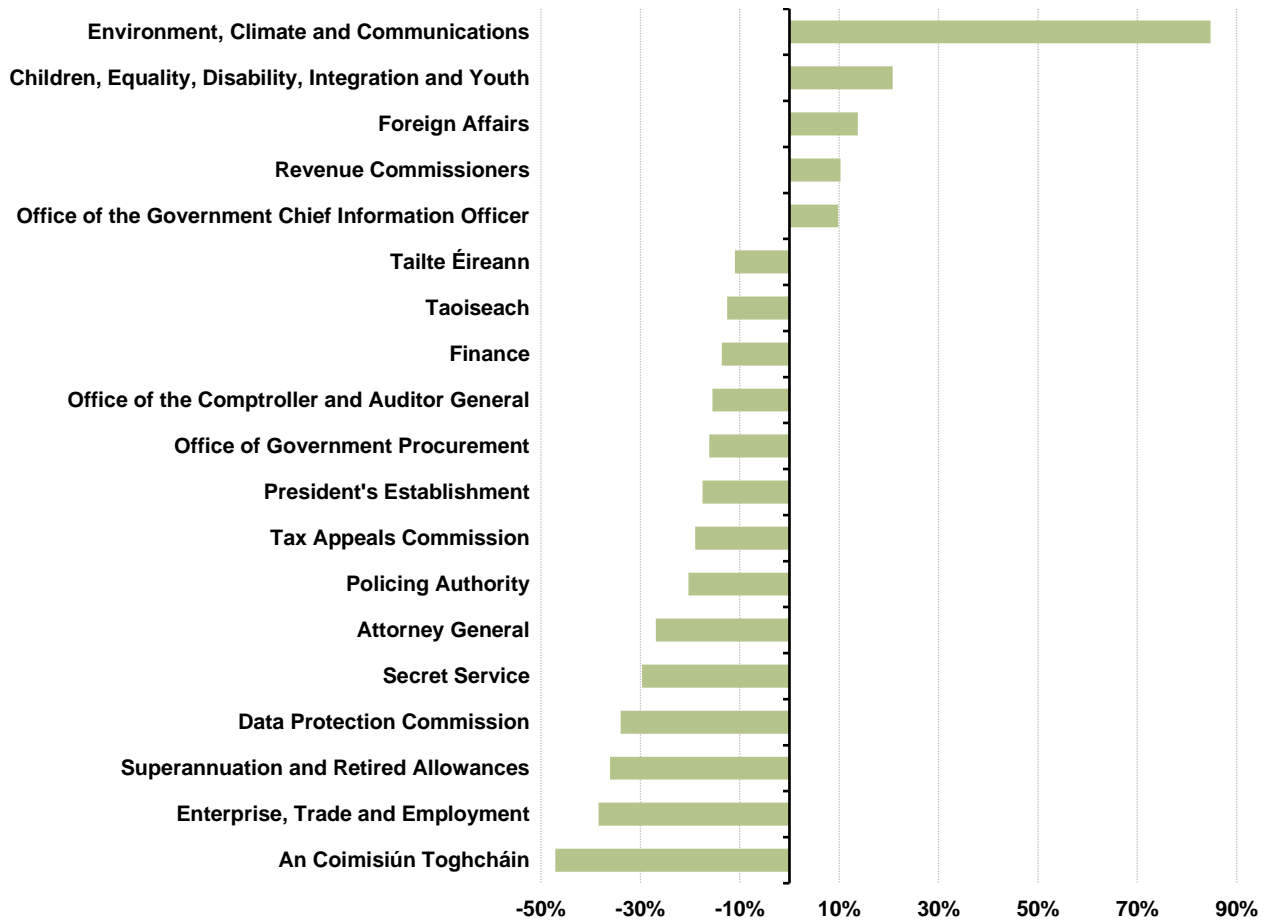
¹ There is a statutory provision to allow unspent capital allocations to be carried over to the following year for use for the same purpose, with agreement from the Department of Public Expenditure. In this report, such carryover amounts are treated as part of the (following year's) annual appropriations.

Figure 3.4 Net expenditure variance from budget, all votes, 2014 – 2023



Source: Appropriation Accounts, 2014 to 2023. Analysis by the Office of the Comptroller and Auditor General.

Figure 3.5 Net expenditure variance, as a proportion of the original budget, selected votes 2023



Source: 2023 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

Budget variance in Vote 29 Environment, Climate and Communications

- 3.20** Vote 29 Environment, Climate and Communications had the largest percentage overspend, at 85% (2022: 157%) compared with its original estimate. This was mainly due to continued emergency measures introduced in response to increased energy prices. The cost of electricity credits applied to domestic accounts of €926 million (2022: 1.588 billion) was not included in the original estimate but was provided through supplementary estimates.
- 3.21** Of the €926 million expenditure incurred on the electricity costs emergency benefits schemes in 2023, €611 million related to electricity credits that were applied to domestic accounts in 2024. This amount is recorded as a prepayment and is disclosed in the statement of financial position in the relevant appropriation account.

Temporary Business Energy Support Scheme (Vote 32)

- 3.22** There was a surplus of €616.9 million — 37% of the total appropriation — on Vote 32 Enterprise, Trade and Employment. Of this surplus, €20 million was carried over to 2024, and the balance of €596.9 million was surrendered. This was the second consecutive year when there was a significant surplus on this vote — the 2022 surrender amounted to €715 million.
- 3.23** The Temporary Business Energy Support Scheme (TBESS) was introduced in September 2022 as part of a set of measures to counteract increased energy costs.¹ A supplementary estimate of €650 million was provided for in December 2022 to meet the cost. However, the outturn on the subhead in 2022 was just €5.5 million.
- 3.24** The TBESS was originally due to expire on 28 February 2023. Following an assessment carried out by the Department of Finance, the scheme was extended and enhanced during 2023 in a number of ways
- the claim period of the scheme was extended to 31 July 2023
 - the eligibility threshold for energy cost increases incurred was reduced from 50% to 30%, with effect from 1 September 2022
 - the payment amount was increased from 40% to 50% of a business' eligible costs from 1 March 2023
 - the monthly limit on payments for claim periods from 1 March 2023 onwards was increased from €10,000 to €15,000 per business
 - the time limit for submitting a claim was extended to 30 September 2023.

¹ In accordance with the Finance Act 2022, the Minister of Finance, in consultation with the Minister for Enterprise, Trade and Employment, was responsible for the management and monitoring of the TBESS. The scheme was administered by the Revenue Commissioners.

- 3.25** Notwithstanding these enhancements, only €151 million was expended under the TBESS in 2023, €498 million less than originally allocated for the scheme in the 2023 estimate. The Department of Enterprise, Trade and Employment has stated that the 2023 budget was prepared in conjunction with the Department of Finance and the Department of the Environment, Climate and Communications. It was predicated on the expected worst-case scenario of wholesale energy price rises and consumption, which did not transpire.

Support for kerosene consumption

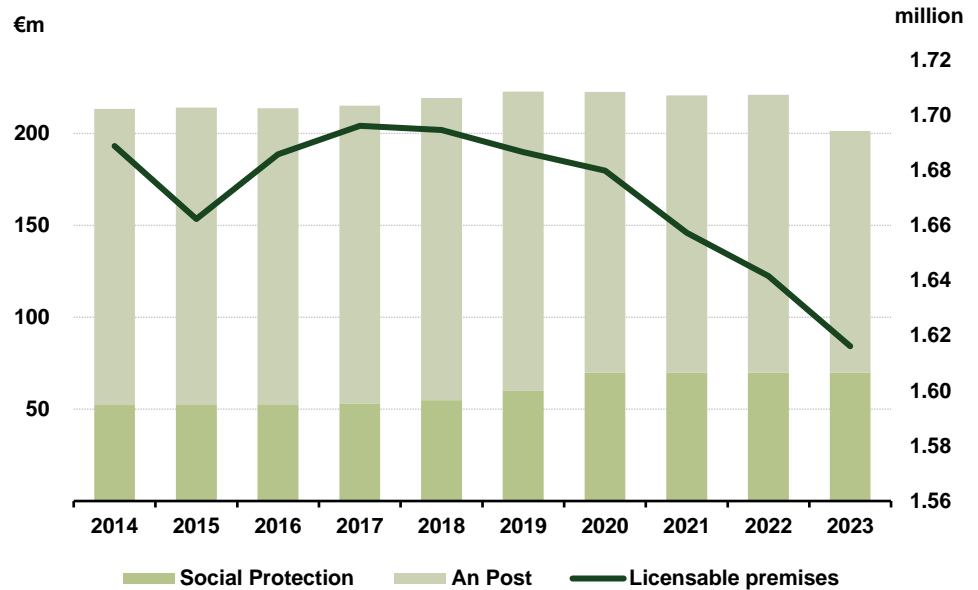
- 3.26** Also arising from the review of the TBESS, the Government agreed that the Department of Enterprise, Trade and Employment would examine options for introducing a separate scheme for businesses that rely on kerosene for their heat sources.
- 3.27** The Business Users Support Scheme for Kerosene (BUSSK) was retrospective and provided payments to reimburse eligible businesses half of the increased cost of kerosene purchased between March and December 2022. The claim period was less than two months and closed on 31 October 2023. It was estimated that the total cost of BUSSK payments would be between €3.3 million and €16.6 million, but this scheme was also significantly under-subscribed.
- 3.28** €1.3 million was expended under the BUSSK. More than half of the expenditure — just over €733,000 — was spent on administration costs. Just under €612,000 was spent on BUSSK scheme beneficiaries.

Television licence receipts (Vote 30)

- 3.29** An Post is the designated body, under the Broadcasting Act 2009, that issues television (TV) licences and collects licence fees on behalf of the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. A TV licence costs €160 per annum. All premises (residential or businesses) that contain a device capable of receiving a TV signal are required to have a valid television licence.
- 3.30** Television licence sales receipts, together with amounts received from the Department of Social Protection in respect of subsidised TV licences, are recorded as appropriations-in-aid in the Vote 33 Tourism, Culture, Arts, Gaeltacht, Sport and Media appropriation account.¹
- 3.31** Just under 83% of the total estimated licensable premises had a valid TV licence in place in 2023, down significantly from 88% in 2022. In addition, the estimated number of licensable premises in Ireland has been declining since 2017.² TV licence income totalled €201 million in 2023, a decrease of €20 million or 9% from that collected in 2022 (see Figure 3.6).
- 3.32** Voted funding equivalent to approximately 85% of the gross revenue generated by the TV licence is paid to RTÉ to carry out its public service broadcasting commitments. Voted funding equivalent to 7% of the gross receipts is paid to Coimisiún na Meán for the Broadcasting Fund. An Post are paid a commission based on the number of licences it issues within a year.
- 3.33** Following the decline in TV licence revenues, additional funding of €16 million for RTÉ was provided in December 2023 by way of supplementary estimate.

¹ The Department of Social Protection pays an annual contribution to Vote 33 in respect of 'free lifetime' TV licences issued to eligible recipients of the Household Benefits Package.

² The estimated licensable premises figures are arrived at through the collation of a number of sources, including housing data from the Census, Central Statistics Office housing data for new builds and business data from the Revenue Commissioner's *Annual Report*, in addition to TAM Nielsen data regarding TV set penetration rates.

Figure 3.6 TV licence fee income and estimated licensable premises, 2014 – 2023

Source: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media

Exchequer receipts

- 3.34** All receipts of central government departments and offices are liable for lodgement to the Exchequer, unless Dáil Éireann decides as part of the estimates process that they may be applied as appropriations-in-aid of specific votes.
- 3.35** Examples of receipts that are not treated as appropriations-in-aid include Ireland's receipts from the EU Emissions Trading System, Tailte Éireann fees, Data Protection Commission and courts 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 and compensation.
- 3.36** Exchequer extra receipts realised in 2023 are shown in the notes to the relevant appropriation accounts. Exchequer extra receipts recorded by departments and offices in 2023 totalled €424 million (2022: €394 million). The aggregate amount of those receipts reported in each account is set out in Annex 3A (Figure 3A.3).

Accounting treatment of certain advances to the Office of Public Works

Development of Europort Terminal 7

- 3.37** The Office of Public Works (OPW) is managing the construction of a new border control post (Terminal 7) which will provide necessary permanent infrastructure at Rosslare Europort to facilitate post-Brexit customs, sanitary and phytosanitary, and official food trade controls. The facilities will be used to accommodate services operated by the Department of Agriculture, Food and the Marine, the Health Service Executive, the Revenue Commissioners and An Garda Síochána.

- 3.38** It is expected that some of the cost of the development of Terminal 7 will be recouped through funding from the Brexit Adjustment Reserve Fund. This is a fund put in place by the EU Commission to provide support to member states to mitigate the impacts of Brexit.¹
- 3.39** The main works on Terminal 7 commenced in 2023 and are planned to be completed by autumn 2025. The overall approved project budget is €236 million, including VAT and contingency. While the OPW is managing the construction project, the costs of the development are being met on a pro-rata basis by Vote 9 Office of the Revenue Commissioners, Vote 20 Garda Síochána, Vote 30 Agriculture, Food and the Marine and the Health Service Executive, based on expected occupancy shares of the facilities. It is a standard arrangement for the OPW to act as the agent of other departments and offices (the principals) in delivering accommodation they require. Similar agency/ principal arrangements were entered into with the OPW for other earlier Brexit projects at Rosslare/Kilrane, Dublin Port and Dublin Airport.

Advances to the OPW

- 3.40** In the course of the audits of the 2023 appropriation accounts, I noted charges totalling €132.7 million in the accounts of Vote 9, Vote 20 and Vote 30 in respect of the Terminal 7 project.
- 3.41** In 2023, the OPW requested funding of €132.7 million from the three votes to meet the costs of the Terminal 7 project as they arose. As is standard practice, the funds are held separately as 'client' funds, and are accounted for by the OPW through suspense accounts.
- 3.42** The OPW certified to the Accounting Officers of the three Votes concerned that a total of €51 million had been disbursed on the Terminal 7 project by 31 December 2023 (see Figure 3.7). As at that date, the remaining €81.7 million had not been disbursed by the OPW on Terminal 7 project costs, and remained as credit balances in favour of the three Votes in the respective suspense accounts.

Figure 3.7 Vote transactions and balances for the Terminal 7 project, 2023

Vote	Advances to OPW	Amount certified as disbursed	Credit balances at 31 December 2023
	€m	€m	€m
9 Office of the Revenue Commissioners	51.3	20.0	31.3
20 Garda Síochána	17.5	6.6	10.9
30 Agriculture, Food and the Marine	63.9	24.4	39.5
Total	132.7	51.0	81.7

Source: 2023 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

¹ Report on the Accounts of the Public Services 2023, chapter 1, Exchequer financial outturn for 2023 contains further information on the Brexit Adjustment Reserve Fund.

Prescribed accounting treatment of payments and advances

- 3.43** The Department of Public Expenditure has set out the principles of government accounting, and guidance on how they are to be applied, in the *Public Financial Procedures*. In addition, the Department publishes a circular each year on the accounting policies and principles to be followed by Accounting Officers in the preparation of the appropriation accounts.
- 3.44** Section C5 of the *Public Financial Procedures* sets out that payments should be treated in appropriation accounts on the following basis.

*Payment procedures must be initiated where a liability has been incurred and when payment is due (matured), even at the risk of incurring an excess vote. Payment procedures must **not** be initiated where a liability has not matured for payment. In the case of goods and services, payment is due when the goods or services have been provided satisfactorily and the supplier has submitted their account...*
[Section C5.3 – with original emphasis]

To ensure the integrity of the appropriation account, all due payments (i.e. matured liabilities) should be settled at year-end and payments that are not matured should not be brought forward into the current accounting period. [Section C5.7]

- 3.45** Based on that principle, *Public Financial Procedures* states that where funds are required to be advanced to an agent to meet payments falling due, the amount charged to the principal's appropriation account is that certified by the agent as having been actually disbursed by it in the year of account. Any unspent balance held by the agent at the year-end represents an asset in the statement of financial position attached to the principal's appropriation account.
- 3.46** Circular 22/2023 *Requirements for Appropriation Accounts 2023* issued by the Department of Public Expenditure in December 2023 states in respect of recognising payments in the 2023 appropriation accounts that

Payments consist of those sums which have come in course of payment during the year. Sums are deemed to have come in course of payment where the liability has been incurred, payment is due and the instruction for the payment has been executed...

In situations where the agent requires the principal to provide advance funding to enable payment to be made, only amounts certified by the agent as having been disbursed by it in the year of account should be charged to the principal's appropriation account.

- 3.47** I noted that the accounting policy had not been complied with in respect of the amounts not certified by the OPW as having been disbursed in respect of the Terminal 7 project i.e. a total of €81.7 million. I noted that the policy had been observed in respect of other agency advances to the OPW made by the respective votes in 2023.
- 3.48** Based on the foregoing, I raised my concern with the respective Accounting Officers that the amounts totalling €81.7 million across the three Votes were not final payments and so were not properly chargeable to the 2023 appropriation accounts and should instead be accounted for as balances advanced to the OPW.

- 3.49** The responses I received from the Accounting Officers explained that they had been told by the Department of Public Expenditure that the payments were appropriate for inclusion in the 2023 accounts, and that the Department had referenced the specific requirements and arrangements in place around the Brexit Adjustment Reserve Fund, and the conditions specified by the EU Commission in respect of the eligibility of claims for recoupment.
- 3.50** In my view, the funding eligibility conditions set by the EU Commission are a separate matter to whether transfers of funds to the OPW are proper charges under the accounting policies for the appropriation accounts set out by the Department of Public Expenditure.

Determination of the Minister for Public Expenditure

- 3.51** In circumstances where I am of the opinion that a transaction recorded in an appropriation account is not properly chargeable to the account, and the explanations received do not satisfy my concern, I am required under section 3(2) of the Comptroller and Auditor General (Amendment) Act 1993 to refer the matter to the Minister for Public Expenditure, National Development Plan Delivery and Reform (the Minister for Public Expenditure) who is required to determine how the transaction shall be accounted for.
- 3.52** Accordingly, I referred the matter to the Minister for Public Expenditure. In response, the Minister stated that on foot of guidance from the EU Commission, expenditure in respect of Brexit projects must have been paid and incurred by public authorities by 31 December 2023 to be claimed under the Brexit Adjustment Reserve Fund. He stated that this deadline created the relevant matured liability, and that votes must honour such liabilities. He stated that the OPW had requested payments totalling €132.7 million for the relevant works, and that the Votes in question had made the appropriate payments. On that basis, the Minister determined that the funds paid to the OPW in 2023 were appropriate for inclusion in the 2023 appropriation accounts.
- 3.53** Given the determination of the Minister as provided for by law, the unspent balances became charges in the respective Votes for the 2023 year of account.

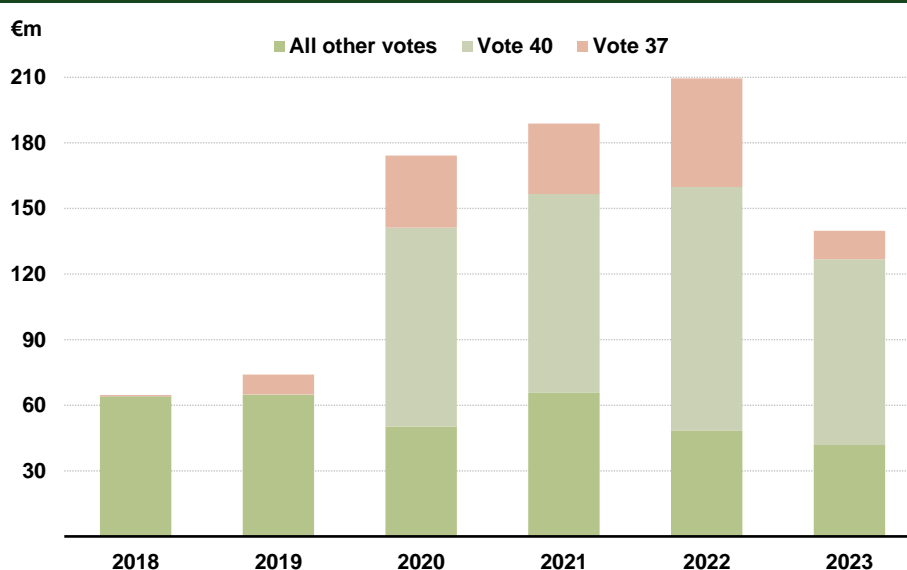
Report under section 3 (2) (b) of the Comptroller and Auditor General (Amendment) Act 1993

- 3.54** As the auditor of the appropriation accounts, I am required by section 3 (10) of the Comptroller and Auditor General (Amendment) Act 1993 to report, *inter alia*, on the correctness of the payments recorded in the appropriation accounts. For that purpose, I express my opinion in respect of each account as to whether it properly presents the receipts and expenditure of the vote for the year of account, and has been prepared in the form prescribed by the Minister for Public Expenditure.
- 3.55** In order to facilitate proper parliamentary accountability, the audited appropriation accounts need to be reliable, consistent and clearly understood by users. This is achieved through a clear set of accounting rules which are consistently applied within and across appropriation accounts. Where any deviations from the standard policies arise, they should be clearly disclosed and explained.
- 3.56** Given the significant departure from the principles set out in *Public Financial Procedures* and from the standard accounting policies for appropriation accounts in respect of the charges totalling €81.7 million, I consider it appropriate to draw this matter to the attention of Dáil Éireann.

Non-compliant procurement trend analysis

- 3.57** All departments and offices are required to ensure there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with relevant public procurement guidelines. Instances of non-compliant procurement (in excess of €25,000) are disclosed in the statement on internal financial control in each appropriation account. Significant non-compliant expenditure is also referred to in the audit certificate.
- 3.58** The value of non-compliant procurement reported across all votes continued on an upward trend over the period 2018 – 2022. However, it decreased by 33% from €209.6 million in 2022 to €139.7 million in 2023 (Figure 3.8).

Figure 3.8 Non-compliant procurement 2018 – 2023

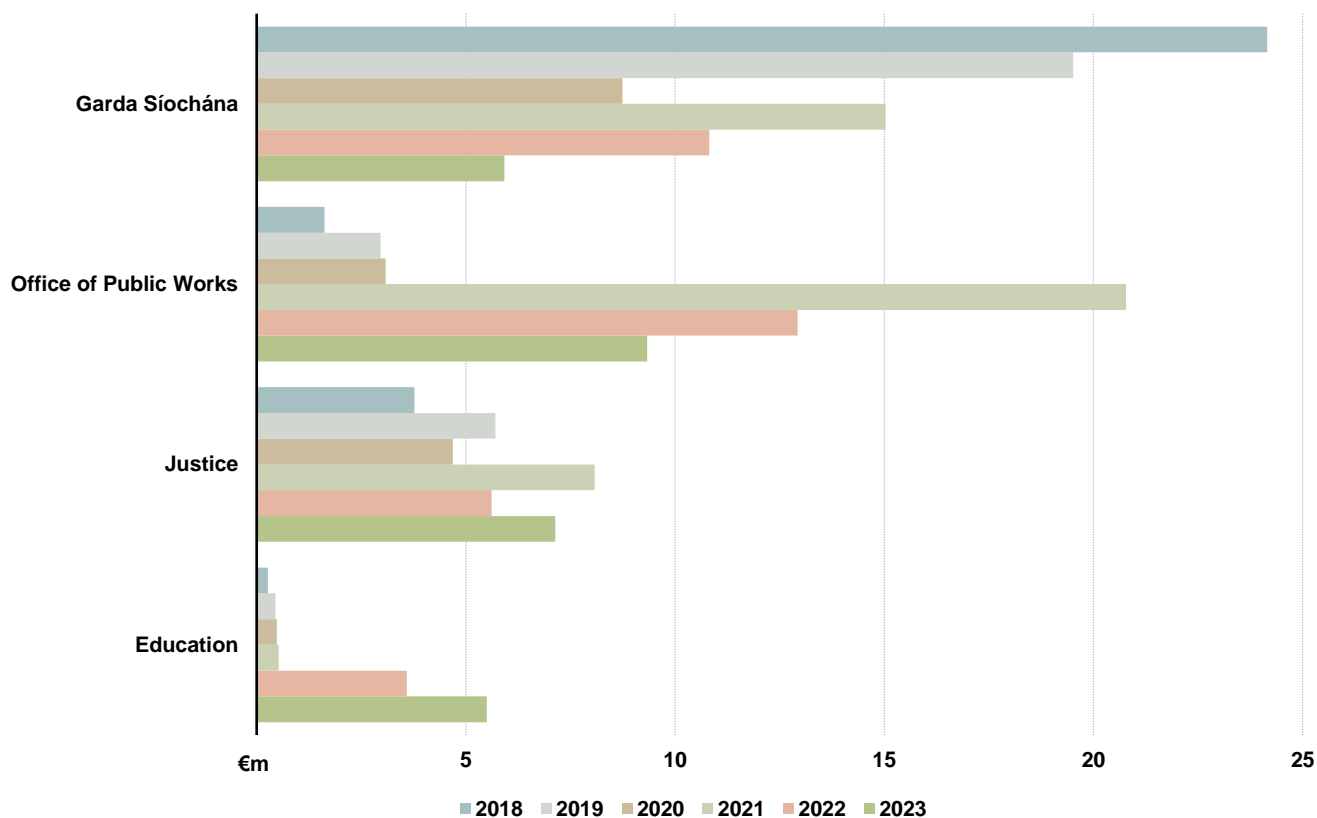


Source: Statement on Internal Financial Control, Appropriation Accounts 2018 – 2023

- 3.59** The significant increase from 2020 onwards is largely driven by the value of non-compliant procurement reported by Vote 37 Social Protection and Vote 40 Children, Equality, Disability, Integration and Youth. These two votes combined account for 70% of the non-compliant procurement spend across all votes in 2023 (2022: 77%).
- 3.60** The value of non-compliant procurement reported by Vote 37 relates mainly to the extension of contracts for employment services. The Department of Social Protection stated that the regularising of such services was delayed during the pandemic but contracts have now been procured and are in place for all employment services. Non-compliant procurement reported by the Department has reduced significantly from €49.8 million in 2022 to €12.9 million in 2023.
- 3.61** The high value of non-compliant procurement reported by Vote 40 relates mainly to contracts entered into for the provision of international protection accommodation services. The value of non-compliant procurement has reduced by 24% from 2022 (€111.6 million) to 2023 (€84.9 million), while the total reported spend on accommodation and related services has increased from €367 million in 2022 to €655 million in 2023.

3.62 The remaining votes with non-compliant expenditure of €5 million or more in 2023 are presented in Figure 3.9. Further details of non-compliant procurement for each vote are disclosed in the statement on internal financial control of the relevant appropriation account.

Figure 3.9 Votes with non-compliant expenditure of €5 million or more in 2023^a



Source: Statement on Internal Financial Control, Appropriation Accounts 2018 – 2023

Note: a Excludes Social Protection and Children, Equality, Disability, Integration and Youth.

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 appropriations for public services in 2023, by vote.

Figure 3A.2 shows how surplus appropriations in 2023 were applied — either through deferral of expenditure to 2024, or by surrender to the Exchequer.

Figure 3A.3 shows the Exchequer extra receipts recorded against each vote in 2023.

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 2022	Amount of capital funding not spent in 2022 and carried over for expenditure on capital services in 2023. 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 2022 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 2023 which was carried over for expenditure in 2024. These carry overs were approved by Dáil Éireann.
Surplus to be surrendered	Amount of money appropriated in 2023 but not spent in the year or deferred to 2024, 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 2023, by vote

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2022	Appropriations-in-aid	Total	Gross expenditure	Appropriations-in-aid	Net expenditure	Gross surplus	Excess/(deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1	President's Establishment	5,091	—	83	5,174	4,323	124	4,199	851	41	892
2	Department of the Taoiseach	38,746	—	789	39,535	34,626	736	33,890	4,909	(53)	4,856
3	Office of the Attorney General	26,836	—	705	27,541	20,278	668	19,610	7,263	(37)	7,226
4	Central Statistics Office	72,452	—	1,640	74,092	73,765	2,029	71,736	327	389	716
5	Office of the Director of Public Prosecutions	59,818	—	760	60,578	59,445	899	58,546	1,133	139	1,272
6	Office of the Chief State Solicitor	49,498	—	891	50,389	49,485	1,336	48,149	904	445	1,349
7	Office of the Minister for Finance	46,405	100	910	47,415	41,086	911	40,175	6,329	1	6,330
8	Office of the Comptroller and Auditor General	10,540	—	6,686	17,226	16,640	7,734	8,906	586	1,048	1,634
9	Office of the Revenue Commissioners	526,204	—	61,155	587,359	585,127	62,468	522,659	2,233	1,313	3,546
10	Tax Appeals Commission	3,621	—	84	3,705	2,987	54	2,933	718	(30)	688
11	Office of the Minister for Public Expenditure, National Development Plan Delivery and Reform	51,298	—	3,025	54,323	50,004	3,307	46,697	4,319	282	4,601
12	Superannuation and Retired Allowances	306,766	—	520,855	827,621	814,193	618,249	195,944	13,428	97,394	110,822
13	Office of Public Works	619,904	27,000	21,706	668,610	657,553	27,257	630,296	11,058	5,551	16,609
14	State Laboratory	12,124	—	1,260	13,384	13,265	1,404	11,861	119	144	263
15	Secret Service	2,000	—	—	2,000	1,407	—	1,407	593	—	593

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2022	Appropriations-in-aid	Total	Gross expenditure	Appropriations-in-aid	Net expenditure	Gross surplus	Excess/(deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
16	Tailte Éireann	84,104	590	1,820	86,514	77,068	1,688	75,380	9,446	(132)	9,314
17	Public Appointments Service	21,299	—	306	21,605	21,084	413	20,671	521	107	628
18	National Shared Services Office	72,189	1,200	6,579	79,968	74,217	6,938	67,279	5,751	359	6,110
19	Office of the Ombudsman	13,421	—	476	13,897	12,728	523	12,205	1,169	47	1,216
20	Garda Síochána	2,193,947	—	130,388	2,324,335	2,303,541	134,867	2,168,674	20,794	4,479	25,273
21	Prisons	430,274	3,205	11,586	445,065	443,783	11,653	432,130	1,282	67	1,349
22	Courts Service	144,961	1,850	36,713	183,524	183,500	38,148	145,352	24	1,435	1,459
23	An Coimisiún Toghcháin	5,681	—	53	5,734	3,059	56	3,003	2,674	3	2,677
24	Justice	452,723	—	117,094	569,817	551,161	129,913	421,248	18,657	12,819	31,476
25	Irish Human Rights and Equality Commission	8,299	—	120	8,419	8,386	118	8,268	33	(2)	31
26	Education	10,470,276	—	404,118	10,874,394	10,808,822	408,779	10,400,043	65,572	4,661	70,233
27	International Co-operation	740,486	—	1,030	741,516	738,521	1,578	736,943	2,995	548	3,543
28	Foreign Affairs	321,628	2,250	72,000	395,878	390,773	74,706	316,067	5,105	2,706	7,811
29	Environment, Climate and Communications	1,994,051	—	10,615	2,004,666	1,967,772	17,762	1,950,010	36,894	7,147	44,041
30	Agriculture, Food and the Marine	2,024,405	27,500	231,010	2,282,915	2,117,442	245,394	1,872,048	165,473	14,384	179,857
31	Transport	3,572,282	137,956	25,455	3,735,693	3,564,612	22,801	3,541,811	171,081	(2,654)	168,427
32	Enterprise, Trade and Employment	1,549,493	54,500	71,921	1,675,914	1,065,773	78,631	987,142	610,141	6,710	616,851
33	Tourism, Culture, Arts, Gaeltacht, Sport and Media	928,666	20,000	252,843	1,201,509	1,110,436	218,153	892,283	91,073	(34,690)	56,383

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2022	Appropriations-in-aid	Total	Gross expenditure	Appropriations-in-aid	Net expenditure	Gross surplus	Excess/(deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
34	Housing, Local Government and Heritage	6,400,741	340,000	67,924	6,808,665	6,663,133	77,646	6,585,487	145,532	9,722	155,254
35	Army Pensions	289,375	—	5,000	294,375	290,961	4,996	285,965	3,414	(4)	3,410
36	Defence	890,455	—	24,907	915,362	906,394	34,027	872,367	8,968	9,120	18,088
37	Social Protection	12,600,766	1,390	307,034	12,909,190	12,799,470	311,795	12,487,675	109,720	4,761	114,481
38	Health	21,954,423	—	438,371	22,392,794	22,319,348	446,374	21,872,974	73,447	8,003	81,450
39	Office of Government Procurement	21,718	35	525	22,278	18,786	538	18,248	3,492	13	3,505
40	Children, Equality, Disability, Integration and Youth	7,152,544	—	31,959	7,184,503	7,144,998	31,205	7,113,793	39,505	(754)	38,751
41	Policing Authority	4,143	—	70	4,213	3,389	89	3,300	825	19	844
42	Rural and Community Development	395,081	14,500	44,900	454,481	431,893	52,136	379,757	22,588	7,236	29,824
43	Office of the Government Chief Information Officer	45,189	—	197	45,386	44,534	298	44,236	852	101	953
44	Data Protection Commission	26,622	—	285	26,907	17,832	259	17,573	9,075	(26)	9,049
45	Further and Higher Education, Research, Innovation and Science	3,221,397	55,169	90,746	3,367,312	3,322,340	95,944	3,226,396	44,972	5,198	50,170
	Total	79,861,942	687,245	3,006,594	83,555,781	81,829,940	3,174,604	78,655,336	1,725,845	168,010	1,893,855

Source: 2023 Appropriation Accounts. Any apparent differences 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 2023 appropriations, by vote

Vote	Service	Surplus for the year	Deferred surrender (to 2024)	Surplus for surrender	Surplus surrendered % of the total appropriation
		€000	€000	€000	
1	President's Establishment	892	—	892	17%
2	Department of the Taoiseach	4,856	—	4,856	12%
3	Office of the Attorney General	7,226	—	7,226	26%
4	Central Statistics Office	716	—	716	1%
5	Office of the Director of Public Prosecutions	1,272	—	1,272	2%
6	Office of the Chief State Solicitor	1,349	—	1,349	3%
7	Office of the Minister for Finance	6,330	110	6,220	13%
8	Office of the Comptroller and Auditor General	1,634	—	1,634	9%
9	Office of the Revenue Commissioners	3,546	—	3,546	1%
10	Tax Appeals Commission	688	—	688	19%
11	Office of the Minister for Public Expenditure, National Development Plan Delivery and Reform	4,601	—	4,601	8%
12	Superannuation and Retired Allowances	110,822	—	110,822	13%
13	Office of Public Works	16,609	—	16,609	2%
14	State Laboratory	263	—	263	2%
15	Secret Service	593	—	593	30%
16	Tailte Éireann	9,314	—	9,314	11%
17	Public Appointments Service	628	—	628	3%
18	National Shared Services Office	6,110	1,200	4,910	6%
19	Office of the Ombudsman	1,216	—	1,216	9%
20	Garda Síochána	25,273	15,000	10,273	0%
21	Prisons	1,349	—	1,349	0%
22	Courts Service	1,459	—	1,459	1%
23	An Coimisiún Toghcháin	2,677	—	2,677	47%
24	Justice	31,476	1,400	30,076	4%
25	Irish Human Rights and Equality Commission	31	—	31	0%
26	Education	70,233	—	70,233	1%
27	International Co-operation	3,543	—	3,543	0%
28	Foreign Affairs	7,811	—	7,811	2%
29	Environment, Climate and Communications	44,041	1,800	42,241	2%
30	Agriculture, Food and the Marine	179,857	45,600	134,257	6%

Vote	Service	Surplus for the year	Deferred surrender (to 2024)	Surplus for surrender	Surplus surrendered % of the total appropriation
		€000	€000	€000	
31	Transport	168,427	140,920	27,507	1%
32	Enterprise, Trade and Employment	616,851	20,000	596,851	36%
33	Tourism, Culture, Arts, Gaeltacht, Sport and Media	56,383	21,480	34,903	3%
34	Housing, Local Government and Heritage	155,254	141,000	14,254	0%
35	Army Pensions	3,410	—	3,410	1%
36	Defence	18,088	—	18,088	2%
37	Social Protection	114,481	—	114,481	1%
38	Health	81,450	70,000	11,450	0%
39	Office of Government Procurement	3,505	115	3,390	15%
40	Children, Equality, Disability, Integration and Youth	38,751	—	38,751	1%
41	Policing Authority	844	—	844	20%
42	Rural and Community Development	29,824	20,000	9,824	2%
43	Office of the Government Chief Information Officer	953	—	953	2%
44	Data Protection Commission	9,049	—	9,049	34%
45	Further and Higher Education, Research, Innovation and Science	50,170	40,091	10,079	0%
Total		1,893,855	518,716	1,375,139	2%

Source: 2023 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

Figure 3A.3 Exchequer 'extra' receipts 2023, by vote

Vote	Service	Receipts realised
		€000
1	President's Establishment	—
2	Department of the Taoiseach	91
3	Office of the Attorney General	—
4	Central Statistics Office	—
5	Office of the Director of Public Prosecutions	1,221
6	Office of the Chief State Solicitor	1
7	Office of the Minister for Finance	11,976
8	Office of the Comptroller and Auditor General	—
9	Office of the Revenue Commissioners	1,398
10	Tax Appeals Commission	—
11	Office of the Minister for Public Expenditure, National Development Plan Delivery and Reform	21
12	Superannuation and Retired Allowances	—
13	Office of Public Works	—
14	State Laboratory	—
15	Secret Service	—
16	Tailte Éireann	91,207
17	Public Appointments Service	—
18	National Shared Services Office	—
19	Office of the Ombudsman	—
20	Garda Síochána	18,750
21	Prisons	—
22	Courts Service	8,146
23	An Coimisiún Toghcháin	—
24	Justice	37
25	Irish Human Rights and Equality Commission	—
26	Education	—
27	International Co-operation	—
28	Foreign Affairs	—
29	Environment, Climate and Communications	189,040
30	Agriculture, Food and the Marine	—

Vote	Service	Receipts realised
		€000
31	Transport	22,849
32	Enterprise, Trade and Employment	34,126
33	Tourism, Culture, Arts, Gaeltacht, Sport and Media	13,399
34	Housing, Local Government and Heritage	14,566
35	Army Pensions	—
36	Defence	—
37	Social Protection	10
38	Health	37
39	Office of Government Procurement	—
40	Children, Equality, Disability, Integration and Youth	7,592
41	Policing Authority	—
42	Rural and Community Development	8,101
43	Office of the Government Chief Information Officer	—
44	Data Protection Commission	815
45	Further and Higher Education, Research, Innovation and Science	521
Total		423,904

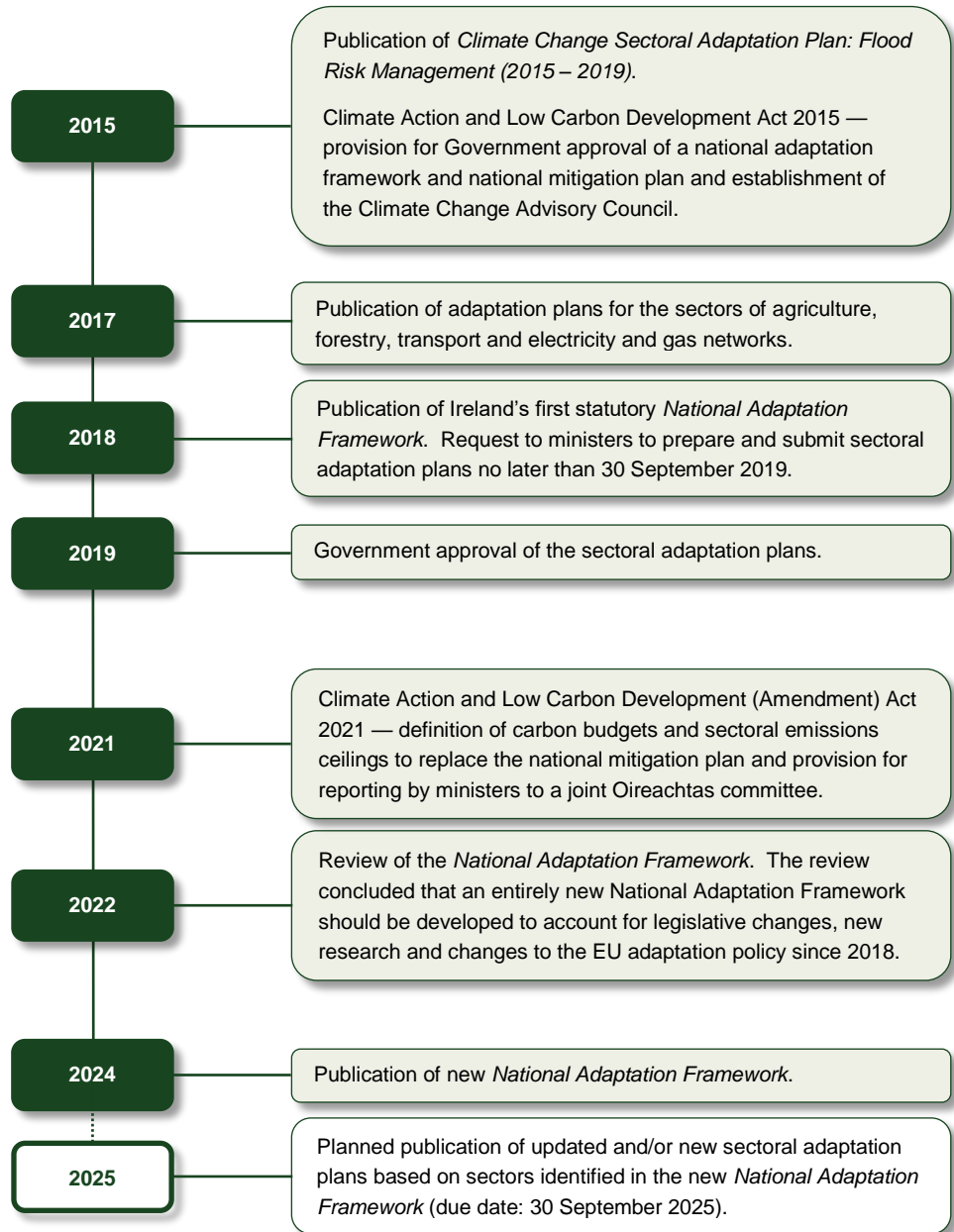
Source: 2023 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

4 Adapting flood risk management to climate change impacts

- 4.1** Climate changes observed in Ireland reflect global trends. The direct impacts of climate change on Ireland include increasing average temperatures, changes in precipitation patterns, sea-level rise and changes in the variability and extremes of storms, flooding, sea surges and flash floods.
- 4.2** Due to the delayed impacts of past and current greenhouse gas emissions, those changes are projected to continue and increase over the coming decades, regardless of how successful efforts to reduce emissions prove to be. This underlines the need to adapt to climate change in addition to mitigating its effects.
- 4.3** As early as 1992, the United Nations Framework Convention on Climate Change (UNFCCC) — to which Ireland is a signatory — set out the commitment to formulate, implement, publish and regularly update national and regional programmes containing measures both to
- mitigate climate change, and
 - facilitate adequate adaptation to climate change.¹
- 4.4** Under Article 7 of the 2015 Paris Agreement, Ireland further committed to contribute to the ‘global goal on adaptation’. Climate change adaptation is the process of adjusting to actual or anticipated changes in climate conditions and their impacts and includes a wide range of actions aimed at
- reducing vulnerabilities
 - enhancing resilience and
 - safeguarding communities and ecosystems against the adverse effects of climate change.
- 4.5** Following Government approval in December 2017, Ireland’s first statutory *National Adaptation Framework* (the Framework) was published and laid before both Houses of the Oireachtas in January 2018 (see Figure 4.1).²
- 4.6** A new *National Adaptation Framework* was published in June 2024. New and/or updated sectoral adaptation plans will have to be prepared and submitted to Government by 30 September 2025.

¹ United Nations Framework Convention on Climate Change, article 4, paragraph 1(b).

² The Minister for the Environment, Climate and Communications was required under section 5 of the Climate Action and Low Carbon Development Act 2015 (the Act) to prepare a national climate change adaptation framework and submit it to Government for approval within 24 months of the passing of the Act.

Figure 4.1 National and sectoral adaptation planning in Ireland, 2015 to 2025^a

Source: *National Adaptation Framework* (2018); Department of the Environment, Climate and Communications; Office of Public Works

Note: a Ireland's adaptation framework includes the development of local adaptation strategies and plans by local authorities in addition to sectoral adaptation plans. The local adaptation planning process and timeline are not reflected in this graph.

Flood risk management adaptation plan

- 4.7** The Framework identifies 12 priority sectors for which sectoral adaptation plans were to be prepared and submitted to Government for approval (see Annex 4A). The Office of Public Works (OPW) is the lead organisation for the sectoral adaptation plan for flood risk management.
- 4.8** The OPW's *Flood Risk Management Climate Change Sectoral Adaptation Plan* (the Plan) was approved by Government in October 2019 alongside the other sectoral adaptation plans prepared under the Framework.^{1,2}
- 4.9** The Plan defines the long-term goal of 'promoting sustainable communities and supporting our environment through the effective management of the potential impacts of climate change on flooding and flood risk'.

Focus of this examination

- 4.10** This examination was undertaken to
- consider the Plan's compliance with relevant national guidelines and requirements
 - review the governance structure in place in Ireland in the area of climate change adaptation, with a particular focus on the flood risk management sector
 - establish what funding and resources have been made available to support the implementation of the Plan
 - assess the progress made in implementing the Plan since its approval by Government in October 2019.
- 4.11** The examination team reviewed documentation and conducted onsite fieldwork at the OPW and interviews with relevant staff in the OPW and the Department of the Environment, Climate and Communications (the Department).

Compliance

- 4.12** Key requirements and criteria in relation to sectoral adaptation planning in Ireland are set out in the Act and in the Framework. Statutory requirements contained in the Act are listed in Figure 4.2.³ The Plan was assessed by the examination team against these requirements and was found to be compliant.
- 4.13** In addition, the Department published *Sectoral planning guidelines for climate change adaptation* in May 2018 to assist bodies in the development of sectoral adaptation plans under the Framework. The guidelines were originally developed as part of an Environmental Protection Agency research project and informed by international best practice.⁴ The Plan is structured in a way that reflects the process and steps defined in the sectoral planning guidelines.

1 All the sectoral adaptation plans were submitted for approval in a joint memorandum for the Government presented by the Minister for the Environment, Climate and Communications.

2 The OPW had previously developed a sectoral adaptation plan for flood risk management on a non-statutory footing — *Climate Change Sectoral Adaptation Plan: Flood Risk Management (2015 – 2019)*, November 2015. The 2019 Plan updates this earlier sectoral adaptation plan.

3 The Climate Action and Low Carbon Development (Amendment) Act 2021 was not in place when the Framework and sectoral adaptation plans were being developed.

4 Environmental Protection Agency, Research 258: *The Development of an Irish Climate Information Platform (ICIP) — Phase 3 (2015 – 2017)*. The full report can be found [here](#).

Figure 4.2 Key statutory sectoral adaptation planning requirements**Climate Action and Low Carbon Development Act 2015**

Submit a sectoral adaptation plan for Government approval by 30 September 2019

Consult with other ministers as specified by the Minister for the Environment, Climate and Communications

Consult with the Environmental Protection Agency

Consult with the Climate Change Advisory Council

Hold a public consultation on the draft sectoral adaptation plan

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

Climate change adaptation actions

4.14 The Plan identifies 21 actions to deliver on the adaptation goal and on the objectives set for the flood risk management sector (see Annex 4B). Responsibility for carrying out climate change adaptation within the sector is established at the level of individual adaptation actions — the Plan identifies one or several stakeholders responsible for the implementation of each action.

4.15 A total of 15 organisations and stakeholder groups are assigned responsibility for implementing the 21 adaptation actions set out in the Plan. The OPW is responsible — solely or jointly — for the highest number of actions (see Figure 4.3).

Figure 4.3 Actions for which identified stakeholders are responsible^{a,b}

Agencies	Enhancing our knowledge and understanding									Adapting practices						Cross-sectoral adaptation					
	1.A	1.B	1.C	1.D	1.E	1.F	1.G	1.H	1.I	2.A	2.B	2.C	2.D	2.E	2.F	3.A	3.B	3.C	3.D	3.E	3.F
Office of Public Works	●	●	●		●	●	●	●	●	●	●		●	●	●	●	●			●	
Local authorities	●			●	●							●			●			●	●	●	●
Uisce Éireann				●	●	●												●	●		
DHLGH																●			●	●	●
Waterways Ireland				●	●													●			
ESB				●	●													●			
Met Éireann						●														●	
EPA	●					●															

● Jointly responsible ● Solely responsible

Source: *Flood Risk Management: Climate Change Sectoral Adaptation Plan (2019)*. Analysis by the Office of the Comptroller and Auditor General.

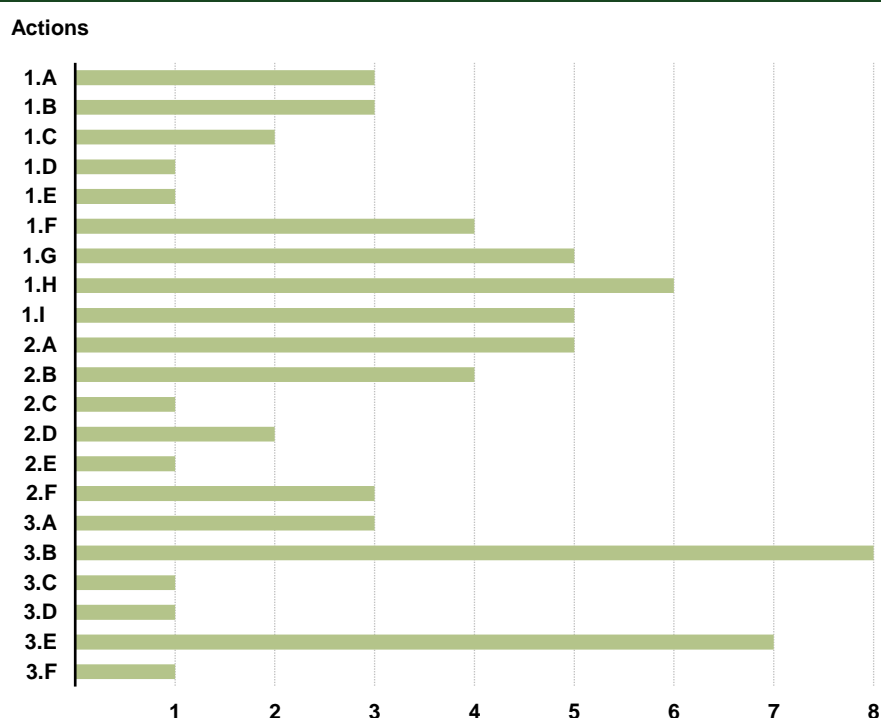
Notes: a Only includes bodies responsible for the implementation of more than one of the adaptation actions set out in the Plan. See Annex 4B for other jointly responsible bodies.

b Acronyms: DHLGH = Department of Housing, Local Government and Heritage; ESB = Electricity Supply Board; EPA = Environmental Protection Agency.

Monitoring of progress

- 4.16** The OPW is ultimately responsible for preparing and reviewing the Plan as well as for monitoring and reporting on progress made in implementing the adaptation actions. The OPW uses a tracker to monitor the progress of the actions set out in the Plan.
- 4.17** The tracker includes all 21 adaptation actions and is further broken down into sub-actions contributing to the progress of each action (see Figure 4.4). Sub-actions are assigned a delivery date and progress status: complete; on schedule; or behind schedule.
- 4.18** New sub-actions may be identified and added to the tracker when new projects or work programmes commence. Sub-action delivery dates that are not set by external obligations (e.g. the EU Floods Directive six-year cycle) may also be amended to reflect ongoing developments and changing work plans.¹
- 4.19** By March 2024, the OPW had identified 67 sub-actions contributing to the delivery of the Plan's 21 actions. As recorded by the OPW
- 37 of the sub-actions were complete
 - 27 sub-actions were in progress and on schedule
 - three sub-actions were in progress but behind schedule.
- 4.20** No formal reporting mechanism is in place whereby the OPW receives periodic progress reports from the organisations responsible for implementing the adaptation actions. Instead, ad hoc updates are obtained through the flood risk management governance groups, the steering groups/committees of individual projects or work programmes on which the OPW sits, or informal communication with the responsible bodies.

Figure 4.4 Number of sub-actions under each adaptation action as at March 2024



¹ Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks is commonly referred to as the EU Floods Directive.

- 4.21** The tracker is the key information source when briefings and progress reports on the implementation of the Plan are provided by the OPW to external stakeholders. The examination team reviewed the progress updates recorded in the tracker and confirmed that sufficient evidence was in place to support them (see case study).

Case study: embedding climate change adaptation in existing and future flood relief schemes

A number of actions set out in the Plan seek to ensure that the potential future impacts of climate change are taken into consideration in the design and construction of flood relief schemes in Ireland. Activities undertaken by the OPW to progress the implementation of those actions are examples of 'soft' adaptation measures as they aim to embed adaptation within existing flood risk management practices.

In 2019, the OPW amended its tender specification document for flood relief scheme engineering and environmental consultancy services to include requirements to

- assess and consider the potential impacts of climate change in the development and design of the options for a preferred scheme (action 1.H)
- produce a scheme climate change adaptation plan as part of the design of new flood relief schemes (actions 1.H and 2.B)
- produce maps detailing the potential for natural water retention measures and carry out a feasibility assessment of the implementation of specific types of natural water retention measures to provide some degree of flood risk reduction in the area under consideration (action 3.B).

In December 2023, the OPW published technical guidance notes for the development of adaptation plans for both new and existing flood relief schemes (actions 2.A and 2.B). Scheme climate change adaptation plans must identify actions that could be taken to manage flood risk in the future, what should trigger a future decision on these actions and when that decision may be required.

All new flood relief schemes developed under the National Development Plan 2018 – 2027 capital works programme are expected to have a scheme climate change adaptation plan. As at early March 2024, the OPW had received and reviewed such a plan in relation to just one scheme.

In addition, a business case for the preparation of scheme climate change adaptation plans for already existing flood relief schemes was presented to OPW senior management in Q1 2023 (action 2.A). A total budget of €10 million was approved for the development of 41 plans covering all 58 OPW-funded flood relief schemes under construction or completed to date in Ireland.

The business case sets out a five-year programme of works to be completed by the end of 2027. It provides for eight scheme climate change adaptation plans to be developed in-house by the OPW, and 33 scheme climate change adaptation plans, grouped into six bundles, to be developed by external suppliers. The OPW is planning to go to tender to commission the first bundle of scheme adaptation plans in September 2024.

Development of climate change adaptation indicators

- 4.22** In 2018, the Framework identified the development of appropriate national, sectoral and local level climate change adaptation indicators as a priority for Ireland to enable the monitoring and assessment of progress on adaptation. As at June 2024, a set of national adaptation indicators had not been defined.
- 4.23** The Department stated that the optimum approach for any set of national indicators is to be aligned with EU indicators and EU reporting requirements, and that the EU is currently considering an approach to this question.
- 4.24** The Plan states that it is preferable to measure outcomes rather than outputs, but recognises that outcomes in relation to climate change adaptation will often take many years or decades to realise and may be difficult to quantify. In these circumstances, process-based indicators may be used to ensure that planned actions are at least being implemented.
- 4.25** The OPW's Accounting Officer stated that its monitoring of implementation via the progress tracker and subsequent reporting to the Climate Change Advisory Council might be considered as serving the same function as process-based indicators.¹

The OPW's interim adaptation indicators

- 4.26** The Plan notes that pending the adoption of a national set of adaptation indicators, five interim indicators would be used to measure progress in implementing climate change adaptation in flood risk management. Figure 4.5 shows the status of the Plan's five interim adaptation indicators, as assessed by the OPW, at the time of publication of the Plan in 2019 (i.e. baseline) and as at the end of 2023.
- 4.27** Two of the interim indicators relate to flood mapping. By the end of 2023, full implementation of the planned mapping had been achieved. In contrast, the status of two of the interim adaptation indicators, both related to climate change adaptation planning at individual flood management scheme level, reflected very little or no progress between 2019 and 2023.
- 4.28** The OPW's Accounting Officer stated that the necessarily sequential delivery of actions and associated timelines set out in the Plan should be considered when assessing the progress reflected in the interim indicators. For example, in respect of
- Indicator 3: the number and percentage of **completed flood relief schemes** for which appropriate adaptation options have been assessed and/or for which scheme adaptation plans have been prepared — a pilot project to develop an efficient and effective approach to the preparation of scheme adaptation plans for completed flood relief schemes was carried out in 2022. Following this, it was then necessary to identify lessons learned to develop guidance and prepare a brief setting out the required approach, and to then implement a national programme of delivery. The target for completion of this work is 2027, as set out in the Plan.
 - Indicator 4: the number and percentage of **flood relief schemes under construction** for which appropriate adaptation options have been assessed and/or for which scheme adaptation plans have been prepared — the time from initiation of a flood relief scheme project to construction will be in excess of five years. The new schemes for which this action in the Plan would have been included in the project brief would have commenced only since 2019, and construction of these schemes would only start from 2024 onwards at the earliest.

¹ The Climate Change Advisory Council is an independent advisory body tasked with assessing and advising on how Ireland can achieve the transition to a climate-resilient, biodiversity-rich, environmentally sustainable and climate-neutral economy.

Figure 4.5 Status of the OPW's flood risk management adaptation indicators, 2019 and 2023

Indicator	2019	2023
1 Length and percentage of coastline for which flood mapping has been prepared and published for two or more future scenarios	Approximately 1,300km 23%	Approximately 5,800km 100%
2 Length and percentage of river reach (with a catchment area greater than 5km ²) for which flood mapping has been prepared and published for two or more future scenarios	Approximately 6,700km 20%	Approximately 33,000km 100%
3 Number and percentage of completed flood relief schemes for which appropriate adaptation options have been assessed and/or for which scheme adaptation plans have been prepared ^a	— 0%	1 flood relief scheme 2%
4 Number and percentage of flood relief schemes under construction for which appropriate adaptation options have been assessed and/or for which scheme adaptation plans have been prepared ^b	— 0%	— 0%
5 Number of properties (residential and commercial) benefiting from a flood relief scheme for which appropriate adaptation options have been assessed and/or for which scheme adaptation plans have been prepared (outcome indicator) ^c	Not available	Not available

Source: Office of Public Works

- Notes:
- a As set out in the Plan (action 2.A) and under the five-year programme of works adopted by the OPW in 2023, the target for completion of this work is 2027.
 - b The OPW stated that construction of these schemes would only start from 2024 onwards at the earliest.
 - c Measurement for this indicator is dependent on the progression of the work under actions 2.A (expected completion 2027) and 2.B (ongoing since 2019) of the Plan. As these actions are not complete, information is not available on this adaptation indicator.

EPA pilot project on indicators for the transport sector

4.29 A research project undertaken by the Environmental Protection Agency (EPA) on selecting and using indicators of climate resilience was in progress when the sectoral adaptation plans were being prepared.¹ The EPA's research project was completed in 2021, and identified a total of 127 potential indicators. The report recommended the selection of an appropriate subset of the indicators, and testing of their implementation in a pilot study.

4.30 The EPA report on the pilot study, which focused on the transport sector, was published in July 2024. It includes a proposed set of indicators for the transport sector, as well as lessons learned and recommendations for the other sectors to help them in the process of identifying and implementing their own climate change adaptation indicators.

¹ Environmental Protection Agency, Research 379: *Policy Coherence in Adaptation Studies: Selecting and Using Indicators of Climate Resilience*. The full report is available [here](#).

- 4.31** The new *National Adaptation Framework* published in June 2024 stipulates that the methodology developed through the EPA project will be included in the revised sectoral adaptation planning guidelines. Under action 1d of the new Framework, sectors will be required to develop and use appropriate climate change adaptation indicators as part of their sectoral adaptation planning process.

Assessment of progress

- 4.32** Since 2021, the Climate Change Advisory Council (the Council) monitors the implementation of sectoral adaptation plans through the use of an adaptation scorecard. The Council's adaptation scorecard assesses the progress made by sectors in the previous 12 months rather than their overall progress since the publication of the sectoral adaptation plans.
- 4.33** The scorecard assesses the degree to which progress is being made in the implementation of climate change adaptation policy and in increasing resilience under three key topics¹
- **risk, prioritisation and adaptive capacity** — assessing whether identified risks are being addressed, adaptive capacity is increasing, knowledge gaps are being addressed and risks are being monitored
 - **resourcing and mainstreaming** — assessing whether appropriate resources are being applied, long term decisions are taking account of future climate and adaptation is being mainstreamed
 - **governance, coordination and cross-cutting issues** — assessing whether systemic coordination is in place and there is good coherence with other policies.
- 4.34** Progress is reported by the lead organisation for each sector in response to a set questionnaire sent by the Council annually. It is not mandatory for lead organisations to respond to the questionnaire, and evidence to support any response provided is not requested. Sectors are scored under each key topic, and given an overall score, based on the Council's qualitative assessment of the information submitted. Participating sectors are also provided with the opportunity to respond to the Council's preliminary assessment of their progress before their adaptation score is finalised.
- 4.35** The scoring system used by the Council includes five levels of progress — no progress/insufficient evidence, limited, moderate, good, and advanced. The flood risk management sector was attributed an overall score of 'good' each year since the adaptation scorecard was created (see Figure 4.6).

Figure 4.6 Adaptation scorecards 2021 – 2023: flood risk management ratings

Key topic	2021	2022	2023
Risk, prioritisation and adaptive capacity	Advanced	Good	Advanced
Resourcing and mainstreaming	Advanced	Good	Good
Governance, coordination and cross-cutting issues	Good	Moderate	Good
Overall	Good	Good	Good

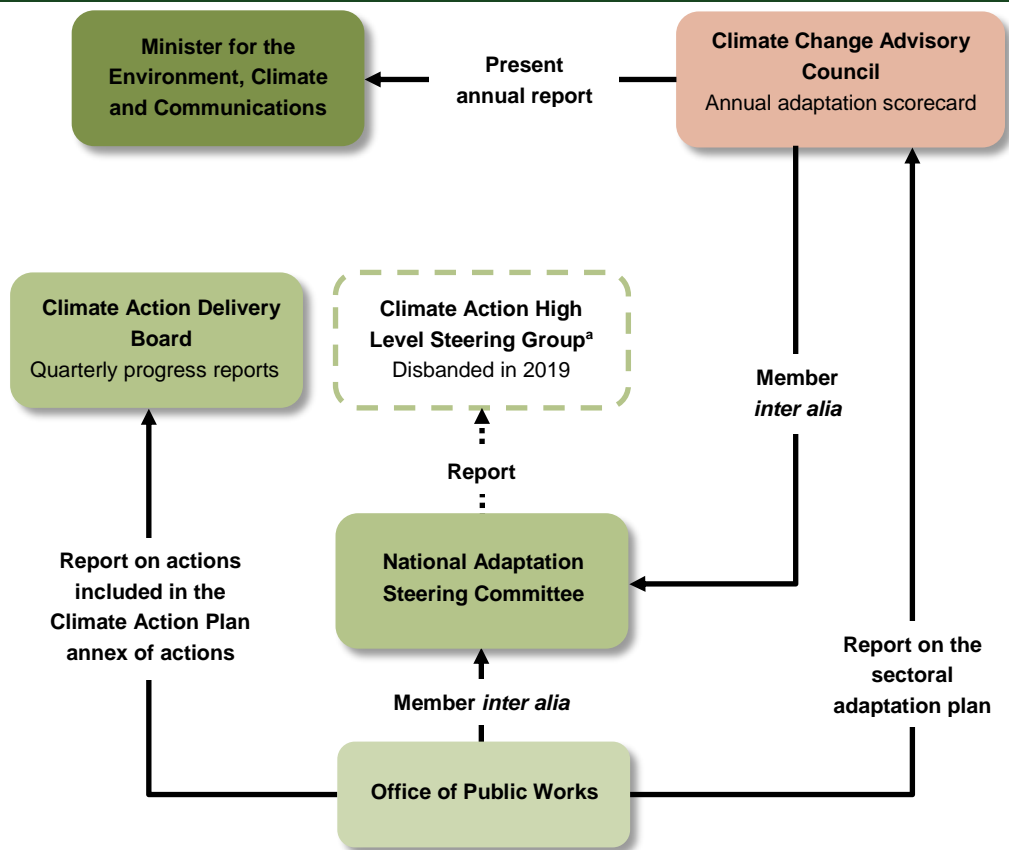
Source: Climate Change Advisory Council's adaptation scorecards, 2021 – 2023

¹ In 2024, the Council adjusted the key topics to be assessed in future scorecards. These topics are now: (i) governance and resourcing, (ii) policy implementation and mainstreaming, and (iii) risk and adaptive management.

Governance

- 4.36 The governance arrangements set out in the Framework have changed over the last number of years. Ireland’s national governance structure in the area of climate change adaptation includes the Climate Action Delivery Board, the National Adaptation Steering Committee and the Council (see Figure 4.7). The key roles and responsibilities of each entity are described at Annex 4C.
- 4.37 The OPW, in its capacity as lead agency for flood risk management in Ireland, is represented on the National Adaptation Steering Committee. The OPW’s Head of the Risk Management and Climate Adaptation Division currently sits on the Council’s Adaptation Committee in an individual capacity. The OPW is not a member of the Climate Action Delivery Board.

Figure 4.7 National governance bodies in climate change adaptation



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

Note: a The Climate Action High Level Steering Group — originally named the National Mitigation Plan High Level Steering Group — was set up in 2017 to drive the implementation of the National Mitigation Plan. Its remit was extended to address both mitigation and adaptation following the approval of the Framework. It disbanded in 2019 when the Climate Action Plan replaced the National Mitigation Plan and the Climate Action Delivery Board was established.

Progress oversight and reporting

- 4.38** The Plan stipulates that the adaptation actions it sets out will be reviewed by
- the Interdepartmental Flood Policy Coordination Group
 - the National EU Floods Directive Coordination Group, and
 - the OPW.
- 4.39** The Plan also envisaged an annual review of progress made on each action to inform the presentation of an annual sectoral adaptation transition statement to the Houses of the Oireachtas in line with the Act. However, reporting mechanisms in relation to climate change adaptation have changed considerably since the publication of the Plan in 2019 (see Figure 4.8).

Figure 4.8 OPW reporting on climate change adaptation in the flood risk management sector, 2019 – 2023

Authority / basis	Reporting mechanism and key developments
Climate Action and Low Carbon Development Act 2015	<ul style="list-style-type: none"> ▪ An annual transition statement to the Houses of the Oireachtas. ▪ An annual sectoral adaptation transition statement, to be included in the annual national transition statement. ▪ The OPW provided a brief summary of its sectoral adaptation plan in the annual transition statements presented for the years 2019 and 2020. ▪ Section 14 removed by the Climate Action and Low Carbon Development (Amendment) Act 2021, and with it reporting through annual sectoral adaptation transition statements. ▪ The Climate Action and Low Carbon Development (Amendment) Act 2021 provides for Government ministers to be required to appear in front of a joint committee of the Oireachtas, including to report on the adaptation policy measures implemented as part of sectoral adaptation plans.
Climate Action Plan (CAP) 2019	<ul style="list-style-type: none"> ▪ Quarterly updates to the Climate Action Delivery Board on the implementation of the sectoral adaptation plans (action 181). ▪ Sectors were requested to provide short updates on the adaptation actions within their plan that were ongoing or due for delivery in the upcoming quarter, as well as on any delayed actions from a previous quarter. ▪ The OPW provided such an update twice upon request, in Q3 2020 and Q2 2021. ▪ Action 181 reporting requirement ceased to exist with the publication of CAP 2021.

Authority / basis	Reporting mechanism and key developments
Climate Action Delivery Board	<ul style="list-style-type: none"> ▪ Sectors are invited to put forward actions or sub-actions from their adaptation plans for inclusion in the annual Climate Action Plan. The definition of the type of actions suitable for inclusion has changed and become more restrictive since the publication of CAP 2019. Actions that can be delivered within the lifespan of the Climate Action Plan and are of a high-level, strategic nature are now preferred. ▪ The Board monitors the implementation of the actions set out in the Climate Action Plan. It publishes quarterly reports detailing progress made on actions due for delivery in that quarter. ▪ The OPW provided progress updates on actions under its responsibility four times over 2022 – 2023. Three updates were in relation to CAP 2021 and one in relation to CAP 2023. ▪ Together, these four updates related to just a third of the actions set out in the sectoral adaptation plan.
Climate Change Advisory Council	<ul style="list-style-type: none"> ▪ Since 2021, the Council produces an annual adaptation scorecard to measure progress of the sectoral and local adaptation plans and the implementation of the National Adaptation Framework. ▪ The scorecard is a qualitative assessment of progress made in the previous year as reported by the individual sectors through a questionnaire issued by the Council. The OPW has engaged with this process every year the scorecard has been produced. ▪ The results and main findings of the adaptation scorecard are included in the Council's annual review which is presented to the Minister for the Environment, Climate and Communications. ▪ The Council scored the flood risk management sector's overall progress on adaptation as 'good' in 2021, 2022 and 2023.
Interdepartmental Flood Policy Coordination Group	<ul style="list-style-type: none"> ▪ The Plan is a recurring item on the agenda for meetings but discussion is limited. The OPW provides a briefing note at every meeting including a high level overview of some of its adaptation activities. ▪ More detailed updates on a small number of the adaptation actions are ordinarily provided as separate items on the agenda e.g. the OPW reports on the status of the National Flood Forecasting Warning Service (action 3.E).
National Floods Directive Coordination Group	<ul style="list-style-type: none"> ▪ The OPW provides detailed updates on progress implementing the relevant cycle of the EU Floods Directive at every group meeting i.e. once or twice a year. These updates relate to five of the Plan's adaptation actions (actions 1.B, 1.C, 1.D, 1.E and 1.G). ▪ An update from Met Éireann on the establishment of the National Flood Forecasting Warning Service (action 3.E) is also a recurring item on the agenda.

Source: Climate Action and Low Carbon Development Acts 2015 and 2021; Office of Public Works; Department of the Environment, Climate and Communications; Climate Change Advisory Council. Analysis by the Office of the Comptroller and Auditor General.

- 4.40** The National Adaptation Steering Committee is cited as maintaining oversight of implementation of actions by the relevant sectors. However, while it was used as a forum to share knowledge and provide updates on the preparation of the sectoral adaptation plans in the period leading up to their approval in 2019, sectors do not ordinarily report to the Committee on the implementation of their adaptation plans and actions.
- 4.41** The Climate Change Advisory Council is currently the only national body to which the OPW provides an update on progress made implementing the Plan and all 21 adaptation actions.
- 4.42** The new *National Adaptation Framework* states that a sub-group of the Senior Officials' Group on the Environment and Climate Change was established in October 2023 to review the resources and governance arrangements in place in relation to climate adaptation policy.
- 4.43** The Department stated that the Senior Officials' sub-group's recommendations will be taken into account in the implementation of the new *National Adaptation Framework*, including on how to ensure more effective implementation of adaptation actions across Government.

EU and other international reporting obligations

Report to the EU Commission

- 4.44** Under EU Regulation 2018/1999, Ireland must also report to the European Commission on its national adaptation planning and strategies every two years, outlining its implemented and planned actions to facilitate adaptation to climate change.¹
- 4.45** The Department is Ireland's representative in respect of the UNFCCC and is responsible for complying with Ireland's reporting obligations on adaptation at EU level. The Department's most recent report to the European Commission was submitted by 15 March 2023.

Report to the UNFCCC

- 4.46** Under the Paris Agreement, Ireland is also required to submit and update periodically an 'adaptation communication' to the UNFCCC. This can be submitted and updated as part of, or in conjunction with, other communications or documents, including a national adaptation plan or a national communication.
- 4.47** Ireland's latest National Communication to the UNFCCC was due by 31 December 2022, and submitted in February 2023. The communication contains a chapter on adaptation that includes a high level overview of implementation progress at sectoral level.² The OPW wrote the section about its adaptation plan for flood risk management and assisted the Department when the latter presented the adaptation chapter to the UNFCCC delegation in April 2023.

¹ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, Article 19. The full text can be found [here](#).

² Ireland's 8th National Communication to the United Nations Framework on Climate Change, May 2023. The communication is available on the UNFCCC [website](#).

Reporting on other goals

- 4.48** The OPW stated that it does not monitor or assess the extent to which the Plan is contributing to other sustainability and/or climate goals to which Ireland is committed (e.g. Sustainable Development Goals; Sendai Framework for Disaster Risk Reduction).

Resources and funding

- 4.49** The Plan does not provide an estimate of the level of funding or staffing required to carry out the 21 climate change adaptation actions. However, it does acknowledge that implementation is subject to the availability of resources within the future budgetary provisions of each body responsible for implementation.
- 4.50** Exchequer funding for the OPW's flood risk management services appears under subhead A.5 of the annual Vote estimate. The budgetary process does not include the specific allocation of funding towards climate change adaptation planning or measures.
- 4.51** The examination team determined that all 21 actions set out in the Plan can be categorised as 'soft' adaptation measures as defined by the Framework i.e. measures that involve alteration in behaviour, regulation or system of management.¹ The Plan, therefore, does not specify any particular physical interventions. In particular, the construction of the flood relief schemes supported by the *National Development Plan 2018 – 2027* — and associated funding allocation of €940 million — is not part of the Plan.
- 4.52** The OPW explained that assessing and tracking direct spending on the Plan is difficult to achieve. This is because its aim is to embed climate change adaptation into flood risk management processes and practices across the public sector. As such, expenditure contributing to the implementation of the Plan is integrated into — and mostly cannot be distinguished from — expenditure incurred on other, ongoing work programmes and projects. The OPW stated that total direct expenditure on the Plan amounted to just under €167,000 to the end of 2023.

Conclusions and recommendations

- 4.53** Climate change adaptation actions are adjustments that are intended to counteract the adverse effects of climate change. The *National Adaptation Framework* (the Framework) was published in January 2018. It identified 12 priority sectors for which sectoral adaptation plans are prepared.
- 4.54** A sectoral adaptation plan on flood risk management (the Plan) was prepared and approved by Government in October 2019. The OPW is the lead agency on flood risk management and has been working on adaptation actions as set out in sectoral adaptation plans for ten years.

Compliance

- 4.55** The OPW's sectoral adaptation plan under the Framework was prepared in compliance with the statutory requirements set out in the Climate Action and Low Carbon Development Act 2015. The structure of the Plan reflects the process and steps outlined in the *Sectoral planning guidelines for climate change adaptation* developed by the Environmental Protection Agency (EPA) and informed by international best practice.

Climate change adaptation actions

- 4.56** The Plan identifies 21 climate change adaptation actions to contribute to the goal and objectives set out for the flood risk management sector. Responsibility for implementing these actions is assigned to 15 different organisations and stakeholder groups, with the OPW being responsible — solely or jointly — for the highest number of actions.

¹ Adaptation measures are categorised as 'soft', 'green' or 'grey'. Green measures use nature-based solutions to enhance resilience to the impacts of climate change. Grey measures involve technical or engineering solutions to climate impacts.

- 4.57** The OPW uses a tracker to monitor and inform reports to external stakeholders on progress made in implementing the adaptation actions set out in the Plan.
- 4.58** While the Plan identifies the groups and bodies responsible for implementing each adaptation action, there is no formal reporting mechanism in place for the OPW to receive progress updates from these stakeholders.

Recommendation 4.1

The next iterations of the flood risk management sectoral adaptation plan should establish formal reporting mechanisms for the OPW to receive progress updates from external stakeholders responsible for individual adaptation actions on a regular basis e.g. quarterly.

OPW's Accounting Officer's response

Agreed.

The OPW will agree actions with relevant external stakeholders in the next sectoral adaptation plan for flood risk management. In doing so, the OPW will also seek agreement on appropriate reporting arrangements to enable the OPW to monitor overall progress across actions.

Timeline for implementation

The update of the *Sectoral Adaptation Plan for Flood Risk Management*; September 2025.

Climate change adaptation indicators

- 4.59** The Climate Change Advisory Council rated the flood risk management sector's overall progress in implementing the Plan as 'good' every year since the creation of the adaptation scorecard in 2021. This is a qualitative assessment based on information provided by the OPW itself and extracted from its progress tracker.
- 4.60** Five interim climate change adaptation indicators in respect of flood management are set out in the Plan. Two of the measures related to flood risk mapping. By the end of 2023, full implementation of the planned mapping had been achieved. In contrast, the status of two of the interim adaptation indicators, both related to climate change adaptation planning at individual flood management scheme level, reflected very little or no progress between 2019 and 2023.
- 4.61** The new *National Adaptation Framework* published in June 2024 stipulates that the methodology used by the EPA in developing climate change adaptation indicators for the transport sector will be included in guidelines that will require sectors to develop and use appropriate climate change adaptation indicators as part of the sectoral adaptation planning process.

Recommendation 4.2

A set of process-based indicators should be developed without delay to allow meaningful monitoring of progress on climate change adaptation and to ensure defined climate change adaptation actions are being implemented.

Department's Accounting Officer's response

Agreed.

The new *National Adaptation Framework* includes an action to introduce in guidelines a requirement that sectoral adaptation plans develop and use appropriate adaptation/resilience indicators to create a fit-for-purpose monitoring, evaluation, research and learning (MERL) system to monitor implementation of climate change adaptation actions and objectives.

While outcome indicators are preferred, these are challenging to develop and process-based indicators can be used in the interim. Work on co-creating a methodology for developing climate change adaptation indicators is ongoing in the transport sector. It is envisaged that the finalised methodology will be utilised as a model by other sectors in the development of the next cycle of sectoral adaptation plans to be completed in 2025.

Timeline for implementation

September 2025.

OPW's Accounting Officer's response

Agreed.

The OPW will comply with the forthcoming sectoral planning guidelines for climate change adaptation, noting that the draft guidelines indicate that indicators should be assigned to each action to allow monitoring of progress and can include

- process-based indicators (that track progress in policy processes and actions),
- output-based indicators (that relate to the direct result of adaptation policy or action without assessing whether the action leads to better adaptation outcomes), and
- outcome-based indicators (that measure the success of an adaptation action, for example a reduction in vulnerability or an increase in adaptive capacity).

Such indicators will complement the existing monitoring of progress undertaken through the tracker.

Timeline for implementation

The update of the *Sectoral Adaptation Plan for Flood Risk Management*; September 2025.

- 4.62** The OPW also monitors and reports on climate change adaptation actions included in the Climate Action Plan, but does not measure the Plan's contribution to other sustainable and climate-related goals.

Recommendation 4.3

The next iterations of the flood risk management sectoral adaptation plan should include consideration of how the plan might contribute to the Sustainable Development Goals. The OPW should also consider including indicators relating to disaster risk reduction and resilience in the plan.

OPW's Accounting Officer's response

Agreed.

The OPW will comply with the forthcoming sectoral planning guidelines for climate change adaptation, noting that the draft guidelines require sectors to consider cross-cutting policy issues spanning thematic areas including disaster risk reduction. While the current draft guidelines do not set out requirements with regards to the UN Sustainable Development Goals, these are noted in the *National Adaptation Framework (2024)* in the context of providing an enabling environment to mainstream climate change adaptation, and the OPW can set out how the *Sectoral Adaptation Plan for Flood Risk Management* can contribute towards these goals.

Timeline for implementation

The update of the *Sectoral Adaptation Plan for Flood Risk Management*, September 2025.

Governance

- 4.63** The OPW reports on progress in relation to the implementation of the Plan at sectoral and national level and contributes to meeting Ireland's reporting obligations to the UNFCCC. However, there is a lack of clarity and continuity regarding what those reporting requirements are at national level in the area of climate change adaptation. There is no regular mandatory or statutory reporting required from the OPW on the implementation of the Plan.
- 4.64** The Climate Change Advisory Council is the only body in Ireland to monitor and review the implementation of the Plan and all 21 adaptation actions in detail. Section 13 of the Act grants the Council, as independent advisory body, the authority to conduct a periodic review of the sectoral adaptation plans and of their implementation at any time it considers appropriate. However, there is no obligation placed on the Council to carry out such a review and there is no formal requirement for the entities responsible for sectoral climate change adaptation plans to engage with the Council's adaptation scorecard assessment process.
- 4.65** The new *National Adaptation Framework* published in June 2024 sets out an updated governance structure. The Department stated that a review of the resources and governance arrangements in place in relation to climate adaptation policy is ongoing. The review is being carried out by a sub-group of the Senior Officials' Group on the Environment and Climate Change established in October 2023, and is nearing completion. The Department stated that the sub-group's recommendations will be taken into account in the implementation of the new *National Adaptation Framework*.
- 4.66** The outcome of the review and the updated *National Adaptation Framework* recently published will help improve and provide clarity on the governance structure for the achievement of more effective implementation of climate change adaptation actions.

Resources and funding

- 4.67** There is no available estimate of the funding and resources necessary to implement the 21 actions set out in the Plan. The budgetary process does not include the specific allocation of funding towards climate change adaptation. The OPW explained that direct expenditure on those adaptation measures most often cannot be distinguished from spending on other work programmes in flood risk management. This limits the transparency around the performance of climate change adaptation activity.

Annex 4A Sectors for which adaptation plans had to be prepared under the National Adaptation Framework^a

Theme	Lead organisation	Sector
Natural and cultural capital	Department of Agriculture, Food and the Marine	Seafood
		Agriculture
		Forestry
	Department of Housing, Local Government and Heritage	Biodiversity
		Built and archaeological heritage
Critical infrastructure	Department of Transport	Transport infrastructure
	Department of the Environment, Climate and Communications	Electricity and gas networks
		Communications networks
Water resource and flood risk management	Office of Public Works	Flood risk management
	Department of Housing, Local Government and Heritage	Water quality
		Water services infrastructure
Public health	Department of Health	Health

Source: National Adaptation Framework (2018)

Note: a A total of nine sectoral adaptation plans were prepared to cover all 12 sectors. The seafood, agriculture and forestry sectors are grouped under one plan, as are the water quality and water services infrastructure sectors.

Annex 4B Flood risk management adaptation actions

Ref.	Action	Responsible ^a	Timeline
Objective 1: Enhancing our knowledge and understanding of the potential impacts of climate change for flooding and flood risk management through research and assessment.			
1.A	Engage with findings and recommendations arising from climate change research initiatives such as the Global Climate Observations System National Committee reports (expected in the next two years) and where possible, align hydrometric monitoring objectives and resources with climate change objectives.	OPW, EPA, local authorities	2021 and ongoing
1.B	Through reviews of the Preliminary Flood Risk Assessment and flood maps, informed by the most up-to-date research and projections of climate change, assess the potential impacts on flooding and flood risk across the country.	OPW	2024 and ongoing
1.C	Review the flood risk, including potential impacts of climate change, for areas designated as being at potentially significant flood risk.	OPW	2020 and ongoing
1.D	Through reviews of the Preliminary Flood Risk Assessment, informed by the most up-to-date research and projections of climate change, assess the potential risk of flooding from urban storm-water drainage systems and from water-bearing infrastructure.	Local authorities, Waterways Ireland, ESB, Uisce Éireann	2024 and ongoing
1.E	The OPW will ensure that its six-yearly review of the Flood Risk Management Plans will be informed by the most up-to-date research and projections of climate change on flooding and flood risk, and will include other sector led adaptation measures being implemented under the National Adaptation Framework.	OPW, local authorities, Waterways Ireland, ESB and Uisce Éireann	2021 and ongoing
1.F	Improve, through research, the understanding of the potential impacts of climate change on the climatic parameters that can influence flooding and flood risk management.	EPA, Met Éireann, Uisce Éireann, Geological Survey Ireland and OPW	Ongoing
1.G	Publication of the Preliminary Flood Risk Assessment, as reviewed and updated, and of the most up-to-date flood maps for current and potential future scenarios.	OPW	2019 and ongoing
1.H	The OPW will continue to strengthen its adaptive capacity and further embed adaptation within work processes and decision-making.	OPW	Ongoing
1.I	The OPW will continue to support local authorities, including through their network of Climate Action Regional Offices (CAROs), and other sectors to help further build awareness and capacity in relation to the impacts of climate change on flood risk and possible adaptation opportunities led by other sectors.	OPW, Climate Action Regional Offices	Ongoing
Objective 2: Adapting flood risk management practice to effectively manage the potential impact of climate change on future flood risk.			
2.A	Assessment of appropriate adaptation measures for those existing flood relief schemes, where climate change may in time impact the current standard of protection.	OPW	2027

Ref.	Action	Responsible ^a	Timeline
2.B	The brief for the detailed development of flood relief schemes to include a requirement for a scheme adaptation plan that will set out how climate change has been taken into account during the design and construction, and what adaptation measures might be needed and when, into the future.	OPW	2019 and ongoing
2.C	Proposals submitted under the Minor Works Programme should take account of the potential impacts of climate change to ensure, where possible, that any measures proposed are adaptable to possible future changes.	Local authorities	Ongoing
2.D	The inclusion of potential increases in flood damages as part of the economic cost-benefit analysis for future flood relief schemes will be reviewed.	OPW, Department of Public Expenditure	2021
2.E	Progress a review of the current and future effectiveness of the protection provided by existing arterial drainage scheme embankments to urban developments.	OPW	Ongoing
2.F	Maintain and update on an ongoing basis the national flood event database (www.floodinfo.ie).	OPW, local authorities	Ongoing
Objective 3: Aligning adaptation to the impact of climate change on flood risk and flood risk management across sectors and wider Government policy.			
3.A	Ensure that potential future flood information is obtained and/or generated through a flood risk assessment that is then used to inform suitable adaptation requirements within the planning and development management processes in line with the Guidelines on the Planning System and Flood Risk Management (2009).	DHLGH, OPW, planning authorities and developers	Ongoing
3.B	The OPW, in coordination with other relevant stakeholders, will continue to enhance its knowledge and capacity with regard to natural water retention measures (NWRMs) and will assess the potential for NWRMs as part of the development of the future flood relief schemes.	OPW and other stakeholders in catchment management	Ongoing
3.C	The planning and design of future assets should take into account, and be adaptable to, the potential future impacts of climate change.	Local authorities, Waterways Ireland, ESB, Uisce Éireann	Ongoing
3.D	The requirements for urban storm water drainage systems for new development should take into account the potential future impacts of climate change, including consideration of the use of sustainable drainage systems.	DHLGH, local authorities, Uisce Éireann	Ongoing
3.E	Progress the establishment of the national flood forecasting and flood warning service.	Met Éireann, OPW, DHLGH, local authorities	Ongoing
3.F	Progress research on how community resilience may be advanced within the overall field of emergency management and further develop this aspect as part of the overall review of the Framework of Major Emergency Management.	DHLGH, Department of Rural and Community Development, Department of Defence, local authorities	Ongoing

Source: *Flood Risk Management: Climate Change Sectoral Adaptation Plan (2019)*

Note: a Acronyms: EPA = Environmental Protection Agency; ESB = Electricity Supply Board; DHLGH = Department of Housing, Local Government and Heritage; Department of Public Expenditure = Department of Public Expenditure, National Development Plan Delivery and Reform.

Annex 4C National governance structure in climate change adaptation: key roles and responsibilities

Entity	Key roles and responsibilities in relation to adaptation
National Adaptation Steering Committee	<ul style="list-style-type: none"> ▪ Established in 2014 under the National Climate Change Adaptation Framework (2012). ▪ Chaired by the Department of the Environment, Climate and Communications. Meetings normally held three to six times a year. ▪ Membership includes sectors preparing adaptation plans under the Framework as well as other key stakeholders (e.g. Department of Public Expenditure, National Development Plan Delivery and Reform, local authorities, Environmental Protection Agency, Met Éireann). ▪ Aim is to ensure a coordinated, comprehensive and coherent approach to the implementation of adaptation actions in Ireland under the Framework. ▪ Provides assistance and guidance in relation to the development of sectoral and local adaptation plans.
Climate Change Advisory Council	<ul style="list-style-type: none"> ▪ Established under the Climate Action and Low Carbon Development Act 2015. ▪ Independent advisory body. Members are appointed by Government on the nomination of the Minister for the Environment, Climate and Communications. ▪ Consists of a chairperson and at least eight and not more than 13 ordinary members including, <i>ex officio</i>, the Director General of the Environmental Protection Agency, the Director of Teagasc and the Director of Met Éireann. ▪ Advises and makes recommendations to Ministers and Government in relation to climate change mitigation and adaptation plans and measures and to compliance with any existing obligation of the State under EU law and international agreements. ▪ Established an Adaptation Committee in 2016 to assist and advise in relation to adaptation.^a ▪ Has authority to conduct a periodic review of the most recent approved climate action plan, national adaptation framework and sectoral adaptation plans and their implementation.
Climate Action Delivery Board	<ul style="list-style-type: none"> ▪ Established under the Climate Action Plan 2019. ▪ Jointly chaired by the Department of the Taoiseach and the Department of the Environment, Climate and Communications. ▪ Membership consists of the Secretary Generals of 12 Government departments. ▪ Provides strategic direction and leadership to ensure a coordinated, timely and effective implementation of the Government's climate action agenda. ▪ Oversees and reports to Government on progress made in implementing the actions contained in annual Climate Action Plans. ▪ Reviews key strategic projects and areas of work necessary to ensure achievement of Government's climate objectives.

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

Note: a The Adaptation Committee was given statutory footing in the Climate Action and Low Carbon Development (Amendment) Act 2021.

5 Delivery of rapid build housing

- 5.1** In April 2022, following the Russian invasion of Ukraine and the ensuing humanitarian crisis, Government agreed a range of measures to boost the supply of accommodation for refugees arriving from Ukraine i.e. beneficiaries of temporary protection (BOTPs). These measures included a rapid build, volumetric modular units option to be led by the Office of Public Works (OPW) on a pilot basis.¹ Rapid build refers to the method of construction i.e. manufactured offsite, rather than conventional construction onsite.
- 5.2** The OPW developed proposals for a pilot 'proof of concept' programme which was approved by Government in June 2022. The development of 500 modular units across 20 potential sites — to accommodate up to 2,000 people — was to be completed by end February 2023 at a projected capital cost of €100 million i.e. €200,000 per unit.
- 5.3** The Department of Children, Equality, Disability, Integration and Youth (DCEDIY) is the approving authority for the rapid build housing programme, and will assume ownership of the modular units on completion. It also has responsibility for their future use. The OPW, as the sponsoring agency, is responsible for rolling out the programme on an agency basis on behalf of DCEDIY.
- 5.4** The roll-out of the programme was classified by Government as a 'matter of extreme urgency' for procurement purposes, due to the need to deliver the modular units within a tight timeframe. The OPW procured the main contractor for the project using the negotiated procedure without prior advertisement.^{2,3}
- 5.5** The Department of Housing, Local Government and Heritage (DHLGH) had responsibility for identifying publicly-owned sites that might be suitable to locate the rapid build modular units, while the Minister for Housing, Local Government and Heritage provided planning exemptions to facilitate the speedy delivery of the programme.⁴
- 5.6** A prototype design and specification in compliance with building regulations was developed by the OPW in conjunction with the Construction Industry Federation. The design is based exclusively on rigid-frame volumetric structures using modern methods of construction (MMC) with a full factory finish, a high energy-efficiency rating and an expected useful life of 60 years.⁵
- 5.7** In July 2023, Government approved an expansion of the programme to accommodate up to 2,800 people by the end of March 2024. The original design, for single-storey units to accommodate four people each, would require 700 units. A plan was developed for a small number of two-storey units to accommodate six people each, and the number of individual units required was adjusted to 694.
- 5.8** In February 2024, the Minister for Children, Equality, Disability, Integration and Youth agreed to reduce the planned delivery to 632 units. Planned delivery as of June 2024 is 654 units to accommodate up to 2,640 people by April 2025. A summary of key decision dates and events up to August 2024 is included in Annex 5A.

¹ The option was subject to funding being sanctioned by the Department of Public Expenditure, National Development Plan Delivery and Reform.

² [S.I. No. 284/2016 — European Union \(Award of Public Authority Contracts\) Regulations 2016.](#)

Regulation 32(2)(c) allows the use of the negotiated procedure without prior publication in instances of extreme urgency.

³ Tender submissions from six building contractors were evaluated as part of the procurement process.

⁴ [S.I. No. 306/2022 — European Union \(Planning and Development\) \(Displaced Persons from Ukraine Temporary Protection\) Regulations.](#)

⁵ The units were procured from five manufacturers, following a tender competition by the main contractor.

