Vote 31. - Agriculture and Food

32. FEOGA Operations

The EU makes monthly advances to the Department of Agriculture and Food, refunding payments made to farmers and others who are eligible to receive support under the Common Agricultural Policy. The accounting year for FEOGA operations ends on 15 October. By the following 10 February, the Department submits a detailed claim to the EU itemising all expenditure incurred and amounts received on behalf of the FEOGA Guarantee Fund. The claim is certified by a private firm of accountants (certifying accountants) appointed by the Department in accordance with EU regulations.

During 1997, £1,468m was incurred on FEOGA expenditure comprising

	£m
Export Refunds	415.2
Intervention Costs	67.5
Production Aid	74.4
Premia Schemes	668.6
Other support measures	242.3

In addition to the certifying accountants and normal management controls, the control procedures in the Department include an internal audit unit. This unit also reports on the results of its audits to an audit committee, appointed by the Minister to advise on the development of internal audit within the Department. During my audit of Departmental FEOGA operations I examine the reports of both the internal auditors and the certifying accountants and rely on their work, where appropriate, to enable me to fulfil my audit mandate.

In the following paragraphs 33 to 35 reference is made to matters noted during my audit and to other matters noted by the internal audit / certifying accountants. Similar type matters have been referred to in my previous years' Reports and are indicative of the inherent difficulties of administering many FEOGA schemes. The Accounting Officer points out in paragraph 33 that many of these matters are being resolved in 1998 and were in the main due to the unprecedented increase in the volume and complexity of FEOGA schemes following the 1992 CAP reform programme.

33. AREA AID

Controls Overview

The Integrated Administration and Control System (IACS), which was introduced as part of the 1992 CAP reforms, obliges each farmer to submit an area aid application by 15 May each year. The area aid application shows the area, location, and crop of any land parcel in respect of which arable aid is being claimed and the area and location of any land parcel being used as forage area to feed the farmer's livestock.

Under IACS, each Member State was required to have a Land Parcel Identification System (LPIS) in place by 1 January 1996, to allow it to verify the accuracy of the area aid applications being submitted each year. This enables the Department to ensure that arable aid is being claimed correctly and that the total forage area of each livestock farmer is declared accurately so that the stocking density limits applicable to the holding under livestock premia schemes can be applied correctly.

The LPIS database shows the unique identification number, gross area, location and boundary of each land parcel declared to date (digitised on to maps after being cross-checked against aerial photography) and its previous arable or forage use. Subsequent area aid applications are verified against the database for accuracy. As a general rule, claimants under the various FEOGA livestock and arable aid schemes cannot qualify for payment unless they submit a valid area aid application. Therefore the efficient processing of area aid applications is vital to the operation of these schemes.

The normal processing of area aid applications, including receipt, registration, input to database, cross-checking against the LPIS database, administrative checks, remote sensing and on-farm inspections, must be completed between April and October each year to allow payment of all eligible arable aid and livestock premia in a timely manner. The EU Commission requires all such work to be completed before payment if disallowances are to be avoided.

In 1997, about 2,500 farmers submitted area aid applications with claims for arable aid only. Another 14,500 farmers submitted combined arable aid and forage area applications and 117,000 farmers submitted forage area only applications. Approximately £91m was paid on foot of 1996 arable aid applications between October 1996 and September 1997. A further £669m was paid in respect of various premia headage schemes.

While carrying out their 1997 review of the administration of area aid applications, the certifying accountants reported in January 1998 that there were certain major weaknesses requiring immediate attention by senior management. They concluded that the Department needed to perform an in-depth analysis of the management systems and internal controls then in place in the area aid division and to analyse the adequacy of resources and the need for increased training of officials. Audit work carried out by my Office confirmed these findings and raised further concerns regarding controls. The specific weaknesses are addressed on pages 62 to 64.

On a general level the Accounting Officer stated that:

- the whole IACS project was both complex in nature and of very extensive proportions. The sheer scale of the processing necessary can be seen from the fact that the number of applications received annually is of the order of 135,000 and that there are in excess of 900,000 land parcels involved.

- The introduction of the LPIS was the final element in the integrated control system governing the implementation of the 1992 CAP reforms. The nature and details of area aid application requirements made major demands on Irish farmers who were largely unfamiliar with complex bureaucratic form filling procedures. As a result there was a very extensive error rate in area aid applications. Indeed, the Department had to supply applicants with ready reckoner sheets to enable very many of them to meet the EU requirement that acreages be converted to the metric system correct to two decimal places.

