



Ard-Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report on the Accounts of the Public Services 2020

September 2021

Report of the Comptroller and Auditor General

Accounts of the Public Services 2020

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 2020 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 2020
- 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.

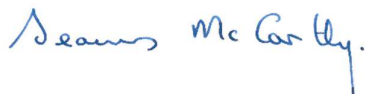
The report is concerned with the accountability of departments and offices in respect of their administration of public funds. References to third parties should be read only in that context.

I hereby present my report for the year ended 31 December 2020 to Dáil Éireann in accordance with Section 3 (11) of the 1993 Act.

Presentation of appropriation accounts 2020

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 2020 and submit those accounts, together with my audit certificates, to Dáil Éireann.



Seamus McCarthy
Comptroller and Auditor General

30 September 2021

Contents

Central government

1	Exchequer financial outturn for 2020	11
2	Overview of the cost of responding to Covid-19 – March 2020 to February 2021	29
3	Central government funding of local authorities	39

Voted expenditure

4	Vote accounting and budget management	57
5	Expenditure on night vision technology and training for search and rescue	67
6	Covid-19 restart grant schemes	73
7	Oversight of funding for the European Capital of Culture 2020	85
8	Oversight of the housing assistance payment (HAP)	97
9	Regularity of social welfare payments	113
10	Management of social welfare appeals	125
11	Controls over the Covid-19 pandemic unemployment payment	141
12	Controls over the temporary wage subsidy scheme	157

Revenues of the State

13	Revenue's management of suspicious transaction reports	175
14	Assessment and collection of Insurance Compensation Fund levies	187

Other matters

15	Accounts of the National Treasury Management Agency	201
16	Ireland Apple escrow fund	213
17	Irish Fiscal Advisory Council	217

**Report on the
Accounts of the Public Services 2020**

Central Government

1 Exchequer financial outturn for 2020

2020 outturn: key features



Exchequer deficit for 2020 **€12.3bn**



Gross national debt total **€219.5bn**

Change in gross national debt 2020 **€12.8bn** ↑



Exchequer receipts **€65bn**

Change in tax receipts **€2.1bn** ↓



Income tax **€0.22bn** ↓



Corporation tax **€0.95bn** ↑



VAT **€2.69bn** ↓



Excise duties **€0.49bn** ↓

Change in non-tax receipts **€1.3bn** ↑



Transfer from NAMA **€2bn** ↑



Transfer from Central Bank **€0.34bn** ↓

Change in capital receipts **€1.45bn** ↑



Exchequer expenditure **€77.3bn**

Change in expenditure **€13.6bn** ↑



Voted expenditure **€13.7bn** ↑



Debt service costs **€0.5bn** ↓



Contribution to EU **€0.14bn** ↑



Loans/advances **€0.96bn** ↑

Fiscal summary

- 1.1** All revenues of the State are paid into the Central Fund of the Exchequer unless otherwise determined by law.^{1,2} Issues from the Central Fund are used mainly to fund expenditure on State services, and to service and pay back State debt.
- 1.2** The annual Finance Accounts present the receipts into and issues from the Central Fund together with details relating to borrowing undertaken by the National Treasury Management Agency (NTMA) on behalf of the State.³
- 1.3** The State's fiscal performance is reported on at various times throughout the year. An overview of the key fiscal publications issued each year is included in Annex 1A. Fiscal transparency would be improved if all relevant information was consolidated in a single annual financial report.
- 1.4** In 2020, the Exchequer deficit was just over **€12.3 billion**. This represented a significant change from the surplus of €647 million reported in 2019 (see Figure 1.1). The deterioration in the Exchequer balance was primarily driven by increases in expenditure in response to the Covid-19 pandemic.
- 1.5** A broader view of fiscal performance in 2020 indicates there was a general government deficit to the value of **€18.4 billion**.⁴ The difference of €6.1 billion between the general government deficit and the Exchequer deficit is due to certain accounting and timing adjustments, and the inclusion of a number of significant non-Exchequer financial movements. The latter included the incurring of a deficit of €3.5 billion on the Social Insurance Fund and significant declines in the net assets of certain non-Exchequer State bodies and funds.

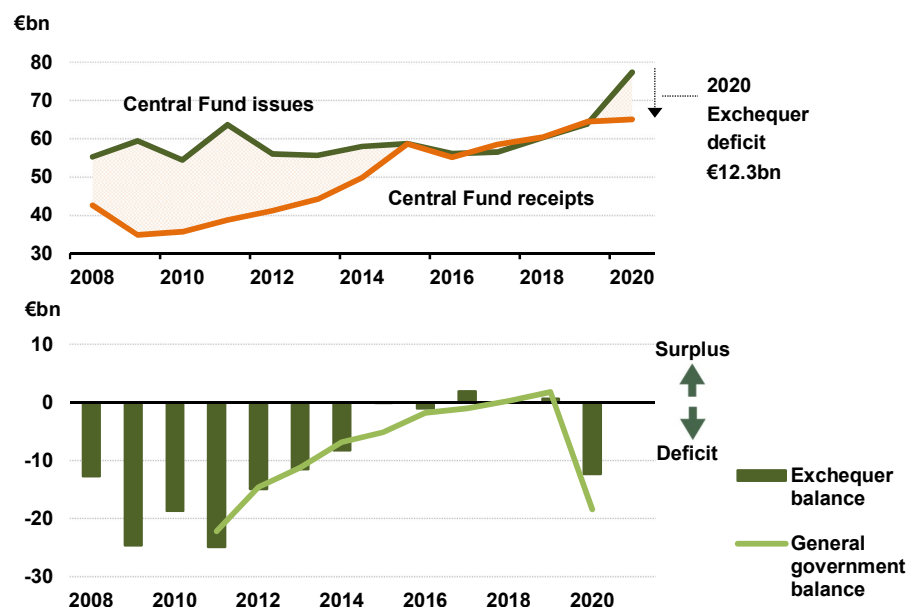
1 State revenue not paid directly into the Central Fund includes, for example, Pay Related Social Insurance (PRSI) receipts, which are paid into the Social Insurance Fund.

2 Central Fund receipts primarily include tax revenues and the proceeds of borrowing undertaken by the National Treasury Management Agency (NTMA) on behalf of the State.

3 It is estimated that the Finance Accounts represent around 75% of total government revenue and expenditure.

4 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 1B for an outline of these statistics.

Figure 1.1 Central Fund receipts and issues, and Exchequer and general government balances, 2008 to 2020^a



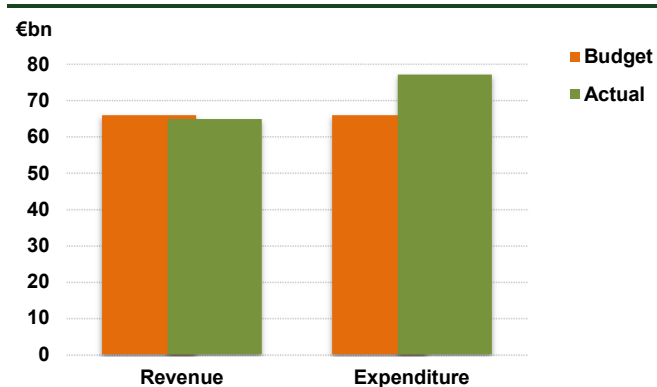
Source: Finance Accounts 2008 to 2020 (Exchequer balance). Central Statistics Office: Government Finance Statistics, April 2021 (general government balance).

Note: a Central Fund receipts and issues shown include the service of national debt but exclude borrowing undertaken by the NTMA on behalf of the State and the repayment of national debt. See Annex 1C, Figure 1C.1 for analysis of Central Fund receipts and issues for 2016 to 2020.

2020 budgetary forecast and outturn

- 1.6** The budget for 2020 had forecast a small Exchequer surplus for the year, with projected Exchequer receipts of €66.08 billion and projected expenditure of €66.04 billion (see Figure 1.2).¹ The outturn — an Exchequer deficit of €12.3 billion — was largely due to significant increases in voted issues to fund Covid-19 support measures. The bulk of the additional voted issues (90%) was allocated across four departments — Social Protection; Health; Housing, Local Government and Heritage; and Enterprise, Trade and Employment.²

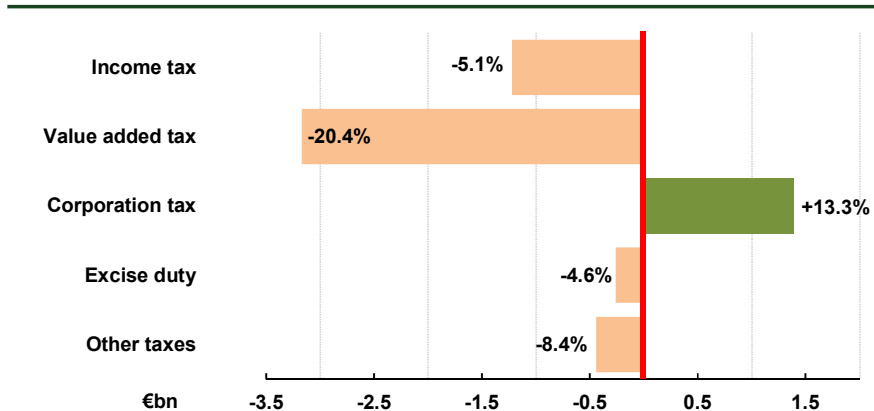
Figure 1.2 Exchequer revenue and expenditure 2020, compared to budget



Source: Finance Accounts 2020. Estimates of Receipts and Expenditure for the year ending 31 December 2020.

- 1.7** The impact of Covid-19 on 2020 tax receipts was less than expected when the Covid-19 lockdown was initiated.³ Total tax receipts at end 2020 were just 6% lower than pre-Covid budget estimates. A stronger than expected performance of corporation tax receipts helped offset decreases in other taxes (see Figure 1.3).

Figure 1.3 Movement in taxation receipts 2020, compared to budget



Source: Finance Accounts 2020. Estimates of Receipts and Expenditure for year ending 31 December 2020.

¹ White Paper - Estimates of Receipts and Expenditure for the year ending 31 December 2020 is available [here](#).

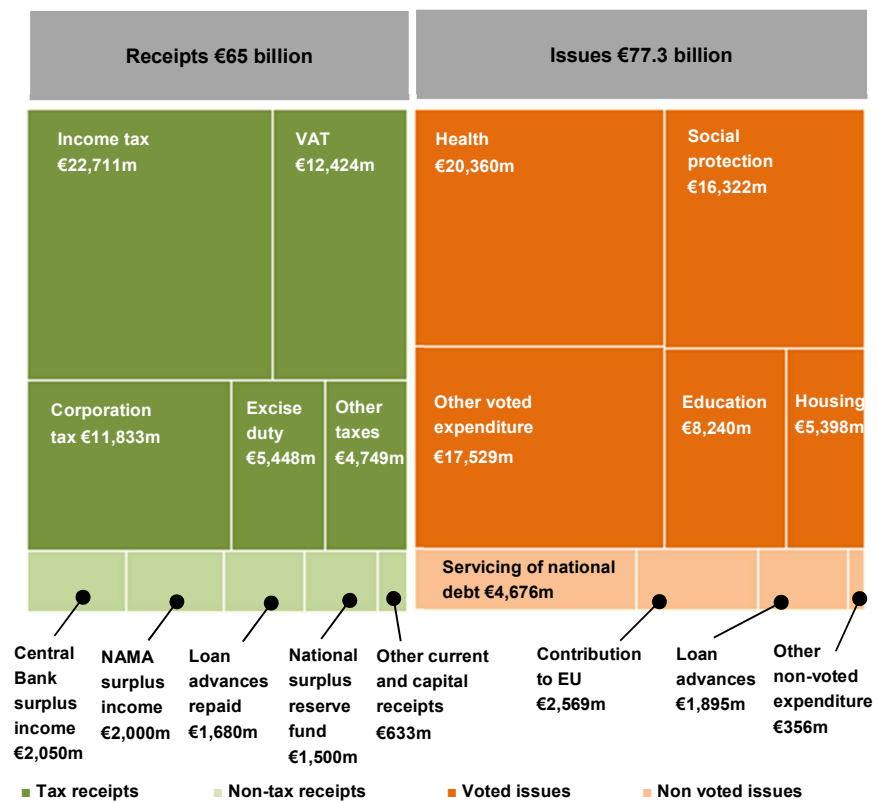
² See Chapter 2, Overview of the cost of responding to Covid-19 — March 2020 to February 2021 for details on Covid-19 direct expenditure.

³ In April 2020, the Department of Finance estimated possible taxation losses of 16.4% by the end of the year.

Central Fund receipts and issues

- 1.8** Central Fund receipts in 2020 totalled **€65 billion**. Taxes accounted for 88% of the receipts (see Figure 1.4).¹ Issues in 2020 totalled **€77.3 billion** comprising issues for voted services (88%), servicing of national debt (6%), contributions to the EU (3%) and other non-voted expenditure (3%).

Figure 1.4 Central Fund receipts and issues in 2020



Source: Finance Accounts 2020

Tax and other Exchequer receipts

- 1.9** Total receipts into the Central Fund increased by around €600 million in 2020, comprising a decrease of €2.1 billion in tax receipts offset by an increase of €2.7 billion in non-tax and capital receipts.

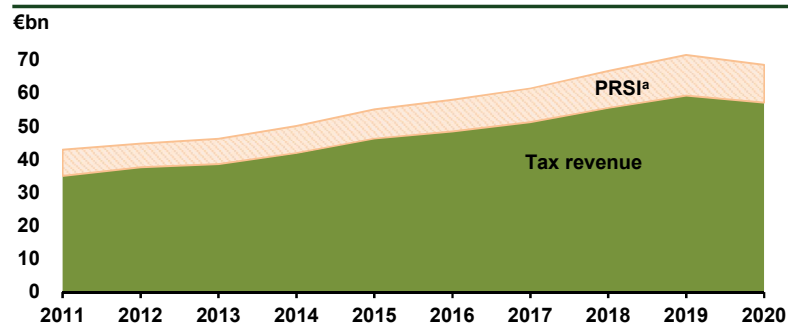
Tax receipts

- 1.10** Both tax revenues and (non-Exchequer) PRSI receipts decreased in 2020 (see Figure 1.5).

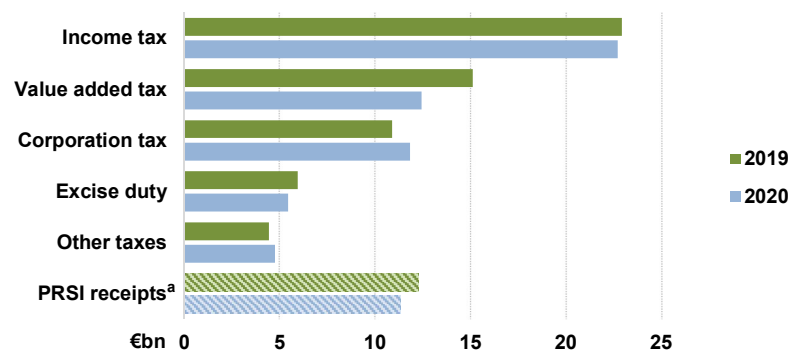
¹ An analysis of Central Fund receipts and issues (excluding NTMA borrowing) for the years 2016 to 2020 is set out in Annex 1C, Figure 1C.1

- 1.11** There was a significantly greater year-on-year decrease in PRSI receipts (-8%) compared to income tax receipts (-1%). The Department of Finance has stated that the greater reduction in PRSI receipts was because public-facing sectors of the economy that were generally unable to significantly adopt a 'work-from-home' business model were most severely impacted by the Covid-19 pandemic restrictions and closures. Workers in these sectors are more likely to be at the lower end of the wage distribution, with large numbers of part-time or temporary employees. PRSI receipts were impacted more because, with very few exceptions, all employees (and self-employed workers) pay social insurance contributions, as do their employers. Income tax is more progressive relative to income, and as a result, the effect of the restrictions on income tax receipts was marginal.

Figure 1.5 Tax revenue and PRSI receipts, 2011 to 2020



Year on year change by receipt type



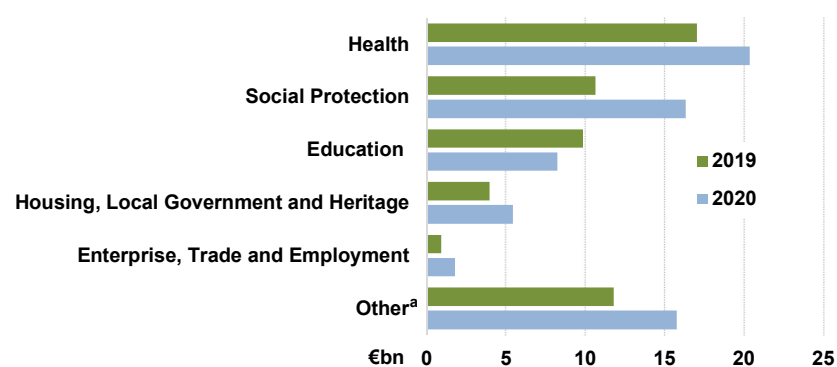
Source: Finance Accounts. Social Insurance Fund accounts.

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

Central Fund issues

- 1.12** Issues from the Central Fund increased significantly in 2020 to €77.3 billion, up €13.5 billion (21%) on the prior year (€63.8 billion) (see Figure 1.6).

Figure 1.6 Voted departmental expenditure, 2019 and 2020



Source: Finance Accounts 2020

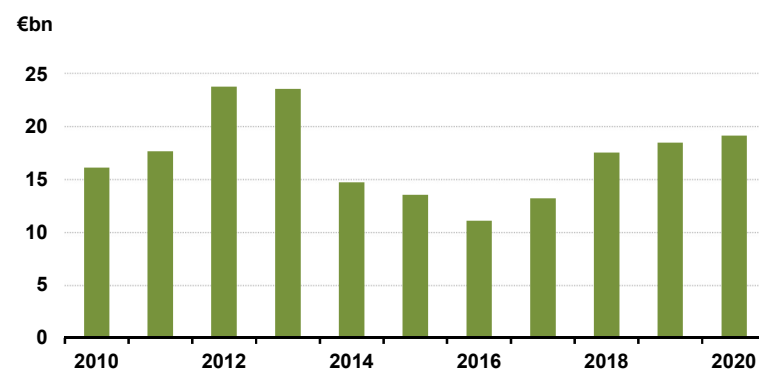
Note: a Includes the newly established Department of Further and Higher Education, Research, Innovation and Science with expenditure of €2.4 billion in 2020.

Exchequer assets

Cash and financial assets

- 1.13** The value of cash and other financial assets held by the Exchequer totalled €19.2 billion at end 2020 (see Figure 1.7). The increase of €664 million (3.6%) year-on-year reflects the impact of net borrowing of just under €13 billion and the Exchequer deficit of €12.3 billion. See Annex 1C, Figure 1C.2.
- 1.14** At 31 December 2020, Exchequer cash and financial assets included almost €1.6 billion (2019: €1.9 billion) of Housing Finance Agency guaranteed notes. These assets may not be readily realisable, depending on market conditions.

Figure 1.7 Cash and other financial assets held by the Exchequer, 2010 to 2020



Source: Finance Accounts, 2010 to 2020

Exchequer loans and advances issued

- 1.15** Excluding the Housing Finance Agency guaranteed notes, loans and advances provided from the Central Fund totalling €2.1 billion were outstanding at the end of 2020 — an increase of €215 million compared with 2019 (see Annex 1C, Figure 1C.3).
- 1.16** During 2020, €600 million was advanced to the Social Insurance Fund for cash flow purposes. No interest accrued on the loan and it was fully repaid at the end of the year.
- 1.17** Amounts totalling €372 million were issued from the Central Fund to Irish Water under a loan agreement entered into in June 2020. The purpose of the loan was to repay Irish Water's existing non-domestic commercial debt and to fund its future non-domestic water borrowing requirements.

Shareholding in Irish companies

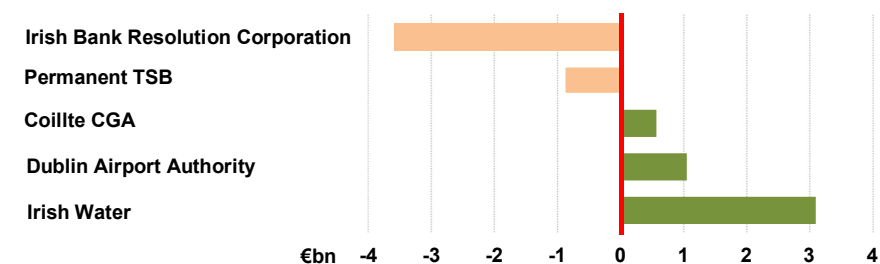
- 1.18** The Exchequer holds shares in 24 State and private companies as disclosed in the Finance Accounts.^{1,2} The share capital acquired in these companies is recorded at historic cost in the Finance Accounts and at 31 December 2020 totalled €7.97 billion.
- 1.19** Shareholdings at cost in Irish Bank Resolution Corporation Limited (IBRC), Permanent TSB Group, Coillte CGA, Irish Water and the Dublin Airport Authority represent around 95% (by value) of the total shareholdings as disclosed in the 2020 Finance Accounts.
- 1.20** Up to 2013, the Finance Accounts also disclosed details of the net asset value (NAV) of the shares.³ Figure 1.8 illustrates the difference between the NAV and the historic cost of equity for the five highest value companies. The total NAV for the five companies at 31 December 2020 was €7.8 billion and the historic cost was €7.6 billion. However, IBRC (- €3.6 billion) and Permanent TSB (- €883 million) have incurred large drops in value, while Irish Water (€3.1 billion) has had a significant increase in value.

1 See statement 1.8(A) of the Finance Accounts 2020, which can be accessed [here](#).

2 The Department of Finance has 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.

3 Net asset value, or NAV, is the value of a company's assets minus its liabilities. At 31 December 2013, the NAV of the Exchequer's shareholding was €6.54 billion compared to cost of €7.89 billion.

Figure 1.8 Movement in net asset value of share capital to historic cost



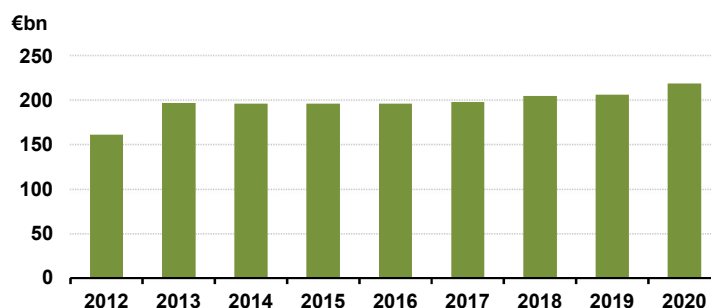
Source: Department of Finance

Exchequer liabilities

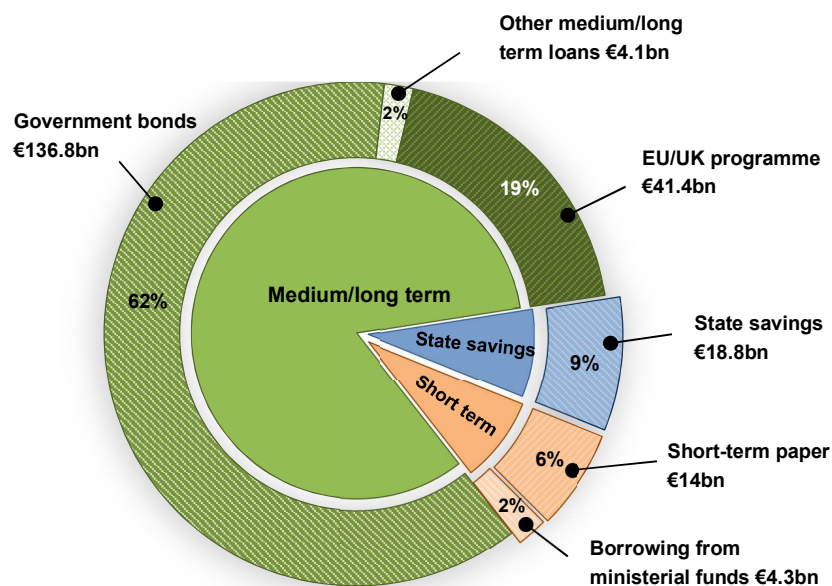
Gross national debt

- 1.21** During 2020, Ireland's gross national debt increased by 6.2% (€12.8 billion), standing at €219.5 billion at the year-end (see Figure 1.9).
- 1.22** Medium and long term debt at end-2020 accounted for 83% (€182.3 billion) of gross national debt and comprised mainly government bonds (fixed rate, floating rate, amortising and inflation linked bonds) and EU and UK loans (European Financial Stabilisation Mechanism, European Financial Stability Facility and UK Treasury).
- 1.23** Debt arising from the various State savings schemes increased by 6% to €18.8 billion at end-2020.

Figure 1.9 Gross national debt at redeemable par values, end 2012 to end 2020



Composition of gross national debt at end-2020^a

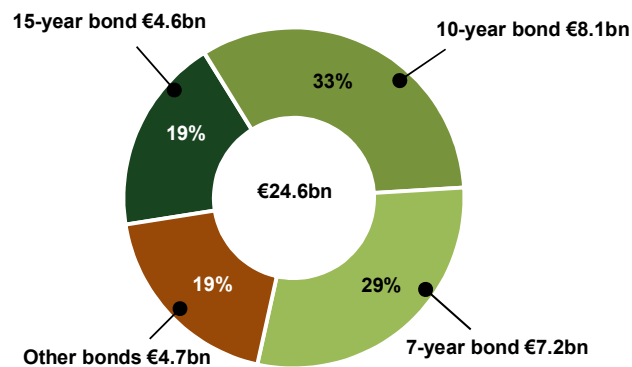


Source: Financial Statements of the National Debt of Ireland 2020, National Treasury Management Agency.

Note: a Due to rounding, the sum of the individual debt amounts does not correspond to the total.

- 1.24** Short-term debt accounted for €18.4 billion of gross national debt at end-2020, an increase of 41% from end-2019.¹ The end-2020 borrowing comprised 'short-term paper' debt of €14 billion, borrowings from the Post Office Savings Bank Fund of €2.6 billion, and €1.7 billion in surplus funds transferred from the surplus public expenditure monies account at the year-end.²
- 1.25** In 2020, the NTMA had originally planned to issue between €10 and €14 billion of bonds. This was required mainly to refinance existing debt that was maturing for repayment. However, due to the economic fallout from the Covid-19 pandemic, the funding range was revised and the actual issuance was €24.6 billion.³ Bonds were issued at an average maturity of 11.5 years and a weighted average yield of 0.21%. The debt included the issuance of three new bonds with maturities of 7, 10 and 15 years (see Figure 1.10).
- 1.26** Additionally, €1.4 billion was raised in private placements issued under the NTMA's *Euro Medium Term Note Programme*.⁴ There were seven placements in 2020 with maturities ranging from 58 to 100 years.

Figure 1.10 NTMA government bond issues, 2020^a



Source: National Treasury Management Agency

Note: a Includes non-competitive auctions.

Debt service costs

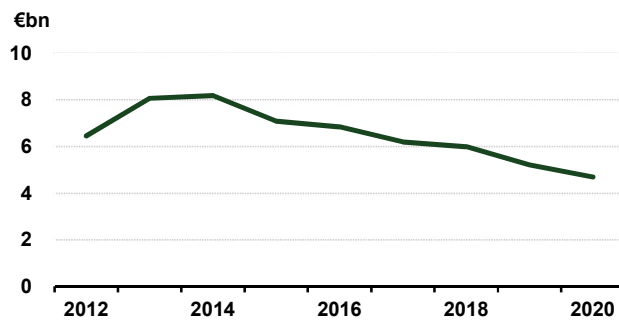
- 1.27** Notwithstanding the large increase in borrowings, the cost of servicing the debt fell by more than 10% in 2020 (see Figure 1.11). The service cost met by the Central Fund was €4.7 billion. This comprised interest on the gross national debt of €4.4 billion, 'negative' interest paid on cash held at the Central Bank and on other financial assets of €115 million, and fees and operating expenses of €161 million.
- 1.28** The NTMA has stated that the maturity of high coupon bonds — most of which were issued during the financial crisis of the late 2000s — and their replacement with cheaper funding, together with the compression of sovereign bond yields brought about by the European Central Bank's quantitative easing programme, are the main factors behind the fall in the debt service bill in recent years.

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

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

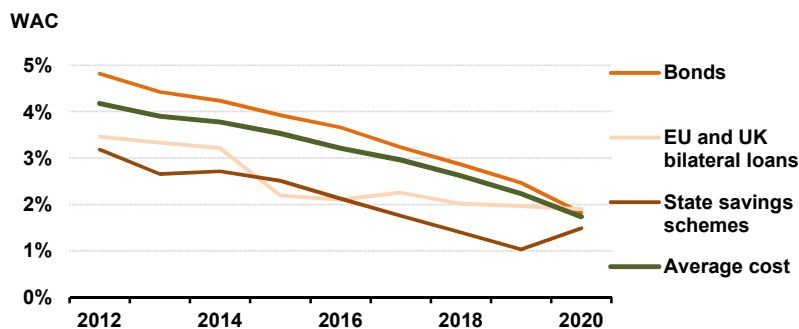
3 This includes €0.6 billion issued in the non-competitive bond auctions.

4 A private placement is a sale of bonds of pre-selected investors and institutions rather than on the open market. Private placement transactions are normally the result of a direct approach by an investor to one of the NTMA's 'primary dealers' who negotiate the terms of the issue with the NTMA.

Figure 1.11 Debt service costs, 2012 to 2020 (cash basis)

Source: National Treasury Management Agency

- 1.29** The average cost of State borrowing continued to decline in 2020. At the end of the year, the overall weighted average cost of servicing the gross national debt was estimated at 1.74% (end-2019: 2.24%) (see Figure 1.12).

Figure 1.12 Weighted average cost of gross national debt, by debt type, 2012 to 2020

Source: National Treasury Management Agency

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

2 The clause within Articles 3(5) and 5(2) of Regulation (EC) 1467/97 ('corrective arm') [here](#) allows necessary budgetary measures to deal adequately with exceptional situations.

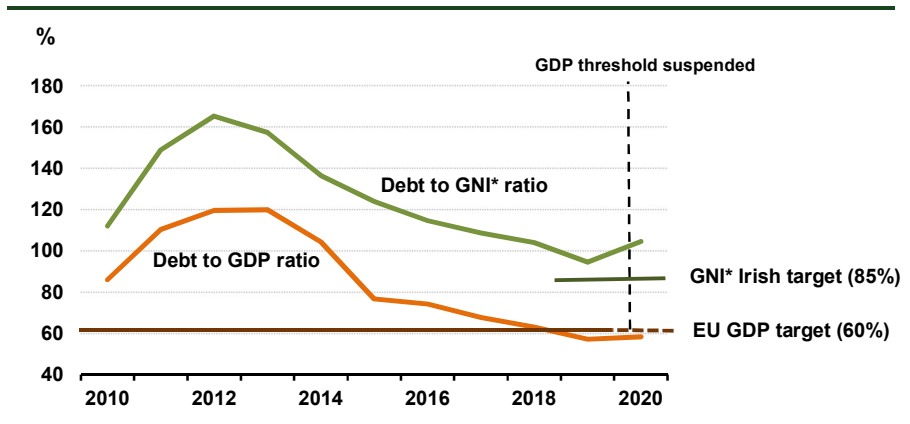
3 The Stability and Growth Pact is rule-based framework for the coordination of national fiscal policies in the EU.

General government debt target

- 1.30** General government debt is a more comprehensive measure of State indebtedness than national debt and is the standardised measure which all EU countries are legally obliged to report under the Maastricht Treaty.¹
- 1.31** European fiscal rules state that member states' general government debt should not exceed 60% of GDP or, if greater, should steadily decrease towards the 60% target. Ireland's general government debt ratio was 58.4% at end 2020 compared with 57.2% at end 2019 (see Figure 1.13).
- 1.32** On 20 March 2020, the European Commission activated the 'general escape clause' of the Stability and Growth Pact.^{2,3} The activation allowed EU member states to suspend requirements to meet their fiscal targets while taking appropriate budgetary measures to address the exceptional circumstances posed by the Covid-19 pandemic. The Commission has stated that the general escape clause will continue to be applied through 2022 and is expected to be deactivated in 2023.

- 1.33** The Department of Finance has stated that, due to statistical distortions in Ireland's GDP, ratios related to GDP do not give a true reflection of the repayment capacity of the Irish economy. In December 2019, the Minister for Finance announced a new internal domestic debt target, based on GNI*.¹ A national target of reducing the debt-to-GNI* ratio to 60% at a suitable pace was set, with an interim target of 85% of GNI* by 2025 (see Figure 1.13). At the end of 2020, the debt-to-GNI* ratio was 104.7%. Failure to meet the internal GNI* target does not affect Ireland's compliance with EU fiscal rules.
- 1.34** The Department has stated that the appropriateness of the previously stated debt targets may be re-assessed once the acute phase of the pandemic has passed and recovery has taken hold.

Figure 1.13 Ireland's debt to GDP and debt to GNI* ratios, 2010 to 2020 (percentage)



Source: Central Statistics Office, Department of Finance.

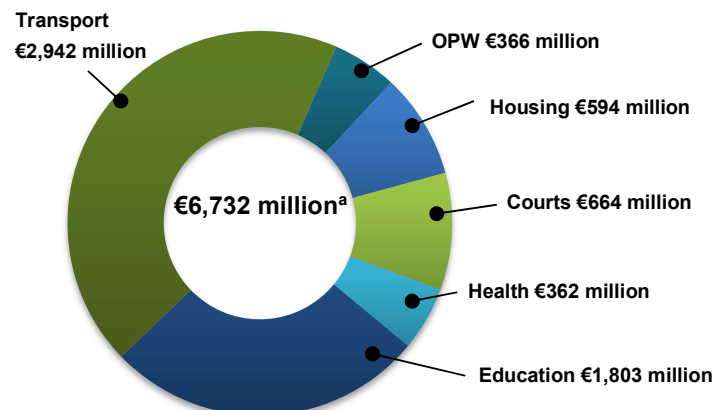
¹ The CSO defines GNI* as an indicator designed to exclude globalisation effects that are disproportionately impacting the measurement of the size of the Irish economy.

Other liabilities

Public private partnerships

- 1.35** A public private partnership (PPP) is an arrangement between a public authority and a private partner designed to procure and deliver public infrastructure assets and/or services under long-term contracts. The asset is funded and constructed by the private partner, following which it is made available for public use and is paid for by the State and/or by users (through user charges) over an extended period (typically 20 – 25 years), after which the asset comes into State ownership.
- 1.36** Public private partnerships are viewed as an 'off-balance sheet' funding mechanism from a general government perspective, as liabilities under PPP contracts are generally not included in the calculation of general government debt. 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.
- 1.37** The Department of Public Expenditure and Reform tracks future commitments under PPP projects. At the end of 2020, 27 PPP schemes were fully operational and three were at development stage. At that date, future PPP commitments totalled just over €6.7 billion (see Figure 1.14).
- 1.38** Expenditure on PPP unitary payments totalled just over €292 million in 2020. The Exchequer is committed to making payments totalling around €325 million a year until 2035 at which time payments will taper off, largely because older PPP contracts will have been completed.

Figure 1.14 Composition of projected total cost of all PPP outstanding payments



Source: Department of Public Expenditure and Reform

Note: a Due to rounding, the sum of the individual sectors does not correspond to the total amount.

Eircom No. 2 pension fund

- 1.39** In 1996, the State sold 20% of its holding in the former Bord Telecom Éireann (Eircom) to private investors.¹ By the end of July 1999, the company had been fully privatised.
- 1.40** The Minister for Finance provided just over €1 billion to the Eircom No. 2 pension fund when it was set up in December 1999.^{2,3} The State is the pension fund's sole contributor and no further funding from the State was expected to be required.

1 Bord Telecom Éireann (Eircom) was formed in 1984 under the Postal and Telecommunications Act 1983.

2 The Minister for Finance was required to make contributions to the superannuation scheme to cover pre-vesting pension liabilities for staff and their survivors who transferred from the former Department of Posts and Telegraphs to Bord Telecom Éireann in January 1984.

3 In accordance with sections 26, 46(9) and 46 (11) of the Postal and Telecommunications Services Act 1983.

1.41 At the end of March 2020, the assets of the pension fund were €83.8 million and by the end of November 2020, the fund assets were deemed insufficient to meet the costs over the following four months. The fund was fully depleted by early 2021. The most recent report on the pension fund's actuarially assessed liabilities disclosed a deficit estimated at €1 billion.¹

1.42 It is estimated that funding of approximately €84.2 million will be required for 2021 and €86 million a year thereafter to meet pension liabilities. The first payment from the Central Fund of over €20 million was made in January 2021 under new Ministerially approved arrangements.² Contributions to the pension fund are to be made on a 'pay as-you-go' basis whereby the Minister will pay moneys to the fund on a scheduled basis in respect of benefits due.

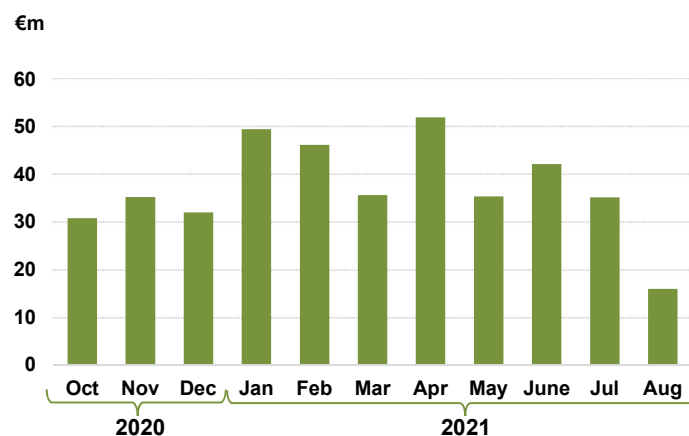
Covid-19 Credit Guarantee Scheme

1.43 The Covid-19 Credit Guarantee Scheme was launched in September 2020 and was approved by the European Commission under the State Aid Temporary Framework. The scheme, which has a €2 billion funding capacity, is designed to address liquidity shortages faced by micro, small and medium-sized enterprises due to the Covid-19 crisis by enhancing access to external financing. The State guarantees 80% of the money lent to the participating lender institutions. Loans advanced can vary from €10,000 to €1 million maximum, for terms of up to five and a half years. No personal guarantees are required for loans under €250,000. The scheme was expected to run until 31 December 2020, but was subsequently extended to the end of 2021.

1.44 By 12 August 2021, loans with a total value of €410 million, representing just under 21% of the total scheme capacity, had been drawn down (see Figure 1.15).

1.45 The Department of Finance has stated that €26 million was set aside for scheme losses and operational costs in the 2021 budget. The Department currently estimates total potential scheme losses of €34.3 million in 2021. The Department anticipates a higher loss amount in 2022 but has not yet projected the loss amount for 2022 or later years. This represents a contingent liability for the Exchequer.

Figure 1.15 Summary of loan values by month, 2020-2021^a



¹ The valuation of the pension fund is prepared on a triennial basis. The most recent actuarial valuation carried out in October 2018 is appended to the *Annual Report Eircom No. 2 Superannuation Fund* for the year ended 31 March 2020.

² Deed of Amendment Eircom No. 2 Superannuation Fund, Eircom Superannuation (Amendment) Scheme 2016 were put in place to provide for future funding of the Eircom No. 2 Fund.

Source: Strategic Banking Corporation of Ireland *Performance report on Covid-19 Credit Guarantee Scheme to the Department of Enterprise, Trade and Employment*

Note: a Representing total amounts drawn down up to week ending 12 August 2021.

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

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

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

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

Annex 1B 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 quarterly general government finance outputs and general government statistics include the following key statements

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

Figure 1C.1 Composition of Central Fund receipts and issues, 2016 to 2020^a

	2016	2017	2018	2019	2020
	€m	€m	€m	€m	€m
Receipts					
Current receipts					
Tax revenue	47,864	50,737	55,557	59,314	57,165
Transfer from Local Government Fund	318	230	—	—	—
Central Bank surplus income ^b	1,800	1,836	2,108	2,395	2,050
National Lottery surplus income	219	227	225	251	270
Dividends from State bodies	269	324	261	262	133
Other current revenues	498	248	311	440	197
NAMA Surplus Income	—	—	—	—	2,000
Capital receipts					
Loans/advances repaid ^c	2,143	1,021	933	1,055	1,680
Financial sector stabilisation measures receipts	1,871	3,723	341	682	3
Exceptional capital receipts ^d	—	—	—	—	1,500
Other capital receipts	75	30	572	31	30
Total receipts	55,057	58,376	60,308	64,429	65,028
Issues					
Issues for voted expenditure	43,986	46,291	50,445	54,146	67,849
Service of national debt	6,845	6,227	5,967	5,220	4,676
Contribution to EU budget	2,023	2,016	2,519	2,432	2,569
Oireachtas Commission	114	110	131	126	132
Loans/advances ^e	2,320	963	975	935	1,523
Financial sector stabilisation measures	4	—	—	—	—
Irish Water (shares, capital contributions and loans)	184	270	—	758	372 ^c
Transfer to Local Government Fund ^e	463	480	12	—	—
Other payments	136	113	160	165	224
Total issues	56,075	56,470	60,209	63,782	77,345
Surplus/(deficit) for the year	(1,018)	1,906	99	647	(12,317)

Source: Finance Accounts 2016 to 2020. Any apparent differences in totals are due to rounding.

- Note:
- a 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.
 - b 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.
 - c See Figure 1C.3 for further details.
 - d Exceptional capital receipts are non-recurrent. The 2020 figure relates to the National Surplus Reserve Fund.
 - e Related to application of local property tax (LPT) receipts, which were included in tax revenue prior to 2018. With effect from 1 January 2018, LPT receipts are paid directly into the Local Government Fund by the Revenue Commissioners, rather than indirectly through the Central Fund.

Figure 1C.2 Movements in Exchequer cash and financial asset balances, 2016 to 2020

Movement in year	2016	2017	2018	2019	2020
	€m	€m	€m	€m	€m
Balance at 1 January	13,554	11,119	13,217	17,593	18,536
Net Exchequer borrowing/ (repayment) in year	(1,417)	193	4,276	297	12,981
Exchequer surplus/(deficit)	(1,018)	1,906	99	647	(12,317)
Balance at 31 December	11,119	13,217	17,593	18,536	19,200

Composition of cash and financial assets at 31 December	2016	2017	2018	2019	2020
	€m	€m	€m	€m	€m
Exchequer account ^a	8,385	10,533	15,338	16,502	17,362
Commercial bank deposits	199	—	—	—	—
SBCI medium-term guaranteed notes ^b	85	85	85	25	—
Housing Finance Agency guaranteed notes	2,032	1,742	1,558	1,913	1,586
Collateral funding	418	857	612	96	252
Balance at 31 December	11,119	13,217	17,593	18,536	19,200

Source: Finance Accounts 2016 to 2020. Any apparent differences in totals are due to rounding.

- Notes:
- a Includes balance of €216,000 held in the Capital Services Redemption Account (CSRA) (2019: €250,000).
 - b Strategic Banking Corporation of Ireland (SBCI) was established under the Strategic Banking Corporation of Ireland Act 2014. Its aim is to ensure access to flexible funding for Irish small and medium enterprises by facilitating the provision of lower-cost funding and flexible products. The issued share capital of the SBCI is owned by the Minister for Finance.

Figure 1C.3 Loans and advances, 2016 to 2020

	2016	2017	2018	2019	2020
	€m	€m	€m	€m	€m
European Agricultural Guarantee Fund					
Opening balance	599	770	740	725	750
Repayments	(599)	(770)	(740)	(725)	(750)
Loans issued	770	740	725	750	670
Closing balance	770	740	725	750	670
Social Insurance Fund					
Opening balance	—	—	—	—	—
Repayments	(1,370)	—	—	—	(600)
Advances	1,370	—	—	—	600
Closing balance	—	—	—	—	—
Insurance Compensation Fund					
Opening balance	812	706	636	636	556
Repayments	(106)	(70)	—	(80)	(142)
Loans issued	—	—	—	—	—
Closing balance	706	636	636	556	414
EU stability support to Greece					
Opening balance	347	347	347	347	347
Repayments	—	—	—	—	(3)
Closing balance	347	347	347	347	344
Irish Water					
Opening balance	96 ^a	—	—	—	—
Repayments	—	—	—	—	—
Advances	—	—	—	—	372
Closing balance	—	—	—	—	372
Other loans and advances					
Opening balance	81	194	236	293	228
Repayments/loans conversion	(67)	(181)	(193)	(250)	(185)
Loans issued	180	225	250	185	253
Closing balance	194	236	293	228	296

Source: Finance Accounts 2016 to 2020. Any apparent differences are due to rounding.

Note: a In December 2016, the loan was converted into an unconditional, irrevocable and non-refundable capital contribution.

2 Overview of the cost of responding to Covid-19 – March 2020 to February 2021

2.1 On 30 January 2020, the World Health Organisation (WHO) declared the Covid-19 outbreak a public health emergency of international concern. The first Irish case of Covid-19 was reported on 29 February 2020.

2.2 The Government's response to Covid-19 has evolved during the pandemic to address the evolving situation and take account of public health, social and economic factors. A national action plan in response to Covid-19 was published in March 2020. The main aims of the plan were to minimise the risk of people becoming unwell, to minimise the health, wellbeing and social impact for people at greater risk, and to reduce the economic and social disruption associated with Covid-19. To date, five national strategic response plans have been published by the Government.

- National action plan in response to Covid-19 (March 2020)
- Roadmap for re-opening society and business (May 2020)
- Resilience and recovery 2020-2021: Plan for living with Covid-19 (September 2020)
- Covid-19 Resilience and recovery 2021: The path ahead (February 2021)
- Covid-19: Reframing the challenge, continuing our recovery and reconnecting (August 2021).

2.3 This report has been prepared to provide an overview of the cost of direct responses to Covid-19 or its impacts, as reported by the relevant government departments. The figures presented include costs incurred on support schemes or direct spending on Covid-19 responses in the 12 months up to end February 2021. Since many supports continued beyond this date, the costs continued to accrue, so these should be treated as interim estimates of the response costs. It should also be noted that the costs reported do not include pay costs or administrative/general expenditure costs incurred by votes e.g. the pay costs of staff re-deployed to work on Covid-19 responses.

Section 1 Total direct costs of Covid-19 interventions

Total expenditure

Total direct expenditure as a result of Covid-19 in the one year period ending 28 February 2021 is estimated at €17.1 billion (see Figure 2.1 and Figure 2.2). The Departments of Social Protection; Health; Enterprise Trade and Employment; and Housing, Local Government and Heritage account for 90% of this figure.

Figure 2.1 Total expenditure breakdown by government department

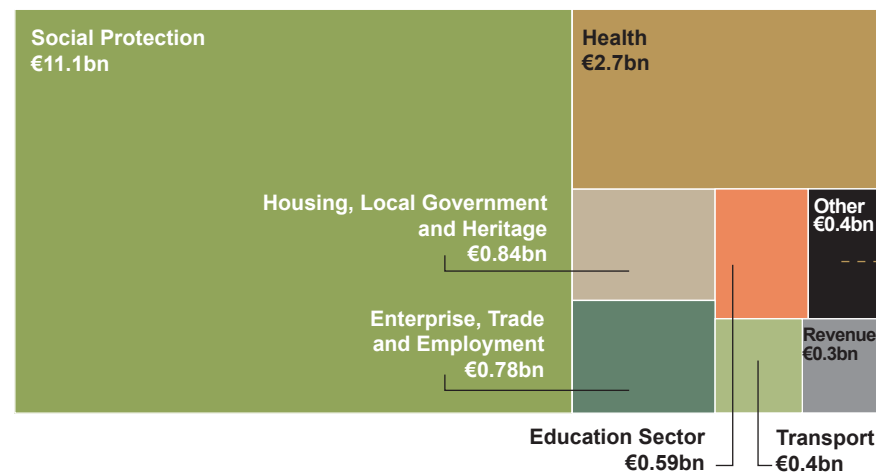


Figure 2.2 Breakdown of 'other' expenditure

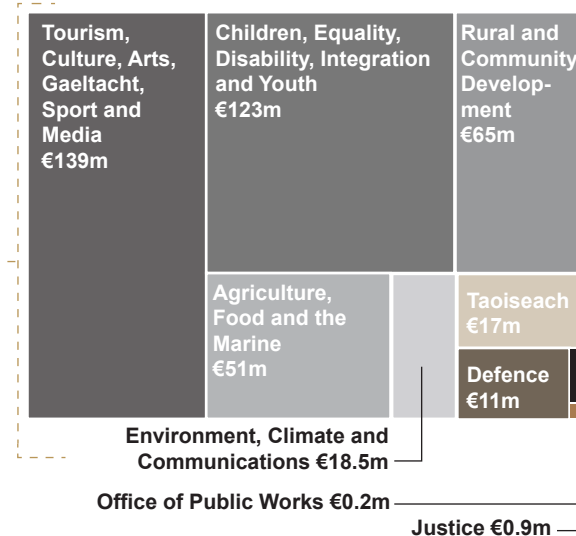
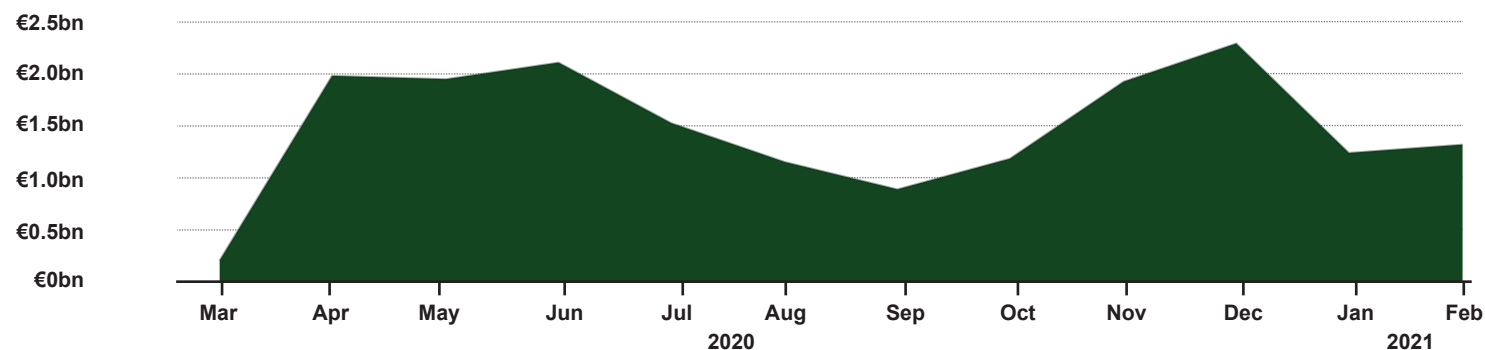


Figure 2.3 Timeline of total expenditure



Source: Departments of Social Protection; Health; Housing, Local Government and Heritage; Enterprise, Trade and Employment; Education; Further and Higher Education, Research, Innovation and Science; Transport; Justice; Agriculture, Food and the Marine; Children, Equality, Disability, Integration and Youth; Environment, Climate and Communications; Rural and Community Development; Tourism, Culture, Arts, Gaeltacht, Sport and Media; Defence; Office of Public Works; Office of the Revenue Commissioners

Note: The Department of Housing, Local Government and Heritage provided a monthly breakdown of 95% of its total expenditure.

Section 2 Analysis by department

Social Protection

The Department of Social Protection reports that it incurred expenditure of €11.1 billion on Covid-19 related schemes up to end February 2021.

The Covid-19 pandemic unemployment payment (PUP) accounts for over half (55%) of the Department's Covid-19 expenditure (see chapter 11 for further details on this scheme).

The temporary wage subsidy scheme (TWSS) (March to August 2020) and its successor, the employment wage subsidy scheme (EWSS) together accounts for 43% of the Department's expenditure. Those schemes were administered by the Office of the Revenue Commissioners (chapter 12 provides further detail on the TWSS scheme).

The timing of the payments under the Department's schemes reflect the peaks of the restrictions on the operation of businesses (see Figure 2.6).