Focus of the examination

- 5.9** This examination was undertaken to review
- how the rapid build housing programme has performed against targets
 - whether the State's interest was adequately protected under the main programme contract, and
 - whether an assessment has been carried out of the success/feasibility of the pilot delivery mechanism for future use.
- 5.10** The examination team interviewed DCEDIY and OPW staff, reviewed relevant documentation and visited one of the development sites nearing completion.

Planned programme delivery

Initial plan — 500 units

- 5.11** The delivery of the 500 units by the end of February 2023 — an elapsed time of eight months — was considered to be an ambitious, but achievable timeframe. In November 2022, the Department of Public Expenditure, National Development Plan Delivery and Reform (the Department of Public Expenditure) provided sanction for capital investment of €100 million for delivery of the modular units and an annual non-capital allocation of €1.25 million for facilities management and maintenance from 2023 onwards.
- 5.12** The sanction was subject to a number of conditions, which included, *inter alia*, full compliance with the *Public Spending Code*.¹ However, the examination team found that DCEDIY did not prepare a strategic assessment report or business case reports (preliminary and final), as required by the Code for projects costing more than €100 million. Independent external assessments were also not carried out at the prescribed key decision points.²
- 5.13** DCEDIY stated that while the *Public Spending Code* and other requirements, such as procurement, were substantially complied with during the programme, the programme delivery timeframe required that certain elements had to be bypassed or addressed in an alternative or accelerated manner.
- 5.14** In response to the sanction letter, DCEDIY informed the Department of Public Expenditure (also in November 2022) that the OPW had carried out a review of the costs for delivery of the programme and that the total cost of rollout was now estimated at €140 million. The increase of €40 million was mainly attributed to costs not included in the original budget e.g. main contractor costs, VAT, OPW direct costs and utility contributions.

¹ The [Public Spending Code](#) was replaced by the [Infrastructure Guidelines](#) with effect from 1 January 2024.

² External assessments are required following completion of (i) the preliminary business case and (ii) the detailed project brief and procurement strategy stages of a project's lifecycle.

³ Examples of abnormal site conditions cited include the removal of invasive plant species, presence of rock, high water tables, sloping sites, significant ESB connection works, foul sewer diversions, archaeological finds, and security requirements resulting from protests and anti-social behaviour.

- 5.15** A further review of costs by the OPW in January 2023 identified that the estimated delivery cost had increased to just over €155 million — a 55% increase on the original estimate. This represented an average cost of €310,000 per unit. Most of the increase between November 2022 and January 2023 was attributed to the projected costs for site development works which had increased by an average of approximately €18,000 per unit during that period. The OPW stated that this was primarily because some of the sites proposed turned out to be smaller than originally envisaged, with capacity for fewer than 30 units, and with significant, unexpected abnormal site conditions.³

Revised plan — 700 units

- 5.16** In October 2022, Government approved, in general terms, an expansion of the programme — subject to discussions with the Department of Public Expenditure — to assess the additional cost for both capital and facilities management. On this basis and with DCEDIY approval, the OPW instructed the main contractor in December 2022 to increase the number of units to be delivered by 200. The timing of the decision meant that the additional units could be purchased at the original agreed price.
- 5.17** In January 2023, the OPW estimated the cost of delivering the 700 units at €237 million. This represents an average unit cost of €339,000 — 70% higher than the original estimated average unit cost of €200,000.¹ Formal approval for the revised output and the additional cost was not sought or received from Government until July 2023, seven months after the OPW had instructed the main contractor to acquire the additional units. The Department of Public Expenditure did not sanction the increased expenditure until September 2023.
- 5.18** DCEDIY has stated that formal approval could not be sought until the Department of Public Expenditure was satisfied with the memorandum for Government. However, the relevant stakeholders were aware at all times of the circumstances giving rise to the increased expenditure.
- 5.19** While a clear delivery timeframe for the expanded programme was not provided to Government as part of the formal submission in July 2023, it was envisaged that, due to the lack of availability of suitable sites, over half of the 700 units would not potentially be delivered until Q1 2024, approximately one year later than initially planned.² The July memorandum for Government also noted that the increased budgeted costs were due in the main to
- an increase in the size of the units to comply with housing standards and building regulations
 - a provision for potential site abnormalities/site enabling works — the original budgeted on-site costs were based on those required for social housing on greenfield sites without any abnormalities³
 - a dilution of economies of scale due to the smaller than anticipated size of some of the sites.
- 5.20** DCEDIY stated that other factors contributing to the increased budgeted cost included project specific price increases; and wider economic and inflationary measures, such as supply chain difficulties and energy cost increases.

Further revised estimates

- 5.21** Between July 2023 and January 2024, the estimated programme delivery cost was revised on at least four occasions.⁴
- 5.22** The OPW has stated that the estimated programme delivery cost is constantly monitored and reviewed, in response to various unknown costs and the realisation of additional costs associated with the development of the sites and related abnormal site conditions.

¹ The original estimated cost did not include a provision for furniture, fittings and equipment which was estimated in January 2023 at around €8,600 per unit.

² By end July 2023, three sites had been completed and a further six sites were at different stages of construction.

³ Site enabling works and site abnormalities are terms that are used interchangeably in the related documentation between the OPW and DCEDIY.

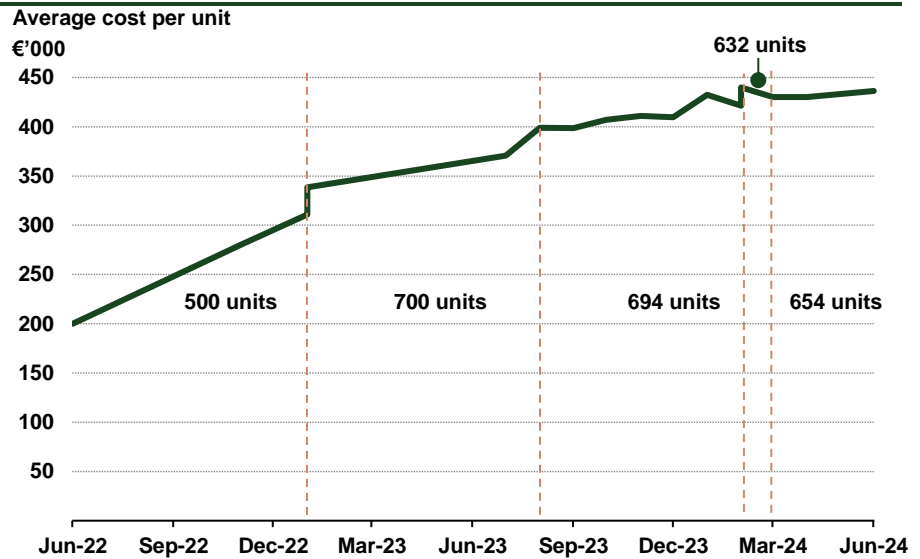
⁴ Quantity surveyors (QS) engaged by the OPW to, *inter alia*, provide cost management services for the programme, submit monthly cost reports to the OPW which set out the costs committed and spent to date and the forecasted costs to completion, which take into account the commercial risk costs associated with the programme.

5.23 DCEDIY stated that the revision of cost estimates at various stages was a direct result of the emergency nature of the programme, where sites were only made available and assessed as the programme unfolded. It stated that this introduced a level of uncertainty which would not be present in or directly comparable with other similar programmes, such as the delivery of social housing developments.

5.24 In January 2024, based on concerns at the increasing costs and the lack of availability of suitable sites, the OPW presented DCEDIY with a number of options for consideration to complete the programme, but which would not deliver on the full planned output. The OPW has stated that the lack of availability of suitable sites to complete the programme was a major factor contributing to the proposed reduced delivery.

5.25 In February 2024, the OPW informed DCEDIY that based on a worst case scenario, completion of the programme by end 2024 would cost an estimated €300 million — an average cost of €432,000 per unit (see Figure 5.1).^{1,2}

Figure 5.1 Movement in estimated unit cost, June 2022 to June 2024



Source: Office of Public Works. Department of Children, Equality, Disability, Integration and Youth.

1 In January 2024, DCEDIY requested that the OPW identify and revert with the worst case scenario overall.

2 The average cost per unit of €432,000 is based on 694 units to take account of the decision to deliver 12 two-storey units with a higher accommodation capacity than the single-storey units, while still maintaining the planned 2,800 bed spaces.

3 The 632 units comprise 620 single-storey units and 12 two-storey units.

4 The average cost is based on the total number of units delivered and does not distinguish between the overall cost of single-storey units and two-storey units.

5.26 The Minister for Children, Equality, Disability, Integration and Youth agreed on 16 February 2024 to a reduction of 62 (from 694 to 632) in the overall number of units to be delivered, at a revised estimated cost of €278 million — an average cost per unit of around €440,000, and a 120% increase on the original June 2022 estimated costs.^{3,4} The target delivery timeline was extended to end December 2024 (see Figure 5.2).

5.27 Subsequently, in March 2024, the planned delivery was increased to 654 units due to the final site (at Clonmel, County Tipperary) being able to accommodate more units than initially envisaged. In June 2024, the estimated overall cost was revised upwards to €285 million — an average cost per unit of around €436,000. Completion of the Clonmel site has been delayed to April 2025, due to disruptions from ongoing protests at the site.

Figure 5.2 Rapid build housing delivery plan, June 2022 to June 2024

	Initial plan June 2022	Revised plan July 2023 ^a	Revised plan February 2024 ^b	Revised plan June 2024
Number of units ^c	500	700	632	654
Number of persons to be accommodated	2,000	2,800	2,552	2,640
Expected cost	€100 million	€237 million	€278 million	€285 million
Average cost per unit	€200,000 ^d	€339,000	€440,000	€436,000
Planned completion	February 2023	March 2024	December 2024	April 2025

Source: Office of Public Works. Department of Children, Equality, Disability, Integration and Youth. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a While Government approval for the revised plan was received in July 2023, the expected cost of delivery of €237 million was based on January 2023 estimates.
 - b Plan approved by the Minister for Children, Equality, Disability, Integration and Youth.
 - c Single-storey units were planned for delivery in June 2022 and July 2023 (each accommodating four people). Subsequent plans include 12 two-storey units (each accommodating six people).
 - d Excludes costs for fixtures, fittings and equipment. Around €8,600 per unit is included in the July 2023 estimate for fixtures, fittings and equipment. This increased to around €11,000 per unit in the June 2024 estimate.

Target delivery timelines

- 5.28** Overall, programme planning suffered from significant fluctuation, much of which was due to the uncertainty associated with site availability. There have been at least three revisions to the target programme completion dates since the pilot proof of concept programme first commenced.

Programme critical dependencies

- 5.29** At the outset, the OPW identified a number of critical dependencies impacting on the viability of the programme. These included
- the availability of suitable sustainable sites for the modular units
 - agreed viable long-term uses for the modular units when the need for accommodation for Ukrainian refugees had passed
 - exemptions from normal planning regulations to facilitate the speedy preparation of sites and the rapid deployment of the modular units.

Availability of suitable sites

- 5.30** In May 2022, the OPW stated that the modular homes programme could only feasibly be progressed if sufficient suitable sites were immediately available, and that in the absence of suitable sites, the programme was not viable.¹

¹ This was set out in a paper submitted to the Cabinet Committee on Accommodation and Supports for Ukrainian Refugees, chaired by the Taoiseach.

- 5.31** The programme commenced without a set of suitable sites having been identified.¹ The memorandum for Government in June 2022 (when the pilot programme was approved) identified 20 potential site locations across 13 counties; and noted that site inspections were underway to ensure there were no technical impediments to their use for the modular units. Ultimately, only six of those sites formed part of the programme — three sites provided by the OPW, and three by local authorities. The OPW stated that the sites it provided, which were originally part of the public service decentralisation programme, were close to all local services and available for use.
- 5.32** The main programme contract, signed in October 2022, did not specify the number and location of sites because they had not been confirmed at that point. The contract noted that the contracted works might be rolled out across fewer or more sites than had been discussed by the parties to the contract.
- 5.33** By December 2022, while site development work had commenced at five sites (to accommodate approximately 200 units), sites for 400/500 units were still needed.² In a briefing note to DCEDIY in January 2023, the OPW noted that it had considered 73 sites, of which 57 (78%) had proved to be unsuitable mainly due to: flooding risk; restricted site access; lack of adjacent power or water supply; and lack of drainage infrastructure.^{3,4} It also noted that sites needed to be viable and of a high standard to progress the programme. DCEDIY stated that many of the sites were sub-optimal, requiring significant remedial work or were too small.
- 5.34** By February 2023 (the original targeted completion date), there was still a shortfall of suitable sites to accommodate approximately 250 units. The final site, which will now provide 82 units and brings the total number of units to the current target of 654, was not confirmed until March 2024.

Storage of units

- 5.35** The potential need to store some of the manufactured modular units pending site availability/readiness was recognised at the outset of the programme. The OPW stated that processes were in place to ensure there was no unnecessary stock pile of units, which included the use of a tracker to manage the co-ordination between site availability and unit production.
- 5.36** The examination team noted, from a review of minutes of meetings, that around 100 units were in storage at the start of October 2023 and that this was expected to rise to 181 by the end of 2023.⁵ It was noted that some units were being stored at the main contractor's premises at no extra cost while others were being stored at the manufacturers' yards.
- 5.37** At mid-December 2023, 34 units were in storage, 12 of which were being stored by the main contractor. Total claims for payment for storage, to June 2024, amounted to around €620,000, of which €310,000 (50%) had been paid at that time. Payment of the remainder is subject to final account discussion. The OPW stated that the storage costs incurred were due to unforeseen circumstances — the withdrawal of two sites and extensive archaeological finds on one site.

¹ The OPW stated that the three OPW sites used in the programme were identified in July 2022.

² Minutes of meeting between the OPW and DCEDIY 13 December 2022.

³ This was based on a list of sites provided by DHLGH and other state agencies for potential inclusion in the programme.

⁴ *Capital Investment and Costing Update* for DCEDIY.

⁵ Weekly meetings are held between the OPW and DCEDIY.

Long-term use of the modular units

- 5.38** An agreed long-term use for the modular units was seen as key to the programme representing value for money.

- 5.39** While DCEDIY identified several possible uses for the units post their need for Ukrainian BOTPs, no specific long-term use was agreed. DCEDIY noted that in the event that the units were not required to meet a continuing public housing need, they would retain a market value which could be realised on the open market. Also, any ground works and service connections carried out on the sites would increase their value to the benefit of the Exchequer as all the sites are state-owned.
- 5.40** The Department of Public Expenditure, in its funding sanction letter to DCEDIY in November 2022, stated that it was imperative that licencing arrangements for the long-term use of the sites be agreed between the site owners and DCEDIY as a matter of urgency. The sanction was subject, *inter alia*, to licencing agreements being agreed and signed before assembly of the units commenced on sites; and a credible and comprehensive long-term use for the modular units being identified.
- 5.41** Three sites being used were sourced from the OPW, five from local authorities, and one each from the Housing Agency and the Department of Agriculture, Food and the Marine. While leases have not yet been signed for any of these sites, the site owners allowed access for construction.
- 5.42** One site (at Haywood, Clonmel) was sourced from the Health Service Executive (HSE). A three-year licence to occupy the site has been signed with the HSE, instead of a lease.¹ DCEDIY stated that the HSE informed it that to negotiate a lease would take a minimum of 12 months while a licence could be agreed in a shorter time frame. DCEDIY consulted with the Chief State Solicitor's Office and the OPW and agreed that the licence was the most suitable option.

1 Licence dated 7 May 2024.

2 SI 306 of 2022 giving effect to Council Directive 2001/55/EC as activated by Council Implementing Decision (EU) 2022/382 of 4 March 2022.

3 Regular planning process under the Planning and Development Act 2000.

4 DCEDIY informed the examination team that the completed units are occupied.

5 Further detail is included in [Annex 5B](#).

6 The OPW confirmed that the 'substantial completion' date is the date the property is sufficiently complete for its intended use, allowing the owner to assume possession and begin occupying the premises.

7 The OPW stated that the protests and public order incidents at the site have resulted in considerable delay for the contractor and required additional on-site security measures.

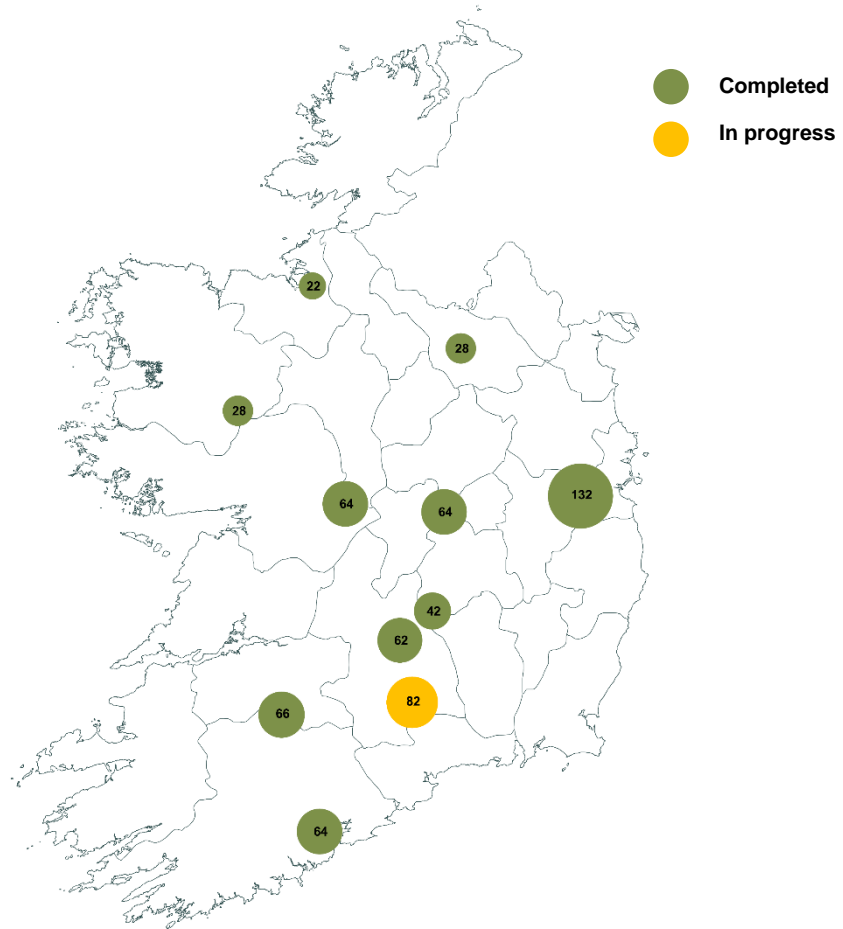
Planning exemptions

- 5.43** The planning exemptions provided by the Minister for Housing, Local Government and Heritage at the outset of the programme do not cover the use of the sites beyond the period covered by the EU temporary protection directive.² The directive has been extended to March 2026, at which point the longer term use of the sites will be subject to regular planning requirements.³ DCEDIY has stated that when the long-term use of the sites has been agreed by all stakeholders, it will also proceed towards full planning regularisation of the units.

Delivery

- 5.44** By end August 2024, 572 (87%) of the revised plan for 654 units — providing accommodation for 2,312 beneficiaries — had been fully completed at ten sites across the country (see Figure 5.3).^{4,5}
- 5.45** Once work on each site commenced, the time taken to completion, being the 'substantial completion' date, has been between seven to thirteen months on the ten sites completed to date.⁶ The OPW stated that this is a significantly shorter timeframe than other housing delivery models used elsewhere.
- 5.46** Completion of the last site, which commenced in mid-May 2024, is now not expected before April 2025.⁷

Figure 5.3 Location and status of modular unit sites, as at end August 2024^{a,b}



Source: Office of Public Works. Department of Children, Equality, Disability, Integration and Youth.

Notes: a The number of units delivered/to be delivered is included in the data point circles on the map.
 b Further detail is available in [Annex 5B](#).

Cost

1 At end June 2024, 64% (442) of the planned 694 units had been completed at eight sites across the country.

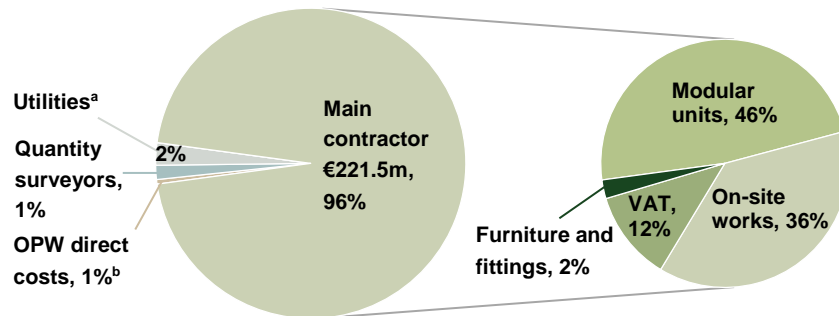
2 DCEDIY submitted the sanction request in early September 2024.

3 The main contractor then pays its design team consultants, sub-contractors and others engaged on the programme.

4 These percentages exclude VAT.

5 The OPW has stated that all cost breakdowns can be furnished on completion of the final accounts.

- 5.47** The total amount paid under the programme up to the end of June 2024 was just over €231 million (just under 98% of the approved July 2023 budget).¹ Additional funding approval will be required to complete the programme — while the revised projected cost in June 2024 was €285 million, DCEDIY stated that it has sought sanction from the Department of Public Expenditure for additional funding of €52.3 million based on a total programme cost of €289.3 million.²
- 5.48** The majority of the expenditure comprised payments to the main contractor under a cost reimbursable contract — 46% relates to the fabrication, delivery and installation of the modular units while on-site works account for a further 36% (see Figure 5.4).^{3,4} The latter includes the contribution to overheads and profit fee paid to the main contractor on the programme.
- 5.49** The OPW has stated that €10.6 million in overheads and profit fee was paid to the contractor up to April 2024.⁵ The examination team noted that the percentage fee, set out in the contract, which is calculated on a reducing scale as the construction cost increases, was not being applied as expected on a monthly basis.

Figure 5.4 Programme spend as at 30 June 2024

Source: Office of Public Works. Quantity surveying consultancy firm cost report as at 27 June 2024.

Notes: a Utilities comprise electricity and water contributions paid to ESB Networks and Uisce Éireann respectively.

b OPW direct costs comprise payments for legal fees and other professional services such as environmental impact assessments and topographical surveys.

- 5.50** The OPW has stated that it is fully aware of the requirement to gradually reduce the fee percentage as the value of the work increases. It stated that the correct fee percentage will only be finalised when the whole account with the main contractor is settled. It also stated that, in the meantime, retention is held and there is no commercial risk to the OPW in implementing the sliding scale fee percentage in the manner adopted.

Sites withdrawn/failed to progress

- 5.51** Costs for on-site works include around €153,500 incurred up to July 2024 in investigating sites that did not subsequently go ahead or which were withdrawn.¹ Further costs are expected to arise in connection with other sites that have not progressed.
- 5.52** The OPW has stated that reviews of potential sites were subject to a desktop study in the first instance and that once a site was selected, its viability for use for the programme needed to be physically assessed. It stated that, in some instances, on receipt of site investigations and surveys, selected sites were not deemed viable, and that all of this impacted programme delivery and costs.

Protecting the State's interests

- 5.53** To assess the value for money of the rapid build homes, DCEDIY carried out a high level exercise comparing the expected cost of the homes with the cost of hotel accommodation — in November 2022 (when the plan was to develop 500 units), and again in August 2023 following Government approval to expand the programme to 700 units.
- 5.54** Both exercises indicated that it would take about four years before the rapid build homes would begin to deliver cost savings for the State, growing significantly thereafter (see Figure 5.5).
- 5.55** The exercise, repeated in June 2024 using the latest revised estimated cost of delivery, at that time, of €285 million (for 654 units), indicates that it will take about five years before the rapid build homes will deliver cost savings for the State.

¹ This amount may change, based on final account negotiations with the main contractor.

Figure 5.5 Cost comparison of rapid build homes to hotel accommodation, November 2022 and August 2023^a

Number of years	500 units — November 2022		700 units — August 2023	
	Cost of rapid build homes ^b	Cost of hotel accommodation ^c	Cost of rapid build homes ^d	Cost of hotel accommodation ^c
	€m	€m	€m	€m
3	133.8	131.4	246.4	199.3
4	135.0	175.2	249.4	265.7
5	136.3	219.0	252.4	332.1
10	142.5	438.0	267.4	664.3

Source: Department of Children, Equality, Disability, Integration and Youth

- Notes:
- a Increases due to inflation have not been taken into account.
 - b Based on an estimated delivery cost of €130 million with an annual current expenditure outlay of €1.25 million for the management and maintenance of the units. DCEDIY has confirmed that the estimated delivery cost of €130 million was understated in error; an amount of €140 million should have been used. This does not impact on the overall conclusion from the exercise.
 - c An average rate of €60 per night was used in November 2022 and €65 per night in August 2023.
 - d Based on an estimated delivery cost of €237.4 million, with an annual current expenditure outlay of €3 million for the management and maintenance of the units. The €3 million takes into account that people living in the rapid build homes will be paying a contribution.

1 This was set out in an update report on programme costs.

2 The amounts represented here reflect the construction costs (excluding VAT) only and therefore are not on a full cost basis.

3 The analysis took into account a number of factors, for example, mains and site works; timelines; contractor type, etc.

4 The analysis was repeated in June 2024 using updated data. At that time, the construction costs per unit for the social housing projects were €267,000 and €395,000 respectively, compared with €325,600 for the rapid build housing project.

5 The [Real Cost of New Housing Delivery 2023](#), published December 2023.

6 The cost of the rapid build housing was approximately €20,000 per unit less than the average house building cost for the 'Greater Dublin Area'.

7 The amounts represented are therefore not on a full cost basis.

Cost benefit analysis

5.56 The *Public Spending Code* requires that a cost benefit analysis is undertaken at the preliminary business case stage of the project lifecycle. In January 2024, the OPW set out in a report to DCEDIY that, given the urgency and unusual nature of the rapid build programme, a cost benefit analysis at the time of approval would have been challenging.¹ DCEDIY also stated that considerable engagement and assessment of options was undertaken by the OPW with the construction sector and that costs are subject to regular review by externally sourced quantity surveyor services.

5.57 The OPW report included a cost benefit analysis comparing the budgeted construction costs for the rapid build programme with the costs of two social housing projects. The comparison showed that the construction costs per unit for the social housing projects were €267,000 and €383,000 respectively compared with €311,000 for the rapid build housing project.² While the report included little commentary on the analysis, it noted the abnormal site works' costs for the programme by comparison with the social housing projects.³ However, in overall terms, it is not clear from the report if the projects are actually comparable e.g. in terms of area, layout, facilities, etc.⁴

5.58 A comparison by the OPW in June 2024 of the average cost to build a new home in Ireland with the average unit cost of the rapid build housing, identified that the rapid build housing was approximately €8,000 more costly per unit than the equivalent cost set out in a report by the Society of Chartered Surveyors Ireland (SCSI) in 2023 (€278,000 compared to an average of €270,000).^{5,6} This was after adjustment for inflation and the normalisation of costs for comparative purposes.⁷ The cost per square metre of the rapid build housing was estimated to be 87% higher than the equivalent cost in the SCSI report.

- 5.59** The OPW has stated that the rapid build modular construction is not comparable to other schemes and that due to the emergency nature of the project, works needed to progress on sites that were less than optimal, giving rise to additional costs, as compared to what a developer would consider for a housing scheme. It also stated that as this is a pilot scheme for a project of this nature, comparison is difficult.

Contracting arrangements for the rapid build programme

- 5.60** The OPW entered into a *NEC4 Option E* (cost reimbursable) contract with John Sisk and Son (Holdings) Limited (Sisk) in October 2022. This form of contract is considered to suit projects where the scope cannot be adequately defined at the outset, such as for urgent or emergency works, and the client is prepared to carry most of the financial risk. In general, the procurement process adopted was compliant with public procurement guidelines.

1 The CWMF provides an integrated set of contractual provisions, guidance material and technical templates and procedures to assist contracting authorities in meeting their ongoing procurement requirements. It covers all aspects of the delivery process of a public works project from inception to final project delivery and review.

- 5.61** Under the *NEC4 Option E* contract, the contractor is reimbursed for the costs incurred in carrying out the works, plus an additional fee for overheads and profit. The overhead and profit percentages were fixed in the contract, and included a reducing scale as the value of the contract increased.

2 The CWMF suite of contracts does not have a cost reimbursable contract and therefore was deemed not suitable for use.

- 5.62** The OPW stated that the *NEC4 Option E* contract was considered to be the most suitable form of contract, given the multiple site locations, most of which were unknown at the commencement of the programme and the advantages it afforded which are not available under the Capital Works Management Framework (CWMF).^{1,2} It stated that the contract facilitates a collaborative, incremental approach which was required as, due to the emergency nature of the project, the sites, design and scope of works were not known at the outset of the contract. However, a main contractor was required to engage the modular manufacturers and other construction expertise to deliver the project.

3 The OPW stated that the QS has specialised knowledge and experience in *NEC4* contracts.

- 5.63** Under the cost reimbursable contract, the State effectively carries all the programme risk. Therefore, tight monitoring and oversight, and strong cost control measures are required to protect the State's interest. The OPW is managing the programme using an in-house team of construction professionals supported by an external quantity surveying consultancy firm (QS) whose key responsibility is to manage and control costs.³ Around €3.4 million (inclusive of VAT) has been paid to the QS up to the end of June 2024.

4 The contract includes a commercial summary document which provides the basis to commercially manage the programme costs.

- 5.64** Measures introduced by the QS to ensure the most cost-effective approach was adhered to and to maximise value to the State included the following.⁴

5 Value engineering is a systematic approach to minimising the cost of products, services, or projects while maintaining their intended functionalities and quality.

- A competitive tender competition between eight suppliers for the provision of the modular units, which resulted in five successful modular suppliers being selected to supply the units.
- Sisk, in conjunction with the OPW and the QS, undertook a value engineering exercise before the supply cost per unit was fixed for each of the manufacturers in a best and final offer process.⁵ The average cost for a single-storey unit was just under €147,000.⁶ The average for the two-storey units was €300,000 inclusive of delivery and installation costs.⁷
- Fixed hourly rates for main contractor central staff and site-based staff as well as the mark-up percentages on equipment, plant and materials.
- An indicative resource loader to plan and forecast main contractor costs.

6 This figure does not include delivery and installation costs of €6,875. Neither does it include additional costs arising from design changes currently estimated at €7,845 per unit. This cost is expected to increase as not all costs have yet been finalised.

7 There were no design changes associated with the two-storey units.

- Requirements for the substantiation of costs which included timesheets, orders, invoices, contracts, etc. A protocol for the submission of timesheets by the main contractor's design team was employed so that the timesheets could be adequately assessed and monitored.

5.65 Other oversight and control measures included, *inter alia*,

- use of bulk purchasing to avail of discounted market rates
- visits to the modular manufacturer premises to ensure quality and to monitor progress — the quantum of completed works and materials in storage were assessed as part of the monthly payment assessments to avoid overpayment¹
- weekly site visits by the QS which involved checking timesheets, headcount, progress, etc.

Collateral warranties

5.66 A collateral warranty creates a contractual liability between parties who are not directly involved in the primary contract of a construction project. It covers certain terms in the underlying contract such as the quality of work, the insurance policy, copyright and duration of the warranty.

5.67 The contract requires that collateral warranties in favour of the OPW are executed by each contractor and consultant engaged by Sisk, before the sub-contractor or consultant begins any work. The contractor is not entitled to apply for any payments until such collateral warranties are provided.

5.68 Collateral warranties are also required from Sisk and any sub-contractors or consultants in favour of programme beneficiaries (e.g. DCEDIY, DHLGH, site owners).

5.69 The examination team found that collateral warranties have not yet been put in place. Nevertheless, over €231 million had been paid by end June 2024. The OPW stated that it was not practical to implement the collateral warranty provisions on this project, as the scope of works is determined as the programme progresses. It stated that there are over 100 collateral warranties involved and arrangements are in place with the main contractor for all warranties to be signed by the relevant parties and that these will be in place prior to completion of the programme.

Sustainability considerations

5.70 Central government departments/offices are required to consider the inclusion of green criteria in their procurements.² While the examination team found no specific reference to green criteria in the tender documentation or in the signed contract with the main contractor, the units were designed to achieve a high energy efficiency rating and a life of 60 years; and are factory manufactured off-site contributing to a greener/sustainable environment.

5.71 Despite plans to achieve an A2 building energy rating (BER), the modular units have achieved only a C1 BER. The OPW stated that the single-storey units will achieve the A2 BER once photovoltaic (PV) panels, commonly known as solar panels, are installed.

¹ Visits were undertaken by Sisk, the OPW and the QS.

² [Circular 20/2019: Promoting the use of environmental and social considerations in public procurement](#) promotes green public procurement in the context of wider commitments under the Government's *Climate Action Plan 2019*.

- 5.72** In June 2024, the OPW noted that the estimated cost to bring the single-storey units up to an A2 BER standard was approximately €5,300 per unit (excluding VAT and main contractor management costs). While this was not included in the June 2024 €285 million programme estimate, DCEDIY stated that sanction for additional funding (as part of an overall funding request) has been sought from the Department of Public Expenditure to achieve an A2 BER across the full programme.

Feasibility of the pilot programme as a delivery mechanism

- 5.73** The programme started out as a pilot proof of concept programme in June 2022 involving the implementation of 500 modular homes. Experience during the pilot was expected to provide an important evidence base for future decisions on the potential further use of modular units.
- 5.74** DCEDIY has noted that the modular units offer the potential to deal with a range of other public housing needs, for example, international protection accommodation, homeless services, student accommodation, etc. DCEDIY informed the examination team in September 2024, that it has commenced a focused policy assessment of the modular housing programme and its longer term impact.¹
- 5.75** The OPW has stated that an assessment of the success or feasibility of the pilot programme process as a delivery mechanism for future use has not yet been carried out as the programme is still ongoing.

Conclusions and recommendations

- 5.76** The rapid build housing programme was developed as a pilot 'proof of concept' programme as part of Government's response to provide accommodation for a large and sudden influx of beneficiaries of temporary protection (BOTPs). Government approved the pilot programme in June 2022, which envisaged the delivery of 500 modular units, to accommodate 2,000 BOTPs, by February 2023 at an estimated cost of €100 million.
- 5.77** The pilot proof of concept proposal prepared by OPW in May 2022 cautioned that the modular homes programme should only be progressed if sufficient suitable sites were immediately available and signalled that in the absence of suitable sites, the programme was not viable. Challenges were experienced in identifying suitable sites for the modular units, and this delayed the delivery of the accommodation.
- 5.78** By January 2023, the OPW had considered over 70 sites, of which around three-quarters were found to be unsuitable for a variety of reasons. The final site required for the programme was only confirmed in March 2024. The programme would have benefited from sites of a higher standard being identified and made available to the OPW earlier in the process.
- 5.79** One of the conditions of the Department of Public Expenditure's November 2022 funding sanction was that DCEDIY should agree and sign licencing agreements before construction of the units on sites commenced. While a licence was put in place for one site in May 2024, leases for the remaining ten sites belonging to five local authorities, the OPW, the Housing Agency and the Department of Agriculture, Food and the Marine have yet to be signed.

¹ The assessment is being undertaken by the Department's research and evaluation unit.

Recommendation 5.1

Leases for the sites on which the modular units have been developed should be agreed and signed as soon as possible.

DCEDIY Accounting Officer's response

Agreed

Lease agreements were not signed on sites prior to construction commencing. This is standard practice in the property sector. Heads of terms and leases for up to five years, with an option to extend, have been agreed on ten of the sites. The majority of the leases will be formally signed off on in the coming months. A licence is in place for three years for the final site at Haywood, Clonmel. DCEDIY is engaging with the HSE on options to purchase or lease the site after that point.

Timeline for implementation

End Q4 2024 for all sites other than Haywood, Clonmel. The Clonmel site will be regularised in Q1 2025.

5.80 A credible and long-term use for the modular units was seen as key to the programme representing value for money. While DCEDIY identified several possible uses for the units post their need for Ukrainian BOTPs, no specific long-term use has yet been determined.

5.81 The Minister for Housing, Local Government and Heritage provided planning exemptions to enable the speedy delivery of the programme. The longer term use of the sites beyond the period covered by the EU temporary protection directive is subject to normal planning requirements. The directive was recently extended to March 2026. There is a risk to the significant capital investment under the programme if planning is not permitted, exempted or otherwise regularised by the expiry date.

Recommendation 5.2

A plan for the long-term use of the units should be developed and agreed. Timely action should be taken to ensure that planning permission for the sites is obtained prior to the expiry of the EU temporary protection directive.

DCEDIY Accounting Officer's response

Agreed

DCEDIY has commenced a multi-stakeholder process to determine the long-term strategy for the sites, post expiry of the temporary protection directive. When the long-term use of the sites has been agreed by all stakeholders, DCEDIY will proceed towards full planning regularisation of the units.

Timeline for implementation

This process will be completed for all sites in Q2 2025 and planning regularisation will be pursued in tandem, to be finalised by end 2025.

5.82 The *Public Spending Code* in place at the time of Government's approval of the programme required, for all major projects costing more than €100 million, the preparation of a strategic assessment report; and preliminary and final business case reports. Independent, external assessments at key decision points were also required. None of the foregoing were carried out, despite compliance with the *Public Spending Code* being a stipulation of the Department of Public Expenditure's funding sanction.

5.83 Similarly, while cost comparisons were carried out during the course of the programme, a cost benefit analysis in compliance with the *Public Spending Code* was not carried out. The construction cost comparison with two social housing projects was not undertaken until January 2024, at which point seven sites (310 units) had been delivered.

5.84 The total amount paid under the programme up to the end of June 2024 was just over €231 million (just under 98% of the approved July 2023 budget). The revised projected cost to complete the programme at June 2024 was €285 million. DCEDIY has sought sanction from the Department of Public Expenditure for additional funding to complete the programme, which is now expected to cost €289.3 million.

Programme delivery

5.85 The delivery of the first 500 units by end February 2023 was considered to be an ambitious, but achievable timeframe at the outset of the programme. However, delivery of 500 units was only achieved in early August 2024 — some 17 months later than planned.

5.86 In addition to the delays in delivery, significant project cost overruns have occurred. The initial projected cost was an estimated €200,000 per residential unit, increasing to an average projected cost per unit of around €436,000 by June 2024 — an increase of almost 120%. DCEDIY's latest total programme cost projections of €289.3 million, indicate a final projected average cost per unit of around €442,000.

5.87 A significant factor impacting the cost outturn and the timelines was the lack of availability of suitable sites and insufficient provision for the cost of site preparation works. The lack of a definitive schedule of sites at the outset added considerably to the cost and timeframe of the programme, including the need to hold some units in storage. The prolongation of the work has also exposed the programme to high construction cost inflation over a longer time period than originally costed.

5.88 Up to June 2024, storage costs of around €310,000 had been paid. However, this expense is expected to increase as some storage costs have yet to be agreed.

Contracting arrangements

5.89 The OPW contracted with the main contractor to deliver the programme using a *NEC4 Option E* (cost reimbursable) contract, whereby the State bears most of the project risk.

5.90 Certain limited protections for the State's interest that were included in the contract — in particular agreement of collateral warranties — were not implemented as intended.

Assessment of delivery model

5.91 The pilot proof of concept proposal document envisaged that the programme would be assessed after the first 500 units had been installed to assess its feasibility. This has not yet occurred.

5.92 Government departments and offices are required to consider the inclusion of green criteria in their procurements. There was no specific reference to green criteria/sustainability requirements in the tender documentation or in the signed contract with the main contractor.

Recommendation 5.3

An assessment of the feasibility of the rapid build process as a delivery mechanism for future use should be carried out in a timely manner on completion of the programme. The key lessons learned from the process including any recommendations in relation to when to use/not use the *NEC4 Option E* (cost reimbursable) contract should be developed and disseminated within the public sector.

OPW Accounting Officer's response

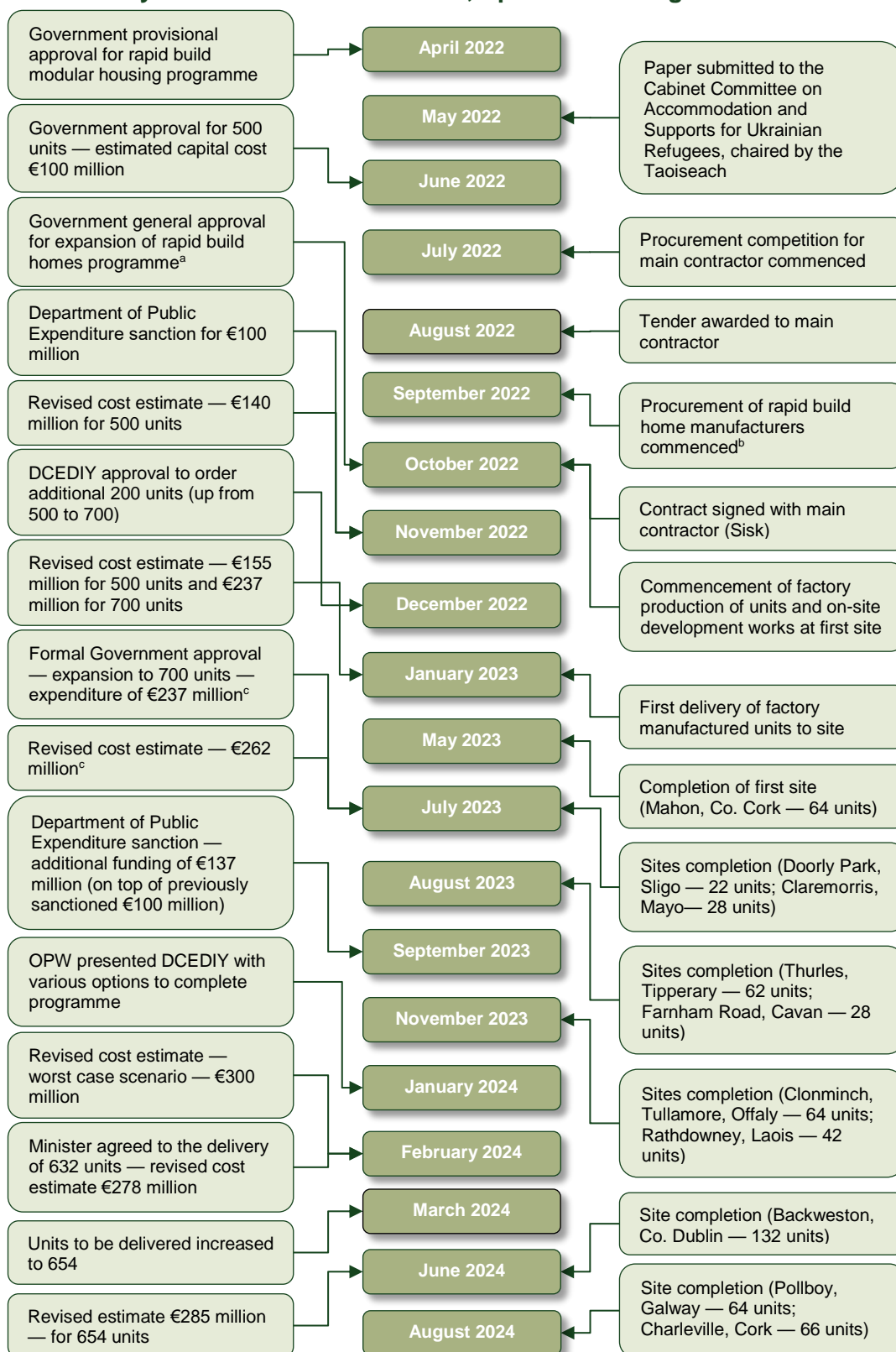
An assessment of the delivery mechanism will be carried out in a timely manner on completion of the programme and will include consideration of all the various factors involved in its delivery. The use of the *NEC4 Option E* (cost reimbursable) contract in this instance will be assessed in the context of this exercise. Any lessons learned will be shared with the Office of Government Procurement.

Timeline for implementation

On completion of the programme.

- 5.93** Despite plans to achieve an energy efficient A2 BER, the modular units have achieved only a C1 rating. This has a potential bearing on any cost comparisons carried out with other forms of housing delivery.
- 5.94** In June 2024, the OPW noted that the estimated cost to bring the single-storey units up to an A2 BER standard was approximately €5,300 per unit (excluding VAT and main contractor management costs) which had not been included in the June 2024 €285 million programme estimate. DCEDIY has since sought additional funding from the Department of Public Expenditure to achieve an A2 BER across the full programme.

Annex 5A Key decision dates and events, April 2022 to August 2024



Source: Office of Public Works. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Government decision S180/20/10/2271A. The approval was non-specific.
 - b The procurement was undertaken by Sisk in conjunction with a professional firm of quantity surveyors, contracted by the OPW in July 2022, to provide quantity surveying and cost management services for the programme.
 - c Government decision S180/20/10/2533C. At the time of Government approval for €237 million in July 2023, the estimated cost of delivery had increased to €262 million.

Annex 5B Summary information, including status of modular unit sites, as at end August 2024

Ref	Site location	Date Commenced ^a	Site owner ^b	Units	Persons	Status	Date completed/ target date ^c	Months to complete ^d
1	Mahon, Cork City	25 Oct 22	Cork City Council	64	256	●	31 May 23	7
2	Farnham Road, Cavan	24 Nov 22	OPW	28	112	●	25 Aug 23	9
3	Thurles, Tipperary	14 Dec 22	OPW	62	248	●	16 Aug 23	8
4	Doorly Park, Sligo	16 Dec 22	Sligo Co. Co.	22	88	●	7 July 23	7
5	Claremorris, Mayo	16 Dec 22	OPW	28	112	●	26 July 23	7
6	Clonminch, Tullamore, Offaly	11 Jan 23	Offaly Co. Co.	64	256	●	21 Nov 23	10
7	Rathdowney, Laois	12 Apr 23	Housing Agency	42	168	●	21 Nov 23	7
8	Backweston, Co. Dublin	10 July 23	Department of Agriculture	132	552	●	28 June 24	11
9	Charleville, Co. Cork	17 July 23	Cork Co. Co.	66	264	●	21 Aug 24	13
10	Pollboy, Ballinasloe, Co. Galway	13 Nov 23	Galway Co. Co.	64	256	●	9 Aug 24	9
11	Haywood, Clonmel, Co. Tipperary	15 May 24	HSE	82	328	●	Apr 25	
Total				654	2,640			

**Completed****In progress**

Source: Office of Public Works. Department of Children, Equality, Disability, Integration and Youth.

- Notes:
- a This is the date that site works commenced. The sites are listed in date commenced order.
 - b Co. Co. refers to County Council.
 - c Date completed reflects the 'substantial completion' date.
 - d This is the difference between 'date commenced' and 'date completed'.

6 Cost of policing non-public duty events

- 6.1 The Garda Síochána Act 2005 (the Act) states that the Garda Commissioner (the Commissioner) may provide and charge for police services if
- the event is in the public interest and it is consistent with the functions of An Garda Síochána to provide the services, and
 - the Commissioner is satisfied the person has paid or will pay for the services.

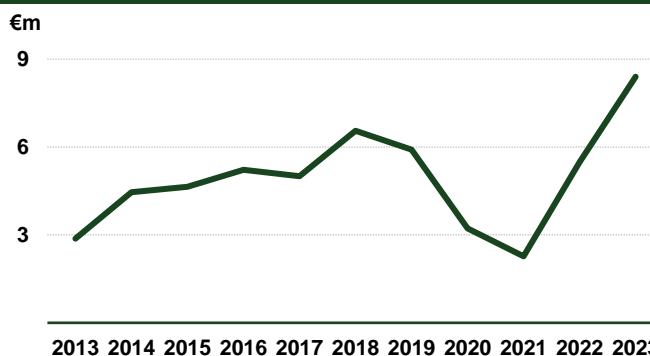
The Act provides the Commissioner with the legislative authority to set charges to recover costs incurred associated with policing non-public duty events.

- 6.2 At the request of a person promoting an event, policing services may be provided by An Garda Síochána for events on public or private property — this is referred to as non-public duty (NPD). Examples of types of events for which police services may be provided are

- sporting fixtures
- concerts/music festivals
- agricultural shows
- festivals and exhibitions
- transportation of abnormal loads
- escorts to protect explosives in transit
- meetings and conferences
- the production of films, television programmes and advertisements
- appearances by individuals or groups likely to attract large numbers of people.

- 6.3 Receipts from charges for NPD are recorded in the Garda Síochána appropriation account as appropriations-in-aid (see Figure 6.1). This revenue may be retained and used to fund Garda expenditure. Because the costs incurred in policing NPD events are not separately reported, it is difficult to assess if An Garda Síochána is recovering an appropriate level of costs associated with the policing of NPD events.

Figure 6.1 Receipts for policing of non-public duty events^a



Source: An Garda Síochána appropriation accounts 2013 – 2023

Note: a Receipts are recorded in the year of collection.

b Correction: The receipt amount for 2023 was incorrectly recorded at €7.2 million in the original published report and has now been updated to €8.4 million.

- 6.4** This examination was undertaken to assess whether An Garda Síochána has
- a comprehensive charging policy in respect of policing NPD events
 - appropriate procedures to recover costs incurred when policing NPD events, and
 - appropriate controls over the charging, billing and receipting of policing NPD events.
- 6.5** This examination involved a review of Garda Síochána policies, procedures and other relevant documents, analysis of administrative data, and a detailed review of a sample of 15 NPD events relating to 2023 receipts.¹

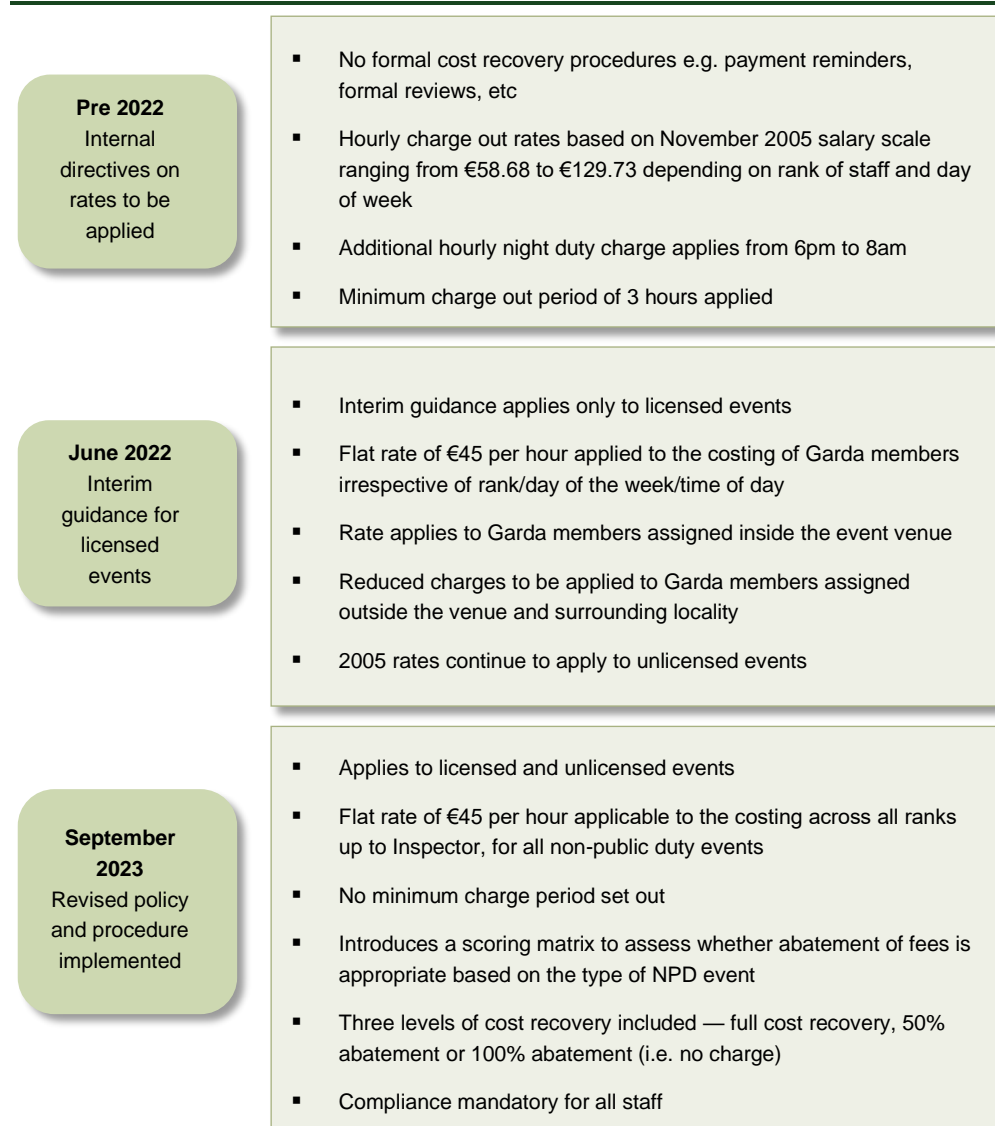
Cost recovery policy

- 6.6** The Commissioner may, by law, set charges to recover costs associated with policing NPD events. Clear policies and principles are required to determine in what circumstances cost recovery is appropriate, and to determine the setting of fees and charges when it is agreed that cost recovery should be pursued.
- 6.7** Prior to 2022, the policy surrounding the policing of non-public duty events was contained within the *Garda Finance Code*. In line with the provisions of the Act and the Code, there was a practice to charge promoters/organisers for members of An Garda Síochána assigned to NPD events.
- 6.8** A Garda internal directive, issued in 2005, set out a range of rates to be charged for policing NPD events. The charge rates (per member) ranged from €59 per hour to €130 per hour, based on the rank of members assigned to the event, and whether the event took place at the weekend or midweek. The rates were estimated based on the salary scales applicable at that time (November 2005). These rates continued to be applied until June 2022, when An Garda Síochána introduced an interim guidance document on Garda resourcing at licensed events and concerts (see Figure 6.2).²
- 6.9** The June 2022 interim guidance replaced the variable rate with a flat rate of €45 per hour, applicable to all ranks assigned to police licensed NPD events. The €45 flat rate comprises an hourly basic overtime rate of €38.40 based on the overtime rate payable to a Garda at the mid-point of the pay scale, employer PRSI contribution of €4.24, and a nominal amount of €2.36 per hour as a contribution towards non-pay costs.
- 6.10** An Garda Síochána stated that the move to a flat rate hourly fee linked to the Garda pay scale overtime rate was due to
- the majority of personnel assigned to NPD events being at Garda rank
 - a review of historic data that indicated the majority of NPD was charged at the overtime rate, and
 - consistency and ease of administration.
- 6.11** In September 2023, An Garda Síochána published a policy and developed an internal procedure document on the provision of Garda services for NPD events.³ The procedure document stated that a flat rate charge of €45 per hour would apply as a costing to all NPD events both licensed and unlicensed, subject to periodic adjustment.

¹ From the sample of 15 events, 13 took place in 2023. The other two events took place in 2022 and payment was received in 2023.

² An event where the audience/patrons comprises 5,000 persons or more is required to have a licence under the Planning and Development Act (as amended).

³ [Provision for Garda services for certain events and associated charges.](#)

Figure 6.2 An Garda Síochána procedures for charging for non-public duty events

Source: An Garda Síochána. Analysis by the Office of the Comptroller and Auditor General.

- 6.12** The examination team found no evidence that An Garda Síochána estimated the actual costs incurred in policing NPD events so as to assess the appropriateness of the €45/hour rate charged. Furthermore, the €45 flat rate does not reflect additional overtime rates or allowances payable for duty on Sundays or bank holidays. The flat rate charge also has not been revised to take account of pay increases awarded since April 2023.
- 6.13** Consequently, the charge rate reflects an assumed cost rather than the actual costs. If the charges levied in respect of policing NPD events are less than the costs incurred, the unrecovered portion of costs is ultimately funded by the Exchequer.

Charge rate concessions

- 6.14** As a matter of policy, the flat rate charge of €45/hour/member attending may be abated, depending on the nature of the event and the circumstances of the deployment.

Fee abatement and waivers

- 6.15** An Garda Síochána is responsible for maintaining public order and safety in its day-to-day policing duties, and so there may be occasions where normal Garda public duty overlaps with policing of NPD events. In such cases, An Garda Síochána considers it may not be appropriate to levy the full charge.
- 6.16** The June 2022 interim guidance stated that An Garda Síochána would charge for the time of members deployed in an event venue, but would not levy full charges for resources deployed outside the venue or in the surrounding areas. The guidance set out that the decision on establishing the appropriate uncharged level of resources was the responsibility of the local Chief Superintendent for the area within which an event is taking place.
- 6.17** The September 2023 policy on the provision of Garda services for NPD events provides a new methodology to score events based on their characteristics (e.g. the nature of the event, whether an entry fee applies, etc.). The scoring matrix used is set out in Annex 6A. The final score is used to determine the level of fee abatement to be applied — zero, 50% or 100% abatement (i.e. no charge).
- 6.18** The policy also states that where the event is commercial and profit driven, the full charge for Garda services is to be applied.
- 6.19** The local Chief Superintendent is responsible for deciding on the number of Garda personnel to be deployed to an event and its immediate surroundings. S/he is also responsible for the decision to apply a reduced charge or to waive the charge, based on the results of the scoring matrix.
- 6.20** The examination team reviewed the records for five events (from the sample of 15) where a reduced or no charge was applied, under the current policy. An Garda Síochána was unable to provide a completed scoring matrix for any of the events selected.
- 6.21** In one case, the NPD charge was waived as the event was considered to be a 'charity event'. However, the event attracted an entry fee for participants and the income generated was retained by the organising body, which is not a registered charity. The examination found that there is no requirement in the current procedure document to verify the charitable status of event organisers, when deciding to waive the NPD fee.
- 6.22** When a fee is reduced or waived, the cost of providing the service is borne by the Exchequer. For this reason, decisions to reduce or waive fees should be in line with the policy direction, and fully documented. A failure to clearly document the rationale for applying fee abatement or waiving the fee undermines the integrity of the charging regime and could represent an effective Exchequer subsidisation of commercial activity.

Comparison with actual costs incurred

6.23 The most recent policy and related procedure document outlines the methodology and associated rationale for calculating the fee. However, from a review of the sample (15 events), the examination found an inconsistent approach in how the flat rate charge was applied.

- In some cases, the flat rate charge was applied to estimated Garda hours as determined by the Chief Superintendent when planning the level of resources needed to police an event.
- In other cases, the flat rate fee was applied to hours reported and returned to the Finance Unit on paper-based forms, known as the A17 return.

6.24 The examination found that in general for larger commercial events, the hours reported often exceeded the initial estimated hours.

Difficulties collating actual costs

6.25 The roster and duty management system was introduced in An Garda Síochána to improve organisational capabilities of planning, controlling and managing the deployment of staff resources and to lead to savings in the cost of overtime through more effective and efficient resource allocation. The project was initially piloted in the Dublin Metropolitan Region Eastern Division in 2017 and is now live across all regions.

6.26 A roster and duty management system policy was implemented with an effective date of 19 February 2020. This states that compliance with the policy and related procedure document is mandatory for all Garda personnel.

6.27 The roster and duty management system is not currently used to record and manage hours worked, associated overtime and allowances in relation to NPD. An Garda Síochána stated that an assessment of the feasibility of moving NPD planning and management onto the roster and duty management system is ongoing.

6.28 The A17 return is used to capture information on

- the number and rank of Garda members assigned to the NPD event
- the number of hours worked by each Garda member
- the travel and subsistence rate applicable.

6.29 The examination team found that only overtime hours worked are routinely recorded on the A17 returns. An Garda Síochána assumes that NPD hours are worked by non-rostered members. Where normally-rostered members or Garda reserve members are also deployed to an event, the A17 return does not capture this, and so associated charges are not allocated to the NPD event

Figure 6.3 Challenges identifying costs incurred in policing NPD events

Cost component	Source of information	Challenges identified by examination team
Overtime costs — Garda members assigned to NPD	NPD overtime payroll report	<ul style="list-style-type: none"> ▪ Includes overtime costs that have been linked to NPD event only (i.e. incurred by staff who are not rostered on duty). Regular overtime hours (incurred by rostered staff) are excluded. ▪ Risk that information may be incomplete if incorrect or no NPD reference recorded.
Travel and subsistence claimed by Garda members assigned to NPD	Paper based travel and subsistence claim form A17 return with details of travel and subsistence rate Travel and subsistence payments report	<ul style="list-style-type: none"> ▪ Increased risk of error, and lack of audit trail with paper travel and subsistence forms. ▪ Inconsistencies between information recorded on A17 return, travel and subsistence claim form and travel and subsistence paid per payment report. ▪ Inconsistent recording of NPD reference number/name of event on travel and subsistence forms and payment records increases risk of incomplete and inaccurate costs.
Rostered members' pay costs when diverted from other duties and assigned to NPD	Not captured or identifiable Not stated on the A17 return	<ul style="list-style-type: none"> ▪ Inconsistent approach to recording this information. ▪ Unable to link rostered staff to NPD event increasing the risk that actual NPD costs are incomplete.
Overhead allocation — uniform, equipment etc.	No report/method identified to allocate additional overheads	<ul style="list-style-type: none"> ▪ Policy does not include instances when the use of transport/equipment etc. may be chargeable. ▪ €2.36 nominal contribution included in €45 flat rate.

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

6.30 Because the resources deployed in policing NPD events are not captured centrally in a consistent and reliable manner, full costing of those deployments cannot readily be verified. For the sample of 15 events selected, the examination team estimated the actual costs of policing the events, based on the identified cost components set out in Figure 6.3. The results of that estimation process were compared to the actual charges levied, and the actual cost recovery rate estimated (see Figure 6.4).

6.31 The calculations set out in Figure 6.4 were based on the actual costs identified i.e. NPD overtime hours paid and travel and subsistence payments. Other costs, such as the pay of rostered members that may have been assigned to attend NPD events, were not identifiable, and so there is a risk that the estimated actual costs are under-estimated. For this reason, the estimated cost recovery percentage shown may over-state the recovery of costs actually achieved.

Figure 6.4 Estimated cost recovery rates for a sample of NPD events selected

Event type	Event	Abatement rate	An Garda Síochána charge	Estimated actual costs	Variance between estimated costs and charge	Maximum estimated cost recovery rate ^a
Sporting	The Galway races summer festival	Zero	€24,912	€48,795	€23,883	51%
	Punchestown racing festival, Kildare	Zero	€20,000	€56,448	€36,448	35%
	Christmas festival of racing, Limerick	50%	€4,838	€9,645	€4,807	50%
	Galway United FC League of Ireland soccer match	50%	€1,187	€1,108	(€79)	107%
	Kerry FC — three League of Ireland soccer matches	Zero	€2,430	€3,037	€607	80%
Music concert/festival	Body and Soul Festival, Westmeath	Zero	€37,824	€45,629	€7,805	83%
	Harry Styles at Slane Castle, Meath	Zero	€207,180	€274,166	€66,986	76%
	New Year's Festival 2023, Dublin	50%	€3,915	€4,553	€638	86%
	Snoop Dogg concert, Dublin	50%	€1,755	€3,249	€1,494	54%
	Otherside Festival at Rock Farm, Slane, Meath	Zero	€5,425	€4,938	(€487)	110%
Road race	Run in the Dark, Dublin	100%	—	€6,459	€6,459	0%
Motor rally	Rally of the Lakes, Kerry	Zero	€11,000	€20,482	€9,482	54%
	Cork rally	Zero	€2,250	€2,396	€146	94%
Cultural	Rose of Tralee, Kerry	Zero	€6,000	€17,483	€11,483	34%
Security	Blast supervision at quarry, Galway	Zero	€237	€210	(€27)	113%

Source: An Garda Síochána. Analysis by the Office of the Comptroller and Auditor General.

Note: a Additional costs (such as rostered members' pay) would increase the costs incurred and reduce the cost recovery rate.

6.32 The key findings from this analysis are

- The target 100% cost recovery may not have been achieved for the larger commercial concerts. As An Garda Síochána does not comprehensively collate the full costs of policing these events, there is a risk that the Exchequer is subsidising profit-seeking entities.
- There is a lack of consistency evident in the cost recovery rates achieved for similar sporting events (e.g. ranging from 35% to 51% for racing festivals), and in the application of abatements.
- For some of the smaller events, there is a risk that An Garda Síochána may be overcharging. An Garda Síochána does not have the legislative authority to raise charges in excess of the costs incurred. While it is likely that there were additional costs incurred in policing these events (rostered members etc.), this information is not collated or documented and therefore, cannot support the full charge raised.

- 6.33** The examination found that An Garda Síochána does not have sufficient and reliable information available on the actual costs incurred in policing NPD events. As such, An Garda Síochána cannot determine whether or not an appropriate level of costs for the provision of Garda services at NPD events is being recovered.

Debriefing and review of charges

- 6.34** An Garda Síochána's current procedure states that following the conclusion of an NPD event, a thorough debriefing should be completed. The procedure states that the debriefing should include an analysis of the financial arrangements regarding the provision of Garda services and the appropriateness of the charges levied, ensuring that such charges were commensurate with the policing requirements of the event.
- 6.35** The debriefing documentation was requested for the six events from the sample selected which were managed in accordance with the new policy and procedure i.e. held after September 2023. Just two debriefing documents were provided. However, neither of the documents received contained financial analysis or an assessment of the appropriateness of the fees charged for the event.
- 6.36** The examination found no evidence that An Garda Síochána carries out a retrospective review of the appropriateness of the charges levied as outlined in the procedure document.

Controls over the charging, billing and collection of NPD fees

- 6.37** There are no formal documented procedures in place for the invoicing and collection of NPD fees. Invoices are issued based on the information contained on the A17 return and there are no payment terms or due date specified on the invoices. An Garda Síochána does not have documented credit control procedures in place to
- routinely follow up on unpaid bills or
 - issue reminders on a regular basis.
- 6.38** From the sample of 15 events reviewed, two invoices remained outstanding at the end of June 2024. One of these related to a commercial event that took place more than 12 months before, and involved a substantial debt.
- 6.39** At year-end 2023, a total of €3.6 million NPD invoices remained outstanding. Of this, 34% (€1.25 million) had been invoiced prior to 2023, and invoices amounting to €512,000 had been outstanding since prior to 2019. By end June 2024, the debt outstanding at year-end 2023 had fallen to €1.7 million. However, there was little movement on older balances.
- 6.40** NPD invoices and balances due are logged on a spreadsheet in the Garda Síochána Finance Unit. This spreadsheet, referred to as the 'NPD master list', is the only record of NPD invoices issued that is retained by An Garda Síochána. The examination team noted that the format of the data recorded on the spreadsheet made it difficult to interrogate or analyse.
- 6.41** There are significant risks associated with maintaining key accounting records (such as the NPD master list) on a stand-alone excel spreadsheet. It is susceptible to human error, data corruption and data security issues. Information retained on the spreadsheet is not automatically linked to the accounting records of the organisation. Moreover, there is no audit trail generated if invoices are cancelled or removed from the listing.

- 6.42** The examination team requested a list of credit notes issued against NPD invoices in order to assess if the invoices issued are being collected at the agreed fee. An Garda Síochána stated that no credit notes have been raised in relation to NPD invoices.
- 6.43** In one of the 15 cases reviewed, the examination team noted that the initial NPD charge had been calculated for an event that occurred in the first half of 2023. An invoice was raised for the calculated amount, and this issued to the event organiser at that time. This invoice was not paid. A reduced fee of around one third of the calculated charge was later agreed and a new invoice to that effect was raised and paid. There was no record of the initial invoice being cancelled, nor was there a record of a credit note raised for the fee reduction.
- 6.44** Due to the lack of an audit trail for cancelled or partially credited invoices, the examination team was unable to quantify the extent of invoices that may have been reduced following negotiations. Where invoices can be cancelled and re-issued without an audit trail, there is an increased risk of error or inappropriate concessions going undetected and therefore an increased risk of financial loss to the Exchequer.

Conclusions and recommendations

- 6.45** Since 2022, An Garda Síochána has taken steps to improve the consistency of the approach to charging for policing of NPD events. The interim guidance issued in June 2022, followed by the policy and procedure implemented in September 2023, have established a policy and charging framework for the provision of Garda services at NPD events.
- 6.46** From June 2022, NPD policing hours have been charged at a flat rate fee of €45 per hour, irrespective of the rank of the members assigned to the event. This rate is considerably less than the previous variable rates in use, and An Garda Síochána is yet to review the appropriateness of the flat rate by comparing it with actual costs incurred.

Recommendation 6.1

The current procedure states that the €45 flat rate will be subject to periodic review. This review should include a comparison of estimated costs (using the flat rate) with actual costs incurred and paid, for a sample of NPD events, to determine if the flat rate fee is appropriate.

Accounting Officer's response

Agreed.

An Garda Síochána will incorporate the analysis outlined into the next periodic review of the *Provision of Garda Services for Certain Events and Associated Charges Policy*. The next review is scheduled to be conducted in 2024.

Timeline for implementation

Q4 2024

- 6.47** It is a policy matter for An Garda Síochána to determine the occasions when it is appropriate to waive or reduce a fee, particularly when there is overlap between public duty and the policing of NPD events, for example traffic management in areas surrounding an event venue. The scoring matrix in the current policy framework appears to be a reasonable attempt to set out a transparent and consistent approach to assessing if fees should be reduced. However, as the scoring documentation was not provided to the examination team for the five sample events reviewed, the basis and validity of the decisions to reduce charges or waive fees could not be verified. A clearly documented record of decisions is essential for ensuring the integrity of the charging regime.

Recommendation 6.2

An Garda Síochána should ensure that all decisions to waive or abate fees are clearly documented in line with the relevant policy and procedure. The supporting documentation should be provided to the Finance Unit and retained centrally.

Accounting Officer's response

Agreed.

An Garda Síochána will issue an appropriate communication to enforce the recommendation.

Timeline for implementation

Q4 2024

- 6.48** Because of the way information is recorded about hours worked and travel and subsistence claimed for NPD events, the total actual costs of policing NPD events cannot be verified. Furthermore, costs associated with rostered staff deployed to an NPD event, whether during regular hours or on overtime, are not considered by An Garda Síochána as a cost associated with NPD.
- 6.49** As An Garda Síochána cannot reasonably estimate the actual costs incurred in policing NPD events, it cannot therefore determine the cost recovery rate, or assess if it is set at an appropriate level. Analysis of the records for a sample of events identified inconsistencies across the cost recovery rates achieved from similar events, as well as commercial events where, contrary to policy, full cost recovery was not achieved. When An Garda Síochána fails to recover appropriate costs incurred, there is a risk of financial loss to the Exchequer and subsidisation of the event operators who are, in some cases, private profit-seeking entities.
- 6.50** The current policy requires that an assessment of financial arrangements, and the appropriateness of the charges raised, forms part of the event debriefing document. However, there was no evidence that An Garda Síochána has completed this for any of the six applicable events included in the sample.

Recommendation 6.3

An Garda Síochána should review available management information to assess if more meaningful data on actual costs incurred in policing NPD events can be produced.

Target cost recovery rates for types of events should be established to ensure that an appropriate level of costs is being recovered, and to increase consistency in the rates achieved.

The appropriateness of the charges levied should be assessed routinely as part of the event debriefing, in line with the current policy and procedure.

Accounting Officer's response

Agreed.

An Garda Síochána will review the capability currently available, in order to understand the feasibility of using the systems to track target cost recovery rates for types of events and that an appropriate level of costs are being recovered.

Timeline for implementation

An Garda Síochána will conduct a feasibility study surrounding the implementation of this recommendation. The projected completion date of this feasibility study and implementation of any recommendations arising is 2025.

- 6.51** There are significant weaknesses in the invoicing and collection of agreed NPD fees. The lack of routine credit control procedures increases the risk that amounts due may not be recovered in a timely manner, and ultimately may lead to bad debts and a loss to the Exchequer.
- 6.52** The absence of an audit trail for invoices raised, reduced or cancelled, increases the risk that fraud or error may go undetected. The recording of invoices and receipts (amounting to €8.4 million in 2023)¹ on a standalone spreadsheet, which is not integrated into the financial accounting records, exposes the organisation to an unnecessary level of financial risk.

Recommendation 6.4

An Garda Síochána should review and assess the controls in place over the billing and receipting of NPD invoices with a view to developing and implementing formal procedures for billing, cancellation and receipting of NPD invoices.

An Garda Síochána should also address the financial control risks associated with maintaining invoice listings on a stand-alone spreadsheet which is not integrated into the financial accounting records of the organisation.

Accounting Officer's response

Agreed.

An Garda Síochána will seek to formalise procedures in regard to the billing and receipting of non-public duty invoices and incorporate this within the procedures for the *Provision of Garda Services for Certain Events and Associated Charges*. Furthermore, the Garda Síochána Finance Directorate is scheduled to utilise accounts receivable functions as part of the wider migration to the National Shared Services Office scheduled for 2025.

Timeline for implementation

2025

¹ The amount in excess of €7 million was incorrectly recorded as receipts in the original published report.

Annex 6A Scoring matrix for fee abatement

Criteria	Question	Answer	Score ^a
Nature of event <i>(Unlicensed event should be captured under one of these relevant headings)</i>	Commercial event	Yes	
	Charity	Yes	
	Community	Yes	
	Cultural/heritage event	Yes	
	Private event	Yes	
	Sporting event/with admission fee payable	Yes	
Host/organiser/promoter	Existence of a promoter clearly identifies a commercial event. Can also be a significant non-commercial event or a sporting event?	Yes	
		No	
Premises licence/safety certificate required	Is a licence required? Certain events require a licence or a safety certificate to operate. The event capacity and that licences are required indicate a major event.	Yes	
		No	
Payment for entry at the event	Will the public attending the event be required to pay to enter? The event can be either a commercial, charitable, unlicensed or community event.	Yes	
		No	
Security	Will the event use licensed Private Security Authority (PSA) approved security? (This can assist in reducing the policing numbers). Agreement is required with Garda management as to the number of licensed security and stewards. If there are no PSA licenced personnel, then the score is zero.	Yes	
		No	
Performers paid	Will the performers at the event be paid? This can be a commercial, charitable, unlicensed or community event.	Yes	
		No	
Traders concessions	Will traders be required to pay at the event? This can indicate a major event.	Yes	
		No	
Proceeds to charity/community organisations	Will 100% of the surplus income be for charitable distribution or will it be distributed through the community or the organisation?	Yes	
		No	
Proceeds to sporting organisations	Does the organisation distribute its surplus from the event to the promotion of the relevant sport?	Yes	
		No	
Impact on community	Will a community be affected by holding the event, such as increased traffic, disruption and public disorder?	Yes	
		No	
Additional policing	Is more policing than the norm required because of the event? Considering location, crowd profile and risk.	Yes	
		No	

Source: An Garda Síochána

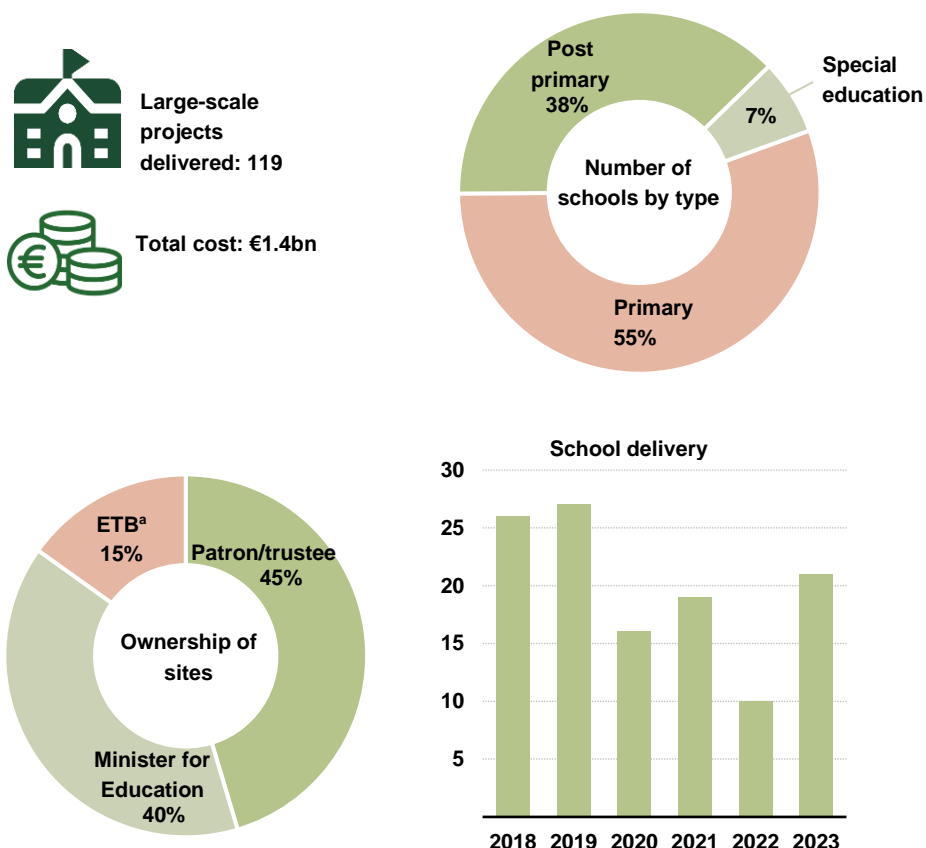
Note: a Weighted scores of -10, 5, 0, 10 and 20 are assigned to each answer in the internal procedure document.

7 Protecting the State's investment in the schools estate

7.1 The Department of Education (the Department) has overall responsibility for the schools estate in Ireland which comprises just under 4,000 schools accommodating over 963,000 students. The Department's Planning and Building Unit supports the development and delivery of the schools estate.

7.2 An overview of large-scale projects completed and delivered in the period between 2018 to 2023 is set out in Figure 7.1. Just over half (55%) of the large-scale projects completed in this period were on State-owned sites.¹ The remaining 45% of the large-scale projects completed were on sites owned and controlled by school patrons/trustees.² School delivery declined in the period 2020 – 2022 as a consequence of Covid-19 disruption, and while it increased again in 2023, it still has not returned to pre Covid-19 delivery level.

Figure 7.1 Large-scale projects delivered in the period 2018 – 2023



1 Includes education and training board (ETB) schools. Although the ETB schools/sites are not owned by the Minister for Education (the Minister), the ETB may not purchase or dispose of land and buildings without the written permission of the Minister.

2 During this same period 1,103 smaller-scale school projects providing additional capacity were completed.

Source: Department of Education. Analysis by the Office of Comptroller and Auditor General.

Note: a Education and training boards (ETBs) are statutory education authorities with responsibility for education and training, youth work and a range of other statutory functions.

7.3 This examination

- seeks to establish if there are adequate protections in place to safeguard the State's investment in the schools estate
- considers the current accounting treatment of school properties by the Department
- reports on progress made by the Department in implementing previous recommendations about the management of the schools estate.¹

7.4 The examination team reviewed relevant documentation and engaged with Department and Chief State Solicitors Office (CSSO) officials directly during the course of this examination.

State investment in school estate 2014 – 2023

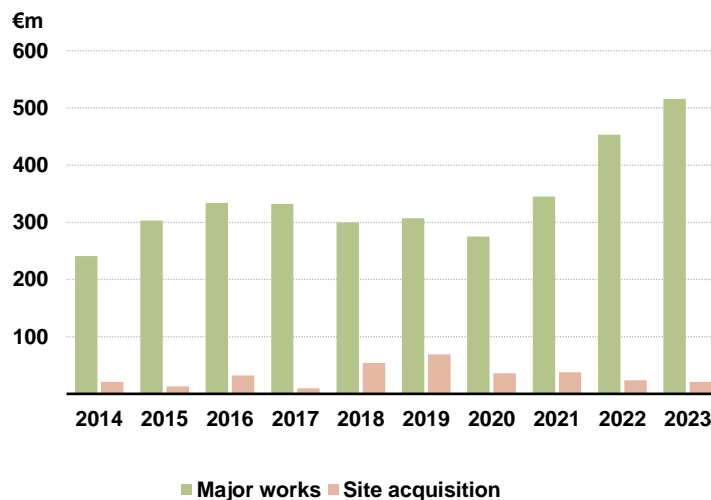
7.5 The Department provides capital funding to non-fee paying schools. Just over €7 billion was invested in the schools estate in the ten year period up to the end of 2023. This investment included

- €3.41 billion on major capital projects (i.e. construction of new schools and large-scale school extensions), and
- €318 million on site acquisitions.

The balance of €3.29 billion relates to smaller-scale projects providing additional capacity and minor/‘summer’/emergency works.

7.6 Figure 7.2 provides a breakdown of expenditure on major capital projects along with site acquisition costs over this ten year period.

Figure 7.2 Capital projects expenditure and site acquisition costs 2014 – 2023



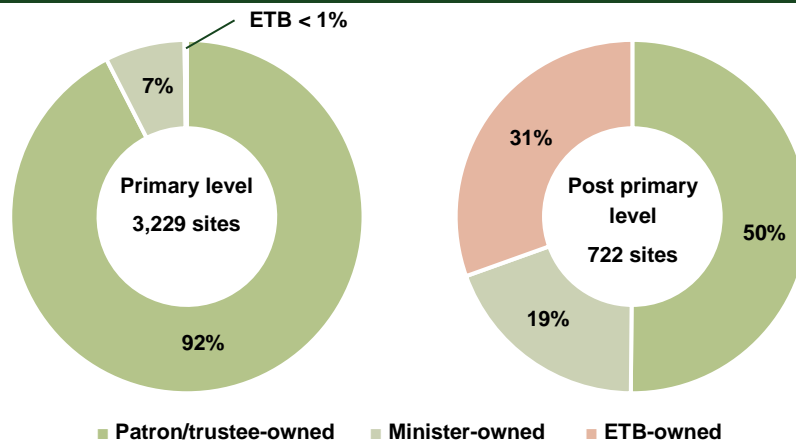
¹ Report on the Accounts of the Public Services 2019, chapter 8, [Management of the schools estate](#).

Source: Department of Education

Ownership of the schools estate

- 7.7 The ownership of the sites on which schools are located can be broken down into three main categories — Minister-owned; education and training board (ETB)-owned; and patron/trustee-owned (see Figure 7.3).

Figure 7.3 Site ownership as at 31 December 2023



Source: Department of Education

Note: a Correction: The number of school sites and the percentages for post primary level were incorrectly recorded in the original published report and have now been updated.

- 7.8 Historically, the Department has relied substantially on patron bodies, such as church authorities, for the provision of sites on which schools were built. Schools located on patron-owned sites currently account for the majority of the schools estate. The Department changed this policy in 1999 — since then, where a new site is required for a proposed school, the Department has sought to purchase the site. However, new schools can still be built on patron-owned sites.
- 7.9 Every school in the schools estate has a patron, regardless of ownership.¹ The patron is the body that establishes and operates the school, and is responsible for the school's characteristic spirit and ethos. As required by the Education Act 1998 (the Act), the Department maintains a register of patrons.
- 7.10 The Act gives a statutory basis to the role of the patron and sets out the rules for determining who the patron is and how they should operate. The patron may manage the school personally or may appoint a board of management to manage the school on the patron's behalf. Under the Act, the patron has the right to remove the board subject to the consent of the Minister and take over managing the school or appoint another board. Where a board has been dissolved, and subject to the Minister's approval, the patron may appoint a single manager. Section 8 of the Act defines the patron of a school as
- the person who is recognised by the Minister as the patron of a primary school
 - the persons who stand appointed as trustees or as the board of governors of a post primary school, and, where there are no such trustees or such board, the owner of that school
 - in any case other than that provided above, the person who requested recognition of a recognised school, or a nominee of such person.

¹ A diocesan bishop may be the school patron, but ownership of the school may rest with the diocese, congregation trust or a Catholic trust body.

Protection of the State's interest

7.11 Due to the significant investment in the schools estate in the past and the substantial investment which continues on sites owned by (non-State) patrons/trustees, it is critical for the Department to ensure that robust legal agreements are in place to sufficiently protect the State's investment. In a previous examination report, published in September 2020, it was found that formal legal agreements were not in place in respect of a significant number of schools.¹ The Department stated that, as of September 2020, work was then in train to remedy that situation and that

- In respect of patron-owned sites, a deed of charge and covenant was being prepared on the Department's behalf by the CSSO. To ensure effective and efficient implementation, the Department was investigating whether an aggregate application process can be devised to implement the deed by a school patron for a group of schools rather than by individual schools.
- In respect of Minister-owned sites, the Department was working with school patrons and the CSSO to implement school leases.

Schools built on patron/trustee-owned sites — 85%

7.12 In the past, the Department provided funding to patrons for school construction, with a percentage of the costs, known as the 'local contribution', being provided by the patron body.² The required contribution to construction costs was at a rate of 15% for primary schools and 10% for post primary schools. The 'local contribution' policy was discontinued in 2010. Since 2010, 482 new school builds or large-scale extensions were completed and over half (53%) were on patron-owned sites without the requirement for a local contribution by the patrons.

Charging lease

7.13 The Department puts a charging lease in place with the school patron/trustee to secure the Minister's investment in schools built on sites owned by patrons/trustees. The charging lease is a legal agreement between the parties and typically includes the following clauses

- the amount of funding provided by the Department and the patron's local contribution, if any
- stipulation that a school must be maintained on the school premises during the term of the lease
- requirements for patrons/trustees to adhere to all regulations, uses, conditions and purposes of the lease
- terms for repayment of the Minister's investment (and any future investment in improvements to the school), if the terms of the lease are not adhered to.

New approach — deed of covenant and charge

7.14 In 2004, the Department received advice from the CSSO that a deed of covenant and charge (deed) would be a more appropriate mechanism to secure the Minister's interest in schools built on patron-owned sites. The deed would set out the terms and conditions relating to the use of the school buildings and facilities, and ensure that usage is in accordance with the Education Act 1998 and any subsequent rules, regulations and directives issued by the Minister.

¹ Report on the Accounts of the Public Services 2019, chapter 8, [Management of the schools estate](#).

² The term 'patron' may also mean the trustees or board of management operating on behalf of the patron. The legal agreement is between the Minister and the patron/trustees, but grant monies provided by the Department are managed and accounted for by the board of management.

- 7.15** The Department provided a timeline of engagement with the largest patron representative groups in respect of development of the deed format. While there has been protracted engagement with the patron groups, the deed has not yet been finalised or implemented.
- 7.16** In August 2021, the Department returned the initial draft deed to the CSSO with observations for review and advices incorporating dispute resolution arrangements. The CSSO furnished advices and the revised draft deed.
- 7.17** The CSSO stated that the Department also sought and received its advice on a proposed master agreement between the Minister and patrons in respect of patron-owned schools. The CSSO provided a working draft of a master agreement. The CSSO and the Department continue to engage to address the appropriate legal framework to secure the Minister's interest.
- 7.18** The Department sent a proposed draft deed to the largest patron groups on non-Minister-owned sites in October 2022. Observations from the patron groups were received in early 2023 resulting in further engagement and subsequent redrafts of the deed. The Department has stated that the terms of the deed were agreed in principle in June 2024 with the patron groups, but it awaits further comments from the groups. The Department now expects that the format of the deed will be ready for the signature of all patron representatives before the end of 2024. The CSSO stated that this is also the trajectory it is committed to work towards, subject to
- the outstanding legal questions and concerns being adequately addressed with relevant instructions and
 - the pace at which patrons address matters.

Local authority zoning for educational use

- 7.19** The Department has a statutory remit under the Planning and Development Act 2000 which it considers to be a mechanism for the protection of the Minister's interest. Local authorities are required to send notice of draft development plans to the Department in relation to the preparation and finalisation of development plans. The Department states that its focus is to ensure that the zonings of existing school sites are protected for educational use and also that the requirement for new school sites is identified and reserved for future use. This restricts the use of sites for any purposes other than use in some form of education. However, zonings can potentially be changed by the local authority.

Schools built on Minister-owned sites — 9%

- 7.20** The Department stated that, when a school construction/extension project on a Minister-owned site is completed, control of the school transfers to the relevant patron body but ownership of the school is retained by the Minister.
- 7.21** Historically, the Department has not put formal lease agreements in place with the patron when a school is located on a Minister-owned site. The Department's view is that the risk to the Minister is low as the site that the school is built on is owned by the Minister. Notwithstanding this position, the Department has begun to put in place a formal school lease arrangement to strengthen the protection of the Minister's interests.

New school lease

- 7.22** Following engagement with patron representatives, a new form of school lease (the lease) was developed and agreed in August 2019. The lease template sets out the terms and conditions relating to the leasing to a patron of school buildings and facilities, ensuring that usage is in accordance with the Education Act 1998 and with any subsequent rules, regulations and directives issued by the Minister.
- 7.23** The lease template states that the Minister has purchased the lands out of funds provided by the Oireachtas and is registered as full owner with absolute title of the 'demised' premises.¹ It also contains the following key terms.
- The patron must agree that the demised premises shall not be used for any other purposes save with the Minister's prior written consent.
 - The patron must agree not to assign, transfer, underlet, mortgage, charge, part with, or share the possession or occupation of the demised premises without the consent in writing of the Minister first being obtained.
 - The patron must agree to yield up quietly the demised premises, including any buildings built during the term of the lease at the expiration of the term or sooner if the demised premises are no longer required for educational purposes.
 - The lease term is 40 years.
- 7.24** The Department has issued instructions to the CSSO to implement the new lease template with the patrons of the 19 new schools completed on Minister-owned sites between January 2021 and December 2023. Separately, work is ongoing to put in place leases in respect of school buildings completed in previous years on Minister-owned sites that are under the control of patrons. The Department stated that, as at the end of July 2024, instructions for a total of 105 leases had been sent to the CSSO. However, only four leases had been signed and completed by that date.
- 7.25** The CSSO stated that it has been working closely with the Department to plan an orderly and effective roll out of the new lease agreement, and conducts a triage exercise on the lease instructions it receives. The Office stated that it agreed with the Department that single site schools will be prioritised in order to gain the best traction for the Department.

Schools built on ETB-owned sites — 6%

- 7.26** The Department relies on statutory and governance relationships between the Minister and ETBs to secure the Minister's interest in schools located on ETB-owned sites. Paragraph 8.19 of the *Code of Practice for the Governance of Education and Training Boards*, states that 'An ETB may not proceed to purchase or dispose of land, buildings or other material assets without formal written sanction from the Minister for Education.'

Control and management of the schools estate

- 7.27** A school is typically managed by a board of management (the board) on behalf of the patron, irrespective of site ownership. School patrons may have a number of schools under their patronage, and typically appoint a separate board to each school. The board is required by the patron to uphold the ethos of the school and is accountable both to the patron and to the Minister. The school principal is responsible for the day-to-day management of the school.

¹ The 'demised' premises is the space or the property let to a tenant under a lease agreement. In the context of leasehold property ownership, it means the property the leaseholder can use and occupy.

- 7.28** The board of a primary school must adhere to the governance requirements as set out in manuals published by the Department.¹ Post primary schools must adhere to their legal instruments and articles of management. ETB schools must adhere to legislative provisions such as the Education and Training Board Act 2013.
- 7.29** The functions of the board are set out in section 15 of the Education Act 1998. Boards have a statutory duty to ensure that appropriate systems and procedures are in place to ensure school resources (including grants, staffing and other resources) are managed appropriately, efficiently and in a manner that provides for appropriate accountability to the relevant parties. Section 15 of the Act also states that “For the avoidance of doubt, nothing in this Act shall confer or be deemed to confer on the board any right over or interest in the land and buildings of the school for which that board is responsible”.
- 7.30** Section 17.4 of the *Governance Manual for Primary Schools 2023 – 2027* states that no alteration, extension or replacement of the school building and/or grounds shall be undertaken by the board unless it has been approved in writing by both the patron and the trustees (in schools where there are trustees).² However, the board
- has the authority to sign contracts with contractors for works on the school site
 - may also apply to the Department for emergency works or summer works for the school
 - is obliged to consult with and keep the patron informed of decisions and proposals of the board.
- 7.31** Section 24 of the Act states that the board is also the employer of teaching and support staff working in the school.

¹ [Governance Manual for Primary Schools 2023– 2027](#), Department of Education, September 2023.

² Generally, trustees — normally nominated by the patrons — are the persons who are parties to the lease of the school premises. Some schools may not have any trustees e.g. in cases where the school premises is in the direct ownership of the school patron.