- Additionally, all farmers were required to supply Ordnance Survey maps, which in very many cases were significantly out of date. They had to outline their farm by field or plot of fields on the maps so that the Department could digitise every plot of the 135,000 farms in the country. Farmers, without any mapping draughtsman or land survey experience, mapped in their holdings to the best of their ability.

- The project also had major information technology implications. A whole new system had to be devised to facilitate digitising and it had to be linked with the separate payment database. As with any new system operating on this scale the Department faced a wide variety of operational and control difficulties, some of them major. These were addressed by the constant review and refinement of the Department's arrangements.

- In the context of the initial undertaking to have the LPIS in place by 1 January 1996, there was considerable pressure on both the Department and the LPIS contractor to deliver a very large project within a very short time frame. Initial development of the LPIS took place in 1995 using maps provided by farmers upon which they had endeavoured to outline the parcels making up their holdings. As a consequence of the extent of errors in this complex process the Department and its LPIS contractor in turn had difficulties in correctly locating and identifying land parcels and combining adjoining farms. Of course, Ireland was not alone in the EU in having these problems. Implementation of the new system from 1 January 1996 was subsequently seen by the European Commission to be unattainable in Member States. The result was that the Commission agreed to extend the deadline for completion of the LPIS to 1 January 1997.

- While the certifying accountants' report highlighted certain weaknesses, it also recognised that significant progress has been made in the development and implementation of the LPIS and supporting systems. The report went on to recommend that the complete resolution of the problem being encountered by the Area Aid Unit continues to receive the highest priority from the Department. This recommendation was given effect by the commissioning of an external consultancy to address the key issues in the Area Aid Unit, modelled on the project which successfully addressed problem areas in the Beef Intervention System in the previous year. The project was completed in February 1998 and the key outputs from this consultancy were:

    - a detailed work plan for the clearance of the backlog of 1996 and 1997 applications, together with a system for monitoring progress of the backlog clearance,

    - a detailed project plan for processing of 1998 applications, including details of all changes to existing processes and procedures

    - an outline consideration of the most appropriate system for use in 1999 onwards.

- In implementing the recommendations, the Department has undertaken a major reorganisation of the Area Aid Unit. Five distinct Sections have been created, each with responsibility for specified counties. Each Section has total responsibility for the processing of all applications from the relevant counties and for the arable aid payments to eligible applicants in those counties. Additional staff resources have been assigned to the unit.

- A high-level Monitoring Group, which includes two officers at Assistant Secretary level, was established to monitor implementation of the Consultants' report. This Monitoring Group meets on a regular basis to oversee all Area Aid Unit operations and to ensure that the consultancy recommendations are implemented.

- The issues raised by my Office have now been examined fully and appropriate additional control features have been incorporated into 1998 arrangements.

The Accounting Officer also stated that the Department is constantly reviewing and refining its control procedures. In this context, my Office, the certifying accountants and the EU Commission auditors have been helpful in identifying weaknesses. He is confident that significant progress is being made in the implementation of the IACS system.

Electronic Scanning of Applications

The Department employed an external contractor during 1996 and 1997 to process and validate area aid applications by means of a computerised scanning technique, which captured printed and handwritten data from each application in the form of digital images. Following the scanning process the data is validated using a software package which interprets the handwritten data and presents anything that it queries to the operators for validation. If insufficient information exists to resolve a query, then it is flagged as an error. The integrity of the scanning procedure is vital to the effective processing of applications.

A review by my Office indicated serious weaknesses in the scanning process in that:

- there was no quality testing of the system before it went operational
- undue reliance was placed on the contractor for the correctness of scanned data input to the system
- the Department failed to carry out quality control checks or verify the data
- 17 applicants for forage area aid only were found to have been incorrectly paid for arable aid totalling £53,000
- scanning errors included

    - failure to detect decimal point on area claimed. A case was noted of a cheque for £250,670 cancelled prior to issue due to the misinterpretation of the declared area as 608 hectares instead of 6.08 hectares.
    - false areas created by the scanning process from continuous or broken lines and other markings on forms which were misinterpreted as declared areas.
    - failure to ensure that all application details were scanned. For 1,284 arable aid applicants, only summary details were recorded on the area aid database and the data from the main section of the application was omitted.
    - failure to correct cases flagged as errors by the scanning process.