Figure 2.4 Social Protection Covid-19 expenditure supports

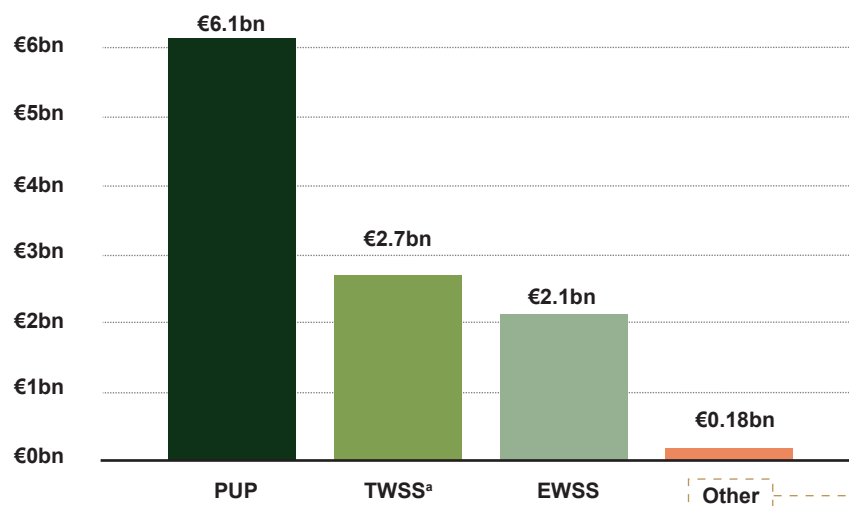


Figure 2.5 Breakdown of 'other' expenditure

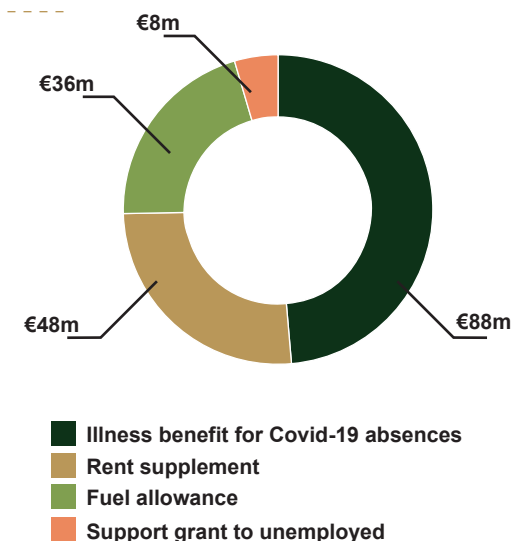
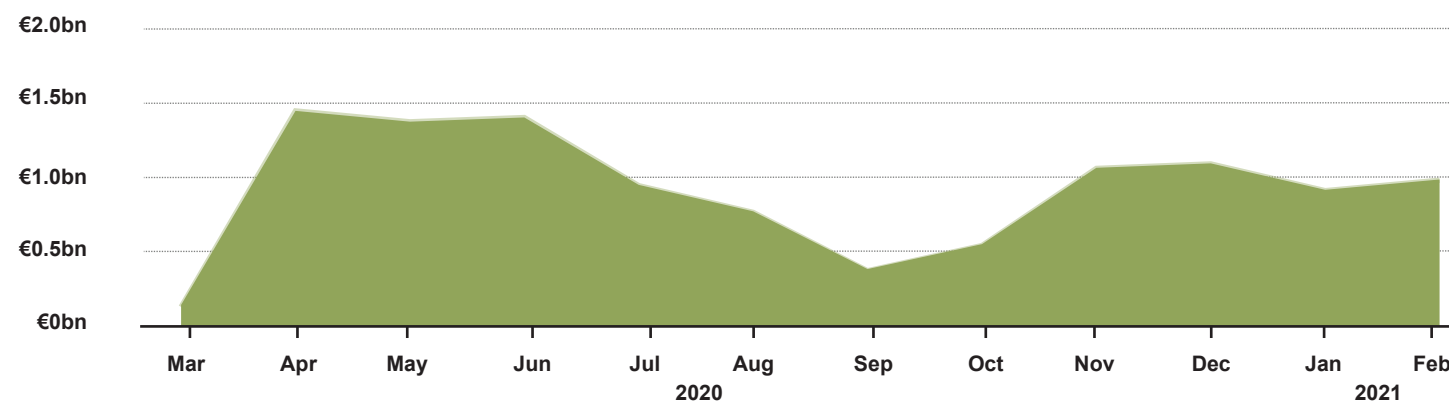


Figure 2.6 Timeline of Social Protection expenditure



Source: Department of Social Protection

Note: a Included in TWSS expenditure is €3.4 million relating to the employer refund scheme that was in place prior to the introduction of TWSS.

Section 2 Analysis by department (continued)

Health

Personal protective equipment (PPE) accounts for over one third of the €2.7 billion Covid-19 related expenditure under the vote for health. Funding to meet building and equipment costs related to the pandemic account for 14% (see Figure 2.7).

Peak expenditure on Covid-19 responses in the health sector was in the initial months of the pandemic i.e. April to June 2020 (see Figure 2.9).

Figure 2.7 Health Covid-19 expenditure supports

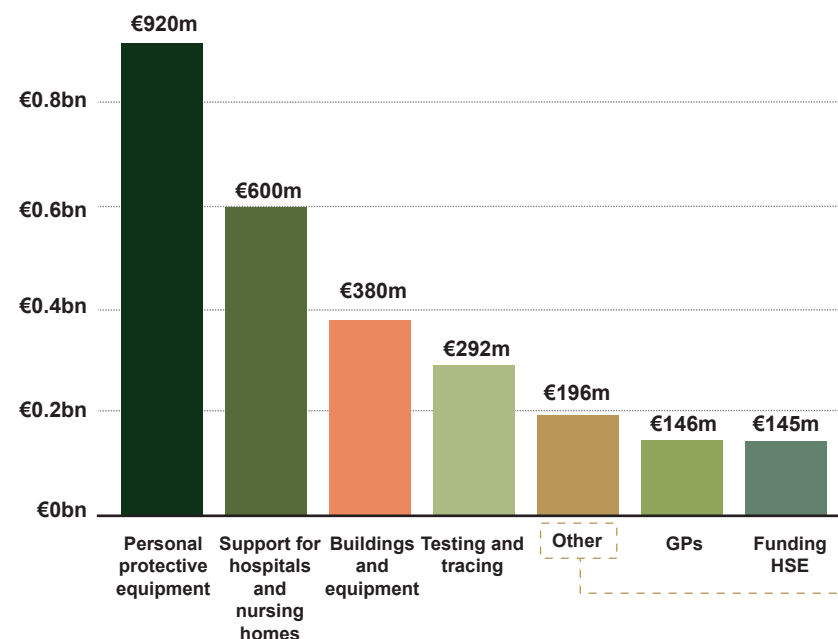


Figure 2.8 Breakdown of 'other' expenditure

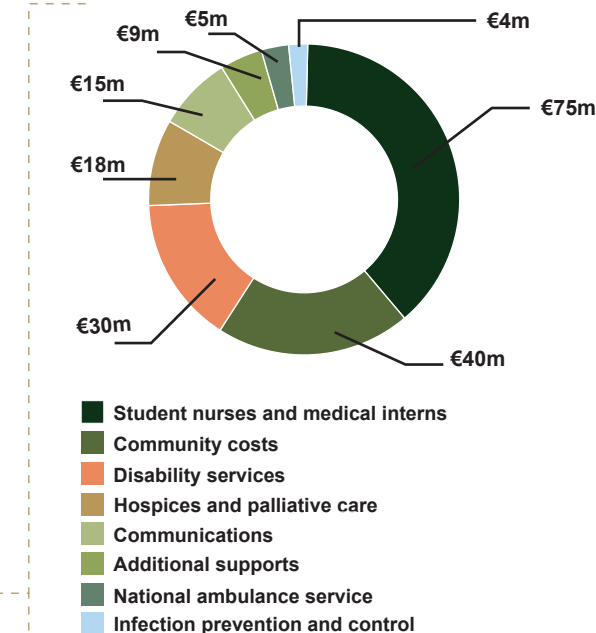
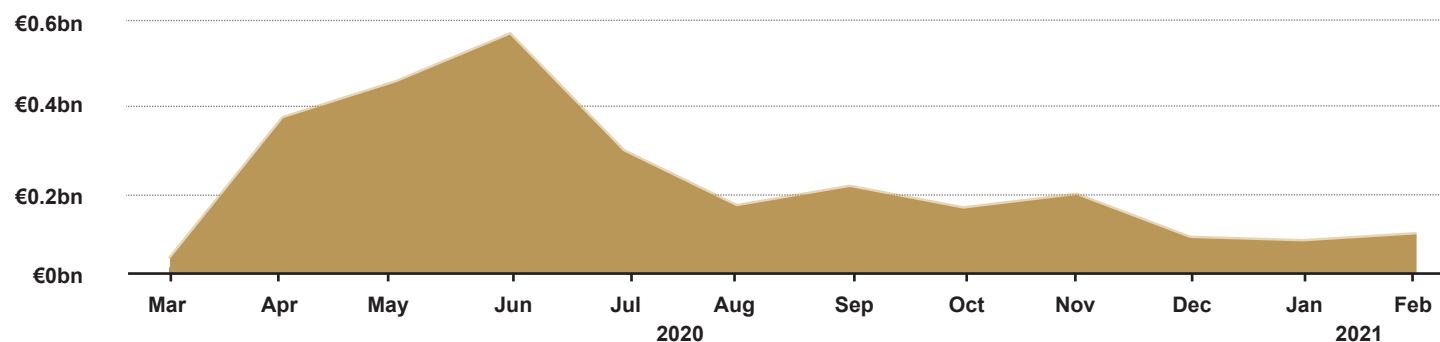


Figure 2.9 Timeline of Health expenditure



Source: Department of Health

Section 2 Analysis by department (continued)

Housing, Local Government and Heritage

Up to end February 2021, the Department of Housing, Local Government and Heritage paid out a total of €840 million in supports.

The payment of commercial rates to local authorities was waived for businesses that were significantly affected by Covid-19 related trading restrictions. The loss of such income was remedied by additional grant funding of local authorities, at a cost of €729 million.

Figure 2.10 Housing, Local Government and Heritage Covid-19 expenditure supports

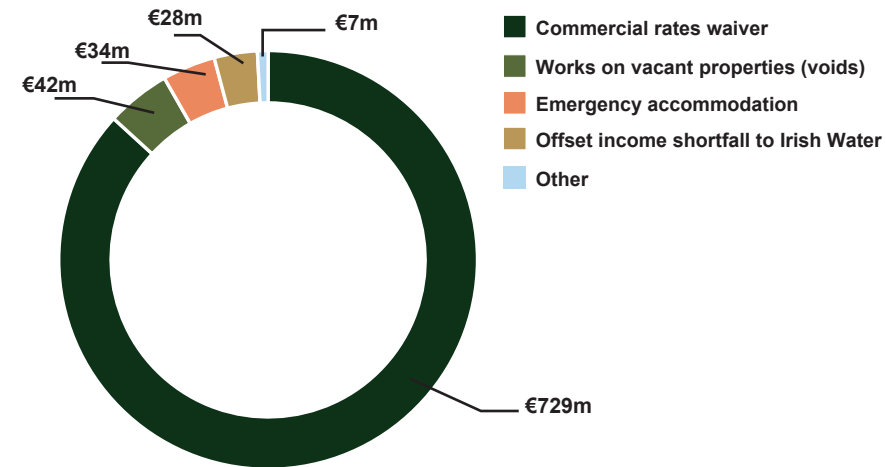


Figure 2.11 Commercial rates waiver distribution

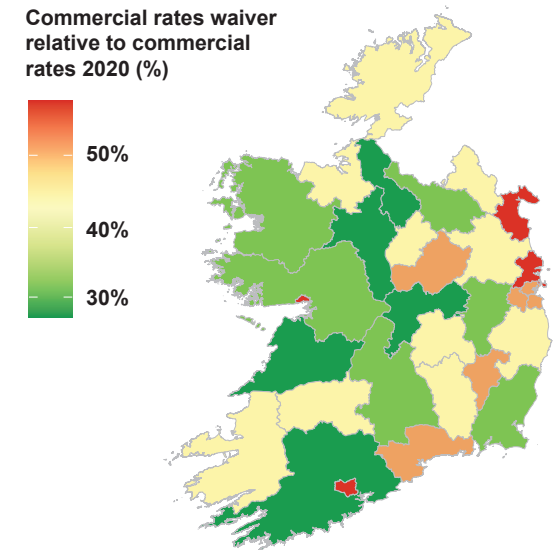
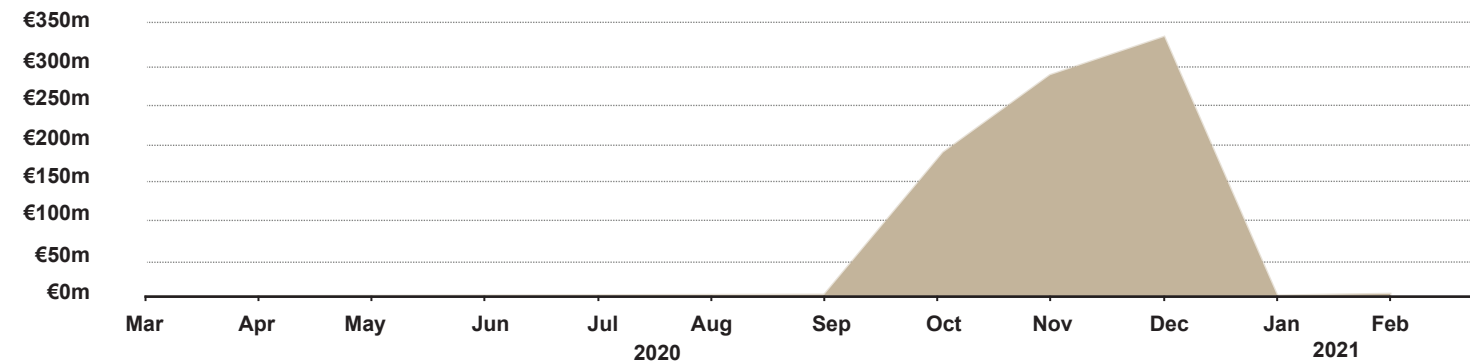


Figure 2.12 Timeline of Housing, Local Government and Heritage expenditure



Source: Department of Housing, Local Government and Heritage

Note: The Department of Housing, Local Government and Heritage provided a monthly breakdown of 95% of its total expenditure. The timeline shows gross expenditure. Commercial rates waiver refunds of €2.8 million are not included.

Section 2 Analysis by department (continued)

Enterprise, Trade and Employment

The Department of Enterprise, Trade and Employment provided €783 million in supports to businesses impacted by Covid-19. In addition, the Department provided Covid-19 related loan funding to the value of €82.5 million, via Strategic Banking Corporation of Ireland (SBCI) and Microfinance Ireland.

The initiative with the highest level of spending was the restart grant schemes at a cost of €640 million (see chapter 6 for further details).

There was also a number of schemes to support business continuity. The Sustaining Enterprise Fund paid just over €98 million to nearly 340 businesses, an average support of approximately €290,000 per business.

Figure 2.13 Enterprise, Trade and Employment Covid-19 expenditure supports

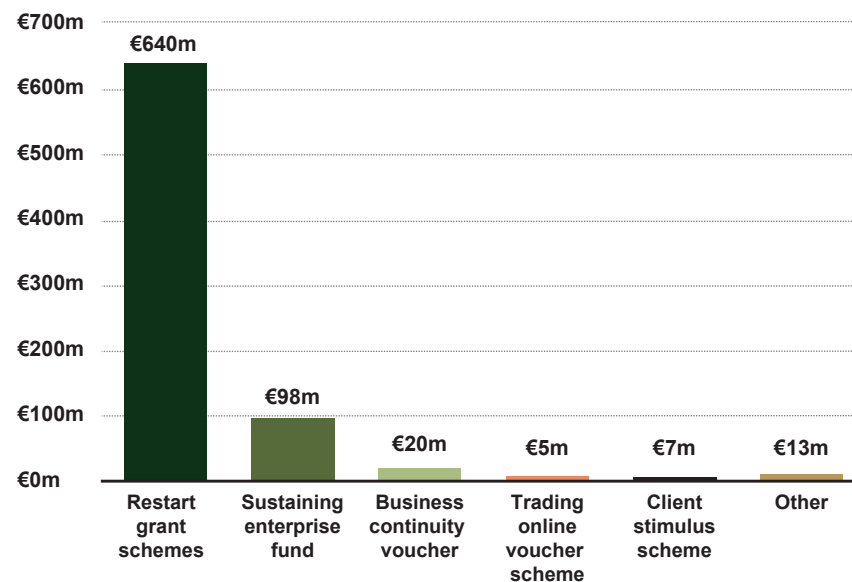


Figure 2.14 Restart grant schemes distribution

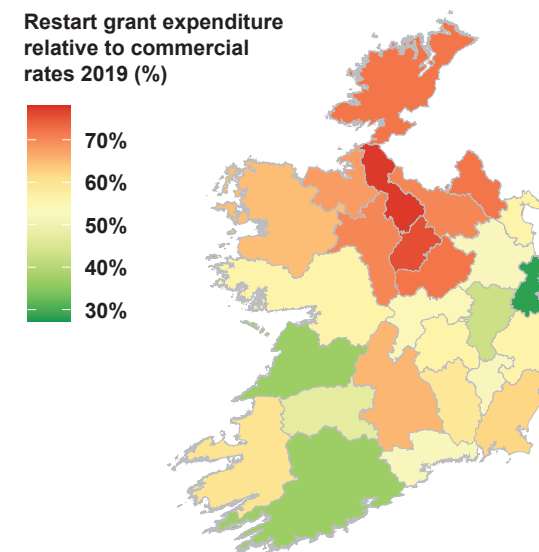
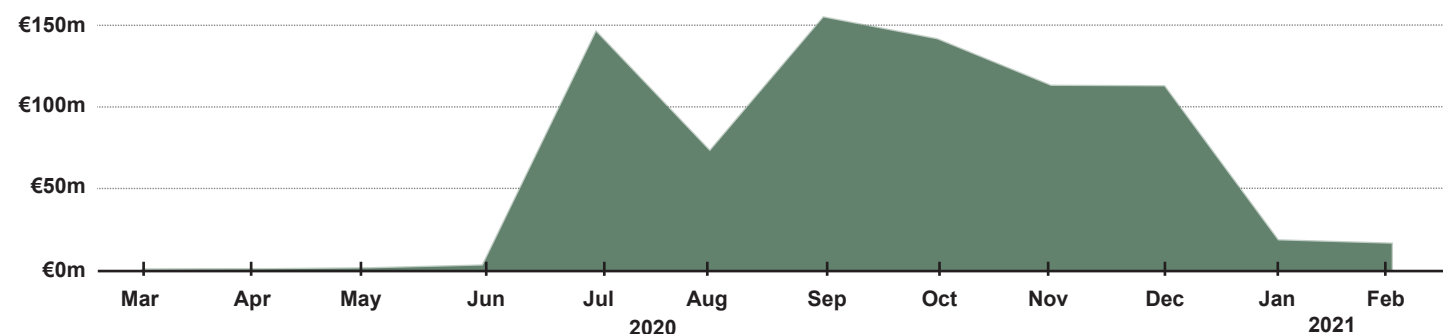


Figure 2.15 Timeline of Enterprise, Trade and Employment expenditure



Source: Department of Enterprise, Trade and Employment

Section 2 Analysis by department (continued)

Education sector

The Department of Education and the Department of Further and Higher Education, Research, Innovation and Science together incurred direct Covid-19 expenditure estimated at €586 million. Nearly half (€268 million) of this expenditure related to supports for the reopening of schools and educational supports for pupils.

While schools reopened in September 2020, the bulk of the financial support for the sector issued in December 2020. Schools were closed again in January 2021 with a phased reopening commencing in February 2021.

Figure 2.16 Education Covid-19 expenditure supports

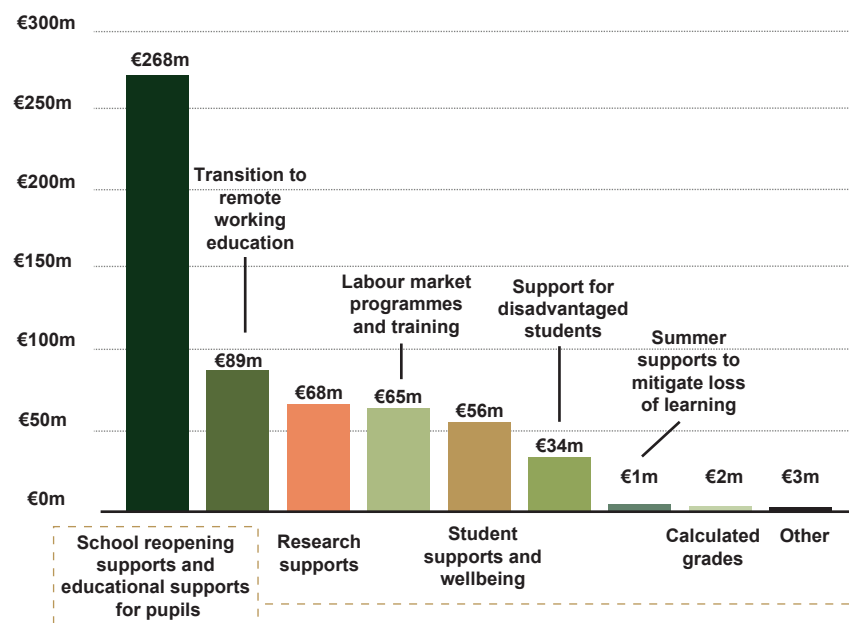


Figure 2.17 Breakdown of school reopening supports and educational support for pupils

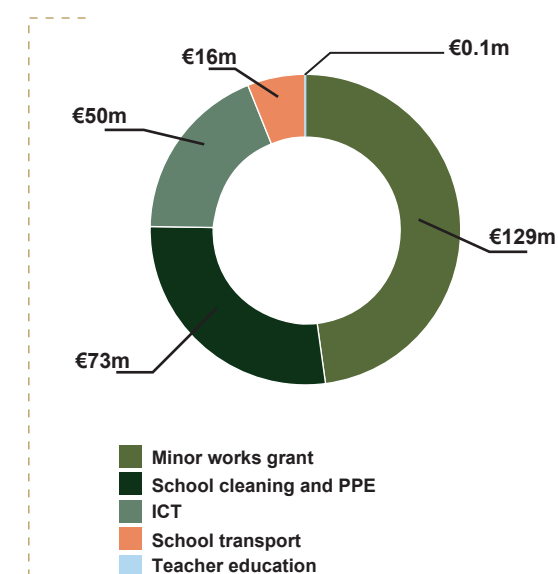
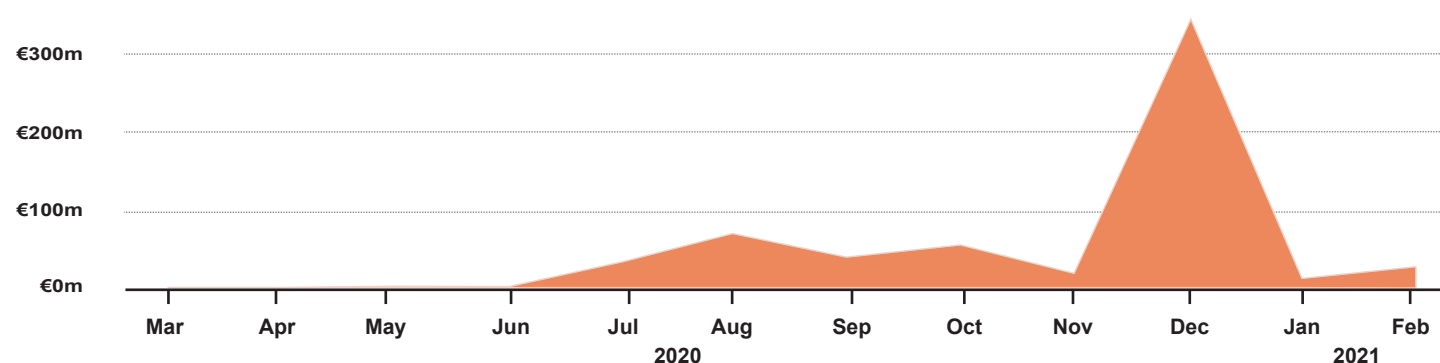


Figure 2.18 Timeline of Education expenditure



Section 2 Analysis by department (continued)

Transport

There was significant disruption of travel as a result of Covid-19. The level of demand for public transport (measured in passenger journeys) was very significantly reduced. In response, financial support was provided to the transport companies in the form of additional public service obligation (PSO) grants.

The PSO payments were made from the vote for transport, through the National Transport Authority to the companies. The objective was to ensure that socially beneficial transport services continued to be provided.

Figure 2.19 Transport Covid-19 expenditure supports

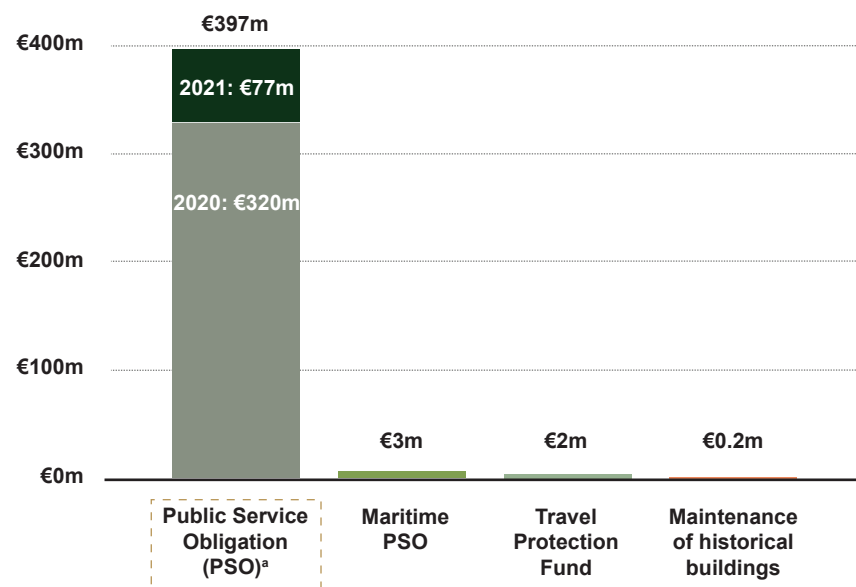


Figure 2.20 Analysis of 2020 PSO scheme expenditure

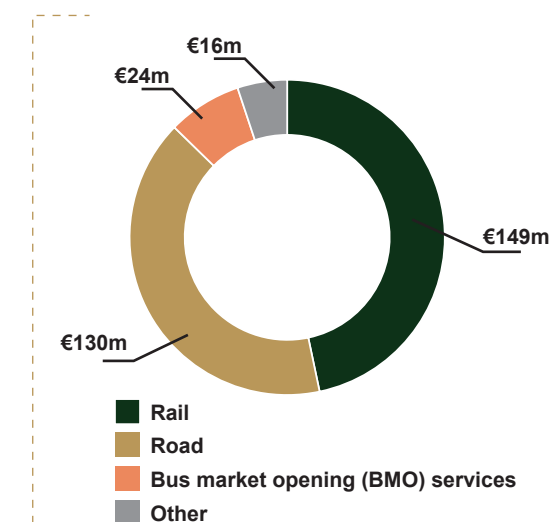
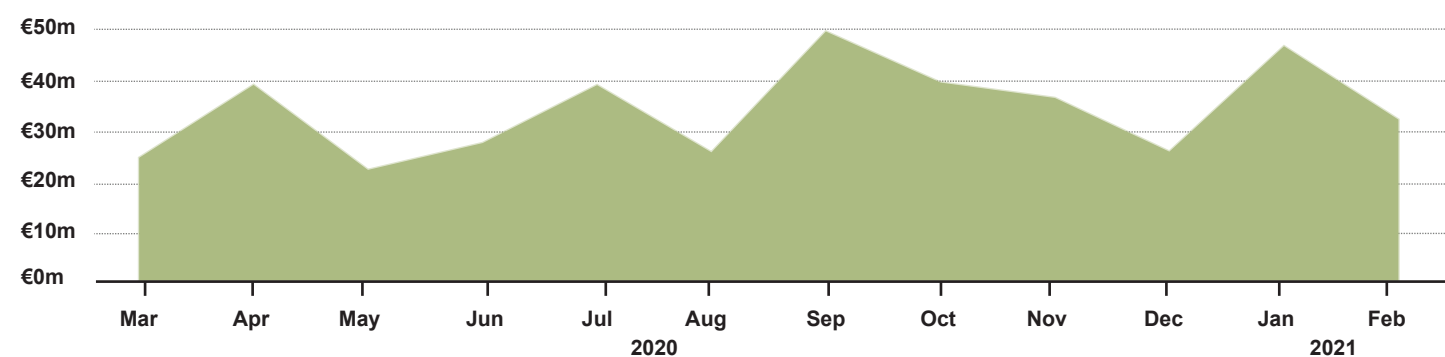


Figure 2.21 Timeline of Transport expenditure



Source: Department of Transport

Note: a The figures provided by the Department for January and February 2021 PSO expenditure are estimates.

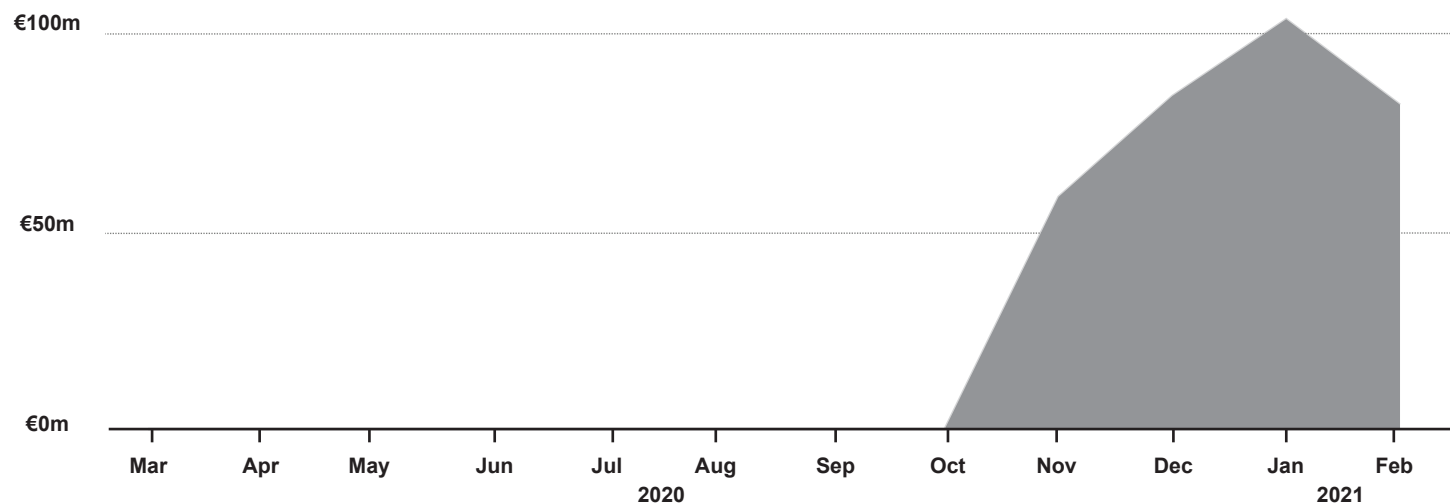
Section 2 Analysis by department (continued)

Revenue

The Office of the Revenue Commissioners incurred direct expenditure of €329 million on the Covid-19 restrictions support scheme (CRSS). This scheme began in October 2020 to support businesses significantly affected by restrictions introduced to combat the Covid-19 pandemic. A qualifying person who carries on a business activity can make a claim to Revenue for a payment (advanced credit for trading purposes) subject to a maximum of €5,000 for each week that the business is affected by restrictions.

CRSS payments were funded from gross tax receipts.

Figure 2.22 Timeline of Revenue expenditure



Source: Office of the Revenue Commissioners

Section 3 Total cost by support type

Total cost split

An analysis of total expenditure by type of recipient is set out in Figure 2.23 with the source of the funding displayed in Figure 2.24.

Supports to individuals accounts for 37% of all expenditure incurred with the majority being funded by the Department of Social Protection. Supports for businesses account for 36%, the majority of which was funded by the Departments of Social Protection and Enterprise, Trade and Employment. A timeline of the expenditure on the main supports for individuals and businesses up to February 2021 is set out in Figure 2.25.

Health and social care accounts for 16% of total expenditure and was funded mainly by the Department of Health.

Figure 2.23 Grouped analysis for Covid-19 expenditure

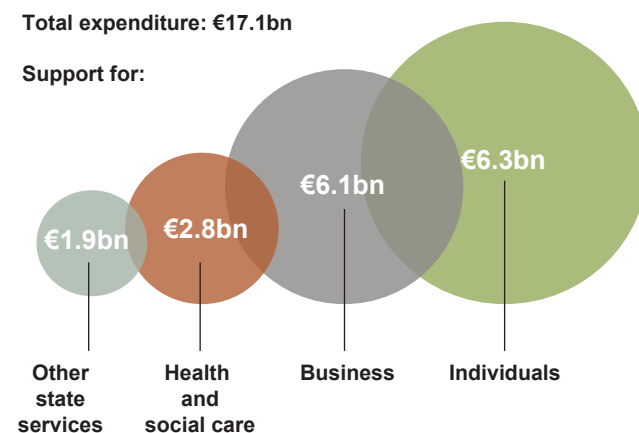


Figure 2.25 Timeline of individual and business supports

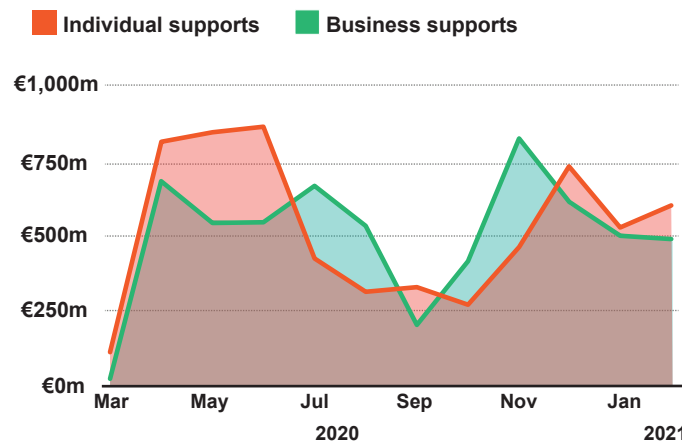
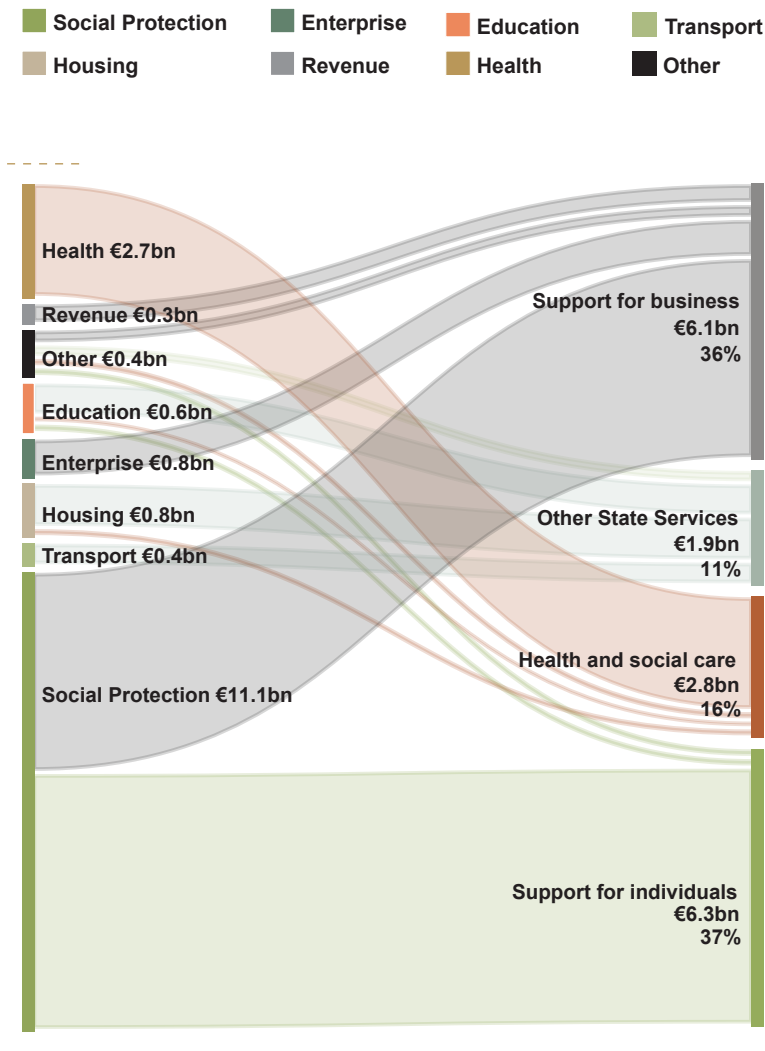


Figure 2.24 Grouped analysis of department expenditure

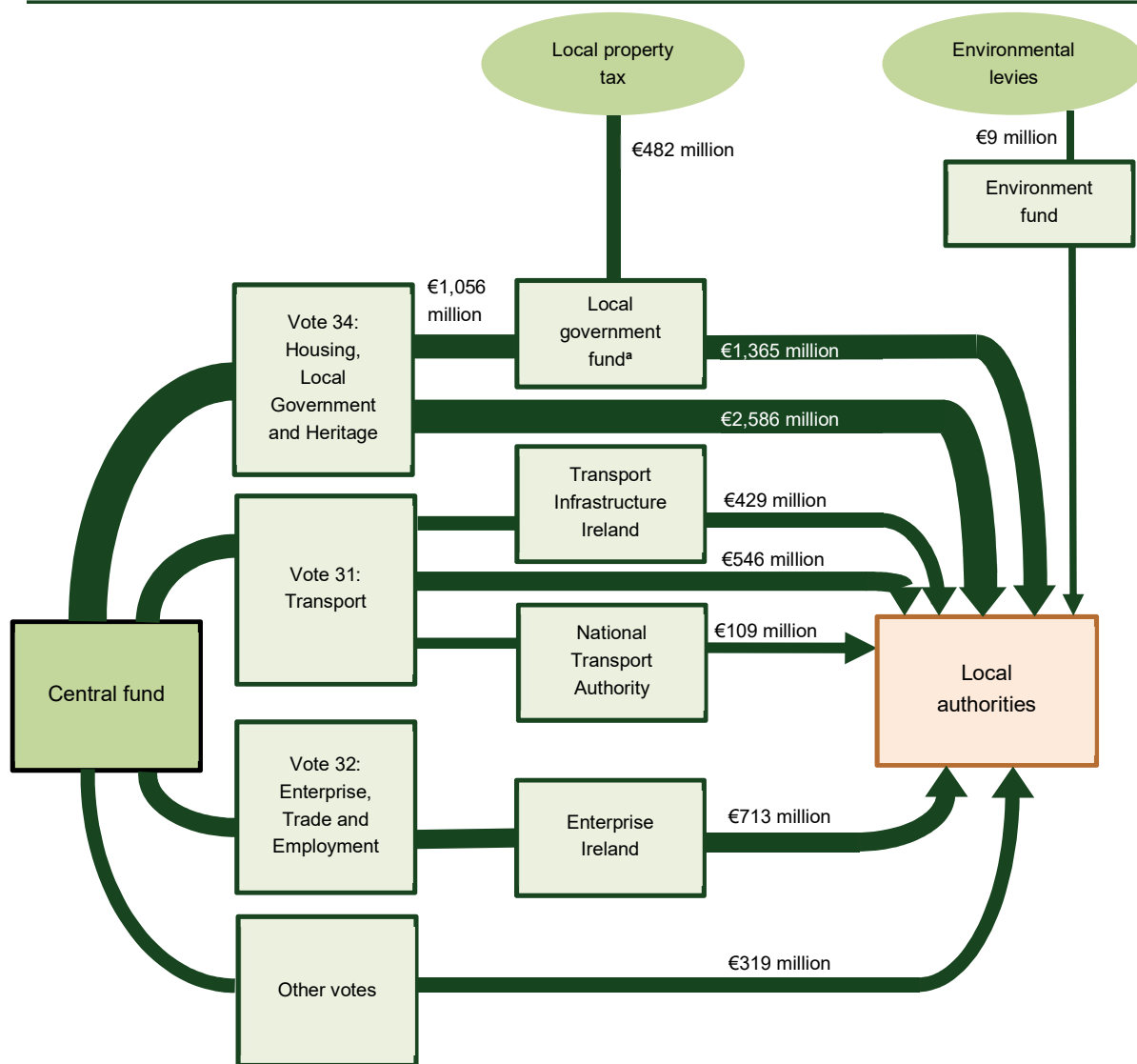


Source: Departments of Social Protection; Health; Housing, Local Government and Heritage; Enterprise, Trade and Employment; Education; Further and Higher Education, Research, Innovation and Science; Transport; Justice; Agriculture, Food and the Marine; Children, Equality, Disability, Integration and Youth; Environment, Climate and Communications; Rural and Community Development; Tourism, Culture, Arts, Gaeltacht, Sport and Media; Defence; Office of Public Works; Office of the Revenue Commissioners.

3 Central government funding of local authorities

3.1 Local authorities receive a substantial part of their annual funding from a range of central government departments and agencies (see Figure 3.1). The primary objective of this report is to provide an overview of the funds flowing from and through central government sources to local authorities, and of the purposes for which funds have been provided.

Figure 3.1 Flow of central government funding to local authorities in 2020



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, resulting in changes in Local Government Fund balances at year-end.

Central government transfers

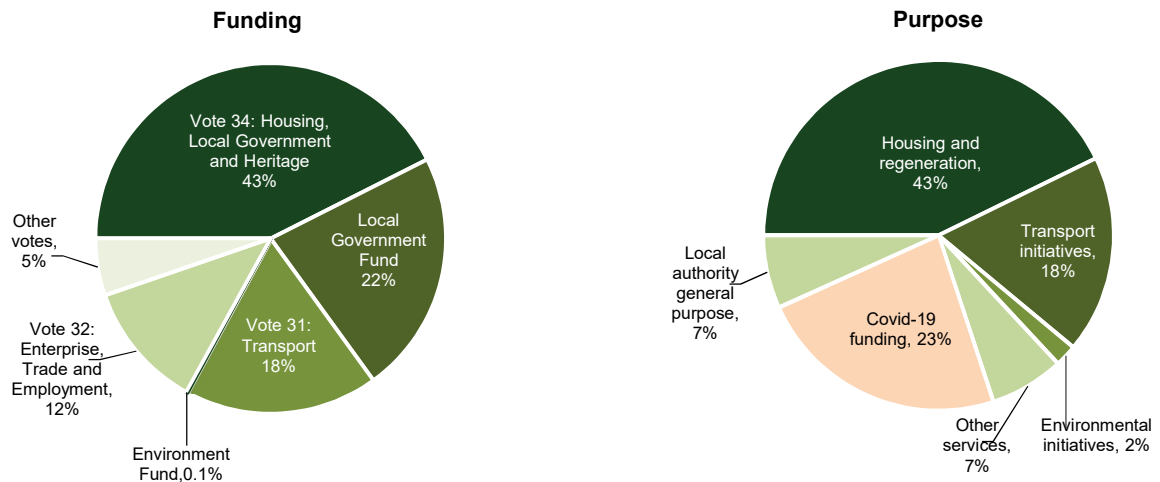
- 3.2** In 2020, funding from central government to local authorities totalled €6.08 billion — an increase of 46% on the €4.17 billion in 2019.¹ The increase of €1.91 billion was primarily due to funding for Covid-19 related costs (€1.42 billion), with other significant increases relating to housing and regeneration (€0.21 billion) and roads (€0.23 billion).
- 3.3** Local property tax (LPT) is collected by the Revenue Commissioners who pay the receipts directly to the Local Government Fund. The Department of Housing, Local Government and Heritage (the Department) manages the Fund, and allocates LPT funding to individual local authorities using a complex funding formula. Annex 3A summarises the allocation of LPT funding issued in 2020.

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

Application of central government funding

- 3.4** Funding sourced from central government and provided to local authorities can be grouped into six broad programme categories (see Figure 3.2) — a detailed breakdown of funding provided is set out in Annex 3B.

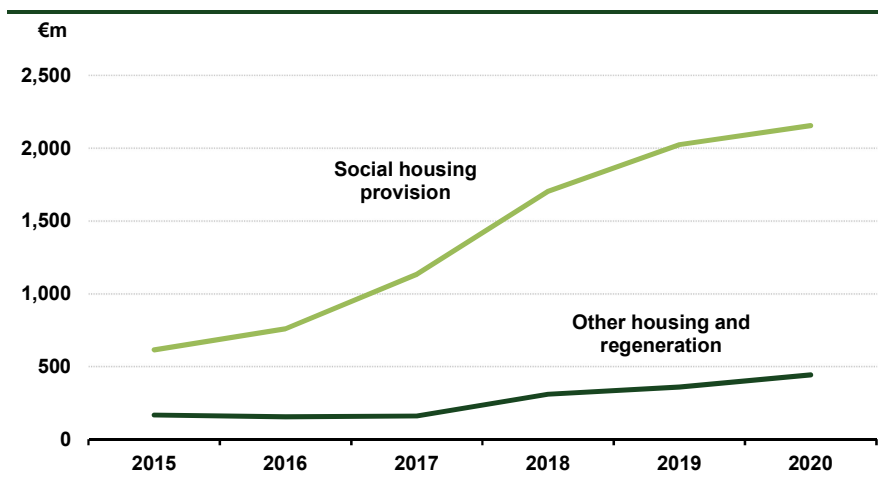
Figure 3.2 Central government funding for local authorities, by source and purpose, 2020



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

Housing and regeneration

Figure 3.3 Central government funding to local authorities for investment in housing and regeneration, 2015 to 2020



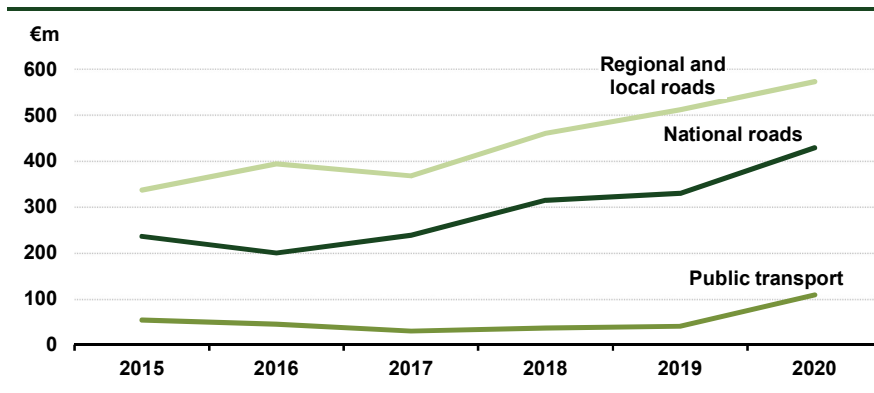
Source: Annex 3B

3.5 The Department provides the bulk of the funding for local authority expenditure on housing and regeneration — an estimated 97% in 2020. The funding is used by the local authorities for

- the provision of social housing stock (managed by local authorities or approved housing bodies) and a range of other housing supports including the housing assistance payment (HAP), rental accommodation scheme (RAS) and accommodation for homeless people
- improvement of existing local authority housing units and adaptation grants for older people and people with a disability.

Transport investment

Figure 3.4 Central government funding to local authorities for transport infrastructure, 2015 to 2020



Source: Annex 3B

Figure 3.5 Transport investment, by organisation and role

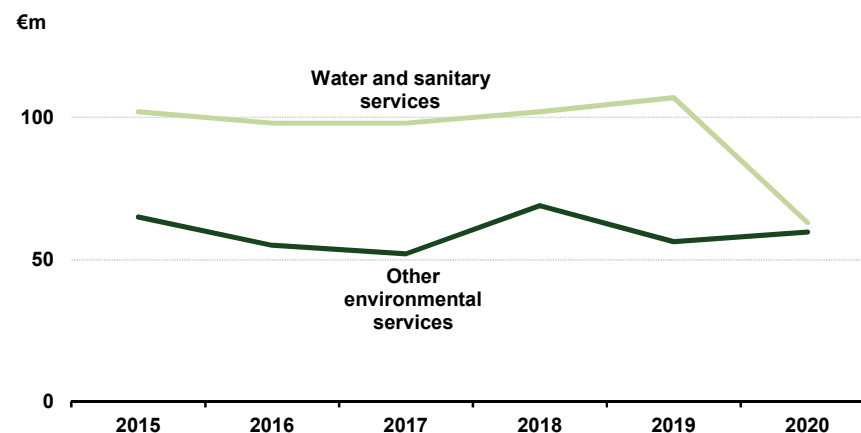
Organisation	Amount of funding €million	Role
Department of Transport	546	<ul style="list-style-type: none"> directly funding local authorities for the upkeep of regional and local roads
Transport Infrastructure Ireland ^a	429	<ul style="list-style-type: none"> improvement and maintenance of national roads uses local authorities as its agents to deliver national roads projects, and channels expenditure through them
National Transport Authority ^a	109	<ul style="list-style-type: none"> funds local authorities for improvements in the public transport system objectives include increased accessibility to public transport for older people, improved traffic flows, more routes for cyclists and pedestrians and better access for buses and taxis
Department of Rural and Community Development	11	<ul style="list-style-type: none"> provides funding to carry out improvement works on non-public roads in rural areas and roads on offshore islands

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

Note: a Transport Infrastructure Ireland and the National Transport Authority operate under the aegis of the Department of Transport and Department of Rural and Community Development.

Environmental initiatives

Figure 3.6 Central government funding to local authorities for environmental initiatives, 2015 to 2020



Source: Annex 3B

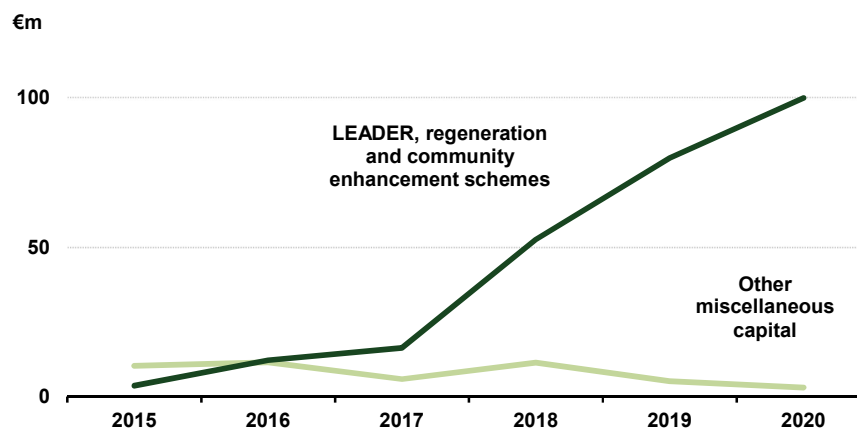
3.6 Funding for environmental initiatives in 2020 includes

- funding of €31 million for flood relief works provided by the Office of Public Works to 29 local authorities
- funding of €26 million for waste management programmes including €12 million provided in relation to landfill remediation.

3.7 The significant drop in water and sanitary services funding in 2020 relates to funding from the Local Government Fund, which was €47 million in 2019 but nil in 2020. This line of funding was provided from 2014 to 2019 in lieu of commercial rates imposed by local authorities in respect of Irish Water facilities located in their areas. The compensation payments from the Local Government Fund ceased from January 2020 when Irish Water become rateable.

Miscellaneous capital programmes

Figure 3.7 Central government funding to local authorities for miscellaneous capital programmes, 2015 to 2020



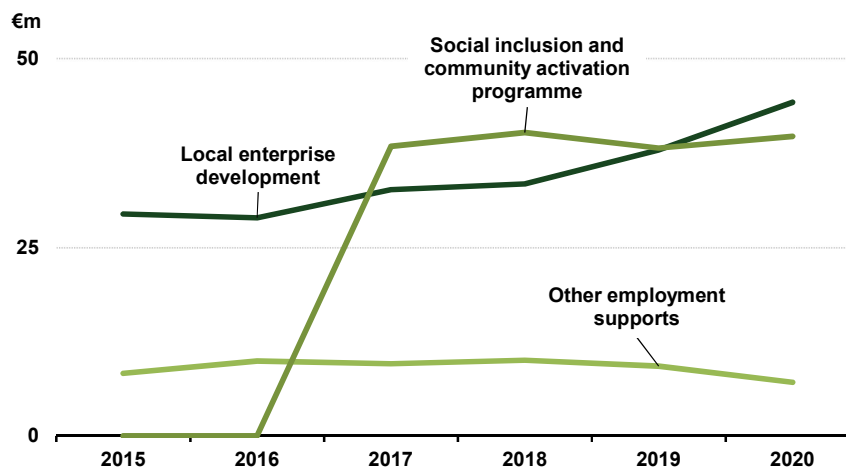
Source: Annex 3B

3.8 Funding for miscellaneous capital programmes undertaken by local authorities is provided by central government — funding increased from €14 million in 2015 to €103 million in 2020. Funding in 2020 was all provided by the Department of Rural and Community Development and included

- €38 million for the LEADER programme
- €30 million for rural regeneration
- €20 million for town and village regeneration.