³ ‘Evidence of lease’ means that although there is no physical lease in the relevant ‘hard copy’ school file, there is some evidence that one exists/existed. The lease may have been removed and forwarded to a third party e.g. CSSO, patron’s solicitor.

Management of legal agreements

- 7.32** Prior to January 2024, the Department did not have a centralised register of leases in place to record and manage the charging lease agreements with patron bodies on patron-owned sites. The Department introduced a register in January 2024 with information on all charging leases in the Department’s possession. This register includes information relating to the start, duration and end of leases. The examination team reviewed the register and noted that each school was assigned one of the following categories
- lease present
 - evidence of lease³
 - no lease.

- 7.33** A review of the entries on the register by the examination team identified a number of shortcomings including the following.
- Multiple entries for the same schools.
 - Approximately 6,600 entries for 3,364 patron-owned schools.
 - Numerous entries where 'evidence of lease' was recorded but with no start or end date of the lease and no indication where the lease is currently held.
 - Instances where leases are noted as present but there is no end date recorded. The Department stated this can happen when the end date on a lease document is illegible due to the age of the document.
- 7.34** It was further noted that a significant number of leases have lapsed. In these cases, as the lease has expired, so too has the Minister's interest in these schools. In effect, there is no existing requirement on the patron to maintain a school on the site.
- 7.35** The Department stated that the new master agreement (deed of covenant) will make lease management more efficient as the aggregate approach will result in fewer lease agreements being in place.
- 7.36** The Planning and Building Unit of the Department maintains a register of schools on Minister-owned sites which is being used as a basis for the implementation of the new school lease on Minister-owned sites.

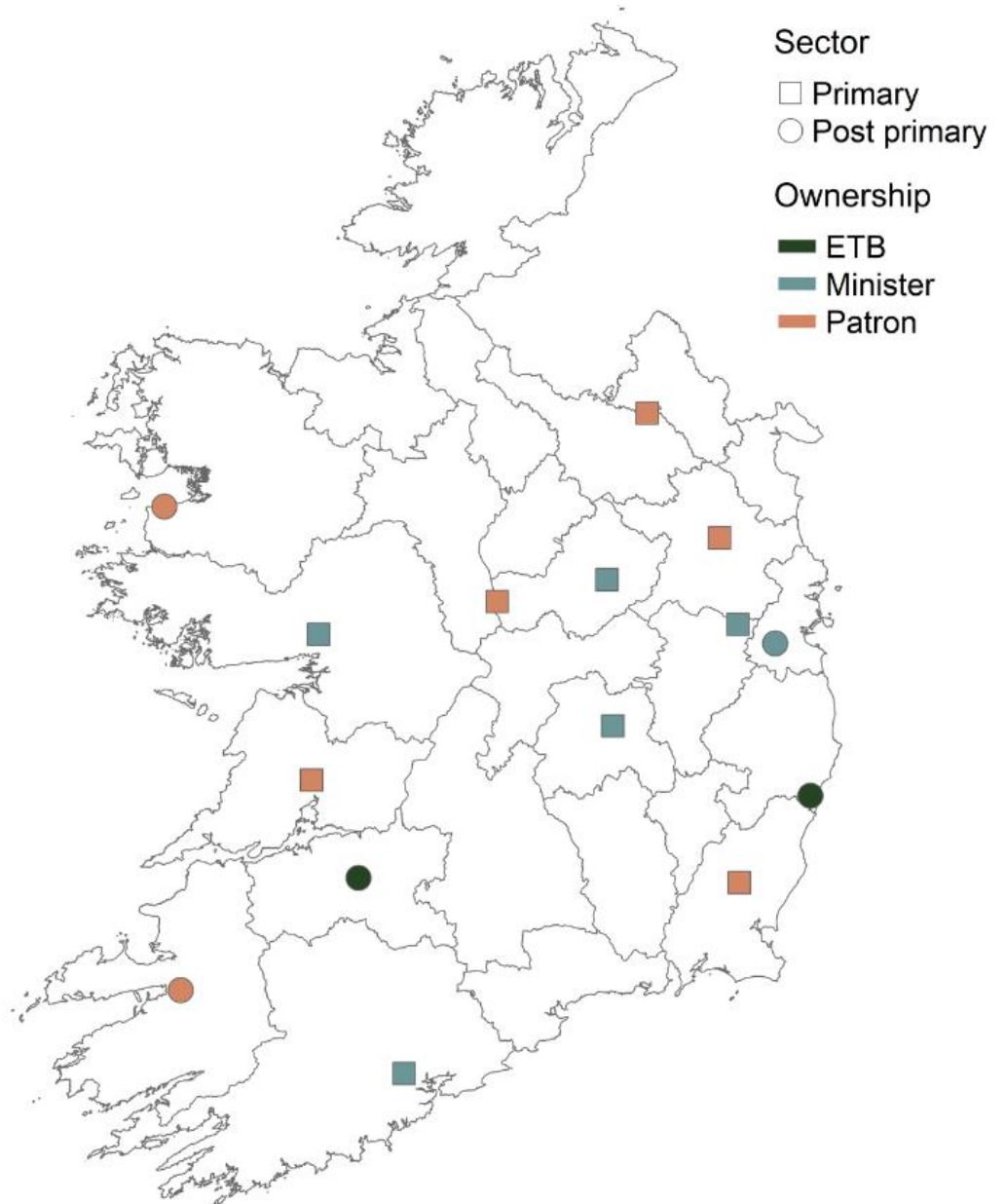
Surrendering the Minister's interest in patron-owned sites

- 7.37** Where a charging lease is in place and in date on a patron-owned site, the patron can request the removal of the Minister's interest in the site by requesting the surrender of the charging lease. The patron can then do whatever they wish with the property.
- 7.38** The patron may wish to have the Minister's interest removed from a portion of the property only and this can lead to a partial surrender of the charging lease. When dealing with surrenders, the Minister's interest is in the money invested by the State throughout the duration of the lease.
- 7.39** If a charging lease has expired, the Minister's interest has expired and there is no requirement on the patron to seek a surrender. Where a charging lease is in date, the Minister may request recoupment of grant monies provided to the patron. In general, where a proposal is for social housing or community use of the site, the Department may decide not to seek recoupment of grant monies. However, if the property is legally outside Ministerial ownership, the end use of the property is also outside the Department's control.
- 7.40** The recoupment amount is pro-rata based on the length of the charging lease, minus the number of years that have elapsed on the lease. The amount is calculated based on the original figures on the charging lease, and is not index linked.
- 7.41** There were 16 surrenders or partial surrenders completed since 2018. Recoupment was sought in four of the 16 cases with funds recouped totalling just under €53,000. The other surrenders related to boundary rectifications or community use. There are currently 68 active surrender or partial surrender requests in process.

Sample of schools

7.42 A sample of 15 school projects was selected for review from the population of 482 new school builds or large-scale extensions completed since 2010 (a 3% sample). All the projects in the sample had a value greater than €5 million. The sample comprised ten primary schools and five post primary schools; and there were 12 new school builds and three large-scale extensions. Figure 7.4 provides an overview of the location and profile of the schools selected for review.

Figure 7.4 Location of school projects reviewed



Source: Department of Education

Legal agreements

- 7.43** The examination team reviewed the relevant project documentation for the 15 projects, which represented a combined investment of €171.28 million, and interviewed Department staff.
- Legal agreements with patron bodies were not in place for ten schools. The total value of the projects in the sample with no formal legal instruments in place was €115.68 million.
 - Charging leases were available for four of the seven schools located on patron-owned sites; one of these leases had expired in 2003. ‘Evidence of lease’ was noted in one instance and leases were not available for the other two patron-owned schools.
 - In the case of six schools on Minister-owned sites, lease instructions had been sent by the Department to the CSSO in all cases, but these have not yet been implemented.
 - For the two schools located on ETB-owned sites, the Department is relying on the statutory and governance relationships between the Minister and ETBs to secure the Minister’s interests.

Land registration

- 7.44** The examination team reviewed land registry records of all 15 schools in the sample in order to confirm that ownership rights were correctly recorded.
- 7.45** Six schools in the sample were listed as Minister-owned, and of these, five were registered correctly. The remaining school had a local authority as the registered owner from 2020. By way of explanation, the Department confirmed that the local authority acquired the land by compulsory purchase order on behalf of the Department because it does not have statutory compulsory purchase order powers. The Department reported that the CSSO lodged an application in March 2022 with Tailte Éireann to have the site registered in the ownership of the Minister. The transfer to the Minister has now been registered.
- 7.46** Five of the seven patron-owned sites reviewed were recorded correctly with Tailte Éireann. Two of the sites were unregistered. It became compulsory for unregistered property purchased in some counties to be registered in 1964, with other counties added since. The most recent amendment added Cork and Dublin, with registration now compulsory in all of Ireland upon sale or transfer of land or property.¹ It is not clear whether the two sites were acquired by the patrons before acquisition became compulsory.
- 7.47** The two ETB-owned sites were recorded on the land registry, as expected.

¹ [S.I. No. 516/2010 – Registration of Title Act 1964 \(Compulsory Registration of Ownership\) \(Cork and Dublin\) Order 2010](#). (commencement date was 1 June 2011).

² [Public financial procedures \(section B.1.2\)](#).

Accounting for school assets

- 7.48** The Department has invested significant sums in the construction and maintenance of schools since the foundation of the State. There is an obligation on the Department to ensure that adequate systems of control are maintained over all of its assets, including those not included in its assets register.² Schools are built on land owned by patrons or trustees (85%), by the Minister (9%) and by ETBs (6%).

- 7.49** The Department does not consider that the 85% of schools located on patron-owned sites are assets of the Department and so the current accounting treatment is to exclude its investment in them from the statement of financial position in its annual appropriation account. The expenditure incurred on building/extending the schools is charged to the appropriation account in the year incurred, but is not recognised as a capital addition.
- 7.50** Schools located on Minister-owned sites are considered to be Department assets and the accounting treatment adopted by the Department is
- expenditure incurred in the construction of the school (including site costs) is included under 'assets under development' in the capital assets note 2.1
 - when a school project is completed and control has transferred (*de facto*) to the relevant patron, the Department treats this as an asset disposal and the cumulative expenditure on the building project is removed from note 2.1
 - the total disposals figure is disclosed in the annual appropriation account which also notes that, although control of the asset has transferred to the relevant patron, the Department retains ownership of the asset.
- 7.51** The Department informed the examination team that the reasoning behind the accounting treatment of schools on Minister-owned sites was informed by the Department of Public Expenditure, National Development Plan Delivery and Reform's (Department of Public Expenditure) accounting policies for appropriation accounts.¹ The Department pointed to the following extract.
- Where lands or buildings are vested in a Minister but are, in fact, controlled/managed by an outside body, they are not included as assets of the Department, but the ownership of the asset is noted in the Department's account. Otherwise, they appear in the account for the relevant Department.*
- 7.52** As previously reported, this practice typically results in the school property not appearing on any statement of financial position. In response to a previous recommendation (in 2020), the Department agreed to explore the appropriateness of this situation with the Department of Public Expenditure.
- 7.53** The Department stated that it initiated engagement with the Department of Public Expenditure seeking clarity on this issue in July 2022. A final opinion on the matter has not yet been received.
- 7.54** As at July 2024, only four lease agreements are in place with patrons for schools located on Minister-owned sites (out of a total of 376 schools). No additional evidence was provided to the examination team to support the position that control of schools built on Minister-owned sites had in fact transferred to the relevant patron.

Conclusions and recommendations

- 7.55** The State has invested significant funds in the schools estate over many years, including in the 85% of schools that are located on lands not owned by the State. The State's capital investment in the provision of some new schools/extensions has not been formally secured due to the absence of effective and appropriate legal agreements with patron bodies. This exposure was previously reported on, in September 2020.

¹ [Circular 22/2023: Requirements for Appropriation Accounts 2023, Section A](#), Department of Public Expenditure.

- 7.56** The development of new legal agreements since the publication of the previous report indicates that there has been some effort to improve the protection of the State's interest, but progress has been slow.
- 7.57** The Department stated that progress has occurred despite the impact of Covid-19 during which the Department's overriding priority was supporting the operation of the school system through 2020, 2021 and 2022. Further, managing the impact of the war in Ukraine has seen the Department accommodate over 18,000 additional students within the school system over the course of 2022 and 2023.

Legal agreements

- 7.58** Approximately 85% of schools are located on patron-owned sites and a system of charging leases was put in place as a means of protecting the Minister's interests.
- 7.59** The examination team found that charging leases were not always in place as expected, or that leases put in place had in fact expired. If the lease has expired, the Minister's interest has also expired. Legally, the patron does not need to apply to have the Minister's interest removed from the site.
- 7.60** In 2004, the Chief State Solicitor's Office proposed the implementation of deeds of covenant and charge as a more appropriate mechanism to secure the Minister's interest in building projects on patron-owned sites. In the 20 years since, this mechanism has not been implemented. Engagement on the terms of the deed of covenant and charge has been limited to the largest patron representative groups on non Minister-owned sites. The views of other patron bodies on the terms of the deed have not been established.
- 7.61** The Department has made some progress in relation to schools on Minister-owned sites. The Department has developed a *pro-forma* lease agreement but implementation of this has been very slow. Currently, there are signed leases in place in respect of only four — just over 1% — of the 376 schools located on Minister-owned sites.

Lease registers

- 7.62** This examination found that the Department's newly established lease register for the 85% of schools located on patron-owned sites is incomplete and had multiple entries in many instances. The examination team could not conclude on the number of schools where charging leases are in place or if the original lease had in fact expired.
- 7.63** The lack of an adequate lease register on patron-owned sites limits the ability of the Department to effectively manage and monitor the status of charging leases with considerable subsequent risks to the Minister's interests.

Recommendation 7.1

For schools located on patron-owned sites, it is recommended that the Department expedite the development of the proposed legal agreements as a means of protecting the Minister's investment in the school estate and that these are implemented as a matter of urgency.

Accounting Officer response

Agreed.

The Department has advanced planning in place to implement a single master agreement (which will take the form of a deed of covenant) at individual patron level to protect the Minister's investment in all school properties on patron/trustee-owned sites including those covered by the historical charging leases. This master agreement will be complemented by deeds of covenant and charge for each project costing more than €10 million. The parameters of these new arrangements were provided to the largest patron representative at primary school level who signalled their agreement to the approach. It is envisaged that once the arrangements are formally agreed that they will also apply to other patron representative bodies.

Timeline for implementation

Significant work has been done on finalising the arrangements to enable implementation to commence in Q4 2024. The CSSO will have a key role to play in relation to implementation of these arrangements. It is envisaged that implementation should be largely completed by the end of 2025.

Recommendation 7.2

It is recommended that the Department develop an adequate system to manage and monitor current and future legal agreements with patron bodies on patron-owned sites so that the Minister's interests are protected in all instances.

Accounting Officer response

Agreed.

The Department will be implementing a single master agreement (which will take the form of a deed of covenant) at individual patron level to protect the Minister's investment in all patron/trustee-owned school properties including those covered by the historical charging leases. This master agreement will be complemented by deeds of covenant and charge for each project costing more than €10 million. These arrangements will be reflected in a register held in the Department's Planning and Building Unit.

Timeline for implementation

This register will be put in place in Q4 2024. The register will be updated to reflect implementation of the new master agreement and deeds of covenant and charge which should be largely completed by the end of 2025.

Accounting for school assets

- 7.64** It would appear that although there are governance requirements in place for boards of management of schools located on Minister-owned sites, ultimate control of these school assets is likely to remain with the Minister. If this is the case, under requirements for appropriation accounts, these assets are required to be included in the Department's statement of financial position.

Recommendation 7.3

It is recommended that the Department liaise with the Department of Public Expenditure to develop a policy for the valuation of schools built on Minister-owned sites and the subsequent accounting treatment and inclusion of these assets in the statement of financial position within the Department's annual appropriation account.

Accounting Officer response

Agreed.

The Department of Education will engage further with the Department of Public Expenditure in September 2024 to agree and develop a policy for the valuation of schools on Minister-owned sites and the subsequent treatment of these assets in the statement of financial position.

Timeline for implementation

Discussions will commence with the Department of Public Expenditure in September 2024 and will inform a timeline for implementation of this recommendation. The Department will not be in a position to account for the Minister-owned schools under Central Government Accounting Standard 17 for the 2024 appropriation account. However, the outcome of the discussions with the Department of Public Expenditure will determine the treatment of Minister-owned sites in the appropriation accounts in the future.

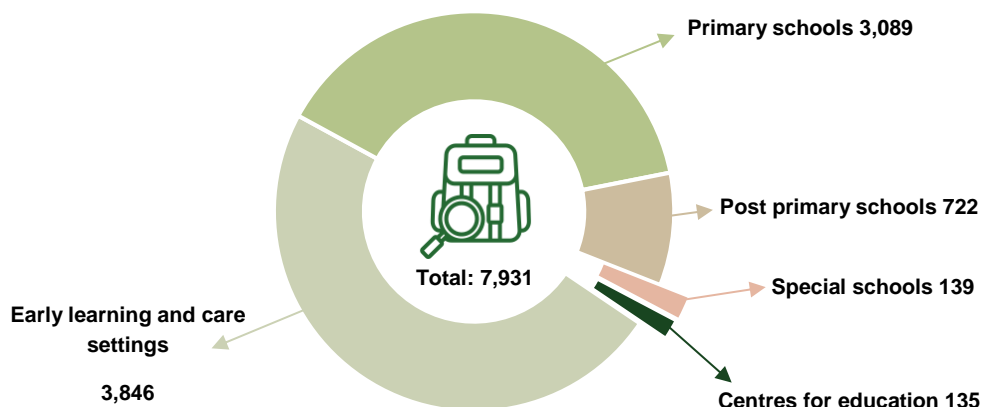
8 Monitoring and managing the performance of school inspections

8.1 All State-funded primary and post primary schools in Ireland are subject to inspection by the Inspectorate of the Department of Education (the Department). Section 13 of the Education Act 1998 (the Act) provides for the establishment of an Inspectorate whose main functions are to

- provide an assurance of quality and public accountability in the education system
- carry out inspections in schools and centres for education
- conduct national evaluations
- promote best practice and school improvement by advising teachers, principals and boards of management in schools
- publish inspection reports on individual schools and centres for education
- report on curriculum provision, teaching, learning and assessment generally in the education system
- promote the Irish language
- provide advice to policy makers in the Department and to the wider educational system
- evaluate and report on educational provision for children and young people at risk of educational disadvantage and those with special educational needs
- promote and support school self-evaluation.

8.2 As illustrated in Figure 8.1, at the end of 2023, a total of 7,931 schools, early learning and care settings and centres for education fell within the remit of the Inspectorate. Primary and post primary schools account for around 48% of the settings for inspection.

Figure 8.1 Number of schools, early learning and care settings and centres for education subject to inspection at 31 December 2023



Source: The Inspectorate, Department of Education

- 8.3** Total gross expenditure for the Department in 2023 was around €10.18 billion. The Department's administration expenditure was just over €139 million, of which €15.1 million relates to the Inspectorate. Over 90% of the expenditure on the Inspectorate is in respect of salaries, wages and allowances.
- 8.4** The Act requires the Minister for Education (the Minister) to appoint a Chief Inspector, and provides for the Minister to determine the number of inspector posts. The Act defines the Chief Inspector and the inspectors collectively as the Inspectorate.
- 8.5** At the end of 2023, the Department employed a total of 138 (whole time equivalent) inspectors including senior management. Around 48% of the staff are assigned to primary and post primary school inspections. The Inspectorate is divided into nine business units — five regional inspection units and four policy units.

Focus of this examination

- 8.6** This report examines how the Department monitors and measures the impact of school inspections. For the purpose of this examination, only primary (including special schools) and post primary school inspections have been considered. The scope of the report does not extend to inspections of early learning and care settings and other education centres.
- 8.7** The examination team liaised with staff of the Inspectorate and reviewed documents including management system reports, procedural documents, annual reports, internal communications, management presentations, Inspectorate policy, strategy documents, published inspection guides, and Department circulars.

School inspection selection process

- 8.8** In accordance with Section 13(3) of the Act, the Inspectorate determines its annual inspection programme. The process of identifying schools for inspection is completed twice a year by the Inspectorate — in June and December. The decision on the type of inspection and the selection of a primary or post primary school is based on factors such as
- the last time a school had an inspection visit such as a whole school evaluation or other type of inspection
 - whether the school has been identified for a follow-through inspection
 - Inspectorate resources available and school days available
 - risk-based information about the schools available from the Inspectorate's Inspection Management Information System (IMIS), and from the local knowledge of inspectors in the regional units
 - inspection support for wider departmental curriculum and system reforms
 - inspections that incorporate policy evaluation and development
 - achieving a balance across the various types of inspection including whole school evaluations, subject inspections, curriculum evaluations, DEIS (Delivering Equality of Opportunity in Schools) evaluations, and inspections in the areas of special educational needs, and inclusion.

Types of school inspection

8.9 Inspections are carried out in accordance with the Act and with the *Code of Practice for the Department of Education Inspectorate* (2022). As illustrated in Figure 8.2, various inspection types are used by the Inspectorate such as

- one-day **incidental inspections** that are typically unannounced,
- more intensive **whole school type evaluations**, and
- inspections that **follow through** on how schools have implemented recommendations made in previous inspections.

Figure 8.2 Types of primary and post primary school inspection^{a,b}

Inspection type	Detail	Notice given	Onsite visit day/s	Outcome
Incidental inspection	Evaluate aspects of the work of a school under the normal conditions of a regular school day.	No	1	Written note of advice or verbal feedback
Curriculum evaluation/subject inspection	Focuses on evaluating specific subjects on the primary and post primary school curriculum.	Yes Five working days in advance	1-2	Publication of final report
Whole school evaluation and Whole school evaluation — management leadership and learning (WSE-MLL)	Evaluate key aspects of quality of the work of the school — pupils learning, teaching, support for pupils wellbeing, leadership and management and school self-evaluation.	Yes Ten working days in advance	3-5	Publication of final report
Evaluation of action planning for improvement in DEIS^c schools	Evaluate how schools devise, implement and monitor action plans for improvement of DEIS themes.	Yes Ten working days in advance	3	Publication of final report
Evaluation of inclusive practices and provision for children with special and additional educational needs	Evaluates the provision for students with additional and special educational needs in mainstream classes and support settings.	Yes Ten working days in advance	2	Publication of final report
Child protection and safeguarding inspection	Examines a school's compliance with key aspects of child protection procedures for primary and post primary schools.	Yes 24 – 48 hours in advance	2	Publication of initial and final reports
Follow-through inspection	Assess the extent to which a school has implemented recommendations from earlier inspections.	Yes Two working days in advance	1	Publication of final report

Source: *A Guide to Inspection in Post Primary Schools; A Guide to Inspection in Primary Schools and Special Schools*, Department of Education (January 2024). Analysis by the Office of the Comptroller and Auditor General.

Notes: a Excludes policy-focused inspections which include inspections required through memoranda of understanding with other Government departments (for example Coláistí Gaeilge) and other inspections requested by other divisions within the Department or at the request of the Minister.

b A type of inspection called 'supporting the safe provision of schooling' was introduced in response to Covid-19. This inspection type is no longer being performed and none were conducted in 2023 or 2024.

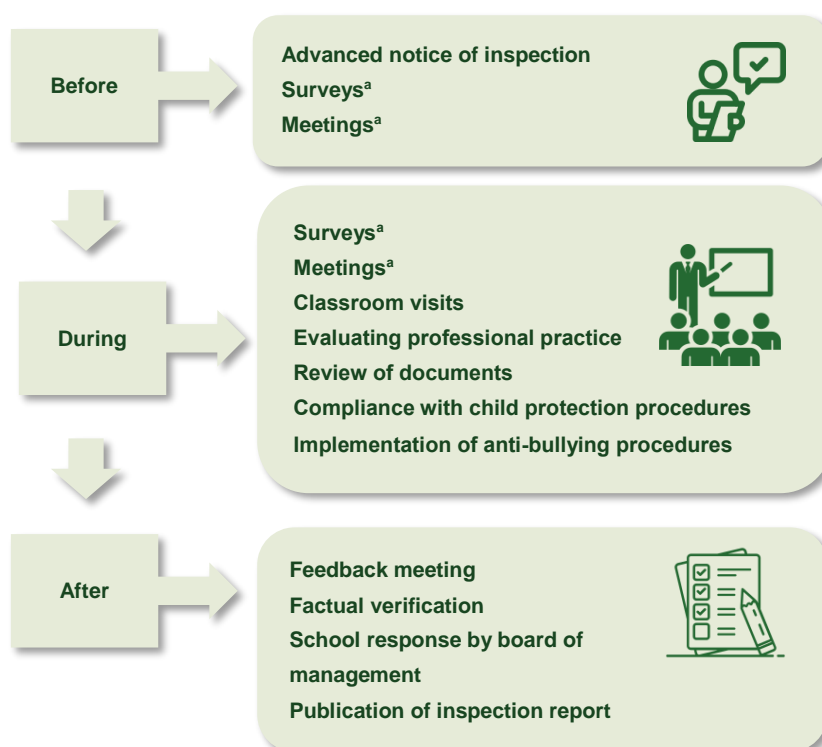
c Delivering Equality of Opportunity in Schools.

Inspection process

8.10 School inspections are carried out within the school calendar year. As illustrated in Figure 8.3, a school inspection typically comprises three phases.

- Except for incidental inspections, the first phase usually involves advance notice of the inspection taking place.
- This is followed by an onsite visit to the school to observe the teaching and learning in classrooms, administer pupil surveys, review documents such as the school register, various policy documents and curriculum plans and to also conduct various meetings with, for example, the board of management, members of the teaching staff and groups of parents.
- At the end of a school inspection, feedback meetings are held with the school followed by the completion of an inspection report (with the exception of incidental inspections) which outlines the main findings and recommendations of the evaluation.

Figure 8.3 Typical inspection process



Source: *A Guide to Inspection in Post Primary Schools; A Guide to Inspection in Primary Schools and Special Schools*, Department of Education (January 2024)

Note: a Surveys and meetings are not conducted in incidental inspections, curriculum evaluations and subject inspections.

Measuring inspection performance

- 8.11** Performance measures are necessary to enable the Department, and its stakeholders, to evaluate whether the Inspectorate is achieving its objectives and priorities. A good performance measurement system would
- enable alignment of performance measures with the Inspectorate’s overall aims and objectives
 - enable the reporting of outcomes of the Inspectorate’s activities against targets
 - provide a comprehensive picture of performance across the Inspectorate’s activities.
- 8.12** The Department provides just one output measure for inspections in its annual Revised Estimate i.e. the total number of inspections of early learning and care settings, primary and post primary schools and others. A target is not provided for this measure.
- 8.13** The Department stated that the output measure in the Revised Estimates does not convey the breadth and depth of the inspection and advisory activities undertaken throughout the system each year. It has stated that its annual statement of priorities includes numbers of school inspections and published inspection reports.¹ The examination noted that the numbers presented in this statement are not described as targets but as approximate numbers of inspections delivered on an annual basis, along with approximate numbers of inspection reports published annually.
- 8.14** The Department also stated that the Department’s annual report provides a detailed numeric breakdown of the types of inspection and advisory activities undertaken by the Inspectorate. The latest annual report published on the Department’s website is for the year 2022.² It reports on activities undertaken, but does not report outturns against pre-set targets.

Management information

- 8.15** Since September 2016, the Inspectorate uses an ICT system called the Inspection Management Information System (IMIS) to record information on its school inspection activity.³ Every primary and post primary school is allocated a ‘roll’ number (assigned by the Department) which serves as an identification number within the IMIS. Each inspection carried out is given a unique inspection identification number.
- 8.16** The information recorded on the IMIS for a school includes its history of inspection (both completed and ongoing inspections), inspection outcomes and recommendations.

Inspection activity 2016 – 2023

- 8.17** Data was obtained by the examination team on the number of inspections completed and recorded on the IMIS between September 2016 and December 2023 for primary and post primary schools. According to the IMIS, the total number of inspections completed was 24,099.
- 8.18** The examination found that over 50 descriptions had been entered in the ‘inspection type’ field in IMIS. Some of the descriptions were easily identifiable as an inspection type but for many others, the inspection type was not clear.

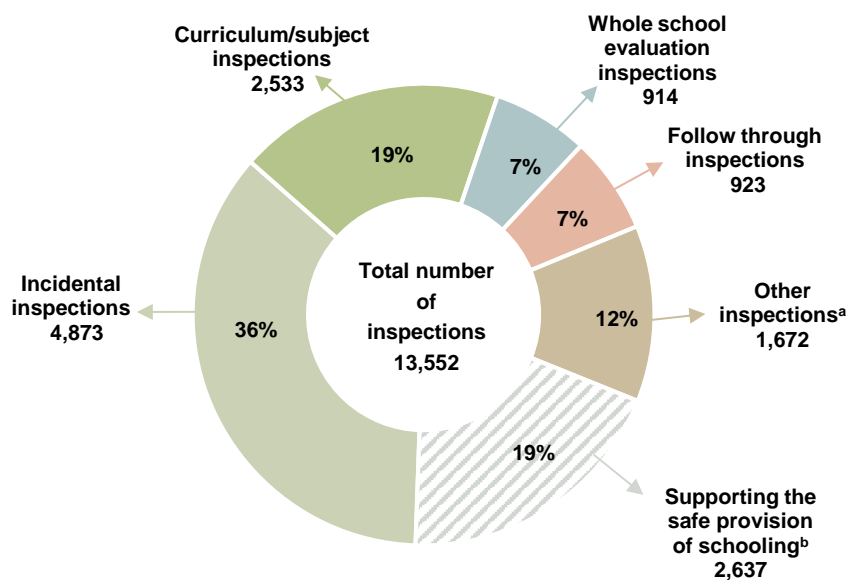
¹ The *Department of Education Forbairt Annual Statement of Priorities 2023* can be found [here](#).

² The *Department of Education Annual Report 2022* (published in 2023) can be found [here](#).

³ The IMIS is a live system incorporating planned inspections, those in progress and completed.

- 8.19 The examination also found that some of the descriptions recorded in the ‘inspection type’ field in the IMIS related to other functions of the Inspectorate, including functions such as advising schools in school self-evaluation. During Covid-19, the Inspectorate’s function was expanded to an advisory role around the provision for safe schooling and other Covid-19 related activities. In addition, the Inspectorate provided an advisory function to schools including the continuity of learning and resumption of schooling post Covid-19.
- 8.20 The examination team identified a total of 9,826 advisory engagements were recorded in the IMIS for the period September 2016 to December 2023. The examination found that this advisory activity is included in the total number of inspections reported in the Revised Estimates. In addition, there were a further 721 activities in IMIS with the description ‘section 29 appeal’.¹
- 8.21 When the non-inspection activities of the Inspectorate are excluded, the total number of primary and post primary school inspections completed between September 2016 and December 2023 is 13,552 — representing around 56% of all of the activity recorded in IMIS. The distribution of these inspections by type is set out in in Figure 8.4.
- 8.22 The level of primary and post primary inspection activity by year between September 2016 – December 2023 is shown in Figure 8.5 (over). The impact of Covid-19 on inspection activity can be seen in 2020 followed by an increase in activity thereafter. By 2023, inspection activity had exceeded pre Covid-19 output, due, in part, to the further expansion of the Inspectorate’s function to include child protection and safeguarding inspections.

Figure 8.4 Primary (including special schools) and post primary school inspections, September 2016 – December 2023

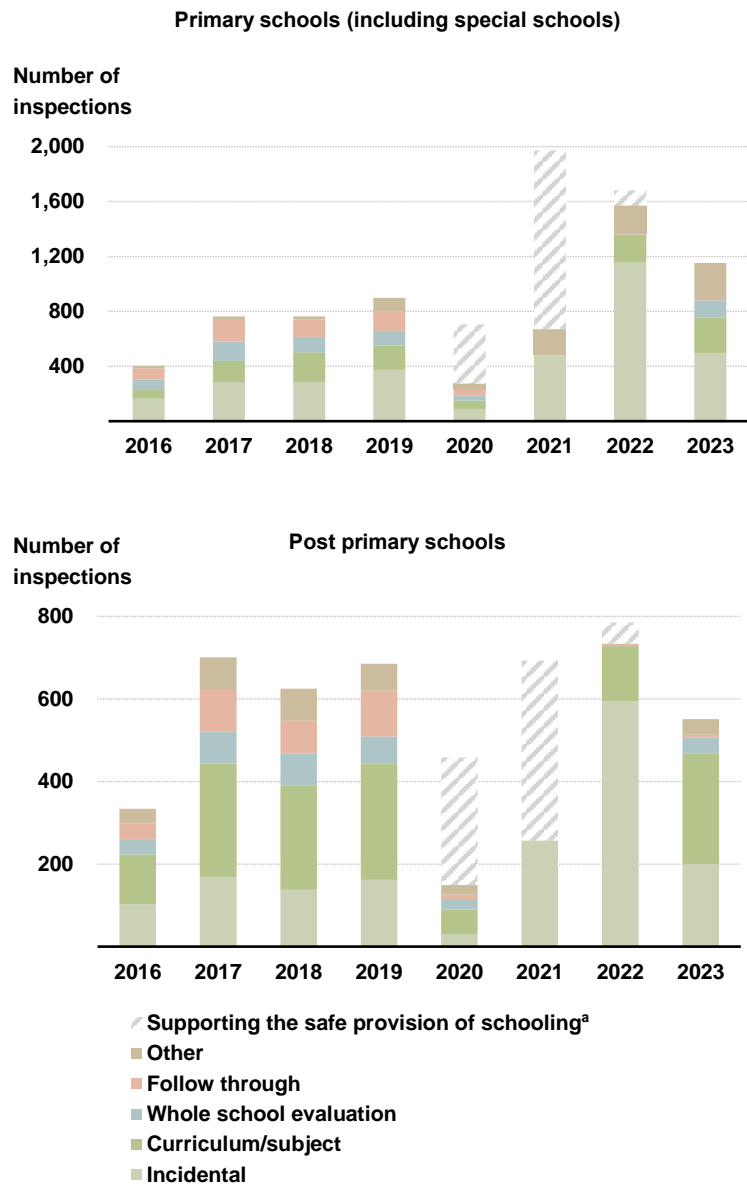


Source: Inspection Management Information System, Department of Education

- Notes:
- a Other includes 362 Child Protection and safeguarding inspections; 158 Inclusive practices for special needs children; 107 Evaluation of planning in DEIS schools; 79 Literacy and numeracy inspections DEIS schools; 90 Programme evaluations; 99 recognition as a Gaeltacht school inspections; 336 summer school inspections; 197 International test inspections; 244 miscellaneous inspection types (11 different categories).
 - b A type of inspection called supporting the safe provision of schooling was introduced in response to Covid-19. This inspection type is no longer being performed and none were conducted in 2023 or 2024.

¹ [Section 29 of the Education Act 1998](#) concerns exclusion of students from schools for disciplinary or other reasons.

Figure 8.5 Inspection activity by inspection and school type, September 2016 – December 2023



Source: Inspection management information system, Department of Education

Note: a A type of inspection called 'supporting the safe provision of schooling' was introduced in response to Covid-19. This inspection type is no longer being performed and none were conducted in 2023 and 2024.

Whole school evaluations

- 8.23** Whole school evaluation inspections are more intensive than other inspection types. These accounted for 7% of the number of school inspections carried out by the Inspectorate between September 2016 and December 2023.
- 8.24** To assess the average level of whole school evaluations carried out, data for the period 2016 was excluded due to it not being a complete year and for the period 2020 to 2022 (inclusive) due to how Covid-19 impacted the Inspectorate's activity. This included a formal strategy to focus on incidental inspections as part of reengagement with schools in 2022.
- 8.25** The examination found that, on average, around 120 primary schools are subject to a whole school evaluation inspection annually, from a total of 3,089 existing schools — around a 4% coverage rate. At post primary level, on average, around 65 schools are subject to a whole school evaluation inspection annually, out of 722 schools — a 9% coverage rate. This represents a potential whole school evaluation inspection cycle of every 25 years for primary schools, and 11 years for post primary schools.
- 8.26** The Department stated that whole school evaluation is one of a range of evaluation models used by the Inspectorate to evaluate the quality of education provision in schools. The use of a range of inspection models provides a quality assurance system that also deploys inspection resources in a proportionate and efficient way.

Incidental inspections

- 8.27** Incidental inspections — duration one day — accounted for 36% of all inspections carried out between September 2016 and December 2023 (4,873 of 13,552). This was largely driven by the formal strategy to focus on incidental inspections post Covid-19.¹ The result was an increase from 520 incidental inspections at primary and post primary levels in 2019 to 1,572 in 2022. Incidental inspection activity has returned, broadly, to pre Covid-19 levels in 2023.

Inspection outcomes

- 8.28** With the exception of an incidental inspection, once all other inspections are completed, an inspection report is finalised that includes the inspector's findings and recommendations. This is issued to the relevant school for factual verification and school response before being finalised and published on the Department's website.²
- 8.29** The Inspectorate does not provide schools with an overall rating at the end of the inspection. Schools are rated in accordance with a 'quality continuum', as outlined in Figure 8.6, across specific categories examined during the inspection such as the teaching and learning in classrooms and curriculum planning processes.

¹ Revisions to inspection arrangements were set out in Department of Education [Circular 32/2021](#) and [Circular 33/2021](#).

² [SI 49/2006](#) Education Act 1998 (Publication of Inspection Reports on Schools and Centres for Education) Regulations 2006.

Figure 8.6 The quality continuum for school inspections

Level	Description
Excellent	Provision that is excellent is exemplary in meeting the needs of learners. This provision provides an example for other schools and settings of exceptionally high standards of provision.
Very good	Provision that is very good, is very effective in meeting the needs of learners and is of a very high standard. There is potential to build on existing strengths to achieve an excellent standard.
Good	Provision that is good, is effective in meeting the needs of learners. There is need to build on existing strengths in order to address the aspects to be developed and achieve a very good standard.
Requires improvement to achieve a good standard	Provision that requires improvement to achieve a good standard, is not sufficiently effective in meeting the needs of learners. There is need to address certain deficiencies without delay in order to ensure that provision is good or better.
Requires significant improvement to achieve a good standard	Provision that requires significant improvement to achieve a good standard, is not meeting the needs of learners. There is immediate need for significant action to address the areas of concern.

Source: *A Guide to Inspection in Primary, Post Primary and Special Schools*, Inspectorate, Department of Education (January 2024)

8.30 Since the requirement to publish inspection reports was introduced in 2006, the Inspectorate has published 20,882 inspection reports in total. This figure reduces to 17,005 when early years' inspections of 3,877 are excluded. The remaining published school inspection reports averaged 1,000 reports for each year, in the period to the end of 2023. Given there was a total of 3,950 primary and post primary schools (including special schools) at the end of 2023, this broadly represents an inspection coverage of around 25% of schools per year. On this basis, on average every school will be subject to an inspection resulting in a published inspection report about once every four years.

8.31 The examination found 41 primary schools and ten post primary schools that have had no published inspection report since 2006, indicating they have either only been subject to incidental inspection or another inspection model that does not have a written report published.

- Of the 41 primary schools not reported on, 24 were opened in the last five years with a further six opening in the last ten years. The Department stated that the remaining 11 schools have all had some form of an inspection or advisory visit.
- Of the ten post primary schools not reported on, seven were opened in the last four years. The Department stated that with the exception of two of these schools which opened in the last year, the remaining eight have had some form of inspection and/or advisory visit.

Inspection reviews

8.32 In accordance with the Act, a school, teacher or board of management affected by an inspection may request a Section 13(9) review of the inspection.¹ In the period from 2018 to 2023, a total of four formal reviews have been completed.

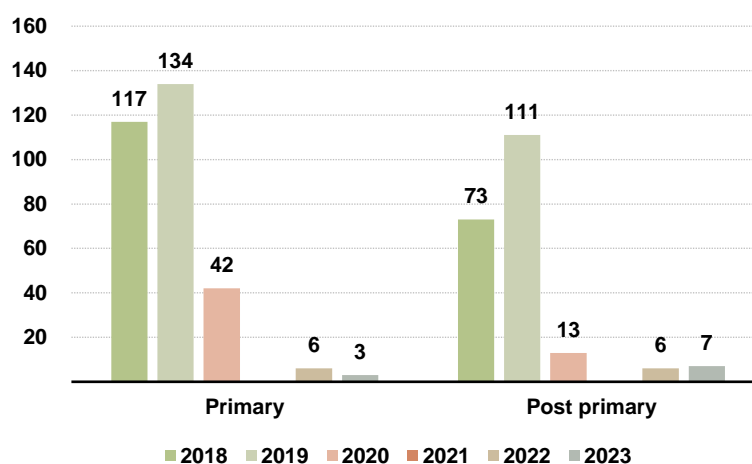
¹ Procedure for the review of inspections carried out by the Department of Education Inspectorate under Section 13(9) of the Education Act 1998 can be found [here](#).

- 8.33** The Department stated that the vast bulk of concerns or complaints about inspections are successfully resolved through engagement with an informal review process.

Follow-through inspections

- 8.34** The responsibility for implementation of Inspectorate recommendations to schools lies with the board of management, school principals and teachers.
- 8.35** Follow-through inspections may be undertaken by the Inspectorate to evaluate the progress in addressing some or all of the recommendations made on an earlier inspection. They are typically carried out within a three-year period. Schools with elements of performance that received less than a satisfactory rating are prioritised for follow-through inspections. However, it is not mandatory to conduct follow-through inspections.
- 8.36** When entering inspection results on the IMIS following an inspection, inspectors are required to indicate if a further inspection is required. The Inspectorate uses this information to select schools which should be subject to further inspection. The appropriate inspection activity for follow-through may be any of the range of inspection types and advisory activities.
- 8.37** The number of follow-through inspections reduced in 2020 and virtually ceased in 2021. Follow-through inspection numbers have not returned to anything like pre Covid-19 levels, as shown in Figure 8.7 below. The Department stated that this is because the overall inspection programme was adjusted in 2020, 2021 and 2022 in light of the impact of Covid-19 to prioritise child protection inspections, incidental inspections and urgent follow-through inspections. The Department further stated that other types of inspections were completed in schools that had been flagged for further inspection in those years such as incidental inspections.

Figure 8.7 Follow-through inspections 2018 – 2023



Source: Inspection Management Information System, Department of Education

Conclusions and recommendations

- 8.38** The Department provides just one output measure in relation to its inspection of primary and post primary schools in the annual revised estimate — the total number of inspections completed in each financial year. This is reported historically, and is not differentiated by type of inspection or education level. No target is set for the measure, against which delivery could be assessed.

Recommendation 8.1

The Department's Inspectorate should review and refine the performance measures currently being used to ensure that they more accurately reflect its full range of functions. This will assist both the Inspectorate in improving the decision making and planning process, and stakeholders in better assessing the annual output and effectiveness of the Inspectorate.

Accounting Officer's response

Agreed.

To achieve this, more detailed tabulation of outputs of the Inspectorate will be provided in the Revised Estimate each year from Q4 2024. In addition, more detailed reporting on the breadth of Inspectorate activity across its main functions will be included in the Department's annual report and in the Department's annual statement of priorities (Forbairt).

The Inspectorate will publish its own annual report (in addition to contributing to the Department's wider annual report). The first Inspectorate annual report will be published in Q4 2024.

Timeline for implementation

Quarter 4 2024.

- 8.39** The Inspectorate's management information system (IMIS) shows the total number of inspections completed in the period September 2016 – December 2023 as 24,099 inspections. The examination found that this total number includes activities that related to other functions of the Inspectorate such as its advisory functions. When this advisory activity is excluded, it appears that a school will be subject to some type of an inspection on average at least every two years. However, there is no Departmental benchmark or target to assess this activity level against.

Recommendation 8.2

The Department's Inspectorate should set out a formal inspection policy that covers both the inspection and advisory functions of the Inspectorate, as part of the Department's corporate planning process. Inspection targets should then be set in line with that policy.

Accounting Officer's response

Agreed.

Timeline for implementation

Quarter 2 2025.

- 8.40** The examination found issues with the quality of the data held within IMIS which makes analysing school inspection activity difficult. Over 50 descriptions had been entered into the 'inspection type' field in IMIS. While some of these were easily identifiable as an inspection type, for many other activities recorded it was not as clear.
- 8.41** Some of the descriptions recorded in the 'inspection type' field also related to the other functions of the Inspectorate including advising schools in areas such as school self-evaluation, provision for safe schooling, continuity of learning and resumption of schooling post Covid-19. Advisory activity and school placement appeals represents 44% of the total number recorded as inspections since 2016.

Recommendation 8.3

The Department's Inspectorate should review the range of inspection and other activities it undertakes and redevelop its IMIS to improve its data analytical capabilities. This should include putting controls in place within IMIS to ensure that inspection activity and other activity are clearly categorised.

Accounting Officer's response

Agreed.

The Inspectorate will develop and introduce revised approaches to inspections on a phased basis between October 2024 and September 2027. The Inspectorate will work with the Department's ICT division to examine how IMIS can be enhanced and supported to provide better information.

Timeline for implementation

October 2024 to September 2027.

- 8.42** Inspection reports are completed and published following most inspections. These reports include the inspector's findings and recommendations, which are issued to the relevant school for factual verification and school response before being finalised and published. A review process is also in place if required. The Department stated that the vast bulk of concerns or complaints about inspections are resolved informally with just four proceeding to formal review in the period 2018 – 2023.

Follow-through inspections

- 8.43** Responsibility for implementation of Inspectorate recommendations rests with the board of management, school principals and teachers. Upon completion of an inspection, the inspector may indicate that a follow-through inspection is required. Schools with elements of performance that received less than a satisfactory rating are prioritised for follow-through inspections. However, follow-through inspections ceased during Covid-19, and have only resumed at minimal levels.

Recommendation 8.4

The Department's Inspectorate should strengthen its approach to follow-through inspections, including formalising its procedures, to provide assurance that inspection recommendations are appropriately addressed by the schools.

Accounting Officer's response

Agreed.

The Department and the Inspectorate accept the need to build further on current approaches to follow-through inspection and engagement with schools and to formalise current procedures to strengthen school self-evaluation (SSE) and action planning for improvement.

A systematic process of follow-through inspections is already in place. Inspections labelled as 'follow-through inspections' are not the only methodology used to support full implementation of inspection recommendations. The Inspectorate conducts school self-evaluation visits and other types of advisory visits to schools. These are designed to build the capacity of school personnel to fulfil their role as leaders of school improvement, including their role in leading the implementation of inspection recommendations. This practice is in keeping with international best practice and provides an effective follow-through function in supporting/empowering schools to take ownership of quality improvement.

Timeline for implementation

Quarter 4 2025.

9 Appraisal of rail project investments

- 9.1** Public capital projects are typically high cost and high risk, but have the potential to provide socioeconomic benefits and services over the long term. To manage the key project risks — delay, cost overruns, under delivery, unplanned redundancy — and to ensure that available investments are mainly directed to projects that deliver the highest value — i.e. to maximise the benefits-to-cost ratio — complex appraisal and decision making processes for public capital projects have developed. A key principle in that process is the avoidance of premature commitments.
- 9.2** The *Public Spending Code* (the Code) — first published by the Department of Public Expenditure, National Development Plan Delivery and Reform (the Department of Public Expenditure) in September 2013 — is the set of rules, procedures, and guidance designed to ensure value for money in public expenditure. It imposes obligations on all public organisations about how they spend public money, and provides guidance on how to comply with those obligations. This includes a framework dealing with the appraisal and management of capital projects, including investments in public infrastructure.
- 9.3** The capital appraisal and management processes in the Code have been updated on a number of occasions since 2013.
- December 2019 — the concept of the ‘project lifecycle’ was expanded to reflect the realities of project delivery, requiring each investment proposal to progress through a six-stage project lifecycle, subject to approval.¹
 - November 2021 — the *Public Spending Code* was updated to include the requirement for an external assurance process for major public investment projects costing in excess of €100 million.
 - March 2023 — interim update of the *Public Spending Code* requirements which included, *inter alia*, an increased threshold, from €100 million to €200 million, for projects requiring specific Government consent.²
 - December 2023 — *Infrastructure Guidelines* issued, with an effective date of 1 January 2024, replacing the *Public Spending Code* for capital projects. The guidelines, *inter alia*, reduce the number of project approval stages and streamline the requirements for major projects.
- 9.4** While the core ideas and controls remain in place, the *Infrastructure Guidelines* change key project thresholds and associated processes. For example, proposals with an estimated cost in excess of €200 million are now considered major projects and are subject to the following appraisals at key project decision points³
- an **external assurance process** at the strategic assessment and preliminary business case stage of the project (approval gate 1)
 - **review by the Major Projects Advisory Group** at the preliminary business case stage of the project (approval gate 1)⁴
 - **consideration by Government** at the preliminary business case (approval gate 1) and final business case stage of the project (approval gate 3).

1 The six stages that define the project lifecycle are: strategic assessment, preliminary business case, final business case, implementation, review, and ex-post evaluation.

2 The Department of Public Expenditure set out a number of actions with immediate effect amending the *Public Spending Code* pending the Code’s replacement by the *Infrastructure Guidelines*.

3 The previously used term ‘decision gate’ has been renamed ‘approval gate’ in the *Infrastructure Guidelines*.

4 The Major Projects Advisory Group was established in December 2021 to further strengthen project management and to assist the Department of Public Expenditure in its project assurance role.

Focus of this examination

- 9.5** This examination was undertaken to review the application of the *Public Spending Code* capital project appraisal requirements in the public transport sector. Two multi-annual projects of different scale were examined in this respect: the MetroLink railway project and the Limerick to Foynes freight line project (the Foynes project). The examination also considered the impact of the changed requirements for capital expenditure introduced by the *Infrastructure Guidelines*.
- 9.6** The examination team reviewed a range of documentation in relation to both projects to assess compliance with the *Public Spending Code* appraisal requirements. The examination team also interviewed staff from the Department of Transport (the Department), the National Transport Authority (NTA) and Transport Infrastructure Ireland (TII).

Roles and responsibilities under the Public Spending Code

- 9.7** The *Public Spending Code* sets out the roles and responsibilities of the key stakeholders involved in public investment projects (see Figure 9.1).
- 9.8** The **Department of Public Expenditure's** responsibility for overseeing effective and efficient public investment includes maintenance of the national frameworks within which departments operate, to ensure appropriate accounting for and value for money in public expenditure (for example the *Public Spending Code*).¹ Under the 2019 Code, the Department of Public Expenditure undertook technical reviews of strategic assessment and business case reports for major projects with an estimated cost of over €100 million submitted by the relevant approving authorities. This was replaced by independent expert reviews in the November 2021 update of the Code.
- 9.9** The relevant **parent (or line) department** for a major capital investment is required to ensure that it, and bodies under its aegis, fully comply with the *Public Spending Code*.² This may include drawing up their own sector-specific procedures for evaluating, planning and managing public investment which align with the Code.
- 9.10** For the purposes of appraising and delivering public investment at an operational level, the two key actors are the 'approving authority' and the 'sponsoring agency'
- the **approving authority** has ultimate responsibility for the project
 - the **sponsoring agency** has primary responsibility for evaluating, planning and managing public investment projects within the parameters of the *Public Spending Code*.^{3,4}

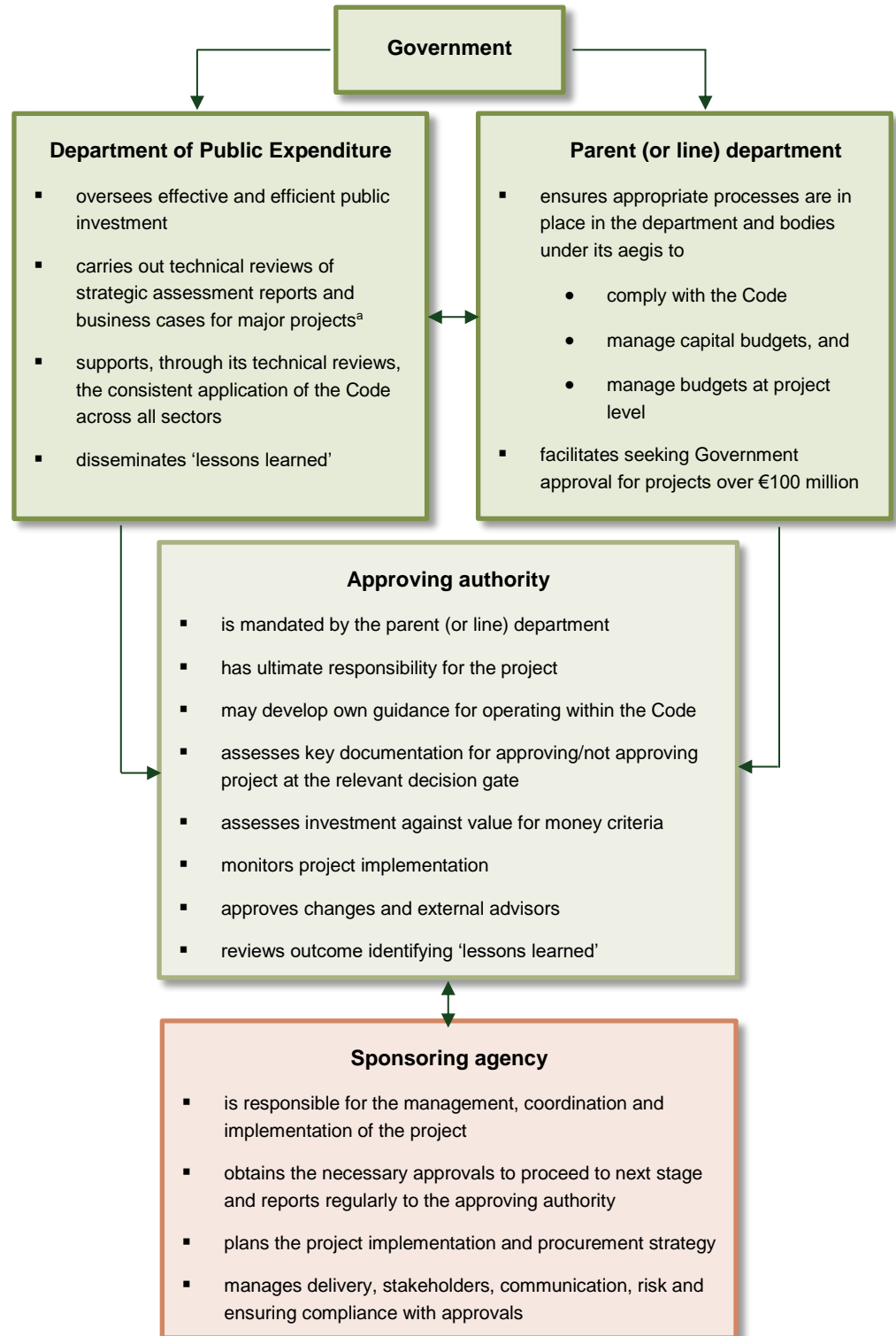
1 It is the responsibility of each Accounting Officer to ensure the efficient and effective use of public expenditure within the relevant Vote.

2 The Code provides for a degree of proportionality in the application of its requirements commensurate with the scale of the proposal under consideration.

3 The sponsoring agency may be a Government department, local authority, state agency, higher education institute, cultural institution or other state body.

4 Where the Office of Public Works (OPW) is undertaking a project on behalf of a Government department or office, it is the responsibility of the relevant approving authority to clarify with the OPW at an early stage who the sponsoring agency is and to clearly set out responsibility for project roles.

Figure 9.1 Capital project roles and responsibilities defined in the *Public Spending Code*



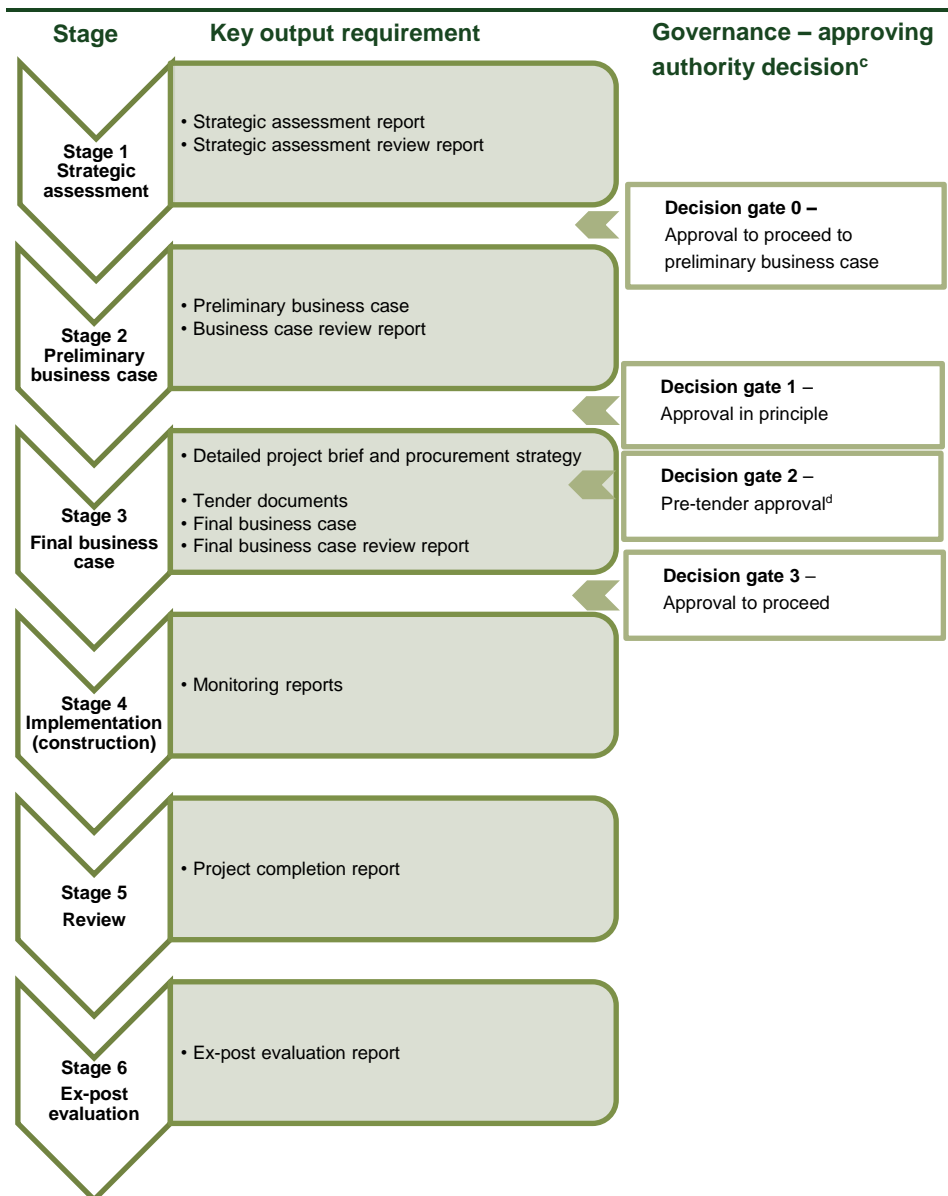
Source: *Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment*, 2019. Analysis by the Office of the Comptroller and Auditor General.

Note: a The Department of Public Expenditure's technical reviews of the strategic assessment report and business cases were replaced by independent expert reviews in the November 2021 update of the Code.

Project lifecycle and decision gates

- 9.11 The *Public Spending Code* prescribes a number of incremental steps (or stages) aimed at assessing the financial and economic viability of projects, which must be undertaken prior to the approval of capital investment commitments.
- 9.12 Approval to proceed to the next stage of the project lifecycle process should only take place when the relevant stage requirements have been met (see Figure 9.2).

Figure 9.2 Project lifecycle^{a,b}



Source: *Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment*, 2019. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- For projects with an estimated capital cost of less than €10 million, approving authorities may commence the process at stage 2 (decision gate 0) — see Figure 9.3 for more information.
 - For projects with an estimated cost of €100 million, the preliminary and final business cases, the review and project completion reports, and the ex-post evaluation report must be published.
 - Under the Code, the approving authority has ultimate responsibility for the project.
 - The detailed project brief and procurement strategy must be submitted to the approving authority at decision gate 2 for approval to proceed to tender.

- 9.13 The value of the proposed investment determines when, in the project lifecycle, the approving authority is required to approve progression to the next stage (see Figure 9.3).

Figure 9.3 Approval thresholds under the 2019 *Public Spending Code*

Approval threshold ^a	Approving authority — key responsibilities under the Code ^b
Less €10 million	<p>The approving authority</p> <ul style="list-style-type: none"> ▪ may commence the process at stage 2 (i.e. after decision gate 0) — a strategic assessment report is not required, but the preliminary business case must clearly document the strategic case, rationale and objectives of the proposal ▪ should engage with the sponsoring agency as to whether an economic appraisal is required and the nature of such appraisal^c ▪ is not required to conduct <i>ex-post evaluations</i> on all projects — review of a representative sample of projects is sufficient.
Between €10 million and €100 million	<p>The approving authority may, without recourse to the Department of Public Expenditure, undertake</p> <ul style="list-style-type: none"> ▪ the technical review of the strategic assessment report ▪ the preliminary business case and ▪ the final business case.
Over €100 million	<p>The approving authority is the Government, but the day-to-day functions (of the approving authority) must be carried out by the relevant public body funding the project. In this capacity, the funding public body</p> <ul style="list-style-type: none"> ▪ should forward the strategic assessment report, the preliminary business case, and the final business case to the Department of Public Expenditure for technical review in advance of the relevant decision^d ▪ should seek Government approval to proceed, through a Government ‘memorandum for decision’, at the following stages <ul style="list-style-type: none"> • preliminary business case — decision gate 1 (approval in principle) • design, planning and procurement — decision gate 2 (approval to proceed to tender) • final business case — decision gate 3 (approval to award the contract)^e ▪ is required to ensure that a separate project challenge and assurance mechanism takes place.^f

Source: *Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment*, 2019

- Notes:
- a The financial thresholds relate to the full capital cost estimates of projects including all elements — land costs, value added tax, professional fees, etc.
 - b Not all of the approving authority’s responsibilities are listed.
 - c The sponsoring agency has primary responsibility for evaluating, planning and managing public investment projects within the parameters of the Code and obtaining the necessary approvals from the approving authority at each point in the process.
 - d The technical reviews of the business cases were replaced by independent expert reviews in the November 2021 update of the Code.
 - e It is the responsibility of the parent department to facilitate seeking Government approval for bodies under its aegis where it is not the approving authority.
 - f The Code noted that a separate project challenge and assurance mechanism would be introduced as part of the ongoing reform of the public investment management system.

MetroLink railway project

- 9.14 A metro system for Dublin has been proposed, in various forms, over a period of at least 20 years (see Figure 9.4). However, in response to the economic downturn between 2008 and 2010 and subsequent fiscal constraints, the project was deferred indefinitely in November 2011.
- 9.15 In September 2015, it was announced that a revised metro project — New Metro North — was being launched, with a projected opening date of 2026/2027.¹ Following further development of options, the NTA announced in March 2018 revised proposals for the former planned Metro North and Metro South to proceed as one project known as MetroLink.²
- 9.16 In January 2020, the Department informed Government that it would establish a Major Projects Governance Oversight Group (MPGOG) and ensure an independent review of business cases to strengthen the governance arrangements for projects with an estimated cost of over €100 million, including MetroLink.³
- 9.17 The NTA (as the day-to-day approving authority for the project) submitted a draft preliminary business case for MetroLink to the Department and MPGOG in March 2021. An updated business case was submitted to the Department by the NTA in November 2021. This business case was submitted to the Department of Public Expenditure in May 2022 for review by the Major Projects Advisory Group (MPAG). An independent review of the business case was also undertaken by an EU technical unit (referred to as JASPERS) in the context of the potential receipt of EU funding for the project.⁴ Both the MPAG and JASPERS reviews have been published on the NTA’s website.

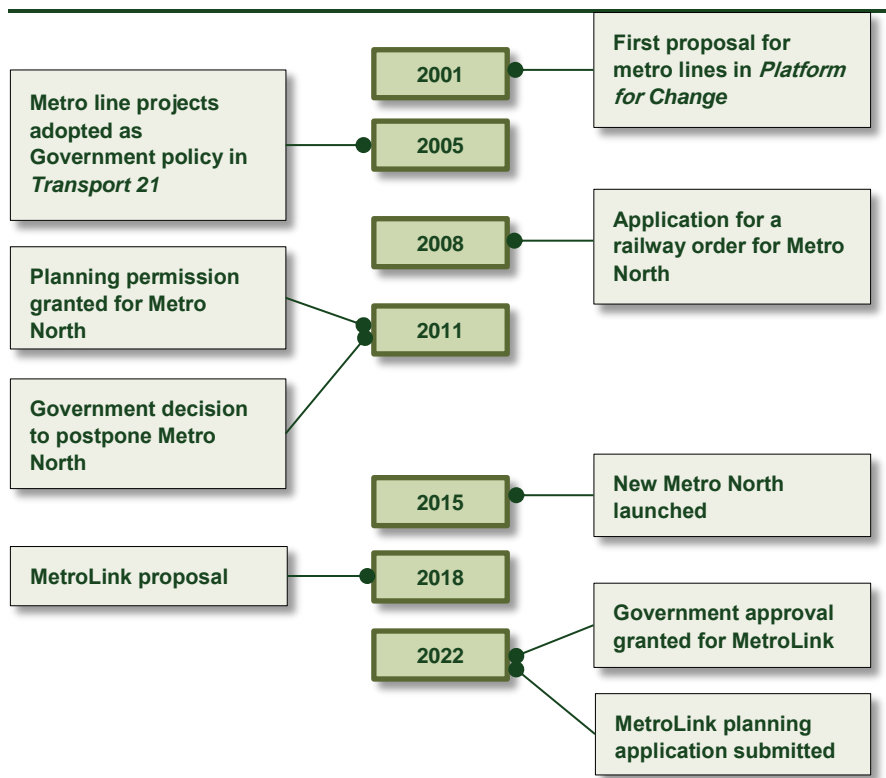
1 The new project was recommended by a NTA commissioned Fingal/North Dublin Transport Study. The recommendations from the study informed the NTA’s *Transport Strategy for the Greater Dublin Area 2016 – 2035*.

2 Metro West was not included in the NTA’s *Transport Strategy for the Greater Dublin Area 2016 – 2035*.

3 The MPGOG sits within the Department and is tasked with, *inter alia*, advising the Minister for Transport on major projects especially in relation to Ministerial and Government approvals required at the relevant decision gates under the Code.

4 The Joint Assistance to Support Projects in European Regions (JASPERS) advises on strategies, programmes and projects for investments supported by EU grant funds, with the aim of “promoting growth and paving the way to a smarter, greener and more connected Europe”.

Figure 9.4 Metro system timeline, 2001 to 2022



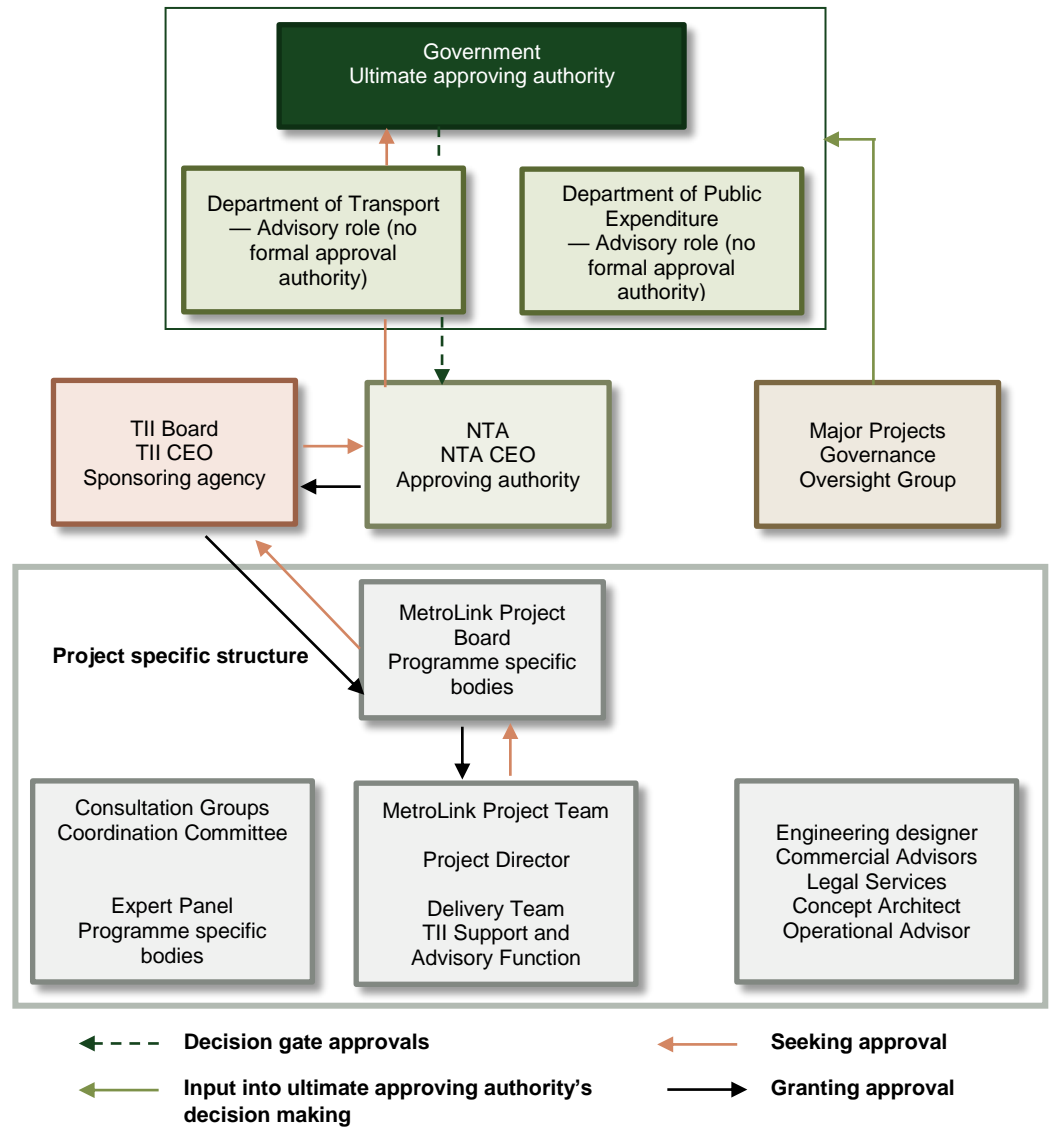
Source: Analysis by the Office of the Comptroller and Auditor General

9.18 In July 2022, the Government granted approval in principle for the project to proceed to planning stage (i.e. approval gate 1). TII (as sponsoring agency for the project) applied for planning permission in September 2022.¹ A decision has yet to be received. The next stage for the project is a pre-tender stage which will require Ministerial approval (i.e. approval gate 2).

MetroLink governance structure

9.19 Given the scale, complexity and number of state bodies involved in MetroLink, a programme governance framework has been put in place, which is designed to allow timely decision making by streamlining information flows and allocating authority appropriately (see Figure 9.5).

Figure 9.5 MetroLink governance structure^{a,b}



¹ Transport Infrastructure Ireland is the sponsoring agency for the MetroLink project. The planning permission sought involved the submission of a railway order application.

Source: Transport Infrastructure Ireland, MetroLink Governance Framework, September 2020

- Notes:
- a The separation of the approval and reporting flows highlights the difference between the approval relationships mandated by the 2019 *Public Spending Code* and the day-to-day reporting structure for the state bodies involved; and the programme specific structures.
 - b The governance structure reflects the 2019 *Public Spending Code* requirements.

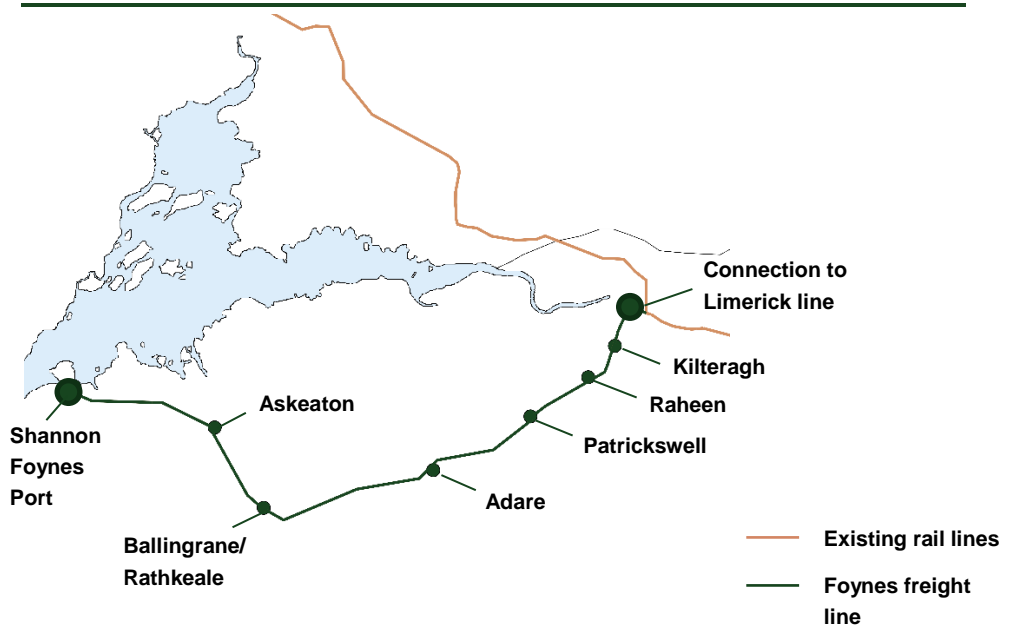
Projected cost

- 9.20 Total spend on Metro North up to the point in 2011 where the project was postponed was €166 million. Only around €6 million of that expenditure, for properties acquired as part of the project, continues to have potential value for MetroLink. The remaining €160 million was written off as 'sunk costs'. Expenditure of €18.7 million on Metro West, together with expenditure of €46 million (of the €48.6 million incurred) on the related original DART Interconnector project have also been written off. The total write-off on the three related projects is around €225 million of Exchequer funding.
- 9.21 The preliminary business case for MetroLink, which was approved in July 2022, included an initial cost estimate of between €7.2 billion and €12.3 billion (excluding VAT in 2021 prices).¹ Expenditure of around €181 million has been incurred on MetroLink up to end-July 2024.
- 9.22 The Department has stated that an updated cost range will be provided at approval gate 2 (Ministerial approval to proceed to tender), which will reflect recent inflation experienced in the construction industry. It noted that a more definitive cost estimate will only be known after the procurement stage, and that a total budget and target cost proposal will then be brought to Government for consideration (approval gate 3 of the *Infrastructure Guidelines*).

Limerick to Foynes freight line project

- 9.23 The reinstatement of the disused single-line Limerick to Foynes railway line was proposed in the *National Development Plan/Project Ireland 2040* as part of the planned investment to expand capacity at Shannon Foynes port (see Figure 9.6).²

Figure 9.6 Limerick to Foynes freight line



1 The Major Projects Advisory Group review noted potential upper range cost estimates of €23.4 billion.

2 The reinstatement of the railway line is required to maintain Foynes Port's Tier 1 status on the EU's trans-European Transport Network (TEN-T), and for Ireland to meet its TEN-T obligations in having rail connectivity to all of its three Tier 1 ports by 2030.

Source: Iarnród Éireann

- 9.24** The project sponsor for the Foynes rail link project is Iarnród Éireann, which is responsible for delivery of the project. Initially, the Department of Transport, as lead funder, was the approving authority for the project. In April 2023, the NTA was appointed the approving authority.
- 9.25** The Foynes project has been organised in two construction phases.
- **Phase 1 track and civils** involves, *inter alia*, the clearance of vegetation and removal of existing track; replacement of the track formation and installation of a new ballast bed to current Iarnród Éireann standards; the rehabilitation and/or renewal of bridges and culverts; installation of new rail and concrete sleepers; and installation of infrastructure to accommodate the next phase of the project.
 - **Phase 2 operational readiness** involves making the line operational, including signalling, train radio, road level crossings, and connections to the national rail network.

Phase 1 approval

- 9.26** The Foynes project had an initial projected cost of €42 million, subject to tender, for the phase 1 rehabilitation works. Iarnród Éireann commenced a tender competition for the phase 1 works around mid-2022, and in July 2022 proposed that financial support be provided for the phase 1 works from the land transport expenditure programme (Programme B) of Vote 31 Transport.
- 9.27** The Department set out in a submission to the Minister in September 2022 that it had not received definitive estimates from Iarnród Éireann on the total cost of reopening the Foynes freight line, but that a prudent estimate at that time suggested a total cost of between €150 million and €200 million, and possibly slightly more given the (then) inflationary environment. However, the Department agreed, subject to the Minister's approval, that funds could be issued to Iarnród Éireann on an exceptional basis as the proposed works were consistent with the type of protection and renewal works on existing rail lines typically funded under the Infrastructure Manager Multi-Annual Contract programme.¹
- 9.28** In a further note to the Minister in October 2022, the Department expressed serious concern about the process underpinning the Foynes project, noting that the project seemed to have become a multi-annual, significant capital expenditure project to be delivered over three years, in the absence of any visibility on the overall project cost. The Department's observations were based on revised project costs submitted by Iarnród Éireann in respect of phase 1, which had increased to €104 million following receipt of tenders (i.e. around 2.5 times the previous estimate). The Department pointed out that the project had not been subject to any detailed appraisal.

- 9.29** The Department issued capital funding of €64 million from Vote 31 to Iarnród Éireann for phase 1 of the Foynes project on 6 December 2022. On 14 December 2022, Iarnród Éireann entered into a contract to deliver the phase 1 works, with a two-year (100-week) work programme.

Phase 2 approval

- 9.30** When the NTA was appointed by the Department as the day-to-day approving authority for the Foynes project (in April 2023), it took on responsibility for the overall project, including consideration of the phase 2 investment.

¹ Capital funding from Vote 31 Transport to Iarnród Éireann is governed by a five-year contract — the Infrastructure Manager Multi-Annual Contract (IMMAC) — between the Minister and Iarnród Éireann. The IMMAC assigns responsibility to Iarnród Éireann for the maintenance and renewal of the existing rail network. In November 2019, the Government approved the IMMAC in line with the funding commitments set out in *Project Ireland 2040*.

























- 9.31** As the Department recognised, during the initial planning of the project in 2022, neither a strategic assessment report nor a preliminary business case had been developed. This is not compliant with the *Public Spending Code* requirements for such projects.
- 9.32** A final business case for the project, prepared by Iarnród Éireann, was produced in November 2023. At that stage, the project's phase 1 track rehabilitation works had already commenced and were half way through the planned construction period.
- 9.33** The financial projections set out in the business case included the costs of both phases of the project. The total projected capital cost of the Foynes project as outlined in the business case is around €152 million.¹
- 9.34** The projected benefits to be delivered by the project primarily relate to improving business and freight user access to Foynes Port, and wider community benefits from reduced land transport freight flows.
- 9.35** On 15 December 2023, based on the business case, the Board of the NTA provisionally approved the Foynes project for funding. However, the detailed design report submitted for the project — required under the NTA's internal guidelines for project appraisal approvals — was not considered satisfactory. The design requirement for project approval was met in July 2024, when Iarnród Éireann submitted an addendum to the original design report. The NTA issued its formal approval for the Foynes project, permitting commencement of phase 2 of the project, to Iarnród Éireann in July 2024.
- 9.36** The phase 2 works are being undertaken through existing Iarnród Éireann contracting arrangements rather than any new single works contract. The planned completion date for the full Foynes project is December 2025.
- 9.37** The phase 1 budgeted costs of around €105 million are being funded by the Department from Vote 31, while funding for the delivery of phase 2 will be provided by the NTA. By end-July 2024, total expenditure of €78 million had been incurred on the project, of which €74.5 million related to phase 1 expenditure.
- 9.38** The Department has stated that, in the interests of transparency, the Minister informed the Government of the NTA's decision on the final business case for the project in early July 2024.
- 9.39** The NTA is required to inform the Department if, at any stage, it becomes apparent that the Foynes project cost is likely to exceed €170 million, on the basis this would be relatively close to the €200 million threshold for major project status.

Project appraisal compliance

- 9.40** The examination team's assessment of the project appraisal process for the MetroLink and Foynes projects for compliance with the *Public Spending Code* requirements is summarised in Figure 9.7. The assessment was undertaken against the relevant Code requirements in place at each stage of the project lifecycle.

¹ Iarnród Éireann has assumed that all VAT incurred on the project will be recoverable and therefore does not form part of the project's cost.

Figure 9.7 Compliance with project appraisal process

Project stage	MetroLink	Foynes
Stage 1 Strategic assessment		
Strategic assessment report	 ^a	
Strategic assessment report review	 ^a	
Decision gate 0 — Approval to develop preliminary business case		
Stage 2 Preliminary business case (to be published)		
Preliminary business case		
External group review		
Business case review report		
Decision gate 1 — Approval in principle		
Stage 3 Final business case (to be published)		
Compile detailed project brief and procurement strategy	N/A ^b	
Decision gate 2 — Pre-tender approval	N/A ^b	
Updated final business case	N/A ^b	 ^c
Final business case review report	N/A ^b	
Decision gate 3 — Approval to proceed	N/A ^b	
Stage 4 Implementation (construction)		
Award contract	N/A ^b	
Regular monitoring reports	N/A ^b	
Complete project	N/A ^b	N/A ^b
Stage 5 Review and project completion report (to be published)		
	N/A ^b	N/A ^b
Stage 5 Ex-post evaluation and report (to be published)		
	N/A ^b	N/A ^b
 In compliance  Partial compliance  Not in compliance		

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

- Notes:
- a Project appraisal plan prepared by TII in May 2019 and reviewed by the Department of Transport in June 2019 under the 2013 *Public Spending Code*.
 - b N/A as project has not yet reached this stage on the project lifecycle.
 - c While a final business case was prepared in November 2023, it should have been prepared and published prior to the full project commencing.

9.41 The MetroLink project demonstrates compliance with the *Public Spending Code*. It is noted that

- the governance structure for the project aligns with the Code's requirements and the overall governance structure framework sets out clearly the roles and responsibilities for the MetroLink project
- the project's preliminary business case was reviewed by the Department's MPGOG, the Department of Public Expenditure's MPAG and JASPERS
- the preliminary business case and the JASPERS and MPAG reviews have been published on the NTA's website
- the Department of Transport facilitated and received the required Government approval at decision gate 1.

9.42 By comparison, the examination team's assessment identified a high level of non-compliance with the Code for the Foynes project.

- The original governance structure was not set up in accordance with the Code requirements. The Department acted as approving authority until the NTA was appointed to the role in April 2023. Also, the Department's MPGOG did not have any oversight of the project.
- The first key appraisal document for the project was the final business case, which was only prepared after the NTA assumed the role of approving authority. Neither a strategic assessment report nor a preliminary business case was prepared for the project, and the required independent expert reviews were not carried out. Government approval in principle (decision gate 1) or ahead of tendering (decision gate 2) was not sought for a project expected to cost over €100 million.
- The final business case had not been prepared and/or published at the time the project commenced. Due to the delayed preparation of the business case, its publication is no longer required under the Code requirements in place at the time of its approval.
- Funds for the project were allocated in the absence of the key documents required at the appraisal/planning stage.
- The procurement process for phase 1 of the project commenced in July 2022 in the absence of any clarity on the overall programme cost, and without detailed appraisal documentation.
- The first project monitoring report was completed in November 2023, even though the construction stage commenced in December 2022.

Conclusions

- 9.43** Complex appraisal and decision-making processes have developed over time to manage project risks and to ensure that available investments are mainly directed to projects that deliver the highest value. The *Public Spending Code* — first introduced in 2013 and amended on a number of occasions since, up to its replacement by the *Infrastructure Guidelines* in January 2024 — sets out the rules and procedures to be followed to try to ensure that the best possible value for money is obtained whenever public money is spent. The governance structure set out in the Code aims to ensure clear oversight and control of a project throughout its lifecycle.
- 9.44** In the transport sector, the role of approving authority for public transport projects, at an individual project level, is performed by the National Transport Authority (NTA). The delivery of the MetroLink project is the responsibility of Transport Infrastructure Ireland (TII) while delivery of the Foynes project is the responsibility of Iarnród Éireann as the designated sponsoring agencies.

MetroLink railway project

- 9.45** Notwithstanding the protracted process to arrive at the current project proposal, the MetroLink project demonstrates appropriate compliance so far with the relevant capital investment appraisal requirements. The MetroLink preliminary business case was prepared by TII as sponsoring agency, approved by the NTA as approving authority, and submitted to the Department in March 2021. The required departmental and external reviews of the documents were completed. In July 2022, the Government granted approval in principle (at decision gate 1) for the project to proceed to planning stage.
- 9.46** The current revised requirements in the *Infrastructure Guidelines* are being followed for the MetroLink project. External assurance at the (now combined) strategic assessment and preliminary business case stage was received.

Limerick to Foynes freight line project

- 9.47** The Foynes project currently has an estimated cost of around €152 million over two project phases, both of which must be delivered before the investment will yield any benefits. A number of the key requirements of the *Public Spending Code* were not complied with in respect of the project. Voted funds totalling €64 million were issued to Iarnród Éireann in December 2022 prior to any detailed appraisal of the project being undertaken. At the time, Government approval to proceed was required under the Code for a project costing over €100 million, but this was not sought.
- 9.48** Changes to the Code requirements effective from March 2023 increased the threshold for major projects from €100 million to €200 million. As a result, Government approval for the Foynes project — projected to cost a total of €152 million — was no longer required.
- 9.49** A final business case for the Foynes project was prepared in November 2023 by the sponsoring agency, Iarnród Éireann. In July 2024, the NTA gave its formal approval for the commencement of the second and final phase of the project, at a cost of €47 million. The €105 million phase 1 works were already well advanced at this stage, and there was a significant risk that those works would have been of little or no value if phase 2 of the project had not been approved.

- 9.50** In recognition that the Foynes project had required Government approval under the 2019 *Public Spending Code* when it commenced, and to aid transparency, the Minister brought the NTA's decision on the final business case to the Government for information in early July 2024.

Infrastructure Guidelines

- 9.51** The *Infrastructure Guidelines* requirements are likely to be less onerous on public bodies, with the number of project approval stages reduced from five to three and the number of formal decision points reduced from four to three. Stage 1 (strategic assessment) and stage 2 (preliminary business case) under the *Public Spending Code* have merged into one stage (strategic assessment and preliminary business case).
- 9.52** The key documents required under the *Infrastructure Guidelines* are broadly similar to those required under the *Public Spending Code*. There are some differences — the strategic assessment now forms part of the preliminary business case; the detailed project brief and procurement strategy has been replaced by a detailed business case, project execution plan and procurement strategy.
- 9.53** The *Public Spending Code* did not explicitly require climate impacts to be considered at any stage of the project lifecycle. Under the *Infrastructure Guidelines*, climate impacts have to be considered as part of the preliminary business case whereby a review of climate related outcomes attributable to the project must be set out.¹ Also, there is a requirement for the climate resilience of the project to be assessed.
- 9.54** For major projects — those estimated to cost over €200 million — the relevant approving authority is now required to seek Government consent for approval at two stages — the preliminary business case (stage 1) and post-tender/final business case stage (stage 3).
- 9.55** Also, the external assurance and the Major Projects Advisory Group reviews are now formalised as a requirement for major projects at the preliminary business case stage, prior to Government consent for approval.

¹ The MetroLink preliminary business case and Foynes final business case considered both the climate action plan and the UN sustainable development goals.

10 Measuring the performance of arts and sports spending

- 10.1** Public bodies should have robust performance measurement and reporting frameworks in place so they can demonstrate transparently that their key programmes and services are being delivered in an effective and efficient manner while achieving value for public money.
- 10.2** Performance information is the means by which an organisation can be assessed in terms of how well it is performing against its aims and objectives. It helps to ensure that there is effective planning, monitoring and evaluation of performance as well as external accountability. Because it potentially demonstrates the progress an organisation is making in achieving its objectives, it plays an important role in
- improving the quality of services delivered and making organisations more efficient and effective
 - developing an organisation’s strategies and policies, for example by identifying what works and what does not work
 - business planning, particularly translating high level objectives into actions and performance measures
 - helping management understand how well the organisation, divisions and individuals are performing
 - deciding on the allocation of resources and the prioritisation of services, and
 - accountability to the Oireachtas and other key stakeholders — it allows stakeholders to understand what is (or is not) being achieved, and how to drive improvement.
- 10.3** The annual *Revised Estimates for Public Services* (the Revised Estimates) published by the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) includes performance measures and indicators at individual vote and expenditure programme level.^{1,2} The production of that extensive information annually is time consuming and resource intensive across all central government departments and offices.
- 10.4** While the spending on each expenditure programme is subject to audit and is reported in the relevant vote appropriation accounts, the outturn in terms of performance measures or relevant context indicators is not reported in the accounts. Instead, performance outturns are typically presented with the following year’s estimate, as part of the Revised Estimates process. Independent audit of the measures or indicators is not a required feature of the system for publication of the performance information.
- 10.5** This examination was undertaken to assess whether the performance measures used by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (the Department) are useful for monitoring and evaluating the outcomes and value for money of its key programmes. The examination focused on two of the Department’s programmes — programme B Arts and culture, and programme D Sports and recreation services.

¹ **Performance measures** relate to variables that are capable of being measured by reference to some quantification standard, or agreed basis of counting, that is relevant to the user of the measure. **Performance indicators** relate to quantifiable factors that indicate what the desired performance is, but do not measure it directly and/or precisely.

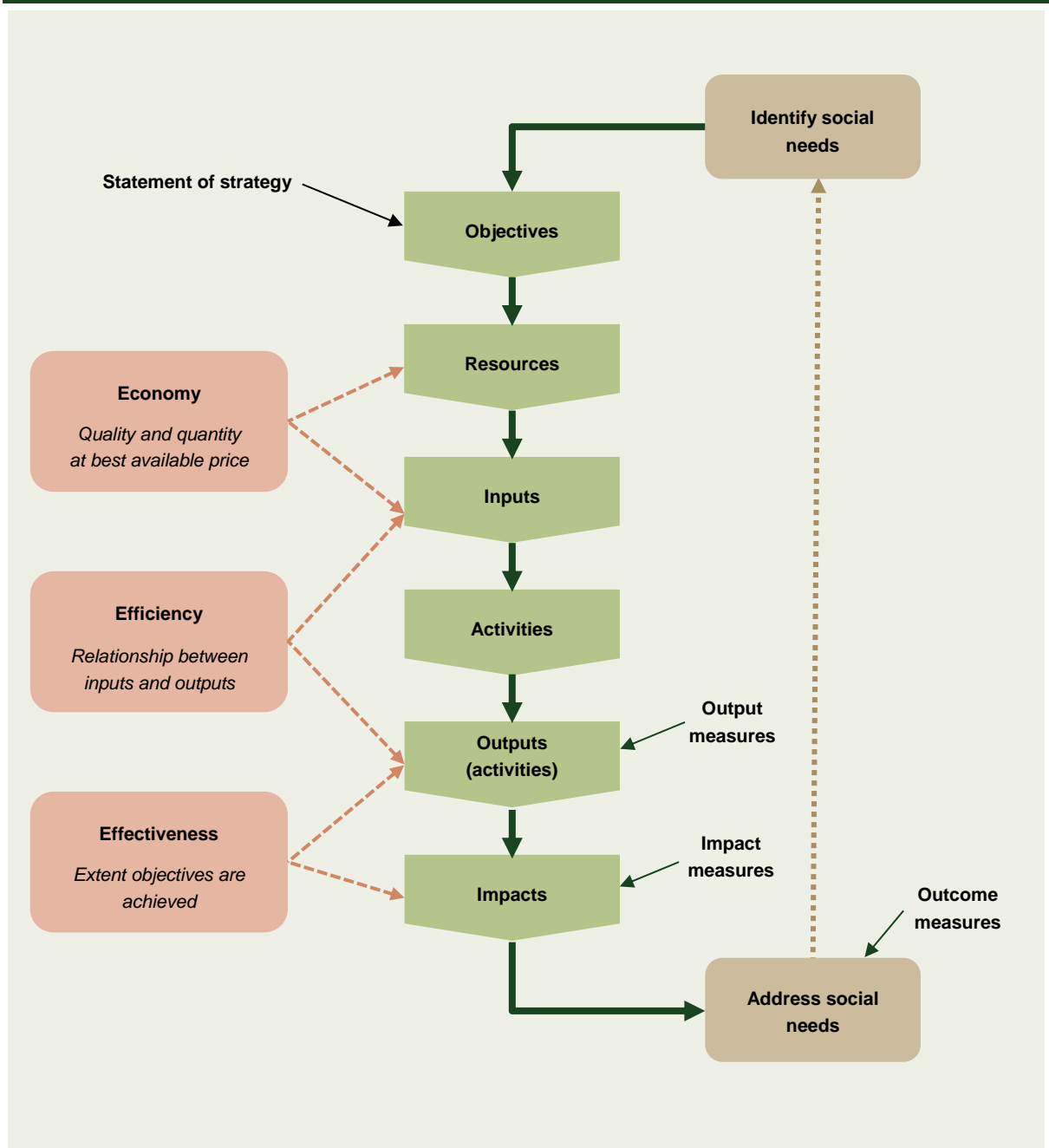
² The Department of Public Expenditure is now promoting the term ‘performance metric’ (instead of ‘measures and indicators’) to streamline the language.