- the certifying accountants queried the efficacy of the scanning process, noting widespread discrepancies between the details on the application form and the details captured on the system by the scanning process.

- the Department's internal audit unit noted that no record was maintained of applications sent for scanning or returned and that there was a risk that 1996 applications were processed and paid on declarations which were not fully validated and on which overdeclarations of land area may have been made.

As these audit findings suggested that a detailed review should be undertaken to cover all aspects of the scanning process I sought the views of the Accounting Officer who informed me that:

- The processing of area aid applications has to be completed over a very short time span. Any project involving the complex processing of a huge volume of applications and which also involves the introduction of a new technology, inevitably involves a learning process.

- Lessons have been learned from the experience of 1996 and 1997 and appropriate administrative changes and controls have been put in place to ensure that similar problems are avoided in 1998.

- The verification system has been further developed in 1998 to include validation cross-checks and ensure greater accuracy with the data capture. It also provides a facility to refer queries to the applicants concerned as early as possible in the processing stage.

- Precise validation rules are in place not only at the validation stage but also in the programming instructions for the payments computerised system. This will capture any error not highlighted at the initial verification stage.

Checking Discrepancies

The Department identified some 27,000 applications received in 1996 where the area of land claimed was greater than that recorded on LPIS. In order to allow payment under the various FEOGA schemes affected, permission was received from the EU in late 1996 to pay the problem cases on a claimed area basis rather than on the area digitised under LPIS. Payment on this basis was allowed by the EU provided no fault lay with the applicant, the difference between the claimed area and the LPIS area was no greater than 3%, the application was correct, including the provision of all necessary maps and the difference between the land area claimed and that digitised under LPIS was to be reconciled and any overpayments recovered.

During audit it was noted that:

- While most cases of geographical discrepancy had been resolved, the Department had not, by April 1998, re-validated claims to ensure payment discrepancies were also corrected. A recalculation exercise by my staff on a sample of 46 claims, based on the revised forage area, revealed likely overpayments amounting to some £61,000.

- While the area aid application form shows detailed and summarised information on each farmer's land area and usage, payment was made on the basis of the application summary rather than on the main section which contains the details of plot area and usage. Following a review of a sample of applications, discrepancies were noted by my staff between the main section of applications and the summaries. Any re-validation procedure will also have to check for overpayments arising from these discrepancies in addition to those arising from differences between the area claimed and the area digitised.

- As the 1996 application problems had not been resolved by November 1997, the Department obtained a further EU concession to process some 30,000 area aid applications for 1997 on the basis of claimed area, provided that any problems were fully cleared up during 1998, no inspection cases were paid prior to inspection and any overpayments which could not be recovered from future premia payments are carried by the Exchequer.

In response to my inquiries, the Accounting Officer assured me that arrangements have been made to undertake a systematic recalculation of headage and premia payments made in respect of the applications in 1996 and 1997.

Payment Procedures

A review of payment procedures brought to light the following:

- The certifying accountants observed that during 1997 there was only partial compliance with payment procedures, noting that 15 computer payment runs amounting to £14.5m had proceeded without authorisation, and recommended that management continuously monitor full compliance with this control.

- The information on LPIS database and the payments database did not match. As the databases are not interlinked, revisions to the land area recorded on the LPIS database are not automatically downloaded to the payments database. This is significant as, for example, a revision of the land area claimed would also revise the grant payment. Urgent attention should be afforded to reconciling the information on the different databases. The EU and the certifying accountants have expressed concern on this issue also.

- A number of overpayments which were attributable to deficiencies in payment procedures were discovered on audit by my staff. They had already noted overpayments which had come to light as a result of payees returning cheques to the Department rather than being detected by payment controls.

The Accounting Officer informed me that :

- A revised payment authorisation procedure has been put in place incorporating improved pre-issuance controls and random checks on the payment runs.

- Difficulties associated with the use of different databases are being addressed in consultation with the LPIS contractor. This will include arrangements to avoid delays in the transfer of material between the databases.

- Out of 254 overpayments identified to July 1998 in respect of 1997 arable aid payments, 179 amounting to £139,648 have been fully recovered.