Employment schemes

Figure 3.8 Central government funding to local authorities for employment schemes, 2015 to 2020



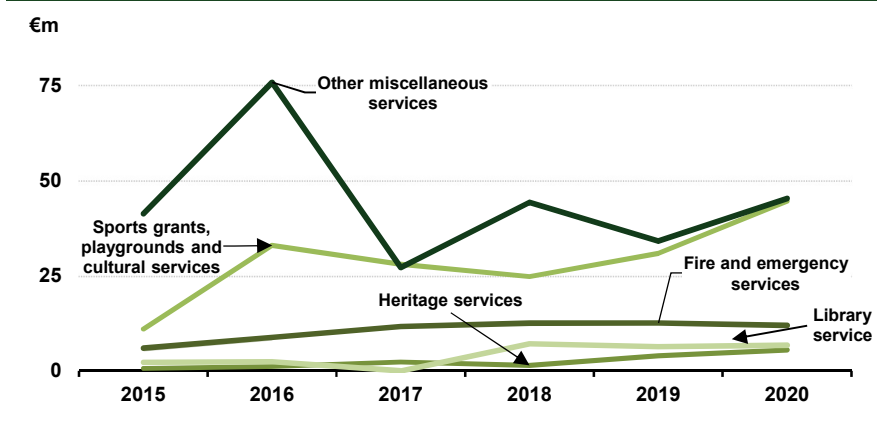
Source: Annex 3B

3.9 Funding for employment schemes in 2020 includes

- funding of €44 million (€38 million in 2019) provided by the Department of Enterprise, Trade and Employment, through Enterprise Ireland, for the local enterprise development programme delivered through local enterprise offices (LEOs) — €11 million was provided for staff and administration costs of the LEOs and €33 million was provided for grant aid, training and mentoring, and Brexit-related supports
- funding of €40 million (€38 million in 2019) provided by the Department of Rural and Community Development for the Social Inclusion and Community Activation Programme (SICAP), which is managed by Pobal and co-funded by the European Social Fund — this aims to support disadvantaged individuals with lifelong learning and labour market supports, and to address social equality and exclusion issues.

Other services

Figure 3.9 Central government funding to local authorities for other services, 2015 to 2020



Source: Annex 3B

3.10 Central government bodies also fund local authorities to assist in providing a range of services. Figure 3.9 shows the trend in the level of funding in respect of such services, including funding in 2020 of

- €45 million for sports grants, playgrounds and cultural services which included €29 million from the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media and €14 million from the Department of Rural and Community Development
- €12 million from the Department of Housing, Local Government and Heritage for fire and emergency services
- €7 million from the Department of Rural and Community Development for library services
- €5 million from the Department of Housing, Local Government and Heritage for heritage services
- €48 million from various central government departments for a range of other services, including €7 million from the Department of Health for local authority veterinary services and €5 million from the Department of Defence for civil defence activities.

Special funding to mitigate the impact of Covid-19

- 3.11** In 2020, central government provided additional funding of €1.42 billion to local authorities to mitigate the impact of Covid-19. This included
- €730 million related to a waiver of commercial rates by local authorities
 - €687 million in funding for micro and small businesses for schemes administered by local authorities — €633 million related to the restart scheme for micro and small businesses and the balance (€53 million) related to the Covid-19 trading online voucher scheme and business continuity voucher scheme.

Commercial rates waiver

- 3.12** For 2020, local authorities had budgeted aggregate income of €1.67 billion from rates of commercial businesses. An initial three-month waiver of rates for businesses impacted by Covid-19 was announced in May 2020. This recognised that many ratepayers were forced to close their businesses due to the public health requirements and that many that remained open had suffered significant reductions in turnover. The rates waiver was extended a number of times, ultimately covering a nine month period from 27 March 2020. A more targeted commercial rates waiver is in place for 2021 which, at the time of reporting, is expected to end in September 2021.
- 3.13** There was automatic eligibility to the waiver for businesses in specified sectors such as non-essential retail, hospitality, leisure and entertainment, personal services such as hairdressers and barbers, health services and a number of other categories. Businesses in the banking sector, commercial and industrial property sector (where the annual rates bill exceeded €100,000 in 2020), utilities, and large supermarkets were excluded from the scope of the waiver.
- 3.14** The Department requested each local authority to submit an analysis of the number of ratepayers and the value of rates on around 300 property categories. This information was used by the Department to calculate the estimated overall cost of the rates waiver and to profile the expected rates waiver in respect of each local authority. Funding of €730 million was provided to local authorities in 2020 — a breakdown by local authority is included at Annex 3C.¹ The rules and conditions applying to the rates waiver were set out in Departmental circulars and both the head of finance and chief executive of each local authority certified a return to the Department, setting out the total amount of rates waived.

Restart grant scheme — €633 million

- 3.15** A restart grant scheme was also administered by local authorities with funding coming from Enterprise Ireland, funded from the Vote for Enterprise, Trade and Employment.²

Covid-19 trading online and business continuity voucher schemes and client stimulus fund — €53 million

- 3.16** The Covid-19 trading online voucher scheme was administered through local enterprise offices in the local authorities. The Department of the Environment, Climate and Communications provided €18.2 million and the Department of Enterprise, Trade and Employment provided €4.8 million via Enterprise Ireland. The financial assistance to small businesses was up to €2,500 each, with co-funding of at least 10% from the business.³

¹ A further €1.9 million was paid to local authorities in February and March 2021, in relation to rates waived in 2020. Local authorities refunded €2.8 million to the Local Government Fund in 2021, in relation to properties where the 2020 rates waivers should not have been applied.

² Chapter 6 reports on the operation of controls for the restart grant scheme.

³ Co-funding of 10% was required for claims arising in the period April to December 2020. The co-funding requirement for online vouchers from January 2021 is 50%.

- 3.17** Businesses were eligible for the trading voucher scheme if they had limited or no online presence, ten or fewer employees, turnover of less than €2 million, and were trading for at least six months. Eligible expenditure included IT consultation, implementing online payment systems and the purchase of relevant software.
- 3.18** The Department of Enterprise, Trade and Employment funded the business continuity voucher scheme (€21.9 million in 2020). The scheme offered businesses with up to 50 employees, across all sectors, a voucher of up to €2,500 towards third party consultancy costs to assist in developing short-term and long-term strategies to respond to the impact of Covid-19 related restrictions and to prepare their businesses for the eventual reopening of the economy.
- 3.19** An additional €8.4 million was provided by the Department of Enterprise, Trade and Employment for a client stimulus fund for the purpose of sustaining existing clients of local enterprise offices involved in the manufacturing and internationally traded services sectors, through the provision of a cash stimulus, to help support operational costs, with up to €20,000 available to eligible businesses.

Additional supports from the Department — €131 million

- 3.20** Apart from losses of income due to rates waivers, the Department recognised that local authorities would incur losses of other income streams and would incur additional costs due to Covid-19 impacts.
- 3.21** Analysis by the local government sector projected that
- the 'goods and services' income of local authorities would fall by approximately €71 million in 2020 due to the loss of income related to parking fines and charges, casual trading licences, and leisure and tourism activities
 - additional general administration costs of €65 million would arise for local authorities due to Covid-19 including redeployment costs, the cost of adapting to remote working, personal protection equipment, and additional cleaning costs.¹
- 3.22** Local authorities reported the income lost and additional costs they estimated they had or would incur to the Department by extracts from their financial systems — the data reported was certified by the head of finance of each local authority. The Department conducted a verification of estimated income losses reported by ten randomly selected local authorities and a verification of additional costs reported for all local authorities. No material changes were made on foot of the verification processes.
- 3.23** Funding of €131 million in respect of the 2020 Covid-19 impacts was paid from the Local Government Fund to local authorities in March 2021 — a breakdown is provided at Annex 3D.

¹ The projection was based on actual costs incurred for the period January to October 2020 and estimated costs for November and December 2020.

Annex 3A Allocation of Local Property Tax receipts

LPT allocations, and the purpose that such receipts can be applied to, are calculated by reference to the base funding requirement of each local authority. In 2020, the base funding requirement for all local authorities was €353 million.¹

The starting point is that 80% of the projected LPT yield is locally retained in the authority where the tax is raised and 20% is made available for redistribution as equalisation funding.² The 80% retained allocation is compared to the base funding requirement for each local authority and, where lower than the base funding requirement, additional equalisation funding is allocated to that authority. Where the 80% allocation is higher than the base funding requirement, no additional funding is allocated.

A final adjustment to the allocation is made in relation to any changes to the tax rate applied by individual local authorities. In 2020, four local authorities reduced their LPT rates and as a result, their LPT allocations were reduced by €28 million. Nineteen authorities (five in 2019) decided to increase their 2020 LPT rates above the basic rate and as a result received additional allocations of €20 million (up from €3 million in 2019).

In 2020, for the eleven authorities in a surplus funding position (relative to the base), €135 million was available for the local authorities' own use. This takes account of a net reduction of €22 million due to a combination of local variation decreases implemented by four local authorities and increases by four authorities. A further €107 million was allocated to self-fund housing and road services.³

For the 20 local authorities requiring equalisation, €275 million was available for the local authorities' own use, which included an additional €13 million arising from local variation decisions implemented by fifteen of those local authorities.

1 The base funding requirement is linked, for the most part, to the level of funding previously allocated in 2014 to each local authority from the Local Government Fund as general purpose grants (€282 million in 2014) and to the level of pension related deductions retained by local authorities (€74 million in 2014). Effectively, the LPT allocation now replaces both of these previous sources of funding.

2 The estimated LPT yield for each local authority is calculated using the Revenue Commissioners' data on net declared liabilities in the prior year.

3 Where an authority is in a surplus position, the surplus is distributed between discretionary 'own use' purposes, and directed contributions towards the authority's spending on housing and roads. In 2020, the proportion of the overall allocation to fund housing was €90.5 million (85%) and to fund roads was €16.2 million (15%). The Department notifies each local authority of the allocation of the surplus.

Figure 3A.1 Allocation of LPT to local authorities for 2020^a

			2020	2019
	80% retention > base	80% retention < base	All	All
Number of local authorities	11	20	31	31
	€m	€m	€m	€m
Total LPT receipts	329	159	488	486
Local retention (80%)	263	127	390	389
Equalisation funding				
- LPT redistribution (20%)	—	98	98	97
- Exchequer contribution	—	37	37	41
Pre-variation LPT allocations	263	262	526	528
Adjustment for local variations in tax rate	(22)	13	(9)	(25)
Post-variation LPT allocations	241	275	517	503
Of which				
- for authority's own general use	135	275	410	394
- self-funding of housing/roads services	107	—	107	109

Source: Department of Housing, Local Government and Heritage

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

Annex 3B

The trends in funding to local authorities in the period 2015 to 2020 is shown in Figure 3B.1. Adjustments have been made to some previously reported amounts to reflect amounts not previously included and reclassifications. Some figures may not tot due to rounding.

Sources of funding

The source of funding reported in Figure 3B.1 below is

- 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
- Local Government Fund (2020 unaudited)
- Environment Fund financial statements (2020 unaudited).

Figure 3B.1 Central government transfers to local authorities, by expenditure programme, 2015 to 2020

Expenditure category	2015 €m	2016 €m	2017 €m	2018 €m	2019 €m	2020 €m
Housing and regeneration						
Social housing provision	614	759	1,133	1,704	2,024	2,156
Affordable housing, etc.	3	2	3	—	—	—
Infrastructure funding	—	—	—	7	22	32
Other housing supports	114	92	79	215	258	340
Regeneration	50	60	78	86	79	67
	781	913	1,293	2,012	2,383	2,595
Transport investment						
National roads improvement	236	200	239	315	330	429
Regional and local roads improvement	337	394	368	461	512	573
Public transport (capital payments)	54	45	30	36	40	109
	627	639	637	812	882	1,111
Environmental initiatives						
Water and sanitary services	102	98	98	102	107	63
Flood relief works	44	34	28	31	28	31
Waste management	3	18	17	25	23	26
Other environmental measures	18	3	7	13	6	3
	167	153	150	171	164	123
Miscellaneous capital programmes	14	24	22	64	85	103
Employment schemes	37	38	81	84	86	91
Other services						
Swimming pools	1	4	6	1	—	—
Fire and emergency services	6	9	12	13	13	12
Library service	2	2	7	7	6	7
Sports grants, playgrounds and cultural projects	9	28	13	22	30	45
Heritage services (architectural heritage)	1	1	2	1	4	5
Miscellaneous services	41	76	27	44	34	48
	60	120	67	88	87	117
Covid-19 supports						
Covid-19 related funding for waived rates	—	—	—	—	—	730
Covid-19 related funding for businesses	—	—	—	—	—	687
	—	—	—	—	—	1,417
LPT allocations — general purpose/discretionary	306	310	393	395	394	410
Remuneration-related payments paid from the Local Government Fund	—	25	20	60	86	109
Total funding provided to local authorities	1,993	2,223	2,662	3,686	4,167	6,076

Source: Annex 3B

Annex 3C Funding of the commercial rates waiver, by local authority, 2020

Local authority	Payments	Number of rate accounts waived	Average value of rates waived
	€		€
Carlow County Council	7,666,442	1,945	3,942
Cavan County Council	5,923,215	1,661	3,566
Clare County Council	13,569,087	3,321	4,086
Cork City Council	54,255,518	8,166	6,644
Cork County Council	34,661,632	9,094	3,811
Donegal County Council	14,987,401	4,155	3,607
Dublin City Council	160,435,140	18,775	8,545
Dun Laoire/Rathdown County Council	44,490,505	4,914	9,054
Fingal County Council	80,951,299	5,894	13,735
Galway City Council	20,722,672	3,478	5,958
Galway County Council	10,491,034	3,508	2,991
Kerry County Council	18,469,939	4,231	4,365
Kildare County Council	22,159,259	4,001	5,538
Kilkenny County Council	8,633,724	2,268	3,807
Laois County Council	5,987,788	1,394	4,295
Leitrim County Council	2,176,750	591	3,683
Limerick City and County Council	25,016,190	4,518	5,537
Longford County Council	3,996,936	945	4,230
Louth County Council	19,385,802	3,237	5,989
Mayo County Council	13,090,158	3,330	3,931
Meath County Council	18,629,990	3,562	5,230
Monaghan County Council	6,061,545	1,934	3,134
Offaly County Council	4,426,109	1,674	2,644
Roscommon County Council	4,014,759	1,421	2,825
Sligo County Council	5,469,375	1,503	3,639
South Dublin County Council	59,115,862	6,740	8,771
Tipperary County Council	12,746,687	2,547	5,005
Waterford City and County Council	14,837,558	3,563	4,164
Westmeath County Council	8,221,948	2,007	4,097
Wexford County Council	15,994,934	3,434	4,658
Wicklow County Council	13,326,036	3,520	3,786
Total	729,915,293	121,331	

Source: Department of Housing, Local Government and Heritage

Annex 3D Funding to local authorities for income lost and additional costs incurred in 2020 due to Covid-19, by local authority, paid in March 2021

Local authority	Loss of income	Additional costs	Total
	€	€	€
Carlow County Council	225,000	1,100,027	1,325,027
Cavan County Council	626,855	519,415	1,146,270
Clare County Council	4,454,328	1,923,809	6,378,137
Cork City Council	5,428,750	2,460,397	7,889,147
Cork County Council	2,249,646	4,507,437	6,757,083
Donegal County Council	1,070,596	2,478,940	3,549,536
Dublin City Council	23,611,216	10,466,751	34,077,967
Dun Laoghaire/Rathdown County Council	4,407,077	2,149,100	6,556,177
Fingal County Council	952,850	3,715,031	4,667,881
Galway City Council	3,921,080	368,575	4,289,655
Galway County Council	1,013,526	1,464,153	2,477,679
Kerry County Council	2,019,391	3,332,950	5,352,341
Kildare County Council	1,128,486	2,118,679	3,247,165
Kilkenny County Council	1,105,648	1,184,699	2,290,347
Laois County Council	493,654	517,754	1,011,408
Leitrim County Council	191,892	739,227	931,119
Limerick City and County Council	1,549,447	2,103,102	3,652,549
Longford County Council	1,088,035	629,570	1,717,605
Louth County Council	1,392,527	1,239,881	2,632,408
Mayo County Council	2,368,648	1,752,543	4,121,191
Meath County Council	622,949	1,142,256	1,765,205
Monaghan County Council	333,232	825,566	1,158,798
Offaly County Council	626,673	673,839	1,300,512
Roscommon County Council	80,924	725,177	806,101
Sligo County Council	1,117,660	1,287,909	2,405,569
South Dublin County Council	437,637	1,571,188	2,008,825
Tipperary County Council	2,320,354	2,425,503	4,745,857
Waterford City and County Council	1,516,957	1,684,874	3,201,831
Westmeath County Council	1,636,699	1,233,568	2,870,267
Wexford County Council	1,660,585	2,523,326	4,183,911
Wicklow County Council	1,443,769	1,347,967	2,791,736
Total	71,096,091	60,213,213	131,309,304

Source: Department of Housing, Local Government and Heritage

Voted Expenditure

4 Vote accounting and budget management

- 4.1** 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.
- 4.2** 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.
- 4.3** The Appropriation Act 2020 provided for funding for voted services (appropriations) totalling €72.4 billion. The Act authorised the issuing to the votes of €69.7 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 €2.7 billion. In addition, unused capital funding totalling €215 million was carried over from 2019 for spending in 2020, bringing the total available vote funding to €72.6 billion.¹

Results of 2020 audits of appropriation accounts

- 4.4** Audits of the 2020 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.

Evolution of vote estimates in 2020

- 4.5** The *Revised Estimates for Public Services 2020*, published in December 2019, provided for total voted funding of almost €57 billion across 44 votes. This was subsequently revised on a number of occasions.
- 4.6** Due to the Covid-19 pandemic, revised 2020 estimates were presented for a number of voted services directly affected. There was no change in the estimates for 31 votes, but there was a net increase of €9.2 billion in the funding provided for the remaining 13 votes.
- 4.7** Further changes occurred in the 2020 estimates following the formation of a new Government that resulted in the transfer of functions between seven existing voted services, the creation of a new vote (Vote 45 Further and Higher Education, Research, Innovation and Science) and changes in the names of a number of existing votes. The final outcome was an aggregate provision of €69.7 billion for voted services in 2020.

Appropriations

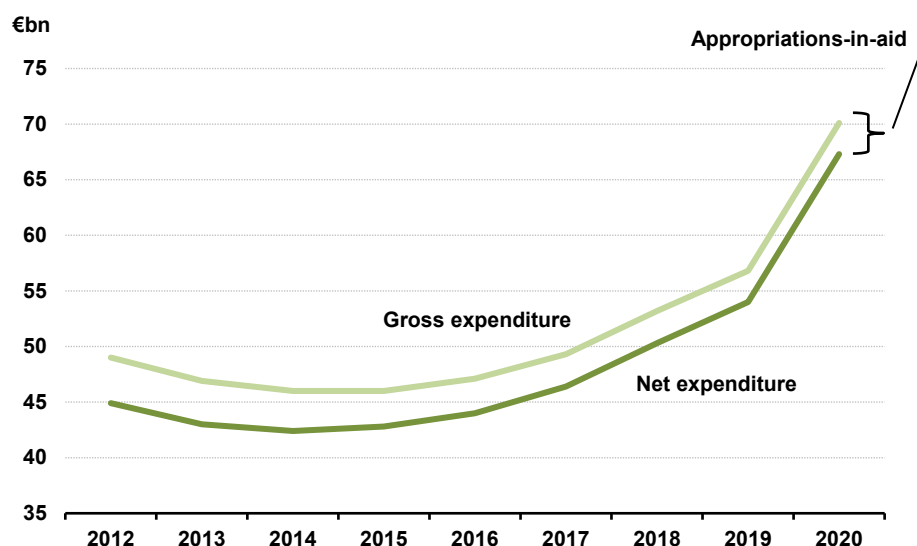
- 4.8** A summary of the amounts appropriated in 2020 for voted public services is included in Annex 4A (Figure 4A.1). The outturn for the year is also shown, together with the surplus of appropriations over expenditure.

¹ In presenting estimates and reports on voted expenditure, the Department of Public Expenditure and Reform generally includes the Social Insurance Fund and the National Training Fund in total gross voted expenditure. The Department considers that this provides a more complete picture of overall Government expenditure.

Vote outturn

- 4.9** Aggregate expenditure and appropriations-in-aid of all votes for the years 2012 to 2020 are presented in Figure 4.1. The total amount spent by departments and offices in 2020 was €70.1 billion (gross). After deduction of realised appropriations-in-aid totalling €2.8 billion, the net expenditure in the year was €67.3 billion.

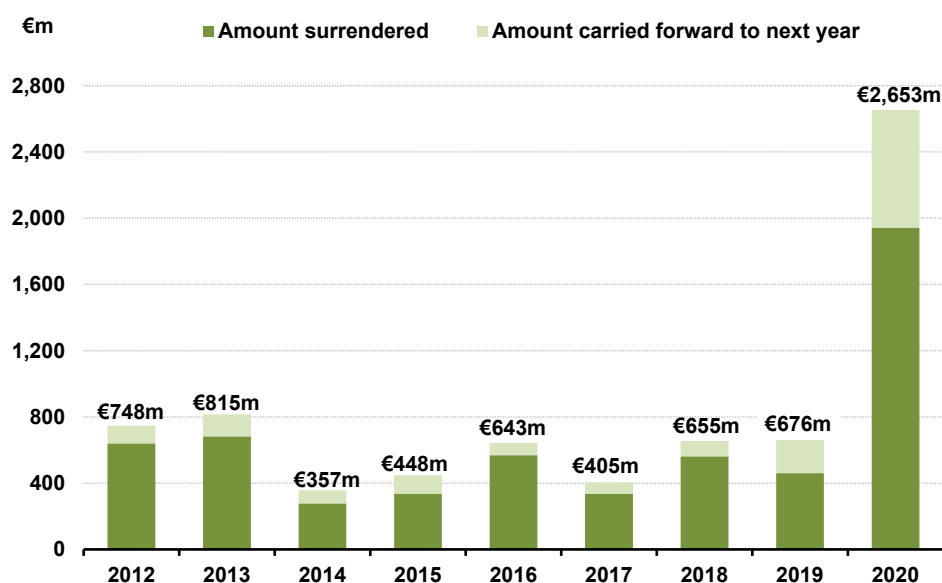
Figure 4.1 Voted expenditure outturn, 2012 to 2020



Source: Reports on the Accounts of the Public Services, 2012 to 2020, Annex 4A Figure 4A.1

Surpluses

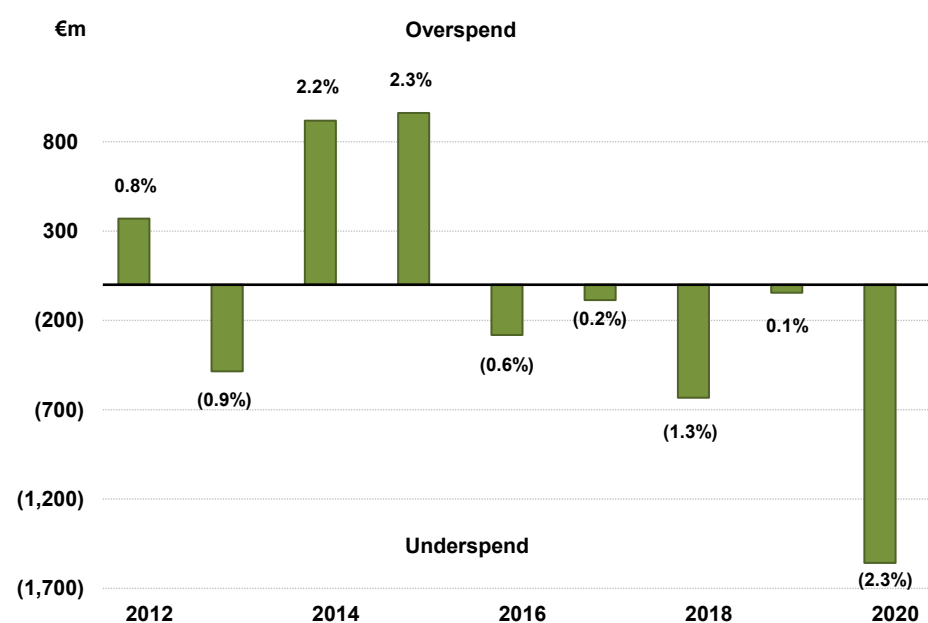
- 4.10** Departments and offices are not permitted to spend more than the amount appropriated for each vote. When the net expenditure in the year is less than the amount provided, the surplus is liable to be surrendered to the Exchequer.
- 4.11** Surpluses were recorded by all votes in 2020. The 2020 surpluses totalled €2,653 million — the highest surplus in many years (see Figure 4.2). Of that amount, a total of €710 million was approved for carry over to 2021. The balance of €1,943 million was due for surrender. The sums liable for surrender or carried over to 2021 for each vote are shown in Annex 4A (Figure 4A.2).

Figure 4.2 Surplus appropriations, 2012 to 2020

Source: Reports on the Accounts of the Public Services, 2012 to 2020, Annex 4A Figure 4A.2

Budget variance

- 4.12** The estimated amounts approved by Dáil Éireann for 2020 represent the forecast of the amount required to meet the cost of the services to be provided from each vote.¹ The budget variance is the difference between these estimates of net expenditure and the actual outturn in a year.² Each year since 2016, the total net expenditure for all votes has been less than the total provided (see Figure 4.3).

Figure 4.3 Net expenditure variance from budget, all votes, 2012 to 2020

¹ For 2020, the estimated amounts reflect the final revised estimates approved by Dáil Éireann, which took account of Covid-19 related requirements and changes in the vote structure arising from the change in Government in mid-2020.

² There is a statutory provision to allow unspent capital allocations to be carried over to the following year for use for the same purpose, with Department of Public Expenditure and Reform agreement. In this report, such carryover amounts are treated as part of the (following year's) annual appropriations.

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

Exchequer receipts

- 4.13** All receipts of central government departments and offices are liable for lodgement to the Central Fund, unless Dáil Éireann decides that they may be applied as appropriations-in-aid.
- 4.14** Examples of receipts that are not treated as appropriations-in-aid include Ireland's receipts from the EU Emissions Trading System, Property Registration Authority fees and court fine receipts. These are transferred to the Central Fund, and are referred to as Exchequer 'extra' receipts. Windfall receipts are also usually brought to account in this way, including proceeds of significant sales of property, receipts on foot of surplus income or profits of State companies, interest, dividends or capital repayments, compensation payments and voluntary surrender of salary.
- 4.15** Exchequer extra receipts realised in 2020 are shown in the notes to the relevant appropriation accounts. Exchequer extra receipts recorded by departments and offices in 2020 totalled €245 million (2019: €301 million). The aggregate amount of those receipts reported in each account is set out in Annex 4A (Figure 4A.3).

Annex 4A 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 4A.1 provides a summary of appropriations for public services in 2020, by vote.

Figure 4A.2 shows how surplus appropriations in 2020 were applied — either through deferral of expenditure to 2021, or by surrender to the Exchequer.

Figure 4A.3 shows the Exchequer extra receipts recorded against each vote in 2020.

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 2019	Amount of capital funding not spent in 2019 and carried over for expenditure on capital services in 2020. 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 2019 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 2020 which was carried over for expenditure in 2021. These carry overs were approved by Dáil Éireann.
Surplus to be surrendered	Amount of money appropriated in 2020 but not spent in the year or deferred to 2021, 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 4A.1 Summary of appropriations for public services in 2020, by vote

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2019	Appropriations -in-aid	Total	Gross expenditure	Appropriations -in-aid	Net expenditure	Gross surplus (deficit)	Excess/ (deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1	President's Establishment	4,500	—	74	4,574	3,922	81	3,841	652	7	659
2	Department of the Taoiseach	54,013	—	855	54,868	42,808	626	42,182	12,060	(229)	11,831
3	Office of the Attorney General	16,180	—	705	16,885	15,682	542	15,140	1,203	(163)	1,040
4	Central Statistics Office	65,690	—	1,320	67,010	64,979	1,469	63,510	2,031	149	2,180
5	Office of the Director of Public Prosecutions	43,968	—	845	44,813	44,248	701	43,547	565	(144)	421
6	Office of the Chief State Solicitor	37,381	—	810	38,191	38,050	904	37,146	141	94	235
7	Office of the Minister for Finance	38,573	—	1,310	39,883	35,977	753	35,224	3,906	(557)	3,349
8	Office of the Comptroller and Auditor General	9,116	—	6,031	15,147	14,301	6,616	7,685	846	585	1,431
9	Office of the Revenue Commissioners	411,794	—	59,387	471,181	467,231	60,278	406,953	3,950	891	4,841
10	Tax Appeals Commission	3,233	—	75	3,308	3,018	63	2,955	290	(12)	278
11	Office of the Minister for Public Expenditure and Reform	42,745	146	2,184	45,075	41,720	3,062	38,658	3,355	878	4,233
12	Superannuation and Retired Allowances	375,517	—	264,600	640,117	628,412	366,104	262,308	11,705	101,504	113,209
13	Office of Public Works	490,427	8,000	15,000	513,427	488,307	12,113	476,194	25,120	(2,887)	22,233
14	State Laboratory	10,271	—	1,046	11,317	11,061	1,028	10,033	256	(18)	238
15	Secret Service	2,000	—	—	2,000	1,068	—	1,068	932	—	932
16	Valuation Office	16,354	—	1,283	17,637	10,282	895	9,387	7,355	(388)	6,967
17	Public Appointments Service	16,291	150	154	16,595	13,940	312	13,628	2,655	158	2,813

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2019	Appropriations -in-aid	Total	Gross expenditure	Appropriations -in-aid	Net expenditure	Gross surplus (deficit)	Excess/ (deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
18	National Shared Services Office	55,400	1,024	6,005	62,429	47,862	5,911	41,951	14,567	(94)	14,473
19	Office of the Ombudsman	11,839	—	482	12,321	10,136	383	9,753	2,185	(99)	2,086
20	An Garda Síochána	1,826,906	—	115,563	1,942,469	1,927,814	117,237	1,810,577	14,655	1,674	16,329
21	Prisons	397,211	—	10,880	408,091	400,879	10,825	390,054	7,212	(55)	7,157
22	Courts Service	129,245	—	31,933	161,178	154,628	32,634	121,994	6,550	701	7,251
23	Property Registration Authority	31,788	—	531	32,319	31,100	607	30,493	1,219	76	1,295
24	Justice	350,994	—	67,061	418,055	399,206	72,192	327,014	18,849	5,131	23,980
25	Irish Human Rights and Equality Commission	6,733	—	81	6,814	6,154	70	6,084	660	(11)	649
26	Education	8,378,554	—	331,931	8,710,485	8,595,589	354,947	8,240,642	114,896	23,016	137,912
27	International Co-operation	549,702	—	1,030	550,732	547,719	1,046	546,673	3,013	16	3,029
28	Foreign Affairs	225,444	—	44,701	270,145	254,896	38,264	216,632	15,249	(6,437)	8,812
29	Environment, Climate and Communications	488,923	27,296	25,224	541,443	428,267	13,120	415,147	113,176	(12,104)	101,071
30	Agriculture, Food and the Marine	1,402,659	19,800	354,255	1,776,714	1,674,994	388,488	1,286,506	101,720	34,233	135,953
31	Transport	3,028,511	19,162	22,323	3,069,996	2,679,587	17,800	2,661,787	390,409	(4,523)	385,886
32	Enterprise, Trade and Employment	1,855,169	42,150	52,708	1,950,027	1,764,678	49,781	1,714,897	185,349	(2,927)	182,422
33	Tourism, Culture, Arts, Gaeltacht, Sports and Media	754,609	32,796 ^b	248,296	1,035,701	972,063	234,462	737,601	63,638	(13,834)	49,804
34	Housing, Local Government and Heritage	5,410,287	33,500	57,910	5,501,697	5,272,561	55,318	5,217,243	229,136	(2,592)	226,544
35	Army Pensions	254,150	—	5,000	259,150	251,027	4,986	246,041	8,123	(14)	8,109
36	Defence	756,961	—	24,070	781,031	780,999	30,210	750,789	32	6,140	6,172
37	Social Protection	17,132,485	1,187	218,190	17,351,862	16,472,360	201,541	16,270,819	879,502	(16,649)	862,853
38	Health	20,412,200	30,000	463,222	20,905,422	20,809,989	487,723	20,322,266	95,433	24,501	119,934

Vote	Service	Amount appropriated				Outturn			Surplus/deficit		
		Supply grants	Deferred from 2019	Appropriations -in-aid	Total	Gross expenditure	Appropriations -in-aid	Net expenditure	Gross surplus (deficit)	Excess/ (deficit) in receipts	Net surplus for the year ^a
		€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
39	Office of Government Procurement	18,352	59	358	18,769	16,497	453	16,044	2,272	95	2,367
40	Children Equality, Disability, Integration and Youth Affairs	1,800,071	—	36,530	1,836,601	1,712,990	35,646	1,677,344	123,611	(884)	122,727
41	Policing Authority	3,366	—	47	3,413	2,817	66	2,751	596	19	615
42	Rural and Community Development	293,442	—	81,390	374,832	359,418	84,677	274,741	15,414	3,287	18,701
43	Office of the Government Chief Information Officer	21,704	—	125	21,829	21,436	143	21,293	393	18	413
44	Data Protection Commission	16,686	—	230	16,916	12,218	155	12,063	4,698	(75)	4,623
45	Further and Higher Education, Research, Innovation and Science	2,445,714	—	103,442	2,549,156	2,526,540	105,710	2,420,830	22,616	2,268	24,884
Total		69,697,158	215,270^b	2,659,197	72,571,625	70,059,430	2,799,942	67,259,488	2,512,195	140,745	2,652,939

Source: 2020 Appropriation Accounts. Any apparent differences in totals are due to rounding.

Notes: 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.

b This amount does not agree to the Appropriation Act 2019 as amended by S.I. No. 85 of 2020 but rather to the Revised Estimates Volumes for 2021.

Figure 4A.2 Application of surplus 2020 appropriations, by vote

Vote	Service	Surplus for the year	Deferred surrender (to 2021)	Surplus for surrender
		€000	€000	€000
1	President's Establishment	658	—	658
2	Department of the Taoiseach	11,831	—	11,831
3	Office of the Attorney General	1,040	—	1,040
4	Central Statistics Office	2,180	—	2,180
5	Office of the Director of Public Prosecutions	421	—	421
6	Office of the Chief State Solicitor	235	—	235
7	Office of the Minister for Finance	3,349	—	3,349
8	Office of the Comptroller and Auditor General	1,431	—	1,431
9	Office of the Revenue Commissioners	4,841	—	4,841
10	Tax Appeals Commission	278	—	278
11	Office of the Minister for Public Expenditure and Reform	4,233	—	4,233
12	Superannuation and Retired Allowances	113,209	—	113,209
13	Office of Public Works	22,233	20,000	2,233
14	State Laboratory	238	—	238
15	Secret Service	932	—	932
16	Valuation Office	6,967	—	6,967
17	Public Appointments Service	2,813	200	2,613
18	National Shared Services Office	14,473	1,435	13,038
19	Office of the Ombudsman	2,086	—	2,086
20	An Garda Síochána	16,329	12,750	3,579
21	Prisons	7,157	5,468	1,689
22	Courts Service	7,251	4,895	2,356
23	Property Registration Authority	1,295	—	1,295
24	Justice	23,980	3,900	20,080
25	Irish Human Rights and Equality Commission	649	—	649
26	Education	137,912	—	137,912
27	International Co-operation	3,029	—	3,029
28	Foreign Affairs	8,812	—	8,812
29	Environment, Climate and Communications	101,072	37,747	63,325
30	Agriculture, Food and the Marine	135,953	31,600	104,353
31	Transport	385,886	151,480	234,406
32	Enterprise, Trade and Employment	182,422	106,200	76,222
33	Tourism, Culture, Arts, Gaeltacht, Sports and Media	49,804	16,892	32,912
34	Housing, Local Government and Heritage	226,544	214,000	12,544
35	Army Pensions	8,109	—	8,109
36	Defence	6,172	—	6,172
37	Social Protection	862,853	910	861,943
38	Health	119,934	68,174	51,760
39	Office of Government Procurement	2,367	59	2,308
40	Children Equality, Disability, Integration and Youth Affairs	122,727	4,100	118,627
41	Policing Authority	615	—	615
42	Rural and Community Development	18,701	13,180	5,521
43	Office of the Government Chief Information Officer	411	—	411
44	Data Protection Commission	4,623	—	4,623
45	Further and Higher Education, Research, Innovation and Science	24,884	16,700	8,184
Total		2,652,938	709,690	1,943,248

Source: 2020 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

Figure 4A.3 Exchequer extra receipts 2020, by vote

Vote	Service	Extra receipts realised
		€000
1	President's Establishment	—
2	Department of the Taoiseach	55
3	Office of the Attorney General	—
4	Central Statistics Office	—
5	Office of the Director of Public Prosecutions	—
6	Office of the Chief State Solicitor	899
7	Office of the Minister for Finance	2
8	Office of the Comptroller and Auditor General	—
9	Office of the Revenue Commissioners	2,069
10	Tax Appeals Commission	—
11	Office of the Minister for Public Expenditure and Reform	460
12	Superannuation and Retired Allowances	—
13	Office of Public Works	12,042
14	State Laboratory	—
15	Secret Service	—
16	Valuation Office	—
17	Public Appointments Service	—
18	National Shared Services Office	—
19	Office of the Ombudsman	116
20	An Garda Síochána	4,524
21	Prisons	—
22	Courts Service	5,608
23	Property Registration Authority	59,698
24	Justice	26
25	Irish Human Rights and Equality Commission	—
26	Education	2
27	International Co-operation	—
28	Foreign Affairs	—
29	Environment, Climate and Communications	123,155
30	Agriculture, Food and the Marine	118
31	Transport	5,055
32	Enterprise, Trade and Employment	13,607
33	Tourism, Culture, Arts, Gaeltacht, Sports and Media	53
34	Housing, Local Government and Heritage	8,910
35	Army Pensions	—
36	Defence	—
37	Social Protection	11
38	Health	48
39	Office of Government Procurement	121
40	Children Equality, Disability, Integration and Youth Affairs	7,432
41	Policing Authority	—
42	Rural and Community Development	—
43	Office of the Government Chief Information Officer	—
44	Data Protection Commission	75
45	Further and Higher Education, Research, Innovation and Science	527
Total		244,613

Source: 2020 Appropriation Accounts. Analysis by the Office of the Comptroller and Auditor General.

5 Expenditure on night vision technology and training for search and rescue

- 5.1** The Irish Coast Guard is part of the Department of Transport. Its main role is in the provision of search and rescue, maritime casualty and pollution response services.
- 5.2** The Coast Guard operates a helicopter search and rescue service (SAR) delivered under contract from bases located in Sligo, Shannon, Dublin and Waterford.
- 5.3** In 2012, following a public tendering process, a company was awarded a contract to supply and operate the SAR from the bases for a period of ten years (July 2012 to June 2022), with possible extensions for up to three further years. The contract has been extended twice, and is now to run up to 2024.
- 5.4** The contract with the company provided for five helicopters to provide the SAR (one new helicopter and four in-service helicopters). The helicopters currently in use (in 2021) vary in age from just under seven years to around 15 years from the date of manufacture.
- 5.5** The cost of the SAR charged to Vote 31 Transport in 2020 was €60.014 million.
- 5.6** Prior to the commencement of the tender process, a report prepared in March 2010 recommended that the helicopters used to provide the SAR under the new contract should be fitted with a 'night vision imaging system' (NVIS). It was further recommended that night vision goggles and crew training should be provided when funding became available.
- 5.7** The 2012 contract specified that the Department would make a payment of €4.305 million,¹ or €861,000 per helicopter for future modification of the proposed fleet to accomplish NVIS compatibility.
- 5.8** The NVIS was delivered in three phases as follows
- modification of all five helicopters for NVIS compatibility
 - the purchase of night vision goggles
 - the provision of crew training.
- 5.9** The helicopter modification phase commenced in 2013, and the Department paid €4.305 million to the company in that regard. This included the implementation of night vision modifications to the cockpit avionic systems, rear cabin lighting and external lighting. This phase was completed in 2015. The new helicopter brought into service in 2015 was modified for NVIS prior to arrival for operation.
- 5.10** Following the completion of a competitive tender process, €527,000 was paid to the company in November 2015 for the purchase of 24 sets of night vision goggles. The goggles are carry-on equipment and calibration checks on the goggles are carried out every year.

¹ Expenditure figures presented in this report include VAT at the relevant rate, unless otherwise indicated.

- 5.11** In 2009, the cost of training was estimated at an initial cost of €37,000 and ongoing running costs of €65,000 per year.
- 5.12** A proposal for the provision of initial and recurrent NVIS training for helicopter crews was received from the company in September 2017 at a cost of €4.144 million. This was broken down as follows
- pilot training — €3.154 million
 - rear crew training — €411,000
 - on-going training and maintenance — €579,000.
- 5.13** Following receipt of the proposal for training costs, a business case was developed in March 2018 to re-validate the rationale for progressing with the training. The business case recognised that the proposed night vision training expenditure was occurring at a late stage in the contract with the company but stated that any extension of the SAR contract would extend the useful life of the NVIS investment. The night vision goggles would remain the property of the Coast Guard and, on expiry of the current contract, the goggles would continue to be available for use by SAR crew. It was also stated that the planned replacement SAR contract would include the requirement that the helicopters be NVIS capable from the outset and the crews suitably trained in their use. The business case also anticipated that the full roll out of training would take a number of years to deliver in order to maintain operational capability.
- 5.14** In November 2018, an initial payment of €1.714 million was made to the company in respect of the training. Training on use of the NVIS and of the goggles commenced in November 2019, and is still ongoing.
- 5.15** The considerable elapsed time between the purchase and installation of night vision equipment and the provision of requisite training in the use of the equipment raises a concern that there may have been a loss in value for the money expended, especially in light of the approaching end of the contract term that commenced in 2012. Accordingly, the audit raised a number of queries with the Accounting Officer for the Vote for Transport as follows.
- How has the SAR benefited to date from the investment in the installation of NVIS equipment in the helicopter?
 - If the intended benefits have not been delivered yet, when does the Department envisage they will commence?
 - What, allowing for normal price increases, is the reason for the significant difference between the cost of night vision training projected in 2009 and the expected cost of the training being delivered now?
 - Why did the Department make a significant up-front payment of €1.714 million for training, given the timescale of the delivery of the training programme?
 - Could the investment in NVIS equipment for the helicopters confer a competitive advantage on the current service provider in the planned future tender competition for the provision of the SAR?

Accounting Officer's response

Benefits from the investment

- 5.16** The Accounting Officer set out the benefits which it is expected that night vision equipment can deliver for SAR capability (see Figure 5.1).
- 5.17** He further stated that training can only take place when the helicopters are correctly equipped. Consequently, the delivery of the whole system has been done using a phased approach. Benefits will be realised when training in the use of the NVIS has been completed and regulatory approval is received.
- 5.18** Training was due to commence in 2018. However, due to the departure of a training instructor and the need to hire a replacement instructor, training only commenced in November 2019. Training has continued since albeit intermittently due to Covid-19. The Sligo base received Irish Aviation Authority approval to carry out commercial air transport (CAT) regulated flights under NVIS in June 2021. Remaining training is due to be completed by 2022 at which point the benefits will be fully realised.
- 5.19** The Coast Guard has consistently pressed the company to deliver the training as quickly as possible, to explore all possible options and to engage with the Irish Aviation Authority throughout to determine whether certain elements could be accelerated, all with due regard to safety and to ensuring that the core SAR availability was unaffected.

Timelines for delivering benefits

- 5.20** The Accounting Officer stated that of necessity, the implementation of the NVIS has been done on a phased basis. Clearly, training can only take place when the helicopters are correctly equipped and goggles are available to use. Regrettably, the timelines have been far longer than original anticipated for reasons which have been set out. Benefits are realised when training in the use of night vision goggles has been completed and regulatory approval is received.
- 5.21** Benefits began to be realised when the company was approved for NVIS for CAT regulated flights — a first for a civil operator in Ireland. The Sligo base is operational for CAT operations from June 2021 and other bases will follow over the coming months. The remaining training is due to be completed in 2022 at which point benefits will be fully realised.
- 5.22** He stated that in relation to expected useful life of the NVIS equipment, the aircraft cockpit, cabin and all relevant lighting are compatible with flight using night vision imaging equipment. There is no specific life on the modification of the cockpit/cabin of the helicopters as the helicopters were modified with filters to allow for the use of the goggles. They effectively have no life limit. In relation to the night vision goggles, he stated that these are carry-on equipment and they will last until they no longer work. They have calibration checks every year and parts are replaced as necessary. They may become obsolete at some point in the future if replaced by more modern goggles or spare parts become difficult to source. The company typically carries a good stock of parts.

Figure 5.1 Department's expected benefits of NVIS for SAR

In relation to the anticipated benefits of NVIS, the Department stated that visual reference to the pilots' outside world is essential for safe and effective flight. During daylight hours, the pilot relies heavily on the out-the-windshield view of the airspace and terrain for situational awareness. During night flying, the pilot can improve the out-of-the-windshield view with the use of a NVIS. Overall, NVIS as an additional aid to navigation and search, in suitably equipped aircraft using appropriately trained crews enhances operational effectiveness and safety for both SAR and helicopter emergency medical service (HEMS) operations.

- NVIS have been shown to pick up small lights, such as lights on lifejackets, hand-held torches and distant vehicles at much greater ranges than the naked eye.
- When operating overland, NVIS assist the crew in navigating, seeing and avoiding terrain and obstructions as well as being able to identify survivors earlier than with the naked eye.
- Use of NVIS can increase the crew's overall search capability as NVIS enhances visibility.
- NVIS can provide a back-up to the forward looking infrared system (FLIR) if the FLIR suffers an unserviceability in-flight.
- NVIS can assist in identifying suitable landing sites more easily under SAR flight rules. This will also enable the helicopters to access the offshore islands that are without aviation infrastructure such as Inishbofin for medical evacuations under SAR flight rules.
- During night-time commercial air transport operations (i.e. HEMS incidents), landing is only permitted at company approved surveyed sites. NVIS has the potential to remove this restriction and allow crews to land safely at sites which have not been surveyed. This would extend the practical overland operational capability of the aircraft either for SAR or HEMS operations.

The use of night vision goggles compliments the use of NVIS. Overall, the use of night vision aid technology increases night-time situational awareness for pilots and technical crew. The use of the goggles permits the user to see objects that normally would not be seen by the unaided eye. The goggles use technology to improve different light spectrums and intensify light and thermal imaging technology allowing sight of an image and improving situational awareness in the dark. Use of night vision goggles markedly decreases the possibility of collisions with terrain or man-made obstructions.

Source: Department of Transport

5.23 In relation to the expected life of the helicopters, the Accounting Officer stated that in general, medium range heavy helicopters remain in service for at least 25 years and are replaced by newer generation aircraft depending on role specifics and operating environment.

5.24 In relation to the maximum age of helicopters that it is envisaged will be acceptable for use under the planned new service contract, he stated that the age of an aircraft is not an evaluation criterion in the new contract. Proposed aircraft by a tenderer must meet certain role requirements and meet Irish Aviation Authority certification requirements. Typically, the older an aircraft, the higher the maintenance costs which would allow another bidder to outbid with newer economical aircraft. As an example, a medium heavy lift Sikorsky S61 helicopter in use in the UK was retired from SAR service in 2009 after 35 years' service.

Escalation of training cost

5.25 In relation to the difference between the estimate in 2009 and the actual cost to deliver NVIS training, the Accounting Officer stated that the original estimate was superseded to meet the current European Union Air Safety Agency (EASA) regulatory requirements for training crew on NVIS, whilst maintaining full service delivery during training periods.

Payment for training in advance

5.26 The Accounting Officer stated that the commercial training proposal included stage payments to deliver the training. The first payment was in part required for the company to have funding in place in 2018 to secure the training provider and on the basis that the training programme would commence as set out. No further payment has been or will be made to the company for the training underway until the Department is satisfied that all milestones have been reached, at which point it will seek a full account of the expenditure incurred by the company for this purpose.

5.27 He stated that it was the company's responsibility to ensure its crews are appropriately trained to conduct SAR in line with its contractual obligations and regulatory requirements, and therefore, it is a matter for the company whose staff are being trained to ensure the NVIS training is suitable and in line with regulatory standards. Therefore, the company has responsibility to organise the training and arrange the approvals from the Irish Aviation Authority in order to receive an aircraft operating certificate without which the aircraft cannot fly.

5.28 He stated that the company had the procurement capability and expertise to tender for the provision of NVIS training, compatible with the aircraft and aircraft modifications and to pursue approvals from the Irish Aviation Authority. The Department performing such a procurement would mean it takes ownership of all risks associated with the procurement of the service.

5.29 He stated that the company is the first commercial operation to be approved by Irish Aviation Authority for NVIS operations in Ireland. In order to secure approval, comprehensive revision of the company's operations manuals for CAT and SAR operations is required. All training, simulator, and line training course syllabi as well as operations must be approved by the Irish Aviation Authority before training takes place and once training is completed, application to Irish Aviation Authority for final approval is also required.

Potential for any competitive advantage

- 5.30** The Accounting Officer stated that re-fitting the helicopters to make them compatible with NVIS operations in the opinion of the Department does not confer a competitive advantage to the company in the future tender competition. It is best practice to use NVIS for the roles intended in coast guard operations and this is a standard fit in the UK and other jurisdictions for State functions such as coast guard, security and surveillance roles.
- 5.31** In the event that these helicopters are not used in the next contract, the training provided to incumbent staff will more than likely carry over to the new contractor through TUPE (protection of employees on transfer of undertakings) rules as in previous transitions. The goggles are owned by the Coast Guard and will move to the new contractor if this transpires to be the case.
- 5.32** The Department explained that the contract extension to 2024 is to facilitate the procurement of a new service in accordance with the *Public Spending Code* requirements and to have a seamless transition from one service provider to another.

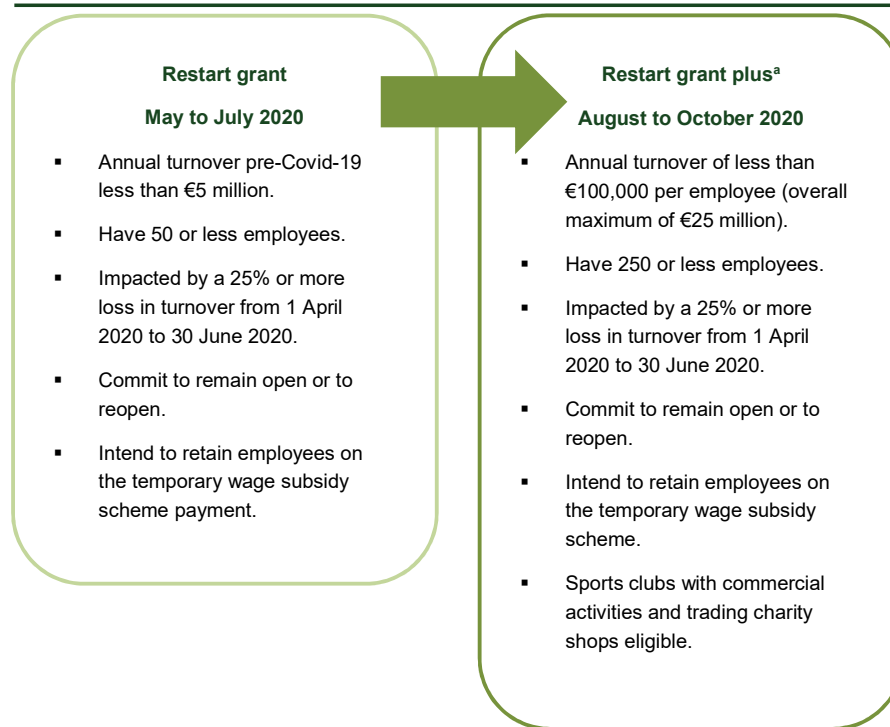
Conclusions

- 5.33** In 2013, the Department paid €4.305 million to the company providing SAR in Ireland to ensure the five helicopters used for the service are equipped with NVIS capability. Another €527,000 was paid in 2015 for 24 sets of night vision goggles. An initial payment of €1.714 million was made in 2018 in respect of training that commenced in November 2019 and which the Department expects to be completed by 2022.
- 5.34** As at June 2021, only one of the four SAR bases had been approved by the Irish Aviation Authority for operating an NVIS-enabled service. The service from that base has commenced but it will be some time before all the bases are operating in the same way.
- 5.35** The potential benefits of night vision capability for SAR operations are acknowledged. However, significant payments were made from voted funds as long ago as 2013, and the planned capability has not yet been delivered across the service. On that basis, I am not persuaded that good value for money for the taxpayer has been achieved from this expenditure.