10.6 The examination team liaised with staff of the Department and reviewed a number of the documents including statements of strategy, performance delivery agreements, and the appropriation accounts and Revised Estimates for Vote 33.

Performance management and value for money

10.7 Measuring the performance of Exchequer funded entities should, over time, help public sector bodies to address relevant social needs of citizens. The relationship between the resource inputs and what they actually achieve in terms of outputs and outcomes determines the economy, efficiency and effectiveness of spending — these are collectively referred to as the ‘value for money’ achieved (see Figure 10.1).

Figure 10.1 Performance management and the value for money (VFM) framework

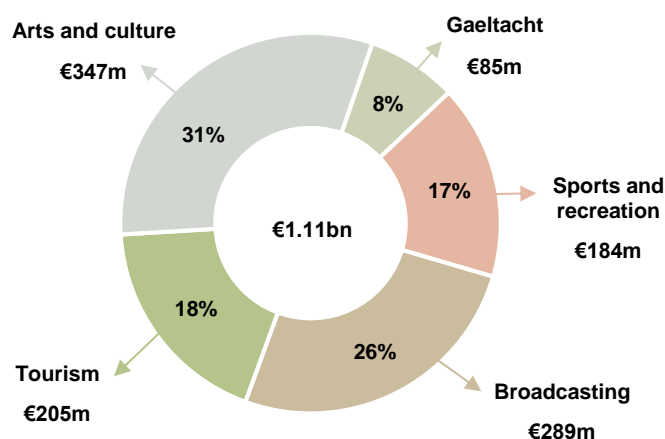


Source: Office of the Comptroller and Auditor General

Structure of the vote

- 10.8** The Department incurred total expenditure of around €1.1 billion under the vote in 2023, delivered across five expenditure programmes (see Figure 10.2). Expenditure for programme B Arts and culture and programme D Sports and recreation together accounted for around 48% (€531 million) of the Department's total expenditure.

Figure 10.2 Programme expenditure in 2023



Source: Vote 33 Tourism, Culture, Arts, Gaeltacht, Sport and Media Appropriation Account 2023

Strategic objectives

- 10.9** The mission of the Department is to lead sustainable development of tourism, media and the Gaeltacht, promote participation in the culture, arts and sports sectors and the Irish language, support social progress, and enhance cultural and economic growth across Irish society.
- 10.10** The Department's statement of strategy for the period 2023 to 2025 identifies six goals, of which two relate to the delivery of programme B Arts and culture and programme D Sports and recreation. These are
- **Arts and culture goal** — to support and develop engagement with and in, the arts, culture and creativity by individuals and communities, enriching lives through cultural and creative activity; to promote Ireland's arts, culture, and creativity globally; and to drive a more vibrant and diverse night-time economy
 - **Sports and recreation goal** — to promote greater sports participation by all, with particular focus on female participation and diversity, while continuing to invest in new sports facilities, high performance athletes and the hosting of major events.
- 10.11** The Department further articulates these two goals through 22 more specific 'high level strategies' — 14 for the arts programme and eight for the sports programme (see Annex 10A).

Performance measures in annual estimates

- 10.12** The Revised Estimates — estimates of spending (or budgets) for the various voted services — are presented to the Oireachtas on a programme-by-programme basis, setting out
- the proposed financial and human resources inputs for the programme for the budget year (with the equivalent prior year budget figures as comparators)
 - targets for key activities and/or outputs to be delivered in the budget year (with two prior years for comparison)
 - historical 'context and impact indicators', without targets and
 - equality budgeting objectives and performance indicators.
- 10.13** As required under the cross-departmental framework for the estimates, the Department has developed a set of measures and indicators for its key outputs and activities funded under its arts and sports programmes. These are presented in schedules attached to the individual programme estimates, together with target values to be achieved. Some context and impact indicators and 'equality budgeting objectives and performance indicators' are also presented.
- 10.14** The format of presentation of the performance information in the Revised Estimates is standardised across all the votes. In general, the information is presented using small fonts, and with minimal definition of measures/indicators. The information is often both difficult to read and challenging to interpret in a meaningful way.
- 10.15** While the spending on the programmes is reported in the Department's appropriation account and is subject to audit, the outturn in terms of performance measures or any context and equality indicators are not reported in the accounts. Instead, these results are presented with the following year's estimate, as part of the Revised Estimates. Separately, some performance results are also published in the annual *Public Service Performance Report*.¹

Strategic alignment of measures

- 10.16** The output measures/targets presented in the 2023 revised estimate for Vote 33 were compared to the high level strategies articulated for the programmes (see Annex 10A). This indicated there was a degree of alignment between the published performance targets/measures and the strategies for the sports programme — seven of the eight high level strategies had at least one related performance target/measure for 2024. In comparison, the alignment was much weaker for the arts programme — there were performance targets/measures for just six of the 14 high level strategies.
- 10.17** The Department stated that it may not be possible to align quantitative metrics to all high level strategies. For example, an output measure for the development of the Sport Ireland national sports campus, including the development of projects set out in the campus masterplan, would not be possible as it is not quantifiable in a statistical manner.

Relevance of measures

- 10.18** For the 2023 estimate, 16 performance measures were provided for the arts programme and 15 for the sports programme (see Figure 10.3 and Figure 10.4 below). The overall number of performance measures presented has almost doubled for these programmes since 2017.

¹ The most recently published *Public Service Performance Report* (for 2023) is available [here](#). The reports about the arts and sports programmes are available at pages 188 – 189 and 192 – 193 respectively.

Figure 10.3 Programme B Arts and culture — output targets 2017 – 2024, and context and impact indicators 2017 – 2022

Output measures — targets		Subhead	2017	2018	2019	2020	2021	2022	2023	2024
1	No. of local authorities funded under Creative Ireland	B.6				31	31	31	31	31
2	No. of arts and culture organisations (theatres, galleries etc.) in receipt of capital grants	B.7				<i>Not provided</i>	180	150	120	110
3	No. of artists supported to promote Irish culture abroad	B.8				1,800	900	500	1,000	2,800
4	No. of events with Irish artists supported globally	B.8				600	300	300	500	620
5	No of individual artists allocated funding	B.9	410	550	600	600	700	1,000	2,100	2,100
6	No. of arts organisations in receipt of funding	B.9	460	500	600	720	840	895	1,075	1,075
7	No. of feature film/TV drama projects receiving production funding from Screen Ireland	B.12		37	39	40	48	53	53	55
8	No. of screen skills development initiatives	B.12				60	65	70	70	70
9	Film skills development — participants	B.12						1,000	1,000	1,000
10	Projects invested in by Screen Ireland ^a	B.12	36	37	39	<i>Not provided</i>	206	280	280	280
11	No. of artists supported — basic income for the arts (pilot scheme)	B.16						2,000	2,000	2,000
12	No. of grants awarded under the Live Performance Support Scheme (LPSS)	B.17				<i>Not provided</i>	237	120		
Context and impact indicators — actuals		Subhead	2017	2018	2019	2020	2021	2022	2023	2024
13	No. of visitors to cultural institutions ^b		5m	4.7m	4.9m	0.73m	1.26m	3.15m		
14	No. of learning and participation events at national cultural institutions (NCI)			4,833	8,470	384	2,435	10,555		
15	No. attending NCI learning and participant events	<i>Subhead not specified for these output measures</i>		338,000	511,000	233,000	586,000	469,000		
16	Irish artists supported by Culture Ireland									
	▪ No of artist/organisations supported		450	550	550	345	300	1,560		
	▪ Total amount of grant-aid		€3.5m	€4m	€4.1m	€4.1m	€4.6m	€5.08m		
	▪ Global Reach ^c		3.5 m	5.5 m	6 m	4 m	6 m	7.8 m		
<i>No targets provided for outcome indicators to compare against actual performance</i>										

Source: Revised Estimates for Public Services 2017 – 2024

Notes: a Prior to 2021, only the number of feature films/TV dramas receiving production funding were counted in as projects invested in by Screen Ireland. Since 2021, all projects funded are being included.

b Rounded.

c The Global Reach indicator is the audience numbers associated with the funding provided. The Department noted that the audience numbers have been incorrectly reported as financial information. The Revised Estimate for 2024 has been updated to reflect the correct classification of this information.

Arts programme measures

- 10.19** Many of the performance measures for the arts programme are focused on how the money was to be spent, in terms of (target) number of recipients. These convey no information about any outputs achieved from the spending in question. For example,
- For the €22.8 million scheme for regional museums, galleries, cultural centres and projects (subhead B.6), the only related measure is the number of local authorities (31) funded under 'Creative Ireland'.
 - For the €36.7 million capital funding scheme for cultural infrastructure and development (B.7) in 2023, the only measure presented is the number of organisations in receipt of capital grants in the year. The figures shown indicate a drop in the target number of projects supported (120 in 2023, down from 150 in 2022) which contrasts with a 31% increase in the financial provision (up from €28.1 million in 2022).
 - For the €130 million provision for An Chomhairle Ealaíon (subhead B.9), there are two measures: the number of arts organisations in receipt of funding, and the number of individual artists in receipt of funding. However, since the quantum of funding for each of these categories is not presented, it is difficult to assess the significance of this.
- 10.20** The Department has stated that
- Funding under subhead B.6 feeds into a number of business units across the arts and culture division. While the only measure published in the Revised Estimates relates to the number of local authorities supported by Creative Ireland, other performance measures are included in various service level agreements/ performance delivery agreements with grantees. Some programmes and initiatives are difficult to quantify from a statistical/quantitative perspective — for example, night-time economy schemes are currently in their pilot phase, so it is not possible yet to identify clear specific measurable indicators.
 - For subhead B.7, the drop in the number of projects between 2022 and 2023 and the increase in expenditure during the same period, is due to a number of very significant capital projects being funded under the national development plan.
- 10.21** There are four performance measures in relation to the €37.9 million in voted funding for Fís Éireann/Screen Ireland (subhead B.12). One relates to the 'number of screen skills development initiatives' to be funded, which is a relatively imprecise description. An apparently related measure is the 'number of participants in film skills development' which appears to be closer in nature to an output measure. The remaining two measures — 'projects invested in by Screen Ireland' and 'number of feature film/TV drama projects receiving production funding' — appear to be overlapping categories. As with the subhead B.9 funding, the quantum of funding assigned to any of these sub-categories of spending is not presented.
- 10.22** In addition to the 'mainstream' Fís Éireann/Screen Ireland performance measures, there are two 'equality performance measures' (set out in Annex 10B). These relate to the percentage of applications received by Fís Éireann/Screen Ireland 'with female talent attached', and the number of applications 'with female talent attached' that are successful. The significance of this specific condition cannot be meaningfully interpreted.

- 10.23** Subheads B.5 (€27.4 million), B.10 (€18.7 million), B.11 (€10 million) and B.13 (€13.4 million) provide for general funding for a range of national cultural institutions. While the total visitor numbers, aggregated across the various national cultural institutions, are reported as context and impact indicators in the Revised Estimates, no output measures are presented for these subheads.
- 10.24** The arts programme impact and/or outcome indicators presented with the 2023 estimate are not related to individual expenditure subheads. Two relate to visitors or participants in activities at national cultural institutions, but it is unclear what institutions are included, or what 'good performance' would represent.
- 10.25** A measure of the impact of the funding for the Culture Ireland programme (€4.6 million in 2022) to support Irish artists abroad is described as 'Global Reach' and reported at €7.8 million in 2022. The Department has stated that the 'Global Reach' indicator was incorrectly reported in the Revised Estimates as financial information.¹ It has been corrected in the Revised Estimates for 2024 to refer to audience numbers.
- 10.26** The Department stated that although individual metrics for each national cultural institution could be provided in the Revised Estimates, it would add significantly to the data presented.
- 10.27** More generally, the impact indicators are historic figures, predating both the budget year and the prior-year budget comparator. Consequently, they are not indicative of the impact that is expected from the relevant programme expenditure.
- 10.28** The Department stated the information it provides in the Revised Estimates is based on guidance from the Department of Public Expenditure.

¹ The same error was repeated in the Revised Estimates for a number of years.

Figure 10.4 Programme D Sports: output targets 2017 – 2024, and context and impact indicators 2017 – 2022^a

Output measures — targets		Subhead	2017	2018	2019	2020	2021	2022	2023	2024
1	Number of sports facilities/projects under construction or completed in the year	D.3			1,000	1,000	700	665	730	730
2	Sports capital programme — number of payments made	D.3	1,300	1,280	1,600	1,400	1,600	1,520	1,670	1,750
3	Sports capital programme — value of payments made	D.3	€44m	€35.3m	€43.2m	€40m	€36m	€34m	€46m	€34m
4	Swimming pools — number and value of payments	D.4	10 €4.2m	10 €4.2m	10 €4.1m	Not provided	5 €4m	5 €4m	5 €4m	3 €2m
5	Recipients Covid-19 support sports sector <ul style="list-style-type: none"> National governing bodies — NGBs Local sports partnerships — LSPs 	D.5					47 NGBs 29 LSPs	50 NGBs 27 LSPs		
6	Number and value of large scale sport infrastructure fund (LSSIF) payments	D.7					18 €14.6m	55 €14.6m	55 €14.6m	90 €42.6m
7	Number of LSSIF projects completed	D.7					4	12	12	8
8	Number of LSSIF projects in design	D.7					7	5	7	6
9	Number of LSSIF projects under construction	D.7					10	7	19	13
Context and impact indicators — actuals		Subhead	2017	2018	2019	2020	2021	2022	2023	2024
10	Level of participation in sport and physical activity, as measured by Irish Sports Monitor (% adults)	<i>Subhead not specified for these output measures</i>	43%	43%	46%	46%	40%	43%	<i>Outturns provided two years in arrears.</i>	
11	Levels of participation in a sporting session, as measured by Irish Sports Monitor (% adults who take part in at least one session lasting 30 minutes or more, at least once a week)		39%	39%	43%	43%	34%	38%		
12	Number of medals won in international competition at elite level (in sports supported by Sport Ireland)		72	77	80	14	62	105		
13	Number of visitors to the National Aquatic Centre		1.1m	1.15m	1.0m	0.32m	0.26m	0.8m		
14	Number of days of support services (science, medicine and lifestyle) delivered to athletes by Sport Ireland Institute		2,961	3,303	3,304	4,107	5,012	5,386		
15	Number of anti-doping tests conducted as part of the National Testing Programme	989	1,112	1,303	1,045	1,354	1,415			
<i>No targets provided for outcome indicators to compare against actual performance</i>										

Source: Revised Estimates for Public Services 2017 – 2024

Note: a The transfer of the sports function from the former Department of Transport, Tourism and Sport (Vote 31) came into effect from 16 September 2020 under SI 339/220. All information regarding Programme D prior to 2020 was taken from Vote 31.

Sports programme measures

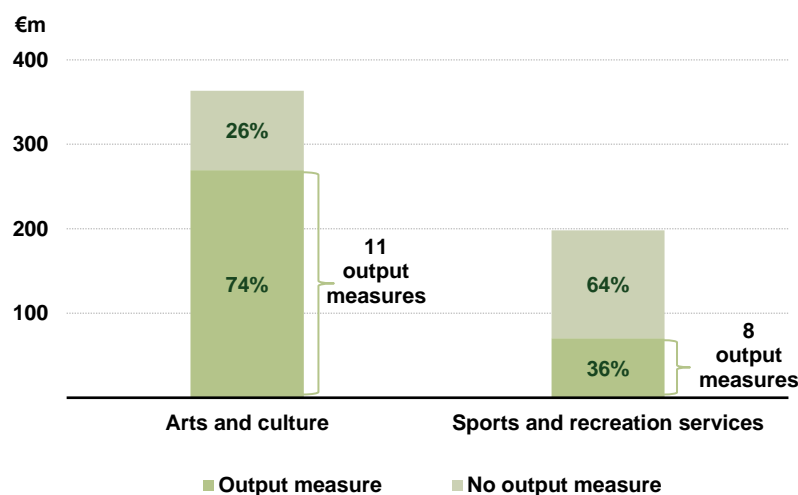
- 10.29** The overall estimate for the sports and recreation programme amounted to €198 million in 2023.
- 10.30** There were no mainstream output measures in respect of subheads D.5 (€105 million) and D.6 (€12 million), funding from which was provided to support the activities of Sport Ireland. However, the context and impact indicators presented for the programme relate to Sport Ireland's areas of responsibility: percentage of adult population participating in regular sport activity; medals won in elite international competitions; number of users of the National Aquatic Centre.
- 10.31** While there is reliable measurement of these indicators, the information in the Revised Estimates is provided two years in arrears and there are no annual performance targets set. The Department stated that participation can only be measured in arrears and is measured by the Irish Sports Monitor, a survey that measures sports participation across Ireland.¹ Therefore, the information provided by the Department is the most up to date available. Similarly, it is not possible to include annual performance targets for these context and impact indicators as the Revised Estimates only provide for historical context and impact indicators without targets.
- 10.32** All of the eight equality performance indicators (set out in Annex 10B) presented for the sports programme also relate to Sport Ireland-funded activity. While there seems to be some misclassification of the measures as between output, context and impact measures, this is a minor issue: these are better and more meaningful measures than any of the others reviewed. For example
- The amount of funding allocated to the Women in Sport programme (€2.7 million in 2023) is presented.
 - A target ratio of female to male participants in sport was set for 2023 (0.94:1). The survey-based estimated turnout in 2021 (0.89:1), while somewhat out of date, provides relevant context.
 - The target number of medals won by females/mixed teams in elite international competitions is set at 47 for 2023, but there is no target for all medals won at this level for 2023.
- 10.33** In the 2023 estimate, output measures were presented in respect of the €55 million subhead D.3 Sports capital and equipment (three measures); the €2 million subhead D.4 Local authority swimming pool programme (one measure); and the €13.6 million subhead D.7 Large scale sport infrastructure fund (four measures). While these are described as output measures, they largely focus on number of projects supported, and oddly, repeat the amount of funding provided under the subhead. Overall, they provide little or no insight into actual achievement from the related expenditure.

¹ The most recently published *Irish Sports Monitor Annual Report 2022* is available [here](#).

Linking output measures to expenditure

- 10.34** Expenditure incurred by the Department on each of its programmes is spread across a number of subheads. As shown in Figure 10.5, of the 31 output measures reported in the Revised Estimates for the arts and sports programmes in 2023, only 19 output measures are directly linked to a subhead.
- 10.35** This means for programme B Arts and culture, €94 million or 26% of the total programme expenditure in 2023 does not have an associated output measure. In the case of programme D Sports and recreation, almost €128 million or 64% of the total programme expenditure in 2023 does not have an associated output measure.
- 10.36** The majority of the subheads with no output measures are for programme administration costs and for grant funding allocated by the Department to its downstream agencies/organisations (such as the National Museum of Ireland, the National Library and the National Gallery) or to sports bodies benefitting from sports capital grants.

Figure 10.5 Subheads linked to a key output measure in the revised estimate for Vote 33, 2023



Source: Vote 33 Appropriation Account 2023 and the Revised Estimates for Public Service 2023

Engagement with downstream bodies

- 10.37** The Department provides funding to a number of downstream agencies/organisations that align with the key objectives and programmes of the Department and carry out a range of functions on its behalf. Effective performance measurement requires engagement with these downstream agencies and organisations enabling agreement of
- definitions of shared outputs, impacts and outcomes and
 - an approach to developing shared measurement frameworks around shared outcomes.
- 10.38** Downstream agencies/organisations provide performance information in their performance delivery agreements. The examination team reviewed the performance information contained in the 2023 performance delivery agreements of four downstream agencies/organisations — An Chomhairle Ealaíon, the National Library of Ireland, Sport Ireland and Fís Éireann/Screen Ireland.

- 10.39** The examination team found that the performance information contained in the performance delivery agreements was a mix of output measures and planned activities. As shown in Figure 10.6, the four agreements recorded a total of 113 measures of which 74 (around 65%) were not true, service-related performance measures but related instead to planned activities — such as developing and publishing policies.
- 10.40** For the 39 actual output measures specified in the four performance delivery agreements, just six could be linked to the Department’s output measures provided in the Revised Estimates. None of the output measures in the agreements could be linked to the Department’s high level strategies for the relevant sectors.

Figure 10.6 Comparison of the output measures in a sample of PDAs for 2023, the Department’s estimate for 2023 and the Department’s statement of strategy (2023 – 2025)

	Output measures		Planned activities		Total
	Number in PDA	Number linked to the Revised Estimates	Number in PDA	Number linked to Department’s high level strategies	
An Chomhairle Ealaíon	3	—	51	8	54
National Library of Ireland	17	4	—	1	17
Sport Ireland	2	2	13	3	15
Fís Éireann/Screen Ireland	17	—	10	2	27
Total	39	6	74	14	113

Source: Performance delivery agreements for 2023, the Department’s Statement of Strategy (2022 to 2025) and the Revised Estimates for Public Services 2023

Evaluating the performance information system

- 10.41** Public bodies should periodically evaluate their performance information systems to ensure they are still measuring what needs to be measured, and are providing value for money in the way the measurement takes place, and the way the information is used.
- 10.42** Performance measures may need to be revised to take account of changes in organisational priorities, where the original measures may no longer be useful or where the methods by which performance is measured has changed.
- 10.43** The Department has not completed any such evaluation of its output measures.

Views of the Accounting Officer for the Department

- 10.44** The report on the Department's performance metrics is timely and welcome. In this regard, it should be noted that the performance metrics published in the Revised Estimates follow the guidance from the Department of Public Expenditure, which provides only for quantitative metrics and which looks at impacts retrospectively. The guidance does not require subhead alignment to impacts. The format of the Revised Estimates, the internal variety contained within certain subheads and the limited space available can make subhead alignment difficult. Nor does it facilitate the design of a smaller number of more meaningful impacts.
- 10.45** Some of the sectors examined are resistant to quantitative metrics, which cannot reflect the full nature of sporting disciplines and artistic forms and expression. Quantitative metrics do not facilitate representation of the intrinsic value of the programme areas reviewed i.e. the preservation of Ireland's cultural and sporting heritage.
- 10.46** Quantitative metrics also do not offer an opportunity to reflect the ancillary benefits of these sectors in relation to health, wellbeing, community engagement, and societal integration. Some of these require longer-term longitudinal study, which again, do not align to any one subhead — such as the mental health benefits of sports or cultural participation. There are many performance indicators being measured across the Department but not necessarily published as part of the Revised Estimates, having regard to the Department of Public Expenditure's guidance.

Views of the Secretary General of the Department of Public Expenditure, National Development Plan Delivery and Reform

- 10.47** In line with the division of responsibility for expenditure, responsibility for setting and reporting on metrics is a matter for individual Accounting Officers and their departments. Each department chooses its metrics to reflect the policy goals of programmes and not solely their expenditure levels. Guidance notes are circulated to departments regularly since the introduction of the performance budgeting framework. The performance budgeting unit in my Department supports departments as they develop metrics.
- 10.48** Departments should be measuring and collecting this data as a business tool to ensure value for money and to understand the outcomes of public funding. My Department has streamlined the reporting of this data under the performance budgeting framework for departments by incorporating it into the electronic estimates management system.
- 10.49** Whether the targets/commitments set in the Revised Estimates have been delivered and to what extent is reported on by departments in the public service performance report (PSPR) published in the second quarter of each year. The PSPR is used extensively by Oireachtas Committees in their engagement with departments.
- 10.50** The presentation of performance information has been addressed in the Revised Estimates 2024 and will be addressed in the same manner in future years, with the inclusion of subhead number labels related to each metric in the left hand column, for ease of reference to the relevant expenditure line.
- 10.51** In 2019, a training roadshow took place across departments on choosing good quality metrics. A similar educational roadshow is planned for early next year with one-on-one support provided in advance of Revised Estimates 2025.

Conclusions and recommendations

- 10.52** Performance information is the means by which an organisation can be assessed in terms of how well it is performing against its aims and objectives. It can play an important role in improving the quality of public services delivered, in making organisations more efficient and effective, and in allowing stakeholders to understand what is (or is not) being achieved and to drive improvement.
- 10.53** This examination was undertaken to assess the practical usefulness of the estimates performance information at programme level in one vote.¹ It reviewed the information presented in respect of two of the expenditure programmes that form part of Vote 33 Tourism, Culture, Arts, Gaeltacht, Sport and Media — programme B Arts and culture and programme D Sports and recreation services.
- 10.54** Designing and developing a set of relevant high level performance measures in any sector is challenging, and it is accepted that there are inherent difficulties in designing such measures for spending on the arts and on sport. Nevertheless, funding allocation and spending decisions have to be made by reference to strategic objectives that are expressed in terms that are amenable to quantification e.g. participation in arts, creative activity and sports, including for minorities and disadvantaged communities; outputs in terms of number of exhibitions and sporting events; and attendances at artistic, cultural and sporting events or venues.
- 10.55** The number of performance measures presented by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media has increased significantly in recent years. However, the objective should be to present a cogent, concise and relevant set of indicators, and the simple accretion of more indicators each year is not in itself a desirable outcome.
- 10.56** Notwithstanding the increase in the number of performance measures for the two programmes, this examination found that, for the arts programme, with expenditure of around €347 million in 2023, eight of the Department's 14 high level strategies did not have corresponding output performance measures or targets in the Revised Estimates.
- 10.57** Overall, the performance measures for the two programmes presented with the estimate could be improved. There are substantial areas of expenditure that lack any relevant performance measures. Where measures are provided, it can be difficult to interpret what good (or bad) performance would represent. Many of the context and impact indicators presented appear out-of-date and irrelevant to the focus year's budget discussion, particularly since they lack targets. Only the Sport Ireland-related equality performance indicators provide some meaningful performance information (albeit they could also be rationalised and reduced in number).
- 10.58** Performance measurement frameworks need to be adapted over time to take account of any changes in organisations strategic priorities, or where the measures are no longer useful or the way in which performance is measured changes. The Department has not completed any formal evaluation of its performance measures.

¹ Previous reports on the measurement and reporting of performance in respect of voted expenditure were presented in the *Report on the accounts of the public services 2019*, chapter 11 [Measuring performance for Exchequer spending on social housing](#) and *Report on the accounts of the public services 2022*, chapter 7 [Transforming the passport service](#).

Recommendation 10.1

The Department should complete an evaluation of its performance information system to ensure that good performance measures are being used that enable it best assess how well it is performing against its aims and objectives. An evaluation should encompass consideration of

- the relationship between inputs, outputs and outcomes
- the link between the performance measures and the Department's strategic objectives
- the link between the performance measures and the categories of expenditure
- the level of engagement with the Department's downstream agencies/organisations.

Accounting Officer's response

Agreed.

The Department notes and accepts this recommendation. It agrees that an evaluation will be carried out and a process will commence in this regard in Q4 2024.

Timeline for implementation

Q4 2024.

Annex 10A Alignment of strategy goals to Vote 33 programme output measures

Figure 10A.1 Programme B Arts and culture

Goal B — To support and develop engagement with and in, the arts, culture and creativity by individuals and communities, enriching lives through cultural and creative activity; and to promote Ireland’s arts, culture, and creativity globally; and to drive a more vibrant and diverse night-time economy	
High level strategies	Output measure
1 Strengthening the arts and culture sectors and support the continued recovery of the sector from the Covid-19 era.	✓
2 Securing and upgrading a viable and sustainable network of arts and cultural infrastructure.	✓
3 Implementation of the Creative Ireland Programme 2023 – 2027 in partnership with national and local stakeholders.	✓
4 Reviewing the policy and legislative context for culture to ensure it supports cultural rights and cultural democracy, promotes innovation in the collection and presentation of collections, and creates opportunities for cross Government engagement on cultural heritage.	✗
5 <ul style="list-style-type: none"> ▪ Strengthening our agencies and National Cultural Institutions in providing a high quality cultural offering to the public. ▪ Future proofing our national institutions and collections to ensure they are sustainable and available to future generations. 	✓
6 Expanding the opportunities for Ireland’s audio visual and gaming sectors.	✓
7 Promoting Irish Arts globally by promoting and supporting Irish artists through Culture Ireland. Implementing the cultural actions under Global Ireland 2025.	✓
8 Participating in EU, UNESCO and other relevant international for a policy and programme development and implementation.	✗
9 Oversee the conclusion of the Decade of Centenaries commemorative programme; informed by the guidance of the Expert Advisory Group and with input from the All-Party Consultation Group on Commemorations.	✗
10 Increasing cultural and creative opportunities as part of the Night-Time Economy Taskforce.	✗
11 <ul style="list-style-type: none"> ▪ Supporting the National Traveller and Roma Inclusion Strategy by undertaking initiatives and projects for the Traveller and Roma communities. ▪ Promoting the contribution of women to art and culture, through innovative cultural schemes like the Markievicz Award, which supports artistic development and new works of art. ▪ Enabling people with disabilities to participate in cultural related activities and programmes. 	✗
12 Supporting the cultural and creative sector in a green recovery, assisting it in becoming a more sustainable, low-carbon sector, lowering the associated emissions, and developing an indigenous market for climate-friendly solutions.	✗
13 <ul style="list-style-type: none"> ▪ Raise appreciation and use of the Irish language through cultural activities. ▪ A framework of supports in place to ensure dignity at work for all workers in the arts, culture and creative sectors. 	✗
14 Shared Island.	✗

Source: Statement of Strategy 2023 – 2025, Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and the Revised Estimates for Public Services 2023

Figure 10A.2 Programme D Sports

Goal D — Promote greater sports participation by all, with particular focus on female participation and diversity, while continuing to invest in new sports facilities, high performance athletes and the hosting of major events	
High level strategies	Output measure
1 Deliver a sustained increase in participation rates towards achieving the Programme for Government target of 60% of the population by 2027.	✓
2 Ensure an open, transparent and effective system is in place to support the provision of sports facilities at local and regional level through the Sports Capital and Equipment Programme.	✓
3 Ensure that facilities already awarded funding under the Large Scale Sport Infrastructure Fund (LSSIF) and the Local Authority Swimming Pool Programme (LASPP) are complete and, subject to the availability of additional funding, ensure that a transparent and effective system is in place to support new large scale sports projects.	✓
4 Continue to implement the National Sports Policy 2018 – 2027 and deliver the priority actions set out in associated Action Plans.	✓
5 Oversee the ongoing development of the Sport Ireland Campus at Blanchardstown including the development of projects set out in the Campus Masterplan.	✗
6 <ul style="list-style-type: none"> ▪ Provide leadership for cross-sectoral sports issues and the sport sector, including gender equality, diversity and inclusion and develop policy in this regard. ▪ Facilitate and enable Sport Ireland to deliver a programme of interventions to boost participation levels among people with disabilities. 	✓
7 Recognising the importance of safeguarding public funds as well as the reputational harm associated with high profile governance crises, redouble efforts to improve standards of corporate governance across the sport sector.	✓
8 Increase the role of women in the management and leadership of Irish sport.	✓

Source: Statement of Strategy 2023 – 2025, Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and the Revised Estimates for Public Services 2023

Annex 10B Equality output targets and performance indicators, 2021-2024

Figure 10B.1 Programme B Arts and culture

Output measure — targets		2021	2022	2023	2024
1	Increase level of applications received with female talent attached.		>50%	>50%	>50%
2	Increase level of successful applications received with female talent attached.	>50%	>50%	>50%	>50%
Context and impact indicators — actuals		2021	2022	2023	2024
3	Number of Screen Ireland applications received.	509	805	689	

Source: Revised Estimates for Public Services 2021 – 2024

Figure 10B.2 Programme D Sports

Output measure — targets		2021	2022	2023	2024
1	No. of national governing bodies supported by Sport Ireland's women in sport programme.	40	45	45	45
2	No. of local sports partnerships supported by Sport Ireland's women in sport programme.	26	29	29	29
3	Ratio of female to male participants in sport as measured by the Irish Sports Monitor.	0.94	0.92	0.94	
Context and impact indicators — actuals		2021	2022	2023	2024
4	Amount spent on the Sport Ireland women in sport programme.	€2,265,000	€2,265,000	€2,700,000	<i>Actual results provided one year in arrears.</i>
5	Levels of participation by women in sport and physical activity, as measured by Irish Sports Monitor.	38%	40%	45%	
6	Ratio of female to male participants in sport as measured by Irish Sports Monitor.	0.88	0.91	0.94	
7	No. of medals won by female or mixed teams with female member(s) in international competition at elite level.	38	56	47	
8	Percentage of females on boards of national governing bodies.	32%	32%	35%	

Source: Revised Estimates for Public Services 2021 – 2024

11 Exceptional State funding of the Peter McVerry Trust

11.1 The Peter McVerry Trust (the Trust) is an approved housing body (AHB) providing homeless services in the State on a significant scale. The services provided include the operation of homeless hostels and family hubs, and the provision of supports to individuals with complex supports needs. Currently the Trust provides services to over 2,000 clients, at 71 locations and is working with approximately 600 Housing First tenancies.¹ The Trust is the largest non-governmental organisation (NGO) provider of homeless emergency accommodation in the State.

11.2 As per the financial statements of the Trust, in the period 2019 – 2022, the Trust received a total of just over €140 million from State sources to support its service provision. State-sourced funding represented between 53% and 72% of the Trust's total income each year over that period (see Figure 11.1).

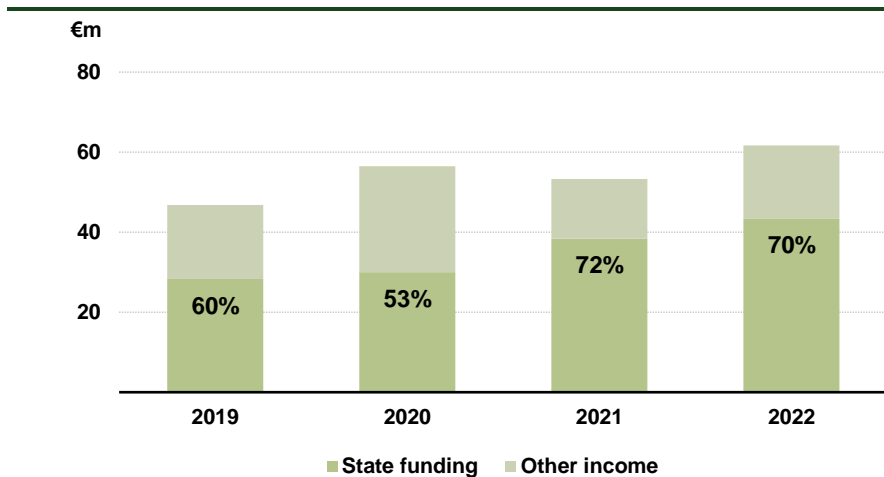
¹ Housing First is a housing-led approach that enables people with a history of rough sleeping or long-term use of emergency accommodation, and with complex needs to obtain permanent, secure accommodation, with the provision of intensive supports to help them maintain their tenancies.

² The DRHE is based in Dublin City Council and adopts a shared service approach across South Dublin County Council, Fingal County Council and Dún Laoghaire-Rathdown County Council. References throughout the report to the DRHE may also mean Dublin City Council.

³ Subhead A.13 funds emergency accommodation for homeless people, related services to support those people and services for those at risk of homelessness, including tenancy sustainment measures.

⁴ The Department also provides funding to other local authorities, outside of Dublin, that provide funding to the Trust.

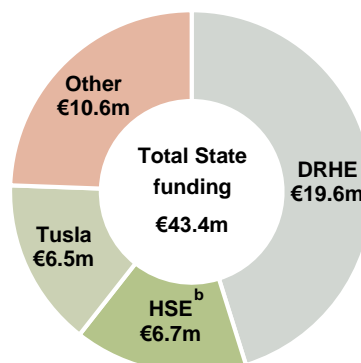
Figure 11.1 State-sourced funding relative to the Trust's total income, 2019 to 2022^a



Source: Peter McVerry Trust financial statements, 2019 – 2022

Note: ^a To ensure accuracy, the Department is currently reviewing the figures reported by the Trust relating to the amount originating from its Vote.

11.3 The Dublin Region Homeless Executive (DRHE) is the lead statutory agency in the response to homelessness in Dublin, and is the largest State funder of the Trust (see Figure 11.2).² The Department of Housing, Local Government and Heritage (the Department) provides funding to the DRHE, under subhead A.13 — Accommodation for homeless from the Housing programme of Vote 34.^{3,4}

Figure 11.2 State funding provided to the Trust, 2022^a

Source: Peter McVerry Trust CLG Restated Directors' Report and financial statements for the financial year ended 31 December 2022: note 5.2. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Income figures take account of deferred income as reported in note 18 of the financial statements.

b The Health Service Executive (HSE) has reported funding to the Trust of €5.7 million in 2022. The HSE stated that following engagement between the HSE and the Trust, the difference between the figures appears to be related to 2021 HSE funding recognised in the Trust's financial statements in 2022.

11.4 In November 2023, the Government approved exceptional funding for the Trust of up to €15 million. This was provided to DRHE from subhead A.13: €3.9 million in 2023, and the balance of €11.1 million in the first quarter of 2024. A number of conditions were attached to the exceptional funding (see Annex 11A).

11.5 This examination was undertaken to review

- the Department's oversight arrangements in respect of funding provided to the Trust
- the factors giving rise to the need for exceptional funding, and
- the Department's monitoring of the conditions attached to the exceptional funding.

11.6 The examination team interviewed staff from the Department, reviewed documents relating to both the regular and exceptional funding, and also engaged with other State funders of the Trust.

Funding of homeless services

11.7 Funding for homeless services is provided from Vote 34 in accordance with Section 10 of the Housing Act 1988. Payments under subhead A.13 Accommodation for homeless amounted to €317 million in 2023 (2022: €242.4 million).

11.8 The Department does not fund homeless services directly — funding for homeless service providers flows from the Department to a local authority in the latter's capacity as a statutory housing authority, and then on to the service providers.¹ Under the funding arrangements in place, housing authorities may recoup from the Vote up to 90% of reasonably incurred expenditure.

¹ Section 38 of the [Housing \(Miscellaneous Provisions\) Act 2009](#) sets out the requirements for a housing authority to establish a homelessness consultative forum. Section 39 requires the lead authority to appoint a management group, to prepare a homelessness action plan.

- 11.9** A homelessness consultative forum has been established in each region. The management group of each forum determines the services and funding requirements of their region and submits a funding programme proposal to the Department. Following review by the Department, a delegated funding allocation is determined for each region. Local authorities are required to submit quarterly financial and performance reports to the Department at the end of each quarter, which are reviewed by the Department before funding is released.¹ Funding for demand-led expenditure, such as private emergency accommodation, is provided in addition to the delegated funding allocation.
- 11.10** Dublin City Council (DCC) acts as the lead housing authority on behalf of the four local/housing authorities in Dublin city and county. It channels funding for homeless services in the region through the DRHE.

Department oversight of funding provision

- 11.11** The principles, procedures and reporting requirements to be followed in the management of grant funding are set out in the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) circular 13/2014 *Management of and accountability for grants from Exchequer funds*.² The provisions of the circular apply to any or all onward movements of that funding.
- 11.12** Circular 13/2014 requires an appropriate type and frequency of financial and performance reporting, with grantor access to relevant records kept by the grantee, including expenditure profiles, cash profiles, regular management accounts and annual audited accounts, as appropriate.³ The circular requires that a grant-funding agreement should ensure that the grantee is informed of the grantor's inspection rights.
- 11.13** The DRHE informed the Department that an auditing firm undertook an external audit of a number of Section 10 funded services on its behalf in 2019. Three of the Trust's services were included in the audit.⁴ The DRHE stated to the Department that no significant findings were made during the audit process.
- 11.14** An annual protocol agreement is in place between the Department and DCC, setting out funding arrangements provided for homeless accommodation and related services. The key elements of this protocol and the actions undertaken are included in Figure 11.3.⁵
- 11.15** During 2022, the Department conducted spot checks on 18 homeless service providers, checking payments with a combined value of €2.3 million (0.95%) from a total of €242.4 million of subhead A.13 expenditure. The checking included one spot check on the Peter McVerry Trust's expenditure, seeking invoices to substantiate expenditure in quarter 1 of €94,206. The DRHE explained to the Department that quarter one funding is not invoice based and therefore the Department could only exercise the control check on invoices in quarters 2, 3 or 4. The Department accepted the DRHE's explanation, and stated that it would consider a further spot check on invoices in the next quarter, but this was not done.

1 The quarterly financial reports are vouched by both the Directors of Finance and of Housing from each regional lead authority. The Department releases payments in line with agreed payment schedule issued to regional lead authorities.

2 A grant is a financial provision, originating in a vote, for a particular activity or service administered or undertaken by an outside body, including agencies, companies, committees, advisory groups, charities or individuals.

3 Per [circular 13/2014](#), the default position is that grants should be paid on the basis of vouched expenditure, unless prior approval for pre-funding is obtained from the Department of Public Expenditure.

4 The services of the Trust which were included in the audit were: St Catherine's Foyer; Camden Street; and Ellis Quay.

5 The protocol arrangements outlined in this report are based on the 2022 protocol.

Figure 11.3 Key elements of Departmental oversight of DCC and/or the DRHE

Adherence to statutory requirements and public financial procedures including *inter alia* the *Public Spending Code* and circular 13/2014^a

The Department stated that the DRHE references the application of circular 13/2014 in the service level agreements it has with service providers and monitors the performance of homeless service providers through key performance indicators and service level agreements.

The Department stated that it does not review grantee service level agreements as such agreements are between the local authorities and the homeless service providers.

The Department has limited oversight of the implementation of circular 13/2014 by the DRHE and of the checks undertaken by the DRHE on performance monitoring. On request, the DRHE is required to provide information relating to funding delegated under the protocol to a local government auditor or the Department.

Notification requirements where expenditure exceeds approved budget/funding

In the event that expenditure on homeless services is expected to exceed the Exchequer funding allocated, DCC is obliged to notify the Department in advance.

In 2022, the expenditure exceeded the delegated funding allocation and DCC notified the Department of this through the reporting protocol process.

Reporting requirements

The DRHE reviews and certifies quarterly financial reports relating to expenditure by homeless service providers. It submits the reports and homelessness figures to the Department in accordance with the submission dates contained in the protocol, and the Department checks that the financial reports are certified. The cost and expenditure for each service is also reviewed by the Department for variations and, if necessary, queries are raised with the DRHE. There are no thresholds in place regarding variations and this assessment is based on the discretion of the Department.

A spot check programme by the Department is in place for vouched expenditure on services reported in the quarterly report. However, there is no documented procedure on spot checks.

Source: 2022 Protocol agreement between the Department and Dublin City Council. Analysis by Office of the Comptroller and Auditor General.

Note: a The capital spending requirements of the [Public Spending Code](#) were updated in March 2023.

Views of the Accounting Officer

1 Each region has a regional lead authority for homelessness to which the regional allocation is delegated and which has responsibility for disbursement of funding across the housing authorities in the region.

11.16 The terms of the annual funding protocol in place between my Department and DCC explicitly delegates responsibility to DCC for the disbursement of funding for homeless services to local authorities in the Dublin region (including the regional lead itself).¹ Accordingly, DCC assumes grantor responsibilities under circular 13/2014. The operation of homeless services, including contractual arrangements and service level agreements with service providers are matters for the local authorities.

11.17 There are checks and oversight in place between my Department and local authorities in relation to the annual budget process. My Department scrutinises annual budget proposals submitted by local authorities. If there is any variation in a previously agreed budget, my Department raises queries with the local authority and requests a detailed breakdown of the costs. In addition to the budget process, my Department engages with local authorities on all new service proposals and assesses individual applications to ensure they represent value for money, are based on an identified need and are compliant with procurement and public spending guidelines.

11.18 My Department meets with

- the DRHE on a monthly basis to discuss all issues relating to service provision, including operational issues, financial and governance issues and any performance related issues in relation to service delivery
- local authorities on a quarterly basis to discuss financial issues including governance requirements linked to the National Quality Standards Framework.

Advances of regular funding

11.19 Funding from local authorities to homeless service providers is intended to be in arrears and on a recoupment basis, with details of vouched expenditure being provided prior to payments being made. Circular 13/2014 requires that prior sanction should be obtained from the Department of Public Expenditure where pre-funding of a grantee is proposed.

11.20 On 24 March 2023, the DRHE paid an advance of €338,000 for one of the Trust's services from the planned quarter 2 2023 funding for the Trust. There is no record of the Department being aware of, or providing approval for, this advance of funding.

11.21 On 9 June 2023, the DRHE paid an advance of €1.3 million of quarter 3 2023 funding, following a request via email from the DRHE to the Trust requesting details of the projects that required payment. The DRHE stated that it did not request permission from the Department to pay this advance, because the request for the advance had been referred to it by the Department.

11.22 On 5 July 2023, the Trust requested an accelerated payment of a portion of its quarter 3 funding from the DRHE, amounting to €3.1 million.

11.23 On 10 July 2023, the (then) CEO of the Trust wrote directly to the Department stating that the Trust was experiencing cash flow issues coupled with substantial creditor liabilities and requesting the Department to give urgent consideration to an advance of quarter 3 funding to allow the Trust time

- to bring into effect a series of restructuring and sustainability initiatives
- to recover a large amount of existing debt, and
- to allow new income generating measures time to take effect.

11.24 The Department stated that, because payments to service providers are a matter for the DRHE, it referred the request for advance funding to the DRHE. The DRHE stated that it agreed to the Trust's request as it fell within normal payment arrangements within the quarter, and that the Trust received the balance of its quarter 3 payments as usual.

- 11.25** In August 2023, the DRHE appointed the professional services and auditing firm PwC to undertake a financial and governance review of the Trust, and to investigate its solvency.
- 11.26** On 15 September 2023, the DRHE paid an advance from the planned quarter 4 funding of the Trust in respect of one of the Trust's services, this time amounting to €662,000. There is no record of the Department providing approval for this advance. The DRHE stated it paid the advance on the condition that
- the payment was factored into the cash flow projections to the year-end, and
 - the Trust engaged fully with the PwC review.
- 11.27** On 9 November 2023, the Department approved an advance payment to the Trust by the DRHE of almost €2 million, being a portion of the quarter 1 2024 funding. Following this, on 17 November 2023, the DRHE advanced almost €1.5 million to the Trust. On 22 December 2023, the DRHE advanced a further €3.8 million to the Trust.
- 11.28** The second (December 2023) advance was not approved by the Department. However, the DRHE stated that PwC had advised it and the Department that this advance payment was required to ensure that the Trust's outgoings in early January 2024 could be paid.
- 11.29** Circular 13/2014 requires prior approval from the Department of Public Expenditure for the pre-funding of grant recipients. This approval was not obtained for any of the advance funding to the Trust in 2023.
- 11.30** On 30 November 2023, the Department provided an information note to the Department of Public Expenditure. It stated that an advance of €3 million had been requested by the Trust on 10 July 2023. It does not state that the advance was provided, nor does it report the November advance approved by the Department for almost €2 million.

Exceptional funding provision

- 11.31** In September 2022, concerns had been raised with the Department by the DRHE that
- the cost of a number of the Trust's capital projects for emergency accommodation had overrun approved capital budgets, and
 - changes had occurred in some of the project scopes.
- 11.32** The Department had also noted instances of approval not being sought by the Trust at the appropriate times, in addition to concerns regarding compliance with the capital works management framework.¹ The Department instructed the DRHE to conduct an internal review into the issues in October 2022. The Trust provided explanations in discussions with the DRHE, and the Department agreed to fund the project cost overrun.
- 11.33** Following the retirement of the Trust's then CEO, a new CEO was appointed by the Board of the Trust on 1 June 2023. At that time, he informed the DRHE of his concerns regarding
- funding shortfalls on capital projects, and
 - delays in recoupment of funding from other State funders.

¹ The *Capital Works Management Framework* (CWMF) is a structure that has been developed to deliver the Government's objectives in relation to public sector construction procurement reform and is available [here](#).

- 11.34** On 16 June 2023, the Department asked the DRHE to appoint an independent expert to review the capital management processes in the Trust, including a review of its compliance with the *Public Spending Code*.¹ The DRHE stated that it had commenced the process of appointing a suitably qualified candidate to conduct the review, but when the cash flow issues in the Trust came to light in early July, it became clear that the review would require a broader remit.
- 11.35** In response to a request by the DRHE, the Board of the Trust adopted a financial stability and sustainability plan on 11 July 2023 with the intention of placing the Trust on a more sustainable financial footing.
- 11.36** On 14 July 2023, the Department sought its own independent expert advice on the letter received on 10 July from the CEO of the Trust. Arising from that advice, the Department, with the DRHE, formed an oversight group to
- oversee an independent financial and governance review of the Trust
 - consider recommendations resulting from the review, and
 - report to the Minister for Housing, Local Government and Heritage (the Minister).
- 11.37** The oversight group held its first meeting on 16 August 2023, chaired by an independent legal and governance expert appointed by the Department. Two senior representatives from the Trust attended meetings to provide updates, as necessary. The terms of reference for the group anticipated approximately 20 hours work, extending over the period to end 2023. As at August 2024, the group is still in place but with a revised membership and terms of reference.²
- 11.38** The Department's independent expert advice on the letter received on 10 July also stated that, as provided for in DRHE's agreements with the Trust, an audit or review of the affairs of the Trust should be commissioned as soon as possible. Arising from this recommendation, the DRHE commissioned PwC to undertake the review (see section 11.25 above) and to report the results to the DRHE and the oversight group.
- 11.39** At the end of September 2023, the Trust separately engaged PwC directly to provide financial services, including a review of the Trust's fixed asset register and general support to the Trust's finance team, including in the preparation of cash flow forecasts.³ PwC commenced work for the Trust on 5 October 2023. The schedule of services for the engagement is very extensive, and includes the provision that PwC will monitor the allocation of funding received from DRHE and other funders against existing and ongoing liabilities on a weekly basis.
- 11.40** Both PwC engagements, directly with the Trust and with the DRHE, are based on an agreement by all parties that PwC will share information regarding their work with the DRHE directly, who will report to the oversight group.⁴
- 11.41** On 13 September 2023, PwC provided the oversight group with a preliminary financial review. This review noted that the Trust had experienced a cash depletion of €4 million during an eight-month period up to early September 2023. At that time, PwC was unable to obtain sufficient assurance as to whether the causes of the cash depletion had been rectified.

¹ The capital spending requirements of the [Public Spending Code](#) were updated in March 2023.

² The composition of the oversight group was amended in December 2023 when the Chair completed his work. A City and County Management Association (CCMA) representative is now part of the oversight group.

³ The Trust had not prepared cash flow forecasts or monthly management accounts prior to June 2023.

⁴ PwC invoices the Trust in respect of fees for both reviews and the Trust recoups the cost from Dublin City Council, which in turn recoups it from the Department.

11.42 The Department has stated that since then, PwC has provided updates at a number of the oversight group's meetings in relation to the cash depletion. In addition, PwC has provided a number of documents related to components of its work within the Trust such as

- cash flow forecasting
- creditor's payments
- fixed asset register review.

PwC provides monthly written updates to the oversight group and as at August 2024, PwC is still working with the Trust's finance staff.

11.43 In June 2024, PwC provided a draft *Investigation Report* to the Board of the Trust for review and comment, and the final report was provided to the Department on 12 September.

The approval and payment of exceptional funding

11.44 On 1 November 2023, the Chair of the oversight group recommended to the Minister that the Trust be supported, on an exceptional basis, through a loan facility in the range of €10 million to €15 million.

11.45 On 28 November 2023, on foot of a request from the Minister, the Government approved exceptional funding to the Trust of up to €15 million. The funding was approved based on the Trust providing an undertaking that it would comply with a set of conditions stipulated by the oversight group.

11.46 The Trust agreed to comply with all of the conditions attached to the exceptional funding on 1 December 2023.¹ While the exceptional funding is not repayable, the Minister reserves the right to recover the value of the exceptional funding provided, by way of transfer of assets. The circumstances that may trigger such a recovery are not set out.

11.47 Funding was provided by the Department on a phased basis beginning on 14 December 2023 (see Figure 11.4).

Figure 11.4 Exceptional funding payments, transferred from the Department to Dublin City Council

Date paid by Department to DRHE	Date paid by the DRHE to the Trust	Amount
		€m
14 December 2023	1 December 2023	1.1
14 December 2023	8 December 2023	2.8
8 February 2024	16 February 2024	5.5
11 March 2024	8 March 2024	5.6
Total		15.0

Source: Department of Housing, Local Government and Heritage

¹ There are 32 conditions — the Trust is responsible for 29, the Department is responsible for two and the DRHE is responsible for one.

Conditions attached to the exceptional funding

- 11.48** The Chair of the oversight group was engaged as an independent expert in legal and governance matters and advised the group on what he considered were appropriate conditions that could be applied to the exceptional funding, having reviewed information available from PwC and the Trust.
- 11.49** The Department did not invite the views of either the Department of Public Expenditure or the Approved Housing Bodies Regulatory Authority during the process of setting the conditions. The Department shared the draft Government memo, which contained the proposed conditions, with the Department of Public Expenditure on 23 November 2023 and requested any related views or concerns, three working days in advance of it going to Government on 28 November 2023.
- 11.50** Following questions raised by the Department of Public Expenditure, on 30 November 2023 (two days after the Government approved the funding), the Department provided a briefing note setting out the background to the need for exceptional funding by the Trust and the conditions attached.
- 11.51** There was no requirement for the conditions to be fulfilled before the funding was provided to the Trust and specific target dates for completion were not set out for 19 of the 32 conditions (see Annex 11A). Four conditions (11, 14, 24 and 26) do not contain well defined criteria, capable of verification. It may therefore prove challenging for the Department to determine if and when these four conditions have been fulfilled by the Trust. Five conditions of funding, classified in November 2023 as already 'in progress' and to be completed in the immediate to short term, remained in progress as at April 2024.
- 11.52** The Department stated that the immediate priority of the oversight group was the protection of homeless services and in that context, it was neither practical nor possible to require conditions to be fulfilled before funding was provided or to include a specific timeframe around each condition.

Monitoring of the Trust's progress by the Department

- 11.53** Condition 4 attached to the exceptional funding sets out that the Trust should provide a progress report to the oversight group on conditions 1 to 3, and on steps taken in relation to each of conditions 5 to 32, on a monthly basis. The Trust's monthly progress reports include a 'conditions tracker' which is a table of the conditions alongside a brief summary of the status of the conditions as assessed by the Trust. Monthly cash flow information is also provided by the Trust and reviewed by the oversight group at its meetings.
- 11.54** The exceptional funding was in payment between December 2023 and March 2024. This was also the period when a number of key conditions were due to be fulfilled by the Trust. However, the need to provide clarification to the Trust on what is expected to be included in its progress reports, along with further detail requested on a number of other conditions, was noted in the minutes of the oversight group's meeting on 28 March 2024.¹
- 11.55** Evidence of compliance by the Trust in relation to 14 of the conditions is reliant on either the Trust confirming its compliance through the monthly progress tracker, or noting a reference to the condition in the Trust's restructuring and rationalisation plan.

¹ From May 2024, the Trust provides an update report in addition to the conditions tracker to the oversight group monthly.

11.56 As at 17 April 2024, the Department assessed progress on the 32 conditions, noting that five conditions had been fulfilled, two had not been started and the remainder were in progress.¹

11.57 One of the two conditions the Department is responsible for is the appointment of two directors to the Board of the Trust nominated by the Minister. This was welcomed by the Chairperson of the Trust who noted the need for accountancy and finance expertise at Board level. As at August 2024, the two directors are yet to be nominated. The Department stated that as there are currently two regulatory reports outstanding, the oversight group considers that it would not be appropriate for the Minister to nominate appointees at this time.

The Trust's restructuring and rationalisation plan

11.58 The provision of a detailed restructuring and rationalisation plan was one of the conditions upon which exceptional funding was approved. The Trust submitted a document entitled *Overview of Structure, Governance, Resourcing and Operational Model of Peter McVerry Trust* (the overview) to the Department on 1 February 2024, following approval by the Board of the Trust the day before. The Trust asked the Department for its views on the overview. However, the Department did not consider it within its remit to assess the likely efficacy of the overview and related proposed changes. It considers the Trust satisfied the condition by submitting the overview.

11.59 The overview contains 50 recommendations across nine areas. It does not include an implementation plan, target dates or cost savings projected to result from the implementation of the recommendations. In addition, there are no actions set out, only recommendations.²

11.60 On 26 February 2024, the Department submitted a memo to the Minister outlining a summary of the overview. The memo noted that a number of significant liabilities held by the Trust were not addressed in the overview submitted namely

- Revenue debt
- loan agreements
- contingent liabilities, and
- creditor debt to suppliers.

11.61 The Department wrote to the Trust on 6 March 2024 welcoming the overview. The Department also noted the significant challenges faced by the Trust and the need for the overview to be kept under ongoing review.

11.62 On 14 May 2024, in response to a request from the oversight group, the Trust submitted a progress report on the recommendations contained in the overview. The Trust's most recent update report, submitted to the Department on 30 August 2024, set out that of the 50 recommendations, the Trust considers that 14 had been delivered, 33 were considered in progress and three were yet to start.

11.63 The Department has stated that the oversight group continues to engage with the Trust in relation to the implementation of the funding conditions and is satisfied with the engagement from the Trust and its commitment to complying with the funding conditions.

¹ As at 3 September 2024, the Department assessed progress on the 32 conditions, noting that six conditions had been fulfilled, two had not been started, one was on track and the remainder were up to date and ongoing.

² The Trust provided the oversight group with its Senior Management Team annual action plan 2024 in August 2024. The current status of each action was not included.

Additional costs

11.64 The Department incurred a number of costs related to the financial and governance issues in the Trust. In addition to the exceptional funding, expenditure totalling €699,000 has been incurred to 11 June 2024 (see Figure 11.5).¹

11.65 Of this, €683,000 was paid by the Trust up to 11 June 2024 in respect of services provided by

- PwC and
- a management consultant engaged by the Trust.

These costs were recouped from DCC who in turn recouped the costs from the Department. This was not part of the exceptional funding approved by the Government.

11.66 It is envisaged that PwC will continue its work until at least the end of September 2024. The estimated cost of this work is an additional €864,000, which will also be recouped from the Department.²

Figure 11.5 Additional costs funded by the Department

Description	Expenditure to 11 June 2024	Estimated costs to 30 September 2024 ^a	Total
	€000	€000	€000
PwC — independent review of the Trust ^b	469	409	878
PwC — support services to the Trust ^c	86	455	541
Interim CEO/management consultancy services within the Trust	128	—	128
Legal expert — Chair of overview group	10	—	10
Independent advice obtained by the Department	6	—	6
Total	699	864	1,563^d

Source: Department of Housing, Local Government and Heritage

- Notes:
- a Estimated costs to 30 September 2024 refer to six months of work yet to be invoiced for (April to September 2024).
 - b Includes reporting to the oversight group on the weekly use of cash; cash flow and budget preparation; reviewing the fixed asset register; and the development of a creditors repayment plan.
 - c Includes functional day-to-day finance support services such as delivery of monthly payroll and preparation of management accounts.
 - d In addition, DRHE paid €17,992 to PwC directly for the initial part of the review, which was not recouped from the Department.

¹ Additional expenditure is paid from the same subhead (A.13 accommodation for homeless) as the exceptional funding.

² In June 2024, the oversight group agreed to extend PwC's contract to 30 September 2024.

11.67 Following the resignation of the then CEO of the Trust on 11 October 2023 (after less than five months in the role), the Trust requested advice from the Department regarding a temporary replacement. The Department suggested a former Chief Executive of a County Council as a potential candidate to provide short-term assistance to the Trust. The Trust engaged the recommended candidate commencing 16 October 2023, at a daily rate of €1,000 and recouped the cost of this from DCC who in turn recouped it from the Department. A permanent CEO was appointed in April 2024.

11.68 The Department will also incur expenditure on termination costs in relation to projects that were in the initial stages of development when the Department instructed the Trust to complete only outstanding and ongoing projects with executed construction contracts (condition 16).¹ The final cost will not be known until local authorities submit all claims for recoupment to the Department, but the Department stated that its current estimate is approximately €1 million. Initially, the Trust had estimated the termination costs to be in the region of €2 million, based on 100% recoupment, but the Trust's current estimate is €1.5 million.

Reviews and future outlook

11.69 The Trust notified the Charities Regulator and the Approved Housing Bodies Regulatory Authority in July 2023 of the issues within the Trust, a requirement notified to the Trust by the Department and the DRHE. Both regulators have since launched investigations, which are ongoing.

11.70 Two reviews of (Section 10) funding for homeless services are currently ongoing.

- County and City Management Association (CCMA): Review of Section 10 funding. The updated terms of reference, dated January 2024, state that the review is as a result of concerns of CEOs in NGOs over adequate funding for full cost recoupment and terms and conditions of staff in the sector.
- Strategic review of Section 10 funding model by the Department, which was committed to as part of the Government's *Housing for All* plan, with a deadline of the end of June 2024. The review had not commenced when the issues in the Trust came to light.

The Department's Strategic Review of Section 10 funding model will take into account the factors that gave rise to the situation in the Trust.

11.71 In March 2024, the DRHE tendered for an audit of 2023 Section 10 funding in individual services.² The objective of the audits is to conduct a high level review of financial and governance controls in place. The audits will also compare operational service costs to service level agreement funding. Originally, this audit programme was intended to include a specific review of a number of Section 10 services in the Trust, but the Trust has since been omitted from the audit programme, due to PwC's continuing review within the Trust. The audit process commenced in July 2024 and is expected to be completed by December 2024.

Future outlook

11.72 The Department, through the oversight group, intends to continue to monitor the Trust's compliance with the conditions attached to the exceptional funding on a monthly basis, including requiring the Trust to submit more comprehensive information from May 2024 onwards. The Department expects the work of the oversight group to continue until the Trust is on a fully sustainable footing.

11.73 As a result of the oversight group's work, the Department has better information on the financial position within the Trust and is in a better position to consider a range of options in this regard if future funding is required.

¹ The Department recoups termination costs by local authorities from homeless service providers only where there is evidence that the project had local authority approval.

² An audit programme of 2022 expenditure, due to include the Trust, was planned by the DRHE to take place in 2023 but did not proceed.

- 11.74** As at September 2024, the Department has not made any material changes to the protocol agreement between the Department and DCC, which sets out the respective obligations in relation to assurance and oversight of Section 10 funding. In addition, no changes have been made to the Department's capital funding processes in relation to homeless services.¹
- 11.75** Prior to 2024, the Trust's funding model was based on approximately 70% of its income from State funders and 30% from fundraising. The 2024 budget requested by the Trust is based on 100% cost recovery from the State. The Department stated that as at August 2024, the service level agreement between the Trust and the DRHE has been finalised in respect of direct costs but discussions between the Trust and its other State funders are ongoing in relation to its 2024 budget.
- 11.76** Notwithstanding the regular updates to the oversight group, the Department wrote to the current CEO of the Trust on 5 June 2024 requesting information on
- staff changes and staff numbers
 - cost saving measures to date and proposed future measures
 - an up-to-date position in relation to cash flow and budgets
 - organisational sustainability and
 - the Trust's finalised fixed asset register.
- 11.77** The Trust replied on 21 June 2024 but was unable to provide all the information requested at that date. The Trust provided further information to the oversight group on 3 July 2024 and committed to continue to work on the outstanding items.

Conclusions and recommendations

- 11.78** The Peter McVerry Trust (the Trust) is one of the main providers of homeless services in the State, operating on behalf of local authorities under service level agreements. Currently the Trust provides services to over 2,000 clients, at 71 locations and supports over 600 individuals in Housing First tenancies.
- 11.79** The Trust relies heavily on State funding sources for the majority of its income. In 2022, the Trust reported total income amounting to €61.7 million of which the State provided 70% (€43.4 million).

Regular funding

- 11.80** The Department has a protocol agreement in place with Dublin City Council (DCC) and other regional lead authorities. This is the key mechanism for exercising oversight of the delegated funds provided and the Department is heavily reliant on the checks and oversight exercised by the DRHE and other regional lead authorities for assurance over the use of the funds.

¹ With the exception of changes to the capital funding of domestic violence refuges in prioritised locations.

- 11.81** The Department's key controls in respect of the funding it provides to the DRHE to support the Trust comprises of the DRHE submission to the Department of quarterly financial reports, which it reviews; and random spot checking of invoices submitted for payment. However, these controls have not operated as expected. For example
- One spot check was initiated by the Department on expenditure by the Trust in quarter 1 2022, but the DRHE explained to the Department that the invoice spot check could not be carried out in quarter one. The Department considered checking invoices in the following quarter, but did not do so.
 - The programme of spot checks by the Department is not set out in the protocol between the Department and DCC/DRHE.
- 11.82** In line with the Department of Public Expenditure's circular 13/2014 on the management of grant funding, the Department, as the vote where the grant funding originates, should have greater oversight of the controls in place and used by DRHE. The protocol is the key mechanism through which the Department can exercise control and oversight of the delegated funding. The Department stated that it reviews and updates the protocol agreement annually.

Recommendation 11.1

The protocol arrangement between the Department and Dublin City Council should be strengthened in relation to the Department's oversight of the grant funding provided. The protocol should detail how compliance with the requirements of Department of Public Expenditure circular 13/2014 is exercised, and implement a formalised structure around spot checking. This should extend to the protocol arrangements with all lead authorities providing funding for homeless services.

Accounting Officer's response

Agreed.

There is an extensive oversight regime in place with the local authorities that directly fund homeless services. *Housing for All*, the Government's housing plan to 2030, reaffirms the commitment to work towards the eradication of homelessness by 2030. In this context, and acknowledging the sharp increase in homelessness in recent years and the consequent increase in public expenditure on services and supports to assist households experiencing or at risk of homelessness, the Department has undertaken a strategic review of the funding model underpinning the provision of homeless services in line with Action No. 105 of the *Housing for All Action Plan*. The objective of the review is to strengthen oversight and accountability in relation to Section 10 funding, and to re-state where responsibility lies at Departmental level regarding oversight of the provision of different categories of homeless services and their associated funding. The report of the review will incorporate relevant recommendations from the Comptroller and Auditor General, including the revision of the protocol.

Timeline for Implementation

Quarter 1 of 2025.

Advance funding

- 11.83** In 2023, the DRHE provided a number of advances of planned funding to the Trust. The Department did not provide approval for the advances paid between March and September.

- 11.84** In November 2023, the Department did approve an advance of almost €2 million from the Trust's 2024 funding allocation. However, the total advance by the DRHE of quarter 1 2024 funding exceeded the amount approved by the Department by over €3 million.
- 11.85** Circular 13/2014 requires prior approval from the Department of Public Expenditure for the pre-funding of grant recipients. This approval was not obtained for any of the advance funding to the Trust in 2023.

Recommendation 11.2

The Department should put in place procedures to ensure compliance with circular 13/2014 in respect of pre-funding of grant-funded agencies.

Accounting Officer's response

Agreed.

The Department's strategic review carried out in the first six months of 2024 also identified the need for standard operating procedures regarding requests for pre-funding of grant-funded agencies that reflect the need to ensure the sustainability of homeless service providers.

The report on the strategic review will include recommendations for the drafting and implementation of standard operating procedures in respect of pre-funding, in line with circular 13/2014.

Timeline for Implementation

Quarter 4 of 2024.

Exceptional funding

- 11.86** In September 2022, concerns were raised with the Department by DRHE relating to capital spending within the Trust. The Department instructed DRHE to conduct an internal review on the cost overruns on the specific project, which it did. Nine months later, in June 2023, the Department instructed DRHE to appoint an independent expert to review the capital management processes in the Trust and compliance with the *Public Spending Code*. Shortly afterwards, the newly-appointed CEO of the Trust notified the Department of cash flow issues within the Trust.
- 11.87** The Government approved exceptional funding of up to €15 million to sustain services by the Trust on 28 November 2023, and the full amount approved was transferred in tranches to the Trust between December 2023 and March 2024. In addition to the exceptional funding, the Department estimates that by the end of September 2024, it will have incurred approximately €1.56 million in professional fees arising from the issues with the Trust. Termination costs related to the halting of Trust projects that were in the initial stages of development are estimated by the Department to be in the region of €1 million.

Conditions attached to the exceptional funding

- 11.88** There are 32 conditions attached to the funding, 29 of which the Trust has responsibility to deliver. The Department and DRHE set up an oversight group in August 2023, chaired by an independent legal and governance expert.

- 11.89** The Trust provides the oversight group with a monthly progress report on compliance with the conditions. At its meeting of 28 March 2024, the oversight group noted the need for more comprehensive information from the Trust. In June 2024, the oversight group wrote to the Trust, requesting additional information and more comprehensive updates.
- 11.90** The Department has placed reliance on the monthly progress reports from the Trust, containing confirmations of ongoing compliance with a number of conditions and progress updates on others. Evidence of compliance by the Trust in relation to 14 of the conditions is primarily reliant on either the Trust confirming its compliance through the monthly progress tracker, or noting a reference to the condition in the Trust's restructuring and rationalisation plan.
- 11.91** 19 of the conditions do not contain specific target dates for completion and four conditions do not contain well defined criteria, capable of verification, making it challenging for the Department to determine whether the Trust is compliant with or has fulfilled some of the funding conditions.

Recommendation 11.3

The Department should, where possible, seek relevant evidence of the Trust's compliance with all current funding conditions e.g. through the oversight group. Any further exceptional funding provided to the Trust should have conditions capable of verification by the Department and clearly laid out monitoring requirements.

Accounting Officer's response

Agreed.

The oversight group will continue to monitor all actions relating to the conditions and follow up accordingly.












Timeline for Implementation














This work is ongoing and will continue through the oversight group until all conditions are met and the Trust is on a sustainable footing.









The Trust's rationalisation and restructuring plan

- 11.92** The provision of a detailed restructuring and rationalisation plan by the Trust was one of the conditions upon which the exceptional funding was reliant. The Trust submitted the *Overview of Structure, Governance, Resourcing and Operational Model of Peter McVerry Trust* (the overview) to the Department on 1 February 2024.
- 11.93** The overview did not include an implementation plan or set of actions. It does include a set of recommendations, but does not explain the estimated cost savings resulting from these. The Department noted in internal briefing that the overview did not address significant liabilities held by the Trust.
- 11.94** Nevertheless, as a result of the oversight group's work, the Department now has better information on the financial position within the Trust, and is therefore in a better position to consider a range of options, including if further exceptional or enhanced funding is sought.

Annex 11A Department's assessment of conditions attached to the exceptional funding, as at 17 April 2024^a

Ref.	Condition	Department's assessment	Responsibility	Target date
Information to be provided to the Department and the DRHE				
1	Submit cash flow projections in respect of Quarter 1 and Quarter 2 2024.		The Trust	31 December 2023
2	Cash flow projections and information regarding the deployment of the exceptional funding to be provided monthly thereafter.		The Trust	Monthly and ongoing
3	Provide a detailed restructuring and rationalisation plan outlining how the Trust will move to a financially sustainable position relative to funding available from its funding partners.		The Trust	31 January 2024
4	Provide a progress report on the above and on steps taken in relation to the conditions below. ^b		The Trust	Monthly
Assets of the Trust				
5	Instruct its retained solicitors to share a list/record of all property conveyances entered into by or on behalf of the Trust, or its related companies, or individuals for the last ten years.		The Trust	No target date.
6	Undertake not to dispose of property/assets without the consent of the Minister.		The Trust	N/A
7	The Minister reserves the right to recover the value of the exceptional funding provided, by way of transfer of assets, including unencumbered land/properties, or by way of the creation of a second charge over already encumbered property.		The Department	N/A
8	Continue with the moratorium on the purchase or acquisition of property, in line with the direction from the Approved Housing Bodies Regulatory Authority.		The Trust	Ongoing
Financial governance				
9	The Trust and PwC to jointly ensure that creditor payments are closely and effectively managed to ensure that the provision of core services are prioritised and maintained during the period of stabilisation.		The Trust	Stabilisation period
10	Transition from quarterly payments to monthly payments of Section 10 funding following the stabilisation period to ensure enhanced oversight of the disbursement of funds. ^b		DRHE	No target date.
Corporate governance				
11	Continue to regularise (and where needed establish) the corporate governance and internal controls expected of an organisation of this size.		The Trust	No target date.






Ref.	Condition	Department's assessment	Responsibility	Target date
12	Identify the internal skills shortage at Executive and Board level and recruit accordingly.		The Trust	No target date.
13	Appoint two Directors to the Board, nominated by the Minister for Housing, Local Government and Heritage. ^b		The Department	No target date.
14	Ensure that fit for purpose governance structures are installed and maintained.		The Trust	No target date.
15	Continue to address the deficiencies identified in the PwC reports, including by continuing to implement the actions already undertaken as outlined below.		The Trust	No target date.
Capital and leasing projects				
16	Complete outstanding and ongoing projects with executed construction contracts, ensuring that projects reach completion as agreed.		The Trust	N/A
17	Work with local authorities in relation to all other capital and leasing social housing and emergency homeless accommodation projects, to ensure that all such proposals are advanced by the local authority, either directly or through engagement with other AHBs as appropriate		The Trust	N/A
Actions already in progress and to be completed — in the immediate to short term (with the assistance of PwC):				
18	Only essential works (i.e. repair and maintenance, works related to health and safety) will be completed and non-essential capital expenditure and recruitment is paused.		The Trust	N/A
19	A purchase order system will be implemented to allow better oversight, approval, and management of costs to ensure cost centres for each project.		The Trust	No target date.
20	There will be a full review of the fixed asset register to ensure it is an accurate reflection of the assets of the Trust.		The Trust	No target date.
21	A complete review of budgetary discipline and budgetary costing and control measures will be introduced as part of the 2024 budget preparation.		The Trust	Budget 2024 preparation.
22	Cooperate with all statutory investigations underway.		The Trust	N/A
23	The current Consultant to the office of CEO will lead and assist with the succession planning and recruitment of a CEO reflecting the size, scale objectives and mandate of the Trust.		The Trust	No target date.
Actions already in progress and to be completed — in the medium to longer term (with the assistance of PwC):				
24	The implementation of improved procurement procedures of critical services.		The Trust	No target date.

Ref.	Condition	Department's assessment	Responsibility	Target date
25	There will be a costing of each service. Where budget lines are running at a deficit, the Trust will engage with funders to explore the potential to renegotiate service level agreements.		The Trust	No target date.
26	Implementation of clear management and oversight protocols and procedures for expenditure on assets, facilities repairs and maintenance. ^b		The Trust	No target date.
27	Annual service plan will be developed based on the strategy and reporting on same to the Board.		The Trust	No target date.
28	The Board will agree and formally delegate to the CEO appropriate authority to manage the affairs of the Trust with clear delineation of matters that require Board approval.		The Trust	No target date.
29	The Management team will take collective responsibility for the budget with a delegated budget responsibility to each director.		The Trust	No target date.
30	There will be an accurate cash flow projection and reporting to the Board on same. ^b		The Trust	No target date.
31	There will be credit payment plans in place for all creditors and paced appropriately. ^b		The Trust	No target date.
32	Fundraising will be receipted appropriately and in accordance with requirements of the Charities Regulator.		The Trust	No target date.

Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Status as per progress report submitted by the Trust, 11 March 2024 and update by the Department 17 April 2024.

b Oversight group noted its intention to seek additional information from the Trust on compliance with this condition at meeting 28 March 2024.

 Complete
  Condition fulfilled to date but ongoing
  In progress
  Not started
 Contingent event

12 Delivery of Local Infrastructure Housing Activation Fund (LIHAF) projects

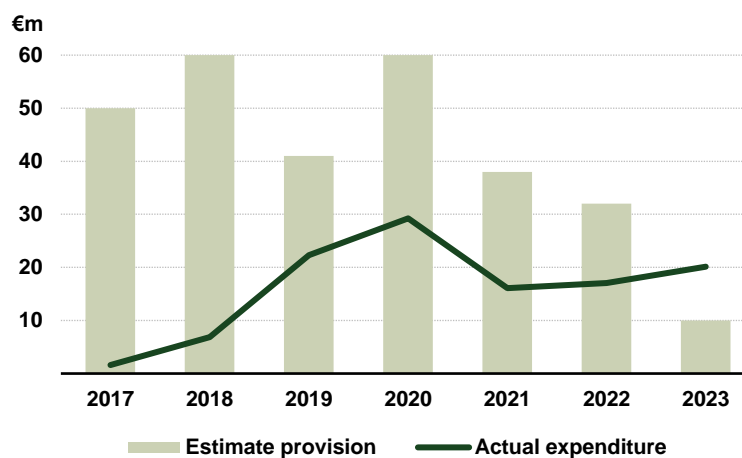
- 12.1** The Local Infrastructure Housing Activation Fund (LIHAF) was designed to support housing supply by relieving critical infrastructure blockages that were believed to be preventing housing delivery on sites with development potential. The objective of LIHAF is to provide public off-site infrastructure in order for housing development to take place. The type of infrastructure envisaged includes access roads, bridges, diversion of power lines and drainage works, as well as public amenities such as parks.
- 12.2** The Department of Housing, Local Government and Heritage (the Department) is responsible for the fund. In July 2016, the Department invited relevant infrastructure project proposals from local authorities, and received over 70 applications. Following a review process, 30 projects with an aggregate projected cost of €196 million were approved.¹ The Department has stated that the expected housing delivery related to the projects was a key selection criterion, and that only projects with high housing development potential were considered for funding. The projects approved were expected to support the delivery of almost 20,000 housing units and had a timeline of up to four years (2017 – 2021).
- 12.3** This examination was undertaken to review the progress made in completing LIHAF target infrastructure projects, and the fund's impact on housing development to date in the project areas. The examination team interviewed officials from the Department, reviewed agreements between the Department and local authorities and collated information relating to budgets, costs and outputs of LIHAF.
- 12.4** References to costs, expenditure and budgets throughout this report relate to the Department's funding of LIHAF, and excludes local authority expenditure on these projects, unless specifically stated otherwise.

Project funding

- 12.5** For the 30 approved LIHAF projects, the Department committed voted funding of just under €147 million — 75% of the total estimated project funding. The balance of the project funding — €49 million — was to be provided by the relevant local authorities.
- 12.6** From 2017 to 2023, the Department included an annual provision for LIHAF funding in its vote estimate. With the exception of 2023, actual expenditure was significantly below the annual estimate provision (see Figure 12.1). Total LIHAF expenditure from the Vote over that period was just over €113 million. By the end of 2023, six of the 30 approved projects were not proceeding.²
- 12.7** In relation to establishing the annual Exchequer funding requirement, the Department stated it requests local authorities to provide projected expenditure and related housing delivery statistics, usually twice yearly, in addition to other regular engagements with local authorities. The Department also stated that the reasons for underspending on the Vote were outside its control, namely
- projects starting later than anticipated as a result of planning appeals
 - delays on some projects due to judicial reviews and contractual issues
 - the impact of Covid-19 restrictions in 2020 and 2021.

¹ One additional project received preliminary approval and incurred expenditure of €22,453 before being withdrawn by the local authority.

² One of the six projects is proceeding but without LIHAF funding. See Appendix 12A for a list of projects and their status.

Figure 12.1 Vote estimate provision and expenditure outturn, 2017 to 2023

Source: Department of Housing, Local Government and Heritage Appropriation Accounts 2017 – 2023^a

Note: a In 2017 and 2018, LIHAF funding was provided for under subhead A.9 and in 2019 to 2023 it was provided for under subhead A.21 Infrastructure fund. For the years 2018 to 2021 (inclusive), the subhead also included an estimate and outturn for another fund — the serviced sites fund (SSF). This was set up to provide key enabling infrastructure to help unlock publicly-owned lands specifically for the provision of affordable homes to buy or rent. The SSF has been replaced by the Affordable Housing Fund (AHF). Figure 12.1 excludes the estimate and outturn in relation to the SSF, which also experienced significant underspend annually.

12.8 At the end of 2023, the Department estimates the future funding required to complete the remaining projects will be approximately €84 million. Together with funding already provided, total LIHAF funding from the Vote is expected to amount to €197 million for 24 projects completed, as compared to the original commitment of €147 million for 30 approved projects.

12.9 In December 2023, the Department submitted a memorandum for Government which set out the need for the LIHAF scheme life to be extended and additional funding requirements for a number of projects. The proposal was formally approved on 12 December 2023. The Government decision

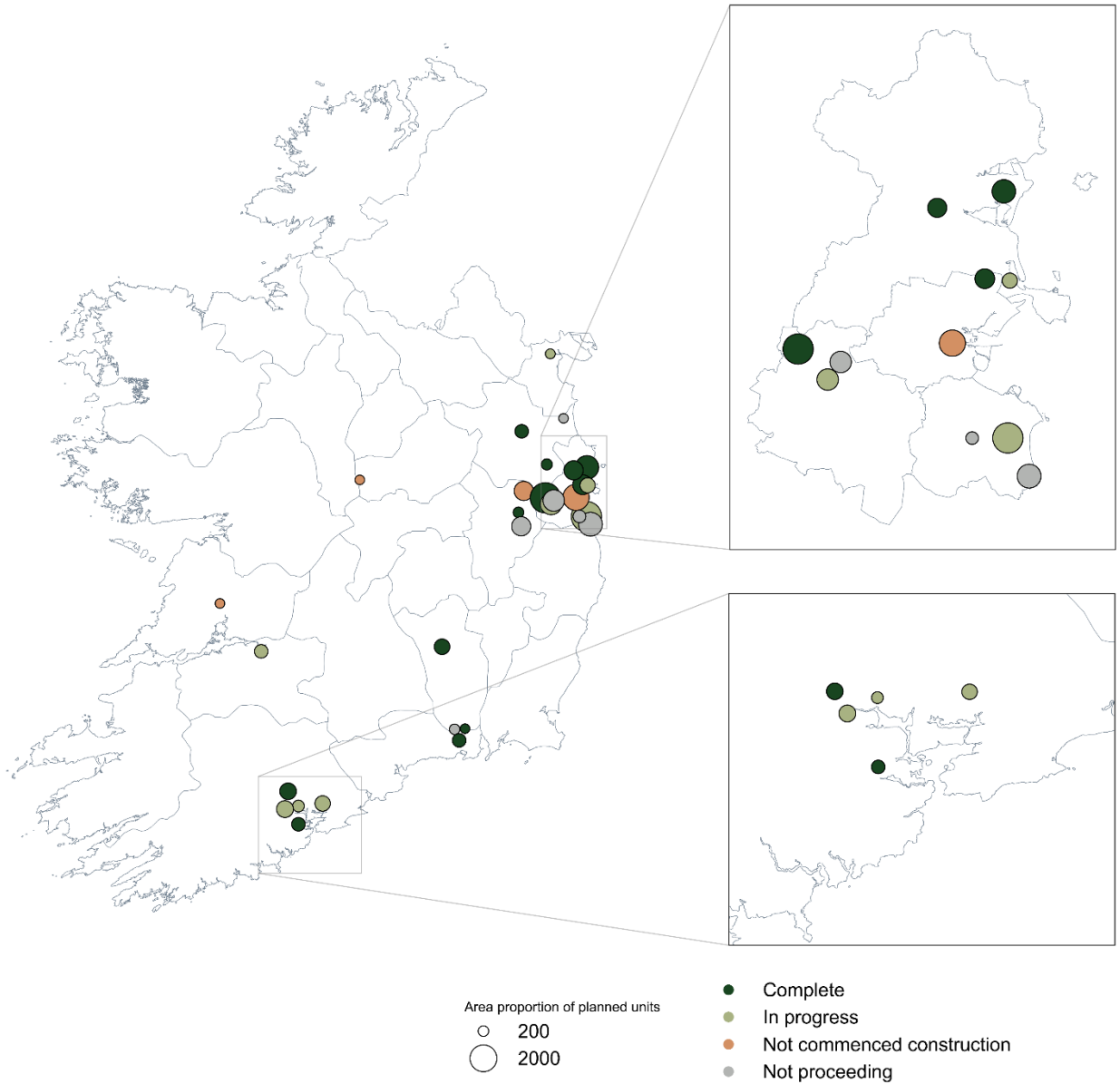
- approved the continuation of LIHAF until the end of 2025
- increased the fund budget by €80 million (€60 million from the Department and €20 million from local authorities), and
- agreed that the LIHAF management committee may approve budgets and timelines for remaining uncompleted projects within the new funding envelope and revised timeframe.¹

¹ The LIHAF management committee was established to oversee the operation of LIHAF, to evaluate proposals and to oversee the implementation and delivery of successful proposals. It has six members, four of whom are from the Department, with a representative from both the Housing Agency and the Department of Public Expenditure, National Development Plan Delivery and Reform.

Project delivery, cost and output

12.10 At the outset, 30 infrastructure projects were to proceed with LIHAF support, all to be completed by the end of December 2021. It was envisaged the projects would assist with the delivery of almost 20,000 housing units. The geographic spread of planned housing units and the current status of the projects at the end of December 2023 is outlined in Figure 12.2. Information relating to individual projects is contained in Annex 12A.

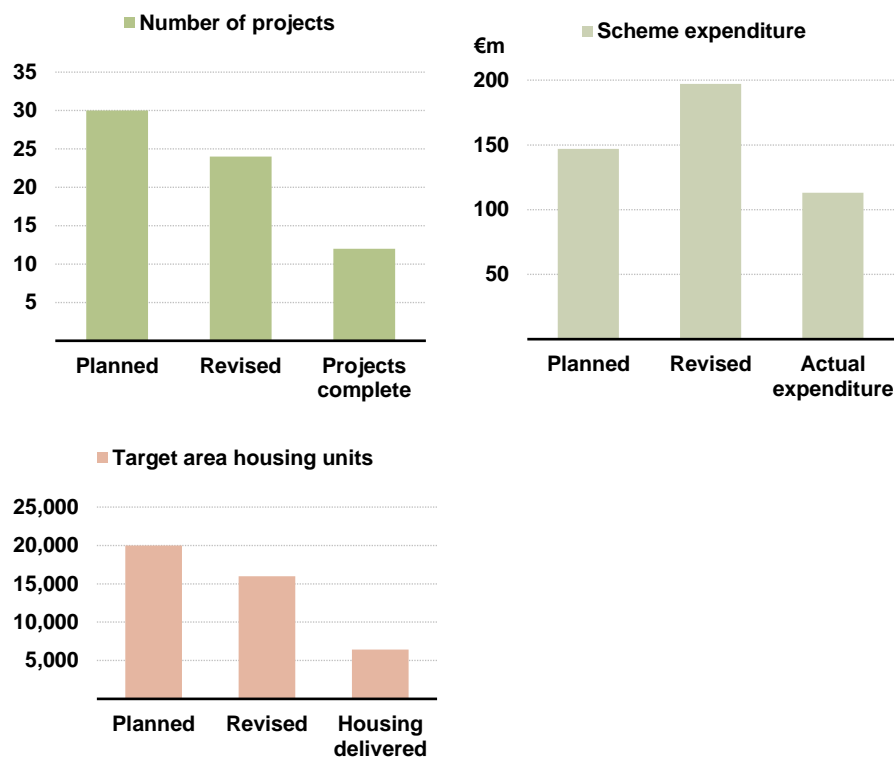
Figure 12.2 Map showing original planned housing units and status of projects, 31 December 2023



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

12.11 An overview of LIHAF’s original and revised targets with actual delivery at the end of 2023 is set out in Figure 12.3. The Department has stated that the delivery outturn is expected to increase in the coming years.

Figure 12.3 Original and revised targets for LIHAF, and outturn up to the end of December 2023



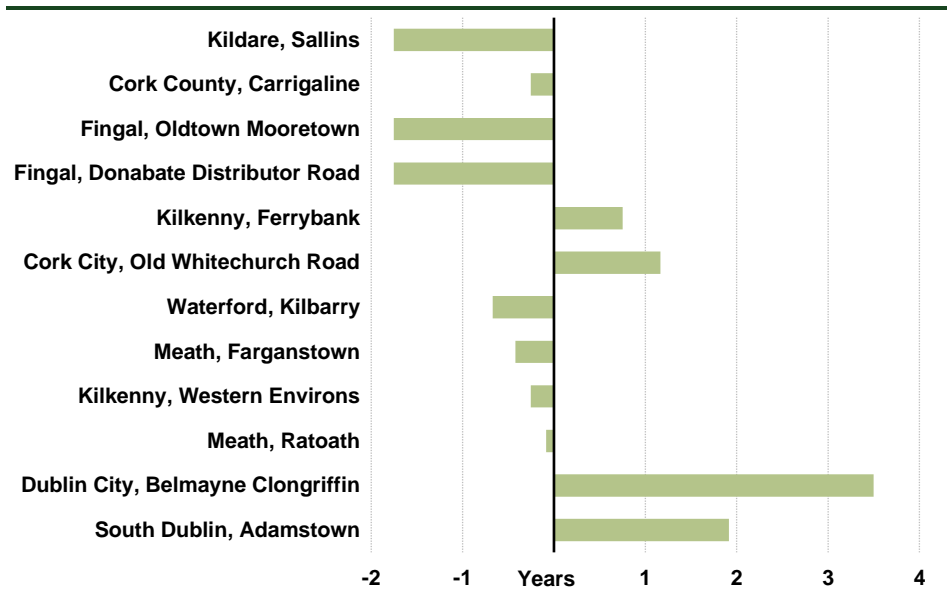
Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Project delivery

Completed projects (12)

12.12 As at the end of 2023, 12 of the revised target of 24 projects had been completed. These projects had varying completion dates. Eight of the projects were completed within the timelines originally proposed, with three significantly ahead of schedule. Four projects took longer than planned to complete and one of those was delayed for over three years (see Figure 12.4).

Figure 12.4 Comparison of target and actual completion dates for completed LIHAF projects

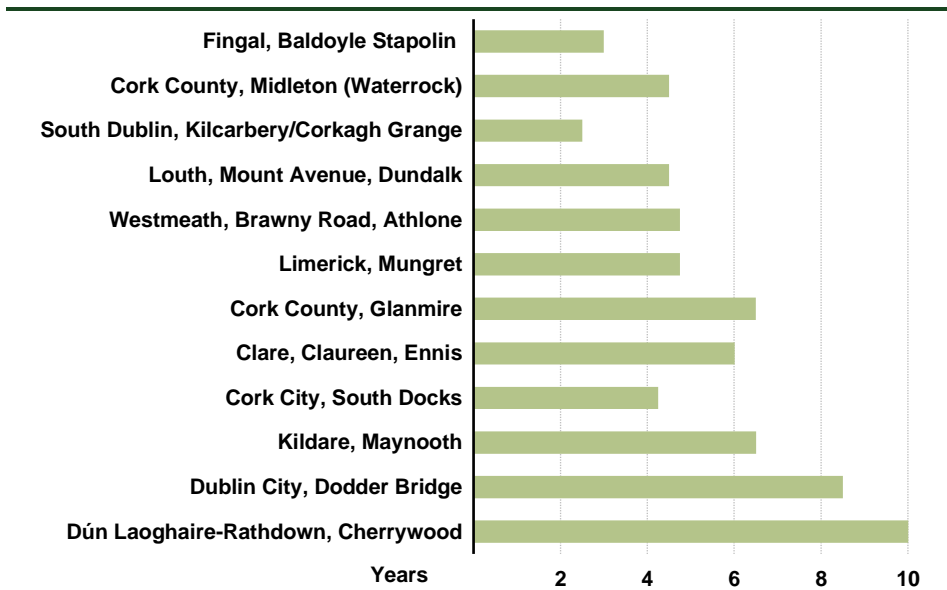


Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

In progress and not commenced projects

12.13 The eight projects that are in progress and the four projects that have yet to commence will be delivered at least two years later than planned. It is expected that completion of some of the projects will be delayed for six to ten years (see Figure 12.5).