34. Disallowances by the EU Commission

The EU Commission, having carried out selected audits of the expenditure and receipts declared in the annual FEOGA claim, gives a decision on the correctness and validity of the transactions and, arising from this, determines what adjustments should be made. If these adjustments involve disallowances of expenditure they give rise to a charge to the Vote, although where the amounts disallowed are recovered from individual traders, any resultant receipts are brought to the credit of the Vote. Claims up to and including the 1995 FEOGA financial year[1] will be cleared by this procedure. The 1993 claim was cleared in this way during 1997.

Commencing with the 1996 claim, new account clearance arrangements introduced by the EU Commission involve the annual claim being cleared in two stages. The first stage involves the independently certified annual claim account of the Member State being submitted to the EU Commission by 10 February following the end of the FEOGA financial year. Any accounting adjustments arising from the reconciliation of the annual claim to the monthly advances made by the EU to the Department in the previous year, are charged or are credited to the Vote as appropriate. The second clearance stage is based on the Commission's audit of the annual claim account and disallowances arising therein are also chargeable to the Vote. The first stage clearance of the 1996 claim was carried out during 1997.

Penalties for late payments are also imposed by the EU Commission for non-adherence to the payment deadlines and are implemented by making quarterly deductions from advances to the Department. Deductions in respect of late payments for the final quarter are implemented in the first stage clearance of the annual claim. In 1997, a total of £1.46m in late payment penalties for the years 1994, 1996 and 1997 was charged to the Vote.

A total of £4.67m in disallowances was charged to the Vote in 1997, as outlined in Table 10.

Table 10 - Feoga Disallowances

	£	£
Amounts charged following the 1993 Clearance of Account		
Premia Schemes	1,237,393	
Intervention Beef - financial penalty for crediting FEOGA where the minimum deboning yield was not achieved, incorrect valuation of losses, rejected beef not declared plus various adjustments	856,101	
Milk Promotion Measures	198,001	
Beef Promotion Measures	69,464	
Afforestation Scheme - administration fee ineligible for FEOGA financing	34,761	2,395,720
Penalty for late payments		
1994	37,241	
1996	1,272,748	
1997	152,865	1,462,854
Other Adjustments and charges		
Intervention Beef Stock losses for previous years	787,709	
Other adjustments	25,624	813,333
		£4,671,907

My 1995 Report detailed disallowances of £1.55m imposed in respect of unsatisfactory controls over securities for 1991 Beef Export Refunds. £605,000 of this amount was subsequently recovered by the Department as a forfeiture from the party concerned and by agreement with the Commission was retained by the Exchequer and credited to the 1997 Vote by way of Appropriations in Aid.

[1] *The financial year for FEOGA purposes ends on 15 October.*

35. Irregularity

The Dairy Hygiene Scheme is part of the Operational Programme for Agriculture, Rural Development and Forestry 1994-1999 and was designed to assist small dairy farmers meet the cost of investment on their farms to reach the standards required under EC Directive 92/46. The scheme was suspended in October 1996 and no further applications were accepted after that date. 1,862 applicants received grants totalling £11.4m in 1997.

Each person making application under the scheme is given a reference number and is required to quote his client identification number (herd number) where applicable. Applications are processed by local offices and, when all scheme conditions are confirmed, a Recommendation for Payment form (RFP) is forwarded to Agriculture Structures Division (ASD) of the Department based in Cavan for checking and recording. ASD then authorise the payment and payments are issued by Accounts Branch which is also based in Cavan. The RFPs are then returned stamped 'Paid' to the local offices for filing.

Following information received from private sources, investigations were initiated by the Gardaí in December 1997 into the alleged fraudulent cashing of cheques issued by the Department in respect of the Dairy Hygiene Scheme. Internal investigations by the Department indicated that a number of fraudulent claims had been initiated through the Sligo Farm Development Services Office. The investigations revealed that:

- 4 irregular payments totalling £101,479 were issued in September 1997 and cashed in October 1997 while 5 irregular payments totalling £131,059 issued in December 1997 were detected and cancelled prior to encashment.

- Bogus RFPs were prepared with false applicant names and addresses, but with legitimate reference numbers and client herd numbers already used in abandoned applications

- The addresses provided were registered guest houses which were apparently used for collecting payments

- The RFPs also included fraudulent signatures of two authorised signatories

- The Department has been unable to trace the bogus RFPs in the Sligo office as it appears that they were intercepted

An interim report by the Internal Audit Unit of the Department in March 1998 noted that

- Procedures in ASD in Cavan did not ensure that RFPs received were valid.