6 Covid-19 restart grant schemes

- 6.1** A number of restart grant schemes were established to provide financial assistance to small and medium businesses affected by Covid-19 related interruptions to trading in 2020. The schemes were approved by Government during the different phases of local and national public health restrictions (see Annex 6A).
- 6.2** A total of €652 million was allocated to the schemes — €250 million for the restart grant, €300 million for the restart grant plus and €102 million for various restart grant top-ups. The schemes were operated and funded by the Department of Enterprise, Trade and Employment (the Department), with the payments being made by the relevant local authorities.¹ The funding was routed to the local authorities via Enterprise Ireland. Annex 6B provides further information on the respective responsibilities of the bodies.
- 6.3** In order to qualify for a grant, businesses were required to be commercial entities and operate from a premises liable to local authority commercial rates. The grant was intended as a contribution towards the costs associated with re-opening, ongoing fixed costs such as utilities, insurance, refurbishment or for measures to ensure employee and customer safety. Due to the urgent cash flow needs of businesses, vouching of the spending was not required, but certain qualifying criteria for the grants were set (see Figure 6.1).

Figure 6.1 Qualifying criteria for the restart grant schemes



¹ A small scheme to assist non-rateable trading 'bed and breakfast' (B&B) enterprises, at a total cost of around €7.6 million, was administered on behalf of the Department by Fáilte Ireland. This is not included in the scope of this examination.

Source: Department of Enterprise, Trade and Employment

Note: a Between August and October 2020, various grant top ups for counties and wet pubs were approved by Government as public health restrictions were introduced nationally and at an individual county level. Top up grants were automatically applied if the business had already qualified for a restart or restart plus grant.

- 6.4** The value of the grant was equivalent to the rates assessment on the business for 2019, subject to minimum and maximum amounts. Over the life of the schemes, the minimum varied between €2,000 and €4,000 with the maximum ranging between €10,000 and €25,000, plus adjustments as the scheme evolved, including county, sectoral and national top-up payments.
- 6.5** The Department has stated that the highest level of payment available under the scheme conditions was likely to have been for a pub business located in Dublin City (where rates liabilities are highest). For example, if the rates assessment on a pub was €25,000, and the business only claimed the restart plus grant, it was eligible to receive a grant of €25,000, plus a lockdown top-up total of 50% and a 'wet pub' top-up of 40%, giving a total potential grant of €47,500.¹
- 6.6** The rates system was used as a means of identifying legitimate businesses. Therefore, a business was eligible for the grant regardless of whether
- it had paid its local authority rates for 2019
 - the local authority rates were in arrears
 - the premises had not been rate assessed in 2019.²
- 6.7** The restart plus scheme closed to new local authority applicants on 31 October 2020, but grants continued to be paid until mid-June 2021. The Department has stated that while it was the intention to finalise payments under the scheme by end 2020, a small number of local authorities were unable to do so due to delays experienced in processing some applications.
- 6.8** The restart grant schemes have been succeeded by the Covid-19 Restrictions Support Scheme which is operated by the Office of the Revenue Commissioners and commenced in October 2020.

Management and accountability arrangements

- 6.9** In general, grants involve the transfer of public funding for a specific purpose to be used in accordance with a set of terms and conditions. Public financial procedures require that Government departments and agencies disbursing grants should have appropriate arrangements in place to ensure that public funds provided are properly administered and used for the purposes intended. The key components of effective grant-funding administration and oversight are set out in Annex 6C.³
- 6.10** Due to the urgent nature of the restart grant scheme, applicants signed a declaration confirming that they met the qualifying conditions of the scheme. Service level agreements were put in place between the various public bodies setting out the governance and oversight arrangements to be put in place in relation to the schemes.
- 6.11** This examination was undertaken to review the Department's oversight arrangements for the restart grant schemes. The examination did not include a review of the control systems operated by the local authorities over the grant payments, because the local authorities are outside the remit of the Comptroller and Auditor General. The examination also did not examine the procedures operated in Enterprise Ireland, which acted as a conduit for transmitting funding to the local authorities.

¹ Details of individual payees are held at local authority level.

² In this case, the local authority estimated what the rates for 2019 would have been.

³ Department of Public Expenditure and Reform circular 13/2014 *Management and Accountability for Grants from Exchequer Funds*.

Scheme outturn

- 6.12** The Department estimated that the initial restart scheme would attract up to 80,000 applications. Ultimately, just over 57,500 applications were received. Following the introduction of the restart grant plus scheme, almost 66,000 applications were received, including those who had already applied under the initial scheme. As shown in Figure 6.2, by mid-June 2021, restart grants totalling €633 million had been paid by the local authorities.

Figure 6.2 Restart grants paid by local authorities to week ending 18 June 2021

Type	Number of applications		Total grants paid €m
	submitted	approved	
Restart grant	57,531	49,265	195
Restart grant plus	65,849	59,369	438
Total			633^{a,b}

Source: Department of Enterprise, Trade and Employment

- Notes: a Includes around €1.1 million in relation to payments that were withheld by the local authorities pending receipt of tax clearance certification from the business.
- b Excludes an additional €167,479 provided to the local authorities in respect of IT development costs for administration of the scheme.

Funding controls

- 6.13** The Department's service level agreements with the local authorities provided for a review of the restart grant scheme when grant approvals across the 31 local authorities reached €200 million. The review was intended to examine the effectiveness, demand levels and related funding of the scheme. Around two months after the introduction of the restart scheme, it was replaced by the restart grant plus scheme, negating the requirement to complete this review.¹
- 6.14** In the case of the restart grant plus scheme, the service level agreements with the local authorities provided for a review when approvals reached €250 million. It was stated that the review would examine the administration of the scheme at local authority level, the adequacy and distribution of the funding and the levels of demand.
- 6.15** No formal review along the lines envisaged was completed. The Department has stated that the weekly returns from the local authorities gave sufficient information on demand and spending to enable the effective management of ongoing demand for additional allocations, both nationally and by local authority.

Reporting scheme activity

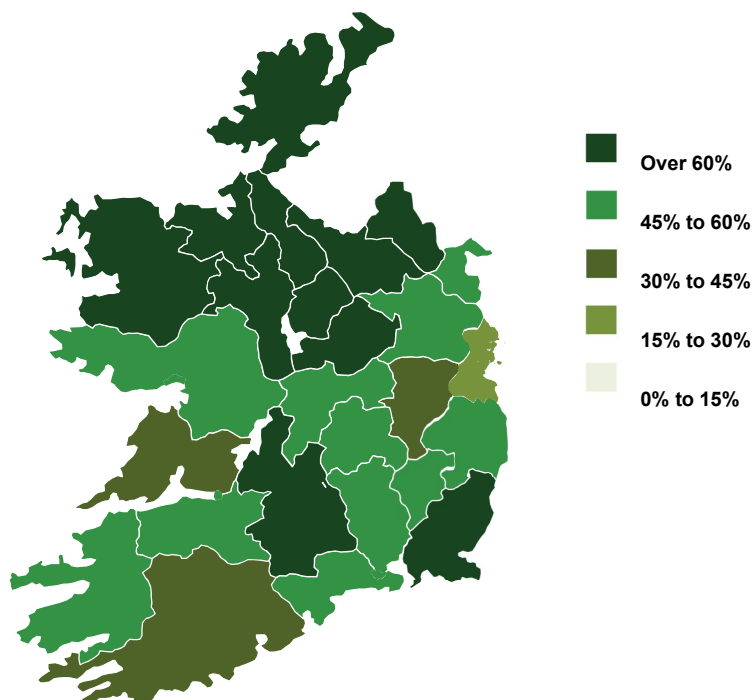
- 6.16** Individual local authorities were required to provide a weekly report to the Department setting out

- the number of applications received, processed, approved and rejected
- the value of applications received and approved
- the balance of funding due to the local authority.

¹ In July 2021, as part of the Government's introduction of a new stimulus package, an enhanced restart scheme was introduced.

- 6.18** Sectoral analysis is not available as this information was not captured in the weekly reports. The Department believes that the vast majority of applications would most likely have been from the retail sector.

Figure 6.3 Restart grants paid as a percentage of commercial rates, by county



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

Assurance over payments

- 6.19** Owing to the urgent nature of the scheme, restart grants were paid to businesses on the basis of a declaration by the applicant that they satisfied the scheme criteria. Checks by the local authorities were limited to verifying the application against a rates account, where one existed, verifying the tax clearance status of the applicant and that the application form had been fully completed including the self-declaration. Local authorities were not required to verify any other information included in the application.¹
- 6.20** Around 88% of applications to the local authorities were approved. According to the Department, applications were rejected because they were either incomplete, incorrectly completed or the information provided on the application demonstrated the business did not satisfy the scheme criteria.²

1 Evidence of tax clearance was required where grants totalled €10,000 or more.

2 Appeals relating to a decision to refuse an application could be made in writing within seven days of receipt of the notification of the decision to the relevant local authority.

- 6.21** Local authorities determined the grant amount due by reference to each business's commercial rates assessment for 2019. The scheme criteria (for example, level of turnover and involvement in the temporary wage subsidy scheme) were not subject to direct verification by the local authority or the Department prior to the grant payment being made.
- 6.22** Where a scheme relies on self-declaration, there is an increased risk that the grant funding would not be applied for the purposes intended. However, there are a number of mitigating controls that can be put in place. These controls and the extent to which they are in place for the restart scheme are set out in Figure 6.4.

Figure 6.4 Key controls for grant schemes reliant on self-declaration

Key control	Controls in place for restart scheme
Grant criteria clearly set out in instructions and guidance to claimants.	Criteria clearly set out in application form and in frequently asked questions (FAQ) document.
Specification of documentation evidencing entitlement either to be submitted with application, or to be retained as evidence for checking at a later date.	Although FAQ specifies that businesses should retain supporting documentation, it does not specify the type of documentation.
Inspection of documentation supporting eligibility.	Claimants were not required to submit documentation with the application.
Post payment checks that claimants satisfied the conditions of the scheme and received a grant amount to which they were entitled.	Service level agreements provided for an independent scheme audit and evaluation of expenditure. Spot checks of grant recipients to ensure compliance with the scheme.
Arrangement with a relevant State body for access to information in order to verify the accuracy of claims.	Not considered when setting up the restart schemes.

Source: Office of the Comptroller and Auditor General

Proof of eligibility

- 6.23** The temporary wage subsidy scheme (TWSS) administered by the Office of the Revenue Commissioners was introduced to support the continuity of employment relationships over the initial period of Covid-19 related disruption. This scheme had similar key eligibility criteria to the restart schemes — expected reduction in turnover of at least 25% and an intention to retain employees on the payroll. Eligibility to that scheme was determined on the basis of self-assessment and a declaration by the employer. Revenue in their guidelines provided illustrative examples of the type of proof that may be sought in the future that would reasonably demonstrate eligibility for the scheme.

6.24 This has enabled Revenue complete a number of eligibility reviews on employers. By the end of February 2021, Revenue had completed eligibility checks for 95% of employers who registered for and received payments under the scheme.¹

6.25 In the case of the restart grant schemes, the Department did not specify the proof that may be required to confirm eligibility to the restart schemes. Therefore, it may be difficult to verify the claims paid. The Department stated that as part of the audit and evaluation of the scheme, issues such as turnover, employment and TWSS status can be verified by the accounts and employment records of the business and through consultation with Revenue.

Third party sources of proof

6.26 Information held by other State bodies can also be used to verify claims. For example, information held by Revenue would have assisted the Department in verifying the turnover of the business and its involvement in the temporary wage subsidy scheme.

6.27 This was not considered when the restart schemes were being set up. The Department has stated that in designing and delivering the schemes, the emphasis was on simplifying the application, verification and grant payment process. The local authority rates system allowed the legitimacy of a business be checked and also provided an efficient mechanism for making the grant payments.

Post-payment checks

6.28 The service level agreements with the local authorities provided for the Department to procure an independent scheme audit and evaluation of expenditure of the restart grant plus scheme. The agreements also indicated the Department would arrange for spot checks of grant recipients to verify compliance with the scheme.

6.29 The scheme audit has been initiated by the Department's Internal Audit. It will be conducted by an external consultant, overseen by a high-level project board within the Department. Terms of reference for the audit were considered and agreed by the Management Board of the Department in May 2021. The request for tender for the external consultant issued on 29 July 2021 and the Department has stated that it expects that the audit will be completed by end 2021.

6.30 The advertised scope of the scheme audit includes establishing whether

- The funds have been properly managed, reconciled and accounted for at each stage from disbursement by the State to the final recipients.
- The governance and reporting requirements under the service level agreements signed by the parties have been complied with.
- The eligibility criteria have been complied with and that the rejection and appeals process was properly administered. This will entail representative spot checking and receipt of supporting material from the final recipients.

6.31 The scheme audit is to be informed by a risk based assessment of a representative sample of grants across geographic locations, sectors, disbursing bodies and grant recipients. It will also include a reconciliation of funding provided for the scheme.

¹ The TWSS is examined in more detail in chapter 12 including the outcome of these eligibility reviews.

Local Government Audit Service

- 6.32** The Local Government Audit Service is responsible for carrying out audits of the financial statements of local authorities. The Department of Housing, Local Government and Heritage stated that the restart grant schemes will be examined by the Local Government Audit Service as part of its annual audit of the local authority financial statements.
- 6.33** Any findings from this work which the auditor of a local authority considers should be reported on will be included in the statutory audit report or management letter for the local authority. Separately, the Local Government Audit Service is preparing a report which will provide a factual overview of the restart grant and restart grant plus schemes but will not contain audit findings.

Evaluation of the scheme

- 6.34** The public spending code requires evaluation of programmes of expenditure to determine whether
- expected benefits and outcomes materialised
 - planned outcomes were appropriate responses to public needs
 - appraisal and management procedures were satisfactory.¹
- 6.35** The Department has advised that an evaluation will be carried out on completion of the scheme audit. This will help to inform the terms of reference for the evaluation. While specific performance metrics were not set for the scheme, the evaluation will be based on the contribution of grants towards preventing permanent business closure and preserving employment.

Conclusions and recommendations

- 6.36** Between 2020 and 2021, small to medium businesses received around €633 million in restart grants towards the costs of re-opening. The amount of the grant paid was calculated by reference to the business's rates assessment for 2019.
- 6.37** Eligibility was determined on the basis of a declaration by the business that it satisfied the scheme criteria — 25% or more loss in turnover; an intention to retain staff on the TWSS; and a commitment to remain open for business or to reopen. This was not subject to verification by the local authority or the Department prior to the grant being paid. However, local authorities did check that businesses were registered for commercial rates and verified their tax clearance status which provides some level of assurance that only legitimate businesses received the grant payment.
- 6.38** The conditions of the scheme were such that a significant number of businesses were likely to qualify for the financial assistance available. However, as reviews of eligibility have not yet been completed there is no assurance that all payees met the prescribed criteria or that they received the level of payments to which they were entitled.
- 6.39** The Department is currently in the process of procuring an independent audit of the scheme. This will include examining whether the eligibility criteria have been complied with by seeking proof of eligibility from a sample of grant recipients. However, this may be difficult given that the Department did not specify the type of proof that may be sought from the claimant.

¹ *Public Spending Code A Guide to Evaluating, Planning and Managing Current Expenditure*, Department of Public Expenditure and Reform.

Recommendation 6.1

In commissioning the scheme audit, the Department should aim to establish whether there is evidence of a material level of ineligible access to the scheme or where businesses received more than their entitlement. This should be based on testing of a sufficient representative sample of cases.

Accounting Officer's response

Agreed.

This will be implemented in Q4 2021.

- 6.40** An evaluation of the scheme will be carried out by the Department upon completion of the scheme audit. It will include examining the extent to which the financial assistance available prevented permanent business closure and preserved employment.

Recommendation 6.2

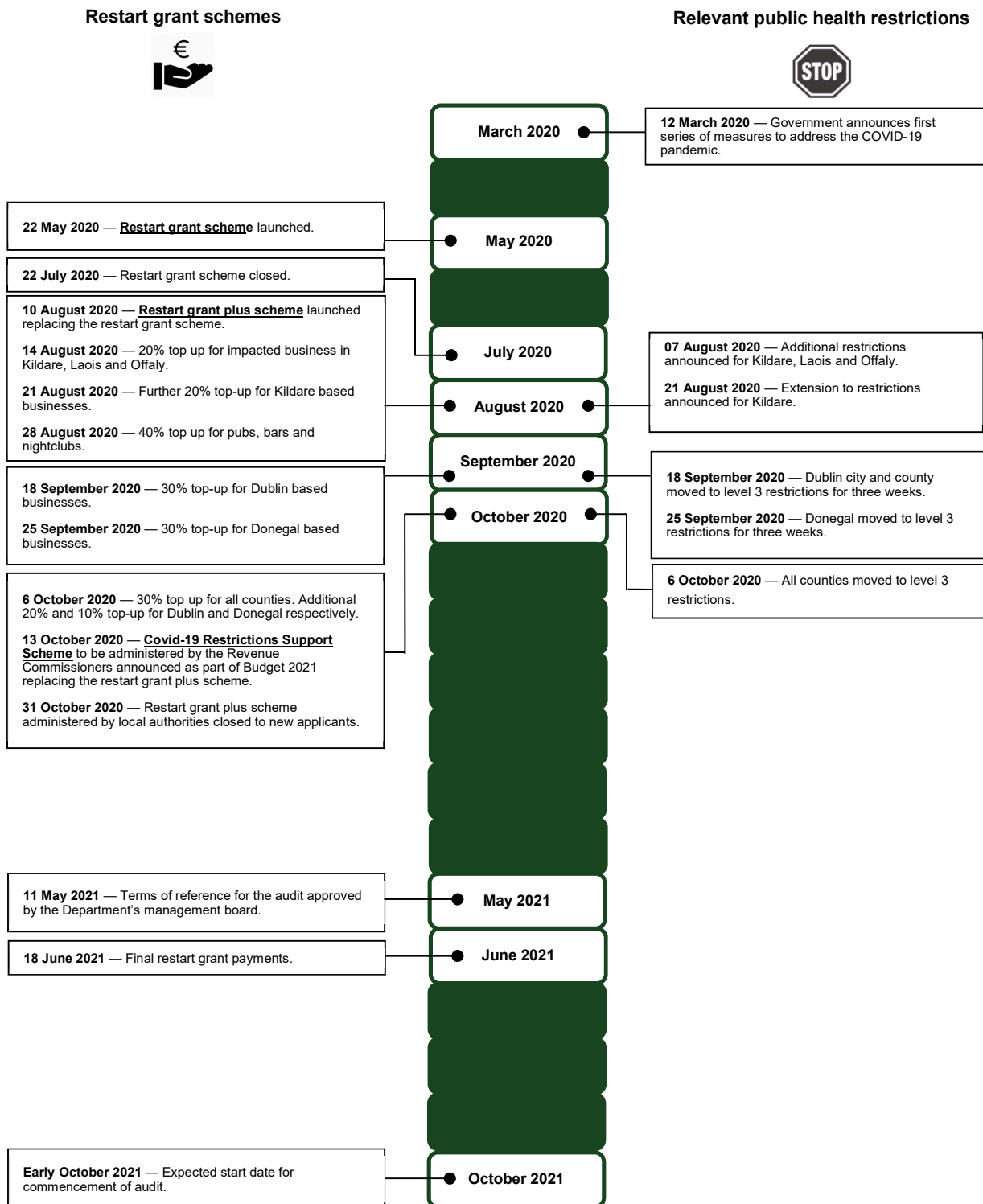
The scheme evaluation should also aim to identify lessons for how any similar business assistance schemes could be better designed and administered in the event of a future emergency.

Accounting Officer's response

Agreed.

This will be implemented in the first half of 2022.

Annex 6A Timeline of the restart grant schemes and public health restrictions



Source: Office of the Comptroller and Auditor General

Annex 6B Restart grant schemes responsibilities

State body	Responsibilities
The Department of Enterprise, Trade and Employment	<ul style="list-style-type: none"> ▪ Oversight of the schemes in accordance with the Government decision. ▪ Allocation of funding for the schemes to the local authorities via Enterprise Ireland. ▪ Ongoing review of the schemes. ▪ Audit and evaluation of expenditure under the restart plus scheme and arrange for spot checks of grant recipients to ensure compliance with the scheme.
Enterprise Ireland	<ul style="list-style-type: none"> ▪ Approval and payment of scheme funding to the local authorities. ▪ Accounting for the funding in accordance with the payment instructions provided by the Department of Enterprise Trade and Employment.
31 local authorities^a	<ul style="list-style-type: none"> ▪ Manage within the local authority area the processing of applications and payments in accordance with the criteria for the schemes. ▪ Provide reports via the Local Government Management Agency to enable oversight and review of the scheme by the Department of Enterprise, Trade and Employment.
Department of Housing, Planning and Heritage^b	<ul style="list-style-type: none"> ▪ Oversight of the local authorities activity and funding.

Source: Service level agreements for the restart grant schemes

Notes: a The local authorities are not subject to audit by the Comptroller and Auditor General.
b The Department of Housing, Planning and Heritage were not party to the restart grant plus scheme.

Annex 6C Effective grant funding supervision framework

Component	Requirement
Objective	Clear objectives and purpose of grant.
Terms and conditions	Purpose of funding clearly notified to the grantee.
Service level agreement (SLA)	Agreement on resources being provided by the Department and outputs to be achieved by the Body.
Monitoring and reporting	Arrangements for appropriate financial and performance reporting, with access to relevant records kept by the grantee.
Inspection	Grantee informed of Comptroller and Auditor General inspection rights.
Payment on basis of vouched expenditure	Declaration by grantee in relation to invoices supporting claim.
Advance payment	Documented rationale for pre-funding and monitoring and control arrangements attached to the advanced payment.
No automatic payment	Payments should only be made when required.
Matured liabilities	Matured liabilities (due payments) should be settled before year end.
Retention of end-year balances	Any balances retained by a grantee, subject to grantor approval, should be kept to a minimum.
Multiple funding	Declaration by grantee that no duplication of funding for same activity/project.
Onward payment of grants	Details of any onward grant payments should be provided to grantor.
Protecting state investment	Disposal of publicly funded assets requires approval from the grantor.

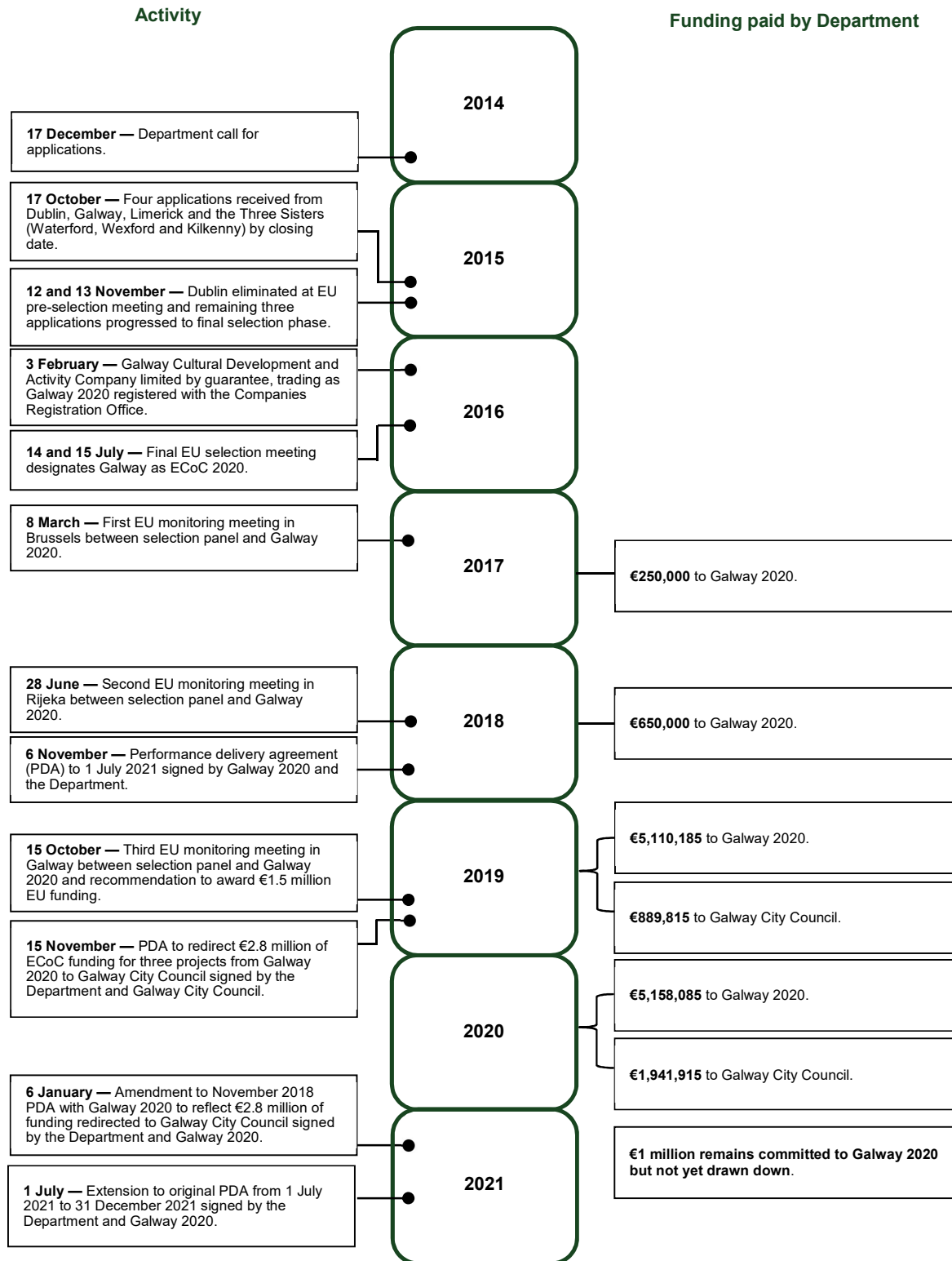
Source: Circular 13/14 — Management of and Accountability for Grants from Exchequer Funds, Department of Public Expenditure and Reform

7 Oversight of funding for the European Capital of Culture 2020

- 7.1** The European Capitals of Culture (ECoC) initiative was developed in 1985 to highlight the richness and diversity of cultures in Europe, celebrate the cultural features Europeans share, increase European citizens' sense of belonging to a common cultural area and foster the contribution of culture to the development of cities.¹
- 7.2** In April 2014, the European Parliament and Council established a list of the member states that can apply to host the ECoC title annually from 2020 to 2033. Ireland and Croatia were listed for 2020.
- 7.3** Host member states publish a call for applications, usually through the government body in their country with responsibility for culture, six years in advance of the title year. Cities interested in participating must submit a proposal for consideration in the competition.
- 7.4** A panel of ten independent experts was appointed by the European Union institutions and bodies (European Parliament, Council, Commission and the Committee of Regions) to select the winning application. The Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (the Department) decided not to exercise its right to appoint up to two members to the panel.
- 7.5** Galway was designated as the ECoC 2020 on the basis of the plans set out in its 'Bid Book' i.e. the application submitted on behalf of Galway to the EU panel. In accordance with EU regulations, Galway was required to engage in a monitoring process with the EU panel from designation of the title to secure the associated EU funding of €1.5 million. This funding is payable within the first three months of the particular year designated.²
- 7.6** The Department subsequently provided most of the funding for the operation of ECoC 2020 from its Vote. The timeline in Figure 7.1 summarises the key organisational events and voted funding.

1 Decision No 445/2014/EU of the European Parliament and of the Council 16 April 2014.

2 Payment of the funding (called the Melina Mercouri Prize) is subject to certain conditions being honoured as set out in Article 14 (2) of Decision No 445/2014/EU of the European Parliament and of the Council 16 April 2014.

Figure 7.1 Key organisational events and voted funding timeline

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

Governance and oversight arrangements

Company incorporation

- 7.7** Galway Cultural Development and Activity Company limited by guarantee, trading as Galway 2020, is an independent legal entity and is not a subsidiary of any national, regional, or local agency. The company's main objective is the creation, organisation, promotion and sustainable development of artistic and cultural activities domestically and internationally for social, industrial or commercial benefit resulting in the direct or indirect enhancement of Galway City, Galway County and the wider community.¹
- 7.8** The subscribers to the company's memorandum of association signed in December 2015 were
- the then Chief Executive, Galway City Council
 - the interim Chief Executive of Galway County Council, and
 - a Senior Executive Officer, Galway City Council.
- 7.9** The Chief Executive of Galway City Council and the Chief Executive of Galway County Council were appointed board members at incorporation stage. The application states that in order to ensure appropriate connection between Galway 2020 and Galway City and County Councils, the chief executives of both councils will each have power to appoint one director of the company — they were free to appoint themselves to these positions.
- 7.10** Previous 'capital of culture' designations in Ireland (i.e. Dublin, Cork and Limerick) were managed by the relevant city councils.² The Department stated that while the model of an independent company was different to the previous capitals of culture in Ireland, a special purpose company or foundation is regularly the model chosen by other European capitals of culture. Recent examples include Aarhus 2017, Leeuwarden 2018 and Matera Basilicata 2019.

Board of directors

- 7.11** The final application states that the company may have up to 15 Board members. The role of the Board is detailed in the application, and includes *inter alia*
- the employment of senior executives to the company
 - establishing, and ensuring the implementation of, strategic policy objectives
 - ensuring the highest standards of governance and transparency
 - appointing sub-committees/working groups to ensure that the company has access to the broadest range of specialist expertise and advice in all aspects of its work
 - accounting fully for its activities at the end of Galway 2020 and in particular providing leadership and continuity towards maximising the legacy benefits of the ECoC year.
- 7.12** Since its inaugural meeting in June 2016, there have been 28 different board members and just two of the original board members are still serving. The average length of time each board member served to year end 2020 was two years and three months.

¹ Memorandum of association, Companies Registration Office.

² Dublin was designated European city of culture in 1991. Cork was designated the European capital of culture in 2005. Limerick city was awarded an inaugural designation of National city of culture for 2014 which was not a European designation.

- 7.13** Since April 2017, there has been a nominee of the Minister on the Board of Galway 2020. However, the Department has stated that it has no role in the Board of Galway 2020 or its operations. The Department did not receive the terms of reference of the sub-committees of the Board, minutes of Board meetings or minutes of any sub-committee meetings.

Recruitment — CEO and Creative Director positions

- 7.14** As part of the application, Galway 2020 committed to the principle of open competition for the recruitment of the CEO and Creative Director positions, stating that both positions would be filled by open recruitment on an international basis. Both posts were filled through appointments made in May 2017 (CEO) and July 2017 (Creative Director).
- 7.15** The Creative Director resigned in May 2018 and the CEO resigned in September 2018. The CEO position was subsequently filled via a secondment of a Galway City Council official in October 2018. The Creative Director position was filled through the appointment of Artichoke, a private company appointed in January 2019 to lead Galway 2020 and to raise funds for the project.

Performance delivery agreement

- 7.16** A performance delivery agreement (PDA) between the Department and Galway 2020 was signed on 6 November 2018 to define the respective roles and responsibilities of the Department and of Galway 2020. The PDA covered the period to 1 July 2021 and aimed to ensure resources are used in an effective and cost-effective manner to deliver an agreed work programme by Galway 2020.¹
- 7.17** The PDA commits to ensuring that representatives of the Department attend both bi-lateral monitoring meetings with Galway 2020 and separate meetings with the local authorities (i.e. the other public funders) at least quarterly. The number of bilateral meetings held subsequently was in line with the PDA commitments, until the onset of the Covid-19 pandemic in March 2020.
- 7.18** The Department stated that the bi-lateral monitoring meetings were subsumed into fortnightly meetings with the Galway 2020 executive, which commenced in August 2020 subsequent to the Minister's approval of a restructured cultural programme. The Department also stated that, in 2020, subsequent to a hiatus in cultural programme activity as a result of the pandemic, meetings with other public funders recommenced in the quarter following the launch of the restructured programme.
- 7.19** The PDA is subject to annual review, as part of the bilateral review meeting process. The Department stated that a review which commenced in November 2019 was paused due to the onset of the pandemic in March 2020. The review recommenced in the second half of 2020, resulting in an amendment to the PDA being signed in January 2021. Minutes of the quarterly meeting between the Department and Galway 2020 in December 2019 note the PDA was discussed and the topic of disposal of assets purchased by Galway 2020 from Department grant funding was raised. The Department was to amend the PDA to address the disposal of assets and circulate the draft for agreement.

¹ Performance delivery agreement between the (then named) Department of Culture, Heritage and the Gaeltacht and Galway Cultural Development and Activity Company limited by guarantee T/A Galway 2020. See Annex 7A.

- 7.20** The amendment to the Galway 2020 PDA signed in January 2021 reflected a decision that €2.8 million of the €15 million commitment to the ECoC would be paid directly by the Department to Galway City Council.¹ The provision of this funding to the City Council was already reflected in a separate PDA entered into between the Department and the Council in November 2019.
- 7.21** The Department has stated that the Galway 2020 PDA was reviewed again prior to the signing on 1 July 2021 of an agreement for extension of the programme to end December 2021 and that no changes were made.
- 7.22** Galway 2020 is required by the PDA to comply with relevant statutory and funding requirements such as the Department of Public Expenditure and Reform circular 13/2014 *Management of and Accountability for Grants from Exchequer Funds, Public Financial Procedures*, relevant provisions of the Companies Act, the requirements of the Revenue Commissioners, the Charities Regulator, the *Public Spending Code* and the General Data Protection Regulation.

Circular 13/2014 compliance

- 7.23** In the course of the audit of the 2019 appropriation account for Vote 33 Culture, Heritage and the Gaeltacht, it was noted that Galway 2020's annual financial statements for 2018 were not in compliance with the requirements of circular 13/2014. The non-compliance was in respect of the information grantees must report in their financial statements. The audit also noted there was no evidence that the Department had reviewed the company's financial statements for 2018 for compliance with the disclosures required in the circular, or undertaken any follow-up in that regard.
- 7.24** In its response to the audit's enquiries, the Department stated that the auditors of Galway 2020 would prepare a supplementary schedule for the 2018 and 2019 financial statements which would outline the information required under the circular.²
- 7.25** The Department could not provide evidence of having received the declaration required under the circular where funding is being provided as part of a co-funding arrangement. In such co-funded cases, the source, amount and purpose of all other funding the grantee receives along with a declaration that there will be no duplication of funding for the same activity/project, is required annually. This declaration should also state if the Exchequer funding from all sources exceeds 50% of total income.
- 7.26** The Department stated that while the requirement for an annual declaration was not specified in the PDA, a compensating control is in place whereby for each funding drawdown request to the Department, the Chief Executive of Galway 2020 confirms that there is no duplication of funding for the project/activity and that Galway 2020 also reports quarterly on all income and expenditure under the project.

Financial reporting standards

- 7.27** Up to and including the 2018 financial year of the company, Galway 2020 prepared its financial statements in line with the requirements of the Companies Act 2014.
- 7.28** In 2019, Galway 2020 was granted charitable status. The 2019 financial statements for the company state they are also compliant with the (UK) Charities Statement of Recognised Practice (SORP). This requires the disclosure of significantly more information of value to funders and the general public in the financial statements than is required under the Companies Act 2014.

¹ The change in funding did not impact on the role of Galway 2020 as coordinator of the overall delivery of all elements of Galway 2020 ECoC.

² The supplementary schedule discloses that the purpose of the funding is for charitable activity.

Funding

Income

- 7.29** Funding commitments of €12 million were secured by Galway 2020 from Galway City and Galway County Councils in advance of the final selection phase for the ECoC 2020 and formed part of the budget submitted in the application to the EU selection panel.
- 7.30** Also in advance of the final selection for the ECoC, the Department committed in principle to provide €15 million in funding from the Vote. The amount committed was subject to Exchequer funding not exceeding 50% of the overall financial cost of the event.¹ The PDA between the Department and Galway 2020 reflects the Department's funding commitment, but does not specify the requirement for the amount not to exceed 50% of overall funding.
- 7.31** Up to the end of 2020, the Department had paid €11.2 million to Galway 2020 in direct Exchequer funding — this was 54% of Galway 2020's cumulative income. The Department also paid €2.8 million to Galway City Council as provided for in the 2019 PDA with the Council. This amount was to fund three of Galway 2020's original planned projects — Mirrored Pavilion, Middle Island and Gilgamesh² — and was paid through grant drawdowns. The Department stated that it has checks in place for the drawdown of funds to ensure Galway City Council's compliance with the requirements of the PDA, which include
- a written drawdown request signed by the Council's CEO, or the Director of Services on his behalf
 - a copy of the latest quarterly management report from Galway 2020 outlining progress against cultural programme milestones
 - evidence of payment by the Council of the previous drawdown
 - a copy of the cashflow(s), evidence of expenditure by the grant recipient and evidence of department checks on all drawdowns.
- 7.32** Figure 7.2 analyses the projected and actual income for Galway 2020 from 2017 to 2020.
- 7.33** The application budgeted for EU income of €3 million. EU funding of €1.5 million was paid directly to Galway 2020 in February 2020 in accordance with EU regulations. The remaining €1.5 million in EU funding envisaged in the application was funding that could be applied for but was not associated with the ECoC designation. The Department confirmed that no other EU funding was applied for by Galway 2020.
- 7.34** By comparison to the funding profile outlined in the application and the amended PDA, Galway 2020's income to the end of 2020 was significantly lower. While the reduction in projected income is significant, it is not evenly spread throughout the various funding sources (see Figure 7.2). The Department stated that the onset of Covid-19 in early 2020 halted further local authority and private sector funding. The Department has also indicated that a further €1 million remains committed to the programme.

¹ Government decision S180/20/10/1629.

² The three projects formed part of the 'Weigh Anchor' project.

Figure 7.2 Analysis of projected and actual funding, 2017 to 2020

Income source	Projected ^a		Actual		Variance	
	€m	% ^b	€m	%	€m	%
Department	15.0	33	14.0 ^c	61	-1.0	-7
Local authorities	12.0	26	6.0	26	-6.0	-50
Region	3.5	8	—	—	-3.5	-100
EU	3.0	7	1.5	7	-1.5	-50
Private sector	6.8	15	1.0	4	-5.8	-85
Other	5.5	12	0.4	2	-5.1	-93
Total	45.8		22.9		-22.9	

Source: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Projected income as per application.

b Any apparent differences in total of percentages is due to rounding.

c This includes €2.8 million paid to Galway City Council to deliver projects planned as part of ECoC 2020.

Private sector income

- 7.35** The Galway 2020 ECoC application envisaged €6.8 million private sector income which comprised sponsorship and box office receipts. The actual income of €1 million reported by Galway 2020 includes €401,141 cash and €520,958 in ‘*in kind*’ income being a cost estimate for the time and other resources provided by stakeholders.
- 7.36** The total box office income received by Galway 2020 was €36,180 [2020: €14,976, 2019: €21,204]. This amount is net of €58,465 refunded for events cancelled due to Covid-19.

Expenditure

- 7.37** The PDAs between the Department and Galway 2020 and the Department and Galway City Council require both Galway 2020 and the Council to provide material to facilitate written responses to any correspondence sent to the Minister about processes and procedures regarding the expenditure of the €15 million grant. The relevant clause in each PDA covers the period 2017 – 2020, and through an arrangement with Galway City Council for a period of six years thereafter.
- 7.38** In line with the PDA between the Department and Galway 2020, an independent accounting firm carries out a quarterly financial review of Galway 2020’s records and its findings are reported to the Department. These reviews commenced in Q4 2018 and all reviews have asserted that given its size and structure, Galway 2020 “has followed best practice in transparency, accountability and securing value for money”.
- 7.39** Figure 7.3 analyses the projected and actual expenditure for Galway 2020 from 2017 to 2020.¹ The Department stated that expenditure by Galway 2020 was managed as part of the approved restructured cultural programme in July 2020, to ensure that it remains within the existing Exchequer allocation as per the requirements of the approval.

¹ A further €2.2 million was spent by Galway City Council as part of the bid phase.

Figure 7.3 Analysis of projected and actual expenditure 2017 to 2020

Category	Projected €m ^a	Actual €m ^b	Variance
Programme expenditure	33.4	13.6	-59%
Promotion and marketing	5.5	1.8	-67%
Wages, overheads and administration	6.9	5.4	-22%
Total	45.8	20.8	-55%

Source: Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Projected expenditure extracted from the application.

b Actual expenditure extracted from the independently audited 2017, 2018 and 2019 financial statements and the draft 2020 financial statements.

Arrangements to evaluate the effectiveness of expenditure

Performance delivery agreement (PDA)

7.40 The PDA between the Department and Galway 2020 requires the latter to provide a management report to the Department prior to the bilateral quarterly meetings on progress on agreed milestones under the key performance indicators (KPIs) to include the following sections

- overview of progress on delivery of the programme
- updates on governance arrangements, risk management and staffing
- budget v expenditure
- progress on partnership programmes, and
- progress on the monitoring and evaluation, and legacy programmes.

7.41 KPIs are measurable values that demonstrate how effectively an intervention is achieving key objectives and should offer a comparison that gauges the degree of performance change over time.

7.42 The KPIs specified for reporting by Galway 2020 do not include measures such as 'Exchequer funding as a percentage of total funding' or 'payroll and administration costs as a percentage of total expenditure'.

7.43 The Department stated that the management report provides quarterly updates on progress against milestones under all KPIs set out in the schedule to the PDA. It stated that these include, under the 'finance and audit' KPIs, a quarterly update and breakdown of income and expenditure based on the quarterly review by the independent auditor.

Independent evaluation

7.44 The application describes the plans for monitoring and evaluating the impact of the designation as ECoC on the city and disseminating the results of the evaluation. There is a proposed schedule of activities listing the timeline, activities and outcomes.

- 7.45** Galway 2020 openly advertised (on eTenders) in June 2019 for a key partner for the monitoring and evaluation programme. An independent evaluation organisation (the Audience Agency) was awarded the contract. The contract for this work is between Galway 2020 and the Audience Agency. The total value of the winning tender was €199,450, of which just under 90% was paid by year end 2020.
- 7.46** The Department has stated that an interim evaluation report, covering the period to December 2020, included data collection and analysis on audience engagement with events and the volunteer programme up to that point, and that data from other identified key stakeholders would be collected later in the evaluation.¹ For this reason, the interim report notes that the data presented should only be taken as indicative.
- 7.47** The final monitoring and evaluation report is scheduled for delivery by the end of 2021 and will include results on the number of cultural organisations supported, the jobs created to deliver the programme, new projects commissioned, cultural capacity developed, events held, audience numbers and a breakdown of the total income and expenditure. It will also address the impact of the Covid-19 pandemic on the achievement of the overall aims of the project. Annex 7B outlines the response to the impact that the public health restrictions had on Galway 2020.

Winding down of Galway 2020

- 7.48** At its meeting in April 2021, the Board of Galway 2020 agreed to retain the company in place beyond June 2021 to facilitate the legacy planning phase of the Galway 2020 project. That legacy planning phase is now under way with stakeholder consultation planned over the coming months. This phase will also include an examination of the options for the delivery vehicle(s) for legacy and the Galway 2020 company will be one of the options under consideration in this regard.

Conclusions and recommendations

- 7.49** The model chosen for delivery of the Galway ECoC 2020 was different to that previously used for similar events for other Irish cities. An independent company was used. There was significant turnover in the membership of the company's board of directors. There were also significant changes in the executive leadership of the company early in the planning of the ECoC programme.
- 7.50** At the outset, it was envisaged that the majority of the funding for the activities of the company would be non-Exchequer sourced. However, the company has relied on Exchequer-funded grants for the majority of its funding. The Galway local authorities have provided a substantial part of the other funding.
- 7.51** The projected level of funding for Galway 2020, especially from private sector sources, did not materialise. As a result, the Department/Exchequer became the majority (61%) funder of the ECoC 2020. This was contrary to a government decision that Exchequer funding would not exceed 50%. When local authority funding of the company is included, the total public funding portion rises to 87%.
- 7.52** Part of the Exchequer contribution to the ECoC was the provision of €2.8 million in funding to Galway City Council in respect of three projects which formed part of the overall Galway 2020 programme. The Department entered a separate bilateral agreement with the Council for the latter to deliver the projects.

¹ The interim report, drafted in March 2021, has not yet been finalised.

- 7.53** Initial public financial reporting by the company was limited. While the 2018 financial statements were prepared in compliance with Companies Act 2014 requirements, the level of disclosure was significantly less than was appropriate for a company that relied significantly on Exchequer funding. It also did not comply with the disclosures required under the Department of Public Expenditure and Reform's directions on reporting for grants from Exchequer funds. This was largely addressed when the company became a charity, and was subject to a more transparent financial reporting standard. In addition, the Department made arrangements for the auditors of Galway 2020 to prepare a supplementary schedule to provide assurance on the company's compliance with the grant reporting framework.

Recommendation 7.1

The Department should put in place robust controls to ensure compliance of future grantees with relevant grant management and reporting requirements.

Accounting Officer's response

Agreed.

The Department will continue to work to ensure that all relevant grant management provisions are fully incorporated and implemented as part of future oversight of and reporting on grants.

- 7.54** Delivery of the planned programme for Galway ECoC 2020 was significantly more limited than was originally planned. Apart from the impact of private sector funding levels being significantly less than originally envisaged, the scheduled programme was also very significantly disrupted by restrictions imposed nationally in response to Covid-19.
- 7.55** A process is underway to formally assess the effectiveness of the ECoC. This is being undertaken by independent evaluators, and should help to identify lessons that will inform similar projects or proposals in the future.

Annex 7A Summary of performance delivery agreement (PDA) commitments

State body	Commitments
Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	<ul style="list-style-type: none"> Provide funding of no more than €15 million to Galway 2020 for the delivery of the programme Making Waves, on the basis of the agreed key performance indicators and schedule, and subject to the relevant legislative, policy, financial and reporting requirements. Provide funding according to a mutually agreed schedule in respect of eligible expenditure incurred, including qualifying administration costs. Appoint a representative of the Minister to serve on the Board of Galway 2020. Ensure that representatives of the Department attend both bi-lateral monitoring meetings with Galway 2020 and separate meetings with Galway 2020 and the other public funders at least quarterly. PDA will be subject to annual review at the relevant quarterly review meetings with the Department. PDA amended in January 2021 to reflect funding of €2.8 million redirected to Galway City Council for three ECoC productions reducing the original committed funding to €12.2 million.
Galway 2020	<ul style="list-style-type: none"> Deliver an effective programme for the European Capital of Culture 2020 according to an agreed schedule and in line with Making Waves. Establish an evaluation and monitoring programme with the National University of Ireland Galway (NUIG) in consultation with the Department. Deliver a legacy programme arising from the European Capital of Culture Programme. Comply with the following drawdown requirements <ul style="list-style-type: none"> apply in writing for each drawdown of the grant ensure the request is inclusive of a progress report, updated cash-flow statement and a quarterly independent auditor's report. Hold quarterly meetings with all public funders of Galway 2020 and separate bi-lateral meetings with the Department regarding the progress against milestones under the agreement. One week prior to these meetings, Galway 2020 must provide <ul style="list-style-type: none"> a management report to the Department on its progress in meeting the agreed milestones in accordance with the KPIs an independent auditor's report that confirms that best financial practice has been applied in respect of funds being drawn down. Comply with the recommendations of the EU Expert Panel for the European Capital of Culture. Develop, implement and monitor programmes, including communications, volunteers, business, tourism and branding. Ensure that representatives of Galway 2020 attend both bi-lateral monitoring meetings with the Department and separate meetings with the Department and the other public funders at least quarterly.
Mutual	<ul style="list-style-type: none"> Commit to proactive co-operation and timely communication. Provide prompt and timely responses to correspondence, information requests and related matters. Keep each other fully informed and updated on all relevant issues. Adhere to Public Spending Code, public financial procedures, procurement legislation and all other legislative, policy and reporting requirements.

Source: Performance delivery agreement 2018 (as amended January 2021)

Annex 7B Public health restrictions impact on Galway 2020 — timeline

7 April 2020	Galway 2020 issue statement on future of programme to be considered.
28 May 2020	Galway 2020 submit revised programme, in light of the impact of Covid-19 on funding and operations, to the Department for approval.
15 July 2020	Department approve revised programme.
August 2020	Fortnightly meetings between the Department and Galway 2020 commenced and continued to quarter 2 2021.
September 2020	Various projects given the option to take place virtually or postpone until a time when they can take place in person.
October 2020	Events move to an online platform and any in-person events are postponed.
November 2020	Agreed that the Department must clear any press statements in relation to postponement of events.
December 2020	Contingency planning for level 5 lockdown impact on programme. Level 5 lockdown announced 30 December.
January 2021	Amendments to PDA signed as of 6 January 2021.
March 2021	Only online events are taking place; filming for online projects is allowed but only with essential workers and nothing is to take place that will encourage gatherings.
April 2021	End of level 5 lockdown in early April. Final set of 50 events to take place before the ECoC 2020 designation ends on 30 April.

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

8 Oversight of the Housing Assistance Payment (HAP)

- 8.1** The Housing Assistance Payment (HAP) scheme supports households who have a long-term housing need that they are unable to meet without assistance.¹ The main objective of the HAP scheme is to facilitate the movement of long-term recipients of the Department of Social Protection's rent supplement (RS) to a more appropriate and unified housing support.
- 8.2** The scheme is funded by the Department of Housing, Local Government and Heritage (the Department) and operated by the local authorities in their capacity as individual housing authorities.
- 8.3** HAP was first launched in three local authorities in September 2014.^{2,3} HAP operated in 28 local authorities in 2016, and was rolled out to the final three local authorities in March 2017. In 2020, the Department spent almost €465 million on HAP supporting nearly 60,000 tenants — an average annual cost of €7,800 per tenancy supported.
- 8.4** Government departments are required to demonstrate that they have used funding provided by the Oireachtas in the manner intended and to good effect. This examination was undertaken to assess the Department's oversight arrangements in relation to HAP, with a particular focus on governance structures, the controls in place, monitoring of the scheme's effectiveness and the cost of delivery.
- 8.5** Review of cost for the purpose of this examination focuses on the period 2018 – 2020 because 2018 was the first full year of operation of the scheme on a national basis.

1 The legal basis for HAP is set out in Part 4 of the Housing (Miscellaneous Provisions) Act 2014. An overview of the HAP process is outlined in Annex 8A Figure 8A.1.

2 Cork County Council, Limerick City and County Council and Waterford City and County Council.

3 In parallel, the Dublin Regional Homeless Executive (DRHE) began coordinating an adapted Homeless HAP (HHAP) scheme for homeless households in the Dublin region in December 2014. The aim of HHAP is to move eligible households out of emergency accommodation, including hotels, and into private rented tenancies.

4 HAP SSC fulfils its role as a national financial transactional and reporting centre for the HAP scheme through managing all related rental transactions for tenants, landlords and local authorities.

HAP governance structures

- 8.6** The key elements of the governance and oversight arrangements are presented at Annex 8B and can be summarised as follows.
- The Department oversees the scheme through a HAP Oversight Group that provides strategic direction for the scheme and reports to the Minister for Housing, Local Government and Heritage (the Minister). The Oversight Group is supported by a HAP Project Board that ensures that deliverables are identified and plans and timescales are developed and monitored.
 - The scheme is administrated by local authorities and coordinated through the Limerick City and County Council (LCCC).
 - In 2016, following a formal appraisal process, LCCC won the contract to manage HAP on behalf of all 31 local authorities across the State and the Dublin Regional Homeless Executive (DRHE). LCCC manages HAP through the Housing Assistance Payments Shared Services Centre (HAP SSC), which functions as a directorate within the Council.⁴ A HAP Governance Group, chaired by the Chief Executive of LCCC, oversees the HAP SCC operations.