Figure 12.5 Projected delays on LIHAF projects in progress or not yet commenced, 31 December 2023

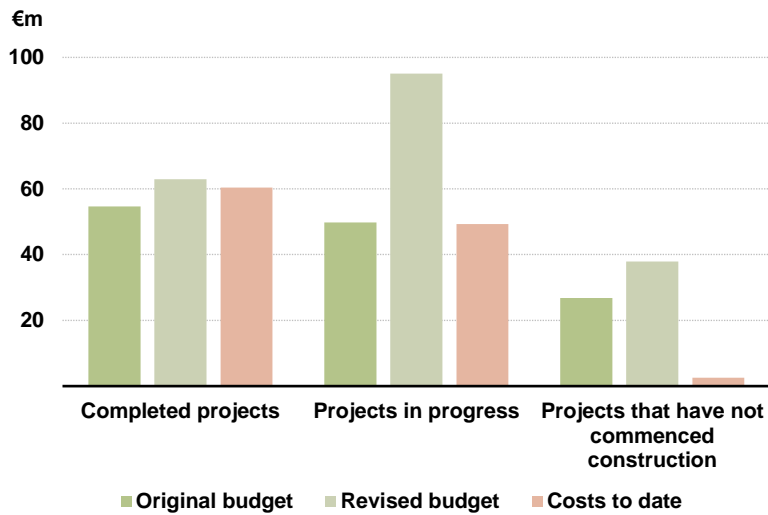


Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Project costs

- 12.14** There is a strong correlation between projects that are delayed and project budget overruns. In aggregate, projects that are currently in progress or yet to start have revised budgets that are significantly more than the original budget set (see Figure 12.6).
- 12.15** The Department stated that there have been considerable price increases for construction materials since the original LIHAF cost projections. In particular, it notes that the cost of building and construction materials increased by 40% between June 2017 and June 2024 according to the CSO Wholesale Price Index.

Figure 12.6 Original budget, revised budget and expenditure, by status of project, 31 December 2023



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

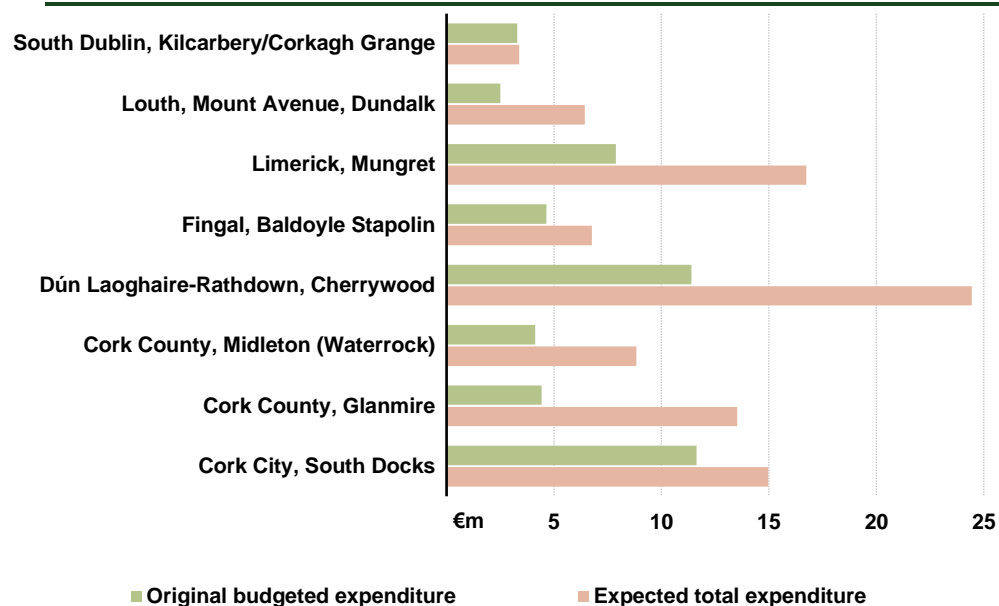
In progress projects (8)

12.16 Projects in progress had incurred expenditure of nearly €50 million as at 31 December 2023. This was equivalent to the original budget to complete the eight projects. The estimated further expenditure required to complete these projects is €45.7 million, meaning costs will have increased by 91% compared to the original budget (see Figure 12.7). The Department noted the following reasons in relation to the projects with the biggest increase in expected costs¹

- Cherrywood (Dún Laoghaire-Rathdown) road improvements — LIHAF contribution increased by 114% (€13 million) due to phase two tender cost being over the original estimate, and projected inflation impact on cost of phase three (following advice received from consultants)
- Glanmire (Cork County) road improvements — LIHAF contribution increased by €9.1 million due to revised cost estimates drawn up in 2020, with inflation and Covid-19 also cited as increasing costs
- Mungret (Limerick) new distributor road — LIHAF contribution increased by €8.9 million due to the specification of the road being increased to allow for installation of active travel measures and bus priority, and construction cost inflation.

¹ LIHAF contribution increases include some projected project management costs.

Figure 12.7 Variations between original budgeted expenditure and expected total expenditure for projects in progress, 31 December 2023



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Projects not commenced (4)

- 12.17** Projects that are still planned but had not commenced as at end 2023 have incurred expenditure of €2.5 million. The estimated expenditure required to complete these projects is €35.3 million (original budget €26.8 million), resulting in a forecast increase in costs of 41% compared to the original budget. The Department noted that many projects are completed in phases and that it has the option not to approve projects or additional phases where costs are considered excessive or not in scope. The Department confirmed that it has not exercised this option to date.
- 12.18** The increases noted to date relate mainly to two specific projects: the Maynooth eastern relief road; and a new link road at Clareen, Ennis. The Department pointed out that the original project budgets were based on costs in 2016. When the detailed project designs were undertaken in 2023 and inflation was factored in, the estimated project costs increased by over €6 million (58%) for the Maynooth project, and by €4.54 million (165%) in relation to the Ennis project.
- 12.19** Requests for additional funding have not been submitted in relation to the other two projects that have not yet commenced (Dodder Bridge, Dublin City and Brawny Road, Athlone).

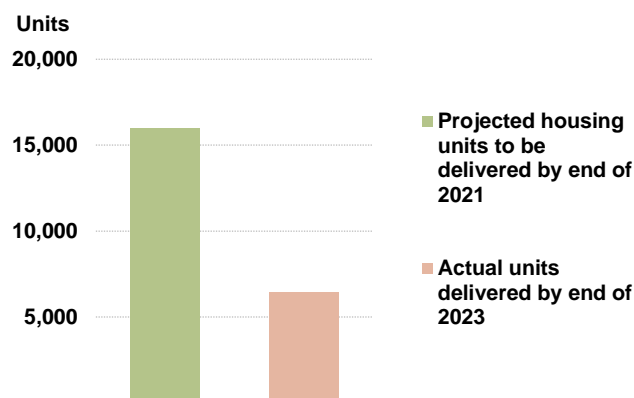
Projects not proceeding (6)

- 12.20** Minimal LIHAF funding was provided in respect of six projects that are now not proceeding. The six projects had original budgets of a combined €15.3 million. As at 31 December 2023, a total of €0.9 million has been spent on these projects. Five out of the six projects incurred some level of expenditure. The Department noted the expenditure was in relation to preliminary design fees, project consultant costs and legal fees.

Project impact

- 12.21** At the outset, it was envisaged that the 30 LIHAF projects would assist with the delivery of almost 20,000 housing units. When the six projects not proceeding are excluded, the associated housing delivery reduces to approximately 16,000 housing units expected to be completed by end 2021. By end December 2023, a total of 6,418 units had actually been delivered, which is just 40% of the expected output (see Figure 12.8).

Figure 12.8 Actual units delivered compared to projected units at end of 2023



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

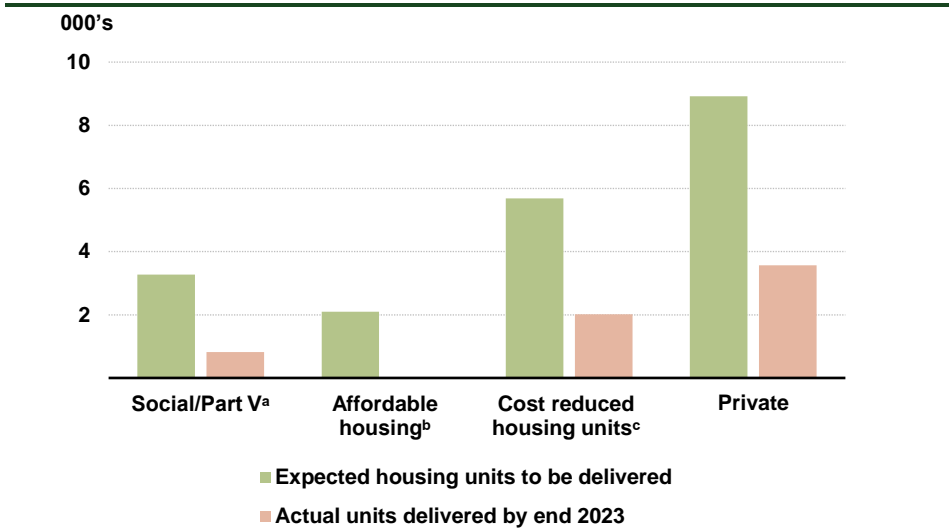
- 12.22** The Department has stated that the output from LIHAF is infrastructure and it does not have a direct role in housing delivery. The Department has grant agreements in place with the various local authorities for the delivery of the specified infrastructure projects.¹ These grant agreements outline the key terms and conditions of the grant such as
- grant value
 - date infrastructure should be completed by
 - reporting requirements for local authorities
 - details of events which may cause grants to be withheld, suspended or to be repaid.
- 12.23** Separate agreements between the relevant local authorities and private developers set out the number of housing units expected to be delivered.
- 12.24** The Department has stated that generally there are no timelines for housing delivery included in the grant agreements between the local authorities and the Department because such housing delivery is dependent on the infrastructure projects being delivered and planning permission being granted for the housing development.
- 12.25** The Department pointed out that housing delivery lags infrastructure and that, since all infrastructure delivery has not been completed, most of the housing associated with the LIHAF programme has yet to be delivered. The Department stated that, on the basis of ongoing engagement with local authorities, it is confident that the original LIHAF housing delivery commitments made in 2017 will be delivered.

¹ Following project approval, project management of infrastructure delivery is the responsibility of the relevant local authority, with project managers funded by LIHAF.

Category of housing output

12.26 The original expected LIHAF housing delivery was split between a number of different categories. A breakdown of the housing units delivered at the end of 2023 versus what was originally expected to be delivered in each category is detailed in Figure 12.9.

Figure 12.9 Expected LIHAF housing delivery and actual delivery by end 2023, by category



Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Social/part V houses are housing units in which the developer must enter into an agreement with local authority to deliver 20% social/affordable housing.
 - b Affordable housing policy has changed since the introduction of LIHAF and the current definition of affordable housing comes from the Affordable Housing Act 2021. In practice, affordable housing under LIHAF will generally be delivered via schemes under the Affordable Housing Fund, with a LIHAF cost reduction contribution. 16 affordable housing units have been delivered by end 2023.
 - c This relates to the cost reduction attributed to LIHAF which is passed on to the purchasers. It is based on the savings the developer would have obtained as a result of not having to fund the infrastructure themselves.

Project review

12.27 The examination team reviewed a sample of five LIHAF projects and detailed key aspects of the projects (see Figure 12.10 and Figure 12.11).

Completed projects

12.28 The Adamstown and Donabate projects are complete in terms of infrastructure and the key details of the projects are outlined in Figure 12.10.

12.29 The Department has stated that LIHAF expenditure in relation to the Adamstown project went over budget due to a combination of Covid-19 delays, inflation in the construction industry and Brexit.

Figure 12.10 Key information in relation to completed projects

Detail	Adamstown	Donabate
Infrastructure type	Celbridge Link Road, Tandy's Lane Park and Airlie Park	Distributor road and bridge over railway line
Original amount to be funded by the Department	€15 million	€10.62 million
Final cost funded by the Department	€19.2 million	€10.78 million
Expected completion date	December 2021	December 2021
Actual completion date	November 2023	March 2020
Original expected housing units	2,000	1,200
Housing units delivered as at 31 December 2023	2,265	240

Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

12.30 The number of housing units delivered to the end of 2023 in relation to the Donabate project is only 240, compared to the overall expected housing output of 1,200.

12.31 The Department stated that delivery has been slowed by delays in the planning process including a judicial review. The Department also stated that the local authority (Fingal County Council) has indicated that, at a minimum, the full 1,200 units committed will be delivered.

Projects in progress or not commenced

12.32 The Cherrywood and Maynooth projects are at different stages of delivery and the key details of the projects are outlined in Figure 12.11. The Maynooth project — a relief road — has not yet commenced construction, but a compulsory purchase order process has been successfully completed. The Cherrywood road/bridge project phase one is complete, phase two is in construction and phase three is at the stage of procuring a multi-disciplinary design team.

Figure 12.11 Key information in relation to projects in progress or not commenced, 31 December 2023

Detail	Cherrywood	Maynooth
Infrastructure type	Road, bridges, new junction	Maynooth eastern relief road and bridge
Original amount to be funded by the Department	€11.39 million	€10.88 million
Current projected amount to be funded by the Department	€24.4 million	€17.2 million
Original expected completion date	December 2019	December 2019
Current expected completion date	December 2029	July 2026
Original expected housing units	2,000	800
Housing units delivered as at 31 December 2023	1,398	—

Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

- 12.33** While both projects are significantly delayed, it is now estimated that the final phase three of the Cherrywood project will be delivered ten years later than scheduled and the Department's contribution to the project costs will be more than double the original estimate. However, the Department notes that it now expects that the eventual housing output for the Cherrywood project will be significantly in excess of the original commitment of 2,000.
- 12.34** The Department has stated that the increased funding requirements shown above in relation to these projects has been approved in principle by the LIHAF management committee and in line with standard practice, funding for projects will only be formally approved when tenders have been submitted.

Project not going ahead

- 12.35** A proposed LIHAF-funded inner relief road project for Naas is not proceeding. Kildare County Council submitted a response to the call for LIHAF project proposals in October 2016 which was approved in March 2017. The grant agreement relating to this was signed between the Department and Kildare County Council in October 2017. The project, when completed, was expected to support the delivery of 800 housing units. The original estimate of the cost of the project to be funded by the Department was €4.5 million.
- 12.36** The Department stated that the decision not to proceed with the relief road was taken by elected members of Kildare County Council in 2019. By then, the Department had incurred costs of €0.47 million in respect of preliminary design fees, project consultant costs and legal fees.

Views of the Accounting Officer

- 12.37** The Department expects that an element of the housing in relation to projects not proceeding has and will be delivered. For example, despite the Naas LIHAF project not going ahead, 190 housing units had been delivered by end 2021 as a result of private development. Since January 2022, the Department has ceased recording housing delivery where projects are not proceeding with LIHAF funding.

Conclusions

- 12.38** LIHAF was announced in July 2016 with the primary objective of relieving critical infrastructure blockages that were hindering housing development from taking place. A total of 30 infrastructure projects were approved for funding with a timeline of up to four years i.e. to the end of 2021. Exchequer funding through the Department of Housing, Local Government and Heritage (the Department) of €147 million was allocated. The projects were expected to support the delivery of almost 20,000 housing units.
- 12.39** In the event, six projects that had been allocated funding did not proceed. Approximately 4,000 housing units (20% of the targeted delivery) had been associated with those projects.

Funding

12.40 In the period 2017 to 2022, annual expenditure on LIHAF was significantly less than the estimate provision in the Vote for Housing. The Department has stated that the reasons for underspends were outside its control e.g. planning delays and the impact of the Covid-19 public health restrictions. By the end of 2023, total LIHAF expenditure from the Vote was just over €113 million. The Department projects the total funding to be provided for LIHAF over its lifetime will be at least €197 million. This equates to an increase in cash terms of just over one third compared to the total initial funding awarded to projects, even though six of the original projects are not proceeding.

Progress and delivery

12.41 LIHAF projects were approved with a timeline of up to four years and all projects were due to be completed by December 2021. As at the end of December 2023, 12 projects were completed, of which eight were completed within the timelines set. The four other projects had varying completion dates post the original timeline set ranging from under one year to 3.5 years.

12.42 The projects currently in progress and not yet started will be delivered at least two years later than planned. The majority of these (ten of 12) will be delivered at least four years later than planned, with two estimating completion dates between eight and ten years post the original expected completion date. The analysis of costs for projects indicate a strong correlation between projects that are delayed and project budget overruns.

12.43 It was envisaged at the outset that LIHAF projects would assist with the delivery of over 20,000 units. Because six projects are not proceeding, this figure was revised to 16,000 units. By the end of 2023, over 6,400 units or 40% of the revised housing unit target had been delivered. The Department is confident, based on its engagement with local authorities, that the target of 16,000 units associated with LIHAF projects will be achieved, although it may take several more years.

12.44 The Department stated that the output from LIHAF is infrastructure and that it does not have a direct role in the associated housing delivery. In general, there are no timelines for housing delivery included in the grant agreements with the local authorities because delivery is dependent on the completion of the infrastructure projects and planning permission being granted for the housing units.

12.45 LIHAF was designed specifically to address the issue of housing supply by removing barriers to housing delivery in areas with high development potential. In the eight years since the announcement of the funding, the expected acceleration of housing delivery in the targeted areas does not appear to have been achieved.

Annex 12A Projects approved for LIHAF funding

Current Status	Project	Infrastructure description	Original target of housing units to be delivered	Housing units delivered 31 Dec 2023	Original budget €m	Projected costs 31 Dec 2023 €m	Actual / expected completion dates
Not proceeding	Dún Laoghaire-Rathdown, Woodbrook	Road improvements and access to future DART station	1,242	N/A	3.12	0.11	N/A
	Dún Laoghaire-Rathdown, Clay Farm	Construction of 600m of new loop road	350	N/A	3.53	—	N/A
	Louth, Newtown Drogheda	Provision of access road	200	N/A	0.92	0.11	N/A
	Kildare, Naas	Naas inner relief road	800	N/A	4.5	0.47	N/A
	South Dublin, Clonburris SDZ	Surface water upgrade improvement scheme	1,000	N/A	2.25	0.04	N/A
	Waterford City and County Council, Gracedieu	Access road	238	N/A	0.99	0.19	N/A
Completed	Cork City, Old Whitechurch Road	Re-routing power lines, road improvements and water and drainage improvements	600	—	7.42	8.55	Q1, 2021
	Cork County, Carrigaline	Upgrade of Shannon park roundabout	400	385	0.45	0.45	Q3, 2019
	Dublin City, Belmayne Clongriffin	Road improvements and new main street	850	—	2.25	2.25	Q2, 2023
	Fingal, Donabate Distributor Road	Distributor road and bridge over railway line	1,200	240	10.62	10.78	Q1, 2020
	Fingal, Oldtown Mooretown	Road improvements	800	640	3.68	4.02	Q1, 2020
	Kildare, Sallins	Provision of community and amenity space	250	250	0.70	0.65	Q1, 2018
	Kilkenny, Ferrybank	Provision of community and amenity space	200	69	0.35	0.35	Q3, 2020

Current Status	Project	Infrastructure description	Original target of housing units to be delivered	Housing units delivered 31 Dec 2023	Original budget €m	Projected costs 31 Dec 2023 €m	Actual / expected completion dates
	Kilkenny, Western Environs	Provision of community and amenity space	530	122	5.07	6.75	Q3, 2021
	Meath, Ratoath	Ratoath outer relief road	266	131	2.37	2.62	Q4, 2021
	Meath, Farganstown	Access road	400	—	4.26	4.59	Q3, 2021
	South Dublin, Adamstown	Celbridge Link Road, Tandy's Lane Park and Airlie Park	2,000	2,265	15.00	19.2	Q4, 2023
	Waterford City and County Council, Kilbarry	Distributor road	400	70	2.54	2.68	Q2, 2021
In progress	Cork City, South Docks	Transport infrastructure, road improvement and parks	620	—	11.63	14.97	Q2, 2026
	Cork County, Glanmire	Sustainable transport package and road improvements	300	408	4.43	13.53	Q2, 2026
	Cork County, Middleton (Waterrock)	Road improvements and storm water sewer	520	—	4.13	8.84	Q2, 2024
	Dún Laoghaire-Rathdown, Cherrywood	Various road improvements	2,000	1,398	11.39	24.44	Phase 2, Q3 2024 Phase 3, Q4 2029
	Fingal, Baldoyle Stapolin	Ramp providing pedestrian and cyclist access to Clongriffin train station, improved drainage areas, park and road improvements	500	69	4.64	6.76	Work substantially complete ^a
	Limerick, Mungret	Provision of new distributor road	399	203	7.88	16.74	Phase 1, Q1 2019 Phase 2, Q2 2024 Phase 3, Q4 2025

Current Status	Project	Infrastructure description	Original target of housing units to be delivered	Housing units delivered 31 Dec 2023	Original budget €m	Projected costs 31 Dec 2023 €m	Actual / expected completion dates
	Louth, Mount Avenue, Dundalk	Road improvements	212	—	2.50	6.43	Q3, 2024
	South Dublin, Kilcarbery/Corkagh Grange	Road improvements, pumping station and rising foul main to sewer network and foul sewer outfall	1,000	168	3.29	3.38	Q3, 2024
Not commenced	Clare, Clareen, Ennis	New link road including services and roundabouts	200	—	2.75	7.29	Q1, 2026
	Kildare, Maynooth	Maynooth eastern relief road and bridge	800	—	10.88	17.2	Q3, 2026
	Westmeath, Brawny Road, Athlone	Access road	200	—	1.37	1.56	Q3, 2025
	Dublin City, Dodder Bridge	New public transport bridge across the Dodder.	1,500	—	11.81	11.81	Q2, 2028
Totals			19,977	6,418	146.72	196.76	

Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Note: a The Department is currently awaiting confirmation from the local authority on whether the ramp to train station is proceeding.

13 Regularity of social welfare payments

- 13.1** The Department of Social Protection (the Department) is required to ensure that
- expenditure it incurs has been applied for the purposes for which the money has been made available by Dáil Éireann, and
 - 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.

- 13.2** Any payments that are in excess of claimants' entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise due to suspected fraud, new facts or evidence such as a change in the claimant's circumstances not being notified to the Department, or official error (see Annex 13A).

- 13.3** The level of expenditure incurred each year by the Department means that even a low incidence of error, new facts and/or suspected fraud can result in a substantial monetary loss to the Exchequer — which funds Vote 37 Social Protection — or to the Social Insurance Fund (SIF), which is mainly funded by social insurance contribution receipts.

- 13.4** This chapter assesses the regularity of social welfare payments for 2023 and considers the impact on the Comptroller and Auditor General's audit reports for the Vote 37 appropriation account and the SIF financial statements. The examination team reviewed key documents and data produced by the Department and interviewed relevant members of Department staff.

- 13.5** Annual gross expenditure of the Department in 2023 was €25.1 billion. In addition to the Department's scheme expenditure,
- €703 million was paid for administration expenses
 - €1 billion was paid over to the National Training Fund
 - €59 million in grant funding was paid to the Citizens Information Board.

- 13.6** The Department has stated that the estimated average rate of excess payments across its scheme expenditure was in the range of 2.9% – 3.8% for 2023. The audit estimated an excess payment rate of 3.44% for the same period.¹

¹ Excludes Covid-19 related expenditure and is calculated using 2023 expenditure for the schemes surveyed in the last ten years (86% of the total scheme expenditure).

Control surveys

- 13.7 The Department undertakes a programme of surveys of scheme payments in order to determine the level of excess payment that is occurring. This is a key measure of the Department’s success in preventing, detecting and deterring fraud and error in its scheme payments. The surveys also assist the Department in identifying scheme-specific risks and required changes to the control measures in place.¹
- 13.8 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.

Control survey methodology

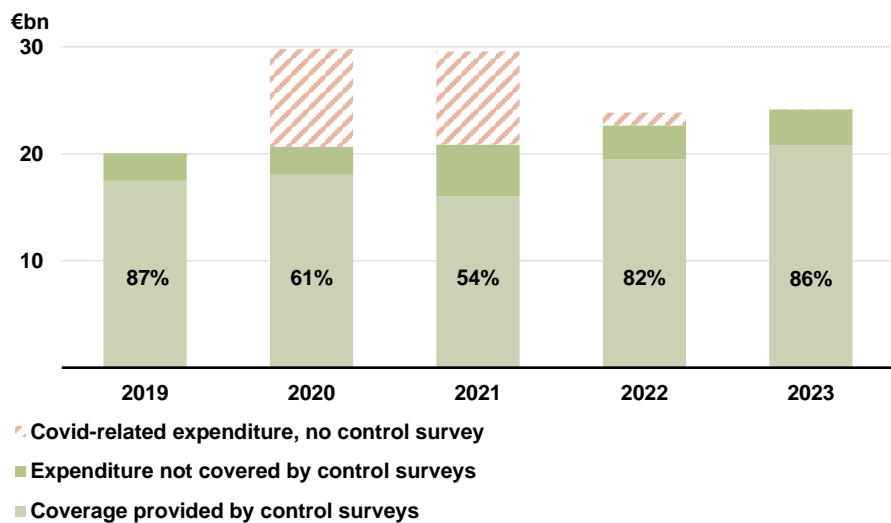
Control surveys generally review between 500 and 1,000 randomly selected claims for each scheme and aim to provide an estimate — with 95% confidence — of the level of incorrect payment at a point in time. The surveys typically capture

- the **gross excess payment** which is the total value of any excess payments identified
- the **net excess payment** which adjusts for transfers to other schemes in situations 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 social protection payment.

The Department considers the net excess payment identified to be the more accurate measure of the level of excess payment on schemes.

- 13.9 86% of the Department’s total scheme expenditure in 2023 was on schemes subject to control surveys conducted within the last ten years (see Figure 13.1). This was an increase from 82% of total scheme expenditure in 2022.²

Figure 13.1 Coverage of scheme expenditure provided by control surveys^a



1 The Department published the methodology for control surveys in May 2022 which is available [here](#).

2 Excludes Covid-19 related schemes. The Department stated that the pandemic-related schemes were temporary and therefore control survey of the schemes would be of limited use in relation to the amendment of scheme controls.

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

Note: a Coverage provided by control surveys published within the last ten years (2015 to 2024).

Implications of control surveys for audits

13.10 There is wide variation in the level of excess payments found by surveys undertaken since 2015 (see Figure 13.2).

- In relation to Vote-funded schemes, estimated rates of net excess payments range from 0.6% of scheme expenditure on working family payment, to 12.7% of scheme expenditure on farm assist.
- Estimated rates of net excess payments for SIF schemes range from 0.9% (state pension contributory) to 8% (jobseeker's benefit).

Figure 13.2 Estimated level of net excess payments in schemes subject to control surveys published since 2015

	Scheme (and survey report date) ^a	Scheme cost in 2023 €m	Estimated level of net excess payment ^b
Vote funded schemes	Child benefit (2022)	2,428	1.4%
	Disability allowance (2023)	2,175	5.7%
	Jobseeker's allowance (2024)	1,823	8.3%
	State pension (non-contributory) (2019)	1,229	6.5%
	Carer's allowance (2018)	1,082	9.1%
	One-parent family payment (2021)	680	5.9%
	Working family payment (2016)	392	0.6%
	Supplementary welfare allowance (BASl) (2017)	121	2.6%
	Farm assist (2016)	54	12.7%
	Back to work enterprise allowance (2019)	30	3.3%
	Social insurance funded schemes	State pension (contributory) (2024)	7,089
Widow's/widower's/surviving civil partner's contributory pension (2024)		1,813	1.3%
Invalidity pension (2015)		794	1.5%
Illness benefit (2015)		662	6.0%
Jobseeker's benefit (2023)		438	8.0%

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

- Notes:
- 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.
 - The net excess payment is the value of all excess payments identified less transfers to other schemes. The figures shown are the net excess payments identified in control surveys as a percentage of the total value of payments of income support included in the survey cases.

Latest control survey findings

13.11 The Department published two control surveys in 2024, covering three schemes.

Jobseeker's allowance

13.12 The jobseeker's allowance scheme is funded by the Vote, with expenditure of €1.8 billion in 2023. There were 90,535 claims in payment at December 2023 and, as at September 2024, the personal rate is €232 per week.¹ The allowance is a means-tested weekly allowance paid to individuals working three days a week or less, who are habitually resident in the State, and are genuinely seeking full-time employment.²

13.13 In March 2024, the Department published the results of the jobseeker's allowance control survey. The survey examined 947 claims in payment in 2022 and 2023 in three batches — 250 claims in February 2022, 500 claims in September 2022 and 197 claims in April 2023.³

13.14 The control survey found that 206 (21.8%) of the jobseeker's allowance claimants surveyed were receiving more than they were entitled to. The value of the excess payments was estimated to be 8.3% of expenditure on the sampled cases.⁴ There were no identified entitlements to payments under other schemes that would reduce the value of the excess payments. This compares with a net excess payment level (by value) of 7.9% found in the previous control survey published in 2022.

13.15 The control survey also found 7.9% of claimants surveyed were being underpaid, with the underpayments equivalent to 1.3% of scheme expenditure across all claims examined.

13.16 The excess payment rate of 8.3% detected by the survey is high. The Department outlined the steps taken to address the key scheme risks identified by the survey and to improve the controls over jobseeker's allowance (see Figure 13.3).

13.17 The sample cases in this survey were selected for review at a time when the Department was progressively re-introducing many of the controls that had been suspended during Covid-19. Measures implemented during 2023, including the requirement to sign on quarterly from April 2023 onwards, may have a positive impact on the results of future control surveys on jobseeker's allowance.

1 A reduced rate of €141.70 is paid to those aged 18 – 24 and not living independently. An additional payment may be made for qualifying dependent adults or children.

2 The claimant must be over 18 and under 66 years of age.

3 This is the third 'rolling' survey of the jobseekers' allowance scheme that the Department has published (the previous surveys were published in 2021 and 2022).

4 The main causes of excess payments identified were wilful concealment of facts (4.4% of scheme expenditure) and unreported changes in circumstances (2.6% of scheme expenditure).

Figure 13.3 Jobseeker's allowance — control survey findings and control changes**Scheme risk**

- claimants with means other than from employment are more likely (62% of cases) to receive an overpayment than those without other means (20%)
- risk of overpayment to part-time/casual workers (48%) is twice as high as to non-casual workers (17%)
- females are more likely to be part-time jobseekers, and hence more likely to have an overpayment (27%) compared to males (19%)
- married or cohabiting claimants have a higher risk of overpayment (34%) than single claimants (16%)
- increased risk of overpayment by EFT (34%) compared to post office payments (14%)

Measures to improve the control regime

- ensure all jobseekers attend their Intreo centre within one month of claim award to sign on, and sign on quarterly thereafter^a
- increase targets of claim reviews for 2024 and an increase in reviews referred to social welfare inspectors
- ensure that priority is given to reviewing high risk claims identified by data matching with real-time payslip information provided by the Office of the Revenue Commissioners (Revenue).^{b,c}
- Department employment services staff to take a more active role in reviewing claims where the claimer is not engaging
- greater focus on employer verification of work patterns on casual claims
- new applicants to continue to be paid at the post office
- continue to utilise the resources and experience of the Department's Special Investigation Unit to target high risk sectors
- the process for 'commencement of earnings' notifications (from Revenue) was streamlined during 2023, which should provide faster processing of reviews on claims and reduce incidences of overpayments

Source: Department of Social Protection

- Notes:
- a Since April 2023. Signing had been suspended during Covid-19 and therefore impacted on the cases included in this survey.
 - b See *Report on the Accounts of the Public Services 2023*, chapter 16, Use of Revenue real-time data in social welfare means and income assessments.
 - c The legal basis for the sharing of personal data with third parties and the processing of personal data is covered in more detail in the [Department's privacy statement](#).

Contributory pensions

13.18 Both the State pension contributory (SPC) and the widows', widowers' and surviving civil partners' contributory pension (WCP) are funded by the SIF, and entitlement is determined based on social insurance contributions. Due to the similarity between the schemes, the Department conducted a joint control survey and published the results in March 2024.

State pension (contributory)

13.19 SPC expenditure in 2023 was €7.1 billion. It is payable to a claimant aged 66 or over who satisfies certain social insurance contribution conditions. There were 506,723 claims in payment as at December 2023. The pension (personal rate) is not means-tested or affected by other income that the claimant may have, such as an occupational pension.¹ As at September 2024, the maximum personal rate is €277.30 per week.

13.20 The control survey reviewed 400 claims in payment in February 2023 and found that 13 (3.3%) of the SPC claimants surveyed were receiving more than they were entitled to. The value of the gross excess payments was estimated to be 0.9% of the scheme expenditure on the sample cases.

13.21 The control survey also found that 4.5% of the SPC claimants surveyed were being underpaid, with the underpayments equivalent to 0.5% of scheme expenditure across all claims examined.

13.22 The excess payment of 0.9% is low, and compares to 2.1% found by the previous control survey published in 2017. The Department has stated that older control surveys are not comparable to the more recent surveys due to differences in the methodologies used.

Widows', widowers' and surviving civil partners' pension (contributory)

13.23 WCP expenditure in 2023 was €1.8 billion. It is payable to the surviving husband, wife or civil partner of a deceased person based on social insurance contribution records.² There were 125,912 claims in payment as at December 2023. As at September 2024, the maximum personal rate is €277.30 for a person age 66 or over, and €237.50 for a person under 66.³

13.24 The control survey reviewed 200 claims in payment in February 2023 and found that 12 (6%) of the WCP claimants surveyed were receiving more than they were entitled to. The value of the gross excess payments was estimated to be 1.3% of the scheme expenditure on the sample cases.

13.25 The control survey also found that 2% of the WCP claimants surveyed were being underpaid, with the underpayments equivalent to 0.2% of scheme expenditure across all claims examined.

13.26 The excess payment of 1.3% is relatively low, and compares to 0.7% found by the previous control survey published in 2014. As above, the Department has stated that older control surveys are not comparable to the more recent surveys due to differences in the methodologies used.

¹ Increases for qualified adults are means-tested payments.

² Entitlement is based on either the claimant or their late spouse or civil partner's social insurance record.

³ Increase for child dependant of €46 (child under 12) and €54 (child 12 and over).

Figure 13.4 State pension (contributory) and widows', widowers' and surviving civil partners' pension (contributory) control survey findings and control changes

Scheme risk

- the only risk factor identified by the survey results was WCP claimants aged under 55 were more likely to have an incorrect payment compared to all the other age groups

The current controls in place appear to be comprehensive for both schemes and will continue to be implemented

- control review targets similar to previous years for both schemes have been agreed and will be implemented
 - continuing eligibility certificates will continue to issue to ensure that claimants on both SPC and WCP remain entitled to payment
 - data matching with Business Analytics Unit and Control Division will continue for both schemes to identify control reviews based on risk assessment
-

Source: Department of Social Protection

13.27 Figure 13.4 shows the risk identified by the 2024 control survey and steps the Department is taking to address this risk and improve controls over the SPC and WCP. Both schemes continue to be regarded as low-level risk schemes and the current controls in place appear to be effective for both schemes.

Recovery of overpayments

- 13.28** Where an excess payment is identified by the Department, the deciding officer will determine on a case-by-case basis how this is to be treated, by issuing either
- a 'current date' decision i.e. future payments are corrected but recovery of any past excess payments is not sought — no overpayment debt is raised, or
 - a 'retrospective' decision i.e. future payments are corrected, a specific overpayment debt amount is raised for recovery.
- 13.29** The examination team reviewed the survey cases in the latest (2024) control surveys where the Department identified an excess payment and found that overpayments had not been raised in the majority of cases. Overpayments had been raised in only 24 out of 231 excess payment cases identified.
- 13.30** A perceived low likelihood of having an overpayment debt raised when an excess entitlement situation is detected may mean that there is little or no incentive for a claimant to proactively inform the Department of a change in circumstance relevant to their claims.
- 13.31** The Department has stated that it proactively reviews higher-risk claims, and that where an overpayment debt is raised, the claimant has a liability to refund the overpayment in full, including from any future social welfare payments.

Forthcoming control surveys

- 13.32** In March 2023, the Department commenced control surveys of the State pension (non-contributory) scheme. A sample of 400 claims in payment in February 2023 and 400 claims in payment in January 2024 were selected.
- 13.33** The Department is conducting a rolling control survey on the jobseeker's allowance scheme with the most recent batch of 250 claims in payment in March 2024 selected. The reports on the above control surveys are expected to be published in the first quarter of 2025.
- 13.34** Both state pension (non-contributory) and jobseeker's allowance schemes are funded from Vote 37 Social Protection and had a combined expenditure of €3.05 billion in 2023.
- 13.35** The Department renewed its compliance and anti-fraud strategy for the period 2024 to 2028, stating that the Department is committed to ensuring that only those people who are eligible receive welfare and other payments.¹

Other social welfare payment regularity issues

Pandemic unemployment payment

- 13.36** The pandemic unemployment payment (PUP) commenced in March 2020 and total scheme expenditure amounted to around €9.2 billion over the period 2020 to 2022. The Comptroller and Auditor General previously reported on the risk of overpayments and increased difficulty of recovering older debt in reference to PUP.^{2,3}
- 13.37** PUP scheme overpayments raised during 2023 amounted to €6.9 million. The total PUP scheme overpayments raised as at December 2023 was €55.5 million (0.6% of scheme expenditure) of which €13 million has been recovered.
- 13.38** The Department is undertaking a number of reviews aimed at identifying cases where claimants may not have satisfied the eligibility criteria for receipt of PUP. These reviews are focused on cases where there is an apparent overlap between PUP payment records and employer payroll returns to Revenue, and cases where there is no underlying record of employment, to allow for assessment of the claimant's contention that they had lost employment. Both exercises are ongoing.
- 13.39** To date, the Department has cross checked 30 million PUP payments week by week against Revenue records. It has identified between 50,000 and 60,000 cases where there was an overlap between receipt of PUP and a period of employment. The Department stated that almost 6,600 claimants have been contacted to initiate the Department's recovery process as at June 2024.

¹ [Compliance and Anti-Fraud Strategy 2024 – 2028](#).

² See *Report on the Accounts of the Public Services 2020*, chapter 11, [Controls over the Covid-19 pandemic unemployment payment](#).

³ See *Report on the Accounts of the Public Services 2022*, chapter 16, [Recovery of welfare overpayments](#).

⁴ Branch managers are self-employed contractors who are responsible for meeting the costs of providing the service, including staff and premises costs.

⁵ See *Report on the Accounts of the Public Services 2022*, chapter 14, [Ex-gratia payments to social welfare branch managers](#).

Social welfare branch managers

- 13.40** Social welfare branch offices are operated and managed by branch managers who are engaged as agents of the Department, under contracts for services.⁴ The Comptroller and Auditor General published a report in September 2023 on ex-gratia payments to social welfare branch managers.⁵ This found that the Department of Public Expenditure, National Development Plan Delivery and Reform (the Department of Public Expenditure) sanction for the structure of payment arrangements between the Department and branch managers expired in 2020.

- 13.41** The Department agreed to engage with the Department of Public Expenditure to ensure that the necessary sanctions and governance arrangements are in place for remuneration of branch managers. The Department had additionally increased the remuneration package for branch managers, with effect from 1 January 2023.
- 13.42** The Department subsequently sought 'retrospective sanction' from the Department of Public Expenditure in writing on 2 January 2024. In May 2024, the Department of Public Expenditure informed the Department that "the issue of retrospective sanction does not arise after the fact" and that "the appropriation accounts for 2022 have been completed and the [ex-gratia] payment noted." In its response, the Department of Public Expenditure also acknowledged the Department's commitment that sanction will be sought prior to the implementation of any future changes to the remuneration arrangements.
- 13.43** The Department of Public Expenditure has subsequently stated that the matter of the current payment arrangement in place with the branch managers since 2023 is being considered as part of the Department's broader current expenditure sanction.

One-parent family payment

- 13.44** The one-parent family payment is a means-tested payment to a qualifying parent caring for one or more children without the support of a partner. In 2023, scheme expenditure was €680 million.¹ As part of scheme controls in place, the claimant is required to submit an annual return on an 'OFP40' form, to update the Department on the claimant's circumstances. This return is used to verify that the claimant remains eligible for the payment and that the payment is made at the correct rate.
- 13.45** A report of the Child Maintenance Review Group, published in November 2022, included a recommendation that child maintenance payments should be disregarded by the Department when carrying out means-testing.² Information on child maintenance payments is requested on the OFP40 form and, as a result, the Department made a decision to suppress the form while the necessary changes in legislation were being made.^{3,4}
- 13.46** The annual return form was due to be suppressed until March 2023, but as of September 2024, the form has not been re-introduced. The absence of this control may result in delays in the Department being notified of changes to a claimant's circumstances.

1 A control survey on the one-parent family payment is due to be published by the Department in 2026.

2 [Report of the Child Maintenance Review Group](#)

3 The Social Welfare and Civil Law (Miscellaneous Provisions) Act 2024 was signed into law in March 2024 and from the week commencing 4 June 2024, child maintenance is no longer included in the means-test. The Department is reviewing claims in payment to identify any actions required.

4 The JST3 annual return form for the jobseeker's transition payment was also suppressed.

- 13.47** The Department stated it is reviewing the effectiveness of the OFP40 form based on reviews and savings data before a decision is made to reintroduce it.

Daily expenses allowance

- 13.48** The daily expenses allowance is an income tested entitlement paid to international protection applicants who reside in, or are waiting for, accommodation provided by the International Protection Accommodation Services. Scheme expenditure for the year was €34.4 million, an increase of 78% from 2022, due to the increased number of international protection applicants.
- 13.49** Legislation requires the Department to conduct an income assessment for claimants aged 18 years or over, who are in receipt of income for at least 12 weeks, and to reduce or cease to pay the allowance in accordance with their assessed income.

- 13.50** The 2022 financial audit of Vote 37 found that the Department had not conducted any income assessments of claimants — the value of irregular payments could not therefore be established. On that basis, the audit found that the Department was not in compliance with its statutory responsibilities in operating the scheme.¹
- 13.51** The Department stated in response to the report that it would consider implementing income testing for international applicants who are in employment. There were no income assessments carried out in 2023 or in the first half of 2024. The Department has introduced income testing for applicants with effect from June 2024.
- 13.52** Under scheme controls, new claims should be reviewed after eight to ten months, and a claimant only remains eligible if they are residing in a designated centre. The Department had stated it was no longer possible to enforce the residential condition in all locations, due to the unprecedented increase in applicants for international protection in recent years.
- 13.53** The Department previously reported that certain mitigating controls were put in place, including reviews undertaken locally where necessary, for example, where post is returned due to the claimant not being at their registered address; communication from claimants providing a different address; uncollected payments; and targeted reviews by location.
- 13.54** The Department has stated that in addition to the ad-hoc reviews referred to above, from July 2023, the Department of Justice provided a monthly list of asylum seekers who have been refused status, those that have been granted asylum and a list of those that have deportation orders. The Department stated that these lists are used to ensure that payment is only made to those who are eligible. Since May 2024, these lists are now provided on a weekly basis.

Conclusions

- 13.55** With scheme expenditure of €24.2 billion in 2023, even low levels of payments in excess of entitlements to welfare can amount to significant losses of public funds.
- 13.56** The level of irregular payments found by the Department through its ongoing programme of scheme-level control surveys continues to be material. Based on these findings, the audit reports on the 2023 appropriation account for Vote 37 Social Protection and on the 2023 financial statements of the SIF draw attention to the material level of irregularity of scheme payments.
- 13.57** The Covid-19 pandemic impacted the Department's ability to operate some of its normal controls over its schemes from 2020 to 2022. During the 2023 financial audit, the impact of the pandemic on the control environment was found to have been resolved, through a combination of the reinstatement of previous controls and the implementation of revised controls.

¹ See *Report on the Accounts of the Public Services 2022*, chapter 13, [Regularity of social welfare payments](#).

Annex 13A Categorisation of irregular payments

- **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** — 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 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.

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

14 The winding down of the Job Initiative scheme

- 14.1** The Department of Social Protection (the Department) oversees the provision of income support and other social services under a wide range of schemes. Scheme expenditure of €24.2 billion in 2023 was funded through the Vote for Social Protection and the Social Insurance Fund.
- 14.2** The Department managed over 90 schemes in 2023. Three of the schemes are closed to new applicants, but the existing participants on these schemes continue to receive income support. One such scheme is the Job Initiative (JI) scheme which has been closed to new applicants since 2004, and cost €10.7 million in 2023.
- 14.3** This examination was undertaken to review the structure and control environment of the JI scheme, and to assess the Department's strategy to wind down the scheme. The examination team reviewed key documents and data produced by the Department, interviewed relevant members of the Department staff, and analysed the scheme data.

Background to the Job Initiative scheme

- 14.4** The JI scheme was launched by the Minister for Enterprise and Employment in 1996 as a labour market activation initiative. The main purpose of the scheme was to assist long-term unemployed people to prepare for work by providing participants with work experience, and training and development opportunities. The scheme was designed to provide full-time employment for a fixed-term of three years to persons who met the eligibility criteria. Applicants for the scheme had to be
- 35 years of age or over
 - on the live register, and
 - in receipt of unemployment allowance/benefit or lone parent allowance for five years or more.¹

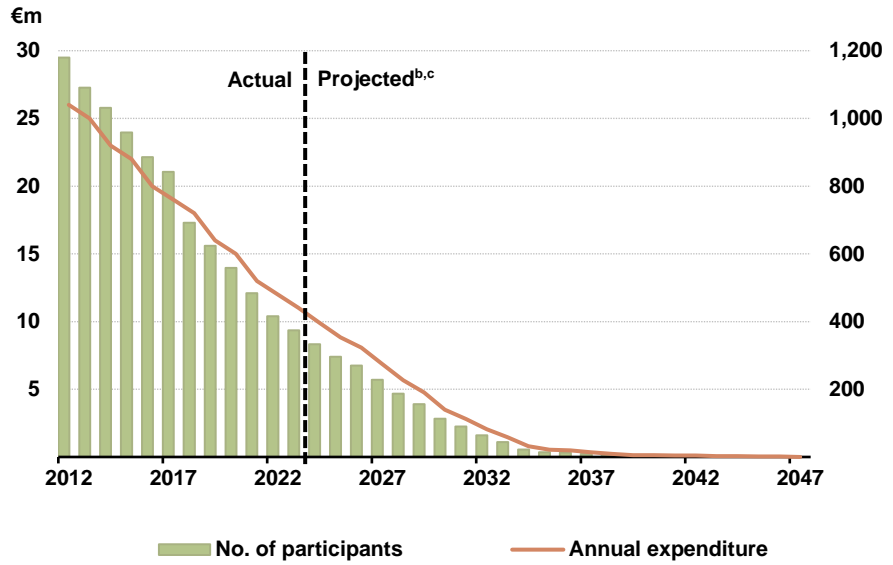
¹ Members of the Irish Traveller community, of any age, were also eligible to apply providing they had been in receipt of lone parent allowance for one year, or in receipt of unemployment assistance for any period.

² Responsibility for the JI scheme was transferred to the Department of Social Protection with effect from 1 January 2012.

³ The JI scheme weekly rate effective from 1 January 2024 is €519. Rate increases are aligned with social welfare budgetary increases and cost of living increases.

- 14.5** Recruitment onto the JI scheme ceased from 10 November 2004. At that time, the Minister announced that following a review of An Foras Áiseanna Saothair (FÁS) employment schemes, there would be no compulsory lay-offs from the JI scheme and those on the scheme would have their contracts renewed. As a result, those on the JI scheme at that date have a right to remain working on the scheme until they reach statutory retirement age.
- 14.6** Since the Department took over the administration of the JI scheme in 2012, participant numbers have decreased from 1,180 participants to 374 participants as at December 2023, a reduction of almost 70%.² Over the same period, scheme expenditure has decreased by almost 60% (see Figure 14.1). The Department funds the scheme through payments based on a standard weekly rate per participant, plus an allowance for materials costs.³

Figure 14.1 JI scheme expenditure and participant numbers, 2012 to 2046^a

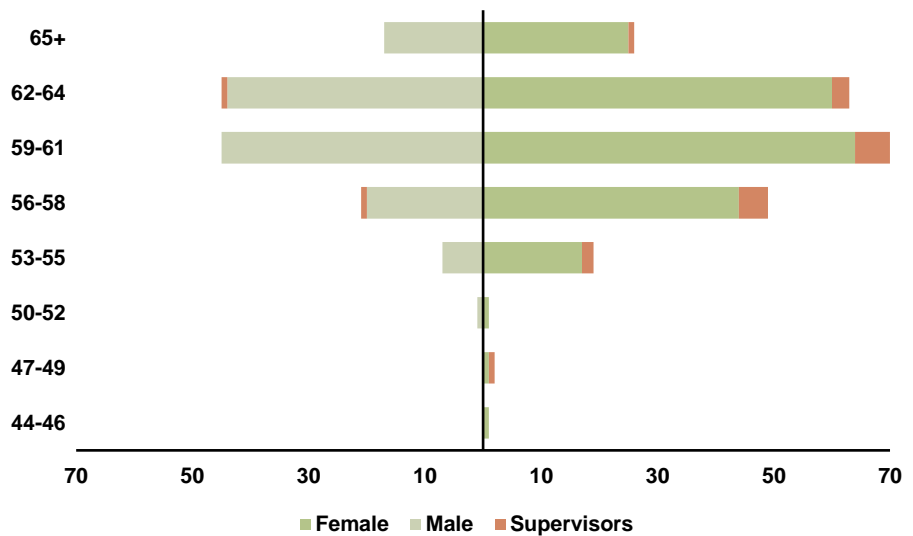


Source: Department of Social Protection. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a In line with the approach of the Department to retain participants on their existing employment schemes throughout periods of lockdown, participants continued to receive their full payment during 2020 and 2021.
 - b Projected participant numbers 2024 – 2046 are based on participants exiting the scheme at retirement age only.
 - c Projected expenditure is estimated using rates as of 1 January 2024 and includes participant’s wages, material costs, Christmas bonus and supervisory rates.

14.7 Around 70% of current participants will leave the JI scheme in the next eight years as they reach the mandatory retirement age of 66 (see Figure 14.2). However, with effect from January 2024, supervisors on the scheme can opt to defer retirement up to the age of 70.¹ If all participants were to remain on the scheme until mandatory retirement, the scheme would naturally come to an end in 2046.

Figure 14.2 Age profile of JI scheme participants at December 2023



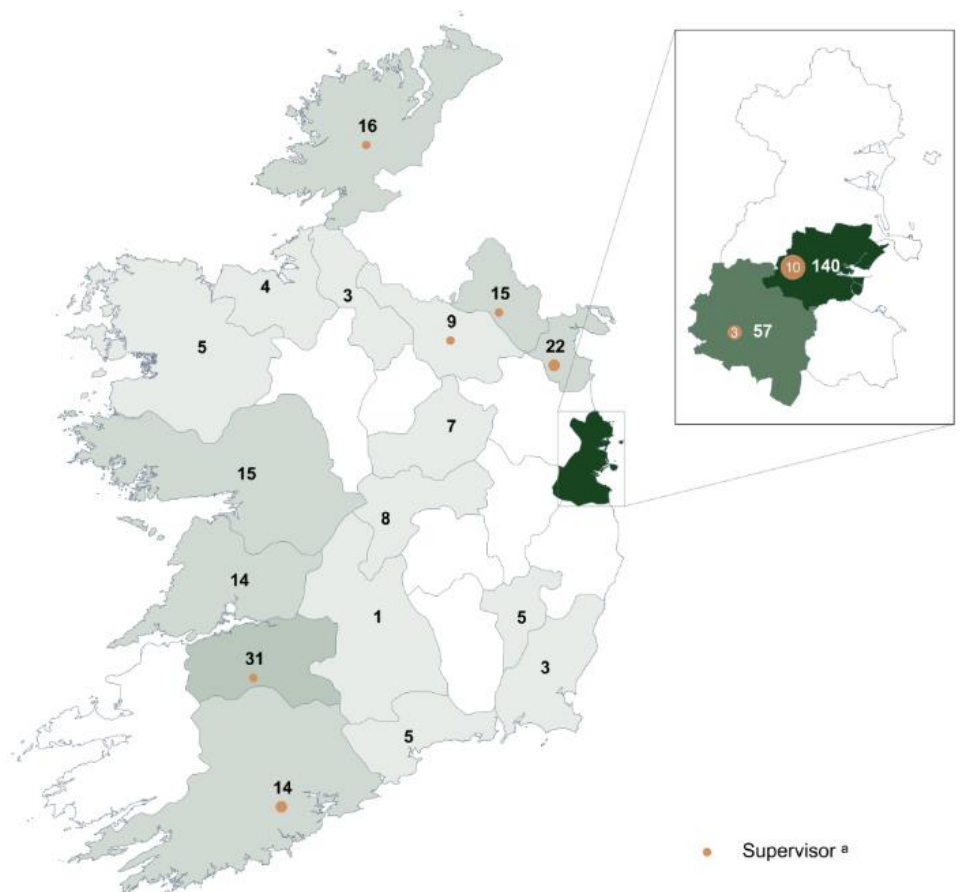
¹ Introduction of pension reforms, effective from 1 January 2024, provided supervisors with flexibility to retire on any date between the age of 66 and 70.

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

Job Initiative scheme projects

- 14.8 The JI scheme is sponsored by groups wishing to benefit local communities i.e. voluntary organisations, public bodies and those involved in not-for-profit activities. JI scheme participants are considered to be in full-time employment with wages paid by the project sponsor, and reimbursed by the Department on a four-week cycle basis. The responsibilities of the Department, the project sponsor, the participant and the supervisor are set out in Annex 14A.
- 14.9 As of December 2023, there were 38 active JI scheme projects funded by the Department, with the highest concentration of participants in the Dublin region (53%) and the remainder dispersed throughout the country (see Figure 14.3). Funding for existing JI sponsored projects is applied for on an annual basis. However, each project can fund a variety of employment roles in different locations (see example in Figure 14.4).

Figure 14.3 Distribution of JI scheme participants



Source: Department of Social Protection. Analysis by the Office of the Comptroller and Auditor General.
 Note: a 21 of the 374 JI scheme participants act in a supervisory capacity. The number of participants shown in each region is inclusive of supervisors. 13 supervisors are active in the Dublin region. The remaining counties have between zero and two supervisors as denoted.

Figure 14.4 Outline of one Dublin based JI project with eight participants

Location	Job Description
Blanchardstown	Advocate on behalf of travellers
	Project support worker with early school-leavers
	Centre attendant — garden and building work
	Administration duties — reception and office duties
Coolmine	Administration duties for sports and leisure club
Dublin 15	Reception duties for psychotherapy service
Mulhuddart	Home support coordinator — persons with disabilities
Porterstown	Grounds person — maintain sports ground, grass cutting etc.

Source: Department of Social Protection

14.10 A number of project sponsors on the JI scheme are also sponsors of the Community Employment (CE) scheme. The CE scheme is an active employment programme similar in nature to the JI scheme.¹ The Department provides funding on both schemes for participant's wages, supervisor wages, materials costs and training and development.² However, CE placements are generally for a period of one year, while JI participants are effectively in permanent employment. Other key differences relate to the number of hours per week that are eligible for payment, and the weekly payment rate (see Figure 14.5).

Figure 14.5 Comparison of employment programmes

Programme	Aim	Weekly rate ^a	Hours per week	Hourly rate	Programme duration
Job Initiative scheme	To help people who are long-term unemployed to get back to work	€519	39	€13.31	Contracts renew annually until retirement age ^b
Community Employment scheme	To help people who are long-term unemployed to get back to work	€259.50	19.5	€13.31	One year with a further two year extension if training for a major education award, or if over 55 years of age ^c
Rural Social scheme	To help low-income farmers and those engaged in fishing	€259.50	19.5	€13.31	One year, but can be extended annually if participant continues to meet all the scheme criteria, until retirement age
Tús	To provide short-term working opportunities for unemployed people	€259.50	19.5	€13.31	One year work placement

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

Notes:

- a The rates shown are the minimum payment rates effective from January 2024.
- b When active (from 1996 – 2004), programme participation was capped at three years.
- c CE participants who are over 60 years of age can remain on the programme continuously until they qualify for a State pension.

1 When the JI scheme closed in 2004, the Minister stated that JI participants who leave voluntarily will be replaced by community employment participants to continue to support the service being provided.

2 Training and development is not actively promoted to participants on the JI scheme. JI participant training costs totalled €1,700 in 2023.

Supervisors

- 14.11** 21 of the 374 JI scheme participants act in a supervisory capacity, paid on a scale ranging from €746.22 to €901.27 per week. Since the closure of the scheme in 2004, and the continuation of existing supervisors in their roles indefinitely, participants have been unable to progress to supervisor roles and as a general rule, supervisors who retire or resign are not replaced. The Department deals with gaps in supervision that arise on a case-by-case basis, to ensure that adequate supervision is provided.
- 14.12** The Department stated that while some participants may have been promoted to supervisor since 2012, it does not have reliable data on the number or timing of these promotions.

Effectiveness of the JI scheme

- 14.13** The initial purpose of the JI scheme was to assist long-term unemployed people to prepare for work opportunities, through providing participants with work experience and training and development opportunities for a maximum duration of three years. As JI participants now remain on the scheme until retirement age, it no longer functions as a labour activation scheme.
- 14.14** The JI scheme now provides full-time employment (for over 20 years), funded by the Department, in organisations benefiting the local community. The success of the scheme therefore cannot be measured through progression of participants into the workforce. The Department does not monitor or maintain records of the number of participants leaving the scheme for reasons other than reaching retirement age.
- 14.15** The JI scheme has evolved into a social inclusion scheme and the Department currently has no measures in place to monitor the effectiveness of the scheme in its current format.

Impact of declining numbers on the operation of the scheme

- 14.16** The examination team reviewed the Department's guidance for its staff and project sponsors, the controls in place for the funding of the JI scheme and the impact that declining participant numbers has had on the operation of the JI scheme in its current format (see Figure 14.6).

Figure 14.6 Observations on the current format of the scheme

Feature of the scheme	Observations of the examination team
<p>Eligibility of participants is based on their employment status at the time the scheme closed in 2004.</p>	<p>From a sample of 25 participants reviewed, the examination found that in one case, the participant was engaged in full-time employment with another body. This was in addition to the 39 hours per week worked with the project sponsor.</p> <p>The Department has stated that participants are entitled to undertake other employment outside of the 39 hours' attendance required under the JI scheme and that it is impossible to identify participants with more than one employment without examining each JI participant individually which is time consuming with the potential cost outweighing the benefit.</p> <p>Attendance checks are carried out by Community Development Officers (CDOs) as part of the financial monitoring process. If cases like this do come to light, the CDO is notified to confirm that 39 hours are being worked on the JI scheme.</p>
<p>Guidance issued to the Department staff and JI scheme sponsors</p>	<p>The guidance was last updated in 2019 and does not take into account the decline in participants and project numbers over recent years.</p> <p>It does not provide direction to Department staff on how to manage projects that are becoming unviable.</p> <p>Each project is dealt with on an ad-hoc or individual basis as issues arise.</p>
<p>Scheme funding conditions require project sponsors to have</p> <ul style="list-style-type: none"> ▪ audited financial statements ▪ independent audit reports ▪ insurance for the project ▪ a separate bank account 	<p>Out of five projects reviewed, in one case the Department accepted a copy of the financial statements without a signed independent auditor's report.</p> <p>The requirement to have a separate bank account for JI scheme funding applies to all projects, regardless of the number of participants. 45% of projects have five or less participants.</p> <p>Approximately half of the JI sponsors also sponsor a CE project and are therefore paying for two end of year audits and two insurance policies.</p>
<p>Scheme administration</p>	<p>There is an administrative cost burden for the Department as staff are required to undertake control checks on each four-week payment cycle and final reconciliations regardless of how small the project is.</p> <p>For those organisations that sponsor both CE and JI, administrative tasks are duplicated for both approval of the renewal application and payments.</p>
<p>Monitoring visits</p>	<p>The Department's practice is to carry out a minimum of one annual monitoring visit for each project. Meetings held as part of the visit are the only time the Department conducts interviews with the JI scheme participants and supervisors.</p> <p>During Covid-19, remote financial inspections were conducted. The Department stated during this review that on-site monitoring visits were reinstated in 2022.</p> <p>The examination team found that for one of the five JI projects reviewed, the Department had not carried out an on-site visit since 2019. However, a remote financial inspection was conducted in 2023.</p>

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

Strategy for winding down the scheme

- 14.17** In 2023, the policy unit of the Department conducted an internal review of the JI scheme and considered three possible options for the future of the scheme (see Figure 14.7). However, no decision on the future of the JI scheme has been made to date. There is currently no formal strategy in place to wind down the JI scheme, and issues continue to be dealt with on an individual basis as they arise.

Figure 14.7 Options for winding down JI scheme

Continue to allow to phase out naturally

With the participants/supervisors remaining on the JI scheme until retirement age, the JI scheme may potentially go on until 2046 at an approximate cost of €60 million.

Considerations:

- Some closures and amalgamations of individual JI scheme projects due to the decrease in participants have already begun.
- While it may be a feasible option for the Dublin-based projects to amalgamate, this is not the case for other parts of the country (see Figure 14.3).
- There is a risk of supervisors continuing in employment with no participants to supervise, and vice versa.

It is evident that as the numbers on the programme decline, the programme becomes financially unviable for sponsors.

Merge with Community Employment scheme

The Department could provide the facility for CE sponsors to take over the management of JI scheme employees. With the JI scheme merging with the CE scheme, the approximate cost will remain at €60 million plus additional administrative/IT costs to facilitate the move.

Considerations:

- This would need to be done in compliance with TUPE provisions.¹
- Suitability of the Department systems to hold dual schemes/roles for the same sponsor.
- Material and payment rate differences and how this would impact the scheme budget.

This may be of particular interest to those sponsors who operate both JI and CE schemes, where the participants can continue their employment with the same employer with no change to their terms of employment.

Discontinue the scheme

The scheme could be discontinued at a point in time.

Considerations:

- A redundancy package would need to be in place in line with standard employment laws.
- Savings to the Exchequer could be partly offset by a move of the participants to another social welfare payment scheme (e.g. jobseekers benefit).
- This could have the effect of increasing the number on the live register.

An assessment would need to be carried out as to how the current services delivered under the scheme can be replaced and at what cost to the Exchequer. There are also significant contractual and legal factors to be considered prior to pursuing this option.

¹ TUPE is the term used for a transfer of undertakings when employees are moved to a new employer as part of a legal merger or the sale of a business and is covered by the [European Communities \(Protection of Employees on Transfer of Undertakings\) Regulations 2003](#).

Conclusions and recommendations

- 14.18** With no recruitment since 2004, JI scheme participants have been part of an inactive programme for 20 years. The scheme no longer functions as a labour activation scheme with the aim of preparing participants for work opportunities. The scheme provides full-time employment for the participants, in organisations that benefit their local communities and so has evolved into a social inclusion scheme, the positive outcomes of which are difficult to evaluate. As a result, the success of the scheme can no longer be measured through progression of participants into the workforce.
- 14.19** The audit found evidence from a sample of 25 participants examined that one was also working full-time outside of the scheme. This is not contrary to scheme rules.
- 14.20** Due to the age profile of the current participants, the JI scheme will come to an end in 2046 with the participant number reaching single digits by 2037 (see Figure 14.1). Department staff and project sponsors have begun to address issues arising due to project viability on an individual and ad-hoc basis, with no formal strategy or common approach adopted or documented.
- 14.21** The procedures in place have not been reviewed for a number of years and may not reflect the current circumstances of the scheme. The processes and controls are no longer commensurate with the number of participants on the scheme or reflective of the resulting challenges (see Figure 14.6).

Recommendation 14.1

For schemes that are designed to wind down over a protracted period, the Department should periodically (e.g. at least every three years) review the operating controls and procedures in place to ensure that they are still fit for purpose as the numbers on the scheme decline.

Accounting Officer's response

Agreed

Timeline for implementation

The Department will review the Job Initiative scheme in the second half of 2025 and every three years thereafter.

Annex 14A Roles and responsibilities

Roles	Responsibilities
The Department	<ul style="list-style-type: none"> ▪ Approves funding on an annual basis for each project ▪ Issues an annual grant agreement to the project sponsor ▪ Carries out financial monitoring visits ▪ Reviews the income and expenditure statement of the project prior to final payment
Project sponsor	<ul style="list-style-type: none"> ▪ Applies for project renewal on an annual basis ▪ Issues the employment contract to the participant^a ▪ Provides an organised work programme to the participant and ensures insurance policy is in place ▪ Submits claims for payment in four-week cycle ▪ Facilitates financial monitoring visits ▪ Provides supporting documentation, audited accounts, and an auditor's report to the Department
Participant	<ul style="list-style-type: none"> ▪ Completes 39 hours work per week ▪ Signs a daily attendance record ▪ Is available for interview as part of the Department monitoring visits
Supervisor	<ul style="list-style-type: none"> ▪ Completes 39 hours work per week ▪ Oversees the administrative, technical and participant development aspects of the project ▪ Attends training and briefing sessions organised by the Department

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

Note: a JI scheme participants are employees of the project sponsor and not of the Department.

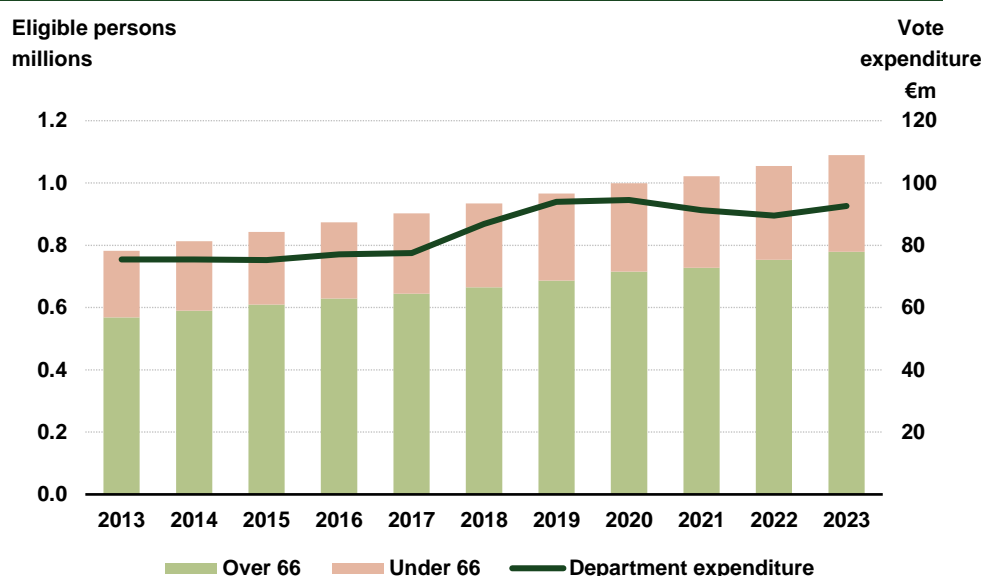
15 Control of the Free Travel scheme

- 15.1** The Department of Social Protection (the Department) is responsible for management of the Free Travel (FT) scheme. FT scheme expenditure totalling €92.6 million was funded through Vote 37 Social Protection in 2023.
- 15.2** The scheme currently provides free travel on most public and on certain private transport services to eligible citizens. All individuals who are aged 66 years or over, and who are legally and permanently residing in the State are eligible for the scheme.¹ Certain persons under the age of 66 are also eligible for the scheme if they are in receipt of a qualifying social welfare payment such as disability allowance or carer's allowance.
- 15.3** This examination was undertaken to assess the Department's controls in place to monitor and appropriately fund the FT scheme.
- 15.4** Controlling the FT scheme and its cost relies on two factors: first, ensuring that only the citizens entitled to free travel have access to the scheme; and second, by having a clear basis of payment that reflects the travel undertaken by eligible persons. Collating and analysing the journeys undertaken by free travel users could be used by the Department to assess the cost of the scheme.
- 15.5** The examination team reviewed key documents and data produced by the Department and the National Transport Authority (NTA), interviewed relevant members of staff, and performed data analysis.

Access to the Free Travel scheme

- 15.6** At 31 December 2023, the Department recorded over one million individuals entitled to a free travel card. The number of overall eligible persons has increased by 39% since 2013. The proportions of those under 66, and 66 and over, have remained relatively consistent (see Figure 15.1).
- 15.7** The number recorded has grown steadily each year. The level of scheme expenditure has also increased, but not at the same pace as the numbers entitled to a travel card.

¹ Free travel cardholders can also travel free of charge on certain cross-border services between Ireland and Northern Ireland. Those 66 years and over can apply for a separate Senior Smart Pass to travel for free within Northern Ireland.

Figure 15.1 Free travel eligible persons and expenditure, at year-end 2013 to 2023^a

1 The Public Services Card (PSC) is designed to make it easier for providers of public services to verify the identity of customers. The PSC was introduced in 2011 and (in relevant cases) has been free travel enabled since 2013.

2 The ITS is a ticketing system developed and operated by the NTA to facilitate integrated fare payments across public transport services.

3 The difference (c. 7%) is understood to relate mainly to individuals who are eligible for the scheme and have been awarded their free travel entitlement, either automatically based on a qualifying payment or by completing an application form but who have not completed the Department identity verification process (SAFE 2) to receive a PSC.

4 The Department cross references internal databases to confirm marriage or civil partnership status when issuing the card.

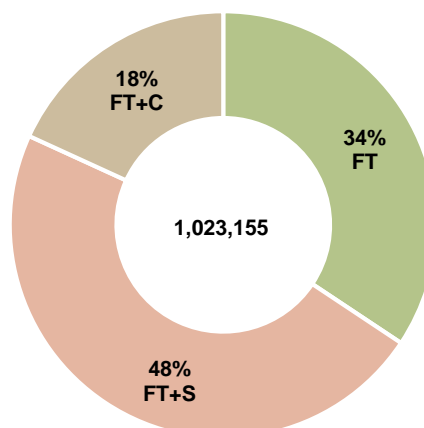
5 If the applicant is under 66, the application is subject to review by the Department's medical assessors.

Source: [Department of Social Protection — Statistical information on Social Welfare Services 2022 report](#)

Note: a The Department classifies free travel recipients in this report as those eligible for a free travel card rather than the actual number of cardholders.

Enabling free travel

- 15.8** In order to avail of the FT scheme, an individual must possess a valid free travel card. Historically, the free travel card took the form of a paper pass with signature identification and no pre-determined expiry date. Since 2015, the Department has been phasing out paper passes in favour of a free travel-enabled Public Services Card (PSC FT).¹ The PSC FT has a chip embedded in the card which can facilitate contactless ticketing on Integrated Ticketing System (ITS) enabled transport services.²
- 15.9** PSCs issued prior to November 2018 remain valid for seven years, while those issued since then are valid for ten years. Once a PSC (including PSC FT) card has expired, the cardholder should renew it by attending a PSC centre or online at MyWelfare.ie.
- 15.10** The Department reports the estimated number of persons who are entitled to a FT scheme card, rather than those who hold a valid card. Information on the actual number of free travel cards in circulation is available at a point in time, but the number is not routinely recorded or retained. As at June 2024, there were 1.023 million free travel cards in circulation. This was equivalent to around 93% of the Department's estimate of 1.103 million eligible persons.³
- 15.11** Free travel card holders who are married, cohabiting or in a civil partnership receive a card with an indicator (FT+S) (see Figure 15.2). This entitles their partner to free travel when accompanying the card holder.⁴ If the card holder is unable to travel alone due to a medical condition, they can apply for a companion pass (FT+C) which allows a person over 16 years to accompany them for free.⁵

Figure 15.2 Breakdown of PSC free travel card holders, at June 2024

Source: Department of Social Protection

- 15.12** The examination team noted that the Department does not check whether the spouse of an eligible party has already been awarded their own PSC FT, PSC FT+S or PSC FT+C when issuing the card. As a result, it is difficult to accurately determine the number of persons who can, or do, indirectly access and benefit from the FT scheme.

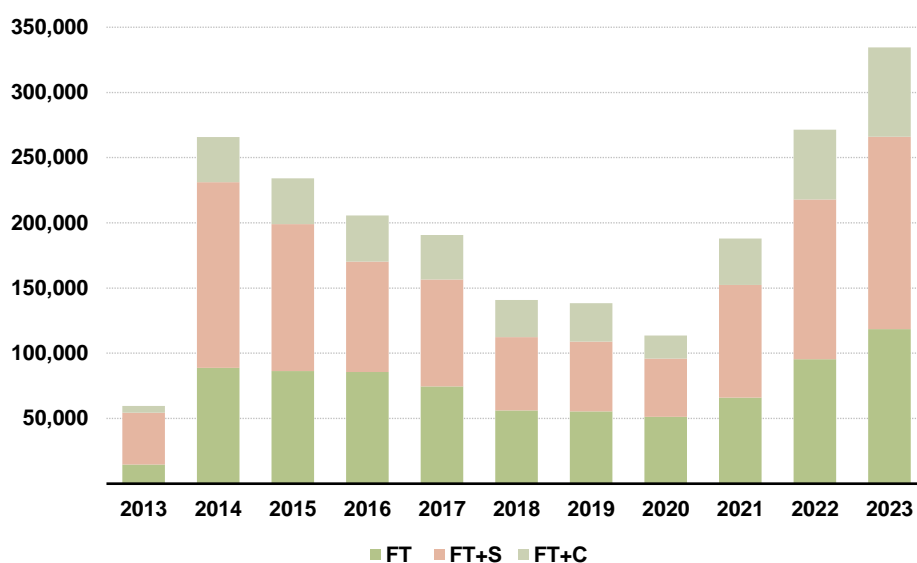
Paper passes

- 15.13** The former paper pass does not contain the same level of information that is available on a PSC FT. In particular, as there is no photo on the paper pass, the identity of the card holder cannot be easily verified. Paper passes also do not have an expiry date.
- 15.14** The Department has stated that existing paper passes remain valid for use and should be accepted by travel operators. In instances where a person presents both a paper pass and a PSC FT, the Department has instructed operators to retain the paper pass. However, no additional guidance has been provided to the operators as to how this control should operate in practice. The Department is relying on an *ad hoc* basis on the operators and on the willingness of the pass holder to surrender paper passes.
- 15.15** The Department has not formalised a process to proactively replace paper passes that remain in use with a PSC FT. Additionally, it does not have a record or an estimate of the number of paper passes still in circulation. However, the Department has stated that it is satisfied that paper passes remain in circulation in only a small number of cases.
- 15.16** The NTA has stated that the continued use of paper passes, which are easy to replicate and transfer between individuals, gives rise to the possibility of fraudulent use resulting in fare revenue loss for the NTA. In response, the Department stated that it will engage with the NTA and other operators to phase out paper passes.

Demand for PSC FT cards

- 15.17** Since 2020, there has been a rapidly accelerating demand for the PSC FT (see Figure 15.3). The Department stated that the increase in demand is due to
- the increasing number of eligible persons due to population trends
 - PSC FT cards issued prior to 2016 reaching the end of their seven-year validity period, and
 - PSC FT cards extended during Covid-19 reaching the end of their temporary three-year extension period from 2023 onwards.

Figure 15.3 PSC FT requests, 2013 to 2023



Source: Department of Social Protection

- 15.18** The recent high demand for the PSC FT has led to some delays in the card renewal process, resulting in a large number of expired cards remaining in circulation.
- 15.19** During Covid-19, the Department instructed transport service operators to accept expired PSC FT cards, to ensure that card holders continued to have access to the FT scheme. Due to the current backlog in issuing replacement cards, this instruction remains in place. As at 1 June 2024, there were 173,862 expired cards in circulation (almost 17% of all PSC FT cards in circulation).
- 15.20** The Department stated that in addition to replacing expired cards, from September 2024, it also intends to commence a programme notifying PSC FT card holders to renew their cards in advance of the card's expiry date.

Continued eligibility checks

- 15.21** The Department monitors continued eligibility of free travel card holders through review work completed by other sections of the Department (e.g. social welfare inspectors) and through reports which notify the free travel unit of free travel card holders who have lost their entitlement to their primary scheme.¹ As the majority (over 70%) of PSC FT card holders are eligible for free travel based on their age, the risk of ineligible access to the scheme is lower for this cohort.

¹ Free travel card holders under the age of 66, who were entitled to free travel due to a qualifying income support payment, have their entitlement to free travel withdrawn if they no longer qualify for their primary scheme.

Free travel operators

- 15.22** Currently, there are nearly 80 public and private transport operators providing FT scheme services. To join the FT scheme, operators submit an application to the Department, with their licence and tax clearance certificate.
- 15.23** Córas Iompar Éireann (CIÉ) is the main provider of free travel services across Ireland, providing access to road and rail services through Bus Éireann, Dublin Bus and Iarnród Éireann. In addition to the services provided by CIÉ, free travel services are also provided by Translink, Transdev, Go-Ahead Ireland and over 70 other licenced private transport operators.¹
- 15.24** Commercial bus operators are required to submit their commercial licences, as granted by the NTA, to the Department. The Department has stated that the NTA notifies it of instances where a FT scheme service operator's licence has been revoked or not renewed.²
- 15.25** In 2023, the Department paid €1.6 million (1.7% of FT scheme expenditure) to 19 ferry operators for the provision of free travel services. The Department of Transport grants passenger licences and safety certificates for ferries.³ The Department of Transport stated that in general, these certificates and licences place no commercially relevant restrictions on the types of service (e.g. ferry, excursion, sea angling etc.) provided by an operator.
- 15.26** The Department of Transport publishes on its website, on a quarterly basis, the names of the currently licenced passenger boats and certificated passenger ships. However, there is no formal process in place whereby the Department is notified of instances where passenger ship certificates or boat licenses granted to vessel operators have been revoked or not renewed.

¹ Translink provides cross border bus and rail services.

² There was only one example of this in 2022. The non-renewal was due to an administrative oversight by the operator.

³ The Department of Transport issues passenger boat licences (for vessels carrying up to 12 passengers) and passenger ship (safety) certificates (for vessels carrying more than 12 passengers).

Contractual agreements

- 15.27** Once a free travel operator meets the eligibility criteria of the scheme, the Department requires them on an annual basis to complete three contract documents: a service level agreement (SLA), a compliance agreement, and a data protection agreement.
- 15.28** The examination team requested copies of these contract documents for review, and found that the Department did not have sets of contracts in place for the most material payments and operators under the FT scheme in 2023 (see Figure 15.4).

Figure 15.4 Free travel contract status, 2023

Payee	Service	Expenditure €m ^a	SLA	Compliance agreement	Data protection agreement
NTA	CIÉ, Local Link, Cross border rail BMO and other PSO routes ^b	54.6	✗	✗	✗
Bus Éireann	Bus Éireann Expressway	16.2	✗	✗	✗
Transdev	Luas	3.9	✗	✗	✗
Translink	Cross border rail	1.4	✗	✗	✗
Commercial operators ^c	Bus, ferry and air travel	16.4	✓	✓	✓

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

Notes: a Expenditure is based on actual amounts paid in the year and may include amounts accrued from 2022.

b Bus market opening (BMO) and other public service obligation (PSO) routes are competitive contracts for bus services awarded by the NTA.

c Based on a sample of ten, the contract documents appeared to be in line.

Payments made to free travel operators

15.29 The NTA is responsible for operating and maintaining the Integrated Ticketing System for public transport services in Ireland. The Department provides daily instructions to the NTA outlining details of new PSC FT cards issued, their expiry dates and any cards that are deemed no longer eligible. The NTA implements these instructions as required on the Integrated Ticketing System.¹

15.30 The main free travel operators are equipped with Integrated Ticketing System card validators or readers. When a PSC FT card is presented for travel on an enabled service, the card should be validated and where this is the case, the ticket machine or validator will store the journey information.² This data is collated on a centralised database by the NTA where it is retained for 13 months for processing and reporting purposes.³

15.31 The Department paid €92.6 million to free travel operators in 2023. Payments made to free travel operators are either capped at an agreed level, or based on actual or estimated usage (see Figure 15.5).

Usage-based payments

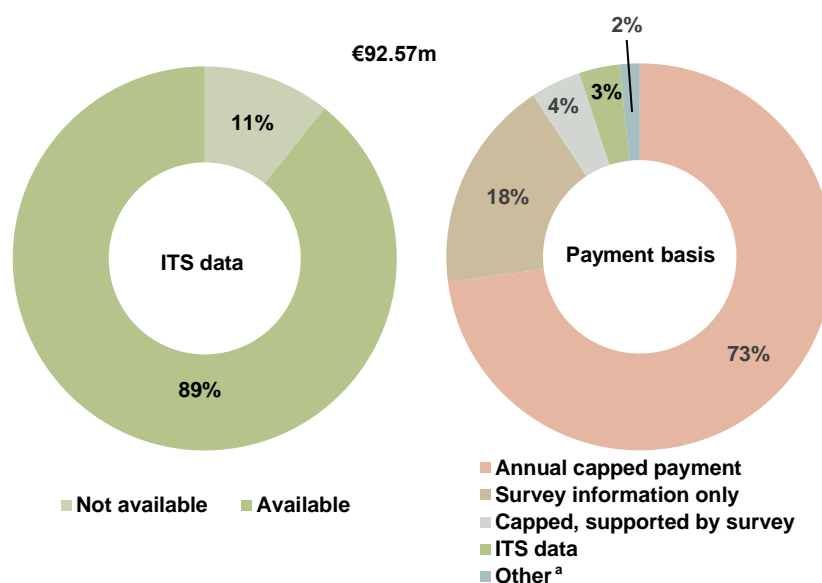
15.32 Bus Market Opening (BMO) is an NTA initiative with contracts in place with Bus Éireann and the private operator Go-Ahead Ireland. Invoices issued to the Department are based on the electronic recording of free travel passes at the point of boarding, with a 40% discount applied. Payments made to the BMO operators equated to €3.12 million or 3.4% of FT scheme expenditure in 2023.

1 The Department has stated that a stop instruction can be placed on a PSC FT for various reasons including, loss of entitlement, lost, stolen, damaged or expired cards or, change of name or entitlement status.

2 Journey information can include details regarding the unique card number, transport operator ID, time and date of travel.

3 The Department receives summary journey information only (e.g. usage volumes) from the NTA. The Department does not receive details of individual journeys from the NTA.

Figure 15.5 Payment basis and availability of Integrated Ticketing System data, free travel operators 2023



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

Note: a Other relates to payments made to Translink for cross border services (€1.38 million) and the NTA for other routes (€183,138) or for All-Ireland Free Travel (€6,630).

15.33 Translink, the bus and rail services across Northern Ireland, is the only other usage-based payment accounting for 1.5% of payments in 2023 (€1.38 million).

Annual capped payments — CIÉ/NTA

1 At the commencement of the FT scheme, the CIÉ payment was linked to survey usage information. However, free travel usage surveys on CIÉ services have not been undertaken since 1973.

15.34 Although CIÉ travel operators are Integrated Ticketing System enabled, this usage information does not form the basis of the CIÉ payment. In the past, payment amounts were based on historic rates agreed over 50 years ago, updated for fare increases and extensions to the FT scheme as required.¹ Since 2011, funding allocated to CIÉ has been capped at the 2010 payment rates.

2 In 2018, when Bus Éireann commercialised the Expressway service, the Department split the CIÉ payment into an annual capped payment for public service routes and a separate annual capped payment to Bus Éireann for the Expressway services.

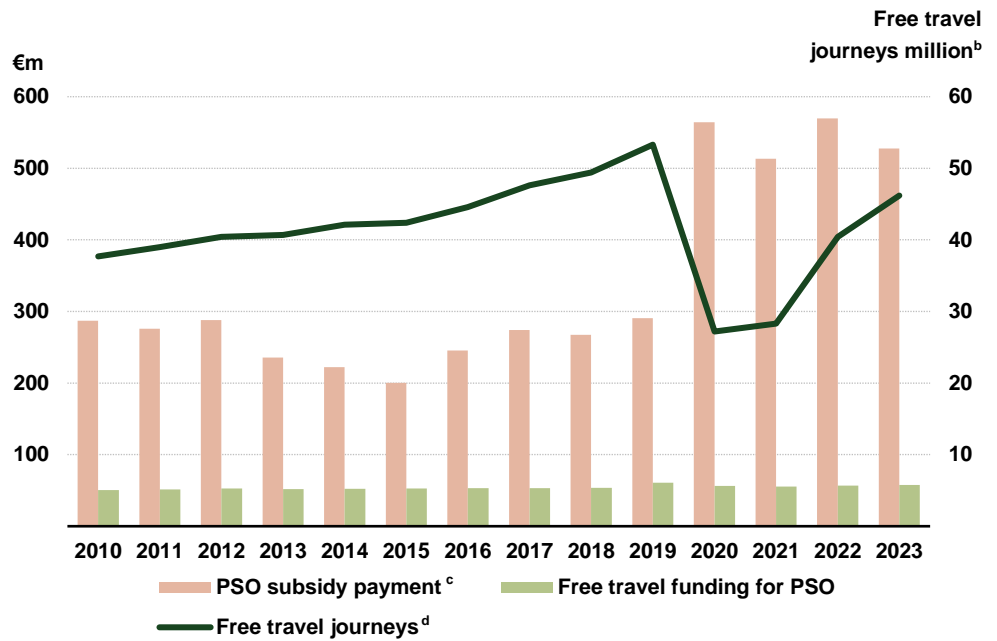
15.35 In 2023, the NTA was paid €51.3 million directly by the Department for the provision of CIÉ services (Iarnród Éireann, Dublin Bus, Bus Éireann and cross border rail) and services relating to local links. Separately, Bus Éireann received €16.2 million directly for the provision of expressway services.² Both payments are based on legacy arrangements in place since 1973, and together they represent 73% of scheme expenditure in 2023.

3 Each year, the Department of Transport provides the NTA with funding for PSO. This funding allows the NTA to provide socially necessary but financially unviable public transport services in Ireland.

15.36 The main sources of revenue for the NTA for the operation of public transport services are

- fare revenue from passengers
- free travel funding from the Department, and
- public service obligation (PSO) funding from the Department of Transport.³

Figure 15.6 Department free travel funding for PSO services, PSO subsidy payments vs free travel journeys, 2010 to 2023^a



Source: [National Transport Authority, Bus and Rail Statistics report 2022](#)

- Notes:
- a As the NTA came into existence in December 2009, the first set of accounts was for 13 months.
 - b Free travel journeys as reported by the NTA relate to journeys on bus, rail and light rail services.
 - c The payments are based on the difference between the cost of operating the service and the fare revenue collected.
 - d NTA estimates the number of free travel journeys undertaken based on ITS data and percentage 'uplifts' applied to account for under-recording of passenger journeys on open or partially open networks.

15.37 The NTA pays free travel operators from pooled free travel fare revenue and PSO funding. While free travel funding has remained at a constant cash level since 2010, PSO funding has fluctuated. In 2023, PSO funding levels were 82% higher than that paid in 2019 (see Figure 15.6). The NTA stated that increased PSO funding was provided in recent years partly as a result of additional and prolonged strain on public transport services caused by Covid-19.¹

15.38 The NTA also stated that

- there is a disparity between the level of free travel funding provided and the number of journeys undertaken by free travel customers and
- this places an additional burden on PSO funding to meet existing and proposed public transport services funding requirements.

¹ Other explanations provided by the NTA included Government decisions to reduce fares by 20% in 2022 as a cost of living measure, and to extend eligibility of Young Adult fares to 25 year olds in 2023.

Capped payments supported by survey — Luas

- 15.39** Luas — the Dublin light rail system — is operated by Transdev. The company is contractually obligated to Transport Infrastructure Ireland (TII) and the NTA under the Luas operating and maintenance contract to administer ‘concessionary schemes’, which includes the FT scheme.¹
- 15.40** TII conducts rolling ticket surveys which provide data on fare evasion and ticket usage on the Luas. These surveys also generate estimates of free travel usage. This information is used to support FT scheme payments to Transdev.
- 15.41** Transdev issues free travel invoices to the Department on behalf of TII and the NTA, and has been paid a capped amount of €3.9 million each year since 2011. The Department stated that future payments for the Luas will be made to the NTA in line with other PSO operators.

Survey based payments — commercial operators

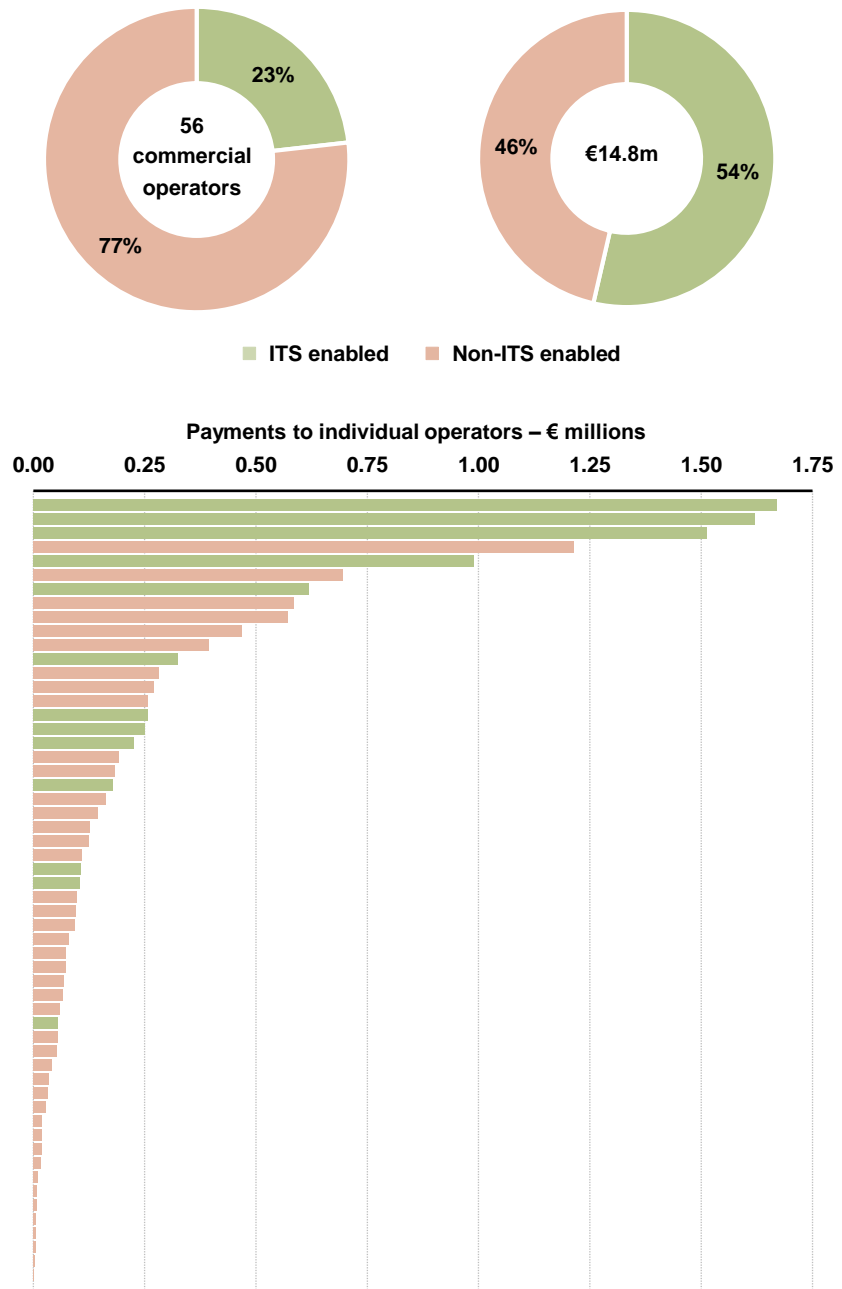
- 15.42** Payments to private commercial operators amounted to €16.4 million in 2023, an increase of 53% from 2018 (€10.8 million). In 2023, €14.8 million was paid to commercial bus operators, and €1.6 million to ferry operators.
- 15.43** The payments to commercial operators are based on estimated usage levels determined by surveys and are not capped. This applies even in cases where Integrated Ticketing System information about actual usage levels is available. The examination team found that, of the 56 private bus operators paid on estimated usage levels, 13 (23%) are in fact enabled with the Integrated Ticketing System. These operators received 54% of the amount paid to commercial bus operators in 2023 (see Figure 15.7).^{2,3}
- 15.44** In the case of private commercial operators, prior to 2024, self-surveys were conducted over a six-month period. The operator records free travel cards presented for travel for one week in each of those months and reports this information to the Department. The results of these surveys are used as the basis of the annual fee agreed between the Department and the operator. The Department pays the operator the agreed fee each year, until a new survey is completed.
- 15.45** Integrated Ticketing System data is a potentially rich source of accurate usage information available to the Department. However, this has yet to be integrated into the Department’s funding agreements with commercial operators.