- Lists showing paid RFPs were returned by ASD to local offices but were not reconciled with RFPs sent for payment.

- While all payments were close to the maximum of £27,000 which can be claimed by any one applicant under the scheme, this level of grant indicated a size of investment not consistent with the small milk quotas declared on the bogus applications.

- Had checks for reasonableness been in place in ASD, they might have highlighted an incorrect application, as the average grant for the Sligo area in 1997 was £8,281 while the national average was £6,003.

As the irregularity was not uncovered by the Department's own control procedures I sought the views of the Accounting Officer, who informed me that:

- As soon as the irregularities came to the attention of the Department, detailed administrative documentary and on-site checks were carried out by the Department on grant approvals executed under the Dairy Hygiene Scheme and other on-farm investment schemes at the Sligo Office.

- At the Sligo Office no other suspected irregular payments on foot of RFPs completed in the same manner as those used to support the irregular claims have been found under the Dairy Hygiene Scheme or under any other Scheme. However, discrepancies were found in two cases dealt with within that office under Schemes other than the Dairy Hygiene Scheme, which resulted in overpayments of £3,279 and £1,557. Demands for recoupment of the moneys concerned have issued to the applicants and the matter has been brought to the attention of the investigating Gardaí. An officer attached to the Office has been suspended for these overpayments.

- Administrative documentary checks were extended to other local offices and all local offices were alerted to the need to exercise increased vigilance in the checking of investments for which grants are claimed. While the checks at the other local offices are ongoing, no suspected irregular claims have been uncovered.

- The irregularities uncovered in the Sligo Office involved a sophisticated level of expertise and a detailed knowledge of the control and administrative procedures. New procedures introduced in the period since December 1997 strengthen controls and eliminate the scope for the presentation of incorrect or falsified documents for payment. Moreover, the setting up of the computerised Client Data Register within the Department will further ensure that only valid registered clients are paid under all schemes, including the on-farm investment schemes.

- With regard to checks for reasonableness it should be noted that the procedural guidelines in relation to eligibility include clear instructions designed to ensure that grant aid approval is confined to justifiable investments based on criteria such as herd size, quota etc. However, the need for and role and nature of further reasonableness checks at payment level are currently being considered having regard to the increased effectiveness of the revised procedures recently introduced.

- In order to provide further reassurances the Internal Audit Unit of the Department will be broadening its checks on these investment schemes to include operations at the investment site with the audit team co-opting senior technical staff from a region other than that in which the investment concerned is located. In addition, consideration is being given to the conduct of systematic administrative audit checks of local offices on a regular basis by the ASD and associated inspectorate.

- A letter issued to each of the banks at which the irregular cheques were cashed requesting reimbursement of the amounts involved on the grounds that proper procedures had not been followed by the banks in accepting the payments. One of the banks refunded a payment of £23,811 following receipt of that letter. The other banks denied liability. Efforts to recover the amounts involved are continuing and legal advice to that end has been sought from the Office of the Chief State Solicitor.

- Investigations to establish the source of the irregularity are continuing. No action has been taken against any member of staff as a result of the irregularity as no formal charges have been made against any officer by the Garda authorities.

36. Redeployed Staff

The Dublin and Cork District Milk Boards were established in the 1930s to regulate the supply of milk for liquid consumption in their respective metropolitan areas. Over the years, the Boards developed ancillary businesses and as a result acquired considerable assets and employed up to 130 full-time staff. By the mid 1980s however, the Boards were in decline and their ancillary businesses were losing money. About this time the EU Commission indicated that their milk regulatory activities were contrary to EU Competition Policy. The Government decided that the Boards should be abolished, their businesses sold to private sector interests and their milk regulatory activities transferred to a new Agency on a basis acceptable to the Commission. However, as matters neared a conclusion, it became apparent that this proposed solution in relation to the Milk Boards' staff was not acceptable to either the staff or the prospective new owners. Late in 1991, the implementing legislation, the Milk (Regulation of Supply) Bill, was withdrawn from the Oireachtas because it was not perceived as making adequate provision for the protection of staff interests.