- 8.7** The HAP Oversight Group met six times in 2015. However, meetings have been considerably less frequent in recent years — the Group met only once or twice a year between 2018 and 2020. The Department has stated that as the scheme matured, less frequent oversight was required. It stated that the Oversight Group and the HAP Project Board met during alternate quarters, thereby maintaining the strategic direction of the scheme.
- 8.8** Attendance at the Oversight Group meetings has also been variable. On average, half of all members attended the meetings held between 2018 and 2020.¹ Neither of the two co-chairs — the Secretaries General of the Department of Housing, Local Government and Heritage and the Department of Social Protection — have attended a meeting of the Group since October 2018. The Department stated that while neither Secretary General attended subsequent meetings, both Departments were represented and that the role of chair was delegated to the Department of Housing, Local Government and Heritage Assistant Secretary with responsibility for HAP.²
- 8.9** The arrangements between individual local authorities and HAP SSC (through the LCCC) are set out in a standardised memorandum of understanding (MoU). While the format of the MoU should be subject to periodic review by the HAP Project Board, no such review has been undertaken.
- 8.10** The relationship between HAP SSC and the Department is set out in a memorandum of agreement (the agreement), signed in October 2019. The agreement outlines the roles and responsibilities of the HAP SSC and of the Department, and sets out the compliance and monitoring arrangements. However, the agreement does not quantify the Department's financial contribution to the SSC nor does it include specific detail on inputs or performance targets for HAP.
- 8.11** The Department is responsible for facilitating regular reviews of the agreement but a review scheduled to take place by September 2020 was put on hold pending finalisation of a review of HAP's governance structure by the Housing Agency.³

Control over HAP







- 8.12** Given the cost of the HAP scheme, the effectiveness of the scheme controls is important. An assessment of the key controls is set out in Figure 8.1.

¹ Oversight Group membership varied between nine and 11 members over the period.

² The examination found that the Department of Social Protection was represented by attendees rather than members of the Oversight Group.

³ The review was finalised in April 2021 and made a number of recommendations regarding the streamlining of the current HAP governance structure. The Department has stated that the Oversight Group has not yet adopted the report but will, following formal adoption, commence the implementation of the recommendations contained therein.

Figure 8.1 Assessment of key scheme controls for HAP

Area	Key control	Assessment of operation of control	Overall assessment
Risk assessment and management	<p>Risk register maintained by HAP SSC.</p> <p>Reviewed quarterly by HAP Governance Group and annually by Audit Committee of LCCC.</p> <p>Controls to mitigate risks embedded in HAP SSC's quality management system.</p>	<p>Risk register includes major risks.</p> <p>Risk register is reviewed regularly.</p> <p>Administrative checks and procedures are embedded in HAP SSC's quality management system.</p>	
Take-on controls	A series of eligibility checks carried out by local authorities and HAP SSC (see Annex 8A, Figure 8A.2).	Department places reliance on a signed declaration from HAP SSC in relation to eligibility. No spot checks conducted to validate operation of checks.	
Controls over payments	Maximum monthly rent limits framework sets out the rents that may be paid to landlords for different household classifications in each local authority area.	Current maximum rent limits framework in place since 2017.	
	Rents paid are not in excess of directed limits.	No review has been scheduled.	
		The Department monitors the average monthly landlord payments and the rates of discretion granted by local authorities to ensure that capped rents (including discretions) are not exceeded.	
	Tenants are obliged to inform their local authority of any change in circumstances, such as an increase in income.	Tenants are not reassessed for eligibility for social housing support if their income increases. Instead, their differential rent will be increased in line with the local authority's differential rent scheme. If there is a break in support they may then be reassessed for social housing.	
	<p>Tenant contributions due are paid for the periods subvented.</p> <p>The Debt Management Policy (DMP) provides for the issuing of debt notification/reminder letters on a weekly basis (every Thursday) based on specific timeframes and debt levels.</p>	Since 2016, tenant rent collection has remained high and bad debts have remained low. The HAP SSC has contributed to this by providing a clear structure for managing any tenant arrears that develop, through the DMP.	
ICT and data security	Estimation of the level of suspected fraud and error occurring.	Information on error and fraud relating to the HAP SSC scheme is not routinely collected or published.	
	OGCIO provides 'failover' support for HAP SSC's CMR database. ^{a,b}	An independent review of HAP SSC's IT environment was completed in 2017.	
	<p>HAP SSC has processes in place to report data breaches.</p> <p>Data protection issues and security are monitored by the Oversight Group.</p>	Information provided by the Department shows that as at June 2021, 44% of recommendations were completed, 47% were in progress and 9% were either not adopted or not actioned.	


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


Notes:


a The Office of the Government Chief Information Officer (OGCIO) has the leadership role for the digital agenda across Government.

b Failover is a backup operational model in which the functions of a system component are assumed by a secondary component when the primary component becomes unavailable — either through failure or scheduled down time. HAP SSC's failover system has been tested.

Key:

 Adequate key control in place.

 Opportunity for improvement.

 No key controls in place.

- 8.13** There are opportunities to enhance the control environment. For example, the scale of the HAP scheme lends itself to the adoption of certain measures used by the Department of Social Protection, such as a regime of formal control reviews and control surveys to detect the incidence of official error, applicant error and suspected fraud in payments.
- 8.14** The Department could also develop an overall anti-fraud policy for HAP which incorporates the operations of HAP SSC and local authorities, and which aligns with current good practice in this area.

Monitoring the effectiveness and performance of HAP

- 8.15** The Department's strategic goal in relation to the HAP scheme, as set out in the *Rebuilding Ireland Action Plan (2016 – 2021)*, was to create a unified housing support for those with a long-term housing need that they are unable to meet without assistance.¹ A number of other related objectives were also adopted in relation to the HAP scheme, which included
- consolidating publicly-funded housing support under the local authorities in their capacity as the statutory housing authorities
 - improving the effectiveness of regulation in the private rental sector
 - providing flexible housing support
 - removing potential 'poverty trap' barriers to employment
 - pioneering wider modernising reforms in the social housing sector including deducting rent at source
 - delivering housing support economically.
- 8.16** Specific measures or targets in regard to the provision of flexible social housing support, removing potential 'poverty trap' barriers to employment and pioneering wider modernising reform in the social housing sector including deducting rent at source were not adopted.

Consolidating housing support under the local authorities

- 8.17** In 2016, some 48,041 individuals were in receipt of rent supplement (RS), of which 36,666 were classified as long-term recipients (greater than 18 months). The Department aimed to transfer all RS recipients with a long-term housing need to HAP by 2020. At the end of 2020, there were 19,304 tenancies under the RS scheme, of which 11,438 were classified as long-term recipients.² The Department stated that transfers of RS recipients to HAP were generally halted in 2020 (and 2021) due to the Covid-19 pandemic, and that local authority resources were focused on maintaining existing tenancies and the set-up of new tenancies. The Department expects an increase in RS transfers in 2022.

Improving regulation in the private rental sector

- 8.18** Inspections of proposed HAP tenancy accommodation are statutorily required to be undertaken (or arranged) by local authorities within prescribed periods as part of a wider inspections regime under section 41 of the Housing (Miscellaneous Provisions) Act 2014 (2014 Act). Each local authority has responsibility for ensuring compliance with the relevant requirements.

¹ The Department's strategy document *Housing for All*, covering the period to 2030, was published in September 2021.

² Some RS recipients are transferred to the rental accommodation scheme (RAS) introduced in 2004.

- 8.19** Inspections of HAP accommodation must be arranged within eight months of HAP tenancy commencement dates, or have been carried out within twelve months prior to the commencement date.¹
- 8.20** Challenges exist at local authority level to deliver on the overall inspections mandate. HAP inspections accounted for over half of all private rental inspections carried out in 2019 and 2020.^{2,3} HAP inspections carried out in 2019 totalled 23,424 while 12,031 onsite HAP inspections were carried out in 2020.
- 8.21** The Covid-19 outbreak has severely hampered the inspection of HAP properties. Inspections considered urgent were prioritised. The Department issued guidance to local authorities which set out that inspections should continue to be arranged and, in urgent cases, carried out. The Department has also encouraged local authorities to consider virtual inspections, and has committed to providing funding to facilitate this. In 2020, 991 virtual inspections of HAP tenancies (of a total of 1,388 virtual inspections) were carried out.
- 8.22** The Department has stated that the HAP SSC included a module on its tenancy management system to enable local authorities to record the results of inspections of HAP tenancy properties.⁴ However, many authorities reported challenges in maintaining two separate datasets, and indicated a preference to continue using their own ICT systems to record the results of all inspections of private tenancy properties.
- 8.23** The scheme has an objective to improve regulation of the private tenancy sector. The Department noted that this objective is achieved through the legal requirements for local authorities to inspect HAP properties and that annual data on the level of overall inspections which include HAP tenancy inspections carried out by each local authority is published on its website.
- 8.24** The Department has stated that it has committed to working with local authorities to enable an analysis of the results of HAP inspections to be carried out, and that a HAP inspection minimum data requirement list has been developed to facilitate this analysis. The Department has also signalled to all local authorities the urgent need for historic data to be uploaded to the HAP SSC module.
- 8.25** Currently, the Department does not report on HAP inspections as a key metric. The Department has stated that 738 (2.5%) of the 29,584 HAP exits/closures to end March 2021 were recorded as being due to poor property standards. It stated that it is the statutory responsibility of the local authorities to ensure that they carry out the inspections and any necessary follow-up, and that local authorities are very diligently pursuing inspections, particularly HAP inspections.

1 The timelines for HAP inspections are set out in SI No. 407 of 2014 Housing Assistance Payment Regulations 2014.

2 HAP inspections accounted for 58% and 51% respectively, of overall inspections undertaken in 2019 and 2020.

3 *The Strategy for the Rental Sector* 2016 includes a key action to increase inspections coverage and compliance through specific ring-fenced funding and annual inspection targets. The objective is to increase inspection numbers incrementally each year with the aim of achieving an annual rate of inspection of 25% of private rental accommodation by 2021.

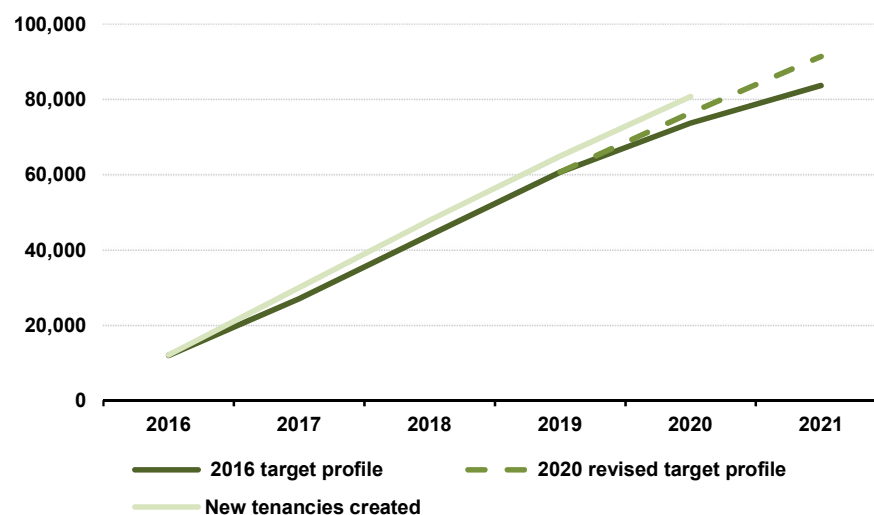
4 The SUGAR CRM is the software platform used by HAP SSC and local authorities to manage all HAP related rental transactions for the tenant, local authority and landlord.

Delivering housing support economically

- 8.26** The Department concluded that in order to deliver its objectives in relation to HAP, it would need to secure a total of 84,000 additional HAP tenancies over the six years between 2016 and 2021. The cumulative target was subsequently revised upwards, to a total of 91,510 new tenancies by end 2021.

New tenancies created

- 8.27** Achieving the original target implied an annual average of 14,000 new tenancies each year. The number of new HAP tenancies created has consistently been marginally ahead of that level (see Figure 8.2).

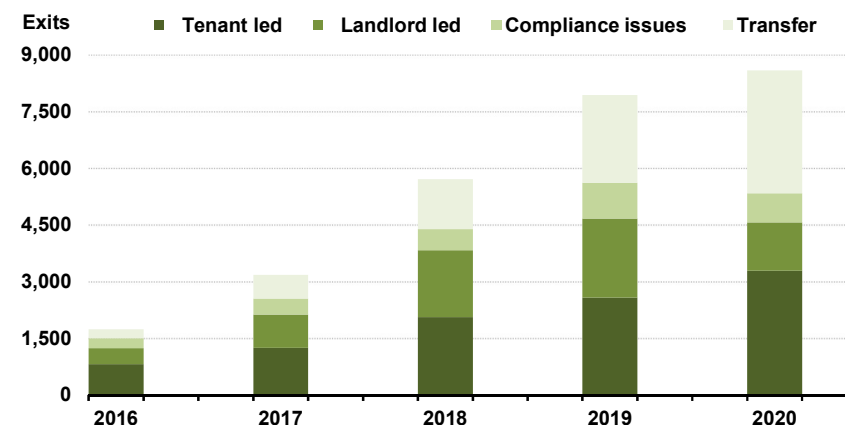
Figure 8.2 Target and actual HAP tenancies created, 2016 to 2020^a

Source: Department of Housing, Local Government and Heritage

Note: a The overall target set in 2016 was to support the securing of nearly 84,000 new tenancies by the end of 2021. This target was revised to provide 86,510 new tenancies by the end of 2019 and 91,510 by the end of 2021.

Scheme exits

- 8.28** HAP tenancies end for a variety of reasons, including because a tenant decides to move out of the rented property, the landlord serves notice to the tenant to vacate the property, or because the supported household is offered a different form of social housing support, more suited to their needs. A total of 27,161 tenancies were exited in the period 2016 to 2020.¹
- 8.29** More than a quarter (28%) of tenants exiting HAP between 2016 and 2020 transferred directly into other forms of social housing. This rate has been increasing over the life of the HAP scheme, up from 14% of scheme exits in 2016 to 38% in 2020 (see Figure 8.3).

Figure 8.3 Exits from HAP tenancies, 2016 to 2020

¹ The Department forecasts exits from the HAP scheme based on weekly and quarterly reports from HAP SSC. The quarterly reports outline the number of active and closed HAP tenancies, the self-reported reasons for exiting HAP and provide a breakdown of the tenancies that have exited the HAP scheme.

Source: HAP SSC quarterly report for Q4 2020

1 Households currently in a HAP tenancy are regarded as households whose housing need is being met. Consequently, they are not counted on housing waiting lists.

2 The Department noted that households on waiting lists that qualify for HAP may not wish to avail of it.

3 SI No 243/2012 European Union (Energy Performance of Buildings 2012) sets out that a building energy rating certificate is required (unless otherwise exempt) whenever a building (including a dwelling) is offered for sale or letting. A key objective of the *Housing for All* strategy is to implement minimum BER standards, where feasible, for private rental properties, commencing in 2025.

4 Department of Public Expenditure and Reform, *Current and capital expenditure on social housing delivery mechanisms*, 2018.

5 Chapter 11 'Measuring performance for Exchequer spending on social housing' of the *Report on the Accounts of the Public Services 2019* recommended that the Department re-examine the output indicators used for its overall housing programme in the *Revised Estimates Volume* to ensure that the numbers of targets set in relation to different subheads reflect the relative levels of expenditure. The report is available at www.audit.gov.ie

8.30 Around 37% of all exits from HAP since the commencement of the scheme are categorised as 'tenant led'. HAP SSC records 'voluntary exit' or 'tenant gave notice' as the reason in almost 79% of the exits in this category.

8.31 In the absence of further detail, it is not possible to determine the underlying reasons giving rise to tenant led exits or whether some of these have resulted in a new tenancy arrangement being entered into with another landlord.

Performance monitoring of scheme

8.32 Well-designed objectives and performance indicators are critical to the effective implementation of Government programmes, as well as to demonstrate effectiveness. The key targets set for the HAP scheme focus on the number of new tenancies created and do not facilitate an evaluation of the percentage of those requiring supports that are actually receiving them.

8.33 The Department has stated that it monitors numbers on local authority housing waiting lists and that the annual *Summary of Social Housing Assessments* publication collates information provided by local authorities on households that qualify for social housing support but whose social housing need is not currently being met.¹ The Department also stated that it is a matter for the local authorities to determine the most appropriate form of social housing support for each household.²

8.34 The activity reports currently produced by HAP SSC are focused on internal processes, rather than desired HAP outcomes. Scope exists to expand the range of performance indicators and related targets available publicly, for example by developing indicators that seek to monitor the

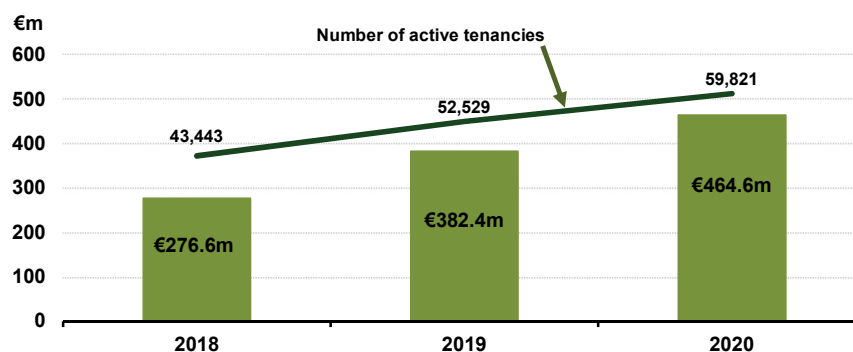
- average unit cost of a HAP tenancy nationally (and by local authority) by household classification
- percentage of exits into local authority or Approved Housing Body (AHB) managed social housing
- improvement in the quality standards of rental accommodation due to HAP, as measured by BER ratings (mandatory for most tenancies) or other relevant benchmark(s)³
- percentage of households most in need of support (perhaps the lowest three income deciles) accessing HAP, as suggested by DPER in its 2018 spending review.⁴

8.35 The Department stated that consideration can be given to the publication of a number of the suggested indicators.⁵

Trends in cost of HAP

- 8.36** The overall cost of the HAP scheme is related to the number of households supported and the average rent support paid by the Exchequer. The expenditure incurred and the number of tenancies supported between 2018 and 2020 is set out in Figure 8.4.

Figure 8.4 HAP expenditure and number of active tenancies, 2018 to 2020^{a,b}



Source: Department of Housing, Local Government and Heritage and HAP SSC. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a The Department's spending on HAP covers payments to landlords, certain administration and operational costs incurred by HAP SSC and other administrative costs. Expenditure is shown net of differential rent paid by tenants.
 - b Expenditure incurred on HAP is offset by the collection of differential rents from tenants. The amount of differential rent paid is directly linked to the household income and the tenant's ability to pay — maximum net income limits apply (adjusted according to household size), with some variation across local authorities.

HAP rental limits

- 8.37** Under HAP legislation, limits for rental payments are based on the number of people in a household and an assessment of the local rental market. The current limits were set by ministerial order in 2017 (on a county by county basis) and have not been updated since.¹

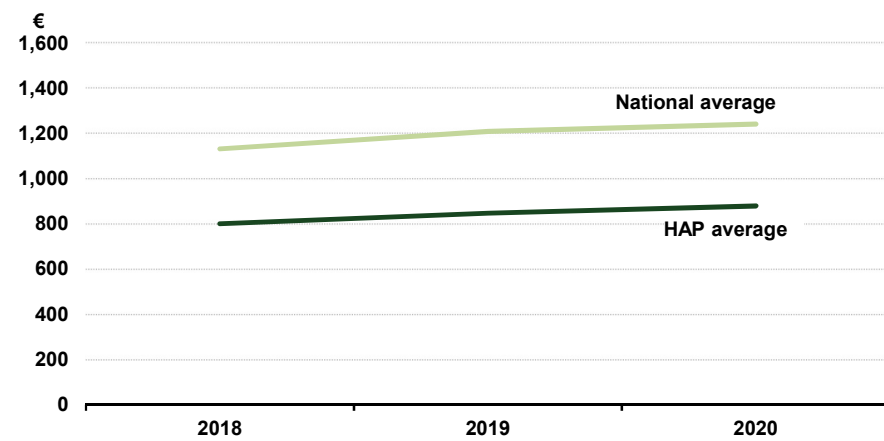
- 8.38** Where the monthly rent agreed by the tenant with the landlord exceeds the statutory maximum rent limit payable by the local authority, there are two options.

- The rent payment supported through HAP may exceed the relevant statutory maximum rent limit at the discretion of the local authority based on local rental market conditions, by up to 20%, or up to 50% in the Dublin region for those households either in, or in immediate risk of homelessness.
- The tenant pays the difference directly to the landlord.

- 8.39** The average monthly HAP payment increased from €801 per month in 2018 to €880 per month in 2020 — an increase of 9.9%. This was similar to the average rental price increase in the private rental market generally (see Figure 8.5). The largest increases over the period occurred in the local authority areas of Galway, Monaghan and Clare County Councils.

- 8.40** There has been a steady increase in the number of households receiving support, increasing from just over 43,000 tenancies in 2018 to just under 60,000 in 2020.

¹ The maximum monthly rent limits for each local authority are set out in SI No. 56 of 2017 Housing Assistance Payment (Amendment) Regulations 2017.

Figure 8.5 Average monthly rent payment, 2018 to 2020

Source: Residential Tenancies Board (RTB) *Rent Index Report* Q4 2020 and HAP SSC report Q4 2020

1 Department of Public Expenditure and Reform, *Trend Analysis: Housing Assistance Payment (2014 – 2019)*, published October 2019.

2 The Department stated that the *Programme for Government* commits to ensuring that HAP levels are adequate to support vulnerable households, while the supply of social housing is increased. *Housing for All* also commits to analysing the need to amend the level of discretion available to local authorities under the scheme, in response to the trend in the increased use of discretions.

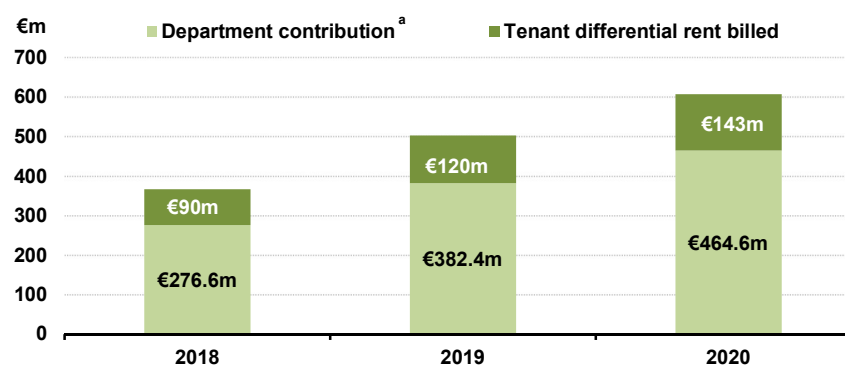
3 HAP documentation relates to the completed application form provided by the tenant to the local authority at the outset of the tenancy together with the required supporting documentation.

- 8.41** The Department noted that it closely monitors the level of discretion being used by local authorities, taking into account other sources of data, including the Residential Tenancies Board (RTB) quarterly rent data publications.
- 8.42** The use of discretions granted by local authorities has increased from 33% of tenancies in 2018 to 50% of tenancies by December 2020. However, the additional support provided does not necessarily include the full amount allowable under the guidance. The impact of the exercise of discretion on overall scheme expenditure is not significant, accounting for just 1.3% of total HAP scheme expenditure in 2020.
- 8.43** Some tenants make 'top up' payments to cover the balance between the HAP rent limit (including discretion, if applicable) and the market rent they are required to pay to secure suitable accommodation. Analysis by the Department of Public Expenditure and Reform suggests that around 28% of HAP recipients were making additional 'top up' payments to landlords in the first half of 2019.¹
- 8.44** The Department considers that the current maximum rent limits, together with the additional flexibility available to local authorities, are generally sufficient to support the effective operation of the HAP scheme.²
- 8.45** While HAP documentation captures information in respect of the rent amount at the outset of a tenancy, the collection of data in relation to the number of households making a 'top up' payment to their landlord does not form part of the standard reporting process to the Department.³

Impact of differential rent

- 8.46** The net cost of HAP to the State is affected by the value of contributions from the tenants — termed differential rents. The tenants' contribution to the cost of the scheme has fallen slightly from 25% in 2018 to 24% in 2020 as shown in Figure 8.6.

Figure 8.6 Cost of HAP, 2018 to 2020



Source: Department of Housing, Local Government and Heritage and HAP SSC.

Note a The Department's contribution includes operational and administration expenses.

Collection rates

- 8.47** The Department has stated that HAP quarterly reports on differential rent show collection rates of 96% – 99% pre Covid-19.
- 8.48** Controls are in place to ensure that the Department (through the local authorities) collects the differential rent owed by tenants. If a tenant is not able to repay the outstanding balance, the Department ultimately bears the cost. The evidence is that local authorities have been relatively effective in recovering these amounts.
- 8.49** By the end of 2020, 9.7% of active tenants were in arrears in respect of their differential rents, compared to 3.8% at the end of 2019 — under HAP SSC's debt management process, tenants are considered to be in arrears when they owe three or more weeks of rent. The Department noted that the increase is primarily due to the impact of Covid-19.
- 8.50** At the end of 2020, arrears totalling €2.1 million were owed by 5,826 HAP tenants. Of these, one fifth had entered into repayment plans. From the inception of the scheme to the end of 2020, 1,376 tenancies have been terminated because of non-payment of differential rent (5.1% of all exits). Where the debt remains outstanding for more than six months after the tenancy has ceased, it is written off. Bad debts account for less than 0.1% of total scheme expenditure.
- 8.51** The scheme aims to deliver housing support economically. While information on the cost of HAP, the average payment to landlords and the average differential rent paid by tenants is readily available, there is a lack of information on the value for money offered by the scheme.

Conclusions and recommendations

- 8.52** The HAP scheme has grown in the relatively short period since its establishment to the position where it represents a major element in the State's system of support for households dealing with difficulties in meeting their accommodation needs with the resources otherwise available to them.

HAP governance structures

- 8.53** The oversight and management of HAP is complicated by the number of parties involved. The examination identified a number of opportunities for improvements in the governance arrangements.

Recommendation 8.1

The Department should review the current oversight and management arrangements in place to ensure that they are 'fit for purpose' and reflect good practice. This review should include

- a review of the terms of reference for the HAP Oversight Group so that the output of the Group is more clearly defined
- introducing a control to ensure that the effectiveness of the arrangements in place between HAP SSC and the local authorities, and HAP SSC and the Department, are reviewed on a regular basis; and
- updating the agreement in place between HAP SSC and the Department to include more specific inputs and outputs.

Accounting Officer's response

Agreed.

In 2020, the Department instigated a review of the current governance structures of HAP, with the assistance of the Housing Agency. An external consultant examined the existing structures and has submitted a final draft of the review report. The Oversight Group met on 7 September 2021 to formally adopt the report and to begin implementing a revised governance structure for HAP. Once adopted, implementation of the recommendations will address the matters raised above.

Control over HAP

- 8.54** There is a well-established control framework in place in relation to risk management, the collection of tenants' rent contributions and data management. There is scope for the administration of the scheme to be improved, including in respect of controls at take-on of claims, reviews of claims in payment and estimation of the incidence of suspected fraud and error (if any) affecting the scheme.

Recommendation 8.2

The Department should develop an anti-fraud policy for HAP and implement a process of formal departmental control reviews and surveys to identify the incidence of error and suspected fraud in payments.

Accounting Officer's response

Agreed.

The management of the local authorities are responsible for the design, implementation and maintenance of an internal control system to prevent and detect errors and suspected fraud. In addition, the Local Government Audit Service audit of HAP SSC selects a number of HAP payments, to test for eligibility and to check that the rent calculation was correct.

The Leasing, HAP and RAS Unit within the Department also began to examine the feasibility of carrying out checks in local authorities earlier in 2021, to ensure a greater level of oversight of HAP expenditure. This process will be prioritised in 2021, in response to this recommendation. The Department will, as suggested, consider the adoption of certain measures used by the Department of Social Protection, such as a regime of formal control reviews and control surveys to detect the incidence of official error, applicant error and suspected fraud in payments. The Department will also consider the development of an anti-fraud policy for the scheme.

Monitoring the effectiveness of HAP

- 8.55** HAP aims to cater for households with a long-term housing need in a unified system of support. However, while targets are set for the creation of new tenancies, the Department does not use information available to report on how many households are identified as being in need of support and how many are actually receiving that support. This hinders evaluation of the effectiveness of the scheme.
- 8.56** The number of active tenancies at end 2020 represents around 70% of overall tenancies set up under HAP since its inception in 2014. By 2020, more than one third of exits from HAP tenancies were related to transfers to other forms of social housing.
- 8.57** Under the HAP scheme, inspections are required to be carried out or arranged on all HAP accommodation within specified timelines. The Department does not have information on the proportion of proposed HAP tenancies actually inspected by local authorities or on the results of those inspections.

Recommendation 8.3

Given the level of Exchequer spending on HAP, the Department should ensure that it has sufficient appropriate information in relation to the quality of rental properties availed of for the scheme. This will require the development of a comprehensive framework for capturing and reporting on the quality of HAP accommodation.

Accounting Officer's response

Agreed.

This is an aspect of the scheme that the Department recognises is lagging, despite the detailed data collected on all other aspects of the HAP scheme.

Discussions have taken place in relation to improving the data set available to the Department and we will continue to work to resolve the issues that prevent sufficient appropriate information being readily available in relation to the quality of rental properties within the scheme.

- 8.58** Information published by the Department, while useful, is limited in facilitating an assessment of the effectiveness of the scheme. Only two specific key high level HAP metrics are published as part of the Department's revised estimates.

Recommendation 8.4

The Department should consider expanding the range of performance information routinely published to increase transparency around the scheme.

Accounting Officer's response

Agreed.

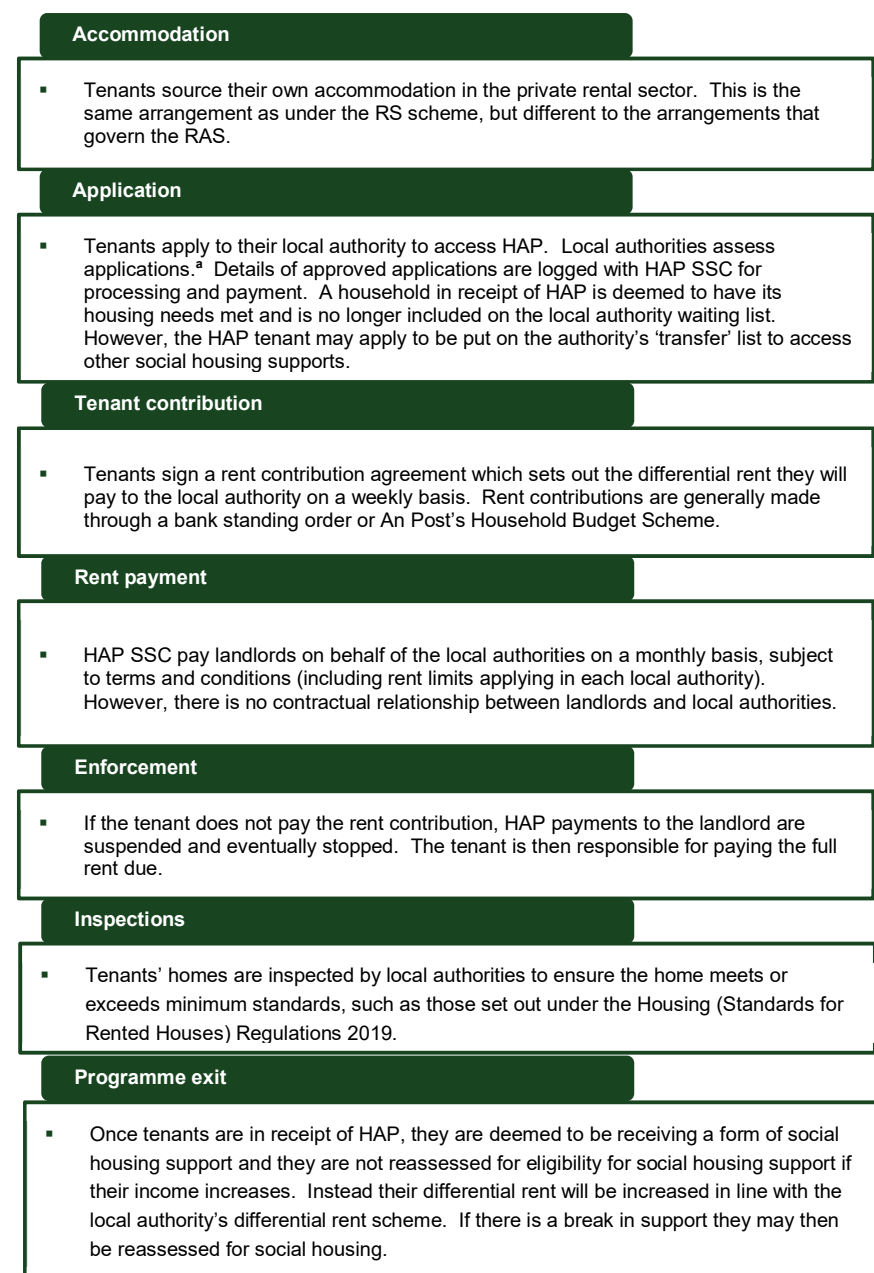
Following the publication of the new housing plan, *Housing for All*, consideration is being given by my Department to the publication of appropriate performance information and this recommendation will be considered in that context.

Cost of HAP

- 8.59** Just under 60,000 households were receiving support under the HAP scheme at end 2020.
- 8.60** The cost of HAP to the Exchequer — almost €465 million in 2020 — is net of contributions collected from tenants — referred to as differential rent. Notwithstanding increasing market rental costs, the maximum rents payable under HAP have not been revised since 2017. The average monthly HAP payment to landlords has increased by around 10% between 2018 and 2020.
- 8.61** Some tenants also make additional 'top up' payments to cover any difference between the rent payable to the landlord and the maximum rent payable by the State. A review by the Department of Public Expenditure and Reform found that around 28% of HAP tenants were making 'top up' payments to landlords in the first half of 2019. There is no up to date data available on the extent of these payments and they are not routinely tracked by the Department.

Annex 8A

Figure 8A.1 Overview of HAP process



Source: HAP guidance published by the Housing Agency. Analysis by the Office of the Comptroller and Auditor General.

Note: a To qualify for HAP, a household must be qualified for social housing support by its local authority and be placed on a housing list. The social housing assessment will take into consideration a number of factors, including household income, previous rent arrears, the suitability of current accommodation, mortgage sustainability (if applicable) and whether the household is in receipt of rent supplement.

Figure 8A.2 Controls relating to HAP**Local authority controls**

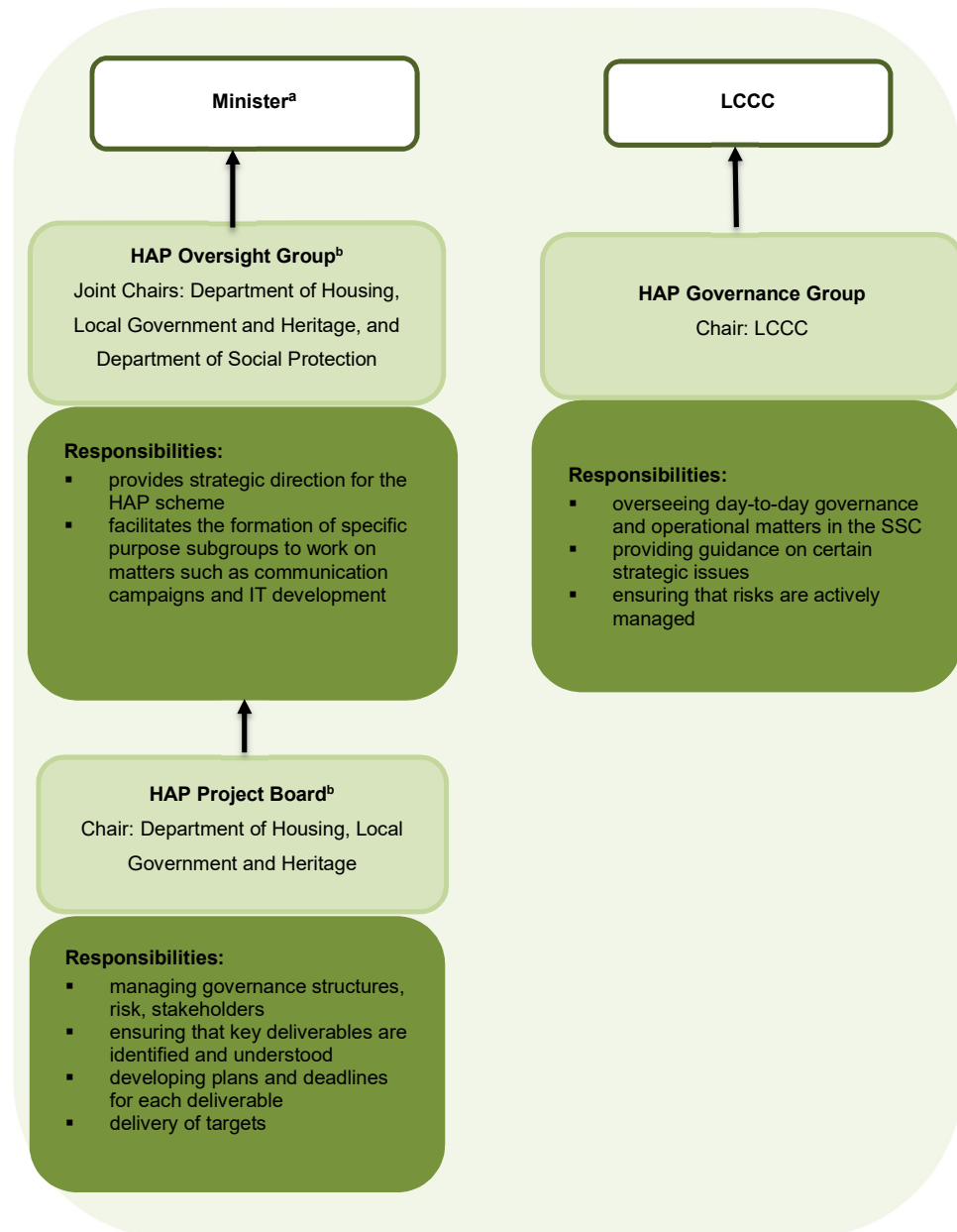
- Various 'take-on' checks are completed by the local authorities. These tests include confirming that:
 - the tenant is eligible for HAP, with reference to the social housing list or social housing needs assessment
 - the rent payment to the landlord falls within the permitted limits (including discretion, if applicable)
 - the differential rent calculation has been completed and is correct
 - the tenant has been taken off the housing waiting list and entered onto the transfer list
 - all appropriate documentation is complete, on file and has been signed, including application form and rent contribution agreement.

HAP SSC controls

- HAP SSC's Quality Management System (QMS) involves several tests to mitigate the risk of fraud and error. These tests include checking that:
 - the Personal Public Service Numbers (PPSNs) of tenant and landlord are correct, using DSP and Revenue systems respectively
 - the proof of property ownership is up to date and valid
 - the landlord is tax compliant
 - the tenant is not in receipt of rent supplement, using DSP systems
 - the rate of landlord payment is correct
 - bank details and contact details have been supplied
 - all relevant documentation is on file.
- The SSC is also subject to internal audit, and review by LCCC's HAP Governance Group and LCCC's audit committee.

Source: Department of Housing, Local Government and Heritage and HAP SSC. Analysis by the Office of the Comptroller and Auditor General.

Annex 8B HAP governance and oversight arrangements as at 31 December 2020



Source: Memorandum of Agreement. Analysis by the Office of the Comptroller and Auditor General.

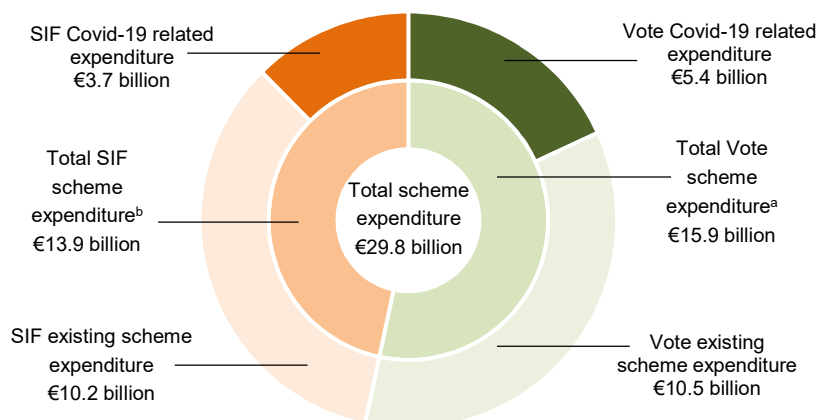
Notes:

- a The Department communicates with the local authorities about HAP through circulars and guidelines.
- b The Oversight Group and Project Board include representatives from the Department of Social Protection, Department of Public Expenditure and Reform, Local Government Management Agency, local authorities and the Housing Agency.

9 Regularity of social welfare payments

- 9.1** The Department of Social Protection (the Department) is required to ensure that the expenditure it incurs has been applied for the purposes for which the money was made available by Dáil Éireann, and that its financial transactions conform with the authorities under which they purport to have been carried out. Financial transactions are considered to be 'regular' when both of these conditions are satisfied.
- 9.2** Any payments in excess of claimants' entitlements under the terms of welfare schemes are, accordingly, irregular. Such excess payments can arise due to fraud, claimant error or official error (see Annex 9A).
- 9.3** The level of expenditure incurred each year by the Department means that even a small incidence of error and suspected fraud can result in a large monetary loss to the Exchequer, which funds Vote 37 Social Protection, or to the Social Insurance Fund (SIF), which is funded by social insurance contribution receipts.
- 9.4** From 2013 to 2019, the Department incurred expenditure of approximately €20 billion each year, under about 80 schemes and programmes. During 2020, the response to the Covid-19 pandemic had very significant impacts on the Department's operations.
- **Introduction of emergency schemes:** The Department funded expenditure totalling €9.1 billion in 2020 in relation to four new schemes introduced to provide supports to individuals whose income was adversely affected by restrictions imposed to reduce the impacts of the pandemic. Two of the schemes — the pandemic unemployment payment (PUP) and enhanced illness benefit (EIB) — were implemented by the Department. Two other schemes — the temporary wage subsidy scheme (TWSS) and the employee wage subsidy scheme (EWSS) — were administered by the Revenue Commissioners (Revenue), but were funded by the Department.¹
 - **Suspension of certain scheme controls:** The Department's compliance and anti-fraud strategy covering the period 2019 to 2023 includes a comprehensive set of controls and measures aimed at preventing, deterring and detecting fraud and error. Implementation of the Department's control regime for existing schemes was affected by operational restrictions imposed during 2020 due to Covid-19.
- 9.5** In 2020, the Department's gross expenditure totalled €31.3 billion, of which €757 million related to administration expenses and €717 million that was paid to the National Training Fund. A breakdown of scheme expenditure is provided in Figure 9.1.

¹ Revenue has administrative (including compliance) responsibility for the TWSS and EWSS. Accordingly, the application of controls for those schemes is a matter for Revenue.

Figure 9.1 Vote and SIF scheme expenditure in 2020

Source: Department of Social Protection

Notes: a Departmental administration expenses have been excluded.
 b Payments from the SIF to the National Training Fund have been excluded as these are amounts collected on behalf of the Department of Education to 21 October 2020 and thereafter on behalf of the Department of Further and Higher Education, Research, Innovation and Science.

- 9.6** A large proportion of the Covid-related supports in 2020 were accounted for by the PUP scheme and the TWSS. An examination of a sample of PUP claims provides an indication that the level of irregular payment for that scheme in 2020 is likely to have been material. Findings in that regard are presented in chapter 11. As at the end of July 2021, subsidies totalling €311 million, 11% of the TWSS total outlay, had been identified by Revenue as repayable, of which €18 million was outstanding for recovery. Findings in that regard are presented in chapter 12.

Control surveys

- 9.7** The Department's compliance and anti-fraud strategy includes undertaking 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.
- 9.8** 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 — to a 95% confidence level — 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 overpayment 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.

9.9 Control surveys have not been undertaken in relation to some existing schemes or in relation to the new Covid-related schemes implemented in 2020.¹ Nevertheless, the majority of the Department's scheme expenditure in 2020 was on schemes that have been covered by control surveys in recent years (see Figure 9.2).

Figure 9.2 Coverage of control surveys^a, expressed as a percentage of overall expenditure in 2020

Source of funding	As % of expenditure on existing schemes	As % of total scheme expenditure (including on Covid schemes)
Vote	84%	56%
SIF	90%	66%
Total	87%	61%

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

Note: a Coverage provided by control surveys published since January 2012.

Implications of control surveys for audits

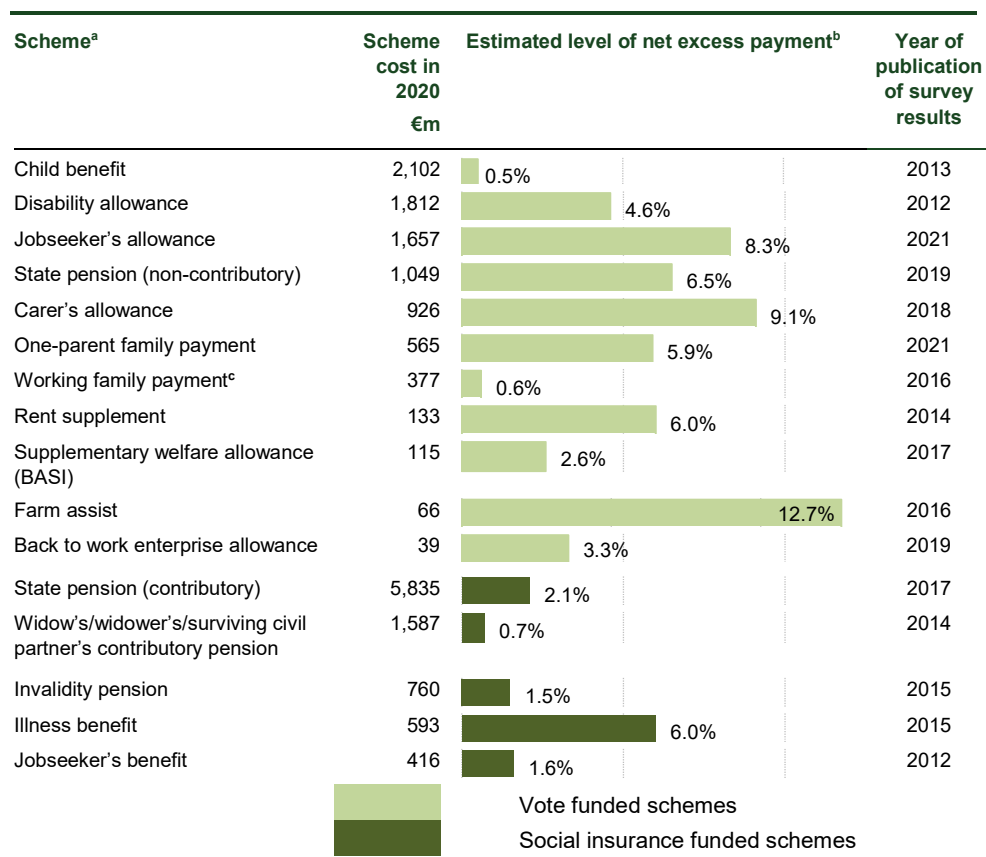
9.10 Figure 9.3 shows the expenditure in 2020 on Vote and SIF schemes in respect of which control surveys have been undertaken (at least once) since 2012 and the level of irregular payment identified. There is wide variation in the level of excess payments found by surveys.

- In relation to Vote funded schemes, apart from child benefit which is a universal payment (i.e. not means-tested), estimated rates of net excess payments range from 0.6% of scheme expenditure (working family payment) to 12.7% of scheme expenditure (farm assist).
- There is also wide variation in the level of excess payment in the SIF schemes surveyed. Estimated rates of net excess payments for these schemes range from 0.7% (Widow's/widower's/surviving civil partner's contributory pension) to 6% (illness benefit).

¹ The Department has stated that as the PUP scheme is now being wound down, a control survey of the PUP scheme would be of limited use in relation to the amendment of scheme controls.

9.11 The level of irregular payments found by the Department's control surveys is material. Accordingly, I have referred in my audit reports on the 2020 appropriation account for Vote 37 Social Protection and on the 2020 financial statements of the SIF to the material level of irregularity of scheme payments.

Figure 9.3 Estimated level of irregular payments in schemes subject to control surveys published between 2012 and 2021



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

- Notes:
- a The household benefits survey in 2016 is not included because the survey only related to beneficiaries not in receipt of another welfare payment and represented only 7% of those in receipt of the benefits package. Since 2016, schemes representing a further 62% of household benefit recipients have been examined as part of control surveys for State pension (contributory), State pension (non-contributory) and carer's allowance — the Department estimates the error rate in respect of entitlement to the benefits package for the schemes surveyed to be 1.3% by value.
 - b Net excess payment is the value of 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.
 - c Previously known as the family income supplement.

Control surveys recently published

Jobseeker's allowance

- 9.12** In January 2021, the Department published the results of a control survey of the jobseeker's allowance scheme. The survey examined 900 claims in payment in 2019 in two batches — 602 claims in April 2019 and 298 claims in September 2019. This is the first 'rolling' survey the Department has published — the Department stated that in future years, batches of claims will be surveyed quarterly.
- 9.13** The control survey found the gross excess payment level to be 8.6% of expenditure on the sampled cases.¹ Payments in excess of entitlement were identified in 17.1% of the claims surveyed. Transfers to other schemes of 0.3% of scheme expenditure resulted in a net excess payment level of 8.3%.²
- 9.14** The control survey also found that in a further 2.3% of claims examined, an underpayment was identified (to the combined value of 0.4% of expenditure on the sampled cases).
- 9.15** The level of net excess payment detected by the survey is high at 8.3%. The Department has outlined a number of steps that it plans to take in order to address the key scheme risks identified as part of the survey and to improve the controls over jobseeker's allowance (see Figure 9.4).

Figure 9.4 Jobseeker's allowance — control survey findings and control changes

Scheme risk	Proposed changes to control regime
Claimant not informing the Department of change in means	Implement a maximum interval of three years between reviews for claimants with means and five years for claimants with no declared means. Run an awareness campaign to remind claimants to advise the Department when their means change.
Increased risk associated with longer duration claims paid via EFT	Utilisation of the Department's Special Investigations Unit to target high risk sectors, non-residency, and concurrent working while claiming support.
Higher risk of overpayment where claim includes casual employment	Exploring the use of data analytics techniques to identify higher-risk casual jobseekers (around 2,000 cases were selected in early 2020, of which 300 cases resulted in savings to the Department).
Claimant declaration where married/co-habiting and/or having dependents	Exploring the use of data analytics techniques to improve detection rates across schemes.

Source: Department of Social Protection

¹ The main causes of excess payments were incorrect customer means (3.9% of scheme expenditure), a failure by the customer to provide the required information (2.4% of scheme expenditure) and a failure to meet eligibility criteria (2.1% of scheme expenditure).

² The previous control survey of jobseeker's allowance, published in 2014, identified a net excess payment level of 3.5%. The Department has stated that the 2014 control survey is not comparable to the most recent survey due to differences in methodological approach when the surveys were conducted.

One-parent family payment

- 9.16** Also in January 2021, the Department published the results of a control survey of the one-parent family payment. The survey examined 600 claims in payment in August 2019.
- 9.17** The control survey found there was excess payment in 21% of the claims surveyed. The estimated gross and net excess payment level was 5.9% of expenditure on the sampled cases.^{1,2}
- 9.18** The control survey found that in a further 15.5% of claims examined, an underpayment was identified (1.3% of expenditure on the sampled cases).
- 9.19** The scheme risks and the proposed changes to the control regime arising from the survey are set out in Figure 9.5.

Figure 9.5 One parent family allowance — control survey findings and control changes

Scheme risk	Proposed changes to control regime
Claimant not informing the Department of change in means	A review of the survey findings was conducted by the relevant operational and policy managers — the review included consideration of changes to scheme rules. Following the review of the survey findings, the Department have no plans to change the rules or policies.
Misinterpretation of scheme rules by staff	Guidance was re-issued to deciding officers and social welfare inspectors to ensure correct application of scheme rules.
For claimants aged 25 years and higher, the risk of co-habiting was higher	A review of policy in relation to the frequency of claim reviews will be carried out. Provision of models by the business analytics unit to assist in the selection of cases for review.

Source: Department of Social Protection

1 The main causes of excess payments were a failure to meet eligibility criteria (2.4% of scheme expenditure), incorrect customer means (1.9% of scheme expenditure), and a failure by the customer to provide the required information (1% of scheme expenditure).