¹ TII is an independent statutory body responsible for the provision of light rail infrastructure with assigned responsibility from the NTA to manage the Luas operations.

² Not inclusive of payments paid under BMO, to the NTA for other routes (€183,138) or for all-Ireland free travel (€6,630).

³ This excludes payments to operators for air and ferry travel. The total amount paid to commercial operators in 2023 was €16.4 million.

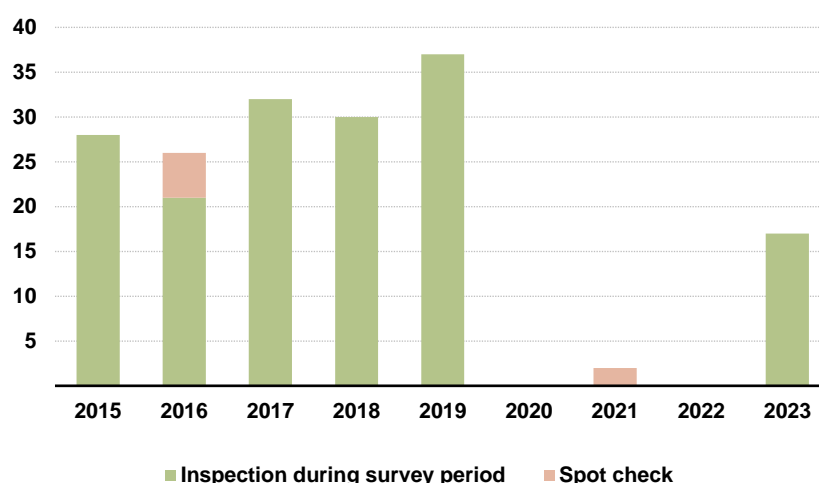
Figure 15.7 Commercial bus operators by free travel payment and Integrated Ticketing System status, 2023



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

15.46 The Department established a system to verify the free travel passenger numbers reported by the operators, through unannounced inspections (carried out during the survey period) and spot checks (carried out at any stage). Before Covid-19, the combined number of checks each year ranged from around 25 to 38 (see Figure 15.8). The Department outlined that due to Covid-19, no self-surveys were carried out by the operators between 2020 and 2022. The self-surveys were re-introduced in 2023 and verification inspections also resumed. However, only 17 routes were verified in the year — less than half the number completed in 2019.

Figure 15.8 Free travel routes verified, 2015 to 2023



Source: Department of Social Protection

15.47 The Department undertook seven spot checks in the last eight years, and none since 2021. Two spot checks were carried out in 2021 on the basis of an anonymous report that two routes were no longer being operated. Payments to the operator in respect of both these routes were ceased following the review, and the operator was removed from the scheme.

15.48 The Department was unable to provide any information about the outcomes of unannounced inspections or spot checks completed prior to 2019.

15.49 The examination team found that

- prior to 2024, usage data captured by survey was only reflective of a six-month period and may not have captured the fluctuations and trends across the full year
- due to the delays in the completion of surveys, payments are based on information that may no longer be accurate or relevant, and
- the absence of regular and random spot checks represents a significant weakness in controls to monitor usage levels reported by free travel operators.

15.50 The Department has stated that compliance survey checks have recommenced and a schedule of surveys for operators that have not been surveyed in recent years has been put in place.

Use of the Free Travel scheme

- 15.51** The examination team obtained information from the NTA on PSC FT usage on Integrated Ticketing System enabled services over the period August 2023 to July 2024. The data provided by the NTA outlined that approximately 60% of PSC FT card holders (606,726) used Integrated Ticketing System enabled transport during that 12-month period.
- 15.52** Integrated Ticketing System recorded data does not fully reflect actual usage on Iarnród Éireann or Luas services due to the way access to those services is managed.
- As some Iarnród Éireann commuter and DART stations are unmanned, the onus is on the PSC FT card holder to validate their journey.
 - Similarly, the Luas is an open-gated network, and although PSC FT card holders are asked to validate their cards for each journey, there is no deterrent in place if they do not. The Luas system also cannot record the journey of an accompanying person, so any validated journeys are recorded as a single passenger journey only.
- 15.53** Furthermore, usage information is not collated and recorded in the integrated ticketing database when a PSC FT card or paper pass is presented for travel on a non-integrated service.
- 15.54** To sum up, the Department could not compile complete and accurate data on the actual usage levels of the FT scheme, given the
- gaps noted with usage information from Luas and Iarnród Éireann
 - commercial operators and routes that are not Integrated Ticketing System enabled
 - variances in how spouses or companions are recorded, and
 - existence of expired cards and paper passes.

Free Travel scheme working group

- 15.55** In 2023, the Department, the Department of Transport and the NTA formed a FT scheme working group. The overall objective of this group is to agree an appropriate funding model for the scheme. The Department expects that a draft report on an alternative funding model for free travel will be available before the end of 2024.

Conclusions and recommendations

- 15.56** The number of individuals entitled to free travel has grown steadily in recent years. The Department of Social Protection reports that there were over 1 million PSC FT card holders in 2023. While there are difficulties in estimating the usage levels across free travel services, the number of PSC FT cards in circulation indicates that there is strong uptake of the scheme.

Estimation of scheme usage

- 15.57** The introduction of the PSC FT cards in 2015 provided the Department with an opportunity to improve its monitoring of usage of the scheme. However, accurate usage information is limited to journeys undertaken when a PSC FT is validated for travel on an Integrated Ticketing System enabled service. When the PSC FT is used on open-gated services, or on services that are not enabled with the Integrated Ticketing System, accurate usage information is not captured.

- 15.58** In addition, usage information is not recorded when an expired PSC FT card, or a paper pass is presented for travel. The examination team found that there is a significant backlog in renewing expired cards, and as at 1 June 2024, 17% of the PSC FT cards in circulation had expired. Furthermore, the Department has asked travel operators to honour expired cards for the time being. As a result, complete and accurate usage data for free travel journeys is unavailable.
- 15.59** The basis of funding for the FT scheme varies across categories of operators. In some cases, it is based on legacy arrangements or incomplete, untimely and unverifiable travel data. Only 11% of funding is paid to operators on the FT scheme that are not enabled with the Integrated Ticketing System. For the remaining 89%, either data is available but not used to invoice the Department, or the travel operator does not strictly control the issuing of free travel tickets, or a legacy payment arrangement is in place.
- 15.60** Just under 73% of scheme expenditure in 2023 (€67.5 million) was paid to the NTA and Bus Éireann on the basis of legacy estimated usage levels that no longer have any relevance. In fact, less than 5% of the total scheme expenditure of €92.6 million paid in 2023 was based on actual usage data.

Recommendation 15.1

The Department should work with the FT scheme travel operators in order to move to a payment system for operators which is based on actual journeys undertaken by PSC FT card holders. Those operators receiving the largest payments should be prioritised so that the maximum number of payments per annum are based on actual journeys undertaken by free travel card holders.

Accounting Officer's response

Agreed

The current arrangements, including legacy arrangements, have evolved over a considerable period. The Department agrees that it is timely these arrangements be reviewed with a view to addressing the issue identified. The Department also notes that free travel operators are funded through a combination of the FT scheme payments, the PSO levy and customer fares.

Accordingly, the Department, along with the Department of Transport and the NTA, is exploring future funding models for free travel operators. This includes examining an approach for all services with the Integrated Ticketing System in place, whereby payments could be made based on the monthly summary journey and fare data available from the system.

Timeline for implementation

It is expected that the Working Group's report will be finalised by the end of 2024. The recommendations of the Working Group will be considered at that stage.

Survey-based payments

- 15.61** Prior to 2024, for private commercial travel operators, irrespective of whether they use integrated ticketing or not, self-surveys were conducted for one week each month over a six-month period. Operators report the survey results to the Department and this is used as the basis of the annual fee agreed and paid to the operators.
- 15.62** Due to the delays in the completion of surveys, in the majority of cases, the fees paid to commercial operators are based on outdated usage survey information.

- 15.63** Departmental verification of passenger numbers is achievable through unannounced inspections (carried out during the survey period) and spot checks (carried out at any stage). The Department has completed just two spot checks since 2017, meaning that the Department is effectively placing full reliance on the outdated usage survey information provided by the operators.

Recommendation 15.2

While the Department continues to place reliance on survey information to form the basis of payments made to private operators, it should ensure that surveys are completed in a consistent, frequent and timely manner.

The Department should also re-introduce its programme of spot checks to gain assurance that survey data is a meaningful estimation of usage.

Accounting Officer's response

Agreed

The Department is currently reviewing the existing survey process for private operators to ensure that surveys are completed consistently and in a timely manner. A programme of 'spot checks' will be developed pending the roll-out of the Integrated Ticketing System to all private operators. It should be noted however that unannounced inspections (mostly one per route) are/have been carried out independently by Department staff during the survey period. From 2024, surveys are now conducted over a 12-month period. In addition, compliance survey checks have recommenced and a schedule of surveys for operators that have not been surveyed in recent years is in place.

Timeline for implementation

Q4 2024.

- 15.64** Transdev issues invoices to the Department, in accordance with its contractual obligations to TII and the NTA, as the operator of the Luas. Since 2011, TII conduct rolling ticket surveys which provide data, *inter alia*, on ticket usage on the Luas including estimated free travel usage. These estimates are used by Transdev to support the invoices it submits to the Department in respect of FT scheme travellers. However, payments to the company have been capped at an amount of €3.9 million each year.

Documenting scheme delivery arrangements

- 15.65** The Department has stated that it aims to have in place a number of documents to govern the terms of its relationship with each free travel operator, on an annual basis. The examination team found that there were significant gaps in the documentation in place for 2023, with €76.2 million or over 80% of the 2023 payments paid without a service level agreement, compliance agreement or data protection agreement in place.
- 15.66** Commercial travel operators must also hold a valid operator license to join the FT scheme. Funding for commercial operators has increased by 53% since 2018. In 2023, ferry operators represented 10% of the funding paid to commercial operators. Ferry operators are not subject to the same level of oversight as commercial bus operators.

Recommendation 15.3

The Department should

- ensure that valid and up-to-date contract documentation is in place with all operators and
- review the controls governing acceptance and oversight of ferry operators in relation to the FT scheme.

Accounting Officer's response

Agreed

The Department is currently reviewing the content of the service level agreements and data sharing agreements with travel operators participating in the scheme and with the NTA, and will ensure that valid and current contract documentation is in place for all operators.

A review of the controls governing the eligibility acceptance and oversight of ferry operators will also be undertaken.

Timeline for implementation

Starting immediately — larger operators (CIÉ, Transdev and Translink to be prioritised).

- 15.67** The Department, along with the Department of Transport and the NTA, has established a working group to review alternative funding arrangements for the FT scheme. In order to ensure that free travel funding arrangements are appropriate, improvements to the accuracy and timeliness of usage data collected from free travel operators should be a key feature of the revised funding model.

16 Use of Revenue real-time data in social welfare means and income assessments

- 16.1** The Department of Social Protection (the Department) incurred social welfare scheme expenditure totalling €24.2 billion in 2023, funded through the Vote for Social Protection (Vote 37) and the Social Insurance Fund (SIF). Expenditure on social assistance schemes was €12.1 billion, accounting for just over half of the total welfare spend.¹
- 16.2** There are over 40 social assistance schemes funded through Vote 37. Most social assistance schemes are means assessed, with eligibility dependant on the financial resources of the claimant and also, in some cases, the financial resources of a spouse, civil partner, co-habitant or a dependant.
- 16.3** The Office of the Revenue Commissioners (Revenue) implemented a 'pay as you earn' (PAYE) income tax modernisation project with effect from 1 January 2019. This allows employers to report payroll information to Revenue on each occasion that they pay their employees. The modernisation project eliminated the need for a number of periodic payroll-related returns to Revenue.²

- 16.4** The Revenue Real Time Lookup system (RTL) was initially developed to allow staff of the Department to access information on cessation of employment which had previously been available on the claimant's P45 form. The purposes for which RTL data is used by the Department have developed. Through RTL, Department staff can now access real-time payroll information to verify information provided by claimants to assist in the assessment of scheme eligibility.

- 16.5** This examination was undertaken to assess whether the Department is maximising the use of Revenue real-time information, to ensure the efficiency and effectiveness of the means assessment process and to reduce the burden on claimants. The examination team reviewed key documents and data produced by the Department, interviewed relevant members of Department staff, and undertook data analysis.

Means assessed social protection schemes

- 16.6** The Department carries out a large number of means assessments each year for new claims, claim renewals and claim reviews. There were approximately 405,000 means assessments completed in 2023.^{3,4}
- 16.7** This review focuses on five schemes accessed through a means assessment process (see Figure 16.1). Together, they accounted for 43% of the social assistance expenditure in 2023. Each scheme has specific rules on the amount and type of income that can be disregarded (or excluded) from the means assessment. There are also scheme-specific eligibility criteria used to determine if applicants qualify for the scheme.

1 Social assistance schemes are mainly funded through the Vote and are usually means assessed payments. SIF schemes are based on social insurance, where benefits due are based on the claimant's recorded PRSI contributions.

2 PAYE modernisation abolished the need for quarterly (P30) and annual (P35) returns on payroll information and returns signalling cessation of employment (P45).

3 There were an additional 74,000 income assessments carried out for the Working Family Payment scheme. The means test for this scheme does not include capital assets or savings. It is based solely on assessable income.

4 This figure is not monitored and reported on by the Department and is a best estimate of the level of means assessment activity for the year.

Figure 16.1 Overview of a sample of means assessed schemes

Scheme name and cost in 2023	Key eligibility criteria	Employment income disregard	Means assessed	Additional payments
State Pension (Non-contributory) €1,229 million	Aged 66 and over. Does not qualify for a State pension (contributory) payment.	Up to €200 per week. The spouse, civil partner or cohabitant of the claimant can also earn up to €200 per week.	The first €30 per week of means does not affect the rate of social assistance paid. After the first €30, the amount payable is reduced by €2.50 for every €2.50 of means.	Increased rate can be provided for an adult dependant of the claimant. ^a An increased rate can also be provided for a qualified child dependent.
Jobseeker's Allowance €1,823 million	Unemployed for four days in any consecutive seven days. ^b Does not qualify for jobseeker's benefit.	Claimants can work up to a maximum of three days per week. The weekly assessable earnings is calculated as 60% of the amount earned, less a €20 deduction for each day worked (up to a maximum of €60).	Total household means is deducted from the maximum payment pertaining to the claimant, giving the amount to be paid.	Increased rates are payable in respect of a qualified adult and/or child dependant.
One Parent Family Payment €680 million	Caring for a child or children without the support of a partner. At least one child is under seven years of age. ^c	€165 of the weekly gross earnings is disregarded in the means assessment and half the balance is assessed as means.	The first €7.60 per week of means does not affect the rate of social assistance paid. After this the amount payable is reduced by €2.50 for every €2.50 of means.	Increased rate for each relevant child.
Carer's Allowance €1,082 million	Providing full-time care and attention to a person aged 16 years or over.	€350 of the gross weekly income is disregarded for a single person. €750 of the combined income for those married, in a civil partnership or cohabitating.	The first €7.60 per week of means does not affect the rate of social assistance paid. After this the amount is reduced by €2.50 for every €2.50 of means.	If a carer is giving full-time care and attention to more than one person, the rate is increased by a maximum of 50%. The payment also increases in cases of a qualified child dependent.
Working Family Payment €392 million	Engaged in full-time remunerative employment i.e. work for 38 hours or more in a fortnight that is expected to last at least three months. Have at least one qualified child.	Payable at 60% of the difference between the set income limit for a given family size and the weekly family income. Family size is determined by the number of qualified children.	Minimum of €20 per week. Amount depends on set limits based on family size.	N/A

Source: Department of Social Protection, operational guidelines for each scheme

- Notes:
- a An adult dependant is a spouse, civil partner or cohabitant of the claimant who the claimant is wholly or mainly supporting financially.
 - b A person is not regarded as unemployed in respect of any day on which s/he is working under a contract of employment (written or otherwise) or is in receipt of wages. If a person is working three days a week or less, they may be entitled to Jobseeker's Allowance for the other days.
 - c There are some exceptions to the age limit, where the claimant is receiving the domiciliary care allowance, half-rate carer's allowance or blind pension or after the death of a spouse, partner or civil partner.

- 16.8** The means assessment is an important step in the claim application and renewal process. If a claimant's means change over time, it can also alter the entitlement to the eligible support amount. If means are not correctly calculated, or are not updated in a timely way, it may result in an overpayment or an underpayment to the claimant.
- 16.9** The Department carries out a programme of surveys of scheme payments in order to determine the level of excess payment that is occurring, and why this occurred. For example, a Jobseeker's Allowance control survey was published in March 2024 and from a total overpayment rate identified of 8.3% of expenditure, incorrect means represented the largest contributor of this, at 4.3%.¹

Access to Revenue real-time information

- 16.10** The Department has structures and procedures in place that govern its access to and use of the RTLU system.

Data sharing agreement

- 16.11** A formal data sharing agreement is in place between the Department and Revenue to govern the sharing of personal data between the bodies in relation to the effective management, administration and/or operation of the tax and social welfare systems, and certain other statutory functions. The agreement states that data can be shared between the parties "for purposes that support the delivery of services to the public in line with each party's statutory functions and responsibilities".
- 16.12** The agreement lists the relevant functions and responsibilities, including
- administration of the social welfare system, the payment of benefits and assistance and provision of social welfare services
 - sustaining, supporting and enhancing the effective and efficient delivery of integrated customer-orientated services by both parties by the re-use and processing of personal data collected by each party.

The terms of the agreement explicitly encompass the means assessment process of the Department.²

- 16.13** There is also a separate schedule to the data sharing agreement which sets out in greater detail the instances of where personal data is transferred between the two bodies. The schedule specifically refers to the transfer of data through the real-time facility and includes a list of the exact data items (e.g. employment start and end date, gross pay, PRSI class and PRSI paid) that can be transferred, the frequency of this, and the legislative basis.³

Service level agreement

- 16.14** A technical service level agreement (SLA) also exists between the Department and Revenue outlining the nature of the relationship between the two bodies and the technical support available in relation to the real-time Application Programming Interface (API) service. The SLA provides details on the number of transactions that can be facilitated, the optimum times as regards availability of the service and the expected response time for requests made (see Figure 16.2).

¹ See *Report on the Accounts of the Public Services 2023*, chapter 13, Regularity of social welfare payments.

² The agreement also sets out the legislative basis for data sharing: the Social Welfare Consolidation Act 2005; the Taxes Consolidation Act 2007; the Data Protection Act 2018, the General Data Protection Regulation (EU) 2016/679; and the Law Enforcement Directive (EU) 2016/680.

³ Department staff can only access information in the stated categories. If any additional information is required, a business case must be prepared and submitted to Revenue for consideration.

Figure 16.2 Service level agreement — key elements

	<ul style="list-style-type: none"> API service can facilitate up to 8,000 look-ups a day during business hours.^a
	<ul style="list-style-type: none"> Business hours are Monday to Friday 8am – 9pm and Saturday 9am – 4pm.
	<ul style="list-style-type: none"> A response to the request will be provided in less than five seconds.
	<ul style="list-style-type: none"> A bulk query can be run between 12am and 2am daily, supporting 100,000 look-ups. Pandemic Unemployment Payment (PUP) bulk query can be run between 9.35pm and 9.55pm (Monday to Friday) facilitating 16,000 look-ups.

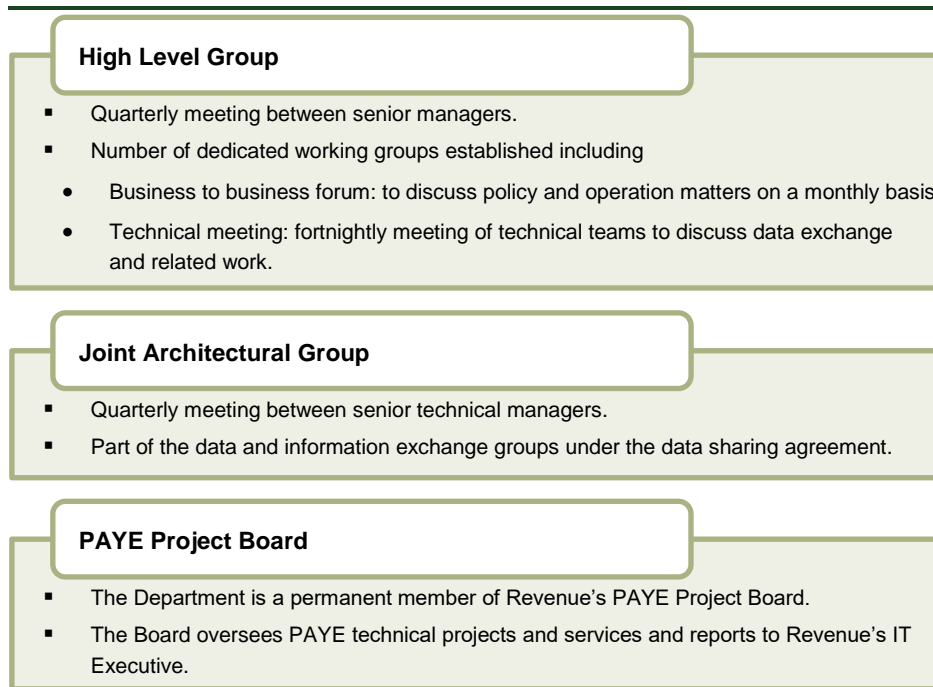
Source: Department of Social Protection, Technical Service Level Agreement

Note: a Look-ups refers to the calling up of information as a result of a query or request sent to the system.

- 16.15** The Department does not monitor or track its usage level of the RTLU system against the terms of the SLA. From interviews held with Department and Revenue staff, the examination team noted that there is no automatic block or alert if the usage is exceeded. The SLA sets out the level of service that Revenue can guarantee to the Department before the service quality might be impacted. Issues can be discussed as part of regular meetings held between the bodies, and any technical service incidents can be raised through a helpdesk operated by Revenue.
- 16.16** From a technical perspective, Revenue can monitor the level of use of the RTLU system to ensure that the service is operating correctly. Information is available on the number of transactions made by the Department for the previous 12-month period, and on the daily response time. However, regular reporting of the usage is not in place and the Department has not requested information on usage from Revenue.
- 16.17** The SLA provides that approximately 42 million look-ups to RTLU can be supported on an annual basis.¹ The examination team obtained details for the number of look-ups for the period 1 April 2023 to the 31 March 2024. A total of 20.7 million look-ups were made in this period, which is comfortably within the total service level guaranteed under the SLA, and indicates that there is significant capacity available within the existing agreement to facilitate any required increase in usage.
- 16.18** The SLA was due for review in March 2022 but this does not appear to have occurred, and the March 2021 SLA remained in place as of June 2024.² The Department advised that a new SLA is currently being negotiated and will be updated to encompass changes and further developments.
- 16.19** The Department has regular engagement on data-sharing with Revenue through a number of different groups and fora (see Figure 16.3). Any service issues regarding use of RTLU can be discussed at these meetings and the groups also consider any further developments required.

1 Certain other information is also provided to the Department outside of RTLU, for example regular notification of commencement and cessation of employment changes. This is set out in the data sharing agreement.

2 The SLA states that the agreement should be reviewed at a minimum once per fiscal year. However, it also provides that in the absence of a review, the current agreement will remain in effect.

Figure 16.3 Department and Revenue working groups

Source: Office of the Revenue Commissioners and Department of Social Protection

Use of RTLU on an individual means assessment basis

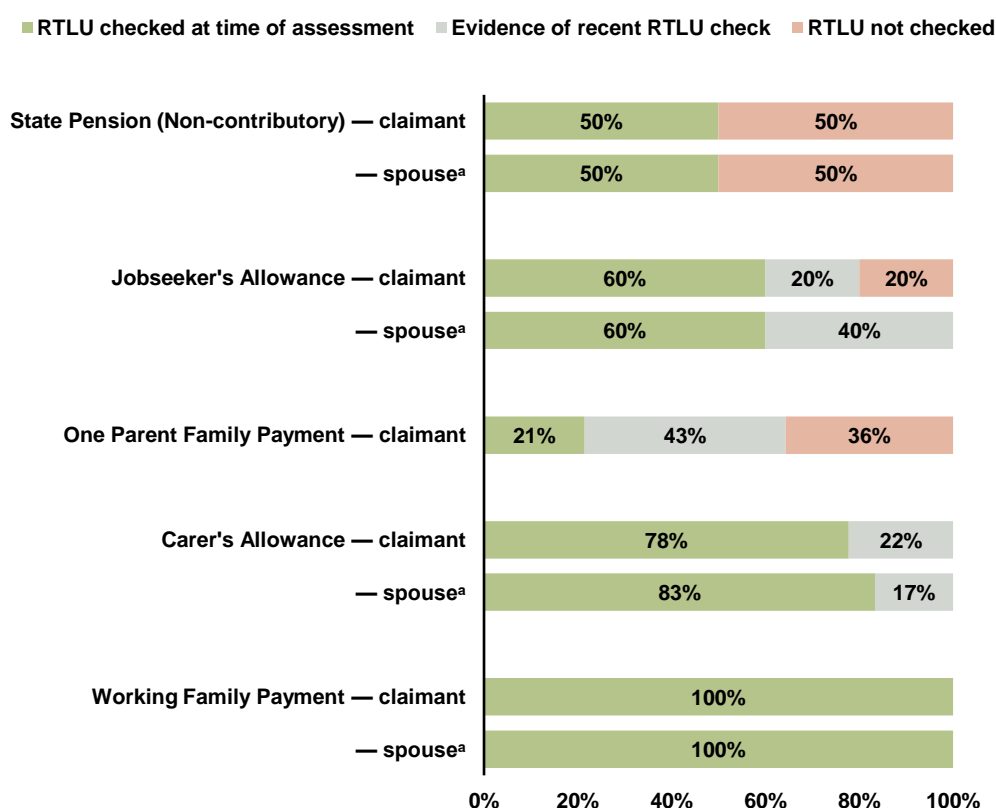
- 16.20** The Department has issued guidance to staff on the use of RTLU for all relevant schemes. The guidance requires that there must be a legitimate business purpose to use RTLU to retrieve information on claimants.¹ It allows for the use of RTLU
- to verify information in support of a claimant's application for any Department payment, or ongoing payment
 - to verify information about both the claimant and their dependant(s) to determine if there is a need to review a claim in payment.
- 16.21** If the details on RTLU differ from those provided to the Department, then a review can be initiated or a payment may be suspended. A decision to reduce or terminate a payment will usually not be taken solely on the basis of RTLU data. Instead, if a discrepancy in means is noted, the claimant will be notified and provided with the opportunity to clarify the matter.²

¹ The Department's IT system flags the claimant's account each time RTLU is checked. The time and date of access, along with the name of the Department staff member who accessed the information are recorded.

² Every customer is entitled to have their claim considered in accordance with the principles of natural and constitutional justice and in the context of determinations of entitlement under the social welfare legislation.

Assessment of the use of RTLU on an individual scheme basis

- 16.22** For each of the five schemes selected for review, the examination team reviewed scheme procedural guidelines and interviewed staff of the Department to assess how RTLU formed part of the scheme means assessment process. There was evidence that RTLU had been incorporated into relevant internal procedure documents and staff training material.
- 16.23** The examination team also tested a sample of claimants in payment from each scheme to ascertain the extent to which RTLU was being used as part of the means assessment process. The testing included whether RTLU was checked for the claimant, and also the spouse, civil partner or co-habitant where relevant (see Figure 16.4).

Figure 16.4 Use of RTLU — sample testing results

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

Note: a Spouse includes civil partner or co-habitant. These cases were tested where relevant. No such test required for One Parent Family Payment.

16.24 The examination team found that RTLU appears to be used with greater consistency in some scheme areas than for others. For example, there was evidence of RTLU being checked at the time of the means assessment in all of the Working Family Payment cases reviewed (ten cases) compared to 21% of the One Parent Family cases (three cases from 14 reviewed). The Department stated that this largely reflects the fact that all Working Family Payment claims are reviewed each year and that as Working Family Payment recipients are in employment, RTLU data is available in all cases.

16.25 The Department provided explanations as to why the deciding officer may not have checked RTLU in some cases. For example, a check would not be undertaken if a State pension claimant is residing in a nursing home and/or had declared no other income source or had no contribution history for a long period of time. However, as the basis for the decision not to use RTLU is not documented as part of the means assessment task on the system, the examination team could not assess if there were valid reasons why the cases had not been checked.

¹ Deciding officers are Department staff who are given the power through the Social Welfare Consolidation Act 2005 as amended and other social welfare legislation to accept or reject claims made for social welfare payments.

16.26 The Department staff also use RTLU to identify if the declared income from employment differs from that recorded by Revenue. However, there are a number of other scheme eligibility rules to be considered to determine whether or not a claimant passes the means test. This decision is made by a deciding officer in the Department who reviews the case.¹ The examination team found that the impact that the RTLU check had on a given means assessment cannot easily be determined from the information on file.

Figure 16.5 Working Family Payment — automatic renewal based on RTLU

Scheme details	The scheme is a 52-week income assessed scheme. The rate of payment is established at application and is paid for 52 weeks. ^a Claimants can apply for renewal at the end of the 52-week period.
Integration with RTLU	Since 2021, the scheme is managed on the same IT platform that hosts the RTLU application. This presented an opportunity for greater integration between the scheme and RTLU.
Automatic renewal checks	Rules built into the IT system for Working Family Payment renewals automatically verify that <ul style="list-style-type: none"> ▪ there has been no change in the claimant's employment ▪ the claimant's income is within an allowable amount of the income earned in the previous year.^b <p>If the case satisfies these checks, the claim can be automatically renewed.</p>
Automatic awards	Approximately 30% of renewal applications are automatically awarded. 10% of these cases are subject to quality review by a deciding officer prior to payment being made. There were 13,193 renewal cases automatically awarded in 2023. ^c

Source: Department of Social Protection

- Notes:
- a The claimant must notify the Department if they cease employment or are working less than 38 hours per fortnight, as this may affect their continued entitlement.
 - b The allowable amount for the movement in the year is set by the Department and is changeable based on current conditions. Most recently, the allowable difference between previous year income and current year assessable income was set at €50 per week.
 - c New claims are also subject to the automatic rule checks and 1,039 claims were automatically awarded in 2023. From February 2023, new claims are no longer automatically awarded.

16.27 In addition to a deciding officer checking RTLU manually, it is also possible for an automatic check against RTLU to be completed. This check has been embedded into applications and renewals for the Working Family Payment scheme since 2021 (see Figure 16.5).

Business Analytics Unit use of RTLU

16.28 In addition to data matching at the time of a new individual claim or on the periodic renewal or review of an individual claim, RTLU is also used to identify discrepancies in means as part of an automated bulk-review process carried out by the Business Analytics Unit (BAU) of the Department.

16.29 The BAU performs a control check of the Department's recorded means against real-time information for certain means assessed schemes on a periodic basis, and for others on a risk-assessment basis. The checks result in the generation of a list of cases for investigation for each scheme area, flagged on the system as 'analytic reviews'. Figure 16.6 sets out details of the frequency and basis of assessment for the analysis of these schemes.

Figure 16.6 Business Analysis Unit scheme reviews of means, 2023

Scheme	Frequency	2023 number of cases identified ^a	Basis of assessment
Jobseeker's Allowance	Monthly	14,300	Automatic comparison of means recorded against RTLU.
Carer's Allowance^b	Monthly	2,600	Automatic comparison of means recorded against RTLU.
Disability Allowance	Monthly	3,200	Automatic comparison of means recorded against RTLU.
Basic Supplementary Welfare Allowance	Quarterly	200	Automatic comparison of means recorded against RTLU.
Farm Assist	Monthly	1,100	Risk assessed based on scheme rules.
State Pension (Non-contributory)	Annual	3,200	Annual: population extracted to assess continued entitlement.
	Every two months		Self-service dataset with updated information created approximately every two months to generate reviews.
Widow's Pension	Annual	14,700	Risk-factor model.
			Rules include calculation using age and length of claim. Cases are selected using a total risk score by adding the scores for all rules.
State Pension (Contributory)	Every two months	9,500	Risk-factor model and scheme specific rules. Cases are selected by date of last means review where increase for qualified adult is paid on the claim. Claims paid by cheque and customers aged over 100 are also selected.
Total		48,800	

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

Notes: a Includes cases raised in 2023 as a result of BAU automatic checks. These cases may not have been investigated in 2023.

b For the Carer's Allowance scheme, new cases are not added for two months in the year to allow for any back logs to be cleared.

1 Most of the completed analytics reviews were generated in 2023. Some reviews completed in 2023 were generated in 2022.

2 The control savings amount is the sum of the value of any overpayment debt raised plus the Department's estimate of the value of future excess payments prevented.

16.30 The details of claimants and their qualified adult dependants on the means assessed schemes are extracted to a file, which is then bulk-processed overnight. For the four schemes automatically checked against RTLU, a number of scheme-specific rules are built into the query to identify potential discrepancies in means (see Figure 16.6).

16.31 In total, 48,800 analytic review items were generated for investigation in 2023. Of these, 42% were generated as a direct result of the RTLU automatic checks. The Department has stated that in total, 32,134 analytic review investigations were completed in 2023, resulting in control savings of €83 million being recorded.^{1,2}

Figure 16.7 Analytic review flagged cases identified through automatic RTLU checks, by scheme, 2023

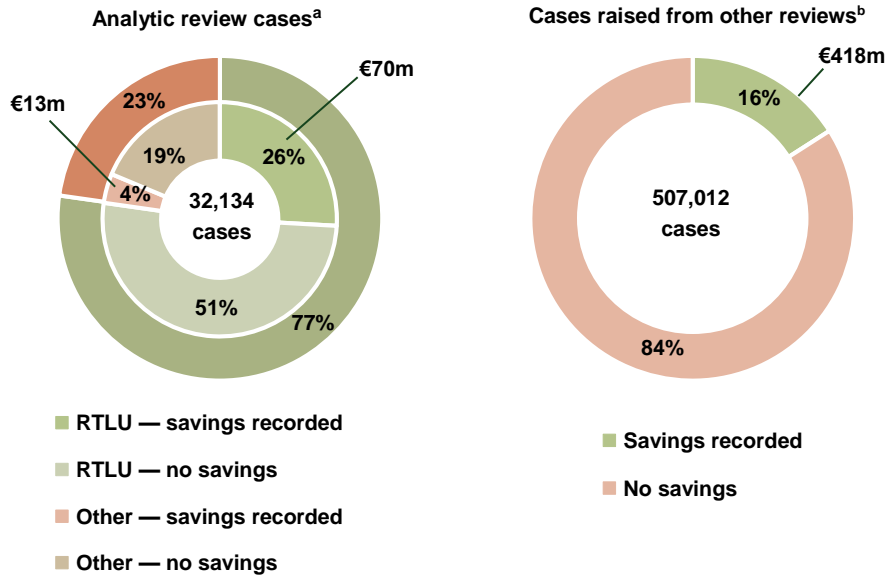
	Jobseeker's Allowance	Carer's Allowance	Disability Allowance	One Parent Family Payment ^a	Total
Average number of claimants per month in 2023	90,500	95,800	164,000	42,000	—
Cases opened following RTLU checks in 2023	14,300	2,600	3,200	—	20,100
<i>(as % of average claimants)</i>	16%	3%	2%	—	—
Total analytical reviews 2023^b	17,801	2,613	3,387	1,022	24,823
Control savings (€ million) in 2023 attributed to analytical reviews^c	22.7	19.2	25.9	2.5	70.3

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

- Notes:
- a Certain controls were suspended for the One Parent Family Payment scheme in 2023 due to changes in the means assessment requirements. See *Report on the Accounts of the Public Services 2023*, chapter 13, Regularity of social welfare payments.
 - b This includes cases identified from BAU checks prior to 2023.
 - c Control savings include the value of overpayments raised plus the Department's estimate of the value of averted future excess payments. The Department stated it is not possible to disaggregate the value of overpayments raised due to analytic review cases from the total amount.

- 16.32** The automatic RTLU checks carried out in 2023 identified means discrepancies for investigation in over 20,000 Jobseeker's Allowance, Carer's Allowance, and Disability Allowance cases (see Figure 16.7). The Department has stated that such cases are prioritised for investigation, and that 94% of the cases identified through RTLU checks in 2023 had been investigated and closed by the year end.
- 16.33** Almost 25,000 RTLU analytic review investigations (including a number identified for review in prior years) were completed in 2023 in respect of four schemes (see Figure 16.7). The Department recorded control savings amounting to just over €70 million in respect of these RTLU analytic review investigations closed in 2023.
- 16.34** RTLU cases accounted for over three quarters of the analytic review cases completed in 2023, with the remainder initiated through other analytic procedures (see Figure 16.8). One in three of the RTLU cases investigated resulted in control savings being identified. The comparable detection rate for other analytic review cases was around one in six.
- 16.35** In value terms, RTLU-initiated cases accounted for 85% of the control savings generated by analytic review cases in 2023. The average control savings for such cases was around €8,500. The average for other analytic review cases was somewhat higher, at almost €10,000.
- 16.36** Overall, analytic review cases typically result in more and higher average value control savings when compared with the incidence and average value of control savings estimated from other reviews.

Figure 16.8 Control savings from case reviews, 2023



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

- Notes:
- a Includes 24,823 cases identified through RTLU checks.
 - b Other reviews can be triggered for a number of reasons including commencement of employment notification, time from last review, estate cases, anonymous reports etc.

Impact of introduction of RTLU on Department process and on claimants

16.37 The actual benefit of the introduction of RTLU access is difficult to quantify, and the Department does not monitor or measure the use or impact of this. However, there are a number of factors that suggest that the introduction of RTLU has had a positive impact both on the means assessment and claim approval and renewal processes from an efficiency perspective, and in reducing the burden on welfare claimants.

Application forms

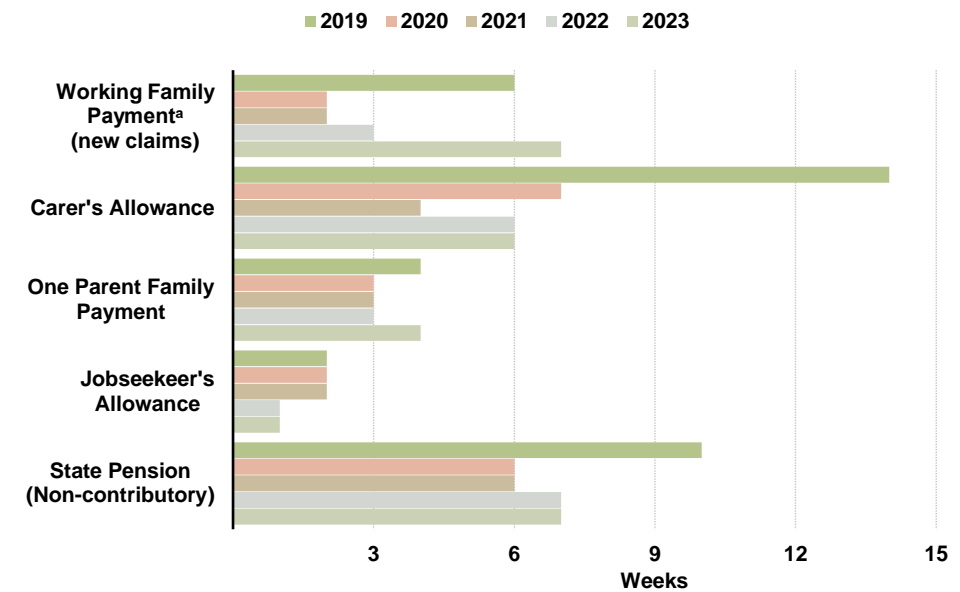
16.38 Interviews with Department staff for the five sample schemes indicate that certain information required to assess claims is no longer requested or obtained from the client but rather directly from RTLU. The examination team compared application forms and information requirements for the schemes that were in use prior to 2019, with the forms currently in place.

16.39 While the kind of details requested as part of the main application and renewal forms do not appear to have changed much, certain forms are no longer in use. In particular, forms requesting P60 and P45 (Revenue) documents and recent payslips are no longer sent or required. In addition, information from the employer is no longer requested or required to be obtained by the claimant as part of the application process. The information can be directly obtained via RTLU, thus reducing the burden on claimants, and increasing the confidentiality of the claims process.

Average lead time to awards

16.40 The *Statistical Information on Social Welfare Services 2022* report published by the Department sets out the average elapsed time (weeks) from application to award of claim, by scheme. For some schemes, a decrease in average lead times can be seen relative to 2019, which was the first year of operation of the modernised PAYE system (see Figure 16.9). While it is likely that the RTLU contributed significantly to the reduced average decision time (to award), it is not possible to disaggregate the impact from other potential contributing factors, including Covid-19 impacts.

Figure 16.9 Average weeks to award of claim, 2019 to 2023



Source: Department of Social Protection — Statistical information on Social Welfare Services 2022 report and internal monthly reports for 2023 information. Analysis by the Office of the Comptroller and Auditor General.

Note: a The increase in 2023 for the Working Family Payment scheme is a result of a campaign following a change in the scheme thresholds.

Business Analytics Unit

16.41 As referred to above, the BAU run periodic checks to identify any discrepancies between the means assessment information on hand and the real-time employment information on RTLU for certain schemes. Prior to the introduction of RTLU, this check was completed on an annual basis through a file received from Revenue. The current more frequent analytic checks can help reduce the burden on claimants by allowing data differences to be identified earlier, presenting opportunities for more timely engagement with the Department, and to allow for more targeted reviews.

Further use of RTLU

16.42 The pay-related benefit scheme due to be introduced later in 2024 will link a claimant's jobseeker's payment to their previous employment history. There will be three different rates of payment based on prior income and history of PRSI contributions. The Department plans to use RTLU to check claimants' employment history and average weekly earnings to determine their entitlement. The Department is liaising with Revenue about the increased usage requirements of the real-time system to support this.

- 16.43** The Daily Expenses Allowance is an income-tested entitlement for claimants in designated accommodation centres.¹ The Department has introduced income assessment testing for Daily Expense Allowance claimants with effect from June 2024. This will also result in increased demand and use of the RTLU service.

Conclusions and recommendations

- 16.44** The RTLU system was developed in 2019 by Revenue to allow officers of the Department direct access to real-time employment data of claimants and their dependants. Formal agreements and policies are in place governing use of the system including the data sharing agreement, the technical SLA and internal circulars and process documentation.
- 16.45** The SLA sets out details of the amount of usage and the particular times that Revenue can facilitate and guarantee optimum performance for the Department's data requests. While the level of use against these parameters is well within the limits set out in the SLA, usage levels are not measured and monitored by the Department. The technical SLA is under review and it would be useful to have this usage information and data to hand to allow for the key elements of the agreement to be assessed and updated.
- 16.46** The Department's increased usage requirements arising from the new pay-related benefit scheme and the changes in the Daily Expense Allowances scheme should also be considered in agreeing the new SLA.

Recommendation 16.1

The Department should consider options to monitor and report on its usage of RTLU against the terms of the SLA. The Department should develop an internal process to measure its usage of RTLU and liaise with Revenue regarding the possibility of availing of the information that is currently recorded. This information would be useful to the Department when renewing the SLA and considering its future requirements.

Department of Social Protection's Accounting Officer's response

Agreed.

The Department will monitor and report on RTLU usage against the terms of the SLA. Responsibility has been delegated to the central records system team that engages with Revenue colleagues in fortnightly technical and monthly business to business calls.

The continued on-going business and technical engagement between Revenue and the Department already allows for any issues relating to the SLA to be discussed. In future, RTLU will be formally embedded as an agenda item in these regular meetings between the Department and Revenue.

Timeline for Implementation

Consultation commenced with Revenue in September 2024 and the item will be discussed at fortnightly meetings going forward.

- 16.47** The RTLU system has become an important check and control for the means assessment process both on an individual basis for data matching against details provided as part of an application or renewal of an individual claim, and on an overall basis as part of bulk upload tasks carried out by the BAU to identify cases for investigation.

¹ See *Report on the Accounts of the Public Services 2023*, chapter 13, Regularity of social welfare payments.

- 16.48** The use of RTLU as part of the means assessment process for individual claim applications and renewals is more embedded in certain schemes. However, the rationale for not verifying information using RTLU is not recorded, and from a review of the information on the file it can be difficult to assess the impact that the RTLU check has had on the overall means assessment decision.
- 16.49** Automatic checks with RTLU have been embedded in the renewal process of the Working Family Payment scheme, and this has resulted in increased efficiencies, and allowed for approximately 30% of schemes renewals to be auto-awarded without the need for a full means assessment. This reduces the burden on both the Department and the claimants.

Recommendation 16.2

The Department should consider expanding the automatic RTLU check (as used in the Working Family Payment scheme) to other schemes where the control regime and scheme eligibility rules allow.

Department of Social Protection's Accounting Officer's response

Agreed

All projects to enhance scheme functionality and customer experience have a governance structure, with boards chaired by members of the Department's Management Board.

The Management Board and Project Office place a high priority on optimising the use of RTLU. The RTLU is used on an ongoing basis across Department schemes and it is agreed that its use should be automated where possible. The Department has embarked on modernisation projects across many of its business areas. As part of the modernisation project, the increased use of RTLU and automation are considered for all schemes that lend themselves to such automation.

For example, the Department is currently working on modernising its long-term schemes (e.g. State pensions, disability/caring schemes). The use of RTLU is a key consideration in the redesign and modernisation of these schemes. The same team will review all schemes under the remit of the project with increased RTLU usage, where relevant, at the forefront of the considerations.

In addition, the Department is working closely with Revenue colleagues to embed RTLU as a key feature of how the new pay-related Jobseeker's Benefit scheme will be operationalised. With the governance structure underpinning these projects, all new schemes and modernisation projects have a clear focus on optimising RTLU usage.

Timeline for Implementation

Ongoing.

- 16.50** The analytic review process undertaken by the BAU uses RTLU to identify cases for review for certain means assessed schemes. This process is proving effective at identifying cases for investigation, with one in three cases reviewed generating control savings. It has the potential to identify relevant changes in claimants' earnings quickly and presents opportunities for more timely engagement with claimants.

16.51 While the exact impact of the introduction of RTLU on the means assessment process is difficult to quantify, there is evidence to suggest that it has contributed to increased efficiencies in the means assessment process, and has reduced the burden on claimants.

17 The Health Service Executive's integrated financial management system

17.1 Since its establishment in 2005, the Health Service Executive (HSE) has sought to develop a fully integrated financial management system (IFMS). When fully deployed, it is intended that the IFMS will replace multiple legacy finance and procurement systems across the HSE, the Child and Family Agency (Tusla), and 64 other publicly-funded health agencies (see Annex 17A). A single chart of accounts will apply across all the legal entities on the system.

17.2 The IFMS is critical to the HSE's operation and its budgeting and financial reporting. Project delays have occurred, and implementation of the first phase of the project has encountered some difficulties. This examination was undertaken

- to review the progress and costs to date in the rollout of the IFMS in the HSE; and
- to establish the impact of the IFMS on the HSE's financial reporting and other reporting processes, including its reporting to the Department of Health (the Department).

The examination team interviewed HSE staff including end users of the system, reviewed project documentation and undertook an onsite walkthrough of the IFMS.

Origin of the project

17.3 In December 2013, the HSE set up a steering group — the Finance Reform Programme Steering Group — and put a formalised structure in place to deliver financial reform in the HSE. The steering group is responsible for

- managing the delivery of the finance reform programme
- ensuring the required programme budgets are secured and deployed, and
- approving and signing off on key programme deliverables.

17.4 Following its submission of a business case to the Department in May 2014 for a new finance operating model, the HSE submitted a detailed information and communication technology (ICT) business case for the IFMS to the Department in May 2015.¹ The proposed budget for the IFMS set out in the ICT business case comprised €82 million for capital costs and €50 million in recurrent spending for system support over an 11 year period.^{2,3}

17.5 In May 2015, the Department (as the project sponsor) recommended this ICT business case to the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) for approval. The ICT business case was reviewed under the Department of Public Expenditure's project peer review process and the project was approved to proceed to the next stage in October 2015.⁴

¹ The HSE confirmed that the 2015 ICT business case, although marked 'draft', was in fact the final version.

² The 2015 ICT business case did not state whether the proposed project budget included or excluded VAT. The business case submitted to the Department in May 2014 stated that the proposed capital budget excluded VAT.

³ The capital budget includes both capital and once-off expenditure. For the purposes of this report, both are referred to as capital. It is also assumed for the purposes of this report that all financial reform costs relate to the IFMS.

⁴ The project was approved to proceed at various stages throughout its lifecycle, including to contract signing, by the Department of Public Expenditure's Digital Government Oversight Unit.

- 17.6** The ICT business case envisaged that rollout of the IFMS would commence in 2017 with a view to being fully rolled out in the HSE, all statutory and voluntary hospital groups and the HSE's nine regional community healthcare organisations (CHOs), by the end of September 2019. Possible expansion to some 'section 39' organisations was planned from October 2019 to the end of 2020.¹
- 17.7** A significant part of the HSE's ICT business case was the stabilisation work to be undertaken to replace ageing and unsupported legacy financial systems. Work on the stabilisation of existing systems in the HSE commenced in 2016 and has continued alongside the development of the IFMS. The stabilised systems will be replaced by the IFMS.

Rollout of the IFMS

- 17.8** Following a tender process in 2016/2017, the HSE entered into a contract with SAP, the software company, to purchase an 'enterprise resource planning' (ERP) software platform on which the IFMS would be delivered. This type of software is used to integrate the main business processes of an individual enterprise, for example, finance, supply chains and procurement.
- 17.9** In December 2019, following a separate tender process, the HSE appointed a systems integrator, DXC Technology (DXC) to design, build, test and deploy the IFMS on the platform to the HSE's requirements. A systems integrator specialises in bringing component sub-systems together as one and is expected to lead on many of the IFMS's technical activities. The contracted works were to be delivered in five stages which included the preparation, design, build and test stage; and the deployment (in four stages) of the new system across selected parts of the HSE and three pilot health sector bodies representing the key health sector structures.² Each deployment stage included post 'go live' support.
- 17.10** Following delivery of the system design in 2021, the HSE and DXC agreed to terminate the systems integrator contract. The HSE stated that the project encountered a number of delays and challenges during the design stage, which included the impact of Covid-19 and the May 2021 HSE cyber attack.
- 17.11** The HSE also stated that based on learnings from the systems integrator procurement process, a number of key changes were made for the procurement of a new systems integrator, which included, *inter alia*,
- revision and expansion of the statement of requirements to include deployment of the IFMS to the entire HSE and all voluntary organisations with annual funding in excess of €10 million
 - new design quality assurance requirements to identify and address any potential gaps in the design or functionality of the approved design
 - the incorporation of additional and enhanced integration with other HSE systems
 - changes in the tender evaluation award criteria and associated weightings.
- 17.12** Following a new tender process, the HSE entered into a contract with IBM Ireland (IBM) as the new systems integrator in July 2022. In September 2022, the HSE approved the rollout of the IFMS on a phased basis across five planned 'implementation groups', including the three pilot non-HSE agencies (see Annex 17B).

¹ Section 39 organisations provide services which are similar or ancillary to services provided by the HSE, and are funded by the HSE under section 39 of the Health Act 2004.

² The three pilot organisations were the Mater Misericordiae University Hospital (acute), St Michael's House (non-acute) and Western Care Association (section 39).

Implementation

17.13 In September 2022, under the new systems integrator contract, a new implementation timeline was agreed with IBM. This included conclusion of IBM's validation of the existing system design by end October 2022; a build and test phase ending in June 2023; and the first implementation group (IG1) going live with the new system in July 2023.

17.14 The build and test phase continued as planned up to June 2023. However, this meant that there was very little time available for the new users to meaningfully engage with the system before going live. Nonetheless, the HSE decided to 'go live' with the IFMS for IG1 on 3 July 2023 as scheduled.

17.15 The roll out did not run as smoothly as envisaged. Some users felt that they did not have sufficient time to familiarise themselves with the new system, and the extent of new processes required, due in part to the timing of the build and test phase. Consequently, users continued to experience issues with the system after the user 'hypercare' period had lapsed in September 2023.¹ The issues experienced included

- problems with the vendor invoice management system and the processing of invoices for payment, mainly due to missing purchase order or goods received note information, thereby giving rise to a payments backlog²
- system, data and operational issues in the National Distribution Centre following the implementation of new extended warehouse management functionality as part of the IFMS, impacting the supply of stock and the delayed provision of backorders³
- problems with the transfer of old data to the new system and related adjustments
- the volume of tickets/calls to the help desk had not been anticipated and delays were experienced by users in receiving assistance.

In addition, the criteria for exiting hypercare were focused on the technical aspects of the solution rather than if users were sufficiently trained and experienced to move on from hypercare supports.⁴

17.16 To improve planning for future phase rollouts, the HSE undertook a lessons learned exercise post the rollout of the IFMS to IG1. The lessons learned included the need for

- greater IFMS project team awareness of local ways of working, to understand the practices which need to change and to provide targeted training
- the assignment of clear responsibility for signing off pre-IFMS and post-IFMS data
- improved support structures, for example, helpdesk solutions to be adequately resourced, to provide user support during the transition
- readiness assessments to be considered for future rollouts and review of (contractual) measures for exiting hypercare
- increased face-to-face engagement between the project team and users
- a strong representative governance structure to be maintained for future rollouts.

1 Hypercare is a period of increased user support for the new users of an ICT system.

2 For invoices processed through the IFMS, the invoices are emailed by the supplier to a new designated email address. The system has been designed to automatically review invoices using open text invoice scanning and to match the invoices in electronic format to related purchase orders to enable processing for payment. Invoices are only processed if they match the information included in the purchase order on a line by line basis. Invoices with missing purchase order or goods received note information require manual validation and compliance checks to allow them to be processed in the IFMS.

3 The HSE's National Distribution Centre provides logistics and inventory management to HSE locations nationally.

4 The criteria included, *inter alia*, the completion of knowledge transfer for all live application functionality and application documents and reverse knowledge transfer review. Also, no critical or high incidents identified during hypercare were to be left unresolved, and any unresolved medium and low incidents were to be within agreed limits.

Accelerated rollout

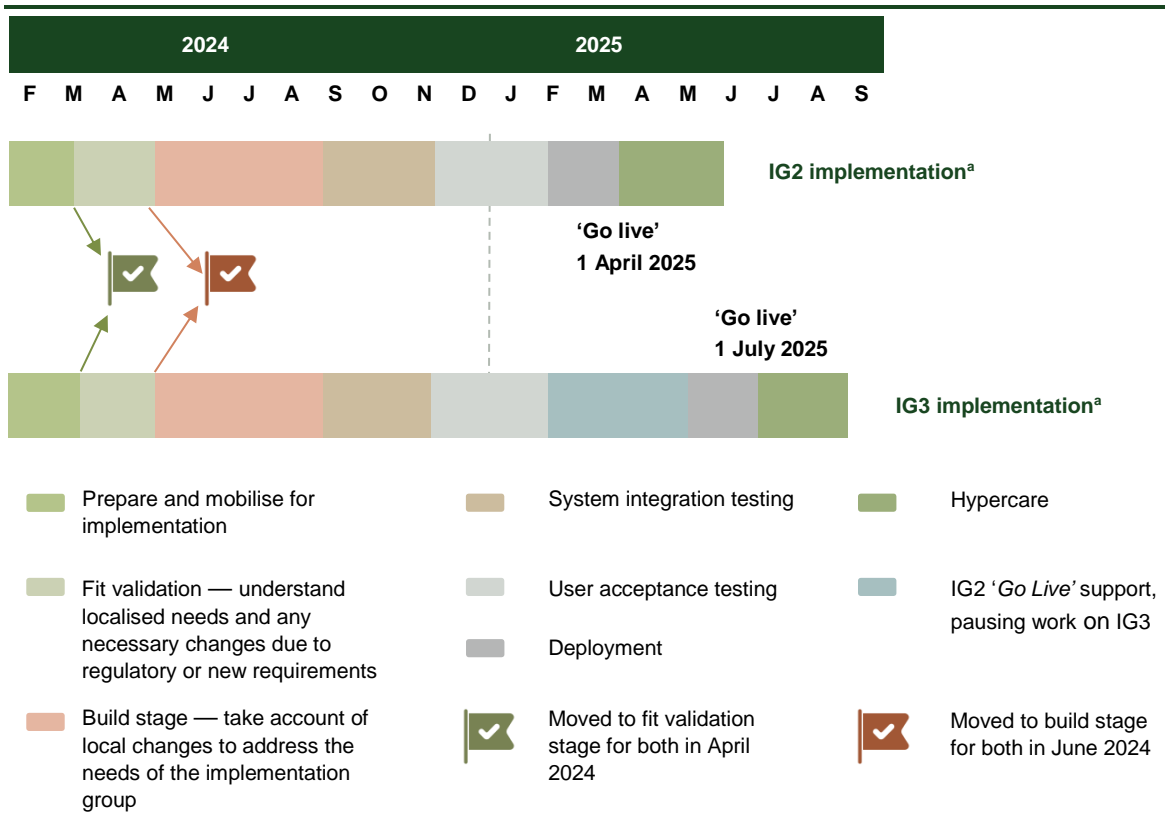
- 17.17** In October 2023, HSE staff who were members of the Fórsa trade union commenced industrial action which continued to early February 2024. Further rollout of the IFMS was among the work items that Fórsa members were instructed not to engage in. The HSE and IBM used the period of industrial action as an opportunity to undertake additional work on optimising the functionality of the IFMS.¹
- 17.18** Following a request from the Department, a plan for the accelerated rollout of the IFMS was developed in February 2024. The accelerated plan now includes rollout of the IFMS across the rest of the HSE in just two groups IG2 and IG3 (see Figure 17.1).² The accelerated rollout does not include any section 38 or section 39 organisations.³
- 17.19** The HSE’s revised plan is that the IFMS will be fully rolled out and operational within the HSE by the end of 2025. The HSE stated that, at that stage, it is expected that around 80% of annual health expenditure will be processed through the IFMS. Once the HSE rollout is complete, work on the rollout to other health bodies will commence.
- 17.20** The accelerated rollout is currently running behind schedule. The HSE stated that while some activities are running slightly behind schedule, this is being managed within the overall plan and it is not expected to impact the overall timeline or the planned ‘go live’ dates for IG2 (1 April 2025) and IG3 (1 July 2025).

1 IBM was paid €5.5 million (including VAT) for this optimisation work through change control notes 6 and 7 combined (see Annex 17C).

2 The accelerated implementation plan for the IFMS was approved by the HSE Board in March 2024.

3 Section 38 organisations comprise voluntary hospitals and non-acute agencies that provide services on behalf of the HSE and are funded by the HSE under section 38 of the Health Act 2004.

Figure 17.1 Accelerated rollout of the IFMS



Source: Health Service Executive

Note: a Implementation group 2 (IG2) comprises HSE West and North West, and HSE Mid West. Implementation group 3 (IG3) comprises HSE Dublin and South East, HSE South West, HSE Dublin and North East and HSE Dublin and Midlands.

Cost to date in rolling out the IFMS

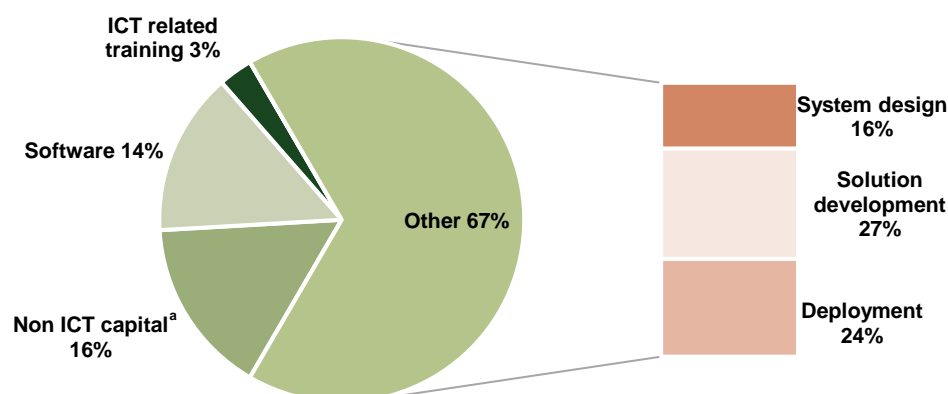
Capital budget for IFMS

17.21 The HSE's 2015 ICT business case to the Department set out the cash costs for the IFMS and how the capital budget funding of €82 million was to be spent over the period 2016 to 2020 (see Figure 17.2). The HSE has stated that

- costs in the business case excluded VAT, and while this was not stated in the 2015 document, an earlier wider business case submitted to the Department in May 2014 stated that the proposed capital budget excluded VAT
- the business case was submitted in line with *Public Spending Code* requirements, at that time.

17.22 The Department has stated that the capital budget allocated to the HSE for the rollout of the IFMS is €82 million, including VAT. However, the Department has not provided a copy of the approval issued to the HSE where this is stated. In late September 2024, the HSE provided the examination team with a copy of the Department of Public Expenditure's delegated capital sanction, dated October 2016, which included €82 million for the new financial system.¹

Figure 17.2 Breakdown of the IFMS capital budget of €82 million



Source: Health Service Executive *Finance Reform HSE Information and communication technology (ICT) Project business case* May 2015

Note: a Non ICT capital includes a budget for stabilisation — 8% to update the software on old HSE systems facilitating the move to the IFMS; 4% for programme management and 4% on legal advice and commercial management.

¹ *Multi-Annual Delegated Capital Sanction 2016 – 2019*, to the Department of Health, dated 13 October 2016.

² *Finance Reform Programme Capital Expenditure and Budget Analysis*, November 2022.

17.23 The HSE informed the Department in late 2022 that additional funding would be required, possibly from 2026 onwards, as the IFMS budget approval received in 2016

- was based on work undertaken in 2014 and 2015;
- reflected pre-tender estimates; and
- excluded VAT.²

System development costs

- 17.24** The HSE contract with SAP to purchase the ERP software platform to deliver the IFMS was estimated at €34 million (including VAT) over a ten-year period, and includes software and support costs over the contract period.¹
- 17.25** The contract with DXC, the systems integrator originally appointed to design the IFMS system, was for €19.1 million (including VAT).² This was on foot of a competitive tender competition where the successful bidder's cost offer was significantly lower than those of the other two bids received.
- 17.26** The contracted cost for stage 1 of the DXC contract (covering preparation, design, build and test) was €10.8 million (including VAT). In 2021, on completion of the system design, and early in the build stage, the contract was suspended and later terminated by agreement.
- 17.27** Payments to DXC totalled around €9 million (including VAT). This included
- €5.3 million related to the system design³
 - €2.1 million for a replan due to Covid-19 related delays — of which €1.9 million was charged by the HSE to Covid-19 related expenditure rather than to the project
 - around €1.6 million for other work completed up to the termination of the contract.
- 17.28** The value of the HSE contract with IBM in July 2022 for deployment of the IFMS across the HSE, post 'go live' support, software products and deployment of the system to the voluntary bodies totalled €63 million (including VAT). This included €4 million for IBM to review and validate the original DXC design, to ensure it met the 2022 IFMS requirements, before taking responsibility for building the system based on that design.⁴
- 17.29** From July 2024, contracted costs will increase for the remainder of the contract, due to the application of indexation based on the consumer price index.⁵

1 The contract includes provision for an increase in pricing over the term of the agreement.

2 The fixed price element of the contract was €18.2 million with €900,000 optional post 'go live' support.

3 Changes to the design increased the amount paid by €400,000 to €5.3 million.

4 An updated statement of requirements for the IFMS was prepared by the HSE as part of the procurement for the new systems integrator.

5 The contract provides for price indexation from month 25 of the contract based on an annualised consumer price index.

- 17.30** The contract with IBM includes provision for change requests of which there have been nine between September 2022 and March 2024 (see Annex 17C). The change control notes agreed to June 2024 have increased the value of that contract by €44 million i.e. to a total of €107 million (including VAT). This includes an increase of €20 million for the accelerated rollout of the IFMS across the HSE and €18 million for post 'go live' support.

Capital expenditure outturn (up to June 2024)

- 17.31** From the start of 2016 to the end of June 2024, the HSE has recognised IFMS-related capital costs totalling €60.2 million (including VAT). This comprises
- capital payments to IBM totalling €42 million for IFMS and the parallel-system stabilisation work
 - payments totalling €7 million to DXC (excluding €1.9 million of the Covid-19 delay amount)
 - €6.2 million to SAP in respect of the purchase of SAP licences, and
 - €5 million to other external suppliers.

HSE project costs not capitalised

17.32 The IFMS capital costs recognised by the HSE to date do not include two categories of project expenses.

- The salaries of the HSE's own staff working fulltime on the IFMS project and associated overhead costs are charged as recurrent expenses, rather than as capital expenses.
- Project costs incurred before 2016, for example, the development and review of the business case and other early project costs, are also not classified as capital costs.

The HSE stated that in line with a number of Department of Public Expenditure circulars, internal staff costs are not capitalised for ICT programmes.

Recurrent costs

17.33 The 2015 ICT business case included a budget of €50 million for recurrent IFMS ICT costs over the eleven-year period 2016 to 2026 — €29 million for (SAP) licence costs; and €21 million for managed service costs including the maintenance of systems (existing and to be developed). The HSE stated, that up to end June 2024, around

- €6 million (including VAT) has been incurred on SAP licence support costs¹
- €15.1 million (including VAT) has been incurred on managed service costs including the maintenance of systems.

However, these amounts, together with €3.6 million in pay costs for HSE staff supporting the IFMS, have been charged as IFMS 'business as usual' costs under the HSE's SAP Centre of Excellence rather than against IFMS project costs. The HSE has stated that all finance reform expenditure, which includes IFMS project related expenditure, is separately identifiable on its accounting systems.

HSE internal staff costs

17.34 The ICT business case capital budget proposed by the HSE included projected costs for an estimated 27.5 whole time equivalent (WTE) staff working on the development and implementation of the IFMS. The HSE has stated that these budgeted costs were for external resources.

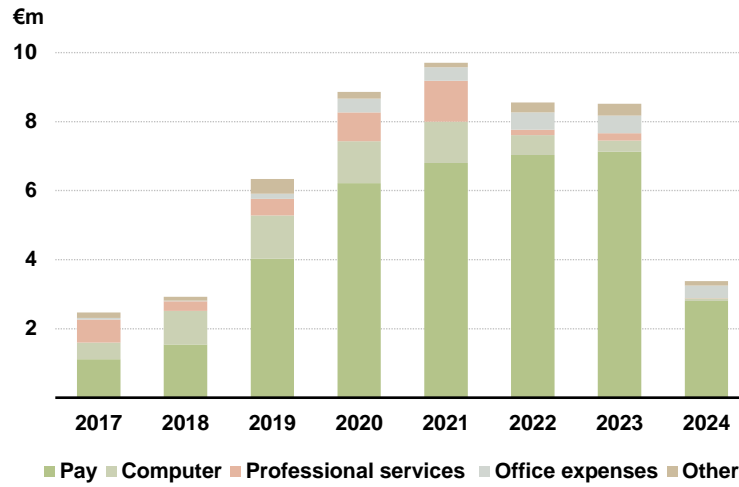
17.35 At 31 December 2023, there were almost 64 WTE staff working on the HSE's finance reform programme, of which, the IFMS is the main element.

17.36 Since 2017, the HSE has charged around €50.75 million for IFMS related pay and overhead costs to the finance reform programme (see Figure 17.3).² The HSE stated that between 2017 and 2020, this expenditure was funded from within the HSE's existing budget for each year. Since 2021, the HSE has received an additional annual funding allocation of €10 million from the Department for HSE IFMS related pay and overhead costs.

¹ From 1 January 2023, SAP can increase the cost of the support (initially set at a rate of 22% of the value of the licence) by the percentage increase in the consumer price index — to be applied on a non-aggregated basis until 31 December 2025 after which the increase is to be applied on an aggregated basis.

² Costs incurred in 2016 are not available. Since 2017, IFMS pay and overhead costs are recorded under a finance reform programme revenue budget.

Figure 17.3 IFMS related recurrent costs 2017 to end June 2024



Source: Health Service Executive

Project overrun

17.37 In the Department’s 2024 letter of determination to the HSE, issued in November 2023, the Department provided additional once-off funding of €40 million in 2024 to accelerate the rollout of the IFMS, bringing the total ICT budget allocated to €172 million. The budget required to complete the deployment of IFMS to the rest of the HSE and to the ‘in scope’ health organisations has yet to be developed by the HSE.

17.38 By end June 2024, the HSE had recorded that around €136 million has been spent on the IFMS project.¹ This comprises €60.2 million in capital costs, €50.75 million IFMS project in-house current expenditure, and €24.8 million in current software and operating costs (SAP Centre of Excellence).

IFMS operational issues

17.39 The 2023 audit of the HSE’s financial statements noted a number of IFMS related operational issues following the July 2023 implementation of the system for IG1. The issues noted included

- a number of duplicate payments made through the IFMS to suppliers
- delays and difficulties in posting and matching of invoices to goods-received notes
- manual tax clearance checks were required in some instances (checks were intended to be automated in the IFMS)
- delays in paying invoices, particularly part payments for ongoing capital work
- the IFMS not being configured to automatically calculate prompt payment interest.

¹ This does not include €1.9 million charged to Covid-19 expenditure.

17.40 In response to the audit findings, the HSE stated that

- a significant number of invoices received from suppliers did not reference an official HSE purchase order or have a goods received note processed which resulted in delayed payment processing
- temporary issues were experienced with migrated data, whereby certain supplier tax numbers either did not migrate across or were invalid
- master data for open invoices older than three months was not initially migrated resulting in delayed payment, for ongoing capital work in particular.

It also stated that, since August 2024, the IFMS can automatically calculate prompt payment interest.

17.41 The HSE further stated that

- Its 2025 annual financial statements (to be published in mid-2026) will be fully produced from the IFMS following the full rollout of the system across the HSE during 2025.
- Other organisations, once on-boarded to the IFMS, will also be able to produce their financial statements from the IFMS.
- The consistent categorisation of cost centres across all entities on the IFMS will also facilitate standardised national reporting of services.¹
- The IFMS line item matching of invoices to purchase orders will allow it to undertake price/volume reporting by location, whereby it will be able to drill down and establish whether any change in the cost of a product (or service) is due to price and/or quantity increases.
- The IFMS has been designed to provide standardised national reporting of services as well as detailed price and volume variance reporting at unique material or service code level for budget holders.
- The IFMS will allow the HSE — in addition to its existing mandated accrual-based reporting — to carry out cash-based accounting and reporting to better align with departmental vote based reporting.
- It is also expected that, over time, the embedding of the IFMS within the HSE will facilitate better, more timely financial reporting to and forecasting for the Department.

However, the examination team found that there has been no material change in the format of the HSE's reporting to the Department since the initial rollout of the IFMS.²

17.42 The HSE stated that the reporting-related benefits of the IFMS will not be fully realised until the IFMS is implemented completely across the entire HSE by mid-2025. In the meantime, it continues to report to the Department on a weekly and monthly basis, in line with the agreed format and timetable for reporting.

¹ Each legal entity will be represented on the IFMS by its own SAP company code, which will have its own set of cost centres to reflect the internal organisation of the legal entity and the services that it provides.

² Financial reports and spending updates are produced using both IFMS and non-IFMS financial systems.

Conclusions and recommendations

- 17.43** The IFMS — a single national integrated finance and procurement system — will replace the legacy financial management systems in place throughout the Health Service Executive (HSE) and other bodies within the scope of the IFMS.

Project budget

- 17.44** In 2015, further to the Department of Health's recommendation, the Department of Public Expenditure approved the progression of the IFMS by 2020 on the basis of a budget comprised of

- €82 million for capital and once off costs for the rollout of the system; and
- €50 million in recurrent funding to cover costs incurred on licencing and the maintenance of systems over the 11-year period 2016 to 2026.

The allocated funding is being provided through the Health Vote. A further €40 million was allocated in 2024 for the acceleration of the roll out of the IFMS, bringing the total approved ICT budget to date to €172 million.

Project delays

- 17.45** In December 2019, following a tender process to identify a systems integrator for the IFMS, the HSE entered into a contract for just over €19 million, with the successful bidder, to design and build the IFMS to be run on a SAP software platform. The successful bid was significantly lower than the other two bids received.
- 17.46** The HSE's 2015 ICT business case envisaged that rollout of the IFMS — planned on a phased basis — would commence in 2017 with a view to being fully rolled out in the HSE and other Health bodies by 2020. However, the rollout plan has been revised on a number of occasions mainly due to delays associated with project mobilisation; the original systems integrator procurement and related design challenges; Covid-19; the HSE cyber attack and the subsequent change in systems integrator.
- 17.47** On completion of the system design, which cost €5.3 million (including VAT), and early in the build stage, the HSE and the original systems integrator agreed to terminate the contract in late 2021. A further €4 million was paid to the successor systems integrator to review and validate the previous systems integrator's design to ensure it met the revised IFMS requirements.
- 17.48** In July 2022, following a new tender competition, the HSE entered into a contract with the current systems integrator for €63 million to cover validation of the first systems integrator's design, deployment of the IFMS across the HSE and the in scope voluntary health bodies, post 'go live' support, and software products.
- 17.49** The system build and test stage of the IFMS project was completed around the end of June 2023. Notwithstanding the proximity to the launch date, the HSE decided to 'go live' with the IFMS for the first implementation group as planned, in early July 2023.
- 17.50** The rollout was not without challenges. Limited resources were available to assist staff with the transition to the IFMS and to address issues arising from the extent of changed processes involved. Overall, users found that they had insufficient time to familiarise themselves with the system prior to it going live. The HSE, following a lessons learned exercise completed in February 2024, has identified a number of actions to improve the planning for future rollouts of the system.

- 17.51** Industrial action over the period October 2023 to early February 2024 further delayed rollout of the system. The HSE and IBM used this time as an opportunity to work on the IFMS, optimising the functionality and providing enhanced supports intended to benefit both the HSE and the system users.
- 17.52** Enabled by the additional funding of €40 million provided in the Health Vote for 2024 for the accelerated rollout of the IFMS, the HSE now plans to roll out the system across the rest of the HSE in two phases. By the end of 2025, the HSE expects that all of the HSE, covering around 80% of annual health expenditure, will be processed through the IFMS.

Budget outturn

- 17.53** The 2015 ICT business case presented by the HSE was costed without taking account of the VAT expense, but this was not stated in the business case. A wider business case submitted to the Department in 2014, including provision for the IFMS, had stated that VAT was excluded.
- 17.54** The Department considers that, in approving the cost proposal set out by the HSE in 2015, it had done so on a VAT inclusive basis.
- 17.55** The HSE subsequently informed the Department in late 2022 that additional capital funding would be required — most likely from 2026 onwards — to complete the rollout of the IFMS. It noted, *inter alia*, that the €82 million budget previously approved excluded VAT and was based on pre-tender estimates.

Recommendation 17.1

The HSE should develop and provide the Department of Health with a revised project budget setting out the expected future costs (on both a VAT inclusive and VAT exclusive basis) and any funding that may be required to achieve full deployment of the system across all bodies within the scope of the IFMS.

Chief Executive Officer's response

Agreed

The funding required for all approved stages of the project, up to the end of September 2025, has been fully identified.

The approved stages of the project will see the completion of the deployment of IFMS to the entire statutory healthcare system, with the final 'go live' scheduled for July 2025, followed by an intensive post 'go live' support period. The current approved project stage runs to 30 September 2025. Future stages of the IFMS project involve deployment of the solution to voluntary organisations in scope i.e. all section 38 voluntary organisations and section 39 voluntary organisations in receipt of annual funding in excess of €10 million.

The costs and funding required for future stages of the project beyond September 2025 will be developed as part of detailed project planning for the future stages, and submitted to programme governance for approval in early 2025. Expected future costs and funding required for these stages will be provided to the Department of Health as part of the annual estimates process and the ICT capital plan process in Quarter 4 2024.

Timeline for implementation

Quarter 4 2024.

- 17.56** Over the period 2016 to the end of June 2024, the HSE has spent around €60 million (including VAT) of the capital budget on the development and rollout of the IFMS. Payments to the systems integrators totalled €49 million, while payments to external vendors for stabilisation measures and other programme-related activities amounted to around €11 million.
- 17.57** While the 2015 ICT business case set out that the cost of an estimated 27.5 whole time equivalent staff working on the development and implementation of the IFMS and supporting infrastructure costs formed part of the capital budget, the HSE has clarified that these costs relate to external, rather than, in-house costs.
- 17.58** Salaries of HSE staff working on the IFMS project and their overhead costs totalling around €50.75 million to end-June 2024 are treated as a non-capital expense and have been charged against the finance reform programme budget, of which the IFMS is the main element. Other non-capital expenses incurred in relation to the IFMS project totalling €24.8 million have been charged to the HSE's SAP Centre of Excellence allocation.
- 17.59** Between September 2022 and June 2024, the HSE agreed nine contract changes with the systems integrator, for a total value of around €44 million, increasing the overall value of the contract to €107 million (including VAT). Three changes account for €42 million (96%) of the increase. The largest change (of €20 million) relates to the re-planning and accelerated rollout of the IFMS across the HSE, while a further change (of €18 million) relates to post 'go live' support.
- 17.60** The HSE has reported that by the end of June 2024, it had incurred a total spend of around €136 million on the IFMS project, including the costs charged to IFMS 'business as usual' areas within the HSE's accounting system.
- 17.61** While currently the total cost for the development and deployment of the IFMS to all of the HSE and other bodies within scope is unknown, the HSE has committed to developing detailed project planning for the future stages which will be submitted to programme governance for approval in early 2025.

Financial reporting

- 17.62** The 2023 audit of the HSE's financial statements noted a number of IFMS-related implementation issues. However, the HSE stated that its 2025 annual financial statements will be fully produced from the IFMS following the full rollout of the system across the HSE during 2025.
- 17.63** Once the IFMS is fully operational the HSE expects the functionality provided will include price/volume reporting and cash reporting on a summary cost centre and regional basis, significantly improving the HSE's financial reporting.

Annex 17A Section 38 and 39 organisations in scope for the IFMS

Figure 17A.1 Section 38 organisations in scope for the IFMS

Acute hospitals	Non-acute health agencies
1. Beaumont Hospital	1. Avista
2. Children's Health Ireland	2. Brothers of Charity Services Ireland
3. Coombe Women's and Infants University Hospital	3. Carriglea Cáirde Services
4. Mater Misericordiae University Hospital	4. Central Remedial Clinic
5. Mercy University Hospital	5. Cheeverstown House
6. National Maternity Hospital	6. COPE Foundation
7. National Orthopaedic Hospital, Cappagh	7. Cork Dental School and Hospital
8. National Rehabilitation Hospital	8. Dublin Dental University Hospital
9. Rotunda Hospital	9. Incorporated Orthopaedic Hospital of Ireland (Clontarf)
10. Royal Victoria Eye and Ear Hospital	10. KARE
11. St James's Hospital	11. Leopardstown Park Hospital
12. St John's Hospital	12. Marymount University Hospital and Hospice
13. St Vincent's University Hospital and St Michael's Hospital	13. Milford Care Centre
14. South Infirmar Victoria University Hospital	14. Muiríosa Foundation
15. Tallaght University Hospital	15. Our Lady's Hospice and Care Services (Sisters of Charity - Dublin)
	16. Peamount Healthcare
	17. Royal Hospital Donnybrook
	18. St Francis Hospice Dublin
	19. St John of God Community Services Ltd.
	20. St Michael's House
	21. St Patrick's Centre (Kilkenny)
	22. St Vincent's Hospital Fairview
	23. Stewart's Care
	24. Sunbeam House Services
	25. The Children's Sunshine Home
	26. The Galway Hospice Foundation Company Limited by Guarantee

Figure 17A.2 Section 39 organisations in scope for the IFMS^a

- | | |
|--|---|
| 1. Ability West Ltd | 13. Jigsaw |
| 2. Acquired Brain Injury Ireland (formerly Peter Bradley Foundation) | 14. Kerry Parents and Friends Association |
| 3. Alzheimer Society of Ireland | 15. Prosper Group |
| 4. Bluebird Care | 16. Rehab Group |
| 5. Camphill Communities of Ireland | 17. St Christopher's Services, Longford |
| 6. Caredoc GP Co-operative | 18. St Joseph's Foundation |
| 7. Caremark Ireland | 19. Simon Communities of Ireland |
| 8. Centres for Independent Living (CIL) | 20. Sora Healthcare T/A Irish Homecare |
| 9. Cheshire Ireland | 21. SOS (Kilkenny) CLG |
| 10. Comfort Keepers Ltd. | 22. South Doc GP Co-operative |
| 11. Enable Ireland | 23. Western Care Association |
| 12. Irish Wheelchair Association | |

Source: Health Service Executive

Note: a The organisations listed are currently in scope for the IFMS. It is envisaged that the IFMS will be rolled out to each section 39 organisation in receipt of over €10 million funding from the HSE.

Annex 17B HSE IFMS implementation groups as at September 2022**Implementation Group 1 (East)**

CHO6^a
 CHO7
 CHO9
 Connolly Hospital
 Naas General Hospital
 St Columcille's Hospital
 St Luke's Radiation Oncology Network
 HSE Corporate and National Services
 National Capital Income and Payments
 National Distribution Centre
 Primary Care Reimbursement Service
 Tusla

Implementation Group 2 (West)

CHO2
 Galway University Hospital
 Mayo University Hospital
 Merlin Park University Hospital
 Portiuncula University Hospital
 Roscommon University Hospital
 St Michael's House (Section 38)
 Western Care Association (Section 39)

Implementation Group 3 (South)

CHO 4
 CHO 5
 Bantry General Hospital
 Cork University Hospital
 Kilcreene Orthopaedic Hospital
 Mallow General Hospital
 South Tipperary General Hospital
 St Luke's General Hospital Kilkenny
 University Hospital Kerry
 University Hospital Waterford
 Wexford General Hospital

Implementation Group 4 (Midwest and North West)

CHO1
 CHO3
 Croom Orthopaedic Hospital
 Ennis General Hospital
 Letterkenny University Hospital
 Nenagh General Hospital
 Sligo University Hospital
 University Hospital Limerick
 University Maternity Hospital Limerick
 Mater Misericordiae University Hospital

Implementation Group 5 (Midlands and North East)

CHO8
 Cavan General Hospital
 Louth County Hospital
 Midland Regional Hospital, Mullingar
 Midland Regional Hospital, Portlaoise
 Midland Regional Hospital, Tullamore
 Monaghan General Hospital
 Our Lady of Lourdes Hospital
 Our Lady's Hospital Navan

Source: Health Service Executive

Note: a CHO refers to Community Health Organisations. There are nine CHOs in the HSE. Each CHO operates through primary care networks comprising general practitioners, nurses and allied health professionals.

Annex 17C Change control notes

Change notes ^a	Coverage period	Description	Payment allocation	Amount €000
CCN 1 3 October 2022	3 October 2022 to 30 June 2023	To provide a support service for a SAP Ariba snap cloud solution until the HSE migrates to the SAP IFMS solution as part of IFMS IG1.	Yes (IFMS Capital)	231
CCN 2 23 September 2022		To add an additional sub processor (offshore) for the data processing agreement.	Yes	—
CCN 3 20 January 2023	1 May 2023 to 31 August 2026	To provide 'go live' application support under a capacity-based managed service model following hypercare. Support is to be provided for each deployment of the IFMS. This service includes technical support for one year and minor enhancements to the system. The change note also included costings for an enhanced level of support for an extended period, if required.	Yes (IFMS SAP CoE Revenue)	17,829
CCN 4 1 March 2023		Replanning of delivery of a custom budget planning and forecasting solution.	Yes	—
CCN 5 14 April 2023	May to August 2023 (to allow for payment in August)	Systems integrator to provide additional training support for IG1 end user training from May to July 2023.	Yes (IFMS Capital)	124
CCN 6 1 November 2023	21 September 2023 to 29 December 2023	Systems integrator to work on prioritised enhancements to the system during the industrial dispute. This included optimisations for invoice processing, budgeting, reporting in capital and estates. The work also covered extended business supports for the HSE, the provision of user guides and activities to support an accelerated IFMS rollout.	Yes (IFMS Capital)	4,298
CCN 7 14 November 2023	1 January 2024 to 31 January 2024	Covers continued delivery of approved IFMS enhancements e.g. work on purchasing channels, supplier self-service related functionality and a change to allow cost centres as a selection parameter for financial statements. Business support for HSE shared services and activities to facilitate an accelerated IFMS rollout plan also included.	Yes (IFMS Capital)	1,188
CCN 8 22 January 2024	January to June 2024	Incremental training services to support the SAP Centre of Excellence unit in the HSE with IG1 related training activities.	Yes (IFMS SAP CoE Revenue)	116
CCN 9 1 March 2024	1 February 2024 to 30 September 2025	To accelerate the rollout to the remaining HSE statutory organisation in two groups IG2 and IG3. The systems integrator to mobilise regional teams to collaborate with the HSE regional teams to deliver the activities required to enable the rollouts. Establishing at the same time the custom requirements; building and testing the system to be completed for IG2 and IG3.	Yes (Allocation to be determined)	19,994
				43,780

Source: Health Service Executive

Note: a CCN means 'change control note'.

Revenues of the State

18 Administration of carbon tax receipts

- 18.1** In September 2009, the Commission on Taxation published a report which included a recommendation for the introduction of a carbon tax on fossil fuels with the rationale of encouraging both a change in consumption patterns and fuel efficiency.¹
- 18.2** Budget 2010 announced the introduction of a carbon tax on fossil fuels in Ireland. The tax came into effect for petrol and auto diesel during December 2009. It was extended to other mineral oils and natural gas in 2010 and to solid fuels in 2013.² A timeline of the evolution of the tax can be found in Annex 18A.
- 18.3** Ireland's carbon tax regime is a carbon pricing mechanism which directly links the taxation of fossil fuels to their carbon dioxide emissions. Carbon tax rates are based on charging an amount per tonne of carbon dioxide emitted when the fuel is combusted. (Annex 18B provides an overview of the approach to carbon taxes in other jurisdictions.)
- 18.4** The 2020 Programme for Government committed to increase the basis of carbon tax rates from €26 to €100 per tonne of carbon dioxide by 2030 (raising an estimated €9.5 billion over the 2021 – 2030 period) and to use that revenue in specific expenditure programmes including 'just transition' schemes, retrofitting and sustainable farming.³ Current carbon tax rates are based on charging €56 per tonne of carbon dioxide.
- 18.5** The Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) is responsible for allocating increases in carbon tax funds to the relevant departments.
- 18.6** The Office of the Revenue Commissioners (Revenue) is responsible for the collection of carbon taxes, which operate as excise duties and are administered on a self-assessment basis. In 2023, Revenue collected €5.7 billion in net excise duty. Of this, €935 million related to receipts from the carbon tax.
- 18.7** This examination focuses on
- the systems and procedures Revenue has in place to facilitate the assessment and timely collection of carbon taxes
 - whether the increases in carbon tax receipts since 2020 are being allocated and expended on the specified initiatives.

Carbon tax receipts

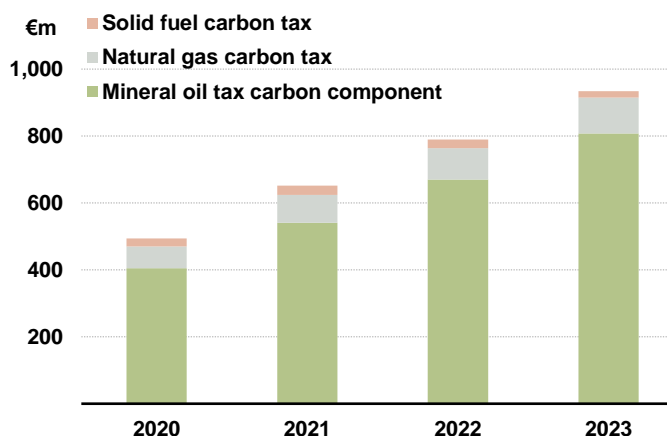
- 18.8** Between 2020 and 2023, net carbon tax receipts have almost doubled from €494 million to €935 million (see Figure 18.1). The tax is payable via the Revenue Online System (ROS) or myAccount (for natural gas carbon tax and solid fuel carbon tax). Mineral oil tax operates as an excise duty but, unlike solid fuel carbon tax and natural gas carbon tax, is comprised of a carbon component and a non-carbon component.⁴ The carbon component of mineral oil tax makes up the vast majority of carbon tax receipts, contributing almost 87% of the carbon tax revenue in 2023.

¹ The *Programme for Government 2007 – 2012* established the Commission to review the efficiency and appropriateness of the Irish taxation system and, more specifically, to consider and make recommendations on four areas, one of which was investigating fiscal measures to protect and enhance the environment, including the introduction of a carbon tax.

² Mineral oil tax applies to liquid fuels and natural gas used as a propellant. Natural gas carbon tax applies to natural gas used for all non-propellant purposes. Solid fuel carbon tax applies to coal, peat and peat products.

³ [Programme for Government, Our Shared Future, June 2020.](#)

⁴ Those liable to mineral oil tax pay one amount which comprises both the carbon and non-carbon elements. For example, the current mineral oil tax rate on petrol is €671.43 per 1,000 litres, comprising a carbon element of €129.59 per 1,000 litres and a non-carbon element of €541.84 per 1,000 litres. Mineral oil tax rates and rates for the carbon component of mineral oil tax are set out in [Schedules 2 and 2A of the Finance Act 1999 \(as amended\)](#).

Figure 18.1 Net carbon receipts by taxhead, 2020 to 2023

Source: Revenue Commissioners

- 18.9** While solid fuel carbon tax receipts are on a slightly downward trend, receipts from natural gas carbon tax and more significantly the carbon component of mineral oil tax are increasing. Revenue stated that this is attributable mainly to the increases in the carbon tax rate over the period 2020 to 2023, as there have been only modest changes in the overall consumption of mineral oils and natural gas during that period.

Registration for carbon tax

- 18.10** Figure 18.2 provides an overview of registration requirements for the separate excises comprising the carbon tax.
- Mineral oil tax (including the carbon component) applies when fuel is first released for consumption in the State. Registration is required for those at the top of the supply chain, releasing fuel from tax warehouses. Forecourt operators buying fuel from suppliers in the State are not liable for mineral oil tax.
 - For natural gas carbon tax, registration is required for those supplying natural gas to consumers (i.e. end users) in the State. Supplies between suppliers are not subject to the tax.
 - For solid fuel carbon tax, suppliers who make a first supply of solid fuel in the State must register. Suppliers making subsequent supplies are not liable for the tax.

Figure 18.2 Review of registrations for carbon tax

	Mineral oil tax (including carbon tax)	Natural gas carbon tax	Solid fuel carbon tax
Registration	Revenue Online System (ROS) ^a	ROS or by post	Email or by post
Approved/processed by	<ul style="list-style-type: none"> Large Corporates Division (LCD) (in respect of oil warehouses) Central Repayments Office (for taxpayers solely seeking a repayment) 	<ul style="list-style-type: none"> Automatic approval (ROS applications) LCD (for paper forms) 	Specific unit within Collector General's Office
Tax receipts 2023	€808 million	€107 million	€19 million
Taxpayers registered	619 ^b	16	152
Audit reviewed	8	16	8
Findings	None	None	None

Source: Office of the Comptroller and Auditor General

- Notes:
- A warehouse keeper is a taxpayer, approved by Revenue, to receive and store mineral oil in a tax warehouse. Responsibility for registering warehouse keepers for mineral oil tax lies with LCD as part of the warehouse authorisation process. Registration is carried out at company level, so a trader only requires one registration, even if it has multiple warehouses.
 - This figure includes 25 large operators at the top of the supply chain who release fuel for consumption from tax warehouses and are accordingly obliged to register for the tax. The remainder are registered solely for the purpose of claiming repayments of mineral oil tax paid.