The vast majority of the Milk Boards' staff were trade union members. The Programme for National Recovery contained a provision that there should be no compulsory redundancy in the State sector. The trade union involved interpreted this as extending into the Programme for Economic and Social Progress (PESP) and being applicable to the Milk Boards' staff. This was accepted by the Central Review Committee established under the PESP. There followed two years of discussions between the Department, in conjunction with the Department of Finance, and trade union representatives to resolve the matter. It was ultimately decided to rationalise the Boards' staffing situation and then sell their businesses on the open market as commercially attractive concerns. In 1993, an agreement was concluded with the trade union representatives under which some 50 staff were to be granted voluntary early retirement while the remainder would transfer to the employ of the new owners on the sale of the businesses. Those who were in full time employment with the Boards were guaranteed the option of redeploying to the Public Sector at a salary level analogous to their previous Milk Board salary in the event of their subsequently being made redundant by the new owners.

The Milk Boards were abolished in December 1994. A three member Interim Board, comprising a senior official from both the Department and the Department of Finance under the Chairmanship of a business consultant drawn from the private sector, was established to sell their businesses and property and discharge their liabilities. As part of the conditions of sale, the new owners were required to pay redundancy compensation at the "going rate" (as opposed to the statutory minimum entitlement) to any staff they might make redundant and who opted for redeployment. The staff, as part of the agreement, undertook to hand this money over to the Exchequer as one of the conditions of their redeployment.

The ancillary businesses of the former Milk Boards were sold to two private companies in April and May 1995. The vast bulk of their businesses and assets have now been sold. Total proceeds exceeded £4.3 million and after the discharge of liabilities the net return to the Exchequer was of the order of £2.6 million.

The new owners began to make staff redundant from mid 1995. By April 1998, 22 former Milk Board staff had been let go, including 20 from one company and these staff have exercised their right to redeploy into the public service. They received only the statutory minimum redundancy.

The Department received the redundancy payments cheques from the staff, but it has refused to cash them on the grounds that it is not in accordance with the rationalisation agreement. The cheques are now out of date. Consequently, the Interim Board formulated a claim for just over £1m against the new owners for redundancy compensation and has taken steps to initiate legal action against both companies for the recovery of this money.

The Accounting Officer informed me that:

- Progressing the sale of the Boards and the establishment of the National Milk Agency, the passage of National Legislation for the regulation of the supply of drinking milk, compliance with EC requirements in relation to freedom of competition and certain related issues all depended on the successful negotiation of an agreement with the staff side. Without the guarantee of redeployment there was no possibility of getting any such agreement.

- The Department's ability to find positions for the 22 former Milk Board personnel was constrained by legal and industrial relations difficulties. Under current regulations, these redeployed persons cannot be appointed by a Department of State unless they are deemed qualified by the Civil Service Commissioners, or are covered by a relevant excluding order, or are appointed by the Government in the public interest.

- In the period from mid-1995 to May 1998, just under £500,000 had been paid in salaries from the Vote to redeployed staff. During that period, the redeployed staff did not engage in Departmental work.

- In April 1998, the Civil Service Commission issued an excluding order enabling the appointment of 15 out of the 22 former milk board staff. Ten of these were assigned to duties within the Department. In July, following discussions with the staff association concerned, a further four were assigned to duties. The option of retirement is being considered in the case of three further individuals. The Civil Service Commission and the Department of Finance had reservations in providing excluding orders for the remaining staff who were at levels above the normal civil service recruitment grade. The current situation is that proposals are being considered on the appropriate selection methods to be used to determine their suitability for the executive posts concerned. In July, a further 25 former milk board staff were made redundant. All of these were assigned to duties in August 1998.

- There are 18 other persons covered by the Milk Boards' rationalisation agreement still employed by the companies concerned.

37. BSE Outbreak at Moorepark

An outbreak of Bovine Spongiform Encephalopathy (BSE) occurred at Teagasc's farm at Moorepark, County Cork, in August 1997. The report of the veterinary inspectorate of the Department of Agriculture and Food on this matter concluded that while the source of the infection could not be definitely identified the most likely cause was the contamination of dairy ration in Moorepark's feed mill with meat and bone meal used for pig rations. In accordance with the Department's regulations the farm's entire herd of 563 cattle was destroyed and compensation of £650,743 was paid by the Department. Six tonnes of cheese to a value of £115,644, processed from the milk of the dairy herd, was also withdrawn as an exceptional precautionary measure. Additional expenditure involving payments to certain staff for consequential lost overtime earnings was also incurred.