2 The previous control survey of the one-parent family payment scheme, published in 2012, found a net excess payment level of 2.7%. The Department has stated that the results of the 2012 and 2019 control surveys are not comparable due to differences in methodological approach.

- 9.20** The re-issuing of guidance to deciding officers to address the risk of misinterpretation of scheme rules by the Department's staff is unlikely to significantly improve controls — only 0.5% of the 5.9% of irregular payments detected resulted from official error. In respect of the risk of co-habiting for claimants aged 25 years and over, the work of the business analytics unit is likely to assist in the risk-assessment of cases selected for review.

Impact of Covid-19 on scheme controls in the Department

- 9.21** The estimated level of irregular payment found by a control survey is measured when the Department's control activities are operating as normal. Covid-19 impacted the Department's ability to operate some of its normal controls over its schemes when processing new applications and to conduct other control activities for claims in payment. The Department has stated that, during 2020
- the impact of public health restrictions necessitated widespread redeployment of staff to other priority work
 - restrictions on personal movement and interactions had an extraordinary impact on the labour market leading to an unprecedented increase in unemployment
 - managers of scheme areas, in conjunction with the Assistant Secretary responsible, made decisions in regard to the suspension or curtailment of certain scheme controls having considered the relevant risks, and adhering as best as possible to the health and safety restrictions.
- 9.22** The Department consider that the control regime operated during 2020 minimised the risk of irregular payment and that any of the changes made to key controls were deemed low risk.
- 9.23** Annex 9B summarises the changes made to the key controls over 14 schemes due to Covid-19 restrictions and the actions of the Department to mitigate the impact of the changes and to restore those controls. The examination reviewed the changes made to key controls and assessed the impact of these changes on the estimated level of irregular payment by scheme.
- 9.24** Of fourteen schemes assessed for this examination, none were found to be likely to have a material increase in the level of irregular payments at a scheme level due to the changes made to key controls as a result of Covid-19.

Recovery of overpayments

- 9.25** Where an excess payment is found by the Department, an overpayment may be raised. The recovery of overpayments was suspended in March 2020 and recommenced in June 2020. The Department has confirmed that excess payments identified by the Department in 2020 have all been reviewed and raised as overpayments where appropriate.

Controls over enhanced illness benefit scheme

- 9.26** The enhanced illness benefit scheme is one of the new Covid-19 related schemes introduced in March 2020. This was not included in the examination's review of key controls over existing schemes that changed in 2020. This scheme was available to employees and the self-employed who could not work in the short term due to being Covid-19 positive or being medically certified to self-isolate or restrict their movements. Scheme expenditure in 2020 was €57 million. As part of the audit of the Social Insurance Fund's 2020 financial statements, a review of the enhanced illness benefit scheme was undertaken. The audit found that the required recent PRSI contribution history of claimants was not checked before the claim was put into payment, giving rise to a risk of irregular payment where claimants did not meet the eligibility conditions. The Department has stated that it will conduct an analysis of a number of high-risk customers on EIB, to confirm their eligibility.¹

¹ Eligibility for enhanced illness benefit requires the claimant to have at least one paid qualifying social insurance contribution in the four weeks immediately prior to claiming payment and claims must be supported by a medical certificate from a doctor — payment is generally for a two week duration, with a maximum 10 week payment duration in exceptional circumstances.

Conclusions

Material excess payments

- 9.27** The available evidence points to a material incidence of payments in excess of the entitlements of claimants under many welfare schemes. This has been confirmed by the level of irregular payments found by the Department's most recent control surveys.
- 9.28** The Department made changes to the control regime following the publication early in 2021 of control surveys on the jobseeker's allowance scheme and one-parent family payment. The levels of irregular payment identified on both surveys is high and the Department will need to review the impact of proposed changes to the control environment in order to ensure that the risk of excess payment has been reduced. The proposed changes in relation to the jobseeker's allowance scheme are likely to reduce the level of irregular payment. The changes to the controls of the one-parent family payment are predominantly reliant on the greater use of data analytics.

Impact of Covid-19 restrictions on scheme controls

- 9.29** Covid-19 impacted the Department's ability to operate some of its normal controls over its schemes when processing new applications, or to conduct other control activities for claims in payment. As a result, certain scheme controls were suspended or curtailed for a period. The Department acknowledged that the risk of irregular payment increased as a result, but considered the effect on scheme expenditure to be minimal.
- 9.30** The examination reviewed the changes made in 2020 to the key controls over existing schemes and assessed the impact of these changes on the estimated level of irregular payment for 14 schemes that account for the majority of the Department's normal expenditure. The examination concurred with the Department's assessment that the control changes made were likely not to have had a significant impact on the rate of irregular payments for the schemes.
- 9.31** Many of the changes in the Department's control activity in 2020 due to Covid-19 restrictions are unlikely, at least in the short term, to have significantly increased the level of payments in excess of entitlements. Nevertheless, normal controls should be restored as soon as possible, starting with those in high value schemes.

Excess payments on temporary Covid-19 schemes

- 9.32** An examination of a sample of PUP claims provides an indication that the level of irregular payment for that scheme in 2020 is likely to have been material. Findings in that regard are presented in chapter 11. As at the end of July 2021, subsidies totalling €311 million, 11% of the TWSS total outlay, had been identified by Revenue as repayable, of which €18 million was outstanding for recovery. Findings in that regard are presented in chapter 12.
- 9.33** As part of the audit of the Social Insurance Fund's 2020 financial statements, a review of the enhanced illness benefit scheme was undertaken — expenditure in 2020 was €57 million. The audit found that the required recent PRSI contribution history of claimants was not checked before the claims were put into payment, giving rise to the risk of irregular payment where claimants did not meet the eligibility conditions. The Department has stated that it will conduct an analysis of a number of high-risk customers on EIB, to confirm their eligibility.

Annex 9A

Categorisation of irregular payments:

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

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

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

Annex 9B

Figure 9B.1 Covid-related changes to key welfare scheme controls, by scheme

Scheme category/name (2020 expenditure)	Changes to key controls over schemes
Pensions	
State pension contributory (€5.8 billion)	From March 2020 until May 2021, the Department suspended reviews of eligibility for non-resident claimants. About 12% of the 450,000 claimants are non-resident and deemed to be the highest risk group — 4.2% of non-resident claimants had irregular payments in the last control survey of this scheme. Under the Department's control regime, one fifth of non-resident claims were reviewed annually. This equates to approximately 10,000 reviews annually, representing just over 2% of the total claimant population.
Non-contributory State pension (€1 billion)	For claims in payment, 12,000 control reviews were planned for 2020 representing about 13% of the claimant population. Just over half of the planned control reviews were conducted.
Widow's/widower's/surviving civil partner's contributory pension (€1.6 billion)	Due to restrictions on personal movement, claimants aged over 70 were excluded from the continuing eligibility reviews in 2020 — these claimants are not deemed to be in the high risk category — 0.7% of claimants had irregular payments in the last control survey of this scheme. All age cohorts are included in reviews in 2021.
Working age income support	
Jobseeker's allowance (€1.7 billion) Jobseeker's benefit (€0.4 billion)	<p>From mid-March 2020, due to restrictions on personal movement, applicants submitting new claims were not required to be SAFE2 registered (identify verification process) — 10,250 jobseeker's allowance claims and 16,000 jobseeker's benefit claims were awarded in 2020 where the claimant was not seen face-to-face. At end of December 2020, around 4,600 (over 3%) jobseeker's allowance claimants and 6,300 (15%) jobseeker's benefit claimants were not SAFE2 registered — as of end of July 2021, the Department is engaged in having the remaining claimants SAFE2 registered.</p> <p>A normal control is that some claimants in receipt of a payment are asked to sign-on at local offices on a periodic basis: from mid-March 2020, signing-on was suspended, as the likelihood of working while claiming was reduced given the impact Covid-19 had on the labour market.</p> <p>8.3% of jobseeker's allowance payments and 1.6% of jobseeker's benefit payments were irregular in the last control surveys of these schemes — jobseeker's allowance claimants not informing the Department of a change in means was one of the main reasons for irregular payments.</p>
One parent family payment (€565 million)	A key control of this scheme is that all claims are subject to an annual review. No such reviews were conducted in 2020. The most frequent cause of ineligible payment is due to incorrect means — 5.9% of payments were irregular in the last control survey conducted of the scheme.
Maternity benefit (€258 million)	From mid-March 2020, quality control checks to ensure accuracy of processing of new claims were carried out by a lower grade member of staff, at a reduced level and conducted later than normal.

Figure 9B.1 Covid-related changes to key welfare scheme controls, by scheme(continued)**Working age employment support**

Community employment (CE) programme (€341 million)	From mid-March 2020, due to restrictions on personal movement, during lock-down periods, CE participants and supervisors were paid without having to attend their places of work.
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Supports for children

Child benefit (€2.1 billion)	<p>From mid-March 2020, all new claimants were required to submit their application online rather than in-person, which reduced the assurance that the claimant remained resident in the State.</p> <p>Control reviews of 36% of claimants were conducted in 2020, a total of 229,000 control reviews. This was less than the target of circa 50% set in the Department's control regime — 0.5% of claimants had irregular payments in last control survey of this scheme.</p>
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Illness, disability and carers

Disability allowance (€1.8 billion)	In-person medical reviews and means testing were suspended in March 2020 and have not resumed as at end of June 2021. Telephone medical assessments commenced in June 2020 to mitigate the impact of not conducting in-person medical assessments.
Carer's allowance (€926 million) and carer's benefit (€49 million)	Control activities on claims in payment, such as medical reviews and means testing, were suspended in March 2020 and recommenced in June 2020 — 69% of the 6,000 reviews planned for 2020 were conducted. Under the Department's control regime 6.5% of all claimants are reviewed annually.
Illness benefit (€593 million)	There were no in-person medical assessments conducted from March 2020. Telephone assessments commenced in June 2020 — the Department's medical assessors consider telephone assessments to be a robust method of assessment. The rate at which claims reviewed were deemed ineligible fell from 12% in 2019 to less than 6% in 2020. From November 2020 to mid-July 2021, an ineligibility rate of 21% of claims reviewed was detected by telephone assessments.

Other schemes

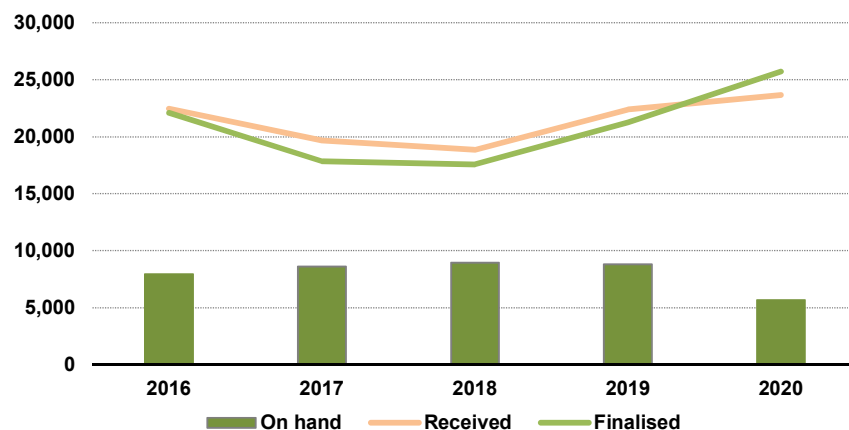
Rent supplement (€133 million)	Standard controls over this scheme include checking that the claimant must have been paying rent for six months in the property (to ensure rent was within means) and conducting home visits — these controls were suspended from mid-March 2020 and remain suspended as of end of June 2021.
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Source: Analysis by the Office of the Comptroller and Auditor General

10 Management of social welfare appeals

- 10.1** The Department of Social Protection (the Department) oversees the provision of income support and other social services under a wide range of schemes.
- 10.2** When a person applies for income support under one of the Department's statutory schemes and is refused, s/he can in most cases appeal the decision to the Social Welfare Appeals Office (the Appeals Office).¹ The Appeals Office also receives appeals in relation to other decisions made by the Department, such as on the insurability of employment and on the back-payment of entitlements.
- 10.3** In addition to making a formal appeal to the Appeals Office, claimants have the right also to request the Department to review a decision. The request to review the same decision can be made at the same time as an appeal is lodged. The Department does not separately record the number of decisions it reviews by way of claimant requests other than record that a new 'revised' decision was made.
- 10.4** The Department has stated that the total number of decisions on welfare claims made in 2020 was approximately two million and that the appeal rate for 2020 was 1.3%.² Over 40% of the appeals received were accounted for by just two income support schemes: disability allowance which represented over one quarter of appeals; and the carer's allowance scheme which accounted for 15% of the total appeals received.
- 10.5** In 2020, just under 26,000 appeal decisions were finalised — an increase of 21% from 2019 (see Figure 10.1).³ The number of appeal cases on hand reduced significantly during 2020.

Figure 10.1 Appeals received and finalised in year and on hand at year-end, 2016 – 2020



1 Decisions in respect of certain entitlements, such as fuel allowance, are not appealable to the Appeals Office. Claimants can seek a review by the Department of decisions not within the remit of the Appeals Office.

2 The total number of decisions made by the Department annually include new claim, claim review and maintenance decisions made throughout the lifetime of a claim, all of which are appealable.

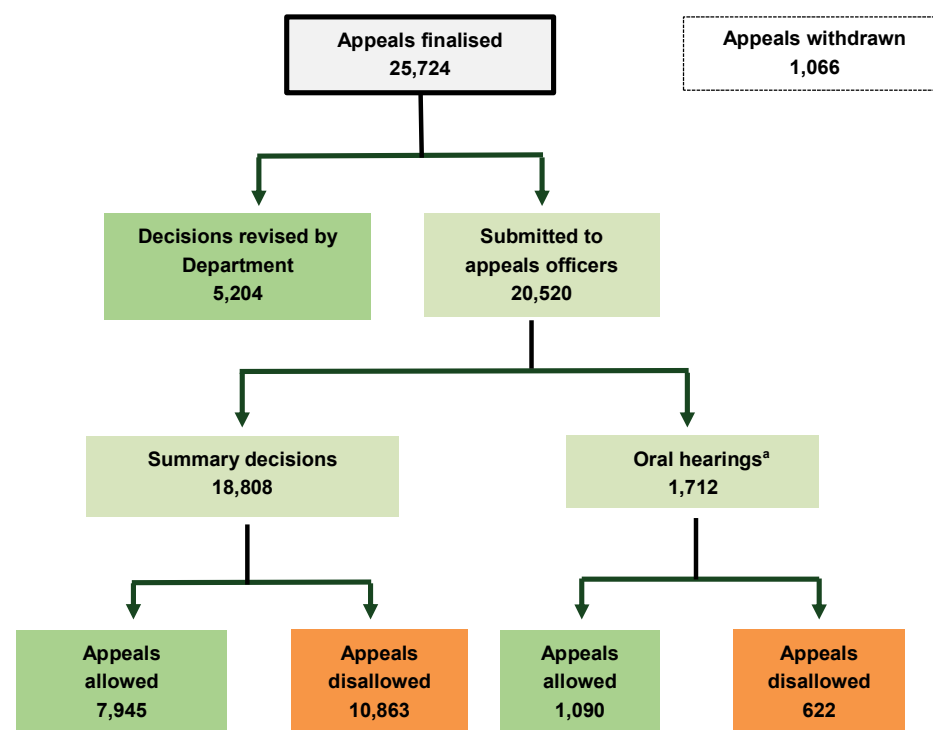
3 In 2020, 25,724 appeals decisions were finalised. This figure excludes 1,066 cases that were withdrawn.

Source: Social Welfare Appeals Office

Disposal of appeals

- 10.6** When a claimant submits an appeal, it goes, in the first instance, to the Department where the original deciding officer in the case, or another deciding officer, has the opportunity to review the decision e.g. to consider whether any new or additional information has been provided that was not included in the original decision. If the decision is not revised, the Department sends the appellant's file to the Appeals Office.¹
- 10.7** In the Appeals Office, the appeal can be decided 'summarily' by way of a desk review by the appeals officer, or through an oral hearing where the appellant can make their case in-person.
- 10.8** In over half (55%) of the appeal cases finalised (including revised decisions by the Department) in 2020, the original decision was amended.² In over one third of these successful finalised cases, the original decision was amended on review by the Department. Figure 10.2 shows how cases were disposed of in 2020.

Figure 10.2 Appeal cases finalised in 2020



¹ A revision involves the deciding officer amending an element(s) of their original decision.

² There are a number of different elements to any decision e.g. means assessment, rate of payment, medical criteria and capacity for work. These elements can be appealed individually or in any combination. The outcome of an appeal may disallow, allow or partially allow the element(s) appealed by the claimant. The appeal may result in a revised decision on that element but may not change the overall allow/disallow decision.

Source: Department of Social Protection

Note: a From October 2020, as a result of the pandemic restrictions, a small number of telephone and video conference call hearings were held in lieu of in-person hearings and deemed to be oral hearings.

Objectives of examination

- 10.9** In respect of the decisions appealed to the Appeals Office, this chapter
- evaluates whether the Appeals Office has a fair, transparent and efficient appeals system¹
 - assesses the extent to which the Department analyses the characteristics of successful appeals and uses that information to improve its operations.
- 10.10** The examination reviewed a randomly selected sample of 75 appeals finalised in 2019 across three different schemes — invalidity pension, disability allowance and domiciliary care allowance.² These schemes were selected due to their relatively high rates of appeal.

Operational basis for the Appeals Office

- 10.11** Legislation provides for the statutory right to appeal and the appointment by the Minister, within the Department, of appeals officers, a Chief Appeals Officer and a Deputy Chief Appeals Officer.³ Like deciding officers in the Department, the designation and independent decision-making role of appeals officers is set out in legislation.⁴ The Chief Appeals Officer submits a report detailing the activity of the Appeals Office to the Minister each year.⁵
- 10.12** The Chief Appeals Officer and the Deputy Chief Appeals Officer are supported by around 40 other appeals officers and 40 administrative staff. In addition,
- the Chief Appeals Officer is a member of the Department's Management Board, which is chaired by the Secretary General
 - the Appeals Office funding and the target for number of appeals on-hand at the end of the year are included as part of the Department's annual revised estimates
 - the Appeals Office's staffing levels are set by the Department, with HR and staff recruitment organised by the Department in the same way as for other civil servants in the Department.
- 10.13** Appeals bodies in respect of the decisions of civil service departments and offices operate using different models. Some function independently of the body whose decisions they review, while others operate as units within their respective departments but remain independent in their decision making. For example,
- The Tax Appeals Commission is a body corporate and has its own Vote.⁶ The chairman of the Commission is the Accounting Officer and is appointed by way of an external, open competition.
 - The Agriculture Appeals Office is not a separate body but is part of the Department of Agriculture, Food and the Marine. However, legislation requires its Director to be appointed by way of an external, open competition, with legislation ensuring that the Director is independent in her/his decision making.

1 A summary description of the appeals process is presented in annex 10A.

2 The 75 cases examined included three appeals that were withdrawn in 2019 before a decision had been reached.

3 Part 10, Chapter 2 of the Social Welfare Consolidation Act 2005.

4 Deciding officers are staff in the Department that are designated under legislation to decide claimants' entitlements in relation to the social insurance and social assistance provisions in the Social Welfare Acts.

5 Section 308(1) of the Social Welfare Consolidation Act 2005.

6 A body corporate is a group of people or an organisation that has a distinct legal identity.

Transparency in the appeals process

Information received by welfare claimants about decisions

- 10.14** When a claimant is refused an income support payment, s/he is informed by way of a letter from the deciding officer. Claimants who wish to appeal are required to do so within 21 days of being notified of the decision.¹
- 10.15** Deciding officers are required to provide the reason for the refusal of a claim. Each scheme area uses its own template format for its decision letter to the claimant which refers to the Act or a part of the Act as the reason for refusal in most schemes examined. All decisions issued in respect of the 75 sample appeal cases examined set out a reason for the decision that was made. However, it was notable that the information provided in respect of domiciliary care allowance decisions is more detailed than for the two other schemes.
- 10.16** The Department has pointed out that decision processes have been the subject of litigation on numerous occasions and the reasons provided by the Department for refusals have been accepted as satisfactory by the courts.
- 10.17** After lodging an appeal, the claimant may request a copy of any reports/documentation not provided by the claimant which the deciding officer used in arriving at her/his decision.

Information received by appellants

- 10.18** The appellant receives written correspondence from the Appeals Office confirming the outcome of their appeal, or from the Department confirming a revised decision. This correspondence was examined for a sample of cases as part of this examination and in all cases, irrespective of the outcome of the decision, the decision letter included an explanation for the decision.

Publication of appeal case studies

- 10.19** The Appeals Office publishes a number of case studies each year in its annual report. A total of 70 such case studies were published in respect of 2020. While not regarded as precedents, these provide useful guidance to the Department's deciding officers, and may be a useful source of information for potential appellants and/or their advisors. However, as the case studies are contained separately in each year's annual report, rather than collectively in a central database, it may be difficult for potential users to access and search the complete catalogue of past case studies.

¹ The Social Welfare (Appeals) Regulations 1998 (SI 108/1998) requires claimants to appeal within 21 days of a decision being issued. However, it also allows the Chief Appeals Officer the right to accept appeals after this deadline.

Efficiency of the appeals system

- 10.20** An efficient appeals process should ensure that appeals are finalised within a reasonable timeframe.

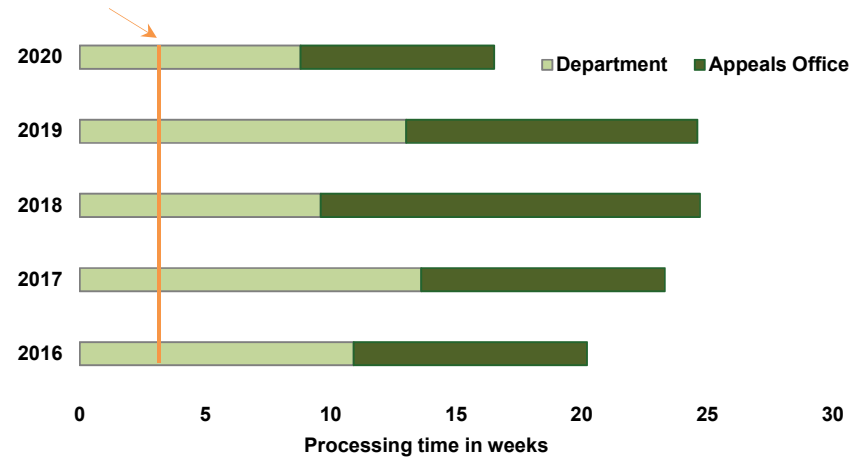
Types of decision making forum

- 10.21** Appeals may be determined in a variety of ways, as outlined in Figure 10.2.
- Appeals received are reviewed in the first instance by the Department. For around 20% of cases appealed, the Department revises its original decision and informs the appellant accordingly. Where decisions are not revised (80% of appeals received), the cases are transferred to the Appeals Office.
 - 92% of the cases finalised by the Appeals Office in 2020 were by way of a summary decision, with the balance determined following an oral hearing. This was a significant change when compared with 2019, when 65% of appeals were dealt with by way of a summary decision. Due to the Covid-19 pandemic, in-person oral hearings were suspended in March 2020 and online hearings commenced in October 2020.
- 10.22** In a summary decision, the appeal is determined on the basis of the documentary evidence. An oral hearing involves attendance by the appellant (who may be professionally represented) and may also include attendance by representatives from the Department including the deciding officer.
- 10.23** While appellants can request an oral hearing, the decision whether to allow an oral hearing is at the sole discretion of the appeals officer.¹ The Appeals Office has stated that, in practice, an oral hearing is held in situations where there is a conflict of evidence or a judgement to be made, or where there are multiple parties involved (e.g. insurability of employment). The Appeals Office does not have written procedures to guide appeals officers in making decisions about the format of the appeal procedure in individual cases.
- 10.24** In the 75 cases examined as part of this examination, only four appellants (5%) requested an oral hearing which was granted in all cases.
- 10.25** The right to an oral hearing varies across the public sector. The Agriculture Appeals Office allows the appellant the option of an oral hearing. A taxpayer has a right to have their appeal heard by the Tax Appeals Commission, but it is possible for the Tax Appeals Commission to adjudicate without a hearing, if both parties agree.

¹ Following submission of an appeal, an appellant can request an oral hearing if they wish to elaborate on some aspect of the evidence or consider that they can better make the case if they appear in person to present their evidence. However, the Appeals Office has stated that a request for an oral hearing will not be granted where it is decided that there is no prospect that additional information could be provided that would affect the outcome of the appeal.

Timeliness of appeals decisions

- 10.26** It is important that appeals occur in a timely manner. The Chief Appeals Officer routinely reports on timeliness of processing of cases at the Department's Management Board and is required to submit an annual report on the activities of the Appeals Office to the Minister for Social Protection. The report discloses the progress of cases throughout the year, the timeliness of appeal decisions and the number of cases on hand at year-end.

Figure 10.3 Average time taken to process appeals^{a,b}**Target for Department to process appeals (3 weeks)**

Source: Department of Social Protection

Notes: a Appellants are estimated to add approximately one day to the appeals processing time.
 b Includes the time taken in respect of appeal cases withdrawn by claimant at any stage in the process.

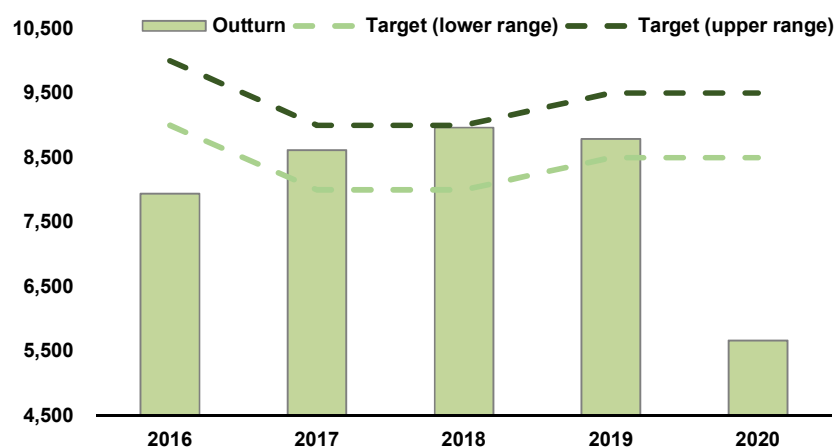
10.27 The average time to process an appeal increased from just over 20 weeks in 2016 to around 25 weeks in 2018/2019 (see Figure 10.3). However, the timeliness of the process improved markedly in 2020 — the average time taken was 16.5 weeks.

10.28 The Department has adopted a target of three weeks to review an appeal case and to dispose of an appeal — either by issuing a revised decision, or transferring the case file to the Appeals Office.¹ The Department significantly exceeded the three-week target over each of the last five years but made improvements in 2020 when the average time before a file was transferred to the Appeals Office was 8.8 weeks.

10.29 In 2020, the time taken by the Appeals Office to finalise appeals decreased to 7.7 weeks compared with 11.6 weeks in 2019. This reflects the much higher proportion of cases that were determined following a summary process in 2020. Analysis of data in relation to 2019 cases shows that appeals involving an oral hearing took four weeks longer on average than those finalised following a summary decision.

10.30 The Appeals Office has not adopted target timescales for the finalisation of appeals but does set targets in relation to the number of appeals on hand at year-end. The targets set are expressed as a range (see Figure 10.4). For 2020, the target for the cases on hand at year-end was a range of 8,500 cases to 9,500 cases. This target implies a backlog at year-end equivalent to about 33% of the work finalised in 2020 (or around 17 weeks' worth of work).

¹ The Department in reviewing original decisions may engage with a claimant to determine all relevant information relating to entitlement. The Department has stated that while this can delay the review process, it can lead to a revised decision which reduces the volume of appeals submitted to the Appeals Office.

Figure 10.4 Cases on hand at year-end, targets versus outturns

Source: Department of Social Protection

- 10.31** Between 2017 and 2019, the cases on hand were within the target ranges adopted. In 2020, the number of cases on hand at the year-end was significantly below the target range set.

Actions taken/planned to improve management of appeals process

- 10.32** The Appeals Office has stated that in order to improve the timeliness of the appeals process, it has undertaken a number of initiatives over recent years including
- improved liaison between the Department and the Appeals Office
 - additional training of appeals officers, and
 - management focus on the efficient provision of appeal files to and from appeals officers and the Appeals Office's administrative staff.
- 10.33** In addition, the Appeals Office has a 'clarification' procedure whereby certain cases are referred back to the Department if the Appeals Office believes the appellant did not understand the basis for the Department's decision. The clarification process is in place for five schemes.¹ In 2020, 696 appeals were dealt with as clarifications. Just under two thirds of these cases subsequently progressed as appeals to be determined by the Appeals Office. The remaining one third of cases that were dealt with by the clarification process are not counted as appeals unless and until they progress to a routine appeal or revision.
- 10.34** There are opportunities to enhance the efficiency of the appeals process. Appeals forwarded from the Department to the Appeals Office are paper based files. A business process review conducted in 2017 recommended an appeals modernisation project. Key functions to be provided by the project were document management, case management and the provision of management statistics. The project would enable the Appeals Office to access the Department's main claims IT system (BOMI) and reduce the volume of documentation that must be securely printed, transferred and subsequently shredded. However, as at end July 2021, there is no estimated date for the completion of the project.

¹ State pension (contributory), maternity benefit, paternity benefit, liable relatives and treatment benefit scheme. The Appeals Office stated that these schemes were targeted as the eligibility criteria are more defined than other schemes.

Quality assurance

- 10.35** In 2019 and 2020, over 20,000 appeals were finalised. The appeal outcome is determined either by a deciding officer in the Department or by an appeals officer in the Appeals Office.

Quality control of appeals officer decisions

- 10.36** The Appeals Office does not have a formal quality assurance process to review the quality of decisions. However, the Appeals Office has stated that
- A majority of the 42 appeals officers are experienced staff serving at assistant principal grade.
 - All decisions made by an appeals officer can be referred to the Chief Appeals Officer for review, either by the appellant or by the Department — 45 requests for review were received in 2020.¹
 - There is a formal training programme for appeals officers, which is led by professional trainers working with experienced appeals officers. The programme consists of a mix of e-learning, trainer delivered learning modules, mentoring and peer support.
 - A level 8 certified diploma for appeals officers has been developed with the National College of Ireland — over half of the serving appeals officers have completed this programme as of end July 2021.
 - The Appeals Office holds two conferences annually where appeals officers can discuss their work.

Quality control of deciding officer decisions

- 10.37** The Department has quality control procedures in place to review the decisions made by deciding officers most of whom are at clerical officer or executive officer grade. A sample of claims processed is examined by supervisors on a rolling basis to ensure that the Department's procedures have been followed correctly by the deciding officers, and that safeguards to ensure the accurate processing of claims were followed. These quality control procedures focus in particular on the work of less experienced staff, and on claims exceeding certain monetary thresholds.
- 10.38** The Department also has a Decisions Advisory Office (DAO) whose role is to support the scheme sections in the Department. The DAO provides advice in complex cases and detailed guidelines on decision-making and relevant legislative provisions across the organisation. The DAO is responsible for managing a central repository of up-to-date scheme and policy guidelines and an associated advice library.
- 10.39** Since the end of 2020, the DAO reports to the Chief Appeals Officer. The Department has stated this change in reporting lines is intended to strengthen the feedback loop from learnings during the appeals process into the Department's decision process and guidelines. Prior to this re-organisation, the DAO held quarterly meetings to get feedback from the Appeals Office with a view to ensuring that deciding officers are provided with the relevant guidance, advice and training to assist them in making decisions. Some of the issues addressed at these meetings have included

¹ Section 318 of the Social Welfare Consolidation Act 2005.

- setting up review groups in relation to specific schemes
- consulting with relevant stakeholders (internal and external) on legal issues for decision making and appeals processes
- examining decision letter templates to ensure sufficient information regarding the decision is provided
- communicating instances where there were lack of clarity in decision letters
- indicating that an incorrect interpretation of legislation has been made in decisions and
- highlighting that incomplete application forms had been accepted by the Department.

The Department stated that, notwithstanding the change in reporting lines, the DAO unit has continued, and will continue, to hold regular review meetings with appeals office staff to ensure feedback and learnings are documented and actioned appropriately. The Department also stated that meetings have been held on a more frequent basis as issues arise since the reporting structure has changed.

- 10.40** The DAO also uses these meetings with the Appeals Office staff to provide its own feedback about the appeals process. Concerns raised in the past with the Appeals Office include matters such as: wording used in appeal decisions that affected the Department's ability to pursue a debt; and the inconsistent approach taken by appeals officers in relation to the type of evidence required to prove residency status and interpretation of legislation.
- 10.41** From time to time, the DAO issues case study bulletins for deciding officers. However, the last DAO bulletin was issued in April 2018. Previous bulletins were drafted as a result of a Department/Appeals Office project examining jobseeker's allowance decisions in order to identify the issues that led to appeals and/or reviews of decisions. The project involved examining a number of files relating to the assessment of means.
- 10.42** The Appeals Office publishes an annual report detailing its activities and related outcomes each year. However, the Department does not include any analysis of appeal rates or decision refusal rates within its schemes in its annual report. Such analysis could help the Department increase its awareness of trends within each scheme in terms of the rate of appeal, and assist it in identifying the schemes that potentially require extra focus in terms of quality assurance and staff training.

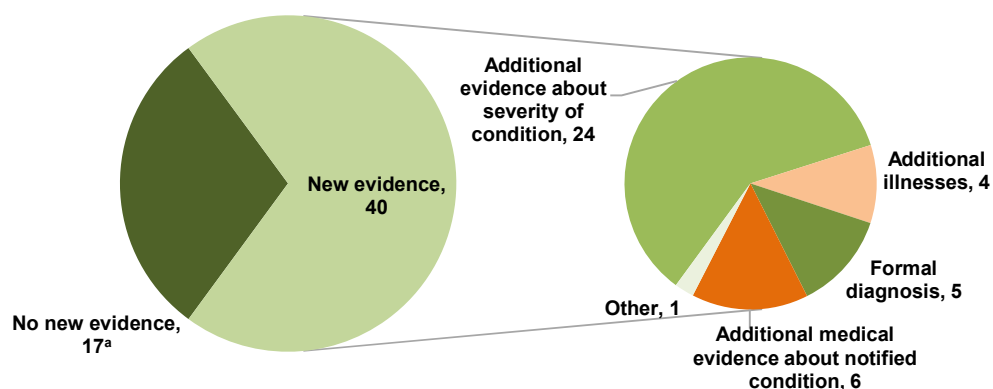
Appeal outcomes

- 10.43** The Department has stated that schemes requiring medical or social and care needs assessments are more likely to be successfully appealed because new or supplementary information is often provided by claimants at the appeal stage. The Department has stated that it has been taking steps to make claimants more aware of the type of medical, social and care needs evidence required. In this regard, the Department consults with representative groups, involving them in the design of claim forms, information guides and overall processes.¹
- 10.44** For the sample of 75 appeals cases that were examined, 57 had a successful outcome from the appellants' perspective — 20 were revised decisions made by the Department and 37 were Appeals Office decisions. The examination team analysed the documented reasons for the 57 successful appeals.

¹ For example, in respect of domiciliary care allowance, a full scheme review was completed in 2013, with input from non-governmental organisations (NGOs) and GPs (IMO). More recently, application forms and guidelines in disability allowance have been reviewed with input from NGOs. A new disability allowance application form is in the process of being rolled out.

10.45 Figure 10.5 shows the breakdown of the reasons for the 57 successful appeals. In 40 (70%) of the appeals upheld, significant additional information was provided by the appellants. In the remaining 17 cases (30%), no significant additional information had been provided by the appellants.

Figure 10.5 Analysis of reasons for successful appeals examined



Source: Office of the Comptroller and Auditor General

Note: a Two of the cases with no new evidence were appeals for the backdating of payments.

- 10.46** In four of the successful cases, information was obtained during the appeal that referenced an additional illness that was not considered in the original decision (e.g. a person was not awarded an invalidity pension on the basis of a repetitive strain injury, but later emphasised in their appeal that they also suffered from chronic back pain that prevented them from working).
- 10.47** In five successful appeal cases (four of which involved decisions by the Appeals Office), evidence that confirmed a suspected but unconfirmed diagnosis had not been available at the time of the initial refusal by the deciding officer e.g. a child whose parents were applying for a domiciliary care allowance received a specialist diagnosis of autism after the original decision.
- 10.48** In the remaining 31 cases, significant additional evidence was provided in relation to the original decision. Examples of this evidence included new documentation from experts and the evidence adduced by the appeals officers at the oral hearings, including oral testimony given by the appellant.
- In 24 cases, additional evidence was provided by the appellants to explain that their medical conditions were more severe, or impacted more adversely on their ability to work, than was apparent in their initial applications.
 - In six cases, claimants' appeals were allowed after they submitted additional information that augmented the evidence supplied in the initial application. In some of these cases, such information could have been supplied in the first instance e.g. consultant reports, MRI scans.
 - In one case, new financial evidence was supplied by the claimant who was appealing a decision to refuse a payment due to their spouse's means.

- 10.49** In respect of 26% (15 cases) of successfully appealed sample cases, no material additional information was recorded as having been provided.¹ Because evaluation and judgement is involved, it is inevitable that some differences may arise when deciding on a person's ability to work, or the level of care needed for a child. However, it was not clear in the cases examined why the appeals had been successful, when the original claims had not. The Department noted that appeals officers consider cases on a *de novo* basis rather than determining whether a deciding officer's decision is or is not correct.

Conclusions and recommendations

- 10.50** The Department issued approximately two million decisions in 2020 in respect of claims for income support and other benefits. This included decisions on new applications, reviews and maintenance decisions on existing claims in payment.
- 10.51** The Department has stated that the overall rate of appeal was around 1.3% for 2020. While the number of appeal cases is low, the impact of an appeal on the circumstances of the individual appellants (and on any dependents they may have) may be very significant. Ensuring that the social welfare appeal process is fair, transparent and efficient is therefore very important.
- 10.52** Although the Appeals Office is set up as part of the Department, it is statutorily independent in the exercise of its functions, and reports separately from the Department on its activity and performance.
- 10.53** Deciding officers are required to provide a reason to claimants who are refused a social protection payment. Of the sample appeal cases from three schemes examined for the purpose of this examination, while all decisions set out a reason for the decision that was made, it was notable that the information provided in respect of domiciliary care allowance decisions is more detailed than for other schemes.

Recommendation 10.1

The Department should review its current procedures so as to ensure that all claimants are informed clearly of the reason(s) for refusal of claims. This would allow claimants to make a better informed decision in relation to appeal.

Response from Accounting Officer

Agreed.

Existing guidelines are currently under review by the Decisions Advisory Office (DAO) and will be re-issued to all deciding officers/designated persons in due course.

The DAO has also published guidelines (last revised in July 2019) called *Reasons for Decisions*. These set out the principles for reasoned decisions in line with court rulings to assist deciding officers on providing full details of the reasons for decisions. The Department is currently reviewing all such guidelines.

- 10.54** In 2020, the majority of appeal cases were decided on the basis of summary reviews of case documentation. The percentage of appeal cases where oral hearings were held was significantly lower than in 2019. The Department has stated that due to the Covid-19 pandemic, in-person/oral appeal hearings were suspended in March 2020 and online hearings came into operation in October 2020.

¹ This excludes two cases relating to backdating of payments in respect of claims allowed by deciding officers. The Department has stated that an appeal for backdating of a claim would not necessarily involve new evidence, medical or otherwise, just justification as to why the Department should backdate the claim.

- 10.55** Oral hearings allow appellants the opportunity to put their cases in-person. The decision to grant an oral hearing rests solely with the appeals officer. The Appeals Office does not have written procedures for appeals officers outlining when an oral hearing should be held.

Recommendation 10.2

Written guidelines for appeals officers should be prepared that clearly establish the circumstances that usually result in an oral hearing being held. These guidelines should be published on the Appeals Office's website and made available to the public.

Response from Accounting Officer

Agreed.

However, under law, the decision on whether or not to hold an oral hearing is the responsibility of individual appeals officers. This will also be reviewed.

- 10.56** There were improvements in the timeliness of disposal of appeals in 2020 but it still took about 16.5 weeks to finalise cases that went to the Appeals Office. Between 2016 and 2019, the average time to resolve an appeal ranged from 20.5 to 25.1 weeks. The current system is largely paper based and there appear to be opportunities to improve timeliness through more effective use of ICT and case management systems.
- 10.57** A business process review conducted in 2017 recommended an appeals modernisation project but as at end July 2021, the project had not commenced.

Recommendation 10.3

The Department and the Appeals Office should progress as a matter of priority the appeals modernisation project. This should include the setting of a timeframe for the completion of the project.

Response from Accounting Officer

Agreed.

The finalisation of the project and the implementation of a new appeals system is a priority for the Appeals Office and for the Department. The review carried out in 2017 was a preliminary piece of work which has usefully informed the development and progress of the appeals modernisation project. This is an extensive and multi-faceted project which is much more detailed and complex than the review. Very significant work has been undertaken on the project and a request for tender to procure the required technical resources is currently being finalised.

- 10.58** Analysis of a sample of successful appeals showed that in 26% of cases, no material new evidence had been supplied.
- 10.59** In 70% of the successful appeals examined, material new evidence had been supplied. In one fifth of these cases, the new evidence pointed towards an additional illness or confirmed a previously suspected diagnosis. However, in the remaining cases, the additional information provided augmented information provided at the application stage.

- 10.60** While it is open for appellants to submit new or additional evidence, in many of the successful cases examined, when making the initial application, the claimants could have set out more clearly how the conditions disclosed impacted, for example, on their ability to work or on the time and resources needed to care for a dependent, or have included all relevant medical documentation and medical history in their original applications which would have avoided the need for an appeal.

Recommendation 10.4

The Department should carry out periodic reviews of successfully appealed cases where no new or additional material information was provided. These reviews could assist the Department in learning from the cases determined by appeals officers and in improving the quality of decisions made by its deciding officers in determining claims.

Response from Accounting Officer

Agreed.

Towards this end, the Department has recently moved the Decisions Advisory Office (DAO) to report to the Chief Appeals Officer. The purpose of this change in reporting line is to strengthen the feedback loop from the Appeals Office into the Department's decision making process to help ensure that deciding officers learn from the determinations of appeals officers. The DAO will have access to and will monitor successfully appealed decisions and will arrange for periodic reviews between the appeals officers and relevant scheme areas to take the learnings from these appeal cases.

Recommendation 10.5

The Department should examine the application process and related guidance for those schemes which are medically or social and care needs assessed in order to ensure claimants are able to supply all necessary information to assess eligibility when they are making a claim.

Response from Accounting Officer

Agreed.

The Department and medical scheme areas have taken steps to try and tackle this issue.

One initiative is a redesign of the application forms which is ongoing in the disability allowance and invalidity schemes area and is nearing completion. New application forms for disability allowance and for invalidity pension will be introduced before the end of 2021. Part of the redesign that is underway includes clearly highlighting the information that needs to be submitted with the application in order to expedite the claim process. The relevant scheme owners have involved the various representative and advocacy groups, via the Disability Consultative Forum, in the redesign process to try and ensure that the revised version is as customer friendly as possible.

The Department has also asked the representative and advocacy groups to advise their customer facing staff/advocates to let customers know that they should include all data/documents supporting their claim at original application stage. This will help to ensure that more claims can be decided correctly on first examination and not require review and/or appeal.

The Department invites and welcomes the ongoing involvement of non-governmental organisations and advocacy groups in process and form design at any point at which it implements changes to processes, such as when it is developing a new IT system. The Department actively involves representative groups in its effort to encourage all applicants to provide as much information as possible at the time of making their claim.

- 10.61** The Department has quality control procedures to review decisions made by deciding officers as one of its control mechanisms. In contrast, there is no formal quality assurance system in place to review the quality and consistency of decisions by appeals officers.

Recommendation 10.6

The Appeals Office should consider establishing a quality assurance system in order to aid consistency in decision making and to identify the training needs of appeals officers.

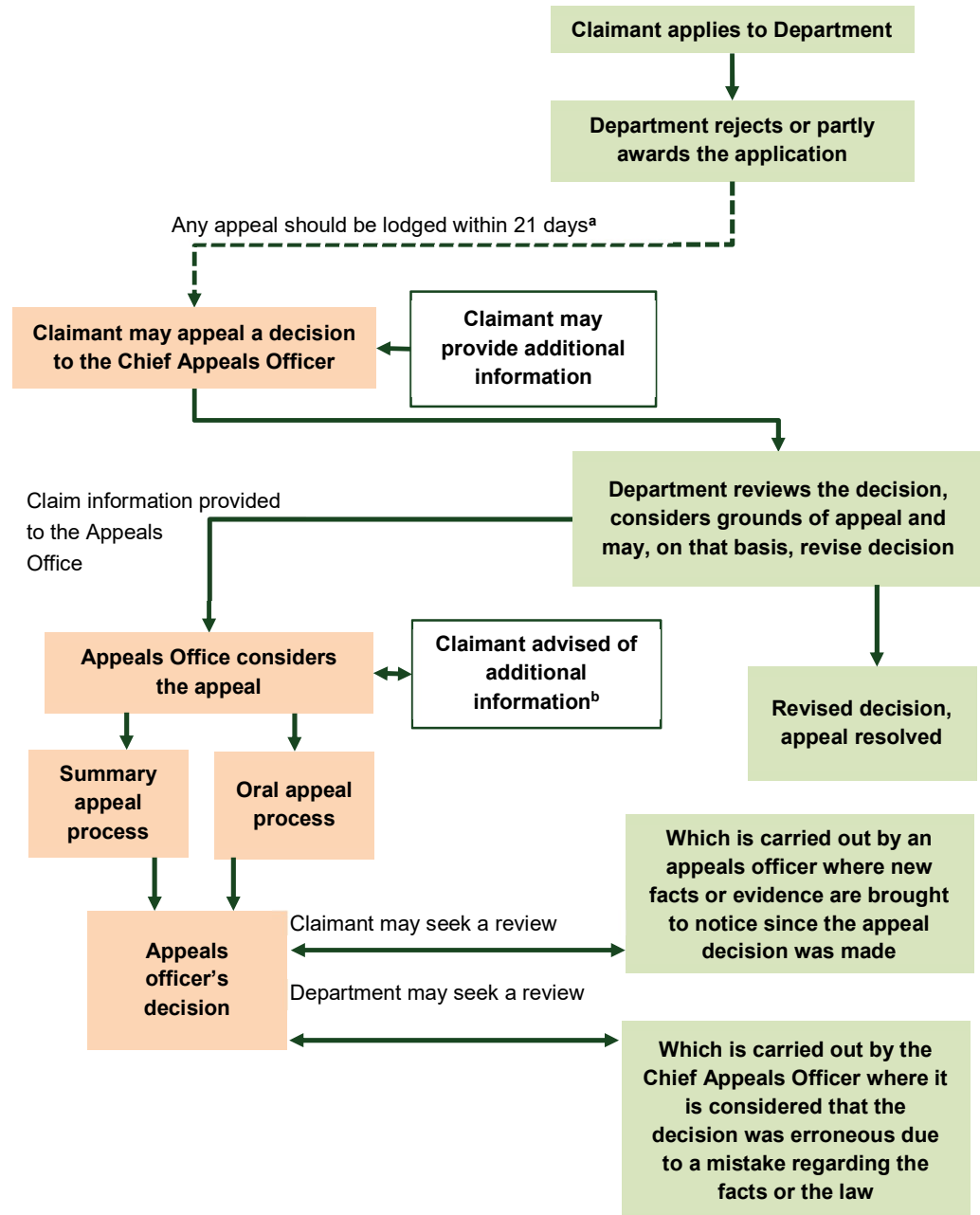
Response from Accounting Officer

Agreed.

However, it should not be taken that the Appeals Office does not invest in ensuring the quality of its decisions. Appeals officers are experienced senior officers of the Department (primarily assistant principal grade) and are provided with extensive training and mentoring. Conferences and workshops are also held for appeals officers to share best practice and learning.

The Social Welfare Consolidation Act 2005 provides opportunities for appellants who are unhappy with the outcome of appeals to seek a review of the decision by an appeals officer (section 317 of the Act) or the Chief Appeals Officer (section 318). The Appeals Office will further consider how quality assurance measures can be developed and implemented to support appeals officers and improve the service generally.

Annex 10A Overview of appeal process



Source: Office of the Comptroller and Auditor General

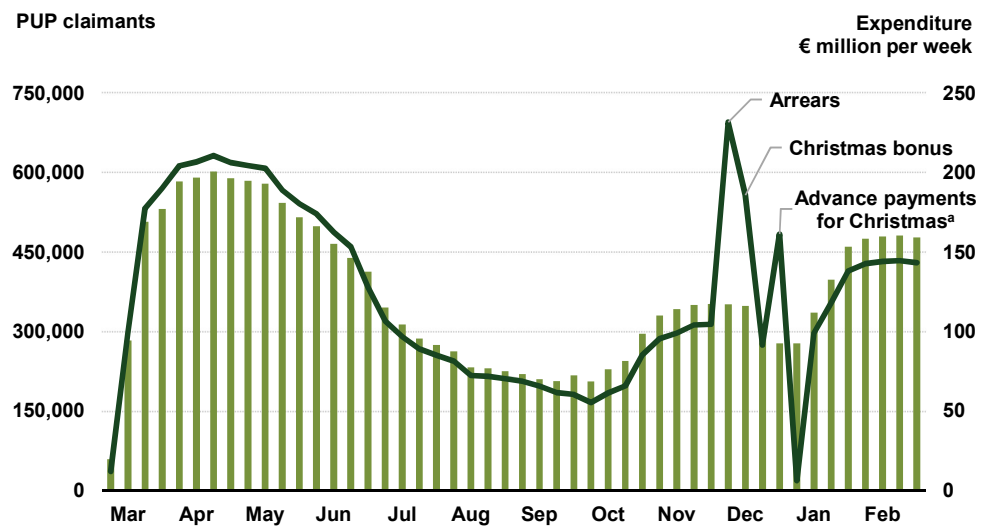
Notes: a A claimant may withdraw an appeal at any stage in the process.

b In cases where there are multiple parties (e.g. insurability of employment) information supplied by one party may be shared with another interested party.

11 Controls over the Covid-19 pandemic unemployment payment

- 11.1** The pandemic unemployment payment (PUP) is an income support scheme for employed and self-employed claimants who have temporarily lost their income due to the Covid-19 global pandemic. The scheme is administered by the Department of Social Protection (the Department).
- 11.2** PUP scheme payments commenced on 24 March 2020. When launched, PUP was paid as a supplementary welfare allowance payment under the Social Welfare (Consolidation) Act 2005 (the Act). On 5 August 2020, the Social Welfare (Covid-19) (Amendment) Act 2020 placed the PUP on a discrete statutory basis. Total PUP scheme expenditure in 2020 amounted to almost €5 billion, of which €3.66 billion was funded from the Social Insurance Fund and €1.32 billion was funded from the Social Protection vote.¹ The number of claimants and weekly expenditure for the scheme fluctuated significantly (see Figure 11.1).

Figure 11.1 Number of PUP claimants and expenditure, March 2020 to February 2021



¹ The PUP scheme has been funded from the Social Insurance Fund (SIF) since 6 August 2020. In addition, the 2020 Act provided for the recovery from the SIF of a proportion of PUP expenditure in respect of the period 13 March 2020 to 5 August 2020. In this regard, the SIF reimbursed the Vote 37 Social Protection the amount of €1.8 billion. The rationale for reimbursement was that many PUP claimants would otherwise have applied for and received jobseeker's benefit. The remaining expenditure incurred prior to 6 August (€1.32 billion) was borne by the vote.

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

Note a A single payment issued in week commencing 21 December 2020 to include payments due in respect of the following week also. This is reflected in the dip in expenditure in the following week.

Payment rates

- 11.3** The PUP payment rate was initially set at a flat rate of €203 per week for all claimants. For payment dates from 31 March 2020 to 30 June 2020, a flat rate of €350 per week was paid to all claimants. The Department has stated that the payment rate was increased to €350 per week
- to address concerns that the €203 rate would be insufficient for a two-adult household by reflecting the jobseeker's payment rate for a claimant with a qualifying adult dependent (€338)

- to sustain the incomes of people affected so as to buttress public support for the public health restrictions and in so doing to reduce pressure that might otherwise fall on the health service
- to reflect the average income of workers in the two most affected sectors — retail and hospitality.

11.4 Since 30 June 2020, the rates have been amended to establish a closer correlation between individual claimants' previous incomes and the weekly rate of the PUP payment (see Figure 11.2).