Compliance

Mineral oil tax

18.11 Suppliers liable to mineral oil tax are required to file monthly returns, with the return falling due 15 days after the end of the month e.g. a March return is due by 15 April. The return confirms the liability for the mineral oil tax, including the carbon component. The Motor, Oils and Transport Branch in Revenue's Large Corporates Division (LCD) and other branches with responsibility for mineral oil warehouses are responsible for compliance controls of mineral oil warehouses, including return and payment compliance.

18.12 Payment of mineral oil tax is made either on an immediate basis through 'daily' payments¹ or on a deferred basis² on the 15th day of the following month. Caseworkers in LCD's Motor, Oils and Transport Branch monitor the frequency and amounts paid by warehouses making daily payments. Any failure to make a payment or submit a return is a breach of the warehouse keeper's authorisation conditions.

18.13 If a Revenue caseworker believes that an underpayment has occurred, an assessment will be raised and interest may be charged on any outstanding liability. Revocation of the warehouse keeper's authorisation and mineral oil trader's licence may also be considered. Where warehouse keepers have been approved to operate on a deferred payment basis but have not adhered to the requirements to file and pay their liability by the due date, or where Revenue considers that the security guarantee provided has become inadequate, consideration may be given to requiring the warehouse keeper to revert to daily payments.

¹ These payments are commonly referred to as daily payments, although, by agreement with Revenue, they can cover periods up to a week.

² Warehouse keepers must apply for deferred payment arrangements and approval is contingent on a financial guarantee being in place. The guarantee must be sufficient to cover 150% of the trader's average projected monthly liability over a twelve-month period, rounded up as appropriate.

- 18.14** Revenue stated that there was a 100% compliance rate in 2023 for the 25 taxpayers who were required to file returns and pay the mineral oil tax (i.e. those releasing fuel from tax warehouses) and that accordingly, no enforcement action was required.

Natural gas and solid fuel carbon taxes

- 18.15** The compliance requirements for natural gas carbon tax and solid fuel carbon tax are summarised in Figure 18.3.
- 18.16** During 2023, Revenue raised 285 estimates for 92 taxpayers for solid fuel carbon tax. Of these, 220 failed to make a payment so a final demand letter issued — 214 payments were made on foot of the final demand letters. Further enforcement action was required in the remaining six cases — four cases totalling just over €165,000 were referred for sheriff enforcement, one case totalling almost €65,000 was referred to a solicitor for enforcement and one notice of attachment issued with a value of almost €117,000.¹

Figure 18.3 Compliance requirements for natural gas and solid fuel carbon taxes

Process	Natural gas carbon tax	Solid fuel carbon tax
File and pay	File bi-monthly returns and pay for each period by the last day of the following month i.e. January and February return must be filed and paid by 31 March. Returns must be filed even if the liability for that period is nil.	
Monitored by	Collector General's Office	
If return not filed by due date	Revenue will issue an estimate of the amount due and the supplier will become liable for that amount	
If amount not paid by supplier	Revenue proceed with enforcement action ^a ; interest accrues on late payments after due date	Seven to ten days after the final demand issues, Revenue proceed with enforcement action; interest accrues on late payments after the due date
File and pay compliance rate	100% ^b	63%

Source: Office of the Comptroller and Auditor General

- Notes:
- a A date by which Revenue would proceed with action has not yet been specified. It is noted that this is because there is 100% compliance for registered natural gas suppliers.
 - b Due to the 100% compliance rate, enforcement action has not been necessary to date in relation to natural gas carbon tax returns and payments.

Compliance interventions

Mineral oil tax

- 18.17** Between 2020 and 2023, LCD carried out 365 mineral oil tax interventions. Five of these interventions resulted in additional tax yield, totalling just over €6 million (including interest and penalties). The yield is recorded by Revenue under the taxhead for mineral oil tax — the amount is not split into the carbon and non-carbon components as it is a single charge of excise duty. Revenue's Medium Enterprises Division carried out a further 60 mineral oil tax interventions but there was no yield from these interventions.

¹ Where a payment is not made on foot of a final demand letter, Revenue has powers of attachment. This means that if the taxpayer is owed money, Revenue can require that the money owed to the taxpayer is paid to Revenue instead. This includes salary from an employer or money due from a State agency.

Natural gas carbon tax

18.18 Between 2020 and 2023, there were 99 compliance interventions completed under the taxhead for natural gas carbon tax, of which five yielded €97,000 (including interest and penalties). Almost 60% of the yield was collected from one company. Following a request from Revenue to carry out a self-review, the company made an unprompted qualifying disclosure regarding undervalued returns.¹ The remainder of the yield comprises reviews of repayment claims which were revised downwards due to incorrect calculations, and one claim for a repayment that was invalid as it was outside the time limits for applying.

Solid fuel carbon tax

18.19 Between 2020 and 2023, there were 103 compliance interventions carried out under the taxhead for solid fuel carbon tax which yielded approximately €291,000 (including interest and penalties), arising from six yielding cases. Of this, €203,000 (70%) was collected from two related companies. The intervention arose from information received from HM Revenue and Customs in Northern Ireland.² Following receipt of the correspondence from HM Revenue and Customs, Revenue raised a query with the companies which resulted in them submitting a prompted disclosure.

18.20 In 2023, Revenue's Medium Enterprises Division carried out a solid fuel carbon tax compliance project. The aim of the project was to identify Irish solid fuel traders that may have sourced solid fuel from outside the State and made the first supply of that fuel in the State, but failed to register as a solid fuel supplier. 33 cases were selected for review

- 21 cases were selected as they had purchases over €100,000 in 2020 from potential solid fuel suppliers who were not registered with Revenue
- 12 cases related to registered solid fuel traders who were selected in order to verify the accuracy of their returns.

18.21 Of the 33 cases selected for review

- 23 were closed with no further action required.
- Ten were escalated to an intervention, with eight cases finalised resulting in a yield of just over €884,000 (including interest and penalties). The remaining two cases are ongoing.

18.22 The 2023 business plan for Revenue's Business Division included compliance actions for solid fuel carbon tax resulting in the commencement of a solid fuel carbon tax compliance project. The aim of the project was to gather information and to assess the risk of unregistered traders in order to inform ongoing compliance activity. Cases were selected from both solid fuel carbon tax registered and unregistered traders that were known to be selling solid fuels. A total of 184 compliance contacts have been completed to date, including 151 control visits by excise or shadow economy teams. At August 2024, there were 19 interventions ongoing within the project.

¹ An unprompted qualifying disclosure is a disclosure made at any time before a Revenue audit notification letter issues or an investigation starts.

² 'Mutual assistance' is available between tax authorities of countries within the European Union under EU Directive 2010/24/EU. Under this Directive, information on a taxpayer may be requested or shared from one member state to another. This Directive continues to apply to relations with the United Kingdom until 31 December 2025.

Carbon tax repayments

18.23 There are various full or partial reliefs available from carbon taxation, some of which operate by way of remission (i.e. relief provided at source) and others that operate by way of repayment.

Mineral oil tax repayments

18.24 Full relief from both the carbon and non-carbon components of mineral oil tax is available in certain circumstances e.g. for fuel supplied for the purpose of commercial sea navigation. Relief from the carbon component of mineral oil tax applies to biofuels and to fuel supplied for certain uses such as in installations covered by a greenhouse gas permit. End-user reliefs generally operate by way of repayment which is claimed via the mineral oil tax e-repayment system.

18.25 In 2023, 208 taxpayers, or 34% of those registered, claimed a repayment of the carbon component of mineral oil tax, totalling €16.1 million. As part of this examination, a sample of 15 repayments totalling €1.2 million was selected for review, and no issues of concern were noted.

Natural gas and solid fuel carbon tax repayments

18.26 Various full or partial reliefs are available from natural gas carbon tax and solid fuel carbon tax, some being applied at source and others claimed via repayment.

18.27 A sample of 15 repayments, totalling €846,000, for natural gas carbon tax was selected for review. All but one of the payments were found to be in order. The remaining claim, totalling less than €10,000, while correctly due, related to the repayment of the carbon component of mineral oil tax but it was incorrectly recorded as a repayment of natural gas carbon tax.

18.28 There were only two repayments of solid fuel carbon tax (totalling less than €1,000) between 2019 and 2023. The examination team reviewed both repayments and no issues were noted.

18.29 Both natural gas carbon tax and solid fuel carbon tax repayments are recorded on Revenue's claims processing system. This system requires caseworkers to allocate a repayment to a taxhead by manually selecting the relevant account code from a drop-down menu. The audit found that repayments for some cases were allocated to an incorrect account code which resulted in the amount being recorded under the wrong taxhead.

18.30 As a result, the examination team found that the repayments included in the Revenue Account under 'carbon repayments' refer only to the carbon component of the mineral oil tax.¹ Repayments for natural gas carbon tax or solid fuel carbon tax are not included. However, the level of repayments for both taxheads is immaterial.

18.31 Revenue has stated that a new claims processing system for repayments of natural gas carbon tax was introduced in January 2024 and that a specific code was assigned to the repayments which should prevent similar misclassification issues in the future.

¹ [Account of the Receipt of Revenue of the State](#) (see Note 13: Excise duty).

Hypothecation of carbon tax funds

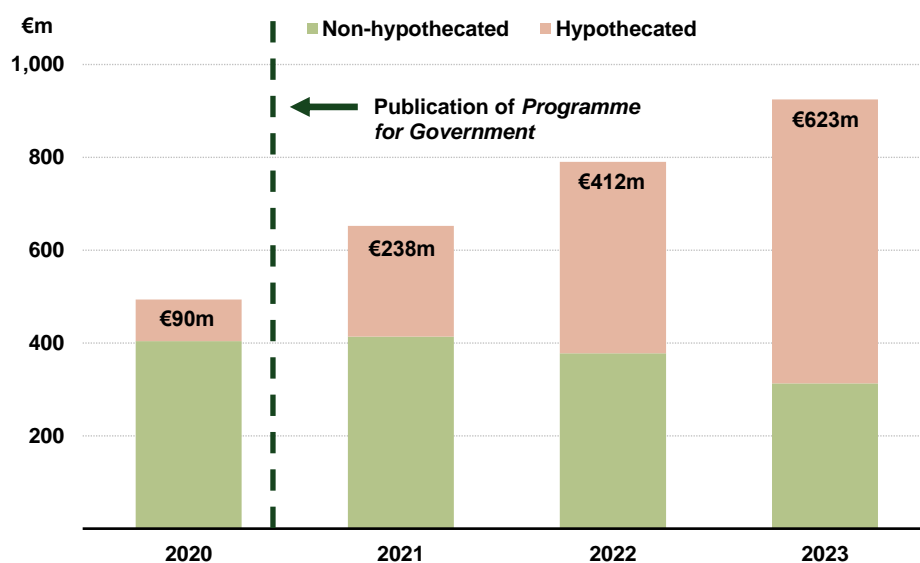
- 18.32** There have been three distinct phases in carbon tax allocation policy since the introduction of the tax. From late 2009 to 2019, carbon tax was introduced incrementally to cover all fossil fuels, with a number of increases in the charge being implemented over that period. All receipts from the tax were remitted to the Central Fund of the Exchequer.
- 18.33** As part of Budget 2020, the Minister for Finance announced that the projected revenue raised by a €6 per tonne increase in the carbon tax in 2020 would be ring-fenced for certain specific purposes: to protect those most exposed to higher fuel and energy costs; to support a just transition for displaced workers; and to invest in new climate action. It was estimated that the total additional tax take would be €90 million and it was stated that this would be allocated by the Department of Public Expenditure to ten specific measures across five departments. All but one of those measures (a once-off €20 million pilot housing regeneration programme) continue to be funded, with €70 million allocated from the carbon tax funds on an annual basis.
- 18.34** The 2020 Programme for Government committed to raising the carbon tax incrementally each year to reach a tax rate of €100 per tonne by 2030. It also committed to ‘hypothecate’ the proceeds of the increases in the carbon tax between 2021 and 2030 to specific spending programmes across three departments.¹ It was estimated in the Programme for Government that the tax increases would raise €9.5 billion up to 2030. The document stated that the funding would be used as follows
- €3 billion to prevent fuel poverty and ensure a ‘just transition’ via targeted social welfare and other initiatives
 - €5 billion to part fund a national retrofitting programme targeting all homes but with a particular emphasis on the midlands region and on social and low-income tenancies
 - €1.5 billion to encourage and incentivise farmers to farm in a greener and more sustainable way.
- 18.35** The 2020 Programme for Government envisaged that the hypothecation would be legislated for and that the additional carbon tax revenues would be managed via the Climate Action Fund. However, the legislation did not proceed.² Instead, receipts from the increases in the carbon tax continue to be paid, together with other receipts, into the Central Fund of the Exchequer. Exchequer funds are then voted for programmes that are linked to the carbon tax receipts.³ Such funding is administered in the same way as other voted funds, with the result that any of the funding that is not spent by departments during the year (and not carried over via formal arrangements for deferred surrender of unspent capital) is liable for surrender back to the Exchequer at the year-end.
- 18.36** Figure 18.4 presents the net carbon tax receipts collected by Revenue between 2020 and 2023 and the hypothecated funding allocated to votes/departments over that period. The hypothecated funding totalled €1.36 billion for the four years. This was distributed over five votes.
- 18.37** Since 2021, the hypothecated funding is allocated annually by the Department of Public Expenditure with the aim of achieving an even allocation (to 2030) of the €9.5 billion estimated receipts, as calculated in 2020, to be generated in the coming years by increases in the carbon tax rate.⁴ The Department of Public Expenditure stated that this is kept under annual review with reference to additional proceeds anticipated.

1 Tax hypothecation is the dedication of the revenue from a specific tax for a particular expenditure purpose.

2 The Department of Public Expenditure stated that expenditure from the Climate Action Fund is capped at €150 million per annum due to EU State aid rules. As a result, it would not be possible to achieve the Programme for Government goals via the Climate Action Fund and the chosen allocation approach was considered the best way to give effect to the commitment.

3 The annual revised estimates volumes published by the Department of Public Expenditure include a table setting out how projected revenue to be raised by increases in the carbon tax rate have been allocated as voted estimates for specific programmes and schemes. See [Appendix 7 of the Revised Estimates for Public Services 2024](#).

4 The Department produces an annual publication, at Budget time, setting out how the additional carbon tax funds are being allocated — see the Budget 2024 publication [here](#).

Figure 18.4 Net carbon tax receipts and hypothecated funding, 2020 – 2023

Source: Revenue Commissioners and Department of Public Expenditure's publication on the use of carbon tax funds for the years 2020 to 2023

18.38 As part of this examination, the €1.36 billion of funding allocated to the five votes from the increases in the carbon tax between 2020 and 2023 was reviewed with a view to confirming

- that the increases in the carbon tax funding allocated to the departments were spent on the specified initiatives
- whether the amounts were expended in full, deferred to the following year (in the case of capital funding) or surrendered to the Exchequer via the Central Fund.

Vote 29 Environment, Climate and Communications

18.39 Between 2020 and 2023, Vote 29 Environment, Climate and Communications was allocated a total of €660.5 million in capital funding from carbon tax related funds, distributed as follows

- €619 million for investment in residential and community energy efficiency programmes
- €24 million to the Just Transition Fund to support communities affected by decarbonisation of the economy
- €8 million to international climate change commitments
- €9.5 million to invest in low carbon transition initiatives, for example the continuation of electric vehicle grants and investment in electric vehicle charging infrastructure.¹

18.40 Of the €660.5 million allocated

- €482.1 million (73%) was spent on the relevant initiatives²
- €178.4 million remained unspent at the respective year-ends and was surrendered back to the Exchequer.

1 From 2021, funding for the low carbon transition initiatives continued under the remit of the Department of Transport.

2 In 2021, following receipt of the relevant approval, €160 million was transferred from Vote 29 to the Energy Efficiency National Fund. €100 million of the transfer was funding from the increases in carbon tax funding. Of that €100 million, €60 million was spent on energy efficiency grant schemes and €40 million on the energy efficiency loan guarantee scheme in 2022 and 2023.

Vote 30 Agriculture, Food and the Marine

18.41 Between 2020 and 2023, Vote 30 Agriculture, Food and the Marine was allocated an aggregate €110 million for green agricultural projects — €98 million in current expenditure and €12 million in capital expenditure. Of those budget amounts, a total of €45.4 million (41%) was spent on green agricultural projects and €64.6 million (59%) remained unspent. Of the €64.6 million that was unspent

- €60.6 million related to current expenditure and was surrendered back to the Exchequer into the Central Fund
- €4 million of capital expenditure was deferred and carried forward to the succeeding budget year (with Department of Public Expenditure approval), but was not re-allocated to the carbon tax supported schemes.

Vote 31 Transport

18.42 Between 2020 and 2023, Vote 31 Transport was allocated €70.5 million in capital funding from carbon tax related funds to support low carbon transition programmes with investments in electric vehicle purchase grants, electric vehicle charging infrastructure and investment in greenways and urban cycling infrastructure. This funding was provided under two pre-existing programme subheads.

18.43 Of the total allocated, €49 million (70%) was spent on the relevant initiatives. Of the €21.5 million that was unspent

- €0.5 million was surrendered to the Exchequer via the Central Fund
- €9 million was deferred and carried forward to future years, but was not allocated to the programmes that were to be funded by the increase in the carbon tax funds
- €12 million which was unspent at the end of 2023 was deferred and carried forward to be spent on relevant initiatives in 2024.

Vote 34 Housing, Local Government and Heritage

18.44 Between 2020 and 2023, Vote 34 Housing, Local Government and Heritage was allocated €40 million in capital funding from carbon tax related funds — €20 million for energy efficiency renovations to social housing in the midlands and €20 million for the restoration, conservation and management of protected peatlands.

18.45 Of the €20 million allocated to the social housing energy efficiency renovations programme, €3.8 million (19%) was spent on the programme and €16.2 million (81%) was surrendered back to the Exchequer.

18.46 Of the €20 million allocated to the restoration of peatlands, €12.7 million (63%) was spent on peatlands restoration. Of the €7.3 million that was unspent as at end 2023,

- €4.3 million was surrendered back to the Exchequer
- €3 million was carried forward at the end of 2023 to fund the peatlands restoration programme in 2024.

Vote 37 Social Protection

18.47 Between 2020 and 2023, Vote 37 Social Protection was allocated €482 million in current expenditure from carbon tax related funds. The funding was allocated to top-up four existing targeted social protection payments, as outlined in Figure 18.5.

Figure 18.5 Allocation of the increase in carbon tax funds to targeted social protection payments

Payment	2020	2021	2022	2023	Payment total
	€m	€m	€m	€m	€m
Fuel allowance	21	32	73	98	224
Working family payment	—	—	8	15	23
Increase in living-alone allowance	—	18	45	45	108
Increase to the qualified-child payment	—	19	48	60	127
Carbon tax funding allocated	21	69	174	218	482

Source: Office of the Comptroller and Auditor General

18.48 Of that €482 million

- €224 million was allocated to fund the increases in fuel allowance, €222 million (99%) of which was spent as planned and €2 million was surrendered¹
- €23 million was allocated to fund the increases in the working family payment, all of which was fully expended in the relevant years
- €108 million was allocated to fund increases in the living-alone allowance and €127 million was allocated to fund increases in the qualified-child payment.

The last two payments are both supplements paid in addition to core personal rate supports on a wide range of social protection schemes, depending on an individual's circumstances. The Department of Social Protection stated that expenditure on these allowances is charged as an element of expenditure across a wide range of scheme subheads, rather than as specific individual vote subheads. The additionality of this spending, and the extent to which it is attributable to carbon tax expenditure, could not therefore be confirmed.

Overall spending outcome

18.49 Of the €1.36 billion of funding allocated to votes from the increases in the carbon tax between 2020 and 2023, only 61% can be verified as having been spent in the target areas.

18.50 In line with the provisions of *Public Financial Procedures*, unspent capital funding at the end of a calendar year can (within certain limits) be carried forward to the following year. However, €13 million of the €28 million in carbon tax funding that was deferred between 2020 and 2023 was subsequently used on programmes that were not targeted for funding from the increases in the carbon tax.

¹ The €2 million was surrendered to the Exchequer in 2020. For 2021 to 2023, the original allocations were expended in full, and a supplementary was required to compensate for an overspend on the subhead.

- 18.51** Where funding is allocated to a programme and is unspent at the end of the relevant year (or by the end of the following year in the case of capital funding that has been deferred), it is surrendered back to the Exchequer, and the specific hypothecation or allocation is no longer applied. This was the case for €262 million (19%) of the funding allocated between 2020 and 2023. In relation to the level of underspend during that period, the Department of Public Expenditure stated that progress on certain key schemes (e.g. the warmer homes scheme) was impacted by significant environmental factors, namely the public health restrictions imposed as a result of the Covid-19 pandemic and the supply chain impacts of the war in Ukraine.
- 18.52** Of the €482 million allocated to the Department of Social Protection between 2020 and 2023, almost 50% related to payments that are not recorded in specific individual subheads in their accounts. As a result, it was not possible to trace these amounts and confirm that they were spent on the specific schemes or programmes for which they were allocated.

Performance metrics

- 18.53** The Department of Public Expenditure consulted with the relevant departments to develop 23 ex-ante performance metrics for the specific schemes and programmes receiving funding in 2020 via the carbon tax increases (see Annex 18C). The performance metrics, together with the 2020 targets, were published as part of the *Revised Estimates Volume for Public Services 2020*.¹
- 18.54** It was planned that future revised estimates for public services would include an assessment of the performance of the funded schemes and programmes against the selected metrics. However, this has not happened, notwithstanding that all but one of the measures continue to receive a combined allocation of €70 million from the carbon tax funds on an annual basis. The Department of Public Expenditure stated that performance reporting on the three broad areas of funding under the 2020 Programme for Government is captured through annual public service performance reports and revised estimates volumes.²
- 18.55** The Department of Public Expenditure has stated that departments receiving carbon tax related funding are ultimately responsible for the selection and reporting of metrics that best represent the impact of carbon tax funding on their programmes. The same principle applies generally to performance measures related to other voted expenditure.

¹ [Revised Estimates for Public Services 2020](#), Appendix 11.

² [Public Service Performance Report 2023: Revised Estimates for Public Services 2024](#).

Conclusions

Collection of carbon tax

- 18.56** Carbon taxes on fossil fuels were introduced in Ireland on a phased basis from December 2009. Carbon tax rates are based on charging an amount per tonne of carbon dioxide emissions. The rate of carbon tax has increased over the years, with the current rates being based on charging €56 per tonne of carbon dioxide emitted. Between 2020 and 2023, net carbon tax receipts have almost doubled from €494 million to €935 million.
- 18.57** Between 2020 and 2023, LCD carried out 365 mineral oil tax interventions, five of which resulted in additional tax yield totalling just over €6 million (including interest and penalties). Revenue carried out just over 200 interventions on solid fuel and natural gas carbon tax over the same period which yielded almost €400,000 (including interest and penalties).

Allocation of carbon tax

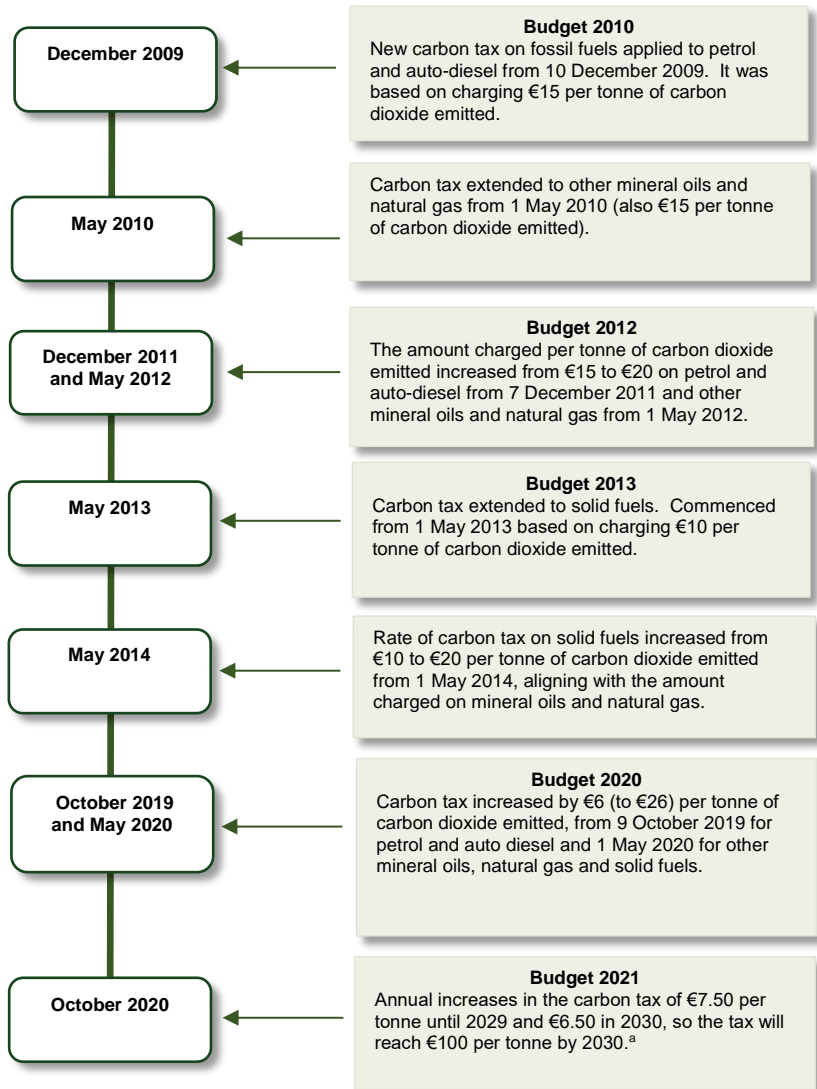
- 18.58** Since 2020, annual carbon tax increases have been implemented, with the objective of reaching a rate of €100 per tonne of carbon dioxide by 2030. In parallel, there is an objective to use the additional revenue yield from carbon tax increases during the 2021 to 2030 period to support schemes and programmes in a number of specific policy areas, aiming to prevent fuel poverty, ensure a just transition, part-fund a national retrofitting programme and incentivise farmers to farm in a greener and more sustainable way.
- 18.59** Ireland's system of central government finances requires all receipts to be lodged to the Central Fund of the Exchequer, unless provided for otherwise by law e.g. through the establishment of a statutory fund to hold specified receipts, to be used (only) for legally defined purposes. The resources of the Central Fund are available as a whole to be appropriated for spending by Dáil Éireann through the annual estimates and accountability processes.
- 18.60** It was envisaged at that time that the hypothecation of the tax increases from 2021 would be legislated for and that the additional carbon tax revenues would be managed via the Climate Action Fund. However, legislation did not proceed and the amounts continue to be managed via the Central Fund.
- 18.61** In the absence of the planned legislation, the Department of Public Expenditure developed a framework for allocating additional vote funding linked to the increases in the carbon tax receipts. The Department prepares a report each year outlining how the carbon tax funding is being allocated, including detail on the programmes being funded and how the funding is intended to be used. However, there is no mechanism in place for central oversight or monitoring on an aggregate basis of how much of the allocated funding is actually being expended on the target schemes and programmes. Without a central tracking system, it will not be possible, during or at the end of the 2021 – 2030 period, to say how much of the €9.5 billion due to be allocated from carbon tax receipts will actually have been spent in the targeted areas.

- 18.62** Between 2020 and 2023, €1.36 billion in funding was allocated by the Department of Public Expenditure to five departmental votes for additional carbon fund related activity. There was a consistent pattern of underspending on the target schemes and programmes in those four years, although this should be viewed in the context of environmental factors such as the public health restrictions imposed as a result of the Covid-19 pandemic and the supply chain impacts of the war in Ukraine.
- 18.63** Overall, only 61% of the €1.36 billion earmarked funding can be verified as having been spent on the target schemes and programmes. In line with normal vote funding rules, the unspent 19% of the allocated funds were surrendered back to the Exchequer. Around 17% of the funding was allocated to the Department of Social Protection but not recorded in specific 'carbon tax funding' subheads — it was not possible to separate these amounts and confirm that the intended additionality was achieved.
- 18.64** The Department of Public Expenditure, in consultation with the relevant departments, developed 23 ex-ante metrics (see Annex 18C) for assessing the performance of the 2020 programmes. Performance against the 2020 metrics was not systematically requested from, or reported on, by the relevant departments. Following the change in policy when the Programme for Government was published in 2020, the performance metrics were not updated. The Department of Public Expenditure stated that performance was instead captured through the *Public Service Performance Report* and the *Revised Estimates Volume*, as is standard policy with all areas of spending.
- 18.65** A hypothecated tax is one which aims to make a transparent and verifiable link between the tax revenue raised and the way in which that funding is applied. This can be facilitated through a statutory fund structure. Endeavouring to achieve the same kind of link and transparency within the normal voted expenditure framework is significantly more challenging.
- 18.66** While the planned linkage between (incremental) carbon tax receipts and target spending areas has been effected in the vote estimates process, the expenditure outturn is difficult to identify, and it appears that a significant part of the planned spending has not been achieved.
- 18.67** The transparency of the raising, collection and application of the (incremental) carbon tax receipts could be improved by the compilation of a separate annual report, even if on a non-statutory basis. However, this is a policy matter, and no recommendation is made here in that regard.

Annex 18A Evolution of the carbon tax

Table 18A.1 shows the evolution of the carbon tax since its introduction in December 2009. The tax was implemented in three phases to cover transport fuels, non-transport fuels and solid fuels.¹ There have been phased increases to carbon tax rates over the years and current rates (2024) are based on charging €56 per tonne of carbon dioxide emitted.

Table 18A.1 Evolution of the carbon tax



Source: Office of the Comptroller and Auditor General

Note: a Annual increases in the carbon tax rate occur in two stages — on Budget night for petrol and auto-diesel, and from 1 May the following year for other mineral oils, natural gas and solid fuels, to coincide with the expected end of the heating period.

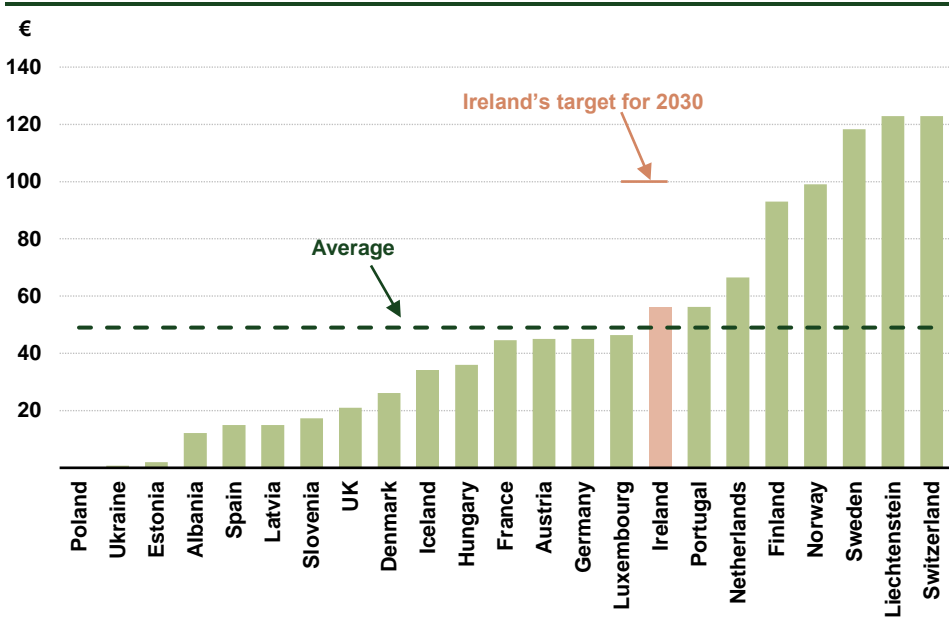
¹ Non-transport fuels refer to kerosene, marked gas oil, liquid petroleum gas, fuel oil and natural gas.

Annex 18B Approach to carbon tax in other jurisdictions

Finland was the first country to introduce a carbon tax in 1990. Since then, 23 European countries have introduced carbon taxes with the charge per tonne of carbon dioxide ranging from just under €1 per tonne of carbon emissions in Poland and Ukraine to more than €100 in Sweden, Liechtenstein, and Switzerland (see Table 18B.1). The average carbon tax rate among the 23 European countries was €49 as at April 2024.

While Ireland may appear to be above the European average, these charges are not directly comparable due to differences in coverage and other arrangements within each country.

Table 18B.1 Carbon tax charge per tonne of carbon dioxide emitted, April 2024^{a,b}

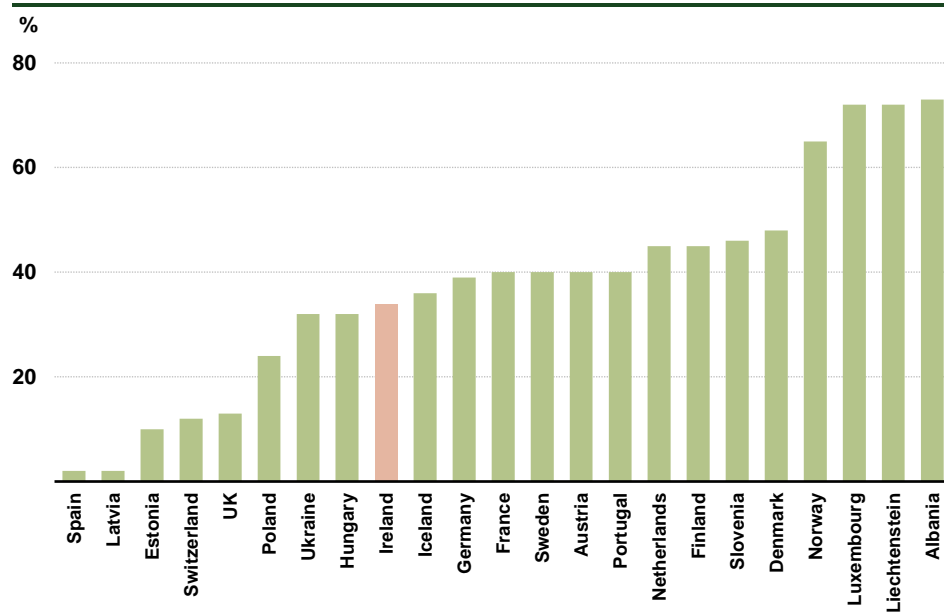


Source: Carbon Taxes in Europe, June 2024, Tax Foundation

Notes: a Prices are not directly comparable due to differences in coverage, compliance and compensation arrangements.

b Prices are at 1 April 2024, or latest available prior to 1 April each year.

Carbon taxes can be levied on different types of greenhouse gasses, such as carbon dioxide, methane, nitrous oxide and fluorinated gases. The extent of carbon tax implementation varies by country, resulting in differences in the proportion of greenhouse gas emissions subject to the tax. For example, Spain’s carbon tax is limited to fluorinated gases which affects just 2% of the country’s total greenhouse gas emissions while Albania’s carbon tax covers 73% of their greenhouse gas emissions. Ireland’s carbon tax is based on carbon dioxide emissions and covers 34% of the nation’s greenhouse gas emissions (see Table 18B.2). As a result, Ireland ranks 15th of the 23 European countries when the percentage of greenhouse gases emitted is considered.

Table 18B.2 Percentage share of total greenhouse gas emissions covered

Source: Carbon Taxes in Europe, June 2024, Tax Foundation

Annex 18C Ex-ante performance metrics for 2020 increase in carbon tax funding

In Budget 2020, the Minister for Finance announced a €6 per tonne increase in the carbon tax as the first step towards achieving the 2030 target of €100 per tonne. It was estimated that this would raise an additional €90 million in 2020 which would be ring-fenced to fund new climate action measures. Table 18C.1 sets out the 23 performance metrics and associated targets identified for the ten programmes receiving funding in 2020 via the carbon tax increase.

Table 18C.1 Carbon tax ex-ante performance metrics, 2020

Programme	Performance metric target
Fuel allowance	<ul style="list-style-type: none"> ▪ 370,000 households receiving increased fuel allowance payments ▪ €21 million additional funds disbursed to households at €56 per household
Energy poverty efficiency upgrades (Better Energy Warmer Homes)	<ul style="list-style-type: none"> ▪ 12.4 gigawatt hour (GWh) of energy savings ▪ 3,100 tonnes of greenhouse gas emissions savings ▪ Upgrade the energy efficiency of 4,000 homes of people living in, or at risk of, energy poverty
Aggregated Housing Upgrade Scheme	<ul style="list-style-type: none"> ▪ 600 – 850 tonnes of greenhouse gas emissions savings ▪ 2.5 – 3.4 GWh of energy savings ▪ 500 – 700 homes upgraded that reach B2 or cost optimal performance
Peatlands restoration	<ul style="list-style-type: none"> ▪ 4,945 tonnes of greenhouse gas emissions sequestered per year over a period of ten to 30 years ▪ 1,800 hectares of peatlands restored ▪ 250 hectares of active raised bog created over time ▪ 10% increase in height of the water table across all restored bogs ▪ 100 jobs (approximately) supported
Just Transition Fund	€6 million funds disbursed
Greenways/urban cycling	<ul style="list-style-type: none"> ▪ Five additional greenway projects funded for feasibility/detailed design/environmental screening ▪ An additional 4km of urban cycling infrastructure completed/improved
Continuation of EV purchase grants	<ul style="list-style-type: none"> ▪ 6,000 electric vehicle grants paid out ▪ 150,000 tonnes greenhouse gas emissions saved ▪ €2 million reduction in emissions associated with air pollution
Additional supports for EV charging infrastructure	<ul style="list-style-type: none"> ▪ 400 on-street charge points constructed ▪ Ten fast electric recharging points installed in major transport hubs dedicated to public service vehicles e.g. taxis
Contribution to Green Climate Fund	€4 million in funding provided to the Green Climate Fund
Green agricultural pilots	4,400 hectares of peatlands under agricultural use rewetted

Source: Revised Estimates for Public Services 2020

19 Collection of tax on sugar-sweetened drinks

19.1 The Sugar Sweetened Drinks Tax (sugar tax) was introduced in May 2018 under the Finance Act 2017.¹ The tax is one of a number of measures aimed at tackling obesity in Ireland by reducing the consumption of sugar in the form of sweetened drinks. Accordingly, the main purpose of the tax is to change behaviour rather than raise substantial revenues i.e.

- by encouraging individuals to either reduce the volume of sugar-sweetened drinks they consume or to switch to healthier alternatives, and
- by incentivising industry to reformulate drinks products to reduce the levels of added sugar.

19.2 The tax applies to water-based and juice-based drinks containing added sugar and having a total sugar content of five grams or more per 100 ml.² The scope of the tax was extended in January 2019 to include certain plant-based protein drinks and other drinks containing milk fats.³ Products liable to the tax may be in ready-to-consume or concentrated form. The applicable tax rate is determined by the total sugar content of the drink. The current rates in place are

- **Band 1:** €16.26 per hectolitre (i.e. 100 litres) where there is between 5g and 7.99g of sugar per 100 ml — this equates to a tax of 5 cents on a standard 330 ml can and 8 cents on a 500 ml bottle
- **Band 2:** €24.39 per hectolitre where there is 8g or more of sugar per 100 ml — equating to a tax of 8 cents on a 330 ml can and 12 cents on a 500 ml bottle.

19.3 The Office of the Revenue Commissioners (Revenue) is responsible for administering the tax, which is self-assessed and operates as an excise duty. In 2023, Revenue collected €5.7 billion in net excise duty, of which €29 million related to receipts from the sugar tax.

¹ The tax was introduced following a commitment given in the [Healthy Weight for Ireland: Obesity Policy and Action Plan \(2016 – 2025\)](#) which was published in September 2016.

19.4 In August 2023, the Department of Health issued a request for tender for an external evaluation of the sugar tax to assess the extent to which it has achieved its policy objectives. The Department has indicated that the evaluation report is due to be published imminently.

² Drinks that do not contain added sugar (for example, fruit juices with no added sugar) are not liable for the tax, even if their natural sugar levels are high.

19.5 This examination focuses on

- the systems and procedures Revenue has in place to facilitate the assessment and timely collection of the sugar tax
- whether Revenue has adequate systems in place for identifying those liable to the tax and following up on possible non-compliance.

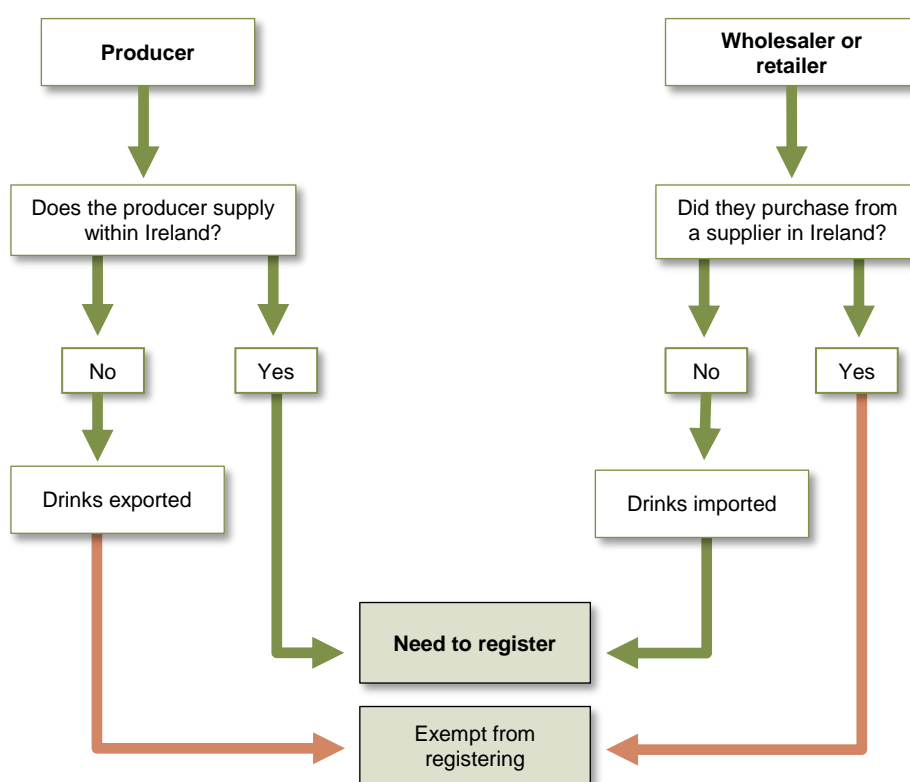
³ The tax applies to plant-based protein drinks if the calcium level is less than 119 mg per 100 ml.

Registration for sugar tax

19.6 Registration in respect of sugar tax liabilities is processed through Revenue's Online Service (ROS). In general, sugar tax on a drinks product is only paid once in the State. This means that if the sugar-sweetened drink is produced and sold in Ireland, only the producer is required to register and pay the tax. If the drink is imported and sold in Ireland, it is the wholesale or retail importer who must register and pay the tax.

19.7 Figure 19.1 provides an overview of the registration requirements for the tax, where relevant drinks are supplied within Ireland.

Figure 19.1 Registration requirements for suppliers making a first supply of sugar-sweetened drinks in Ireland



Source: Office of the Comptroller and Auditor General

19.8 Where sugar-sweetened drinks sourced in the State are supplied on a commercial basis outside the State (i.e. exported), the exporter can register to claim a repayment from Revenue of any sugar tax that may have already been paid on the drinks.¹ Producers established in the State delivering supplies solely outside the State are not required to register for the sugar tax.²

19.9 Registration applications for suppliers are automatically processed via ROS without caseworker intervention.³ Registration applications for exporters are reviewed by a Revenue caseworker prior to being approved. This review includes verifying the information provided on the application form by cross-checking it with data that may already be held on Revenue systems in relation to the supplier in question. It may also involve requesting supporting documentation and/or visiting the trader's premises.

¹ Supplied outside the State means distributed to another EU member state or third country.

² Some producers are also excluded from registration if they are exempt under EU food labelling obligations as a result of small scale production.

³ This is also the case for most other tax heads e.g. income tax and corporation tax.

19.10 As of March 2024, there were 189 active registrations for the sugar tax — 169 suppliers and 20 exporters.¹ The majority of those companies (83%) registered in 2018 or 2019, with the remaining 17% registering between 2020 and 2023.

19.11 There were 129 registrations cancelled over the period 2018 to 2023, of which

- 58% were due to the companies in question having ceased trading
- 29% related to companies that never traded
- 5% represented companies no longer liable to the tax because their products are below the sugar content limits.

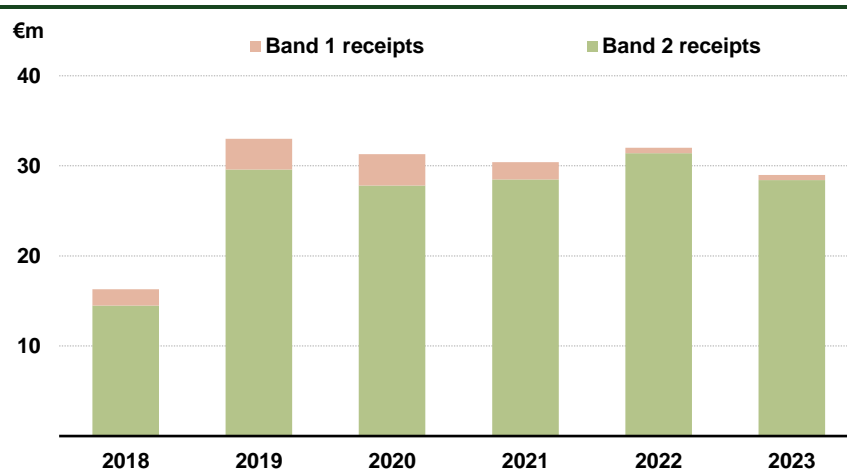
The remaining 8% (11 registrations) were cancelled for various reasons, the most common of which was that the company in question had registered in error for the tax.

Sugar tax receipts

19.12 Revenue collected €172 million in net sugar tax receipts between 2018 and 2023 (see Figure 19.2). Net annual receipts — that is, after repayments — decreased from €33 million in 2019 to €29 million in 2023. The majority of the decrease was in respect of drinks taxed under Band 1 (i.e. the lower rate) where net receipts reduced from €3.4 million to €0.6 million over that period.² In line with the objectives of the tax, decreases in the tax take are likely to be due either to changes in consumer behaviour (i.e. choosing drinks with lower sugar content) or to manufacturers reformulating their products.

19.13 An open consultation process with relevant suppliers ran from October 2016 to January 2017, prior to the introduction of the tax in May 2018.³ Interested parties were invited to make submissions. The objective of the consultation was to determine how a tax on sugar-sweetened drinks would operate in practice. The proposal was that the tax would apply to water-based and juice-based drinks with an added sugar content of at least 5g per 100 ml. Accordingly, it is possible that some manufacturers had already reformulated their product to reduce the sugar content below the threshold of 5g of sugar per 100 ml in advance of the introduction of the tax.

Figure 19.2 Net receipts from the sugar tax broken down by tax band, 2018 – 2023^a



¹ There are 176 companies in total registered for the tax, 13 of which are registered as both a supplier in the State and an exporter.

² Revenue publishes data on its website in relation to [volumes declared and taxes collected under each of the bands for the sugar tax](#).

³ The public consultation process was facilitated by the Department of Health and the Department of Finance.

Source: Revenue Commissioners

Note: ^a The tax was introduced on 1 May 2018 so receipts for 2018 are for May to December.

Forecasting of sugar tax receipts

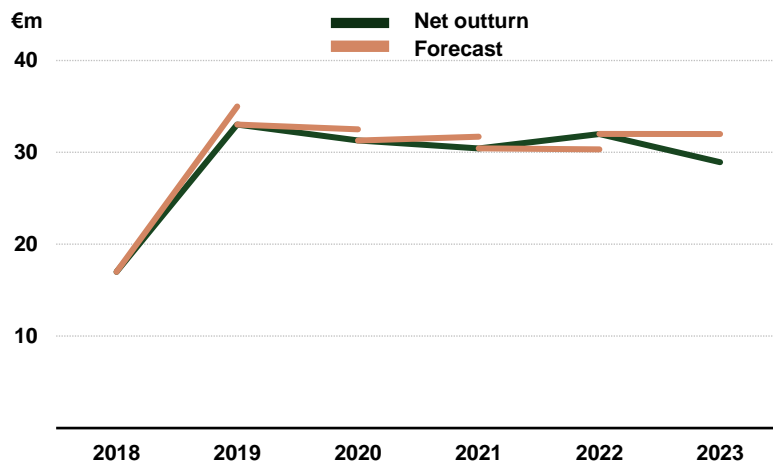
- 19.14 The Department of Finance (the Department) prepares forecasts for excise duty receipts as part of the annual budgetary process. The original forecast for net excise duty receipts for 2023 was €6.3 billion. In the Stability Programme update in April 2023, the forecast for excise duty receipts was revised downwards to €5.8 billion. The reduction in forecast was mainly due to policy changes regarding the extension of reduced excise duties on fuel.

- 19.15 Revenue uses the annual forecast for overall excise duty prepared by the Department and apportions it over the different constituent taxes e.g. carbon tax, alcohol tax and sugar tax. Revenue then prepares monthly forecasts for these taxes and measures the percentage deviations from the forecast on a net and cumulative basis over the remainder of the year. Revenue’s internal forecasts takes account of prior year performance, recent trends in taxpayer returns and typical payment patterns.

- 19.16 Revenue does not investigate the rationale for trends in consumption of a taxable product. Revenue stated that evaluating the policy objective is the responsibility of the Department, but that it supports the Department in that regard, as required.

- 19.17 Figure 19.3 shows Revenue’s forecasts for the sugar tax versus actual net receipts over the period 2019 to 2023. The annual variance from forecast ranged from 4% to 10% over the period, with net receipts falling slightly short of the forecast in each year, apart from 2022.

Figure 19.3 Revenue’s forecast for sugar tax receipts versus net outturn, 2019 – 2023^a



Source: Revenue Commissioners

Note: a The outturn figures are net of sugar tax repayments.

Compliance

Identifying potential liable suppliers

- 19.18** In June 2018, Revenue established an action group to review registrations for the sugar tax and recommend potential methods for identifying unregistered suppliers. The group requested the Large Corporates Division (LCD) to review its case base, and it also requested non-LCD cases to be reviewed using other methods of data analysis to identify risks and uncover unregistered traders through an EU data sharing portal.
- 19.19** In August 2018, as part of the review of LCD cases, a letter issued to 63 LCD groups informing them of their potential obligation to register for the tax. In the event that the companies within the group were not liable to the tax, the letter requested the provision of details of the companies supplying them with sugar-sweetened drinks.
- 19.20** For the 63 groups contacted
- a response was received from 41 groups — 11 indicated that at least one company in their group was already registered for the tax and the remaining 30 confirmed that their group was not liable for the tax at that time
 - of the 22 groups that did not respond to the letter
 - three were no longer trading
 - seven were already registered for the tax
 - one was not liable for the tax at that time
 - for the remaining 11 cases, after an initial follow up letter, there was no further follow up by Revenue, but it stated that these cases were deemed to be low risk by caseworkers.
- 19.21** The supplier information provided by the groups that responded to the letter identified three companies currently within the LCD case base that were potentially supplying sugar-sweetened drinks that may have been liable to the sugar tax. Upon review, Revenue confirmed that
- two of the companies do not sell or supply products that meet the criteria for the tax and therefore are not required to register
 - one was deemed unlikely to be making a first supply as it purchases direct from Irish suppliers (and is therefore making second supplies only).
- 19.22** A working group formed as part of the review of non-LCD cases identified a number of criteria under which prospective unregistered sugar tax cases may be detected. Revenue's Research, Analytics and Information Management branch applied the criteria to identify 392 Irish traders who were unregistered for the tax but had obtained goods in 2017 from suppliers of sugar-sweetened drinks. Of those cases, 26 were prioritised by Revenue for intervention. Letters issued to 23 of those traders requesting a self-review of their registration requirements. As a result of these contacts, five of the traders had registered for the sugar tax by the end of 2019, with one further trader registering in 2020.

- 19.23** In relation to the remaining three cases of the 26 initially prioritised, Revenue stated that Covid-19 impacted on its organisational priorities and resources over the course of 2020 and 2021 and that post-Covid-19, it re-prioritised its business focus. Given the passage of time and the fact that the data upon which the review was based was outdated, Revenue did not revisit this work.
- 19.24** Revenue has stated that compliance work in relation to the sugar tax is incorporated where appropriate into comprehensive compliance interventions. For example, the retail branch in Medium Enterprises Division opened an investigation in 2023 involving a review of a number of tax heads, including the sugar tax.
- 19.25** In July 2023, Revenue's Medium Enterprises Division commenced a pilot compliance project focusing on wholesalers. Three cases were selected for review following information provided by LCD relating to a change in a supply chain which may have implications for the sugar tax. The aim of this project is to determine whether the relevant companies are liable for the sugar tax and, if not, whether the suppliers they are purchasing from are required to register. The project is expected to be completed by the end of March 2025.
- 19.26** In late 2023, Revenue's Business Division examined a sample of its registered case base for the sugar tax. Ten cases were selected for review in order to assess the compliance risks present for the sugar tax and VAT, alongside those ordinarily present in cash-based businesses. Of those ten cases
- one case had intra-EU acquisitions over €1 million, but nil VAT and sugar tax returns — this case was escalated to the VAT high-risk team for follow up and is ongoing
 - two cases are ongoing in the form of level 2 risk reviews seeking to verify the accuracy of the returns submitted.
- The Business Division separately examined a further case, arising through VAT compliance activities, where soft drinks sourced outside the State were destined for supply within the State. This case is ongoing.
- 19.27** In July 2024, a compliance project commenced by the retail and wholesale branches in Medium Enterprises Division is focusing on taxpayers who are not registered for the sugar tax but potentially should be, based on a number of factors such as business description, activity on Revenue's Automatic Import System and the VAT Information Exchange System. As part of this compliance project, 160 letters issued via ROS requesting taxpayers to self-review whether they should be registered for the sugar tax. The letter also requested that if the taxpayer is not liable to the tax, they provide details of the companies supplying them with sugar-sweetened drinks.

Payment and return compliance

- 19.28** Returns for the sugar tax are to be submitted bi-monthly via ROS. In line with self-assessment principles, taxpayers are not required to submit supporting documentation with a return. Registered suppliers that have not made supplies of any relevant products during the period are required to submit a 'nil' return.

19.29 For 2023, the average 'due month' return and payment compliance rate for sugar tax was 81%, while the average 'due month plus one' compliance rate was 91%.¹ Compliance in relation to sugar tax returns and payments is managed by the Collector General's Division in Revenue. The following compliance checks are carried out bi-monthly by the Collector General's Division

- confirming that a return is submitted by those registered for the tax
- confirming that the tax due has been paid within the specified time period.²

19.30 Where a taxpayer fails to make a return by the specified due date, the Collector General's Division can raise an estimate which is issued to the taxpayer by post and a payment is requested within ten days. The taxpayer is also still obliged to submit a return. If no action is taken by the taxpayer within ten days of the date the estimate is issued, the Collector General's Division issues a final demand letter requesting payment within ten days from the date of that letter. If no action is taken following receipt of a final demand letter, the case is referred to the sheriff.³ Similar to other tax heads, late payments of the sugar tax are subject to interest and penalties.

19.31 During 2023, 133 estimates were raised by the Collector General's Division with 59 (i.e. 44%) subsequently escalated to final demand letters. Of the 59 final demand letters issued

- 58 submitted a return and made a full/partial payment of the amount due
- one case totalling almost €13,800 (including interest and penalties) was referred to the sheriff for enforcement.

Compliance interventions

19.32 As part of Revenue's compliance work, caseworkers in each of the divisions review cases based on risk. Between 2018 and 2023, Revenue carried out 126 interventions on the sugar tax. Figure 19.4 shows the number of interventions in each year and the resulting yield.

Figure 19.4 Sugar tax interventions and the resulting yields, 2018 – 2023

Year	Number of interventions carried out	Number of yielding interventions	Yield €
2018	12	—	—
2019	47	—	—
2020	31	1	7,210
2021	16	2	85,415
2022	10	2	333,364
2023	10	—	—
Total	126	5	425,989

Source: Revenue Commissioners

1 Revenue reports both 'due month' and 'due month plus one' compliance rates in its annual reports and considers taxpayers in both cohorts to be compliant.

2 Revenue guidelines state that payments should be made by the taxpayer by the end of the month following the return period.

3 The amount outstanding must be in excess of €500 to be referred to the sheriff.

19.33 Of the 126 interventions carried out, there were five interventions (4%) which yielded almost €426,000 (including interest and penalties). Of the five yielding interventions

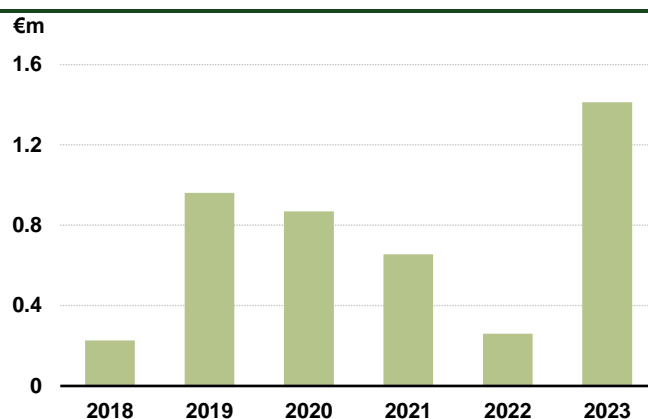
- one arose on foot of a repayment claim — other issues were identified when assessing the repayment claim which resulted in a yield of almost €244,000 (including interest)
- one arose following an onsite check at an event which identified a supplier that was not registered for the tax and was also found to be a non-filer for income tax¹
- three were unprompted qualifying disclosures totalling €175,000 (including interest and penalties).

Repayments

19.34 Relief from the tax is available to exporters of sugar-sweetened drinks. To qualify for a repayment, the exporter must have purchased drinks in the State on which sugar tax has already been paid and then exported the drinks to another EU member state or third country. The company must also be registered with Revenue as an exporter of sugar-sweetened drinks.

19.35 Repayments totalling €4.4 million were made to 14 companies over the period 2018 to 2023 (see Figure 19.5).²

Figure 19.5 Sugar tax repayments, 2018 – 2023^a



Source: Revenue Commissioners

Note: a The year in which the repayment was made is shown, rather than the year to which the claim relates.

¹ This was a multi-agency operation carried out with the Private Security Authority.

² There were 154 repayment claims in total submitted by the 14 companies over that period. Some companies received repayments in more than one year.

19.36 Applications for repayment of sugar tax are made via ROS, with all applications being reviewed by Revenue staff prior to being approved. Revenue guidelines state that

- repayment claims must be submitted within six months of the end of the accounting period in which the exports were made
- a second approval is required for all repayment claims in excess of €50,000.¹

19.37 As part of this examination, a sample of 101 repayment claims — totalling €1.9 million — submitted to Revenue between 2018 and 2023 was reviewed in April 2024. The main findings were

- All repayment claims over €5,000 were sent for second approval despite the individual claim amounts being below the €50,000 limit specified in the Revenue guidelines. Of those
 - Three claims totalling almost €25,000, relating to one taxpayer, were approved at higher executive officer (HEO) level in a timely manner. However, in April 2024, two of the claims had been awaiting second approval since March 2023 and the third claim had been awaiting second approval since August 2023.
 - Three claims totalling almost €46,000, relating to one taxpayer, received in October/November 2023 were not reviewed by a caseworker until March 2024 and were awaiting secondary approval at the time of testing. Revenue stated that the reason for the delay in reviewing the cases was that the assigned caseworker had been issued a second work identification number in error and was not aware of the claims awaiting review under the second identification number.²
- One repayment claim for €6,300 received in April 2023 was reviewed by a caseworker the following month. However, the caseworker did not adhere to the correct procedure to approve and finalise the case, so it remained with a 'review' status on Revenue systems. As a result, the repayment had not been processed at the time of testing (April 2024). The same issue was noted in three other claims for less significant amounts (€340 in total) received between August and December 2022. Those claims had been reviewed by caseworkers in January 2023 but repayments had not been processed by April 2024.
- One claim for almost €9,000 received in October 2022 was approved at HEO level in November 2022 and appeared to have received a second approval in April 2023. However, the payment had not been made by April 2024. Following investigation, Revenue stated that the delay in payment of this claim was due to a technical issue affecting some second-level approvals by caseworkers from outside relevant work groups. While it appeared in those cases that the second approval had been successful, the repayments did not issue.
- Two claims totalling just over €4,000 were paid despite being submitted more than six months after the end of the accounting periods in which the exports were made, and therefore ineligible for repayment. While ROS rules prevented the late repayment claims from being submitted online, hard copy claims submitted by the taxpayer in question were manually inputted onto Revenue systems and approved for payment. Revenue has acknowledged that these payments were made in error.

¹ The second approval must be at assistant principal level or above.

² Revenue stated that employees may need separate work identification numbers if their work requires them to be members of different work groups. The same username cannot be duplicated across two work groups. Managers oversee the allocation of work identification numbers and advise any changes to divisional network security.

- 19.38** In response to the above examination team findings, Revenue stated that it has taken remedial action for the issues highlighted by the audit and repayments issued between April and July 2024 to the taxpayers in question, with the exception of one case (the claim for €6,300). That claim is on hold pending completion of a level 2 risk review which is being carried out to address compliance risks arising with the case.
- 19.39** The sample testing highlighted that Revenue guidance does not accurately reflect the actual system and work processes in place for approval of repayment claims. In particular, Revenue has clarified that all repayment claims in excess of €5,000 require second approval at the claim stage and that repayments in excess of €50,000 are automatically stopped at the payment stage for manual approval by a caseworker before issuing. Revenue has acknowledged that confusion and lack of clarity and staff misunderstanding around approval requirements had led to delays in repayments to some taxpayers.
- 19.40** As the sugar tax operates as an excise duty, if repayment is not made by Revenue within 93 days of receiving a valid claim, interest becomes payable to the claimant.¹ In response to a query raised by the examination team, Revenue stated that interest totalling just over €1,730 was due in relation to eight of the claims reviewed during the examination. Revenue confirmed that it paid the amounts due in August 2024.

Conclusions and recommendations

- 19.41** The sugar tax was introduced on 1 May 2018. Rather than being primarily a revenue generating measure, the tax aims to influence producer and/or consumer behaviour to reduce the consumption of sugar in sweetened drinks. The tax is one of a number of measures aimed at tackling obesity in Ireland.
- 19.42** The collection of the sugar tax is administered by Revenue. The tax operates as an excise duty and is administered on a self-assessment basis.
- 19.43** Net receipts for the sugar tax totalled €172 million between 2018 and 2023, with annual net receipts decreasing from €33 million in 2019 to €29 million in 2023. The majority of the decrease since 2019 was in respect of drinks taxed under Band 1 (i.e. the lower rate). The exact extent to which this decline in receipts is attributable to either product reformulation by manufacturers or to changes in consumption patterns is difficult to determine.
- 19.44** For 2023, the 'due month' sugar tax payment and tax return compliance rate was 81%, while the 'due month plus one' compliance rate was 91%. Revenue aims to maximise return and payment compliance rates through the raising of estimates, issuing of final demands and, where appropriate, enforcement action. Additionally, between 2018 and 2023, Revenue carried out 126 compliance interventions, five of which yielded approximately €426,000 in relation to the sugar tax.

Approval of repayments

- 19.45** Relief from the tax is available to exporters of sugar-sweetened drinks by way of a repayment. Repayments totalling €4.4 million were made over the period 2018 to 2023.
- 19.46** Revenue guidelines state that claims should be submitted by the taxpayer within six months of the end of the accounting period in which the exports were made and that claims for amounts in excess of €50,000 should be sent for secondary approval.

¹ [Section 105D of the Finance Act 2001](#) as inserted by [Section 98 of the Finance Act 2003](#) and as amended by [Section 121\(3\) of the Finance Act 2007](#).

- 19.47** A review of a sample of repayment claims conducted in April 2024 as part of this examination noted delays in making some repayments; two claims that had been paid despite being invalid because they had been submitted more than six months after the end of the relevant accounting period; and errors on the part of caseworkers in processing some claims.
- 19.48** The examination team's review highlighted that Revenue guidance did not accurately reflect the actual system and work processes in place for repayments of the sugar tax. Revenue has now clarified that all repayment claims in excess of €5,000 require second approval at the claim stage and that repayments in excess of €50,000 are automatically stopped for manual approval by a caseworker before issuing. Revenue has acknowledged that confusion around approval requirements has led to delays in finalising repayments to some taxpayers.

Recommendation 19.1

Revenue should review the approval process for sugar tax repayment claims and update its guidance as needed to ensure that the process is clear for all caseworkers processing and approving sugar tax cases.

Accounting Officer's response

Agreed

In June 2024, Revenue undertook a review of the process for approving repayment claims for the sugar tax following which the tax and duty manual for sugar tax was updated and published at the end of July 2024.

Timeline for implementation

Implemented July 2024.

Recommendation 19.2

Revenue should consider implementing system enhancements to

- prevent or alert caseworkers not following the correct procedure for claim approval and finalisation, and
- highlight repayment claims that have not been finalised within a set time period.

Accounting Officer's response

Agreed

System enhancements that will add efficiency and accuracy value to the claim approvals process have been identified and are currently in development. The tax and duty manual will be re-reviewed and updated, as necessary, to take account of system changes once released.

Timeline for implementation

System changes expected to be in place by end September 2024. Tax and duty manual will be further updated as soon as possible thereafter.

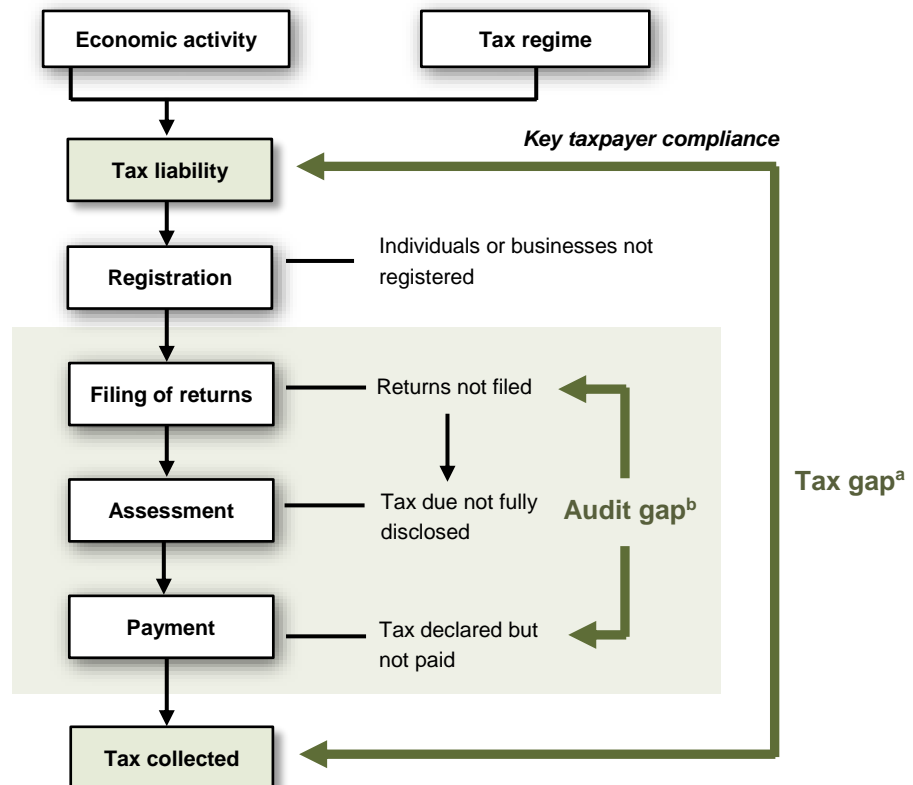
20 Ensuring taxpayer compliance

20.1 Timely compliance by all taxpayers with their due taxation liabilities is important if the tax system is to be equitable and to avoid distortion of trade and business. In a tax system that is based on self-assessment, there are certain risks that tax may not be fully collected (see Figure 20.1). Those risks include

- **registration risk** — taxpayers do not register for tax when required to do so
- **filing risk** — registered taxpayers do not file required returns or submit returns late
- **assessment risk** — tax returns filed do not fully disclose income or taxes due
- **payment risk** — declared taxes are not subsequently paid.

20.2 This framework of tax compliance provides a basis for defining the **tax gap** — focused on the difference between tax collected and the tax that should have been collected; and the **audit gap** — the difference between the amount of tax that would be collected if all registered taxpayers were subject to a full comprehensive audit and the amount they voluntarily pay under self-assessment.

Figure 20.1 Tax compliance framework



Source: Office of the Comptroller and Auditor General

- Notes:
- a Tax gap — an economic concept covering all recorded and unrecorded economic activity in the State. It is defined as the difference between tax collected and the tax that should have been collected if every liable person complied with their obligations.
 - b Audit gap — the difference between the amount of tax that would be collected if all registered taxpayers were subject to a full comprehensive audit and the amount they voluntarily pay under self-assessment.

- 20.3** In order to manage taxpayer compliance effectively, the Revenue Commissioners (Revenue) need to
- understand the underlying extent of non-compliance among taxpayers
 - design and implement cost effective activities to detect non-compliance
 - ensure taxes due are collected and penalties imposed on those who are non-compliant, so that there is a clear deterrent effect.
- 20.4** This report reviews Revenue’s approach to monitoring and managing taxpayer compliance in those key areas. It focuses on the measures Revenue has in place to assess, detect and deter non-compliance by taxpayers.

Assessing taxpayer compliance

Estimating the tax gap

- 20.5** There is an evolving academic and professional body of literature about the concept of the tax gap, and about how best to measure it.¹ Based on this, the general definition of the tax gap comprehends an assessment of the liabilities that should accrue on undeclared ‘shadow economy’ activity by unregistered economic actors who are completely outside the tax net, as well as under-declared economic activity by those who are registered with the relevant tax authorities.
- 20.6** A number of revenue authorities in other jurisdictions produce and/or publish estimates of the tax gap in respect of their functions. For example,
- The United States Internal Revenue Service (IRS) has retrospectively estimated that just under 85% of federal taxes owed in respect of 2021 were paid on time (the ‘voluntary compliance rate’). Even after IRS enforcement activity, only an estimated 86% of the taxes owed were ever paid (the ‘net compliance rate’). This implies a ‘gross’ tax gap of just over 15%. (The IRS statistics are published on a provisional basis, and are liable to be updated as better economic data become available.) As well as a formal report, the IRS publishes a useful summary ‘map’ of the tax gap statistics. The map for 2021 is reproduced in Annex 20A.
 - The Australian Taxation Office (also retrospectively) publishes tax gap estimates for individual revenue categories. It distinguishes between the gross tax gap, and the net tax gap after the impact of the Tax Office’s compliance activity. It also states for each estimate its broad assessment of the reliability of the estimation method used (high, medium or low reliability). For example, for the fiscal year 2021 – 2022, the Tax Office estimates (with an assessed high reliability) a gross tax gap of 1.7% in respect of fuel excise, which was not reduced by the Office’s compliance activity. In contrast, the (medium reliability) estimated gross tax gap on ‘goods and services tax’ was 11.2%, reducing to an estimated net tax gap of 3.6% following compliance activity. (Annex 20B summarises the Office’s tax gap estimates for the more significant revenue streams for 2020 – 2021, or 2021 – 2022 where available.)

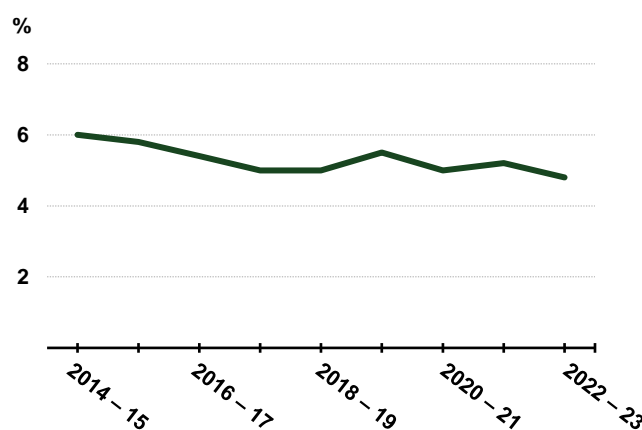
- 20.7** As part of this examination, national audit offices in other European Union member states and the United Kingdom (UK) were surveyed to identify how many of their revenue administrations estimate the tax gap. In response, some noted that they calculate the tax gap for certain individual taxes (e.g. VAT, income tax or corporation tax) but not the overall tax gap.² Of the 17 responses received, five indicated that their revenue authorities calculate the overall tax gap, but only two of those (Estonia and the UK) make their estimates publicly available.

¹ See, for example: Richard Murphy, *Reappraising the Tax Gap* in: *Combating Fiscal Fraud and Empowering Regulators – Bringing Tax Money Back into the COFFERS*. Edited by Brigitte Unger, Lucia Rossel, and Joras Ferwerda, Oxford University Press (2021).

² Separately, the European Commission publishes a report each year on the VAT gap in EU member states. The report aims to support tax administrations in monitoring their VAT tax gap using a standardised methodology which allows for comparisons over time and with other member states. The 2023 EU VAT tax gap report which was published in October 2023 is available [here](#).

- 20.8** The latest tax gap estimate for Estonia is 3.15% of the total estimated tax liability for 2022. This indicates an overall taxpayer compliance rate of 96.85%.
- 20.9** In the UK, HM Revenue and Customs (HMRC) publishes a report annually on its measurement of tax gaps. While HMRC notes that the tax gap is not sufficiently timely or precise to set annual targets or to manage detailed operational performance, it considers that the exercise provides important information that helps HMRC to understand its long-term performance. HMRC considers that the tax gap also provides the public with important information on UK tax compliance, creating greater transparency in the tax system.
- 20.10** In its 2024 report, HMRC estimated the UK tax gap in 2022 – 2023 to be £39.8 billion, which is 4.8% of estimated total theoretical tax liabilities (see Figure 20.2).¹ This indicates that more than 95% of the tax estimated to be due to HMRC in 2022 – 2023 was collected.

Figure 20.2 Tax gap estimate as percentage of UK tax liabilities, 2014 – 2015 to 2022 – 2023



Source: HM Revenue and Customs, Measuring tax gaps 2024 edition: tax gap estimates for 2022 to 2023 (see [here](#))

¹ *Measuring tax gaps 2024 edition: tax gap estimates for 2022 to 2023*, HM Revenue and Customs, June 2024 (see [here](#)).

² The Tax Administration EU Summit (TADEUS) is a forum for the heads of tax administrations in EU member states. Its aim is to improve cooperation and to explore solutions for similar issues being faced by tax administrations. A Revenue official is a member of the TADEUS working group on VAT e-commerce which was launched in November 2020.

³ The OECD tax gap 'community of interest' expands on the former OECD Advanced Tax Gap Community of Practice, which was set up in March 2019 by a select group of countries that have significant experience in tax gap estimation.

- 20.11** Revenue does not estimate tax gaps for the Irish taxation system. It has concerns regarding the methodological approaches available, the accuracy of the tax gap estimates that would be produced in an Irish context, and their potential usefulness at an operational level. Revenue's overall view is that tax gap estimation for Ireland would require significant investment in resources and data and that the benefits are likely to be limited.
- 20.12** Revenue does, however, periodically estimate the quantum of uncollected tax on certain activities or segments of the economy where compliance issues are identified e.g. research on where smokers source cigarettes; analysis of deposit interest retention tax receipts; and analysis of tax compliance trends in the construction sector. Revenue considers that this type of analysis is more useful, in terms of better targeting its response to compliance risks, than measurement of the overall tax gap.
- 20.13** Revenue monitors and assesses developments in tax gap methodologies and is participating in the Tax Administration EU Summit tax gap measurement project.² It is also a member of the OECD's tax gap 'community of interest' which was formed in 2022.³

Estimating the audit gap

- 20.14** The audit gap relates to tax liabilities unpaid by persons who are registered for tax purposes.
- 20.15** Analysis of the outcome of a well-designed random audit programme of sufficient scale potentially provides a sound basis for valuation of the overall audit gap. Revenue operates a random audit programme as an indicator of the effectiveness of its risk-based approach but it does not use the results to estimate the overall audit gap.
- 20.16** A survey of European countries conducted as part of this examination found that three of 17 national tax administrations estimate the audit gap, but none make the figure publicly available.

Revenue's random audit programme

- 20.17** Random audits across the entire taxpayer base should ensure that every self-assessed taxpayer has an equal chance of being selected for audit. The audits focus initially on a particular tax year, termed the base year. However, where non-compliance is discovered, Revenue may also review tax returns for years outside the base year, and additional audit tax yield may arise in respect of those years.
- 20.18** Up to 2017, Revenue's random audit programme involved the fully randomised selection of around 400 cases annually for audit from its live taxpayer case base which totalled around 920,000 cases. There was no screening carried out, so all of the selected cases were audited. In 2016 and 2017, around 40% of the cases audited resulted in some additional yield.
- 20.19** Since 2017, the operation of the 'random' audit programme has changed a number of times. For 2018, the audit programme was redesigned, with 1,300 cases selected from a taxpayer population of approximately 760,000.¹ For the base year 2016, 100 cases were subject to audit by Revenue's Border Midlands West region, while the remaining 1,200 cases were distributed evenly to the other three regions and appraised by caseworkers to determine the type of intervention, if any, that was required. The three regions were requested to select approximately 75 cases each from a specific NACE code and a further 75 cases each from a particular sector (e.g. lawyers, online traders), segment (e.g. PAYE landlords) or third party source (e.g. merchant acquirers or 'automatic exchange of information' cases).^{2,3}

1 The population from which the cases were randomly selected changed for the 2018 programme. From the total live taxpayer case base of 920,000, approximately 160,000 taxpayers were excluded e.g. certain large corporate cases and Form 11 filers (pensioners/PAYE taxpayers with net investment income over €5,000).

2 A NACE code is a number that is assigned to a business according to its economic activity.

3 Automatic exchange of information is the cross-border sharing of information in a systematic way between tax administrations without the receiving country having to request it.

- 20.20** Of the 1,300 cases selected for inclusion in the 2018 audit programme
- 671 cases were closed with no further action required as no risks were identified
 - 626 cases were escalated to an intervention, of which 228 cases (18% of the cases which have been finalised) yielded just over €2 million in tax, interest and penalties
 - three cases remained open at the end of June 2024.

20.21 In 2019, following an organisational realignment within Revenue, the audit programme was redesigned again and renamed the compliance assurance programme. In that year, a total of 150 cases (with a base year of 2017) were selected for inclusion in the programme. 100 of those cases were selected at random from two specific NACE codes and the other 50 were randomly selected from data received under the automatic exchange of information.

20.22 Of the 150 cases in the 2019 programme

- 47 were closed, following caseworker appraisals, with no risks identified and no further action required
- 96 were escalated to an intervention and are now closed, of which 30 cases (21% of the cases which have been finalised) yielded almost €190,000 including interest and penalties
- seven cases were escalated to an intervention and remained open at the end of June 2024.

20.23 In December 2019, 500 cases (with a base year of 2018) were selected for inclusion in the 2020 compliance assurance programme. 440 of those cases were randomly selected from the case base and appraised by Revenue caseworkers to determine the type of intervention, if any, required. A further 50 cases were selected randomly from non-filer data (a mandatory audit is required in these cases) and the remaining ten cases were selected randomly from the charities sector.

20.24 In line with public health restrictions relating to Covid-19, Revenue suspended its onsite compliance work from March 2020 and decided that the 2020 compliance assurance programme would run into the following year and operate as a combined 2020/2021 programme.

20.25 Of the 500 cases selected in December 2019 and then included in the 2020/2021 programme

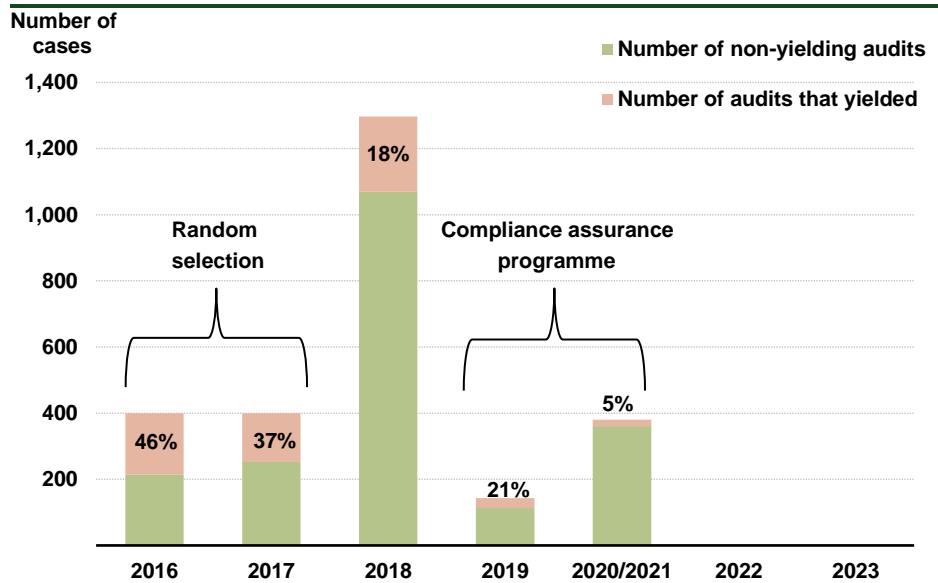
- 101 (20%) case reviews of 2018 tax liabilities have not yet commenced
- 307 cases were closed following an appraisal by a caseworker, with no risks identified and no further action required
- 73 cases were escalated to an intervention and are now closed, of which 19 cases (5% of the cases which have been finalised) yielded almost €48,000 including interest and penalties
- 19 cases were escalated to an intervention and were still open at end June 2024.

20.26 Compliance assurance programmes did not run in either 2022 or 2023. Revenue is currently working on redeveloping the programme approach. Revenue stated that its Large Corporates Division, High Wealth and Financial Services Division and Medium Enterprises Division are structured to facilitate close oversight of the risks in their case bases. As a result, Revenue does not consider that random interventions are appropriate for those divisions. It is planned that the redesigned compliance assurance programme will focus on the Business and Personal divisions where the size of the case bases does not support similar close risk oversight. It is expected that this work will be completed by the end of 2024, with the new programme to be operational for 2025.

20.27 The outcomes of the random audit programmes implemented since 2016 are summarised in Figure 20.3. The proportion of the selected cases that were ‘yielding’ in the years for which the programmes are substantially complete ranged from 46% in 2016 down to 21% in 2019.¹ However, the comparability of the figures over the period is limited due to the lack of consistency in how the audit programme has operated since 2018 and the differing stages of completion of the programmes.

20.28 The average yields (including interest and penalties) from the audit programmes since 2016 are shown in Figure 20.4.

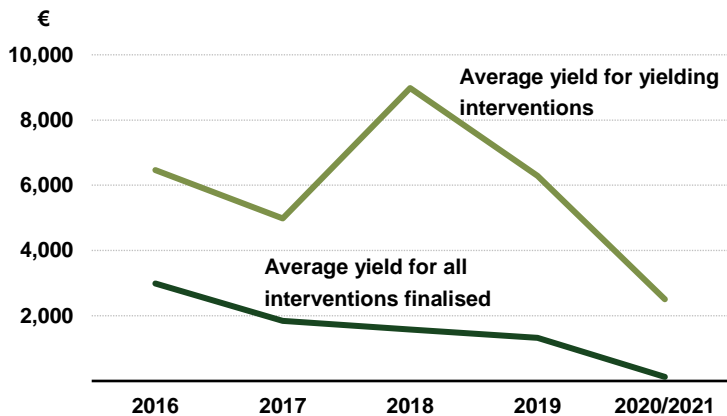
Figure 20.3 Outcome of Revenue’s audit programmes, 2016 to 2023^{a,b}



Source: Revenue Commissioners

Notes: a Compliance assurance programmes did not run in either 2022 or 2023.
 b From 2018, not all selected cases automatically proceeded to an intervention. Instead, cases were appraised to decide if an intervention was required. The percentage of yielding cases since 2018 has been calculated as a proportion of all cases selected for assessment, not just those where an intervention was carried out.

Figure 20.4 Audit yield from Revenue’s audit programmes, 2016 to 2021^{a,b}



Source: Revenue Commissioners

Notes: a Yield includes gross tax (net of refunds), interest and penalties.
 b Nearly one quarter of the cases in the 2020/2021 programme are still open or have yet to commence. Compliance assurance programmes did not run in either 2022 or 2023.

¹ The low percentage of yielding cases (5%) for the 2020/2021 programme is impacted by the fact that 24% of cases were still open or had yet to commence at end June 2024.

- 20.29** Regular estimation of the audit gap using a consistent methodology would indicate whether the level of undeclared income is changing over time. Revenue has not extrapolated or estimated the audit gap using the results of the random audit programme it operated up to 2017, and the changes in the programme from 2018 make it more difficult to extrapolate the results in a meaningful way.
- 20.30** Revenue stated that its current organisational structure, in place since 2019, supports a tailored compliance approach to different segments of its case base and as such, there are limitations to the potential usefulness of any estimated audit gap. In light of this, and its view that no sufficiently robust methodology has been developed to support a full 'bottom-up' development of an audit gap using a random audit programme, Revenue does not consider that such an approach is justified.

Detecting non-compliant taxpayers

- 20.31** Self-assessment of tax liabilities by individuals and companies is an important feature of the operation of tax and duties administration in Ireland. Taxpayers are required to file complete and accurate returns and to make associated tax payments in accordance with statutory deadlines. Taxpayers may also claim tax repayments on a self-assessed basis.
- 20.32** Revenue's general approach is to promote voluntary compliance with tax system obligations in the first instance and, where necessary, to follow up with the intervention most appropriate to the tax risk identified.
- 20.33** Revenue promotes voluntary compliance in a number of ways including through online services, providing advice to taxpayers on their tax obligations, pre-populating tax returns, providing real-time engagement and offering taxpayers opportunities to voluntarily correct potential mistakes. Revenue also operates a co-operative compliance framework which is a voluntary programme that aims to promote and facilitate tax compliance by large corporate entities managed by either the Large Corporates Division or the High Wealth and Financial Services Division.
- 20.34** Alongside supporting voluntary compliance, Revenue operates a risk-based approach to compliance management. In 2018, Revenue undertook an organisational realignment which supports its targeted approach to case-base management, allowing operational divisions to apply sectoral knowledge when profiling risk within identifiable segments of Revenue's case base. Revenue stated that these structural changes, together with the allocation of significant resources to manage the case base segments associated with the highest tax risk, has assisted it in gaining a greater knowledge of its case base and a deeper understanding of sectoral risks.¹ It also enables close oversight of risk as the full case bases of these divisions are subject to regular appraisal.
- 20.35** Revenue aims to carry out interventions in a manner that minimises the cost to both the taxpayer and Revenue. Historically, cases were selected using various risk-driven methodologies e.g. Revenue's electronic risk and analysis system (REAP).² In recent years, REAP has mainly been used by caseworkers to assess cases that have already been selected for review, rather than as a case-selection tool. Revenue stated that REAP is actively used to complement a wide range of other tools and data sources used by the different operating divisions when selecting cases for compliance intervention e.g. various internally developed risk appraisal tools, real-time PAYE data, VAT real-time risk framework and information received from other jurisdictions.

¹ Large Corporates Division, High Wealth and Financial Services Division and the Medium Enterprises Division are responsible for managing 2.5% of Revenue's overall case base. The entities managed by those divisions paid 77% of overall tax receipts in Ireland in 2023. In addition, 71% of the total yield arising from compliance interventions completed in 2023 were associated with entities managed by those divisions.

² REAP is a risk analysis system that risk-rates Revenue's customer base across all the main taxes and duties. It analyses data, including third-party data that Revenue has on tax and duty cases and attributes a score based on the level of risk posed.

20.36 Revenue stated that its approach to taxpayer compliance management is developing to make more use of third-party data, advances in technology which enhance data analytic capabilities and the increasing availability of real-time data which will continue to be used to identify indicators of potential risk. Where risks are identified and it is deemed appropriate, compliance interventions are initiated by Revenue. In addition, Revenue carries out regular case-base reviews of sectoral risks.

Compliance activity commenced up to April 2022

20.37 Revenue's risk-based compliance regime has also changed in recent years. Up to April 2022, compliance activity involved

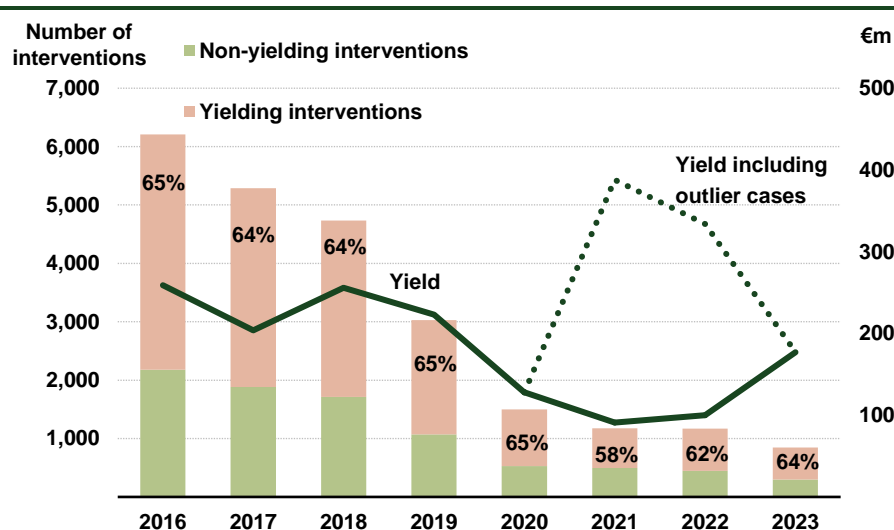
- **audit interventions** — audits or investigations conducted mainly on the basis of risk and, in the majority of cases, involving a full examination of an entity's books and records
- **non-audit interventions** — less intrusive interventions, generally instigated on the basis of a specific identified risk, and consisting mainly of assurance checks, aspect queries and profile interviews.

Outcome of audits and investigations

20.38 Figure 20.5 sets out the number of audits and investigations finalised between 2016 and 2023. It also shows the proportion of yielding cases and the amounts yielded.

20.39 Since 2016, there has been a steady reduction in the annual number of audits and investigations finalised. Revenue has stated that a number of environmental factors have contributed to this decrease, including the retirement of a number of long-serving staff and the suspension of certain on-site compliance activity during the period affected by Covid-19 public health restrictions.¹ Revenue stated that another reason for the decline is the targeted risk-based approach to case base management in operation since the organisational realignment in 2018.

Figure 20.5 Outcome for audits and investigations, 2016 to 2023^{a,b}



¹ While no new compliance cases were opened, Revenue continued to progress open compliance interventions in the Large Corporates Division and the High Wealth Individuals Division (now the High Wealth and Financial Services Division).

Source: Revenue Commissioners

- Notes:
- a In May 2022, Revenue transitioned to a compliance intervention framework (CIF). The audit and investigations for 2022 and 2023 are those commenced prior to the introduction of CIF and closed in 2022 and 2023.
 - b The yield value includes any interest and penalties.

20.40 Two extreme outlier yielding cases heavily influence the value of yield reported for 2021 and 2022 (see Figure 20.5 above). These related to one case with a yield of €297 million in 2021, and another with a yield of €234 million in 2022.