In response to my inquiries the Director of Teagasc informed me that:

- It is not possible to give a historic cost for the herd, as all the calves were born in Moorepark. An external valuation was carried out on behalf of Teagasc which indicated that the replacement value of the herd was £872,425. Following negotiations with the Department of Agriculture and Food the final agreed valuation amounted to £650,743 for the herd destroyed. The herd was of exceptionally high quality and consisted of pedigree registered and pure-bred non-registered friesian stock as well as some 70 imported animals of exceptionally high genetic merit.

- Following the BSE breakdown in Moorepark, a rigorous restocking strategy was drawn up by Teagasc in conjunction with the Department of Agriculture and Food. With the objective of minimising the risk of further disease outbreaks, not only due to BSE but also TB and Brucellosis, as well as a range of other infectious diseases, it was decided that all animals brought into Moorepark would be subjected to a testing regime similar to that for cattle being imported into Ireland. Also, the cattle were held in separate "purchase groups" until they had passed the specific post-calving tests. To obviate the possibility of importing infectious diseases from other countries, all cattle were sourced in Ireland. The implementation of the strategy delayed the re-stocking of Moorepark and involved additional costs due to the extensive testing, quarantine and vaccination measures undertaken to minimise the risk of further breakdowns. In the circumstances, it was felt that such precautions were necessary. Also, the experience gained in implementing the strategy should be of benefit to farmers undertaking the re-stocking of herds that have been depopulated.

- Teagasc conducted its own investigation into the breakdown. Four possible causes of the BSE outbreak were identified. Despite the detailed records maintained at Moorepark, the actual cause of the breakdown could not be definitely determined. However, the possibility exists that some cross-contamination of animal feed-stuffs may have occurred in the blending mill.

Prior to March 1996 the same mill was used in Moorepark to blend dairy and pig rations - the latter normally contained 5% meat and bone meal. To minimise the possibility of cross-contamination between dairy and pigs rations, 50kg of the first batch of each run of feed-stuff blended in the mill was routinely discarded. The practice of using the mill to blend pig rations containing meat and bone meal was discontinued in March 1996.

- Regarding actions taken to guarantee safety of animal feedstuffs, in October 1996 the Department of Agriculture and Food introduced a statutory instrument which, in effect, prohibited the use of meat and bone meal in mills used to produce feed-stuffs for ruminant animals. This practice had been discontinued at Moorepark in March 1996 - some seven months in advance of the legislation and since that date no meat and bone meal has been purchased by Moorepark. Subsequent to the outbreak, a directive was issued to all Teagasc farm centres to the effect that any meat and bone meal or animal feed stocks held under licence should be returned immediately to the suppliers.

- The total payments made to farm operatives in lieu of rostered overtime over a period of up to 24 weeks amounted to £47,720. The day-to-day operations of the dairy systems at Moorepark have always necessitated rostered overtime work for the farm operatives involved. Following consultation with the Irish Business and Employers Confederation concerning the procedures normally adhered to when such overtime is temporarily interrupted due to circumstances outside the workers' control, the Chairman and Director were informed that in the circumstances there was no choice but to continue the payments.

  Having regard to this advice, the allowances were paid to the farm operatives, subject to them agreeing to operate (i) the flexible working arrangements which were necessary to implement the rigorous re-stocking strategy and (ii) new codes of practice in relation to milking, animal management and food safety. As will be appreciated, the effective quarantine of animals in "purchase groups" until cleared to join the herd following post-calving testing could not have been undertaken without the full co-operation of the staff involved.

The Director also stated that:

- By August 1998 £455,135 had been expended on the purchase of livestock. In addition, £27,591 had been expended on the extensive herd testing and vaccination measures and an estimated £3,000 on travel and subsistence incurred as a direct result of the outbreak.

- The re-stocking is being completed through the importation of embryos from New Zealand and Holland at a projected cost of some £70,000. While meeting the requirements of the research programme, this additional precaution is being taken to obviate the risk of importing infectious diseases from other countries.

- Income losses were also incurred due to the non-production of milk. The best indication of the loss arising is the adverse variance on the 1997 Teagasc Moorepark dairy income budget of £103,041.