Figure 11.2 PUP payment rates, March 2020 to August 2021

Claimant's weekly income in reference period	PUP rates payable, by date of payment			
	31 March to 30 June 2020	7 July to 15 September 2020	22 September to 20 October 2020	27 October 2020 to 31 August 2021
< €200		€203	€203	€203
€201 — €300	€350		€250	€250
€301 — €400		€350		€300
> €400			€300	€350

Source: Department of Social Protection

11.5 The previous average income of PUP claimants was determined as follows: for employees, the higher of the average of weekly earnings in 2019 or in January and February 2020; for the self-employed, average weekly income in 2018 was considered as the reference period.¹ The Department has stated that the use of a limited number of reference periods was appropriate and warranted to allow for variations in earnings, particularly for sectors/occupations where earnings vary on a seasonal basis.

11.6 The adoption of differing rates of payment from the end of June 2020 had a significant impact. For payments on 30 June 2020, all 439,000 claimants were in receipt of €350 per week. For payments on 27 October 2020, just 41% of the 296,000 claimants were in receipt of the higher rate.²

11.7 The Department's data indicates that

- Claimants that had previously had relatively low earnings were significantly better off when claiming the PUP. In October 2020, employed claimants in receipt of the lowest rate (€203) received, on average, over 40% more than their previous average earnings.³ By comparison, beneficiaries of the temporary wage subsidy scheme (TWSS) were paid no more than their pre-pandemic pay (TWSS funded up to 85% of the weekly average take home pay and employers could choose to pay the shortfall).
- Employed claimants in receipt of the highest rate of PUP payments (€350) were receiving equivalent to around 60% of their previous average earnings.

11.8 Casual workers who had previously also been claiming jobseeker's support were paid at the €350 rate. The Department has stated that a PUP payment based only on the income of casual workers (not considering any jobseeker's payments a claimant may have received while working) would fail to take account of the full income loss suffered by such claimants: therefore, for reasons of equity, all casual workers who had previously also been claiming jobseeker's support were paid at the maximum rate.

¹ From June 2020, a further reference period was added for the self-employed (2019) and from October 2020 a further reference period was added for employees (from January to September 2020).

² Further information in relation to the PUP payment rates is set out at Annex 11A.

³ This calculation excludes claimants who had no record of income in a reference period. The Department has stated that claimants with no income in a reference period include claimants who were not eligible for PUP, claimants who were not part of the formal workforce and claimants whose Revenue records were not up-to-date.

11.9 The objective of this report is to examine

- the effectiveness of controls over claims and payments for PUP
- the available information in relation to PUP claim reviews conducted by the Department
- the estimated level of irregular payment on the scheme
- whether the Department has actively pursued overpayments related to PUP.

Controls over the PUP scheme**11.10** To qualify for the PUP, an applicant must

- have lost their job or been laid off because of COVID-19, or be self-employed and trading income was significantly impacted (income ceased due to the COVID-19 public health emergency or has collapsed to the extent that the applicant is available to take up other full-time employment)
- be aged between 18 and 66
- live in the State
- have been in employment or self-employment in Ireland immediately prior to claiming PUP¹
- in the case of employed persons, not be getting any income from employment.

1 The Department has stated that the scheme was also available to people not usually considered 'employed' in a formal sense including, for example, students, undocumented workers, workers in the informal economy and others who would not have a payroll history.

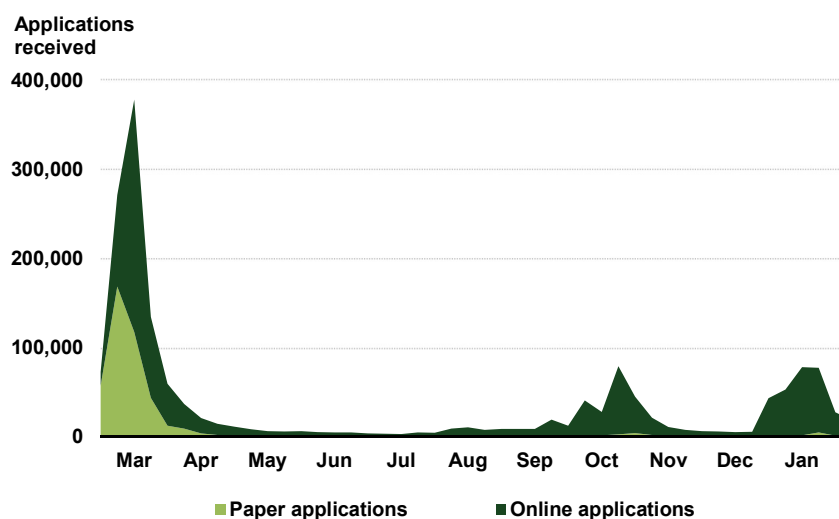
11.11 From 6 August 2020, the applicant

- must have been an employed contributor in the week before he/she ceased to earn an income or in the case of self-employed applicants must have been in insurable self-employment before reckonable income ceased/reduced, and
- must also be genuinely seeking work.

2 The number of applications submitted exceeded the number of claimants as in some cases, claimants lodged more than one application around the same time (for example to correct or amend an application that had failed) or on foot of renewed periods of lay-off or loss of employment.

*Processing of PUP applications***11.12** In the period March 2020 to end-February 2021, the Department received 1.75 million applications, comprising 1.3 million online applications and 450,000 paper-based forms.^{2,3} The profile of applications received over time is set out in Figure 11.3.**11.13** More than half of all applications were received in the first five weeks of the scheme. While the Department processed many paper-based application forms in the first five weeks of the scheme (400,000 in total), the number of paper-based applications fell rapidly thereafter, with less than 1,000 new paper applications made on most subsequent weeks.**11.14** Applications were accepted and processed through the application system on the working assumption that the information provided by the claimant was true. While applying for the PUP, each application must include a signed declaration — the declarations made have evolved over time, mainly in response to changes in scheme eligibility (see Annex 11B).

3 Details from paper-based application forms were transcribed by the Department's staff onto an application developed for managing PUP applications — the 'PowerApp', which was made operational on 24 March 2020. Details from online applications were uploaded to the 'PowerApp' automatically.

Figure 11.3 Weekly PUP applications by paper and online, March 2020 to January 2021

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

- 11.15** The Department deemed the declarations made by claimants as an important element of control over eligibility for the scheme. In this regard, it should be noted that while the submission of paper-based applications fell significantly after April 2020, the paper-based application in use up to October 2020 required the applicant to acknowledge that it is an offence to provide false information or to withhold information to qualify for the PUP payment — it did not request, as the online application did, information on the detailed conditions (e.g. residency), or require the applicant to declare agreement that PUP payments would be repayable if any of the information provided was untrue. However, claimants who completed the continuing eligibility process (see below) were required to include a declaration in relation to residency and repayment of PUP where the information provided was untrue.

- 11.16** The Department has conducted three processes whereby a claimant was required to confirm their ongoing eligibility.¹ This resulted in a significant number of claimants closing their claim without submitting a response, or the Department closing the claim due to no response being received.

- In July 2020, each claimant was required to confirm their continuing eligibility, resulting in 36,500 claims being closed.
- In March 2021, cases (122,000) in payment since April 2020 were required to confirm their continuing eligibility, resulting in almost 10,600 claims being closed by the Department.
- In July 2021, each claimant was required to confirm their continuing eligibility, resulting in 18,500 claims being closed by the Department.

¹ The confirmation of continuing eligibility does not require the submission of supporting evidence of assertions made. The Department has stated that seeking supporting evidence would have created a significant administrative burden which may have impacted the continued delivery of payments. In addition, some claimants may not have been able to obtain evidence of employment loss during the pandemic.

Design of control system

- 11.17** When the PUP scheme was launched on an emergency basis, the Accounting Officer recognised that the control regime would not be as rigorous as that normally applied to other scheme payments and therefore the risk of overpayments would be higher than normal. The Department has stated that the less rigorous controls were considered unavoidable given the high volume of claims to be processed, the impact of social distancing measures on processing capability, the potential absence of staff due to Covid-19 illness, overriding public interest considerations including the avoidance, at a time of high anxiety within the community, of any additional stress that would be caused by an insistence on adherence to full processing standards with attendant long delays in payments, and the economic stabilisation value of payments made in injecting money and liquidity into the economy. The Department has also stated its anticipation that, even if some people sought to take advantage of the scheme, most people would, at a time of community togetherness, act honourably and honestly. The Department also expressed its intention that control checks would be conducted after payments commenced.

1 An earnings disregard of €480 over four weeks was introduced for the self-employed in October 2020 under Budget 2021. It was increased to €960 over eight weeks in December 2020.

2 In relation to the 2020 calendar year, tax returns must be submitted to Revenue no later than 31 October 2021 for paper submissions (an extension of two weeks is normally granted for online returns). When annual tax returns of the self-employed are submitted to Revenue, income is not disaggregated by week or month but is stated cumulatively for the year.

- 11.18** Figure 11.4 summarises the controls that were specified in relation to PUP payments and an assessment of the level of assurance provided by those controls.
- 11.19** A particular issue arises in relation to confirming eligibility of individuals that were self-employed prior to the onset of the pandemic. Information returned to Revenue by the self-employed does not enable the Department to assess whether the claimant complied with eligibility criteria in relation to a loss of income due to Covid-19 or income generated while claiming PUP.^{1,2} To do so, the Department would have to obtain detailed earnings information from self-employed claimants.

Figure 11.4 Examination's assessment of controls over claims

Criteria	Take-on controls	Controls over claims in payment	Comment
Identity	●	●	Department checked that the PPSN provided was valid and that the date of birth provided matched the PPSN — there was no check that the name, address or bank account details provided matched those already on the Department's records. ^a
Residency	●	●	Before 26 June 2020 — the Department relied on claimant's declaration and also searched the database for certain key words that may indicate that a claimant was not resident in the State.
	●	●	After 26 June 2020 — controls in relation to the Revenue records provide partial assurance that the claimant was resident in the State
Employment			
Employment lost due to Covid-19	●	●	Department relied on claimant's declaration.
In employment immediately prior to claiming PUP	●	Not applicable	Employees — prior to 26 June 2020: the Department relied on claimant's declaration and also searched the database for certain key words that may raise concerns about prior employment eligibility.
	●	Not applicable	Employees — after 26 June 2020: the Department utilised Revenue data on recent employment history.
	●	Not applicable	Self-employed — the Department relied on claimant's declaration and also searched the database for certain key words that may raise concerns about prior employment eligibility.
Current employment	Not applicable	●	Department relied on claimant's declaration to contact the Department if circumstances changed. The Department's control related to data-matching between PUP claimants and recipients of TWSS or EWSS support and from August 2021 fortnightly checks against Revenue real-time data.
In receipt of other payment from the Department	●	●	Check was conducted to ensure claimant was not in receipt of relevant payment at take-on and prior to each payment run.
Genuinely seeking work	Not applicable	○	No check on this criterion up to end-April 2021.
	Not applicable	●	From May 2021, the Department commenced contacting claimants from sectors where restrictions had been relaxed. In July 2021, the Department commenced requesting PUP claimants to 'sign-on'.
Key: ● The control in place provides sufficient assurance. ● The control provides partial assurance. ● The control provides weak assurance. ○ No control for this purpose in place.			

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

Note: a The Department may not have had bank account details on record, for example where a claimant had not previously interacted with the Department.

11.20 The Department primarily relied on the claimant's declaration in relation to residency (address) and that the reason for the employment loss was due to Covid-19.

11.21 After 6 August 2020, eligibility for the PUP was dependent on the applicant genuinely seeking work. However, the PUP regulations provided that where a claimant's opportunity to work in their normal employment was temporarily limited by Covid-19 restrictions and they have a reasonable expectation of returning to that occupation, they will not be required to seek employment outside that employment or occupation for a period of twelve months after first claiming the PUP. As a result, the Department did not attempt to verify the 'genuinely seeking work' aspect of PUP eligibility criteria in 2020 other than to establish a dedicated telephone line for reporting of such cases by employers — of 2,500 reports by employers, around 400 claims were stopped. The Department has stated that there was limited scope to engage with claimants during 2020, as the economic activity that resumed during the summer of 2020 was quickly overtaken by the reintroduction of restrictions. From end-May 2021, the Department commenced engaging with PUP recipients who had worked in sectors where trading restrictions had been relaxed, and where employment opportunities could arise.

1 Since 1 January 2019, employers are required to report payroll information to Revenue each time employees are paid, providing Revenue with real-time information on the value of pay to employees and the associated pay-related social insurance (PRSI). The Department has access to that real-time information.

2 Most applications were received prior to 26 June. In those cases, checking of prior employment has been limited to random selection for a control review and, in April 2021, all continuing claimants with no income in any reference period.

3 The technical and other reasons referred to by the Department include data-exchange arrangements with Revenue for 2.7 million employees reported by 180,000 employers, varying payment frequency (weekly, fortnightly or monthly), wages/salaries being paid in arrears, and data protection requirements.

4 Following the introduction of the Employment Wage Subsidy Scheme (EWSS) in September 2020, the Department has conducted since October 2020 monthly data-matching of PUP claimants and employees in receipt of the EWSS.

11.22 Greater use of Revenue real-time employment and earnings information, to which the Department has access, would have enhanced the controls in place to confirm eligibility for payment under the scheme in a number of ways.¹

- **Prior employment of employees** — Prior to 26 June 2020, applications were not checked to Revenue real-time information to ensure that the claimant had been working prior to their PUP application.² After 26 June 2020, this check was carried out, and claims were not put into payment where the applicant did not have income in the relevant reference period. However, given the time profile of receipt of claims, it is likely that a large proportion of claims were put in payment prior to June 2020 and continued to be paid without this check being conducted. The Department has stated that it was not possible for technical and other reasons to utilise the Revenue data when the PUP was introduced, and that this check was implemented following a co-operative engagement between Revenue and the Department at the end of June 2020.³ In April 2021, more than 10,500 cases were in payment (at the rate of €203 per week) where there were no earnings details in the reckonable reference periods — a review of these claims by the Department resulted in around half continuing in payment, with 11% of these claims closed by claimants before that review was concluded and 40% being closed by the Department.
- **Current employment of employees** — the Department did not match details of PUP payments against Revenue records using an automated process to ensure that the claimant was not working as an employee while claiming PUP or to check the last date of employment. However, the Department conducted a weekly check to ensure that a PUP claimant was not also in receipt of wage subsidy scheme support which accounted for a significant proportion of employees during 2020.⁴

11.23 From August 2021, the Department commenced fortnightly checks of PUP claims in payment against Revenue real-time data.

Review of eligibility

- 11.24** Eligibility to PUP payments for 411 randomly selected claimants was reviewed for the purpose of this examination — 329 claims related to employees and 82 related to applicants that were previously self-employed (see Figure 11.5). Where a claimant had evidence of both employment and self-employment, categorisation was decided on a case-by-case basis.
- 11.25** The examination review involved an assessment of whether or not the individual was entitled to the payment received in the week examined, based on the details provided by the claimant on the PUP application form and PRSI records available to the Department from Revenue.

Figure 11.5 Results of testing of sample claims



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

1 The IBAN validity check ensures that the account number has been correctly provided and entered on the Department's system — it does not seek to link the account number to details previously provided by a claimant.

2 The overlap check is to verify that a claimant is not currently in receipt of a payment from a scheme of the Department (including TWSS) which cannot be claimed concurrently, for example a jobseeker's payment.

3 The analysis was conducted on a point-in-time basis — some claimants may have been eligible for the payments on dates other than the test date. Of the claimants reviewed who were considered to be eligible for the payment on the date of the test, 23 were considered to have been ineligible for a payment at another time. These cases were not included in those classified as ineligible, but were brought to the attention of the Department for its consideration.

4 The analysis classified persons who had returned to work in the previous two weeks but who were still in receipt of a PUP payment as being eligible for that payment.

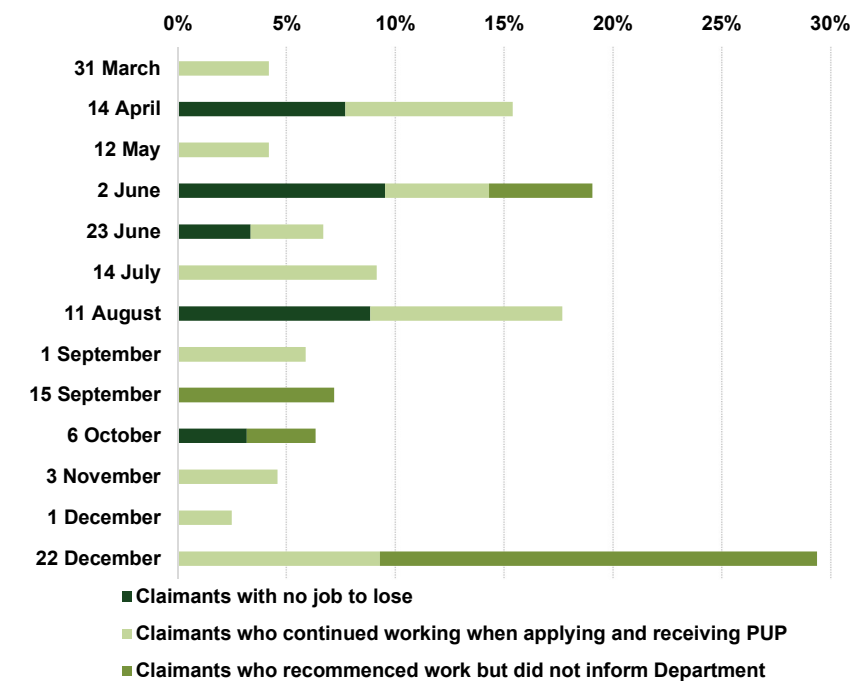
- 11.26** For all claims examined, the controls appear to be operating effectively in relation to: the verification of the age of the claimant; the validity of the PPSN and bank details (IBAN) provided; and overlap with payments under other schemes of the Department.^{1,2}

Results of employee cases examined

- 11.27** In relation to employees, the specified controls were operational. However, in 31 or 9.4% of the cases reviewed, there was evidence the claimant was not entitled to the payment in the week examined.³ Ineligibility arose for a variety of reasons.
- In just under half of these cases, the available evidence showed that the claimant continued working while claiming PUP.
 - In one quarter of the cases, there was no evidence that the claimant had been working prior to the pandemic.
 - In one quarter of the cases, while the claimant was eligible when the application for PUP was made, there is evidence the applicant subsequently returned to work and did not inform the Department.⁴

- 11.28** For the sample cases examined, 9.4% of the value of the PUP scheme payments made was deemed to be ineligible. It is possible that had the claimants concerned not availed of the PUP, some of them might instead have been entitled to other income support payments, which would offset any payment in excess of entitlement at the Department level.
- 11.29** Figure 11.6 shows the level of excess payment for the sample of PUP claims examined from each payment batch reviewed. The percentage of payments found to be ineligible (by value) was highest in June, August and December.

Figure 11.6 Percentage (by value), of payments found to be ineligible from results of testing of employee recipients of PUP



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

- 11.30** The Department has stated that the likelihood of a person mis-claiming (e.g. failing to close a claim promptly on return to work) or a payment being continued in error is more likely at those points in time when restrictions were being relaxed/re-imposed and when scheme conditionality is changing. The Department has stated this is reflected in the data in Figure 11.6 which shows the three highest months for excess payment as June (scheme conditionality was changed), August (a high return to work month following the summer relaxation of restrictions) and December (a month in which restrictions were relaxed and there was a high level of temporary return to work) — excluding these three months, the value of excess payments would be 6% of the amount paid to the claimants in the sample.

Results of self-employed cases examined

- 11.31** The examination reviewed 82 self-employment cases and found that the planned controls were performed.
- 11.32** When processing applications from self-employed claimants, the Department had to rely on the declaration of claimants in relation to the impact of Covid-19 on economic activity and loss of income. It was not possible for the examination team to confirm PUP eligibility as no evidence was available concerning the reduction of economic activity and loss of income due to Covid-19.
- 11.33** After 5 August 2020, self-employed claimants of the PUP were required to be insured contributors to the PRSI system. Three of the 82 cases examined had been paid after that date. While the claimants had declared their eligibility to PUP, there was no recent record of their being an insured contributor — that is, the claimant had not made a return to Revenue in recent years. On that basis, they were ineligible to receive the payment.

Control reviews*Assessing higher risk claims*

- 11.34** The Department's control review process includes examining claims to ensure that the claimant was/is entitled to a payment and that the level of payment was/is correct. The selection of claims to be reviewed is based on an assessment of the risk that the payment is not correct. The Department commenced conducting control reviews of PUP claims shortly after the scheme was launched.
- 11.35** In the absence of a control survey to inform the selection of risk criteria, the Department relied on its experience and knowledge to focus on residency, no prior employment and a failure to declare ongoing employment as the principal bases for selecting claims for review. In 2020, the Department reviewed 71,400 claims (representing approximately 9% of the claimant population).¹
- Over 52,000 reviews were conducted by the Special Investigations Unit (SIU) concentrating on residency issues and ensuring that the employment criterion was satisfied, using data from Revenue. SIU also conducted site visits for high risk businesses, such as construction sites and taxi-drivers. Over 17,000 claims were stopped as a result of the work of the SIU.
 - A further 19,400 reviews were carried out by other departmental staff including local Social Welfare Inspectors (SWI) with around 5,800 claims closed. These checks included reviews following reports to the employer help line and anonymous reports, and local SWI reviews to ensure that employees were closing their PUP claims following return to work.
- 11.36** Control reviews conducted are recorded on the Department's ICT system but the system did not record the origin of PUP reviews so the impact of each control review project is an estimate. The Department has stated that the additional overhead required to establish investigation groups on the ICT system to record the origin of reviews would not have added significant value over the life-time of the scheme. The inability to analyse the outcome of PUP control reviews, setting out the number and value of claims examined and closed by each control review project, prevents the Department from accurately identifying the extent of the risk identified by each project.

¹ An individual claimant may have been reviewed more than once where they had more than one claim and were selected for review by more than one control review project.

11.37 The examination identified a number of opportunities for improvements in relation to the eligibility reviews conducted by the Department.

- **Matching PUP claimant information with Revenue real-time information** — The Department has access to real-time information submitted by employers. This could have been used regularly to detect claimants having no earnings from employment immediately prior to claiming PUP or having income from employment while claiming PUP. However, the Department only conducted three separate data matching exercises in 2020 — PUP claimants on March 2020 and June 2020 test dates were compared to Revenue records to identify those without a history of employment contributions and PUP claimants on an October 2020 test date were compared to Revenue records to identify those who appeared to also be in receipt of employment income. The Department has stated that these checks were not conducted more frequently due to administrative and technical issues that militate against full reliance on the data, including the exchange of data relating to an average of 2.7 million payees reported by 180,000 employers to Revenue each month and data protection requirements. Since end-August 2021, the Department has commenced fortnightly checks against Revenue real-time information.
- **Maximising the use of the Department's information in relation to claimants to detect possible fraud** — The reviews conducted by the Department did not utilise all information already provided by claimants to the Department. For example, the Department has not conducted matches between PUP application forms and the Department's existing data on email addresses, mobile phone numbers or bank account numbers, which may have identified cases where PUP was claimed using another individual's details.¹

1 The Department did not have bank account details on record for all claimants, for example where an individual did not previously interact with the Department.

2 The Department estimates that €4 billion (80%) of PUP scheme expenditure in 2020 was paid to employees and €1 billion (20%) was paid to self-employed claimants.

3 The value of ineligible payments stated is the gross excess payment rate.

4 A control survey is the review of a random sample 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.

5 The Department has stated that as the PUP scheme is now being wound down, a control survey of the PUP scheme would be of limited use in relation to the amendment of scheme controls.

11.38 While the available resources may not have facilitated the pursuit of all claimants who worked while claiming PUP, the matching of claimants to Revenue real-time information would provide insight into emerging trends and to identify claimants where there was an increased risk of overpayment.

Estimation of the level of irregular payments

11.39 This examination's testing of a random sample of 329 employee PUP claims² found that 9.4% of the sample examined in terms of both number of cases and by value were deemed to be ineligible for payment by reference to the criteria prevailing at the time the payment was made.³ This excess payment rate excludes cases where there was a prior entitlement but where the claimant's circumstances had changed within two weeks of the payment date e.g. where the claimant had resumed employment and failed to notify the Department of that fact, or where the Department had received notification from the claimant but had not yet acted to stop the payment.

11.40 The Department's control review testing of PUP claims has resulted in the identification of significant numbers of cases where there was no entitlement, or where a prior entitlement had ceased. However, because these cases were selected on a risk basis, the results cannot be extrapolated to PUP claims as a whole. The Department has not conducted a control survey based on a random sample of cases, which would facilitate estimation of the level of suspected fraud and error that occurred under the PUP scheme in 2020.^{4,5}

- 11.41** This examination's testing of a sample of employee PUP claims was not designed to provide a definitive assessment of the level of payments in excess of entitlement for the scheme with a high degree of confidence. Nevertheless, it does provide an indication that the level of irregular payment for the scheme in 2020 is likely to have been material.

Recovery of overpayments

- 11.42** Where a claimant receives an income support payment that is in excess of the amount the person was entitled to receive, the Department may raise an overpayment and commence recovery of that debt. This is in line with the Department's policy and practice on other income support schemes.
- 11.43** While the Department identified ineligible payments from conducting control reviews and ceased payment, it delayed raising overpayments against those claimants. The raising of overpayments in relation to any PUP scheme payments did not commence until the final weeks of 2020 — overpayments totalling €295,000 were raised in relation to 117 claimants in 2020. The Department has stated that legal advice was sought from the Attorney General in relation to the recovery of overpayments, in particular for overpayments arising on payments made before the scheme was placed on a discrete statutory basis in August 2020, resulting in the delay in commencing the raising of overpayments.
- 11.44** As of end of June 2021, overpayments totalling €9 million had been raised by the Department in relation to 3,000 claimants — all overpayments raised to June 2021 relate to cases where there was an overlap of employment and claiming PUP. By end-August, this had increased to €14.5 million in relation to 4,300 claimants. The Department stated that there has been no estimate made of the overall amount of overpayments to PUP claimants.
- 11.45** As of the end of June 2021, the Department had received voluntary repayments of €8.3 million from 9,200 claimants who applied for the PUP and subsequently judged that they were not eligible for the payment. These receipts were submitted before the Department had raised an overpayment for the claimant but include cases where the Department had run media campaigns or had initiated direct contact with the claimant through a control review or continuing eligibility request.

Conclusions and recommendations

- 11.46** In 2020, the Department issued payments of just under €5 billion in relation to the PUP. This was equivalent to around a quarter of the value of the annual income support provided pre-Covid. The scheme itself was devised and implemented in a very short period, at the same time as the Department had to adopt restricted work practices. Delivery of the scheme on such a scale and in such a short time represented a major achievement.
- 11.47** Between March 2020 and February 2021, the Department processed 1.75 million claims under the PUP scheme — over half of these were received in the first five weeks of the scheme.¹ This presented a significant control challenge for the Department.
- 11.48** The Department implemented reduced controls compared to other income support schemes — the Accounting Officer stated that this was necessary and appropriate given the volume of claims that were expected (normal controls would result in delays processing claims), the potential loss of staff due to Covid-19, and in the public interest. The Accounting Officer acknowledged that the risk of overpayments would be higher than normal.
- 11.49** There is evidence that for a sample of employee claims reviewed as part of this examination, over 9% of the claimants were not eligible for the PUP payment received on the date tested — around one-quarter of these claimants did not appear to have been in employment prior to claiming the PUP and three-quarters appear to have worked while applying for PUP or had recommenced employment but did not inform the Department.
- 11.50** Notwithstanding the exigency of issuing a large volume of payments within a short timeframe, there were opportunities to review eligibility for payments as the scheme progressed. The examination found that
- The Department conducted a number of projects to assess eligibility of some claimants but did not analyse the results in terms of the number of claims that were ceased. This prevented the Department from identifying specific cohorts of claimants that presented a higher risk of ineligible payment.
 - During 2020, the Department conducted a control review of eligibility for payment in 71,400 cases representing about 9% of the total number of claimants.²
 - While the Department made use of most readily available data, it took some time to set up a routine check using the Revenue real-time data that could have improved control outcomes.
 - From the end of June 2020, the Department decided on the rate that a claimant should receive based on their income in specific ('reference') periods, but some claimants already in receipt of PUP at that time did not have any record of income in these prior periods and continued to receive PUP. At the end of April 2021, more than 10,500 claimants with no record of income in the specified periods were still receiving PUP, but around half of these claims were closed following subsequent work by the Department.

¹ Some claimants lodged more than one application, in particular on foot of renewed periods of lay-off or loss of employment.

² An individual claimant may have been reviewed more than once where they had more than one claim and were selected for review by more than one control review project.

Recommendation 11.1

The Department should establish and implement a strategy to review employee PUP claimants as they transition to other schemes or to employment, to ensure all overpayments are captured. Analysis of overpayments detected, including sectoral trends, should be used to inform retrospective reviews, where appropriate, of claims that have already been closed.

Accounting Officer response

Agreed.

The Department will establish and implement a strategy to review employee PUP claimant records to identify potential cases of overlaps between PUP payments and employment records or where evidence suggests that PRSI compliance issues may arise. The results of this review will then be used to identify those cases where there was a higher risk of ineligible expenditure claims.

- 11.51** There was a particular difficulty in relation to confirming eligibility for claimants that were previously self-employed. The Department estimates that previously self-employed claimants accounted for about 20% of total expenditure on PUP. In order to be eligible, self-employed claimants had to have experienced a significant drop in income. However, most returns by self-employed individuals for a financial year are not returned to Revenue until October of the following year, and when submitted will not provide the required evidence in regard to income.
- 11.52** As a result, the design of the scheme did not facilitate checks to verify that the claimant was in compliance with the economic activity eligibility conditions. This examination could not conclude on the eligibility of the self-employed category of claimants reviewed due to the absence of evidence to support the loss of economic activity due to Covid-19.

Recommendation 11.2

The Department should establish and implement a strategy to review self-employed PUP claimants, through sectoral analysis and the utilisation of Revenue data such as self-employment PRSI returns, to identify those cases where there was a higher risk of ineligible expenditure claims.

Accounting Officer response

Agreed.

The Department will establish and implement a strategy to review self-employed PUP claimants, through the utilisation of Revenue data such as self-employment PRSI returns and the use of business analytics tools, to identify those cases where there was a higher risk of ineligible expenditure claims.

- 11.53** The results of the examinations testing of a sample of employee PUP claims provides an indication that the level of irregular payment for the scheme in 2020 is likely to have been material.

Annex 11A Distribution of PUP rates for selected weeks



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

Annex 11B Evolution of the declaration made by PUP applicants

Online form

There were four versions of the online PUP application form - issued in March, April, July and October 2020. Claimants were required to declare that

- they are resident in the State (since April) and, since October, not eligible when absent from the State other than in accordance with legislation
- they are not being paid by their employer and, since October, that the income of self-employed claimants has ceased or reduced to such an extent that the claimant is available for full-time work
- the information is truthful and complete (no acknowledgement that it is an offence to provide false information)
- if the information provided is not true, then they may be required to repay any payments received
- they will advise the Department of a change in circumstances that may affect their entitlement
- they are genuinely seeking employment.

Paper form

There were three versions of the PUP paper-based application form, issued in March 2020, August 2020 and October 2020.

Unlike the on-line application forms, none of the paper forms require a declaration that the claimant is resident in the State, that the claimant is genuinely seeking work, or an acknowledgement that the claimant may be required to repay payments received if the information provided is untrue or misleading. Until October 2020, there was no self-employment specific declaration in relation to income. Claimants did declare that

- they are not being paid by their employer
- the information provided is truthful and complete
- they will advise the Department of a change in circumstances that may affect their entitlement.

Source: Department of Social Protection

12 Controls over the temporary wage subsidy scheme

- 12.1** The temporary wage subsidy scheme (the scheme) was introduced to enable employers who expected to be affected by the Covid-19 pandemic restrictions to receive support from the State in relation to their wage costs.¹ The primary objective of the scheme was to support the continuity of employment relationships over the initial period of Covid-19 related disruption. The scheme was in operation over a 22-week period from 26 March to 31 August 2020.²
- 12.2** In 2020, subsidies under the scheme totalling €2.8 billion (gross) were paid to 66,370 employers in respect of approximately 678,000 employees.^{3, 4} This represents an average payment of approximately €4,100 per employee.⁵ Subsequently, EU funding support of €2.49 billion (89%) in respect of the scheme was received on 30 March 2021.⁶
- 12.3** Employers and employees were required to meet a number of eligibility criteria under this scheme (see Figure 12.1).
- 12.4** This examination focuses on the governance structures adopted, the process put in place to verify the eligibility of claims under the scheme and the subsequent recovery of subsidies paid in excess of entitlement.

1 The scheme was introduced by the Emergency Measures in the Public Interest (Covid-19) Act 2020.

2 The scheme was preceded briefly by the employer refund scheme and succeeded by the employment wage subsidy scheme (EWSS). EWSS commenced on 1 September 2020 and is still in operation.

3 Included in scheme payments is €3.4 million relating to the employer refund scheme.

4 In March 2021, payments were outstanding in relation to about 900 employees where calculation of the subsidy due is complex. This includes apprentices and employees who had taken maternity, paternity or adoptive leave in February/March 2020.

5 The subsidy paid to employees was taxable. However, the tax wasn't applied at the time the payment was made. The tax liability owed by each employee was calculated by Revenue at the end of 2020.

6 EU funding granted under the support to mitigate unemployment risks in an emergency. The funding received was related to costs expended on the scheme.

Figure 12.1 Employer and employee eligibility criteria under the scheme

EMPLOYER	Employer expects a reduction in their business (measured by turnover, customer orders or any other 'reasonable basis') of at least 25% in Q2 2020 ^a	Business must be experiencing a significant negative economic disruption due to Covid-19 pandemic
	Employer wants to retain its employees on the payroll	Business is unable to meet normal wages or normal outputs and any other indicators ^b
EMPLOYEE	Employee must be on the employer's payroll at 29 February 2020 ^c	Employee must be included in a payroll submission made to Revenue in the period from 1 February to 15 March 2020

Source: Revenue Commissioners, *Guidance on Employer Eligibility and Supporting Proofs for Temporary Covid-19 Wage Subsidy Scheme*, April 2020

- Notes:
- a In its guidance, Revenue provided examples of what constitutes a 'reasonable basis'. Revenue stated that where an employer had a reasonable basis not included in the guidance, advice should be sought from the relevant Revenue district.
 - b Guidance was provided by Revenue on other indicators of business difficulty, such as negotiation of relief measures with financial institutions and communications to employees or trade unions of salary/wage cuts.
 - c The eligibility rules were extended in May and June 2020 to include persons on maternity, adoptive or parental leave and apprentices returning to employers from training programmes.

Scheme governance

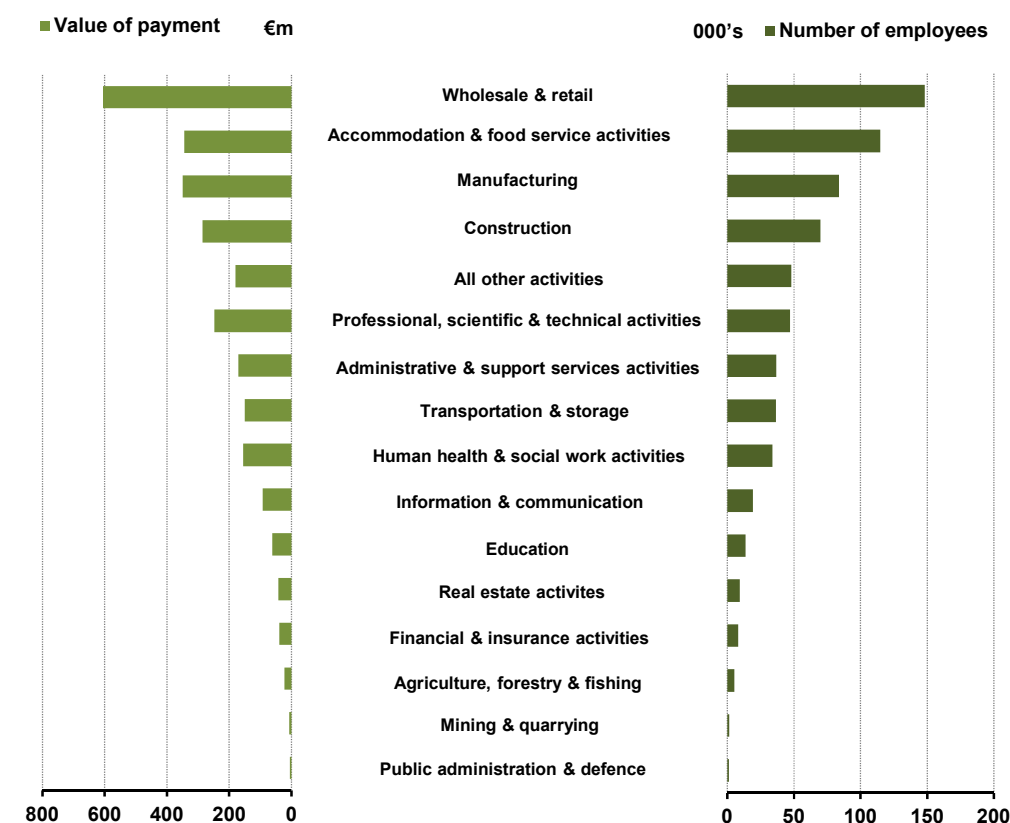
- 12.5** The legislation underpinning the scheme provided that it would be funded by the Department of Social Protection (the Department), but would be administered by the Revenue Commissioners (Revenue).
- 12.6** Within Revenue, the scheme was managed by a scheme oversight group that included members of Revenue's management advisory committee including the Chairman, the other two Commissioners and senior divisional heads. The group's main role was to oversee the scheme, set the overall direction for the project and oversee policy decisions. This group was supported by a number of operational groups — a steering group at Principal Officer level and expert, compliance and reconciliation groups.
- 12.7** An interdepartmental working group including staff at assistant secretary level from Revenue and the Department was already in existence. This working group did not have formal terms of reference but met periodically to discuss a range of issues pertaining to both entities. The group was used to facilitate liaison between Revenue and the Department in relation to the operation of the scheme.
- 12.8** The minutes of the interdepartmental group indicate that the group met twice during the operation of the scheme in May and June 2020, and once in September 2020, following completion of the scheme. The group discussed details of the compliance programme being undertaken by Revenue. The meetings were also used to provide updates to the Department including any issues in relation to the operation of the scheme. The Department has confirmed that final decisions in relation to operational policies and procedures underpinning the scheme were made by Revenue.
- 12.9** The Department stated that there was also regular engagement outside of the formal process of meetings such as engagement with
- Revenue in regard to the development of the scheme, treasury management/ funding of the scheme and the development of guidance materials for employers and payroll providers on the administration of the scheme
 - the Departments of Finance and Public Expenditure and Reform in relation to funding of the scheme, scheme conditionality and subsidy rates.
- 12.10** On 4 June 2020, the Chairman of the Revenue Commissioners provided a formal letter of assurance to the Secretary General of the Department in relation to the operation of controls over the scheme. The letter noted there were strong governance structures and processes in place including the following.
- A dedicated cross-function steering group chaired by an Assistant Secretary and an oversight group was in place.
 - Prior to inclusion in the scheme, real time compliance checks were conducted to ensure that employees in respect of whom subsidies were claimed were on the employer's payroll.
 - Verification checks were conducted to ensure that subsidies were claimed and paid at the correct amount.¹
 - A risk register was in place to identify, evaluate and grade the key risks associated with Covid-19 including potential control weaknesses in the scheme.

¹ Revenue calculated the subsidy due to each employer based on average revenue net weekly pay (ARNWP) for each eligible employee. The ARNWP is based on January and February 2020 payroll submissions made to Revenue for each eligible employee.

Scheme operation

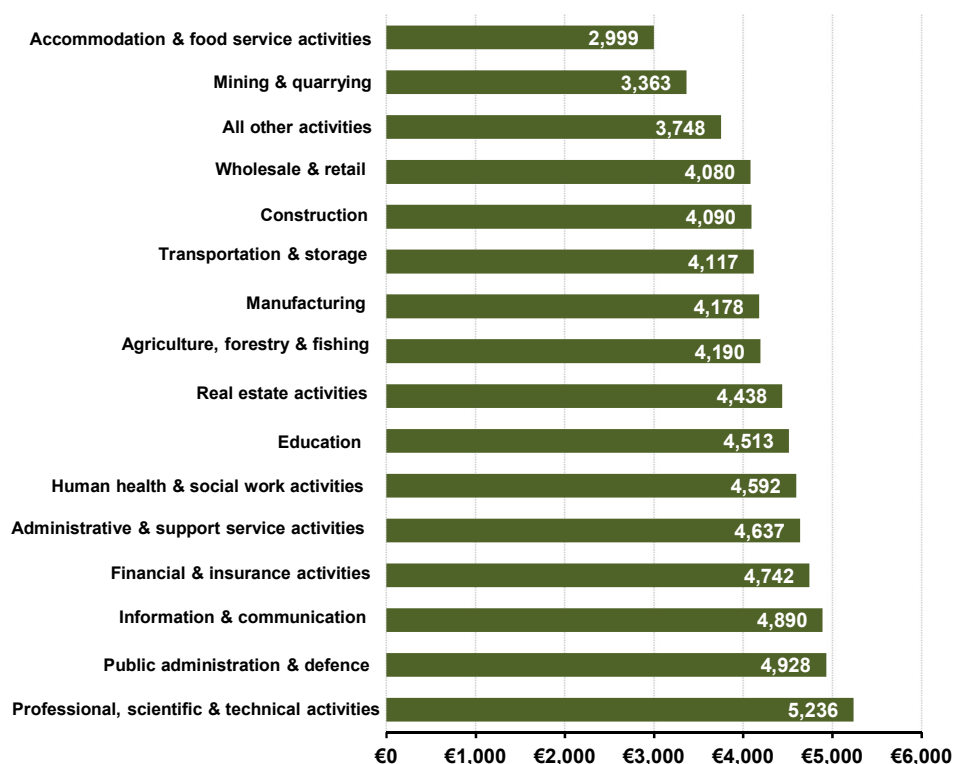
- 12.11** Entry to the scheme was based on self-assessment with each employer submitting a declaration that they had experienced or expected to experience a significant economic disruption due to Covid-19. Approximately 36% of all employers registered with Revenue prior to the declaration of the pandemic availed of the scheme. The number of employers and employees by county is set out in Annex 12A.1.
- 12.12** Three sectors — wholesale and retail, accommodation and food service (hospitality), and manufacturing — accounted for nearly half (47%) of all scheme subsidies, and represented 51% of the employees whose employment was supported (see Figure 12.2).
- 12.13** The average support per employee ranged from €3,000 to just over €5,000 in each sector (see Figure 12.3).

Figure 12.2 Temporary wage support, by sector, March to August 2020^a



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Note: a Some payments issued after the period covered by the scheme. The value of payments shown is the total paid up to the end of December 2020.

Figure 12.3 Average wage support subsidy per employee, by sector, March to August 2020

Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Subsidy amounts

12.14 The scheme legislation states that the amount of the subsidy shall be determined by the Minister for Finance (the Minister). On 16 April 2020, the Minister issued a letter to the Chairman of Revenue outlining the rates determined.

12.15 The scheme operated in two phases — a 'transitional' phase covering five weeks between 26 March and 3 May 2020; and an 'operational' phase covering the period between 4 May 2020 and 31 August 2020. Different subsidy arrangements applied in the different phases.

Transitional phase

12.16 Subsidies totalling €728 million were paid in respect of the transitional phase of the scheme.

12.17 A flat rate subsidy of €410 per qualifying employee per week was paid to eligible employers during this phase. However, Revenue advised employers that in instances where the employees' prior net pay was less than the flat rate subsidy,

- they should make an untaxed payment to employees at a rate of 70% of the employee's average weekly earnings and
- withhold the excess of the subsidy received over the amount actually paid to each employee as such sums would be refundable to Revenue.

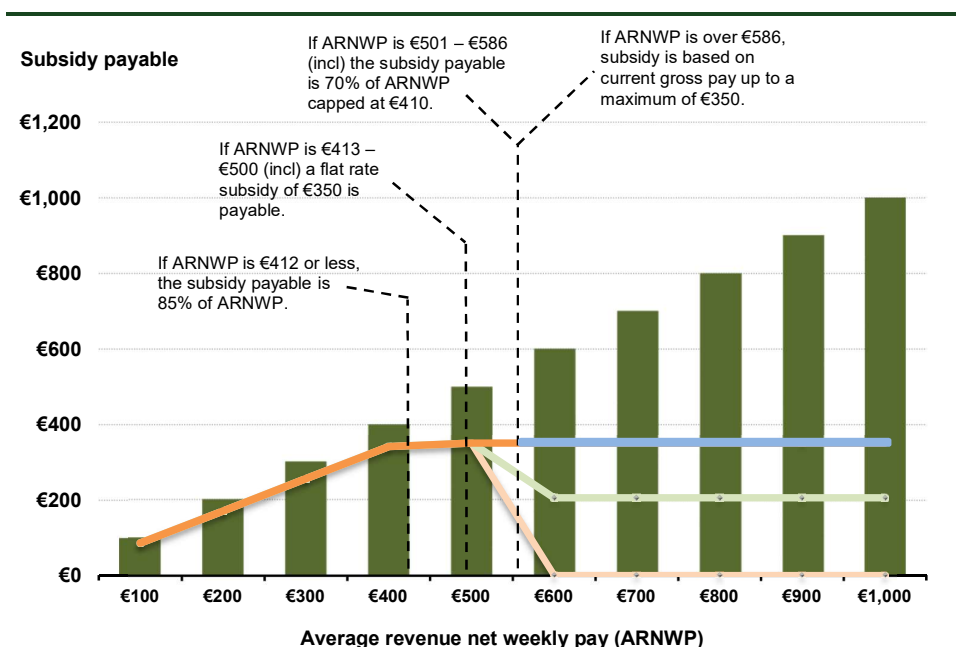
Operational phase

12.18 Subsidies totalling €2.03 billion were paid in respect of the operational phase over the months May to August 2020 — a total of 17 weeks. In the operational phase, the subsidy payable was graduated depending on the employee's average revenue net weekly pay (ARNWP) during January and February 2020, and subject to certain caps.

- For employees whose ARNWP was equal to or less than €500, the subsidy amount payable was 85% of the ARNWP, but was capped at €350 per week.
- For employees whose ARNWP was €500 — €586, the subsidy was paid at 70% of the ARNWP and capped at €410 per week.
- Where the ARNWP exceeded €586, the subsidy payable reflected the reduction (if any) in weekly earnings the employee incurred: if the reduction was 40% or more of the employee's ARNWP, the subsidy payable was a flat €350 per week; if the reduction was 20% to 40%, a flat rate subsidy of €205 per week was payable; and no subsidy was payable if the reduction in weekly earnings was less than 20% of the ARNWP.

12.19 The outcome of the subsidy structure was to provide for payments of not more than €410 per week, and not more than 85% of the prior weekly earnings (see Figure 12.4 and Annex 12B.1).

Figure 12.4 Rate of wage subsidy, relative to prior average pay from €100 a week to €1,000 a week^a



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Note: a Tapering or restriction of the subsidy applies in all cases where the ARNWP exceeds €412 to ensure total pay (gross pay by the employer plus the subsidy) does not exceed the ARNWP or €960 net. If ARNWP is less than €412, the total of gross pay plus subsidy cannot exceed €350.

- The maximum subsidy payable based on ARNWP, subject to tapering.
- Subsidy payable if current gross pay is less than 60% of ARNWP, the maximum subsidy payable is €350 per week, subject to tapering.
- Subsidy payable if current gross pay is between 60% – 80% of ARNWP, the maximum subsidy payable is €205 subject to tapering.
- There is no subsidy payable if current gross pay is greater than 80% of ARNWP.

Tax implications for employees in receipt of subsidy

- 12.20** While the subsidy payments received by employees were liable to income tax and the Universal Social Charge (USC), there was no requirement for employers to make these deductions at source at the time of payment. In some cases, this resulted in under payment of employees' liabilities to Revenue over the 2020 tax year. The liabilities were instead determined by Revenue at the end of the year (2020).
- 12.21** In January 2021, Revenue calculated and estimated amounts totalling €186 million as being due from 198,400 employees — about 30% of employees in receipt of payments under the scheme. The estimated average liability was €938 per liable employee.
- 12.22** A number of options were available to pay or discharge the liability.
- An employer could pay the scheme tax liabilities on behalf of the employee without the normal benefit-in-kind rules applying.
 - The employee could opt to discharge the full liability, or a portion of the liability through a single payment, with any balance of the liability being collected over four years from 1 January 2022 by reducing the employee's tax credits.
 - An employee could also offset their liability if they are entitled to claim additional credits, for example health expenses.

To date, €30.8 million of the liability due has been paid and agreements in relation to reduction of tax credits for future years has been agreed in relation to €66.5 million. For the estimated balance of €88.7 million, Revenue stated it is developing a process for further engagement with employees who have not completed their review for 2020 following the issue of their preliminary end of year statement.

- 12.23** Revenue also identified that a number of employees were entitled to a refund of income tax and USC paid prior to March 2020 as a result of their taxable pay being reduced due to Covid-19 restrictions and the operation of the cumulative basis of taxation.¹

Revenue review of eligibility*Automated check*

- 12.24** Revenue conducted a number of checks on the claims received prior to payment of wage subsidies. These were automated checks using information already available on Revenue's ICT system and included the following.
- For subsidy payments before 24 April 2020, the system checked that the employer had made a qualifying payroll submission for the employee prior to 15 March.
 - For subsidy payments on or after 24 April 2020, the system checked that the employer had made a qualifying payroll submission for the employee prior to 1 April.
 - The specified employees were on the payroll at end February 2020.
- 12.25** The automated checks resulted in 22 employers (out of a total of 67,667 who applied) not gaining access to the scheme.²

¹ Cumulative tax is the tax due on an employee's total income from 1 January to the current date. The tax due for any pay period is the cumulative tax payable less the tax already deducted during that year.

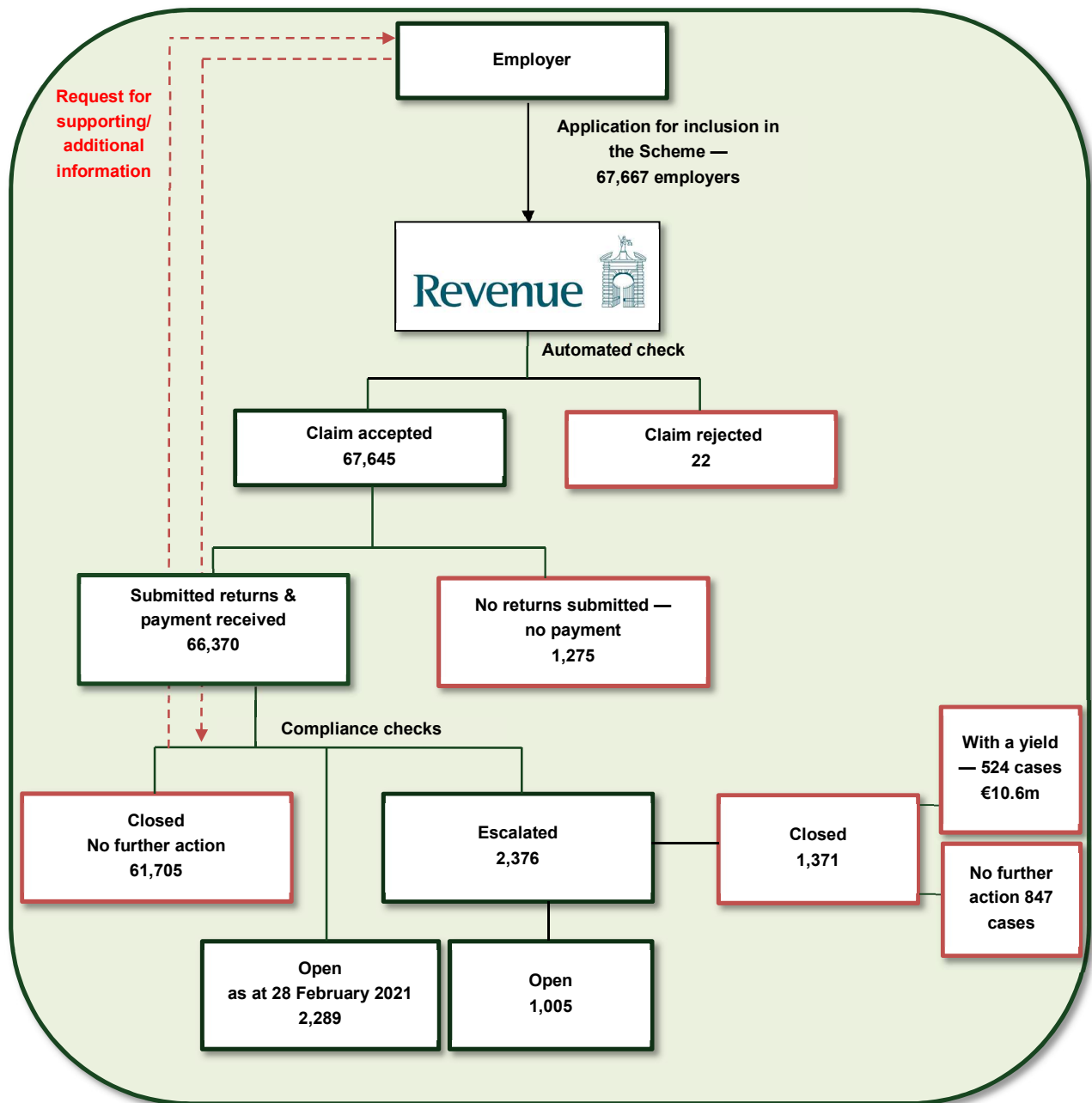
² 1,275 applicants did not proceed with claims.