Outcome of non-audit interventions

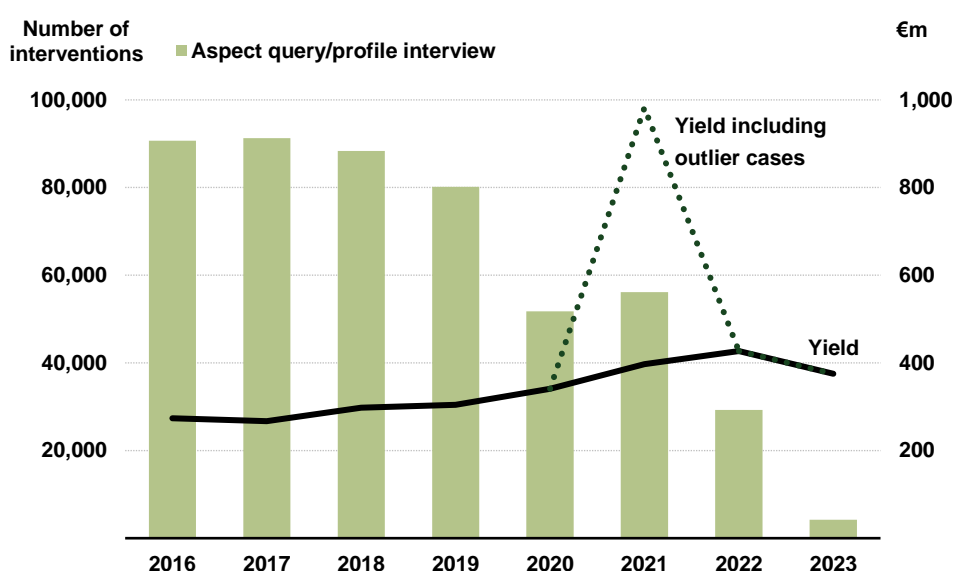
20.41 Non-audit interventions are carried out to address specific risks identified, and where it is deemed more efficient in terms of time and resources than carrying out a full audit. Non-audit interventions can involve, for example, profile interviews, verifying the accuracy of repayment claims and following up on issues arising from suspicious transaction reports.¹ Issues identified during non-audit interventions may warrant escalation to an audit or investigation.

20.42 Over 65% of the cases selected for appraisal in 2023 came from the VAT and PAYE real-time risk interfaces, suspicious transaction reports and tax registration checks.²

20.43 A significant number of appraisals carried out each year were closed with no identified requirement for further action i.e. no compliance intervention. (Where cases are escalated to a compliance intervention e.g. risk review or audit, any resulting yield is recorded against that intervention type.)

20.44 Of the aspect queries and profile interviews finalised between 2016 and 2021, around one case in every five was a yielding intervention. In 2021, yield from non-audit interventions spiked very significantly, to almost €1 billion. Two non-audit intervention cases concluded in 2021 had combined yields totalling €585 million. When these outlier cases are excluded, the annual yield from non-audit interventions demonstrates a moderate upward trend over time, and averaging around €400 million in recent years (see Figure 20.6).

Figure 20.6 Outcome for non-audit interventions, 2016 to 2023^a



¹ See also *Report on the Accounts of the Public Services 2020*, chapter 13, [Revenue's management of suspicious transaction reports](#).

² The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 introduced the requirement for designated persons to submit suspicious transaction reports where they have suspicions of terrorist financing or money laundering, including the laundering of the proceeds of tax evasion.

Source: Revenue Commissioners

Note: ^a The yield value includes any interest and penalties.

Compliance intervention framework — commenced from May 2022

20.45 In May 2022, Revenue introduced a new compliance intervention framework (CIF) to provide a consistent, graduated response to taxpayer behaviour.¹ The responses within the CIF range from providing taxpayers with opportunities to voluntarily correct potential mistakes in their tax affairs, thereby experiencing the minimum level of penalty, to progressively responding to taxpayers that do not comply voluntarily or who change their behaviour leading to tax non-compliance. Under the CIF, there are three levels of compliance interventions — the first focuses on supporting compliance while the other two focus on confronting non-compliance.

- **Level 1** — aimed at **supporting and assisting taxpayers** in being voluntarily compliant by reminding them of their obligations and providing them with the opportunity to correct potential errors without a more in-depth inquiry. Interventions include issuing reminder notifications of outstanding tax returns, requests to self-review, engagement with businesses under the CCF and profile interviews. A level 1 intervention may identify issues that warrant the initiation of either a level 2 or level 3 intervention.
- **Level 2** — **risk-based reviews or checks** on data provided by taxpayers in their tax returns, ranging from examination of a single issue within a return to comprehensive tax audits. Level 2 interventions are carried out using a risk review or an audit.
- **Level 3** — a **Revenue investigation**, focuses on tackling high-risk practices and cases involving risks of suspected fraud or tax evasion.

Outcome of CIF interventions

20.46 The interventions opened since the introduction of the CIF in May 2022 that had been closed by December 2023 resulted in the identification of additional tax yield of €200 million (see Figure 20.7).

Figure 20.7 Outcomes of compliance intervention framework, May 2022 to end 2023^a

Intervention type	Number of interventions	Yield ^b €m	Percentage of yielding cases
Level 1	66,821	163	12%
Level 2	2,707	35	46%
Level 3	8	2	100%
Total interventions	69,536	200	
Appraisals with no further action	68,434	—	

Source: Revenue Commissioners

Notes: a Appraisals are required to determine if an intervention is necessary. Appraisals do not result in a yield. If a risk is identified, the appraisal is escalated to an intervention, and any resulting yield is recorded under the specific intervention.

b The yield value includes any interest and penalties.

¹ [Code of Practice for Revenue Compliance Interventions.](#)

Deterring non-compliance

20.47 Those taxpayers who may consider delaying their tax returns or not paying their due taxes are likely to be deterred from doing so only if the perceived likely consequences outweigh the more immediate (and more certain) benefits. Consequently, for a credible deterrent effect to exist, there needs to be a high risk of the non-compliance being detected by Revenue in a timely way, and prompt collection of any outstanding taxes plus an interest charge. In appropriate cases, penalties for breaches of obligations under the tax code, including criminal prosecution in more serious cases, may add to the overall deterrent effect. Publication of the names and addresses of tax defaulters (as required by law for certain categories of default) is an additional deterrent.

Recovery of detected unpaid taxes

20.48 The finalisation of a Revenue intervention can result in the levying of additional amounts in respect of under-declared tax, interest on late payment and various penalties. The total amount collected, or deemed to be collectable, from the taxpayer is referred to as the audit yield or tax settlement amounts.

20.49 Audit settlements can be

- paid in full when the audit is concluded
- paid over a phased basis where the taxpayer has limited access to liquid funds but continues to generate income
- unpaid at the conclusion of the audit — where this is the case, the liability will be pursued using Revenue's normal debt collection processes
- unpaid and deemed uncollectable where Revenue accepts a taxpayer's claim of inability to pay e.g. where a taxpayer has been declared bankrupt or is the subject of a personal insolvency.

Civil penalties

20.50 As required by tax legislation, a tax-geared penalty shall apply where a taxpayer deliberately or carelessly files an incorrect tax return or fails to make a return by the due date.¹

20.51 The number and value of civil penalties imposed in 2019 and 2023 is shown in Figure 20.8. In 2023, penalties totalling €14.6 million were imposed in 19% of the interventions that resulted in a yield being determined.

¹ Section 1077(F) of the Taxes Consolidation Act 1997 provides for penalties for deliberately or carelessly filing incorrect returns or failing to file a return. Certain legislative exclusions apply, for example, where the liability is less than €6,000 or where technical adjustment has been accepted by Revenue as the reason for the default.

Figure 20.8 Civil penalties imposed in non-compliance cases, 2019 and 2023

		Audits ^a	Non-audit interventions	Total
Number of cases	2019	1,093	2,019	3,112
	2023	615	1,517	2,132
Value of civil penalties imposed (€m)	2019	11.3	8.4	19.7
	2023	8.7	5.9	14.6
Average civil penalty imposed (€)	2019	10,366	4,153	6,335
	2023	14,183	3,919	6,879

Source: Revenue Commissioners

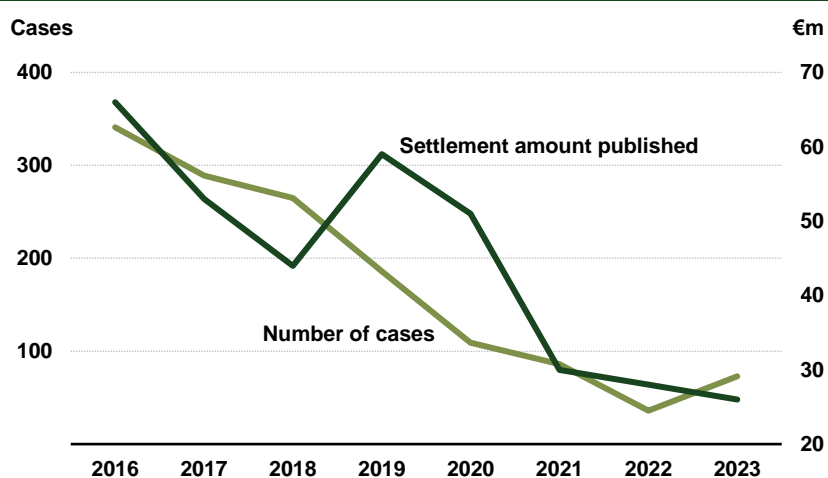
Note: a This refers to audits, investigations and level 2 risk reviews carried out under CIF.

- 20.52** Where a taxpayer does not agree liability to a penalty or does not pay an agreed penalty, it is then a matter for a relevant court to determine whether that person is liable to a penalty.

Publication of defaulters' details

- 20.53** Details of serious tax default cases are published quarterly. Publication occurs where Revenue accepts a settlement with a tax element exceeding €50,000 and an associated penalty exceeding 15% of the tax due. The current threshold (€50,000 tax) applies to all settlements accepted on or after 1 January 2022 (lower thresholds applied for previous periods).¹ Case details are not published where these criteria are not met, where a case does not attract a penalty or where a disclosure either prompted or unprompted is accepted by Revenue as meeting the qualifying criteria as specified in legislation.

- 20.54** As shown in Figure 20.9, the number of published cases declined steadily between 2016 and 2022. The number of cases rose in 2023, notwithstanding the increase in the threshold level for publication applicable from 1 January 2022.

Figure 20.9 Accepted settlements published on the tax defaulters list, 2016 to 2023^a

¹ Prior to 1 January 2022, publication was required where the aggregate of tax, interest and penalties exceeded €35,000 and the penalty as a percentage of the tax was greater than 15%. The intention of the change in criteria was to remove the requirement for publication of lower yielding cases.

Source: Revenue Commissioners

Note: a Figures relate to settlement amounts rather than sums collected.

Investigation and prosecution for tax evasion

- 20.55** Potential prosecution cases are referred to Revenue's Admissions Committee by the relevant operational division to assess whether there is sufficient prima facie evidence that an offence may have been committed under the relevant legislation.^{1,2} The Admissions Committee appraises each case and decides if it is suitable for referral to Revenue's Investigation and Prosecution Branch 1 (IPB1) for criminal investigation. The IPB1 investigates taxpayers that are suspected of serious tax and duty evasion or fraud, with a view to having them prosecuted on indictment. The decision on whether a prosecution will be brought in a particular case is a matter for the Office of the Director of Public Prosecutions.
- 20.56** It can take several years before a case is presented in court. As a result, at any point in time, Revenue has a number of serious evasion cases at various stages of the investigation and prosecution process (see Figure 20.10). The total number of open cases has been declining steadily since 2019 which reflects the reduction in the annual number of audits and investigations finalised since 2016.

Figure 20.10 Status of prosecution cases on hand at year-end, 2019 to 2023

Status of cases on hand	2019	2020	2021	2022	2023
Under investigation	61	60	57	31	20
With Revenue Solicitor's Division	23	12	13	11	8
Submitted to Director of Public Prosecutions — awaiting direction	2	3	1	1	—
Directions issued by Director of Public Prosecutions to prosecute	18	11	6	4	13
Before the court	17	27	33	28	18
Bench warrants/European arrest warrants	1	4	5	5	5
Total open cases	122	117	115	80	64

Source: Revenue Commissioners

1 The Admissions Committee comprises one representative from each of the five operational divisions within Revenue, the Collector General, Revenue Solicitor's Division and the Investigation and Prosecution Branch 1. The Committee is chaired by the Investigation, Prosecution and Frontier Management Division.

2 Section 1078 of the Taxes Consolidation Act 1997 and associated Acts specified under subsection 1.

- 20.57** Between 2019 and 2023, the number of prosecutions actively before the courts varied between 17 (in 2019) and 33 (in 2021). In the same period, the number of convictions actually obtained varied from five (in 2021) to 16 (in 2023) (see Figure 20.11).

Figure 20.11 Prosecution for serious tax and duty evasion, 2019 to 2023

	2019	2020	2021	2022	2023
Convictions obtained					
Tax evasion cases	8	9	5	3	13
Customs and excise evasion cases	2	2	—	3	3
Total convictions	10	11	5	6	16
Penalties					
Value of fines (€000)	8	1	5	22	50
Fine only convictions	4	1	1	2	4
Custodial sentence imposed	3	4	1	1	1
No custodial sentence imposed ^a	3	6	3	3	11

Source: Revenue Commissioners

Note: a Where no custodial sentence is imposed, the taxpayer received a fine, community service and/or a suspended sentence.

Conclusions and recommendations

Assessing taxpayer compliance

- 20.58** The concept of a tax gap relates to the difference between tax actually collected and the tax that should have been collected if every liable person complied with their obligations. Preparing annual estimates of the tax gap could potentially assist tax authorities in understanding the reasons behind unpaid tax and in devising strategies to mitigate the risks impacting on tax compliance.
- 20.59** A number of revenue authorities publish estimates of the tax gaps that arise in their respective jurisdictions. They also publish their estimation methodologies, explaining the limitations of the estimates produced, and where care needs to be taken in interpreting the results.
- 20.60** Revenue does not estimate the tax gap for Ireland because it has concerns regarding the methodological approaches used, the accuracy of the estimates that would be produced, and their usefulness at an operational level. However, it does periodically estimate the quantum of uncollected tax on certain activities or segments of the economy where compliance issues are identified. Revenue monitors and assesses developments in tax gap methodologies and participates in the Tax Administration EU Summit tax gap measurement project. It is also a member of the OECD's tax gap 'community of interest' which was formed in 2022.
- 20.61** The audit gap relates to tax liabilities unpaid by persons who are registered for tax purposes. Analysis of the outcome of a well-designed random audit programme can potentially provide a sound basis for valuation of the overall audit gap. While Revenue operated a random audit programme in the past, it did not use the results to estimate the audit gap.

- 20.62** Up to 2017, Revenue carried out sample-based audit programmes where taxpayers were selected randomly from across the relevant tax base i.e. each taxpayer had an equal chance of being selected for audit. While this was likely to result in a number of compliant taxpayers being audited, it did potentially allow for extrapolation of the results. From 2018 on, the methodology applied for Revenue's annual programmed audits has changed a number of times. While there is still some selection of cases on a randomised basis within certain segments of the case base, it does not appear that there is an equal probability for all taxpayers for a taxhead being selected. The succession of changes also prevent meaningful comparison of the programme's compliance outcomes over time.
- 20.63** Revenue has stated that it is currently redeveloping its approach to random audits. It does not consider that a sufficiently robust methodology exists at this time for the full measurement of the audit gap through a random audit programme. Revenue is working on the redesign of an audit programme that is best suited to its organisational structure, whereby a number of its operational divisions have full case base coverage i.e. an effective 100% sample. A redesigned random audit programme will operate in those divisions that do not have full case-base coverage, namely the Business and Personal divisions. The objective of the random audit programme will be to provide a benchmark for the evaluation of Revenue's risk-based audit approach. Revenue expects the new programme to be operational in 2025.

Detecting non-compliant taxpayers

- 20.64** Revenue's general approach is to promote voluntary compliance with the tax system in the first instance and then, where necessary, follow up with appropriate interventions, including audits or investigations where appropriate.
- 20.65** There has been a steady decline in the overall number of Revenue's risk-based audits and investigations since 2016 for a variety of reasons. However, the results of those interventions that have been completed each year indicate that Revenue's detection work is generally well targeted, with a high proportion of cases resulting in the identification of additional tax yield — ranging from 58% to 65% for the years 2016 to 2021.
- 20.66** Excluding the impact of two individual very high-value compliance cases (one concluded in 2021 and another concluded in 2022), the reported value of additional tax yield identified from audits and investigations has been relatively steady over recent years. A similar trend occurs in relation to the value of additional tax yield identified from non-audit compliance interventions. These trends contrast with a rapidly increasing overall tax take over the same period. The impact on the annual yield levels of the compliance intervention framework (CIF) — in place since May 2022 — has not yet fully emerged.
- 20.67** Revenue has stated that several factors contributed to the decrease in the number of compliance interventions, including the retirement of a number of long-serving staff, the suspension of certain on-site compliance activity during the period affected by Covid-19 public health restrictions and the targeted risk-based approach to case base management in operation since the organisational realignment in 2018 .
- 20.68** An appraisal is often the first step in assessing whether a material tax and/or duty risk exists. It involves a caseworker establishing whether a further intervention should occur and if so, what type of intervention is the most appropriate. A significant proportion of appraisals are closed without a recommendation for further compliance-focused intervention as the presence of risk or a material level of risk is not identified.

Recommendation 20.1

Revenue should carry out a review of the case appraisals which result in no compliance intervention, to identify insights that may help to refine its risk-based case selection methodologies.

Accounting Officer's response

Agreed

Appraisals which result in no intervention do offer an opportunity to enhance our case selection methods and work is currently ongoing to analyse this data and apply the insights gained.

Timeline for implementation

Work will continue in 2025 to evaluate how best to capture actionable insights from Revenue appraisals.

20.69 Revenue's CIF was introduced in May 2022 with the aim of providing a consistent and graduated response to taxpayer behaviour.

20.70 The aim of level 1 interventions under the CIF is to support and assist taxpayers in being voluntarily compliant. While it may be challenging to measure the impact of level 1 interventions, it will be important for Revenue to do so to assess whether they are having a positive effect on taxpayer behaviour e.g. are taxpayers self-correcting or submitting qualifying disclosures on foot of a level 1 intervention.

Recommendation 20.2

Revenue should develop appropriate metrics to measure the outcomes of CIF level 1 interventions and to inform assessment of what is generating these interventions and whether they are worthwhile and achieving their objectives.

Accounting Officer's response

Agreed

Revenue launched a revised *Code of Practice for Revenue Compliance Interventions* to support the roll-out of the CIF on 1 May 2022. In addition to interventions carried out under CIF, work on a significant number of interventions opened prior to the introduction of CIF needed to be completed. While this work is on-going, it is reducing and it is an opportune time for Revenue to further invest in the necessary systems development to support the measurement of the outcomes of Level 1 interventions in terms of both immediate response and ongoing taxpayer behaviour.

Timeline for implementation

The required system development to be prioritised in 2025.

Deterring non-compliance

20.71 Deterrents in place for taxpayers that may consider delaying their tax returns or not paying their tax due include the application of financial penalties, publication of the names and addresses of tax defaulters in certain cases, and criminal prosecution for more serious breaches.

20.72 For 2023, civil penalties totalling €14.6 million were imposed by Revenue and details of 75 settlements totalling almost €26 million were published on the tax defaulters list. Since 2016, there has been a steady decline in the number of published cases (with the exception of 2023) and the number of open prosecution cases. This corresponds with the reduction in the annual number of audits and investigations finalised by Revenue during that period, but is in contrast with the constant additional yield value.

Annex 20A

**Tax gap projections for tax year 2021, Internal Revenue Service (IRS),
United States**

Tax Gap Projections for Tax Year 2021

(Money amounts are in billions of dollars. These figures will be updated as more complete compliance data become available.)



Research, Applied Analytics & Statistics



Calculating the Net Tax Gap

Nonfiling Underreporting + Underpayment

Gross Tax Gap

– Enforced & Other Late Payments

Net Tax Gap

Total True Tax Liability	Tax Paid Voluntarily & Timely	Gross Tax Gap					Enforced & Other Late Payments	Net Tax Gap (Tax Not Collected)
		Nonfiling	Underreporting	Underpayment	Gross Tax Gap			
\$4,565	\$3,877	\$77	+\$542	+\$68	= \$688	– \$63	= \$625	
By Type of Tax								
Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	
\$2,721	\$2,201	\$67	+\$396	+\$57	= \$520	– \$45	= \$475	
			Business Income: \$182, Non-Business Income: \$110, Credits: \$51, Income Offsets [1]: \$26, Filing Status: \$8, Other Taxes [2]: \$5, Unallocated Marginal Effects [3]: \$15					
Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	
\$304	\$259	#	+\$40	+\$5	= \$45	– \$8	= \$37	
			Large Corporations: \$19, Small Corporations: \$21					
Employment Tax	Employment Tax	Employment Tax [4]	Employment Tax	Employment Tax	Employment Tax	Employment Tax	Employment Tax	
\$1,455	\$1,337	\$9	+\$105	+\$4	= \$118	– \$6	= \$112	
			Self-Employment Tax: \$68, FICA & Uncollected FICA TAX: \$36, FUTA: \$1					
Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	
\$21	\$17	\$2	+\$1	+\$2	= \$4	– \$3	= \$1	

NOTES:

* Totals include Excise Tax.
 #—No estimate.
 Detail may not add to totals due to rounding.

[1] Includes adjustments, deductions, and exemptions.
 [2] Includes the Alternative Minimum Tax and taxes reported in the "Other Taxes" section of the Form 1040 except for self-employment tax and unreported Social Security and Medicare taxes (which are included in the employment tax gap estimates).
 [3] Is the difference between (1) the estimate of the individual income tax underreporting tax gap where underreported tax is calculated based on all misreporting combined and (2) the estimate of the individual income tax underreporting tax gap based on the sum of the tax gaps associated with each line item where the line item tax gap is calculated based on the misreporting of that item only. There may be differences if the marginal tax rates are different in these two situations.
 [4] Self-employment tax only.

Revised 10/2023

Annex 20B Annual tax gap findings, Australian Taxation Office

Table 20B.1 Tax gap estimates for 2020 – 2021 (or 2021 – 2022 where available)

	Gross gap %	Net gap %	Reliability of estimates
Transaction-based taxes (2021 – 2022)			
Goods and services tax	11.2	3.6	Medium
Alcohol tax	9.1	9.1	Medium
Tobacco tax	29.1	13.1	Medium
Fuel excise	1.7	1.7	High
Income-based taxes			
Large corporate groups	6.5	4.2	High
High wealth	8.1	7.1	High
Medium business	8.1	7.2	Medium
Small business	13.7	12.8	Medium
Individuals not in business	6.8	6.3	High
Fringe benefits	28.9	28.2	Low
Administered programs based taxes			
Pay As You Go withholding	2.3	1.7	Medium
Superannuation guarantee	6.2	5.1	Medium
Fuel tax credits (2021 – 2022)	4.0	2.6	Medium

Source: Australian Taxation Office

21 Assessment and collection of plastic bag levy liability

1 The plastic bag levy is also referred to as the environmental levy on plastic bags or the e-levy on plastic bags. The levy is not subject to VAT.

2 The statutory basis for the introduction of the levy was the [Waste Management Act 1996](#), as amended by the [Waste Management \(Amendment\) Act 2001](#). The powers under that legislation were subsequently repealed and replaced by [Section 11 of the Circular Economy and Miscellaneous Provisions Act 2022](#) as the legal basis for environmental levies.

3 [National Litter Pollution Monitoring System — system results 2023, July 2024](#).

4 Prior to July 2023, the applicable regulations were the [Waste Management \(Environmental Levy\) \(Plastic Bag\) Regulations 2001](#) as amended by the [Waste Management \(Environmental Levy\) \(Plastic Bag\) \(Amendment\) \(No. 2\) Regulations 2007](#). From 1 July 2023 to 31 December 2023, the [Circular Economy \(Environmental Levy\) \(Plastic Bag\) Regulations 2023](#) were in force. Those regulations were revoked and replaced from 1 January 2024 by the [Circular Economy \(Environmental Levy\) \(Plastic Bag\) \(No. 2\) Regulations 2023](#).

5 The Circular Economy Fund replaced the [Environment Fund](#) which ceased on 30 June 2023. The Fund is managed and controlled by the Minister for the Environment, Climate and Communications.

- 21.1** A plastic bag levy was introduced in March 2002.^{1,2} The main aim of the levy is to reduce the use of certain plastic bags, supplied in retail settings, by influencing consumer behaviour. The levy has had a positive impact, and plastic shopping bags are now estimated to represent just 0.6% of national litter.³
- 21.2** The levy was initially set at 15 cents per bag, rising to 22 cents per bag in 2007. It has remained unchanged since then. The progressive reduction in the use of leviable plastic bags is reflected in the trend of annual levy receipts: these peaked at €27 million in 2008 and had fallen to €1.4 million by 2023.
- 21.3** The plastic bag levy regulations specify the Revenue Commissioners (Revenue) as the collection authority, on behalf of the Department of the Environment, Climate and Communications (the Department).⁴ A service level agreement in place between the Department and Revenue sets out their respective roles and responsibilities in relation to the implementation and collection of the levy.
- The Department is responsible for the relevant primary and secondary legislation, and advertising and promoting awareness of the levy.
 - Revenue is responsible *inter alia* for
 - collecting the levy from retailers
 - carrying out verification checks relating to the accuracy of returns by retailers
 - raising estimates or assessments of liability where returns are not received or where liability is understated
 - dealing with appeals against estimates raised and complaints from accountable persons relating directly to Revenue's collection role.
- 21.4** The regulations require retailers that supply certain plastic bags to customers to charge a levy at the point of sale and then pay over the amounts collected to Revenue. As the collection authority for the levy, Revenue then deposits the levy proceeds into the Circular Economy Fund (and into the Environment Fund up to 30 June 2023).⁵ Amounts in the Fund are ring-fenced to finance initiatives to prevent or reduce waste and promote the reuse and recycling of goods.
- 21.5** In the course of the audit of the cessation accounts of the Environment Fund, it was noted that a long-running appeal by a retailer against an assessment of a plastic bag levy liability of €36.6 million had been settled. The amount of the settlement reached was €5 million.
- 21.6** A review was undertaken of the case to establish the circumstances that led to an outcome that was considerably less than the original liability assessed.

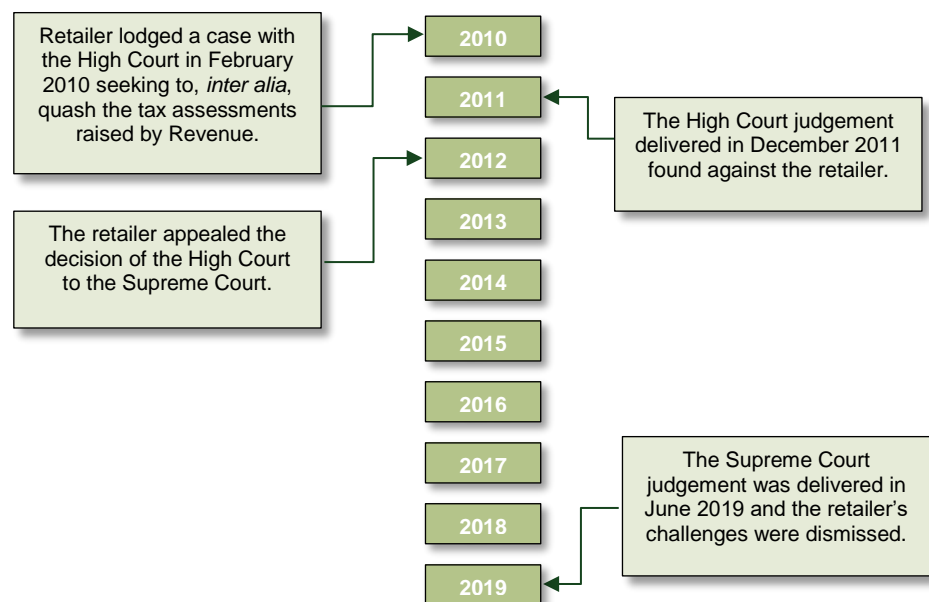
Identification of liability due

- 21.7** Revenue carries out risk-based checks to ensure compliance with the plastic bag levy regulations. A Revenue audit of a particular retailer that concluded in 2009 found that an unpaid liability was due in relation to certain plastic bags which exceeded allowable dimensions specified in the regulations in force at that time. In November 2009, Revenue issued notices of assessment to the retailer for an aggregate outstanding amount of €36.6 million covering a four-year period between July 2004 and June 2008. Revenue also provided the retailer with its calculations to support the assessments.
- 21.8** The retailer appealed the levy assessments to the Appeal Commissioners (now the Tax Appeals Commission).¹ However, the appeals process was later deferred pending the outcome of a separate judicial review sought by the retailer.

Judicial review

- 21.9** The retailer sought a judicial review of both the primary legislation (specifically, section 72(5)(b) of the Waste Management Act 1996 as inserted by section 9 of the Waste Management (Amendment) Act 2001) and the secondary legislation (Waste Management (Environmental Levy) (Plastic Bag) Regulations 2001).
- 21.10** When delivering his decision in 2011 upholding the legislation, the High Court judge noted that initially he thought the wording of a key section of the primary legislation — providing for the imposition of an environmental levy — was ambiguous but that after reading it carefully he was of the view that it was just ‘awkwardly phrased’ and that the section when carefully read is clear.

Figure 21.1 Timeline of court proceedings



¹ Prior to the establishment of the Tax Appeals Commission in March 2016, appeals against decisions and determinations by Revenue were processed by Appeal Commissioners.

21.11 The retailer appealed the decision of the High Court. In dismissing the retailer's appeal in June 2019, the Supreme Court also expressed views on the lack of clarity in the legislation, stating that it was drafted in an overly complex way and that the provisions involved in the appeal were capable of a much clearer definition.

Tax Appeals Commission determination

21.12 The hearing of the retailer's appeal to the Tax Appeals Commission against the November 2009 assessments was stayed for several years, pending the outcome of the judicial review proceedings.

21.13 In February 2021, the Tax Appeals Commission directed Revenue to prepare its outline of arguments in advance of a hearing of the appeal. As part of that process, Revenue carried out a detailed review of its calculations supporting the assessments issued to the retailer in November 2009. At that stage, Revenue also had the benefit of reviewing the retailer's own calculations (which it had received in February 2021) in respect of the amounts in dispute. Revenue's review identified that

- The 2009 assessment had included estimated liabilities for the period 1 July 2004 to 30 June 2007 for plastic bags of a certain type on which the retailer had already paid levies. In addition, there were differences in the level of deduction applied for matters such as the transfer by the retailer of bags from stores in Ireland to stores in Northern Ireland. The related adjustments reduced the assessment by approximately €12.9 million.
- Estimates had also been included for the period 1 July 2004 to 30 June 2007 for certain exempted bags, totalling approximately €4.1 million.¹ The amounts were originally included on the basis of the Department's interpretation of the word 'depth' as it pertained to the measurement of exempted plastic bags. Given that the Department's view on that matter had changed by 2021, Revenue decided not to defend that element of the assessments.
- The above issues also applied to the period 1 July 2007 to 30 June 2008, and the assessment of the amount due was further reduced by €11.1 million in that regard.

21.14 The outcome of the Revenue review was that the original assessments totalling €36.6 million were revised downwards by over €28 million — a reduction of more than three quarters. In November 2021, Revenue wrote to the retailer stating that the amount of the levy at issue for the periods within scope of the assessments was actually €8.5 million.

21.15 A preliminary case management conference was held in June 2022 and the appeal was heard in May 2023.² The Tax Appeals Commission's determination was delivered on 6 September 2023 and confirmed that the liability due and payable by the retailer was €8.5 million.

¹ Prior to 2024, exemptions from the levy applied in respect of re-usable shopping bags and plastic bags falling within specified dimensions and used to contain certain products. Since 1 January 2024, in accordance with the [Circular Economy \(Environmental Levy\) \(Plastic Bag\) \(No. 2\) Regulations 2023](#), the exemption criteria are based on the weight and wall thickness of bags, rather than the dimensions.

² A case management conference is a meeting to help progress a case. It is provided for in [Part 4 of the Finance \(Tax Appeals\) Act 2015](#).

21.16 No interest or penalties applied in this case.

- On the matter of interest, Revenue stated that its legal counsel advised that, having regard to the applicable legislation and regulations, the levy determined by the Tax Appeals Commission is not subject to interest.
- On the matter of penalties, Revenue stated that tax-geared penalties are not provided for in the legislation or regulations underpinning the plastic bag levy. They also stated that even if tax-geared penalties were provided for, given the circumstances of the case, a technical adjustment without penalty would be considered applicable in this case, as per the Code of Practice for Revenue Compliance Interventions.¹

Settlement offer

21.17 Following the determination, the retailer made a request to appeal the Tax Appeals Commission's determination to the High Court.

21.18 On 7 December 2023, Revenue was advised that the retailer had made a settlement offer of €5 million, or just under 60% of the assessed liability.

21.19 The settlement offer was reviewed by legal counsel for Revenue who recommended that the offer be accepted given the associated litigation risks, not least of which was the potential impact on the case of the revocation of the 2001 regulations with effect from 1 July 2023.

21.20 Revenue notified the Department of the settlement offer on 20 December 2023. While Revenue is the collection authority for the levy and is responsible for the settlement of a case, it does so as an agent of the Department and, in the specific circumstances of this case, would have regard to the preference of the Department as to whether a settlement offer would be accepted or rejected.

21.21 The Department stated that prior to making the legislative changes in 2023, it had consulted with Revenue in relation to the potential impact of the changes on the appeal case. Revenue had advised the Department that, as the new regulations introduced with effect from 1 July 2023 would have prospective effect, the appeal case would not be impacted.

21.22 In considering the settlement offer and the potential for further legal proceedings, the Department consulted its own legal advisor. The Department's legal advisor reviewed the advice provided by counsel for Revenue, and concurred with the recommendation to accept the settlement offer.

21.23 On 22 December 2023, the Department notified Revenue that it was willing to accept the settlement offer of €5 million and requested Revenue to proceed with the settlement on that basis. As disclosed in the final Environment Fund account, the settlement amount was paid by the retailer to Revenue in January 2024 and transferred to the Circular Economy Fund the following month.²

¹ [Code of Practice for Revenue Compliance Interventions](#).

² See [Environmental Fund — Cessation Account](#), financial statements for the period 1 January 2022 to 30 June 2023. The account was certified on 26 March 2024.

- 21.24** The legal costs incurred by both Revenue and the Department on this matter are borne in full by the Department.
- Revenue has stated that it incurred almost €105,000 in external legal costs related to this case and just over €7,000 in costs relating to internal legal advice. Revenue has recently requested reimbursement of €105,000 from the Department — it does not intend to seek payment in respect of its internal legal costs.
 - The Department has stated that it did not incur any external legal costs, and that it cannot quantify the cost of its internal legal advice as time sheets are not maintained.

Conclusions

- 21.25** Following a Revenue audit of a retailer, Revenue issued notices of assessment to the retailer in 2009 for an aggregate outstanding amount of €36.6 million in respect of plastic bag levies due for the period 1 July 2004 to 30 June 2008.
- 21.26** The retailer appealed Revenue's assessment of liability, but the appeal did not proceed until after judicial review proceedings had ended in 2019.
- 21.27** In preparation for the hearing by the Tax Appeals Commission, during 2021, Revenue reviewed the calculations supporting its November 2009 notices of assessment and identified a number of issues. On the basis of that review, Revenue reduced the estimated liability to €8.5 million.
- 21.28** The Tax Appeals Commission determination in September 2023 confirmed that the amount due from the retailer was €8.5 million.
- 21.29** Having confirmed that the Department was in agreement, Revenue subsequently accepted a settlement offer of €5 million from the retailer, due to concerns regarding the potential impact of the repeal of section 72 of the Waste Management Act 1996 and the revocation, in July 2023, of the 2001 regulations underpinning the levy assessment. The acceptance of the settlement offer was based on legal analysis and advice.

Other matters

22 Accounts of the National Treasury Management Agency

- 22.1** Section 12 of the National Treasury Management Agency Act 1990 (as amended) (the 1990 Act) 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 the accounts annually for audit by the Comptroller and Auditor General.
- 22.2** Following completion of the audit, the NTMA must submit the accounts and the related audit reports of the Comptroller and Auditor General to the Minister, who in turn must present them to the Houses of the Oireachtas.
- 22.3** In addition, 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 2023.

Accounts of the NTMA 2023

- 22.4** The accounts audited under section 12 of the 1990 Act are
- National debt of Ireland
 - NTMA administration account
 - Post Office Savings Bank Fund
 - State Claims Agency
 - Ireland Strategic Investment Fund (ISIF)
 - Ireland Apple escrow fund¹
 - National Surplus (Exceptional Contingencies) Reserve Fund.
- 22.5** 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.
- 22.6** The accounts for 2023 have been audited. My reports on the audits were issued on 30 April 2024.

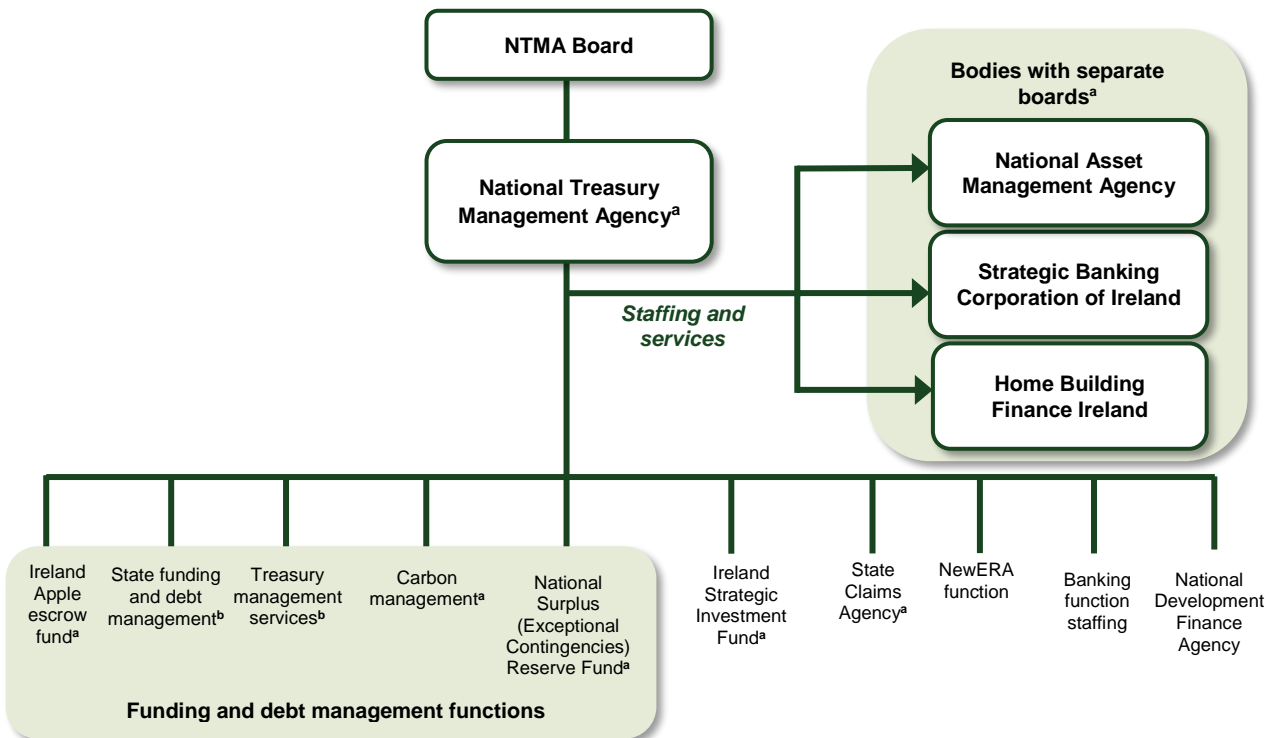
¹ See also *Report on the Accounts of the Public Services 2023*, chapter 23, Performance of the Ireland Apple escrow fund.

Structure, costs and staffing of the agency

22.7 Since the NTMA was set up in 1990, it has evolved into a complex organisation with multiple functions that extend beyond its original and core role in managing Ireland’s national debt (see Figure 22.1). Figure 22.2 summarises the distribution of the NTMA’s costs across the functions.

22.8 At the end of 2023, NTMA staff numbers totalled 801 on a whole time equivalent basis, across the various functions and activities (see Figure 22.3).

Figure 22.1 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 functional areas of State funding and 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 of Ireland.

Figure 22.2 Cost of operations, by business area, 2020 to 2023

	2020	2021	2022	2023
NTMA business units	€m	€m	€m	€m
Funding and debt management	12.6	12.4	13.4	13.5
Ireland Strategic Investment Fund	16.0	17.2	18.4	22.5
State Claims Agency	28.1	29.2	31.7	32.6
NewERA	5.8	6.1	6.8	7.5
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	1.8	2.2	4.4	2.9
National Development Finance Agency	11.3	11.6	12.7	13.3
Supported bodies				
National Asset Management Agency	33.9	30.2	26.2	23.9
Strategic Banking Corporation of Ireland	6.2	6.5	7.8	8.9
Home Building Finance Ireland	5.0	6.0	6.2	7.3
Total payments	120.7	121.4	127.5	132.4

Source: National Treasury Management Agency. Any apparent differences in totals are due to rounding.

Figure 22.3 NTMA staffing distribution at year-end, 2020 to 2023^a

	2020	2021	2022	2023
NTMA business units				
Funding and debt management	23	23	24	24
Ireland Strategic Investment Fund	53	59	66	80
State Claims Agency	166	170	170	170
NewERA	26	29	29	31
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	9	8	11	12
National Development Finance Agency	67	67	66	71
NTMA corporate functions				
Finance, technology and operations	145	143	145	155
Legal, compliance, HR and internal audit	48	55	59	63
Risk	20	20	23	22
Other	1	1	2	1
Supported bodies				
National Asset Management Agency	174	145	110	92
Strategic Banking Corporation of Ireland	28	32	38	44
Home Building Finance Ireland	27	31	31	36
Total	787	783	773	801

Source: National Treasury Management Agency. Any apparent differences in totals are due to rounding.

Note: a Numbers are based on whole time equivalents.

Performance-related pay

- 22.9** Provision for a discretionary performance-related payment is included in the majority of NTMA employee 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 NTMA's executive management team (EMT). Performance-related payment awards to employees below EMT level are approved by the Chief Executive following review by a sub-committee of the EMT.
- 22.10** The EMT comprises the Chief Executive, the Chief Financial and Operating Officer, the Director of the State Claims Agency, the Chief People Officer, the Chief Legal Officer, the Director of ISIF, the Director of Funding and Debt Management, the Director of the National Development Finance Agency and NewERA, and the Head of Banking (who is seconded to the Department of Finance).
- 22.11** Performance-related payments of €2.2 million (2022: €2.2 million) were made to 262 employees for 2023 (2022: 239), of which €166,000 was paid to six members of the EMT (2022: €130,000 to five EMT members). The Chief Executive of the NTMA did not receive a performance-related payment in respect of 2023 or 2022.

Supported agencies

- 22.12** In addition to its own operations, the NTMA assigns staff to the National Asset Management Agency (NAMA), the Strategic Banking Corporation of Ireland (SBCI) and Home Building Finance Ireland (HBFI) and provides them with business and support services and systems on a cost recoupment basis. Each of the supported entities has its own board and is separately accountable to Dáil Éireann.
- 22.13** Performance-related payments of €602,000 were awarded to NTMA staff members assigned to other agencies for 2023, as follows
- NAMA €328,000 (2022: €341,000)
 - SBCI €151,000 (2022: €136,000)
 - HBFI €123,000 (2022: €88,000).

Banking system functions staffing

- 22.14** NTMA staff involved in the provision of banking system functions have been seconded to the Shareholding and Financial Advisory Division in the Department of Finance since August 2011. At the direction of the Minister, the related staff and professional advisor costs are met by the NTMA.
- 22.15** Costs incurred by the NTMA in 2023 in relation to the Shareholding and Financial Advisory Division totalled €3.0 million (2022: €4.4 million). Professional advisor costs of €0.9 million (2022: €2.7 million) were recovered in 2023 from the relevant financial institutions.

Key NTMA operations in 2023

22.16 Key developments in the NTMA's operations in 2023 include

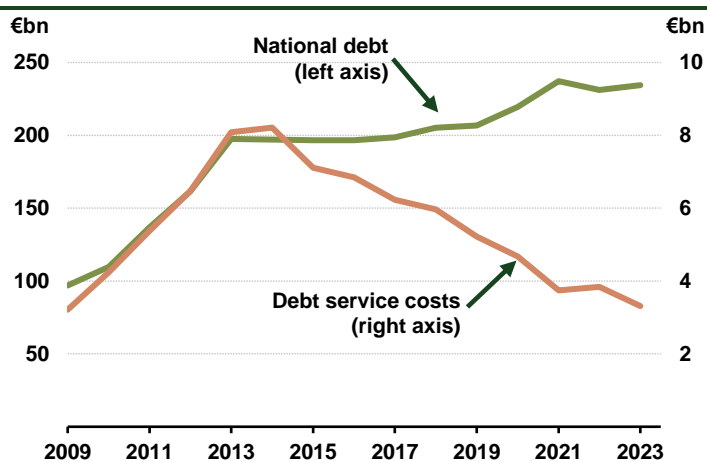
- a €3.3 billion (1.4%) increase in the level of the national debt
- debt service costs paid (€3.3 billion) were almost 14% lower than in 2022, driven by interest received on cash and other financial assets as a result of a return to a positive interest rate environment
- €825 million transferred to the Land Development Agency (LDA)¹
- a further reduction in the State's shareholding in AIB Group plc
- €4 billion transferred to the National Surplus (Exceptional Contingencies) Reserve Fund
- a continuation of the upward trend in the estimated contingent liability of the claims being managed by the State Claims Agency.

National debt

22.17 The NTMA's primary function is to borrow on behalf of the Minister and to manage Ireland's national debt, defined as the total debt outstanding for the time being of the Exchequer.²

22.18 At 31 December 2023, the national debt stood at €234,537 million, up from €231,236 million at the end of 2022 (Figure 22.4) — an increase of €3,301 million (or 1.4%).

Figure 22.4 National debt and debt service costs, 2009 to 2023



¹ See also *Report on the Accounts of the Public Services 2023*, chapter 1, Exchequer financial outturn for 2023.

² See section 1 of the 1990 Act.

Source: National Treasury Management Agency

22.19 The NTMA also engages in lending operations, including of Exchequer cash balances. In 2023, this included

- Investments in treasury bills of €4.8 billion at year-end (2022: €25 million) — the practice of purchasing treasury bills ceased from 2016 when interest rates fell to zero and below. With interest rates increasing from 2022, the NTMA recommenced purchasing of treasury bills to avail of the positive interest returns.
- Cash deposits of €1 billion at year-end (2022: nil) — the practice of placing amounts on deposit with other EU debt offices — last used around 2012 — recommenced in 2023.¹
- An increase of €1.12 billion in Housing Finance Agency guaranteed notes from €3 billion in 2022 to €4.1 billion in 2023.

Debt service costs

22.20 Debt service costs paid in 2023 were €3,309 million (including net interest paid, transaction fees and operating expenses), down from €3,841 million in 2022. The decrease of €532 million (or almost 14%) was mainly due to the offset of €660 million interest received on cash balances and other financial assets in 2023.

Short-term paper

22.21 Central Government bodies and funds and local authorities routinely purchase 'short-term paper' (Exchequer notes or central treasury notes) from the NTMA, as a means of managing cash balances on hand that are not immediately required. This constitutes a significant part of the NTMA's short-term borrowing.

22.22 Short-term paper held at the end of 2023 totalled €17.4 billion (up from €9.9 billion at end-2022) (see Figure 22.5). This comprised Exchequer notes to the value of €15.2 billion and central treasury notes to the value of €2.2 billion. The majority of the notes (€17.2 billion, or 99%) were issued to public bodies and funds.

22.23 The main drivers of the increase in the value of short-term paper in 2023 were increases in borrowing of €4 billion from the National Surplus Reserve Fund; and of €3.4 billion from the Social Insurance Fund.

Figure 22.5 Composition of short-term paper issued to public bodies at year-end, 2019 to 2023

	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m
Central Government bodies and funds	7,177	4,553	4,166	7,841	15,490
Local authorities	—	—	—	1,359	1,290
Other public sector bodies	162	556	376	523	450
Total short-term paper issued to public bodies	7,339	5,109	4,542	9,724	17,230
Short-term paper issued to non-public bodies	2,659	8,918	5,224	186	128
Total short-term paper	9,998	14,027	9,766	9,910	17,358
Percentage of total short-term paper issued to public bodies	73%	36%	47%	98%	99%

¹ EU debt offices can request short-term deposits from other EU countries to enable them meet short-term liquidity needs.

Source: National Treasury Management Agency. Any apparent differences in totals are due to rounding.

Irish sovereign green bonds

- 22.24** Medium and long-term debt at the end of 2023 accounted for 81% (€191 billion) of the national debt, mainly in the form of Government bonds. This includes some debt that is designated as Irish sovereign green bonds (ISGBs). These are designed to enable Ireland to raise funds for projects that generate positive environmental benefits.
- 22.25** Between 2018 and 2023, the NTMA issued two fixed rate ISGBs with a nominal value totalling €10,348 million — €6,848 million due to mature in 2031 and €3,500 million due to mature in 2043 (see Figure 22.6).
- 22.26** The funds raised from ISGBs are paid into the Central Fund but are not ring-fenced. They are subsequently allocated to expenditure already incurred by Government departments for eligible green projects in accordance with the ISGB framework.¹ By the end of 2023, all of the proceeds raised had been fully allocated to eligible green projects.

Figure 22.6 ISGB proceeds and allocations, 2018 to 2023

	2018	2019	2020	2021	2022	2023
	€m	€m	€m	€m	€m	€m
Starting balance	—	1,034	1,318	198	—	—
Proceeds from sales of ISGBs ^a	2,984	2,252	1,269	839	—	3,444
Total proceeds for allocation	2,984	3,287	2,587	1,036	—	3,444
Allocations to eligible green projects ^b	1,950	1,969	2,389	2,501	1,979	—
End-year balance	1,034	1,318	198	—	—	—

Source: Irish Sovereign Green Bond Allocation report 2022

Notes: a Irish Sovereign Green bonds are sold at market prices. Since they were launched in 2018, the market prices have averaged slightly above the nominal amount of bonds issued. Therefore, the proceeds (€10,788 million) or cash amount raised and allocated to eligible expenditure, exceeds the nominal value (€10,348 million).

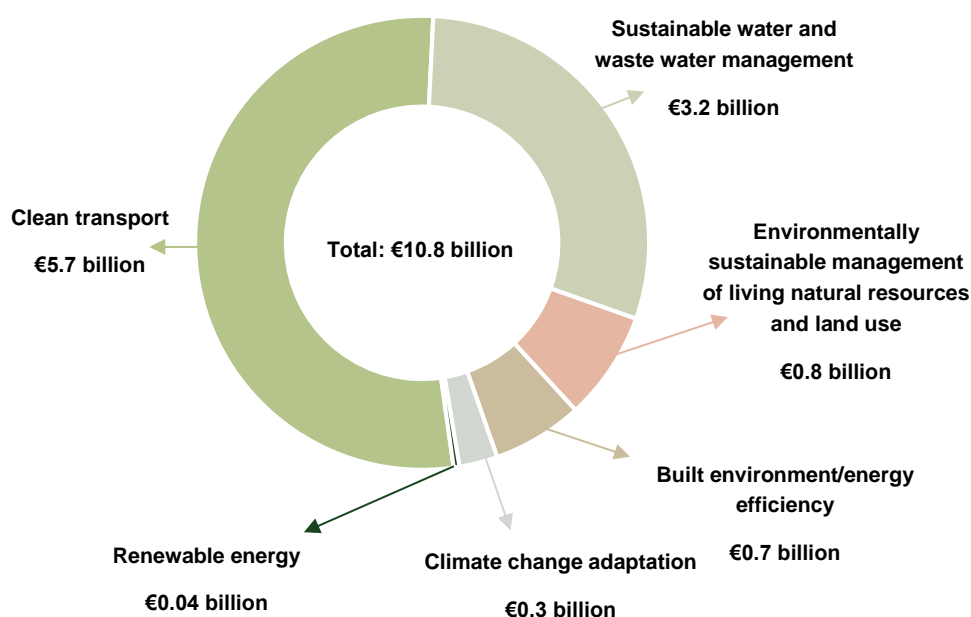
b Proceeds can be allocated to prior years.

- 22.27** An ISGB working group oversees the implementation of the ISGB framework comprising representatives from the NTMA, the Department of Public Expenditure, National Development Plan Delivery and Reform, the Department of the Environment, Climate and Communications and the Department of Finance. It is also assisted by the Department of Transport, Department of Agriculture, Food and the Marine, Department of Housing, Local Government and Heritage and the Office of Public Works.
- 22.28** The working group, in consultation with relevant other Government departments and State bodies, identifies eligible green projects to finance or refinance
- which promote, in whole or in part and whether directly or indirectly, Ireland's transition to a low carbon, climate-resilient and environmentally sustainable economy
 - which are funded, in whole or in part and whether directly or indirectly, through Exchequer funded expenditures, subsidies or tax foregone; and
 - where the relevant Exchequer expenditure has been provided within the 24-month period preceding the issue date of the relevant ISGB to refinance an existing project; and which otherwise qualify under the ISGB framework.

¹ The ISGB framework enables Ireland allocate proceeds to eligible 'green' projects through the issuance of ISGBs. The framework was approved by Government, pursuant to a cabinet decision in July 2018.

- 22.29** The *Revised Estimates for Public Services* sets out the Government expenditures which are climate and environment related. This guides the allocation process which is agreed across the Government departments that are represented on the ISGB working group.
- 22.30** Allocation of the bond receipts occurs after the project expenditure has been incurred. Figure 22.7 indicates the way in which ISGB receipts have been allocated to eligible green projects over the period 2018 to 2022.

Figure 22.7 Total allocation of ISGB proceeds by eligible green category, 2018 to 2022



Source: Irish Sovereign Green Bond Allocation Reports 2018 to 2022. Any apparent differences in totals are due to rounding.

- 22.31** Between September 2018 and October 2023, the NTMA engaged consultants in environmental, social and governance (ESG) investing, to conduct second-party opinion reviews of ISGB projects funded between 2019 and 2022. The consultants found that the projects, to which funds have been allocated, are aligned with the green bond framework. On-site visits to projects were not undertaken as part of the reviews, and the expenditure itself was not audited by the consultants.
- 22.32** Based on the limited assurance procedures conducted, the consultants concluded that they had identified nothing that would suggest that in all material respects the projects funded with proceeds from the ISGBs are not in conformance with the use of proceeds and the reporting criteria outlined in the ISGB framework.

Capitalisation of the banks

- 22.33** Between 2009 and 2010, the State invested €30.85 billion in the form of promissory notes in the banks as part of the recapitalisation of domestic banks — one of a range of measures used to stabilise the banking system following the onset of the financial crisis in 2008.

22.34 In February 2013, following the appointment of special liquidators to Irish Bank Resolution Corporation (IBRC), the promissory notes were replaced with eight floating rate Government bonds with a nominal value of €25.034 billion with maturities ranging from 25 to 40 years. In addition, €3.5 billion of the existing 5.4% fixed rate treasury bond was also acquired by the Central Bank. The first of the eight floating rate bonds was due to mature in 2038 with the remaining floating rate bonds due to mature every two years thereafter between 2041 and 2053.

22.35 As can be seen from Figure 22.8, the bonds were fully redeemed over the period 2014 to 2023 at a total premium of €12.6 billion with interest paid totalling €4.14 billion. The interest and premium formed part of the Central Bank of Ireland's surpluses, some of which were remitted to the Exchequer over the same period.

Figure 22.8 Floating rate bonds issued and redeemed 2013 to 2023

Year		Nominal amount issued	Nominal amount redeemed	Paid upon redemption	Premium paid	Interest paid ^a
		€m	€m	€m	€m	€m
2013	Starting balance	25,034	—	—	—	638
2014	Floating Rate Treasury Bond 2038	2,000	500	680	180	755
2015			1,500	2,053	553	669
	Floating Rate Treasury Bond 2041	2,000	500	705	205	
2016			1,500	2,138	638	557
	Floating Rate Treasury Bond 2043	2,000	1,500	2,221	721	
2017			500	694	194	435
	Floating Rate Treasury Bond 2045	3,000	3,000	4,473	1,473	
	Floating Rate Treasury Bond 2047	3,000	500	787	287	
2018			2,500	3,912	1,412	335
	Floating Rate Treasury Bond 2049	3,000	1,500	2,340	840	
2019			1,500	2,330	830	
	Floating Rate Treasury Bond 2051	5,000	1,500	2,407	907	249
2020			1,000	1,650	650	194
2021			2,000	3,273	1,273	144
2022			500	784	284	106
	Floating Rate Treasury Bond 2053	5,034	2,500	3,687	1,187	
2023			2,534	3,535	1,001	58
	Balance at year-end	—				
Total			25,034	37,669	12,635	4,140

Source: National Treasury Management Agency. Any apparent differences in totals are due to rounding.

Note: a The bonds paid interest every six months (June and December) based on the six-month Euribor interest rate plus a fixed interest margin which ranged from 2.50% to 2.68%.

Carbon Fund

- 22.36** The Carbon Fund was established under 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.
- 22.37** 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 legislation.
- 22.38** At the end of December 2023, there are 701,795 units remaining in the fund. These holdings have no monetary value.
- 22.39** There were no purchases of carbon credits by the NTMA in 2022 or 2023, and at the end of December 2023, the Carbon Fund had a nil net asset value. Under current EU rules, it is not anticipated that further carbon credits will be purchased and the future of the fund will be decided once the remaining carbon credits are disposed of.

Purchase of annual emission allocation units

- 22.40** In May 2018, the European Union adopted the Effort Sharing Regulation which sets binding annual maximum emissions targets for the period 2021 to 2030. Under this regulation, the purchase of carbon credits in the carbon markets is no longer an option for Ireland to meet its emission targets. However, the use of surplus annual emission allocation (AEA) units, purchased from other member states, can be used to achieve compliance with emissions targets.
- 22.41** In early 2023, the Department of the Environment, Climate and Communications signed an agreement with Slovakia to purchase around 4.1 million AEA units at €0.7 per unit (total cost of €2.9 million). This was to ensure Ireland met its obligations under the EU Effort Sharing Decision which set Ireland's emissions targets for the period 2013 to 2020.¹ The purchase of the units was charged to Vote 29 Environment, Climate and Communications in 2023.

¹ Under the [EU Effort Sharing Decision](#), member states were required to limit their greenhouse gas emissions in the 'effort sharing' sectors each year from 2013 to 2020. They were also required by 2020 to collectively deliver a reduction of around 10% in total EU emissions from the sectors covered, compared to 2005 levels.

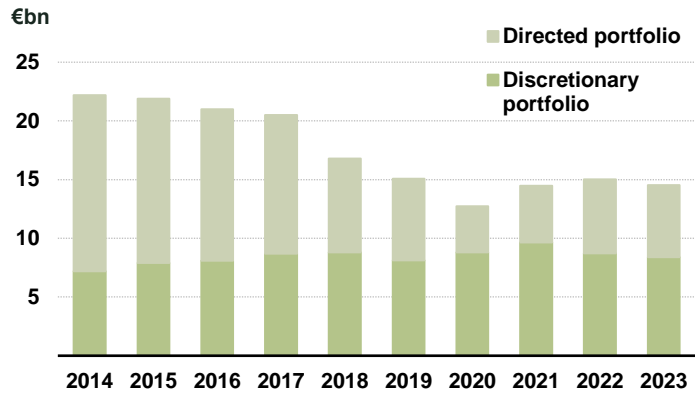
² The ISIF was established in December 2014, pursuant to the National Treasury Management Agency (Amendment) Act 2014 (2014 Act). On its establishment, the assets and liabilities of the former National Pension Reserve Fund (NPRF) became assets and liabilities of the ISIF.

³ Section 43 of the 2014 Act provides that the Minister may give direction to the NTMA in relation to the holding and management of a directed investment, the exercise of any voting rights attaching to a directed investment, or the disposal of a directed investment.

Ireland Strategic Investment Fund

- 22.42** The Ireland Strategic Investment Fund (ISIF) is a sovereign development fund with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland.²
- 22.43** The assets of the ISIF are held in two portfolios
- the **directed investment portfolio** is subject to directions given by the Minister for Finance³
 - the **discretionary investment portfolio** consists of investments made in accordance with the relevant sections of the 2014 Act, where the NTMA holds or invests ISIF's assets (other than directed investments) on a commercial basis.
- 22.44** As illustrated in Figure 22.9, the net assets held by the ISIF have fallen by almost 35% from €22.2 billion in 2014 to just over €14.5 billion at the end of 2023.

Figure 22.9 Value of ISIF net assets, 2014 to 2023



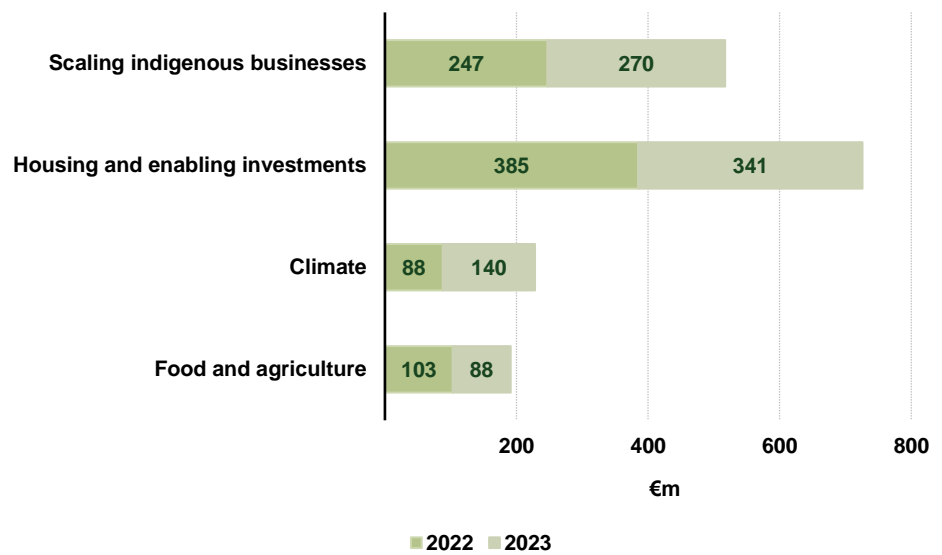
Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2023

Discretionary investment portfolio

22.45 The discretionary portfolio has grown modestly in value, from €7.2 billion at the end of 2014 to almost €8.4 billion by the end of 2023. This is due primarily to investment gains of approximately €2.3 billion and cash injections, partially offset by the net transfer of capital to other Government initiatives, including to the National Surplus (Exceptional Contingencies) Reserve Fund.

22.46 In June 2022, a revised ISIF investment strategy was launched, with a focus on four key investment themes: climate, housing and enabling investments, scaling indigenous businesses, and food and agriculture.¹ As illustrated in Figure 22.10, ISIF has committed a total of around €1.66 billion to the four investment themes — €823 million in 2022 and a further €839 million in 2023.

Figure 22.10 ISIF’s investment by theme between 2022 and 2023



¹ The new strategy has flexibility for the ISIF to invest outside of the four themes and to respond to unforeseen macroeconomic events, such as Covid-19.

Source: National Treasury Management Agency

Directed investment portfolio

- 22.47** Since 2014, the net asset value held in the directed portfolio has decreased by 59%. The decrease in value — from €15 billion in 2014 to €6.2 billion in 2023 — was due primarily to transfers to the Land Development Agency and the sale of shares in AIB Group plc (AIB) and Bank of Ireland Group plc (BOI).

Funding of Home Building Finance Ireland

- 22.48** On 8 April 2019, the Minister for Finance directed the NTMA to execute a loan facility agreement with Home Building Finance Ireland (Lending) DAC, and to make available a loan facility of up to €730 million from ISIF to the company. The loan balance outstanding at the end of December 2023 was €325 million.

Funding of the Land Development Agency DAC

- 22.49** On 22 October 2018, the NTMA was notified by the Minister for Finance of a decision to allocate a reserve of up to €1.25 billion from the directed portfolio assets to support the Land Development Agency DAC (LDA).
- 22.50** In 2022, €100 million was transferred to the LDA out of the assets of the ISIF. During 2023, the NTMA was directed by the Minister for Finance to transfer a further €825 million out of the assets of ISIF to the LDA. This was for the purpose of discharging the liability arising as a result of the Minister for Public Expenditure, National Development Plan Delivery and Reform's subscription for shares in the LDA, in accordance with the Land Development Agency Act 2021.

AIB Group plc divestment

- 22.51** The ISIF continued to dispose of AIB shares in 2023, disposing of a total of 453 million AIB shares, and generating net proceeds of €1,748 million. This reduced the State's shareholding in AIB from 56.8% at 31 December 2022 to 40.8% at the year-end 2023. A total of €503 million raised from the share disposals in AIB was transferred to the Exchequer in 2023.

National Surplus (Exceptional Contingencies) Reserve Fund

- 22.52** The National Surplus (Exceptional Contingencies) Reserve Fund (NSRF) was established on 31 October 2019 on commencement of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 (the NSRF Act).
- 22.53** Under the NSRF Act, the Minister for Finance is required to pay a prescribed amount of €500 million from the Central Fund of the Exchequer into the NSRF in each of the years 2019 to 2023 inclusive, unless otherwise resolved by the Oireachtas.¹ A contribution greater than the prescribed amount is permitted by a resolution of Dáil Éireann.
- 22.54** On 15 November 2019, €1.5 billion was transferred to the NSRF from the ISIF.
- 22.55** On 28 October 2020, the full €1.5 billion was withdrawn to aid the Government's Covid-19 pandemic response. Pursuant to resolutions passed by the Oireachtas, the prescribed amount was not paid into the NSRF in either 2020 or 2021, due to the exceptional circumstances caused by Brexit and Covid-19. As a result, the fund balance was nil throughout the remainder of 2020 and 2021.

¹ The Oireachtas may, on a proposal brought by the Minister for Finance on or after 1 November in a particular year, pass a resolution authorising the Minister not to pay the prescribed amount into the Fund that year.

- 22.56** Arising from a further Dáil resolution on 27 September 2022, €2 billion in aggregate was transferred to the NSRF from the Central Fund on 1 November 2022 and €4 billion in aggregate on 7 February 2023. At the end of 2023, the NSRF had net assets of €6.179 billion — €6.139 billion invested in Exchequer notes, and interest income of €40 million.
- 22.57** The Future Ireland Fund and Infrastructure, Climate, and Nature Fund Act 2024, which was enacted on 18 June 2024, provides for the dissolution of the NSRF. It also provides that the balance of the NSRF is to be transferred to two new funds — the Infrastructure, Climate and Nature Fund, and the Future Ireland Fund. The relevant provisions of the Future Ireland Fund and Infrastructure, Climate and Nature Fund Act 2024 are expected to be commenced and the transfer of the balance of the NSRF to the two new funds is expected to be completed by the end of 2024.

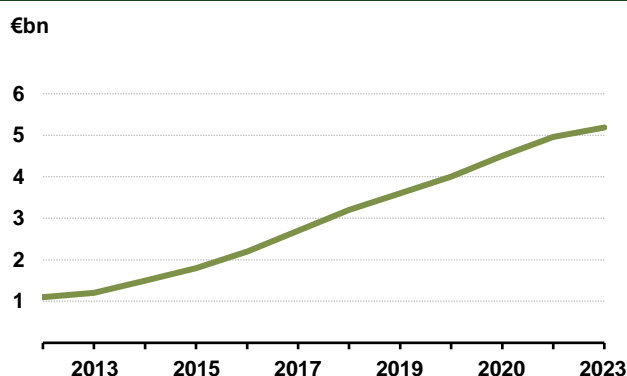
State Claims Agency

- 22.58** The NTMA manages personal injury, including clinical negligence, and third-party property damage claims on behalf of the State and delegated State authorities. In addition, it has a risk management role, advising and assisting those State authorities in minimising their claims exposure. 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).

Claim settlement in 2023

- 22.59** In 2023, the SCA paid settlements, awards and expenses totalling €574 million — an increase of 4% on the prior year (2022: €551 million).¹ These amounts are recoverable by the SCA from the relevant State authorities who are liable in respect of claims managed on their behalf by the SCA.²
- 22.60** The estimated cost of settling outstanding claims has been rising at a steady rate (see Figure 22.11). The outstanding liability at the end of 2023 has been estimated by the SCA at €5.185 billion.³

Figure 22.11 Estimated outstanding claims liability at year-end, 2012 – 2023



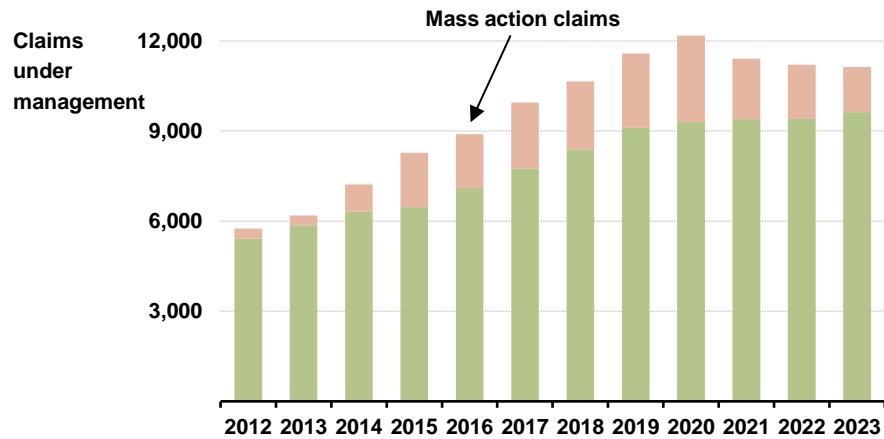
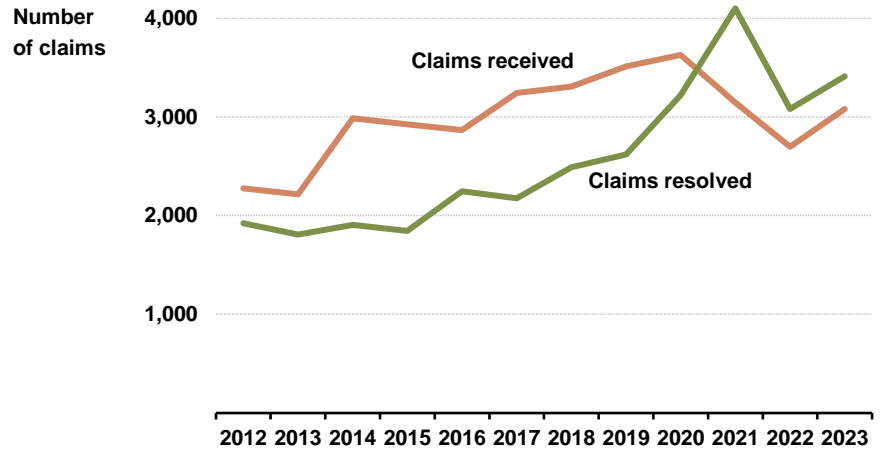
¹ Includes all awards and costs paid under the general and clinical indemnity schemes and all other costs paid by the Legal Costs Unit — including Tribunal costs.

² The SCA's own administrative costs (€32 million in 2023) are not recovered from delegated State authorities.

³ €840 million of the estimated outstanding liability at year-end relates to interim and 'periodic payment' orders.

22.61 Around 3,410 claims were resolved in 2023 — up from 3,082 in 2022. However the number of claims under management by the SCA at the year-end still remains high (see Figure 22.12). At the end of 2023, there were 11,137 claims under management, including 1,503 claims in mass actions (general and clinical).

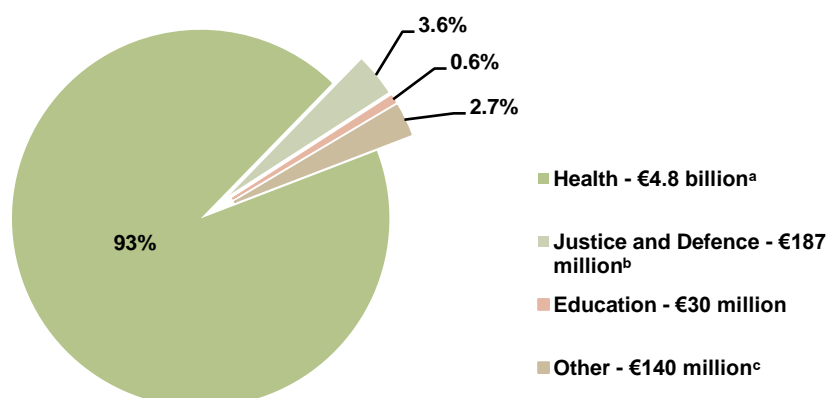
Figure 22.12 Claims received and resolved annually, and claims under management, at the year-end, 2012 – 2023



Source: National Treasury Management Agency

22.62 Health sector bodies (including the HSE and the Department of Health) accounted for 93% of the estimated outstanding liability at the end of 2023, while two other sectors (Justice and Defence, and Education) accounted for a further 4.2% (see Figure 22.13).

Figure 22.13 Proportion of estimated outstanding liability for each State authority sector, at end 2023



Source: National Treasury Management Agency

- Notes:
- a The health sector includes the HSE, Department of Health and bodies under its aegis, and private and voluntary community organisations.
 - b Justice and Defence includes the Irish Prison Service, An Garda Síochána, Defence Forces and certain others.
 - c Tusla claims are included within Other, as Tusla falls under the aegis of the Minister for Children, Equality, Disability, Integration and Youth.

CervicalCheck litigation

- 22.63** By end-2023, the SCA had received notification of 393 claims related to the HSE's CervicalCheck programme (end-2022: 379 claims).¹ This includes 80 psychological injury claims from family members of women who had availed of the programme.
- 22.64** During 2023, 61 CervicalCheck claims concluded, bringing the total number of claims concluded by end-2023 to 244. Total costs are unknown because most of the claims have been settled by the laboratories involved in the individual claims, and the NTMA stated that it would not, in most instances, have details of settlement payments made by those laboratories. Mediation is offered where possible to resolve claims in a non-adversarial manner, although this may not always be under the control of the SCA.
- 22.65** The CervicalCheck Tribunal, in operation since December 2020, provided an alternative system to the courts for processing claims arising. The Tribunal closed the receipt of applications on 26 July 2022, with a total of 25 cases accepted. All cases have now concluded, some of which have been settled. The Tribunal finished hearing cases at the end of July 2023. It was a matter for the plaintiffs in each case as to whether they wished to bring claims to the Tribunal or to pursue them through the courts. Plaintiffs who submitted claims to the Tribunal retain a right of appeal to the High Court.

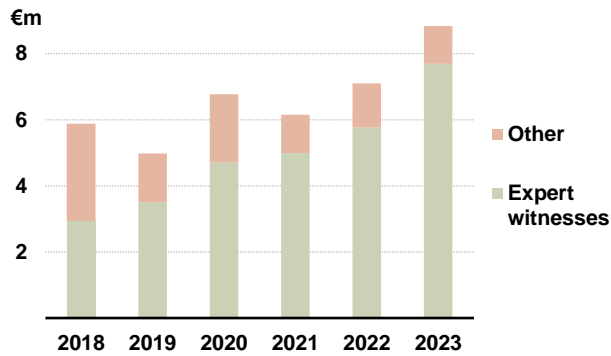
Procurement exceptions and expert witnesses

- 22.66** During 2023, the NTMA made payments totalling €8.8 million (ex VAT) (2022: €7.1 million, ex VAT) in respect of goods/services that were subject of procurement exceptions approved in accordance with the NTMA's *Procurement Policy and Procurement Procedure*.

¹ The 393 claims include Tribunal cases.

- 22.67** The overall level of non-competitive procurement by the NTMA has remained at a relatively consistent level over the last six years. However, the proportion of expenditure associated with expert witnesses retained by the SCA has increased year-on-year over the same period (see Figure 22.14). Non-competitively procured expert witness costs have increased from 50% of total procurement exceptions in 2018, to 87% in 2023. The SCA’s claims portfolio has also increased in size and complexity over that time. The SCA resolved 2,623 claims in 2018 and 3,410 claims in 2023, an increase of 30%.
- 22.68** The SCA categorises its expert witnesses in two broad categories — witnesses as to ‘causation and liability’ (e.g. medical and engineer witnesses), and witnesses as to ‘quantum and fact’ (e.g. actuarial witnesses). The SCA does not competitively procure witnesses as to causation and liability because it considers that such a procurement process would be likely to give rise to an added level of litigation risk in relation to the independence of such witnesses.
- 22.69** Expert witness costs of €7.69 million were incurred by the SCA in 2023 (2022: €5.76 million) for services procured non-competitively in the context of claims management.
- 22.70** A multi-party framework panel for the provision of architectural expert witness’s services and separately, three multi-party framework panels (split by geographic location) for private investigator services, relating to witnesses as to quantum and fact, were put in place on foot of competitive tender processes, in March 2023.

Figure 22.14 NTMA procurement exceptions, 2018 – 2023



Source: Financial Statements of the National Treasury Management Agency, 2018 to 2023. Analysis by the Office of the Comptroller and Auditor General.

23 Performance of the Ireland Apple escrow fund

23.1 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 Limited and Apple Operations International Limited (jointly referred to hereafter as Apple), pending the final outcome of legal challenges to the findings of a State aid investigation undertaken by the European Commission (the Commission).

23.2 The investment and management of the fund is jointly overseen by the Minister and Apple. The Minister delegated his functions in that regard to the National Treasury Management Agency (NTMA).

Origin of the escrow fund

23.3 In June 2014, the Commission opened a formal investigation procedure into the tax opinions issued to Apple by the Revenue Commissioners in 1991 and 2007. The investigation was focused on establishing whether these opinions conferred any advantage on Apple relative to its competitors, such that they constituted State aid.

23.4 In August 2016, the Commission issued its decision concluding that Ireland had given illegal State aid to Apple.¹ The Commission ordered Ireland to recover, from Apple, the alleged State aid plus interest, related to a ten-year period from 2003 to 2014.²

23.5 The Revenue Commissioners computed that the alleged State aid to be collected by reference to the Commission's decision was €13.1 billion plus interest of €1.2 billion.³ Both the Irish Government and Apple separately appealed the Commission's decision, and agreed to the recovered amounts being held in an escrow fund pending completion of the legal process. Apple transferred €14.3 billion into the escrow account in 2018.

23.6 In July 2020, the General Court of the European Union annulled the Commission's decision that Ireland had granted unlawful State aid to Apple. The Commission lodged an appeal against the General Court judgement.

23.7 The Court of Justice of the European Union published its final judgement on the case in September 2024. In summary, the Court of Justice set aside the judgement of the General Court and confirmed the Commission's 2016 decision that Ireland had granted Apple unlawful aid, which it is required to recover.⁴

23.8 The Court also ordered Ireland and Apple to bear their own costs in the legal proceedings, and to pay the costs incurred by the European Commission.

23.9 Placement of the recovered amounts in an escrow fund allowed the escrow parties (the Minister and Apple) to determine jointly how these amounts are invested pending the final judgement by the Court of Justice, and the ultimate owner of the fund being determined. The process of disbursing the funds in the escrow account will be reviewed as part of the audit of the 2024 financial statements of the account.

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 Apple case is the largest State aid recovery ever ordered.

³ Amounts in this report have been rounded.

⁴ [Commission v Ireland and Apple Judgement 10 September 2024.](#)

Oversight and management of the fund

- 23.10** The arrangements for oversight, management and monitoring of the fund are summarised in Annex 23A.
- 23.11** 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 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 periodically reviews the ongoing appropriateness of the investment policy.¹ The NTMA has stated that no changes have been made to the investment policy since the fund began investing in 2018.
- 23.12** The escrow fund is exposed to a variety of 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.

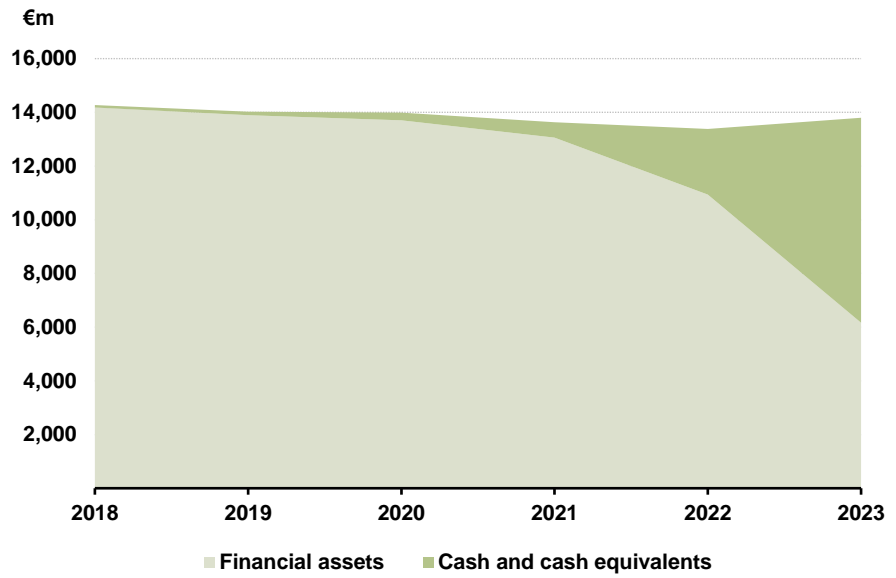
Performance of the escrow fund

- 23.13** The financial statements of the escrow fund are prepared in accordance with International Financial Reporting Standards (IFRS), as directed by the Minister. All financial assets of the escrow fund are valued in the financial statements at fair value, which is the quoted market value at the close of trading on the period-end date.
- 23.14** 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).
- 23.15** At 31 December 2023, total assets of €13,794 million were held in the escrow fund, of which around 45% was invested in financial assets and 55% held in cash and cash equivalents. This represents a significant change from the end of 2022, when 82% of the total assets were invested in financial assets and 18% in cash and cash equivalents (see Figure 23.1). The increased investment in short-term securities was in anticipation of the Court of Justice's final judgement on the case.
- 23.16** The net assets of the fund increased in 2023 by €400 million to €13,774 million — the first year a gain was recorded (see Figure 23.2).² The increase in the value of the fund over the year was due to the higher interest rate environment, with the increased income and cash flows mainly due to holding and reinvesting in assets at higher yields.
- 23.17** The escrow fund incurred operating costs of €6 million in 2023 (2022: €6 million) which primarily relate to investment managers' fees and escrow agent/custodian fees.

¹ The investment committee, which is chaired by the NTMA, comprises three NTMA representatives and three Apple representatives.

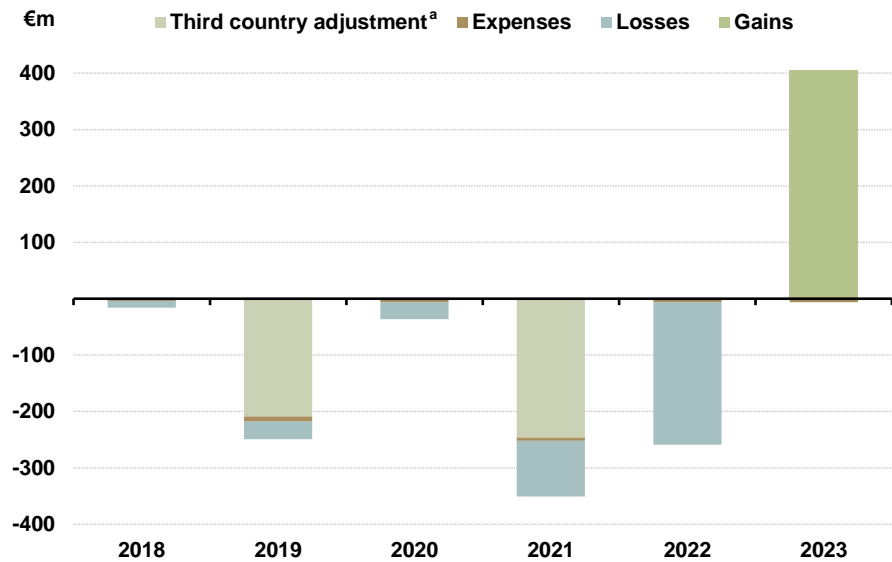
² The difference between total assets and net assets is liabilities of the fund outstanding at the year-end.

Figure 23.1 Distribution of escrow fund assets by value — 2018 to 2023



Source: Financial Statements of the Ireland Apple Escrow Fund, 2018 to 2023

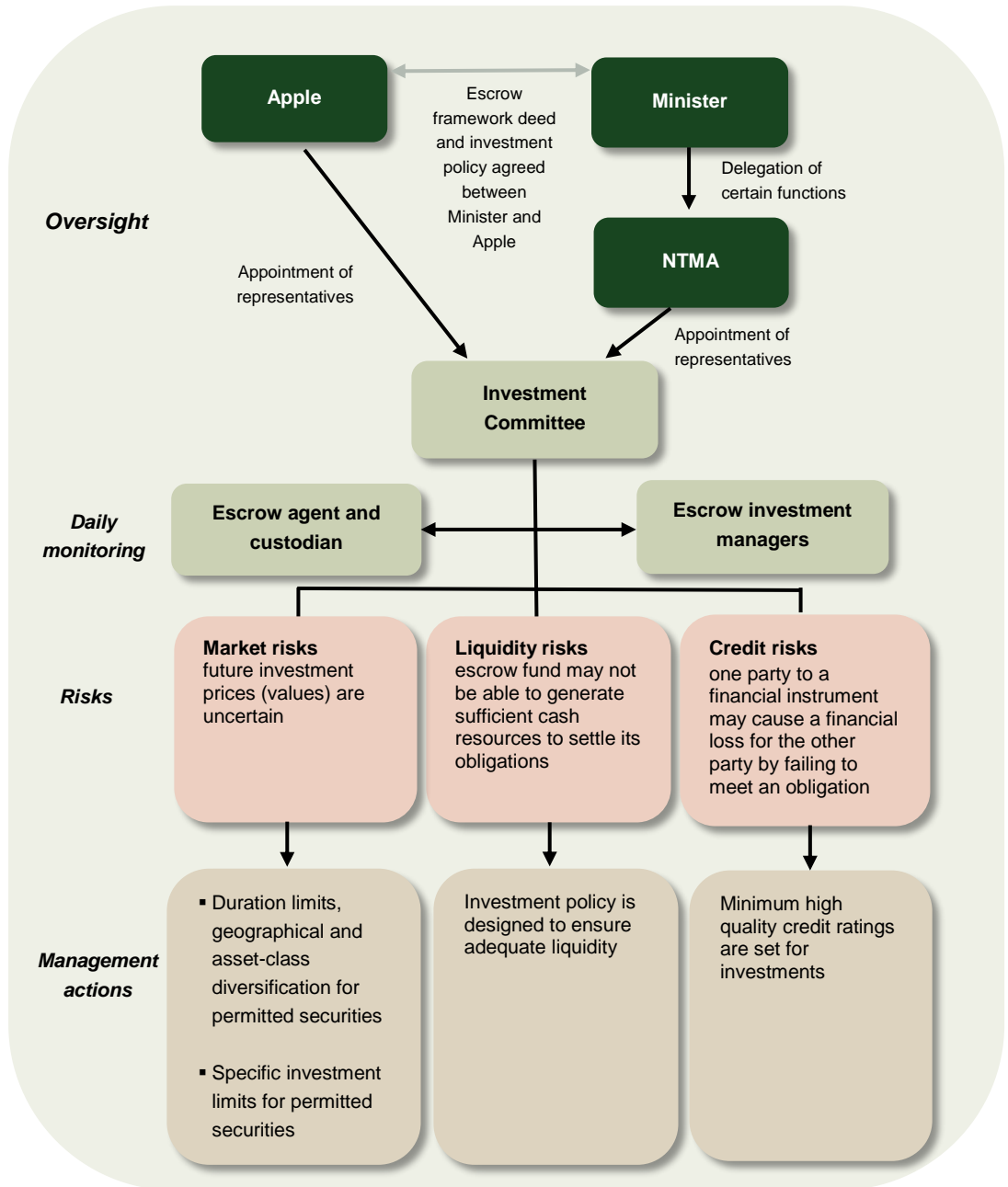
Figure 23.2 Movement in the fund's net assets — 2018 to 2023



Source: Financial Statements of the Ireland Apple Escrow Fund, 2018 to 2023

Note: a Third country adjustments relate to where Apple was required to pay taxes in another jurisdiction in respect of a portion of the profits covered by the court decision. The Minister for Finance determines the validity of any third country adjustment applications made by Apple in accordance with the escrow framework deed.

Annex 23A Oversight, management and monitoring of the escrow fund^{a,b,c}



Source: Financial Statements of the Ireland Apple Escrow Fund, 2023. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The role of The Bank of New York Mellon, London Branch (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 (Netherlands) BV and Goldman Sachs Asset Management International — 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 for Finance and Apple through an investment committee. The Minister is the beneficial owner for the duration of the escrow fund in accordance with the agreed escrow framework deed.

24 Irish Fiscal Advisory Council

24.1 The Irish Fiscal Advisory Council (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.

Accounts of Irish Fiscal Advisory Council

24.2 The Chairperson of the Fiscal Council is the officer accountable for the preparation and presentation of its financial statements for audit.¹ 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) 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.² 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.

24.3 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 2023.

24.4 The accounts of the Fiscal Council for 2023 have been audited, and the report on the audit was issued on 6 August 2024.

24.5 I am satisfied that the accounts give a true and fair view of the assets, liabilities and financial position of the Fiscal Council at the end of 2023 and of its income and expenditure for the year.

Funding

24.6 The Fiscal Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.³ The cash-based funding ceiling for 2023 was €923,000 (2022: €854,000) and funds of €792,000 (2022: €730,000) were drawn by the Fiscal Council in the year.⁴

24.7 The Fiscal Council's income for the year when accounted for on an accruals basis was €868,000 (2022: €904,000).⁵

24.8 Current expenditure of the Fiscal Council totalled €871,000 in 2023 (2022: €901,000).

24.9 Salary costs accounted for 56% of the expenditure in 2023. 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 2023 which totalled around €128,000.

1 Mr Sebastian Barnes (OECD) stepped down as Chair of the Fiscal Council at the end of June 2023. The role of Chair was then filled by Professor Michael McMahon in an acting capacity until the appointment of Mr Seamus Coffey as the new Chair of the Fiscal Council in August 2024.

2 The Fiscal Council's financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 102.

3 Paragraph 9 of the schedule to the Act provides for the funding source and sets the baseline level of spending for the Fiscal Council on commencement (31 December 2012) at €800,000.

4 The Department of Finance applies the Central Statistics Office Harmonised Index of Consumer Prices (HICP) when determining the ceiling for any year. The HICP rate used in calculating the 2023 ceiling was 8.1%, based on the 2022 HICP return.

5 Income and expenditure are determined under the accrual accounting convention but the statutory funding ceiling is cash based.

Independent external review

- 24.10** In line with its previous strategic plan (2020 – 2022), the Fiscal Council commissioned the Organisation for Economic Co-operation and Development 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 was the second independent external review of the Fiscal Council.¹
- 24.11** The review group’s report was published in February 2021.²
- 24.12** The review found that the Fiscal Council performed well relative to international standards, meeting or exceeding the principles and standards in almost all areas. The review noted that the Fiscal Council has helped strengthen fiscal management in Ireland by developing new tools for assessing compliance with fiscal rules and for measuring the economic cycle. The review found that the Fiscal Council demonstrates high levels of transparency regarding its methodologies and is perceived as independent and non-partisan.
- 24.13** The review made a number of recommendations across six areas: budget, leadership, governance requirements, access to information, staffing and medium to long term fiscal issues.
- 24.14** Arising from the report recommendations, the Fiscal Council identified 28 recommended action points, and has proposed implementation of 25 actions. The Fiscal Council has identified that implementation of 14 actions was within its direct control, but that implementation of 11 actions was outside its control.
- 24.15** The Fiscal Council is implementing the recommended actions under its direct control. Ten of the actions have been fully implemented, and implementation of the remaining four is in progress.
- 24.16** Of the 11 actions not within the Fiscal Council’s direct control, four have been fully implemented as at the end of August 2024. The Department of Finance did not agree to implement one action which would have required legislative change.³ The Fiscal Council continues to engage with the Department of Finance in relation to implementation of a further six actions. As at the end of August 2024, the Department has begun working with the Office of the Parliamentary Counsel to the Government on draft Heads of Bill to provide for a number of the recommendations which require legislative changes.
- 24.17** The Fiscal Council published a new strategic plan (2023 – 2025) in January 2023. The strategic plan commits the Fiscal Council to initiating the next external review of its operations in 2026.

¹ The previous external review was conducted in 2015.

² The 2015 and 2021 external review reports are available at www.fiscalcouncil.ie.

³ The related recommendation was that the Fiscal Council should have a statutory right of access to information.