Detailed check

- 12.26** In June 2020, Revenue commenced a phased programme of eligibility checks on all 66,370 employers who registered for and received subsidies under the scheme. Letters were issued to all businesses seeking confirmation that the employer met the eligibility criteria, that employees were being paid the correct amount of subsidy, and that the subsidy amount was separately identified on the employee's payslip.
- 12.27** In carrying out these compliance checks, Revenue prioritised employers that had received higher subsidy amounts and had large numbers of employees. It also took account of the overall compliance history of the employer and reviewed a number of indicators that might point towards ineligibility, for example whether the employer was in an industry where Covid-19 was not generally perceived to have had a negative impact. Revenue undertook eligibility checks with all employers and requested information to support eligibility under the scheme.
- 12.28** Admission to the scheme was on the basis that the employer anticipated that business turnover would decline by 25% or more (e.g. compared to the first quarter of 2020 or the second quarter of 2019). In cases where turnover had not in fact declined, or had declined by less than 25%, Revenue sought additional information from employers that there had been a reasonable basis for expecting such a decline when applying to participate in the scheme. An example of such a basis for claims would be evidence of
- customer orders or bookings at March 2020 in comparison to February 2020 indicating a significant drop in turnover
 - documentation submitted to a financial institution as part of the negotiation of relief measures with the financial institution
 - communications to employees or trade unions of salary/wage cuts implemented as a direct result of Covid-19.
- 12.29** If the Revenue case worker carrying out the check was satisfied with the information provided by the employer, the case was closed. If the case worker was not satisfied, the case was escalated to a non-audit intervention for follow up.¹
- 12.30** At the end of February 2021, 93% of compliance checks undertaken had been closed by Revenue's case workers following confirmation of the employer's eligibility with the requirements of the scheme. 1,371 of the 2,376 cases escalated had been closed. Within the closed cases, there were 109 employers that had received scheme subsidies totalling €21 million. In these cases, the drop in turnover experienced by the businesses was less than 25% but Revenue accepted that the employers concerned had a reasonable expectation on entry into the scheme that turnover would decrease significantly in the relevant period.
- 12.31** At the end of February 2021, 3,294 scheme eligibility checks (5%) remained open. This represents 5% of the employers and €102 million (4%) of the total subsidies paid. Over 2,000 of those are open due to the employer not responding to Revenue's correspondence. Revenue is continuing to follow up on these cases through letters and phone calls.
- 12.32** A summary of Revenue activity is set out in Figure 12.5.

¹ The type of compliance intervention undertaken by Revenue is determined by the risks identified. Non-audit interventions can include assurance checks, aspect queries and profile interviews.

Figure 12.5 Compliance activities — Temporary Wage Subsidy Scheme



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Detected ineligibility

12.33 By 28 February 2021, Revenue had raised assessments of liabilities and had recovered €10.6 million in relation to 524 employers, following completion of scheme eligibility checks.¹

- In 300 cases, Revenue determined that the employer was not eligible for inclusion in the scheme and full repayment of the subsidy was sought. This accounted for just under €5.1 million. In these cases, liabilities of over €2.3 million relating to other taxes were also raised.
- In 90 cases, Revenue determined that, on entry into the scheme, the employer had a reasonable expectation that turnover would decrease by 25%. In these cases, Revenue sought to recoup amounts paid after the date of the intervention or after 30 June 2020, whichever was the earlier date. Overpayments totalling €2.1 million were raised representing about 30% of the amounts paid to those employers.
- Overpayments totalling €0.7 million were raised in relation to 110 employers in relation to periods of ineligibility or ineligible employees.
- Overpayments totalling €0.4 million were raised in relation to 19 employers where on receipt of a letter from Revenue requesting supporting information for scheme entitlement the employer repaid all monies received.
- The remaining €20,000 related to other tax underpayments identified as part of the review.

Additional repayments

12.34 Up to mid-March 2021, certain employers had made repayments of subsidies received that were not as a direct result of Revenue's formal compliance work.

- On 30 October 2020, Revenue published a list of employers that had availed of the subsidy. In advance of this, Revenue gave employers the option to repay any subsidy amounts received and be excluded from the published list. 406 employers availed of this option and repaid the subsidies received — €6.2 million.²
- €72.6 million was received related to amounts repaid that exceeded the subsidy due based on the average weekly wage paid to the employee.

¹ Revenue has stated that while this includes amounts overpaid in relation to the scheme, it also includes amounts due from the employers concerned relating to the successor employment wage subsidy scheme (EWSS) and value-added tax (VAT) and PRSI that were identified in some cases during the review.

² It was a condition of the scheme that employers were required to pay outstanding income tax, USC and PRSI to avoid publication. The amount of the additional taxes and contributions paid is not available. Revenue stated it could not readily extract from the overall employers return for the affected period a breakdown of the income tax, USC and PRSI related to the scheme subsidy compared to deductions due on regular emoluments.

Review of compliance checks completed

12.35 As part of this examination, 30 closed interventions were selected for review. In 22 cases, no issues were noted about how the Revenue compliance checks were carried out.

12.36 In eight of the cases examined, the employers had projected their turnover for the second quarter of 2020 on the basis of private income only, and had excluded Government payments. For example, payments identified by the examination included the Health Service Executive Temporary Assistance Payments Scheme (TAPS) to private nursing homes, and primary care reimbursement service payments to healthcare professionals. Revenue's approach to recoupment of subsidies paid was not consistent for entities in the same sector.

- In one case with subsidies totalling €3,908, Revenue sought partial repayment of €1,302.
- In two cases with scheme subsidies totalling €132,057, Revenue sought full repayment. When Revenue reviewed the documentation in relation to their turnover, the case worker deemed that the entities were ineligible for the scheme when Government payments were factored in and therefore the businesses had not suffered a 25% (or more) decrease in turnover in the period. Both entities were deemed to have failed to provide sufficient evidence that they had a reasonable expectation for entry into the scheme.
- In five cases with subsidies totalling €234,147, Revenue did not seek repayment. In these cases, the caseworkers had noted their belief that based on all the information supplied by the employer, including in one case the business being closed and uncertain future income, a reasonable expectation was established by the employer on application to the scheme. However, these were not correct assessments as expected Government payments in the period should have been included in the calculations by the entities on entry into the scheme.

12.37 Revenue has stated that its approach in these cases was based on the full circumstances of the employer, which resulted in differing outcomes for the employers examined.

12.38 Guidance on the operation of the scheme was published on Revenue's website. While the information was updated a number of times during the operation of the scheme, the guidance did not specify at any stage the requirement to include Government payments as part of turnover.

Quality assurance

12.39 Relevant Revenue divisions established a centralised quality assurance team to review closed eligibility checks. The focus of the quality checks was on customer service standards, the accuracy of information on correspondence that issued to employers, employer eligibility for the scheme and confirmation that all requested information was received. A total of 1,221 quality checks were undertaken up to end February 2021, just under 2% of all closed cases.

12.40 The results of the quality assurance process were generally positive. No issues were identified in relation to almost two thirds of cases reviewed. In a further 30% of cases, the review identified some minor procedural issues in relation to administration of the compliance check, for example a closure letter had not issued to the employer.

12.41 More substantive issues were identified in relation to 5% of the cases. The quality assurance review noted that the case worker did not follow up in a number of cases.¹

- requested payslips had not been received as requested in 41 cases (3%)
- a satisfactory response had not been provided in relation to employer eligibility in 19 cases (2%).

¹ Where the quality assurance process identified that a satisfactory response was not provided in relation to employer eligibility, these were further reviewed with some requiring action.

12.42 The results of the quality assurance process were provided to the scheme oversight group on a weekly basis. The guidance manual for staff undertaking compliance interventions was updated on a number of occasions to clarify the requirements of staff when undertaking eligibility checks.

End of scheme reconciliation

12.43 Employers availing of the scheme were obliged to repay some or all of the subsidies received where

- the flat rate paid by Revenue during the transitional phase exceeded the amount due to employees
- the amounts paid to the employer during the operational phase exceeded the amounts paid to the employee by the employer (based on employees ARNWP).

12.44 In December 2020, Revenue calculated the amounts payable to individual employees (by reference to their ARNWP) and compared this to the total amount paid to their employer.¹ In March 2021, Revenue made the reconciliation information available to each employer outlining the results of this exercise. Revenue considered that 41% of employers had a balanced reconciliation and the remaining 59% had reconciliation adjustments as follows

- 32,600 employers (56%) had been paid more than they subsequently paid to their employees. The overpayments identified had a combined value of €224 million. Of this, just under €200 million related to the transitional phase where Revenue paid each employer a flat rate of €410 per employee per week. Employers were advised by Revenue at the outset of the scheme to pay eligible employees 70% of their average net weekly pay and that any excess would be recouped at a later date.
- 1,800 employers (3%) were identified as potentially being due additional subsidies amounting to €1.4 million.

1 Revenue did not complete a reconciliation for employers who were still involved in a compliance review or in cases where case working was still ongoing.

2 The final liability of €311 million is the total of all subsidy payments identified by Revenue as repayable.

12.45 Employers had until end June 2021 to make corrections to data previously reported and to accept the reconciliation. Following this process, Revenue determined that the final liability was €311 million, of which €252 million relates to subsidies paid during the transitional phase.²

Conclusions and recommendations

- 12.46** The temporary wage subsidy scheme provided very substantial assistance to employers who reported that they anticipated significant adverse impacts on their businesses due to Covid-19 restrictions. In 2020, a total of €2.8 billion was paid to 66,370 employers for 678,236 employees. The employers availing of the scheme represented 36% of all employers registered with Revenue pre-pandemic.
- 12.47** The cost of the scheme to the Exchequer was substantially offset by funding received from the EU under the programme to respond to the Covid-19 emergency.
- 12.48** Similar to the administration of the tax system and unlike standard Department of Social Welfare schemes, the scheme operated on a self-assessed basis. This meant employers self-declared that they met the eligibility criteria and how much they were due, and received the subsidy on that basis.

Governance

- 12.49** While the cost of the scheme was borne by Vote 37 Social Protection, Revenue assisted in the design of and operated the scheme. Revenue put in place a formal internal management structure to oversee the operation, and utilised an existing general liaison group to facilitate liaison between Revenue and the Department in relation to the operation of the scheme.

Testing the validity of claims

- 12.50** Revenue implemented a comprehensive compliance regime that included a number of elements.
- 12.51** Using certain information normally available on Revenue's ICT systems, automated checks were conducted to confirm that the employer had submitted PAYE returns in the prior period and that the employees being claimed for were on that return.
- 12.52** Compliance checks on all employers that had received subsidies commenced in June 2020. These checks sought to review eligibility for inclusion in the scheme. As at end February 2021, 63,076 reviews (95%) had been completed. 2,000 employers (3%) that received subsidies had not engaged with Revenue.

Recommendation 12.1

Revenue should review the characteristics of compliance checks that remain open with a view to developing a plan to finalise these reviews.

Accounting Officer's response

Agreed.

Since February 2021, each Division has continued to contact employers who failed to engage with the compliance check programme. For example, a bulk issue letter campaign was conducted to remind employers of their obligations and to notify employers that continued non engagement would result in a notice of assessment to "relevant tax" being issued. Section 28 (11) of the Emergency Measure in the Public Interest (Covid-19) Act 2020 provides that scheme liabilities are subject to assessment as relevant tax. 295 notices of assessment were issued to those employers who did not engage with Revenue on this issue.

Of those employers receiving a notice of assessment, 201 engaged with Revenue to resolve outstanding issues leaving a small number of employers (94) who at the time of writing continue not to engage. Subject to each employer's right to appeal, these amounts will be treated as due and payable but may be warehoused where the employer is eligible for tax warehousing. The measures taken by Revenue to conclude the scheme compliance checks have resulted in 99.6% of compliance checks being fully completed as at August 2021 with 1,523 employers making settlements with Revenue of €27.2m.

- 12.53** A sample of 30 compliance check cases was examined for the purpose of this examination. In 22 of the cases, no issues of concern were noted. However, it was found that Revenue's approach to recoupment of subsidies paid was inconsistent in eight cases, in particular in relation to employers in the same sector whose turnover didn't decrease by 25% when Government payments were taken into account.
- 12.54** Quality assurance checks were undertaken by Revenue on a sample that represented 2% of all closed cases. These checks found that one in 20 (5%) of the reviewed cases did not have all the information required, or that unsatisfactory responses had not been followed up as required. There was evidence of follow up by Revenue staff following the quality assurance process for the sample cases.

Detected level of ineligibility

- 12.55** At the end of July 2021, subsidies totalling €311 million, 11% of the schemes total outlay, had been identified as repayable. Revenue has stated that €212 million of this had been repaid, and €81 million had been warehoused for future collection, by agreement with Revenue. A residual €18 million was outstanding for recovery.
- 12.56** Of the €311 million identified for repayment, €252 million related to subsidies paid during the transitional phase and arose because the subsidy paid by Revenue (a flat rate of €410 per week per eligible employee) exceeded the amounts payable to some employees, capped at 70% of average earnings. The overpayments represented 35% of the subsidies paid during the transitional phase.
- 12.57** Repayments received up to mid-March 2021 included: €10.6 million recovered from employers following compliance checks by Revenue; €6.2 million from employers that voluntarily exited the scheme; and €72.6 million from employers in instances where the subsidy paid to the employer exceeded the subsidy due to employees — based on the ARNWP paid to the employee in the two months prior to the pandemic.
- 12.58** Revenue identified 109 cases with combined subsidies totalling €21 million paid to employers that expected to meet the eligibility requirements of the scheme but subsequently did not i.e. the expected reduction in turnover did not materialise. Revenue did not request repayment on the basis that the employers concerned had a reasonable expectation when making the application that their business would be significantly adversely affected.
- 12.59** While there was a material level of excess funding on the temporary wage subsidy scheme arising from the emergency circumstances in which it was introduced, Revenue signalled to employers that they would be required to repay any excess. Revenue implemented a comprehensive control and checking regime that has identified overpayments and substantially recovered them.

Annex 12A.1 Number of employers and employees registered with Revenue in the scheme by county

County	Number of employers registered for the scheme	Total number of employers registered with Revenue	Number of employees in receipt of scheme monies ^a
Carlow	806	2,195	8,509
Cavan	1,033	2,871	9,850
Clare	1,433	4,232	12,690
Cork	7,414	21,506	63,244
Donegal	2,044	5,577	16,506
Dublin	19,845	53,386	267,570
Galway	3,770	9,260	37,931
Kerry	2,200	5,975	19,239
Kildare	3,036	7,620	28,827
Kilkenny	1,279	3,911	9,873
Laois	873	2,517	6,536
Leitrim	366	1,093	2,583
Limerick	2,519	7,038	26,074
Longford	501	1,394	5,555
Louth	1,851	4,558	17,187
Mayo	1,784	4,523	15,442
Meath	2,580	7,048	21,584
Monaghan	994	2,692	9,583
Offaly	931	2,731	7,297
Roscommon	672	2,069	5,517
Sligo	825	2,190	6,814
Tipperary	1,960	6,666	14,211
Waterford	1,537	4,539	15,219
Westmeath	1,280	3,464	10,948
Wexford	2,212	6,097	19,417
Wicklow	2,052	5,492	14,775
Foreign ^b	573	2,700	5,255
Totals	66,370	183,344	678,236

Source: Revenue Commissioners

- Notes:
- a Employees are allocated by county based on the location of employer and where the payroll is processed rather than the county residence.
 - b Employers could claim the subsidy in respect of any employee who is exercising an Irish contract of employment in the State and where the employer satisfies the conditions of the scheme.

Annex 12B.1 Rates of subsidy at transitional and operational phase

	Subsidy payable
Transitional phase	70% of average weekly earnings capped at €410
Operational phase	
ARNWP < €412	85% of ARNWP capped at €350
ARNWP €412 — €500	Flat rate €350
ARNWP €500 — €586	70% of ARNWP capped at €410
ARNWP over €586	
• Employee current gross pay <60% of ARNWP	€350
• Employee current gross pay 60% – 80% of ARNWP	€205
• Employee current gross pay >80% of ARNWP	€0

Source: Revenue Commissioners. Office of the Comptroller and Auditor General.

- During the transitional phase, the subsidy was paid with reference to an employee's average net weekly earnings defined by Revenue as *'an employee's average weekly pay based on January and February payroll submissions made to Revenue for an eligible employee. Bonuses, commissions and other payments will be taken into account in the calculation if these were included as part of gross pay in the January/February 2020 payroll submissions'*.
- During the operational phase, Revenue calculated the ARNWP and the maximum weekly wage subsidy for each employee and provided these to employers. Revenue refunded the applicable wage subsidy based on the level of gross pay reported by the employer for each eligible employee.
 - Where ARNWP exceeded €586, the subsidy was also based on the employees' current gross pay as reported in the current payroll submission as a percentage of the ARNWP.
 - Tapering or restriction of the subsidy applied to all cases, except those where ARNWP did not exceed €412 where the additional gross pay paid by the employer and reported on their payroll submission, plus the wage subsidy amount, exceeded the employee's ARNWP.

Revenues of the State

13 Revenue's management of suspicious transaction reports

- 13.1** The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (the Act) introduced the requirement for designated persons to submit suspicious transaction reports (STRs) where they have suspicions of terrorist financing or money laundering, including the laundering of the proceeds of tax evasion.¹
- 13.2** Designated persons include, inter alia, financial institutions, auditors/accountants and members of the legal profession. The reports must be submitted to the Office of the Revenue Commissioners (Revenue) and to the Financial Intelligence Unit of An Garda Síochána.
- 13.3** Revenue received approximately 125,000 STRs in the five-year period 2016 to 2020. Examination of STRs potentially provides useful intelligence to Revenue in tackling shadow economy activity.
- 13.4** This examination looks at the processes in place in Revenue on receipt of an STR, the systems for capturing and reporting on the results of their assessments of STRs, and Revenue's effectiveness in managing the STR process.

¹ [Irish statute book](#).

² IBI is Revenue's principal reporting tool for the capturing and recording of STRs. Prior to electronic submission (September 2020), STRs were manually input into IBI.

³ Prior to June 2020, Revenue used a system called 'ICMLite' for case working all STRs (matched and unmatched). From June 2020, all matched cases (apart from D rated STRs) are automatically uploaded to RCM. Unmatched cases are not uploaded to RCM as they cannot be linked to a compliance unit (in the relevant branch, where the taxpayer's tax affairs are dealt with). However, they can be viewed and case worked through the IBI system.

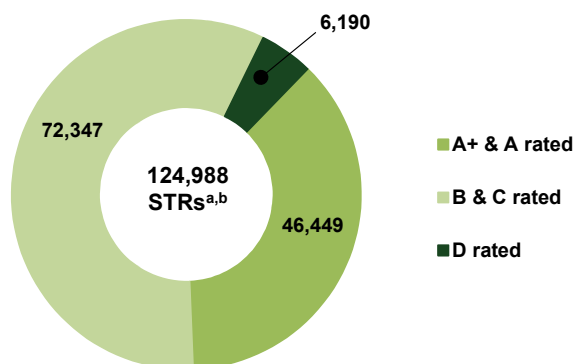
⁴ Although STRs matched to a DSP only profile are not transferred to RCM, they are assigned to a relevant branch and have been categorised as matched through this report.

Risk rating of STRs

- 13.5** STRs received are transferred to Revenue's Suspicious Transaction Report Office (STRO). This office matches each STR received to a taxpayer record (where possible) and assigns a risk rating to the report. Reports are then sent on to the relevant Revenue compliance units for review.
- 13.6** STRO officials initially record STRs on its Integrated Business Intelligence system (IBI).² Once a match of the STR to a taxpayer record is completed, the STR is automatically uploaded to Revenue's Case Management (RCM) system — a case working system that records compliance intervention activities.³ STRs remain on IBI if they cannot be matched to taxpayer record. STRs that are matched to a Department of Social Protection (DSP) only profile remain on IBI.⁴
- 13.7** Revenue automatically assigns a risk rating to each STR. The automatic risk rating system was developed in 2014. It is based on a formula built into the system which takes into account a range of structured and unstructured data including the monetary amount, key words and the country the funds originated from or are being sent to. The source of the STR does not influence the risk rating. (Over 90% of STRs received are from financial institutions.)
- 13.8** The risk rating system has not been updated since 2014 and therefore does not take account of new words and technological advances. Revenue stated that a review of the risk rating of STRs was planned to take place in 2020. The review was temporarily suspended due to Covid-19 but has now recommenced.

- 13.9** Risk rating occurs at a number of levels. STRO officials manually review all STRs and may amend the system-generated rating if they feel the rating is too low or too high. This examination compared the automatic rating assigned by the system against the rating assessed by the STRO. This found that the STRO had revised the rating of 8,552 STRs (7%). The revisions were relatively evenly divided, with just over half of cases having the risk rating increased and just under half having the risk rating reduced.
- 13.10** The final rating applied to each of the 124,988 STRs received in the period 2016 – 2020 is set out in Figure 13.1.

Figure 13.1 Suspicious transaction report ratings, 2016 to 2020



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Two STRs have no rating.
 - b In addition, there were 81 STRs received in hard copy that had not been manually input to the system as at April 2021. Revenue confirmed that all cases are on the system as at end August 2021.

- 13.11** In general, the rating assigned to an STR dictates the extent of review it will receive from Revenue officials.
- A+ and A rated cases are perceived to represent the highest risk and, once reviewed by the Revenue branch that has case ownership, are open for active case management.
 - B and C rated cases are categorised as low priority and are worked if resources are available. If the branch that has case ownership does not assign cases for review to staff within 90 days, they are removed from the RCM system but the unworked STRs remain on IBI.
 - D rated cases relate to STRs whereby the person is classified as non-resident. The majority of these cases are not acted on.¹

STRs not matched to a taxpayer

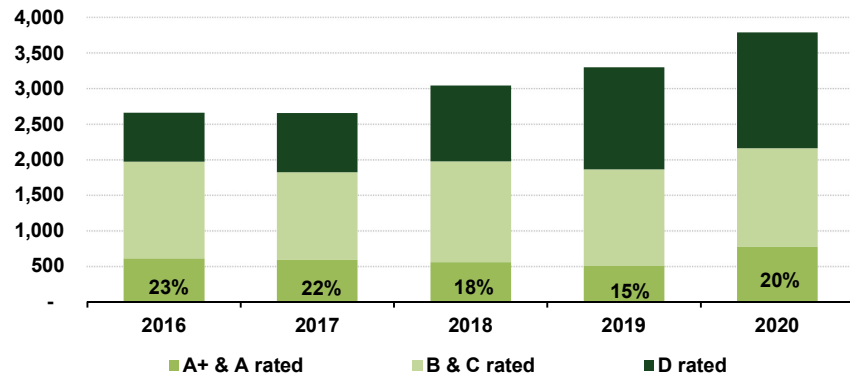
- 13.12** As at February 2021, over 15,000 (12%) of the STRs received during the years 2016 to 2020 had not been matched to a Revenue profile.²
- 13.13** On average, approximately 20% of unmatched STRs are categorised as high risk each year (see Figure 13.2). In general, Revenue does not follow up or revisit STRs not matched to a taxpayer.

¹ Revenue may in certain cases contact the relevant foreign tax administration under 'mutual exchange of information' protocols. Revenue report 646 mutual assistance request in 2020 of which 13 related to STRs.

² Included in the unmatched STRs is just over 5,600 D rated cases. Revenue stated that based on the information provided in the STR it is not possible to link it to an Irish PPSN.

- 13.14** However, Revenue commenced an exercise in January 2021 to review unmatched STRs received in 2020 by manually reviewing individuals or companies named in the STR submissions. This exercise, completed in April 2021, matched 2,537 STRs (67%) to Revenue records. Revenue has stated that it plans to revisit years prior to 2020 for unmatched cases when resources allow.

Figure 13.2 Unmatched STRs, 2016 to 2020 as at February 2021

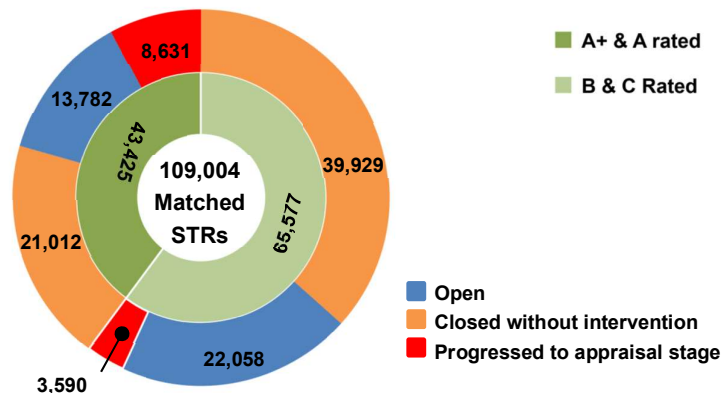


Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Management of matched STRs

- 13.15** Revenue was able to match approximately 109,000 (87%) of the STRs it received in the years 2016 – 2020 to identified taxpayers. Figure 13.3 indicates the status of these cases as at February 2021.

Figure 13.3 Status of suspicious transaction reports received in 2016 — 2020, as at February 2021



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

- Notes:
- a Closed without intervention — a reason for closure may include the following; no revenue implications; case closed; low value intelligence; good value intelligence for future use; no material tax at risk, refer to another division.
 - b There were two STRs with no rating recorded — one was closed without intervention and the other remains open.
 - c 518 matched D rated cases are not included.

High risk STRs

- 13.16** A total of 43,425 (40%) of the matched STRs were assessed as having A+/A risk rating. Of these, almost half (48%) had been closed without intervention by February 2021. 32% were open, and the remaining 20% had progressed to some form of compliance activity — e.g. an appraisal, an aspect query, an audit, an investigation or a profile interview.
- 13.17** A random sample of 25 A+/A rated STRs that were closed in 2020 was examined to assess whether the action taken by Revenue was consistent with its procedural policies. The review found that
- In ten cases, Revenue undertook some form of compliance activity follow-up.
 - In 12 cases, Revenue concluded that a compliance intervention was not necessary, and having reviewed the STR, the examination team concluded that this appeared reasonable.
 - In one case, an STR was closed on a legacy Revenue system in April 2020 with a note to reopen in the RCM system, but this was not reopened.
 - In two cases, the STRs were considered relevant to other Revenue branch for possible further investigation. However, the cases were closed prior to referral and there is no evidence on file to indicate any activity following referral to the other branch.

Lower priority STRs

- 13.18** By February 2021, 61% of matched STRs categorised as B and C had been closed without an intervention. Just 5.5% had progressed to an intervention.
- 13.19** The examination tested 25 STRs rated B/C that had been closed without activity.
- In 20 of the cases examined, the closure reason appeared reasonable based on the detail provided in the STR or in the notes provided by the caseworker.
 - In four cases, the STRs were considered relevant to another Revenue branch for possible further investigation. There is no evidence on file to indicate any activity following referral to the other branch.
 - In one case involving a disclosed transaction amount of over €31,500, the recorded closure reason was that the STR was 'low value intelligence'. There was no further detail as to why it was considered low value.
- 13.20** STRs that are considered low priority (B/C), and have not been assigned within 90 days are automatically deleted from RCM. However, they remain on Revenue's IBI indefinitely and linked to the matched taxpayer's profile. As a result, they are used to inform the taxpayer's general risk rating within Revenue's risk based case selection tool — Risk evaluation, analysis and profiling (REAP). Revenue stated that the presence of an STR elevates the risk score assigned to the relevant taxpayer in REAP. These risk scores are then ranked and made available to operational divisions. Managers involved in compliance work review the REAP results and this informs the selection of cases for routine investigation.

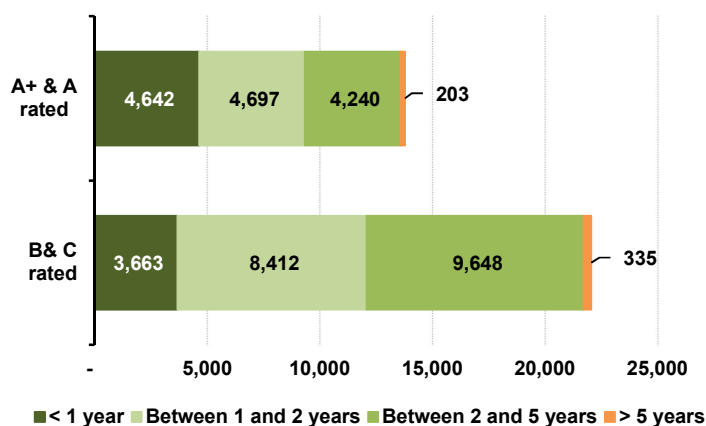
Timeliness

- 13.21** Timely review and action on the information contained in STRs is important. In evaluating timeliness, it is useful to examine the age of STRs currently open in the system.
- 13.22** In some cases, any potential tax liabilities based on the STR information can only be assessed in the tax year following the receipt of the STR, when the tax return of the customer falls due. This allows Revenue to confirm if tax evasion is in fact occurring or if there is a valid reason for the increased income in the year in question.

Age analysis of open STRs

- 13.23** The examination reviewed the length of time STRs still on-hand had been open. Nearly 36,000 matched STRs remained open as at February 2021. 31% of open STRs classified as high risk (A+/A) had been open two years or more (see Figure 13.4).

Figure 13.4 Age analysis of open STRs as at February 2021



Source: Revenue Commissioners. Analysis by Office of the Comptroller and Auditor General.

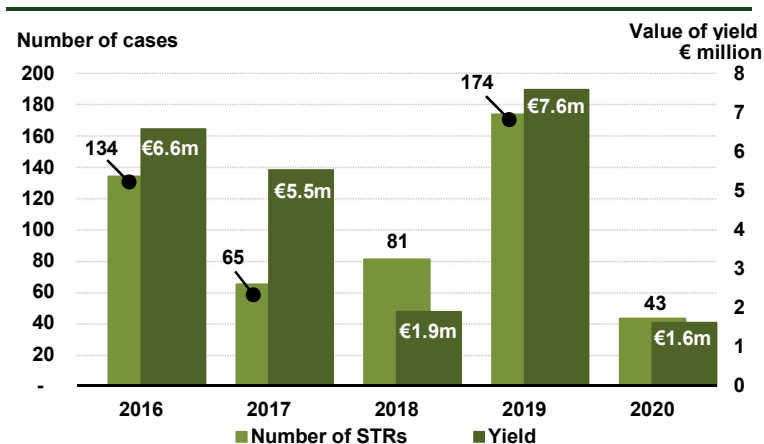
- 13.24** Revenue's Personal Division carried out a project in 2020 to review aged STRs that had been referred to it for attention.¹ The project sought to evaluate the risks relevant to the Division that were highlighted by the STRs while also case working the cases assigned. A total of 2,771 taxpayers with 4,411 related STRs were reviewed. Key findings from the project include
- the STRs received identified genuine risks that are relevant to the Division
 - the risks identified were not typical to the work of the Division, and included risks related to trading activity and shadow economy risk.
- 13.25** The review concluded that a protocol was needed to manage the transfer of some STRs to other divisions where a real time visit to the tax entity may be needed to check the risk identified.
- 13.26** The results were reported in May 2020 to the divisional management team and a written report was submitted and discussed at the principal officer business management executive team meeting in October 2020. Due to the impact of Covid-19, the work on devising a protocol for transferring STRs between divisions has not yet advanced.

¹ The Personal Division is responsible for the management and development of service, compliance and audit functions for individuals with PAYE income only and entities with no trade or professional income such as trusts, charities, sporting bodies.

STRs subject to an intervention

13.27 As at February 2021, Revenue had carried out compliance activity on 12,221 cases — 10% of all STRs reported to Revenue in the five-year period 2016 – 2020. Of these, only a small proportion resulted in additional tax yield being identified. Revenue calculated that 497 cases (4% of those subject to compliance interventions) returned a yield of €23.2 million (see Figure 13.5).

Figure 13.5 Yield directly attributable to STRs by year reported, 2016 to 2020

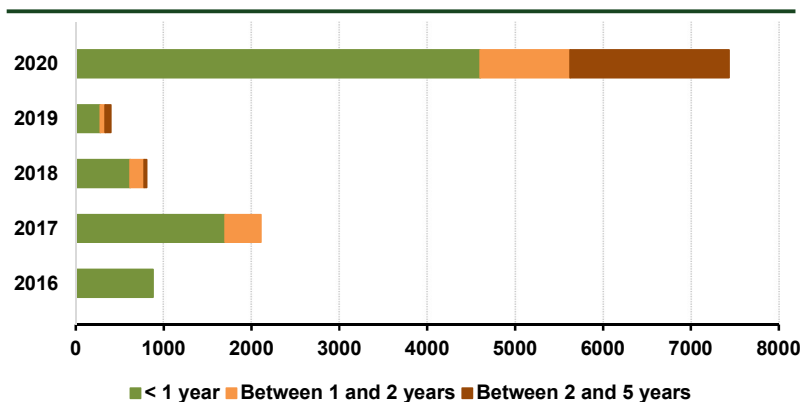


Source: Revenue Commissioners. Analysis by Office of the Comptroller and Auditor General.

Note: From 2016 to 2018 yield is calculated manually. For 2019 and 2020, the yield is extracted from RCM and is considered more accurate.

13.28 Analysis of STR cases closed by Revenue after an intervention indicates there was a significant jump in the number of cases closed in 2020, when over 7,000 cases were finalised (see Figure 13.6). The next highest number of cases closed after an intervention was in 2017, when just over 2,000 cases were closed. However, the yield returned in 2020 represented only 7% of all yielding cases in the 5-year period. The cases closed in 2020 had the highest proportion of high risk cases when compared to other years.

Figure 13.6 Timeliness of STRs closed with activity 2016 – 2020^a



Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Note: a Activity includes compliance activity carried out by Revenue such as appraisal, audit or profile interview.

- 13.29** The examination reviewed the process in Revenue for reporting the yield associated with STR investigations. For the years 2016 – 2018 (inclusive), Revenue was unable to provide a listing of cases to support the yield figure reported. As a result, the examination team was unable to pick a sample to confirm that the yield reported was attributable to an STR and whether the yield was correctly calculated.
- 13.30** Revenue stated that since 2019, the data informing the reported yield figure is extracted from RCM.
- 13.31** A random sample of ten yielding STRs from 2019 and 2020 was selected for examination. This found that the yield reported in each case was directly linked to an STR, and had been correctly calculated.

Management of STRs

- 13.32** A 2015 OECD report on the access of tax administrations to STRs for both criminal and civil matters, based on survey data obtained from 28 countries, highlights a number of instances of good practice in maximising effectiveness in the use of STRs. Revenue's practice in relation to each area is summarised in Figure 13.7.

Figure 13.7 Good practice — maximising effectiveness in the use of STRs

Area	Detail	Revenue practice
Engage closely with the financial institutions and other reporting entities	An outreach or education program to designated bodies can add significantly to the quality of the reporting received.	During 2020, Revenue participated in three anti-money laundering webinars, primarily aimed at designated bodies hosted by other Departments and/or accountancy bodies. Revenue also engage with designated bodies directly to provide assistance where difficulties in submissions arise.
Technical capacity	The effective use of ICT to facilitate the matching of STRs to taxpayer information can free up human resources to focus on analysing the narrative contained in STR reporting.	The automation of the STR process has removed the requirement for manual input of STRs. Staff involved in this process are/were based in the STRO. However, they were not involved in profiling/case working STRs. Staff that revised the STR risk rating carried out minimal profiling of the information contained in the STR.
Training	Training staff in the analysis and use of STRs can make the consideration of the narrative section in the STR (the more time consuming element) more efficient.	Revenue do not have a dedicated training programme solely for working STRs. Comprehensive training has been provided to staff covering Revenue compliance intervention procedures which fully embraces the issues that might arise in an STR context and is grounded in the tax and duty manuals.
Tax assessment	STRs can assist in identifying new cases of serious crimes, including tax evasion and tax fraud, for investigation.	Revenue consider STRs important risk indicators as part of Revenue's overall risk profiling of the tax base.
Debt recovery	STRs can support debt recovery through the identification of previously unknown bank accounts and sources of funds.	While access to the information can be very useful to inform the collection/enforcement strategy, due to the confidential nature of STR reporting, STRs are never referred to as part of Revenue's debt management process/engagement.

Source: *Improving Co-operation between Tax and Anti-Money Laundering Authorities*, OECD, 2015. Adapted by the Office of the Comptroller and Auditor General.

Management information

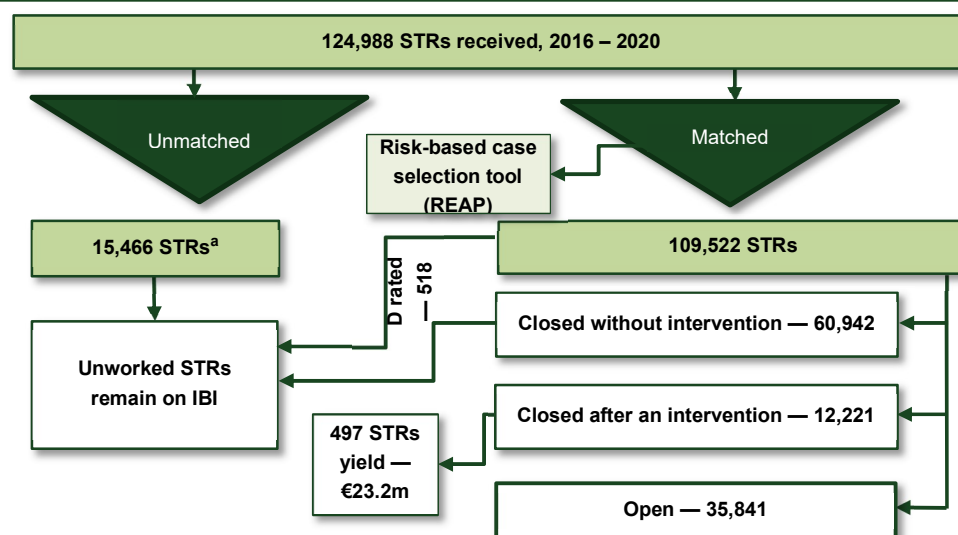
- 13.33** The STRO provides monthly statistics to management (principal officer and assistant secretary) which detail the number of STRs received in the month. The reports do not include information that would be considered useful for the management of STRs and to allow an assessment of performance, such as
- how many remain open and for how long
 - how many were closed without an intervention and the reason
 - analysis of the source of the STR
 - detail on the level of compliance activity conducted in the period and the outcome
 - learnings from worked cases to help inform the risk rating process
 - feedback from case workers on the detail contained in STRs to help improve the reporting process from designated persons
 - targets or benchmarks to assess performance.
- 13.34** In late 2020 and early 2021, Revenue introduced dashboard reporting relating to STRs from both its RCM and IBI systems. The dashboard reports allow users to now access information on the number of open and closed cases along with the closure reason. Information on the source of the STR is also captured.

External reporting

- 13.35** On an annual basis, Revenue publishes details relating to the value of compliance interventions that can be directly linked to an STR.

Conclusions and recommendations

- 13.36** Financial institutions and other statutorily-designated bodies transmit a significant number of suspicious transaction reports to Revenue each year. Over the five-year period 2016 to 2020, Revenue received an annual average of 25,000 STRs. The outcome of the STRs managed by Revenue in the period 2016 to 2020 is set out in Figure 13.8.

Figure 13.8 Outcome of STRs received 2016 to 2020, as at February 2021

Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Note: a Included in the 15,466 STRs are over 5,600 D rated STRs.

13.37 About one in ten STRs received each year resulted directly in a compliance intervention. Of these, just 497 STRs — 0.4% of the reports received — resulted in direct additional tax yield. However, the existence of an STR in a matched case also has an impact on the taxpayer's subsequent risk rating and likelihood to be subject to a Revenue audit or other compliance intervention.

Matching and risk rating of STRs

13.38 On receipt, Revenue seeks to match STRs to identified taxpayers' records where possible. Analysis of cases received in the period shows that 12% of all STRs received were not initially matched to a taxpayer. However, a special project to review the 2020 unmatched cases carried out by Revenue in 2021 succeeded in finding a match for two-thirds of the previously unmatched cases. As a result, around 90% of the STRs received in the period 2016 to 2020 were capable of further analysis and follow up.

13.39 Using an automated system, risk ratings are automatically applied to STRs when received. Subsequent routine validation reviews by Revenue officials resulted in 7% of the ratings being revised. The automatic risk rating system was devised in 2014 based on a formula consisting of key words, and monetary value. The system has not been updated since to take account of technological advances and new words and phrases associated with the shadow economy that may be relevant to STRs and the risk rating process. In addition, knowledge gained from STR case workers is not used to inform and/or refine the automated risk rating system.

Recommendation 13.1

Revenue should periodically review and update the automatic risk rating system which assigns a rating to each STR. The update should include revision of existing keywords to reflect developments in the shadow economy and the results of manual reviews of automated risk rating.

Accounting Officer's response

Agreed.

In 2020, Revenue established a cross divisional review group with a view to updating the risk rating system. The work of the group was delayed due to the impact of Covid-19. However, the group is now actively working on introducing a new risk rating system, which is scheduled for delivery in 2022.

Management of STRs

13.40 Revenue's process allows for STRs to be closed without an intervention taking place. The examination reviewed a sample of 50 cases to ensure the appropriate course of action was taken and in nearly 85% of cases reviewed no issues were identified.

- In six cases, the STRs were considered relevant to other Revenue branches for possible further investigation. However, the cases were closed prior to referral and there is no evidence on file to indicate any activity following referral to the other branch.
- In one case, an STR was closed on a legacy Revenue system in April 2020 with a note to reopen in the RCM system, but this was not reopened.

13.41 Individual Revenue divisions are responsible for deciding on the appropriate course of action required for each matched STR referred to them. Findings from a review of aged cases carried out by Revenue's Personal Division noted the need for a protocol to manage the transfer of STRs to other divisions to be developed. Covid-19 has impacted work in this area and progress in devising a protocol has stalled.

Recommendation 13.2

Revenue should ensure through the required protocol that all cases which are referred for follow up are actively case managed within the case management system and ensure follow up is undertaken

Accounting Officer's response

Agreed.

Revenue is currently developing a protocol to manage the transfer of STRs to other divisions and follow up activity as appropriate. This will be completed by end of 2021.

Timeliness and yield

- 13.42** STRs are a useful source of information and provide new ways to assess risk and to target tax audits. They also allow resources to be focused more effectively.
- 13.43** Nearly 36,000 STR cases remained open at February 2021. 14,426 (40%) are open more than two years, and of these, over a third are categorised as high risk.
- 13.44** There was a significant spike in 2020 in the number of STR cases closed following an intervention. Those cases had the highest proportion of aged cases and high risk cases yet had the lowest yield when compared to other years. This could indicate there is a risk that delay in finalising investigation of an STR leads to a lower chance of recovery of tax due.

Recommendation 13.3

Similar to the review conducted by Personal Division, Revenue should conduct divisional reviews of assigned STRs to evaluate the risks relevant to the division and consider actions required for aged STRs to ensure the value of the intelligence is not lost with time.

Accounting Officer's response

Agreed.

Revenue will undertake a further review of aged STRs.

Effectiveness of STR processing

- 13.45** Revenue complies generally with international good practice in the management of STRs. There is a small number of areas in Revenue practice that could be improved with a view to increased effectiveness in that regard.
- Revenue do not undertake specific outreach programmes with designated bodies in relation to the quality of STRs received.
 - Revenue do not undertake STR specific training with staff on the effective use of STRs.

Recommendation 13.4

As part of Revenue's management of STRs, it should consider the instances of good practice in maximising effectiveness in the use of STRs and in particular the areas of training and engaging with designated bodies.

Accounting Officer's response

Agreed.

Engagement with designated bodies commenced as part of the change management programme for the introduction of the automated STR system in 2020. The STRO will continue to develop this relationship and engage on a more formal and regular basis.

Revenue's compliance training programmes already include instruction on the management of 3rd party information, including STRs. The training programmes are continually updated to take account of emerging trends or issues as they arise, including in respect of STRs.

- 13.46** The STRO is not involved in the case working of STRs. It provides monthly statistics to management which details the number of STRs received in the month. The information provided does not include information that should be useful for the management of STRs or necessary to assess the value of the STRs or the effectiveness of Revenue's follow-up. The divisions working on the STRs do not as standard provide management information on the cases worked.

Recommendation 13.5

Revenue should put in place management information reporting to ensure adequate oversight of the management of STRs and to allow for an assessment of effectiveness in the management of STRs.

Accounting Officer's response

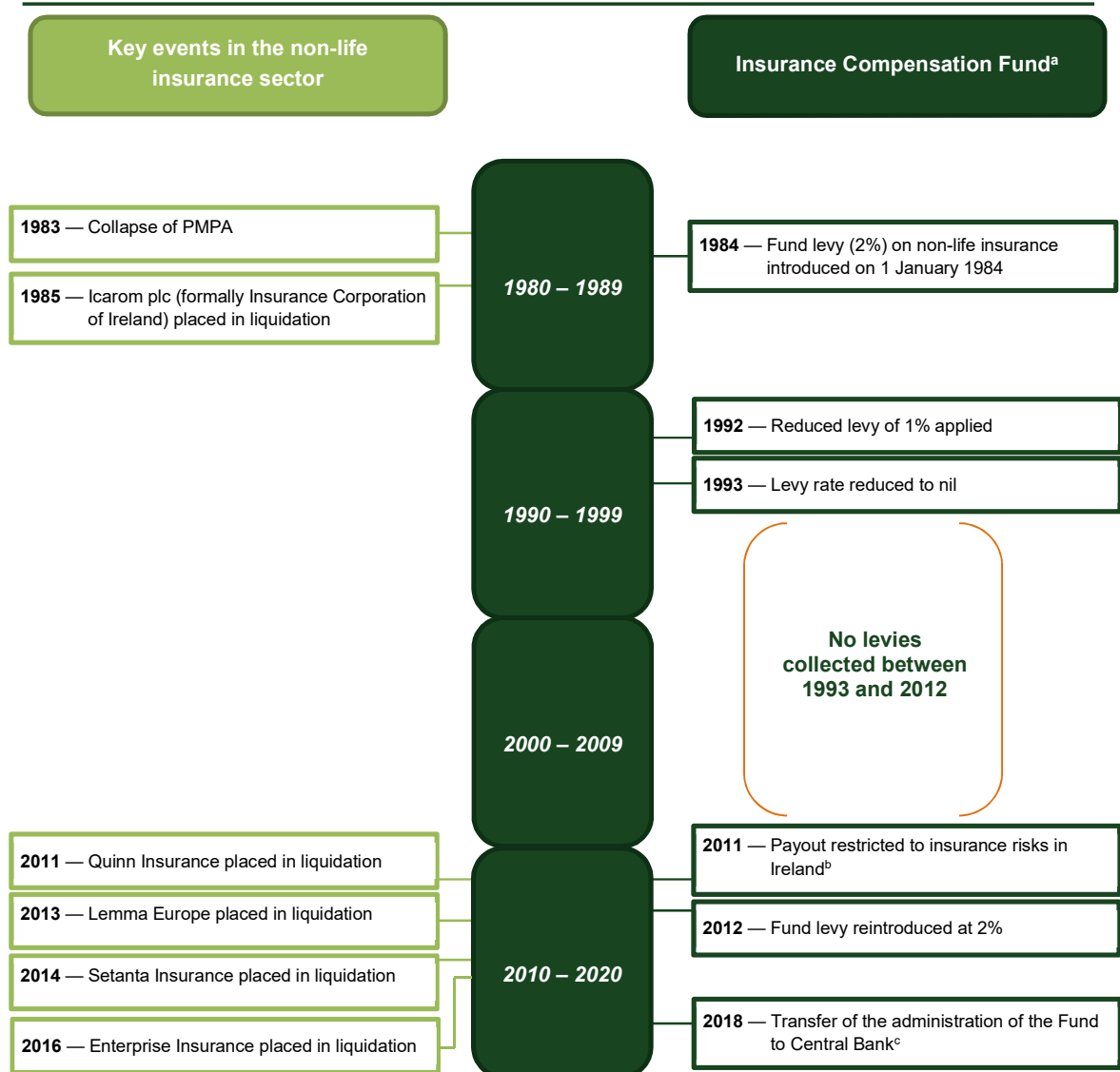
Agreed.

The development of an STR dashboard has already provided improved oversight of the management of STRs. The RCM dashboard also provides management oversight of case interventions where the risk was identified as being STR driven. Revenue will continue to develop and enhance its suite of compliance management information systems to ensure continued oversight and management of risk.

14 Assessment and collection of Insurance Compensation Fund levies

14.1 The Insurance Compensation Fund was established under the Insurance Act 1964 (the Act). It is designed, as and when required, to facilitate payments to insurance policyholders in relation to risks in the State where, for example, an Irish authorised non-life insurer, or a non-life insurer authorised in another EU member state, goes into liquidation. The development of the fund since 1980 is set out in Figure 14.1.

Figure 14.1 Development of Insurance Compensation Fund, 1980 to 2020



Source: The Office of the Comptroller and Auditor General

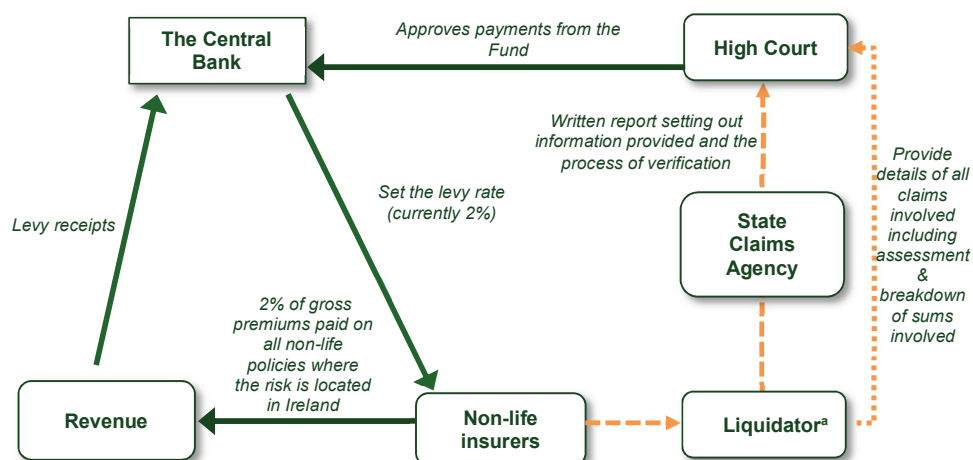
Notes: a Established under the Insurance Act 1964.

b The Insurance (Amendment) Act 2011 restricted the risks covered by the fund to risks insured in the State only.

c The Insurance (Amendment) Act 2018 provided for the transfer of functions from the Accountant of the High Court to the Central Bank of Ireland.

- 14.2** Since 2018, the fund has been maintained and administered by the Central Bank of Ireland and is financed by a levy collected by the Office of the Revenue Commissioners (Revenue). The current levy rate of 2% is imposed on premiums paid by policyholders to insurers. In 2020, just over €100 million of levy receipts was paid over from Revenue to the Central Bank.
- 14.3** Payments from the fund to settle claims are approved by the High Court and capped at 65% of the claim or €825,000, whichever is the lesser.¹ The Minister for Finance (the Minister) may make advances from the Exchequer if the fund is unable for the time being to meet a payment(s) approved by the High Court. An overview of the fund operations is set out in Figure 14.2.

Figure 14.2 Insurance Compensation Fund process overview



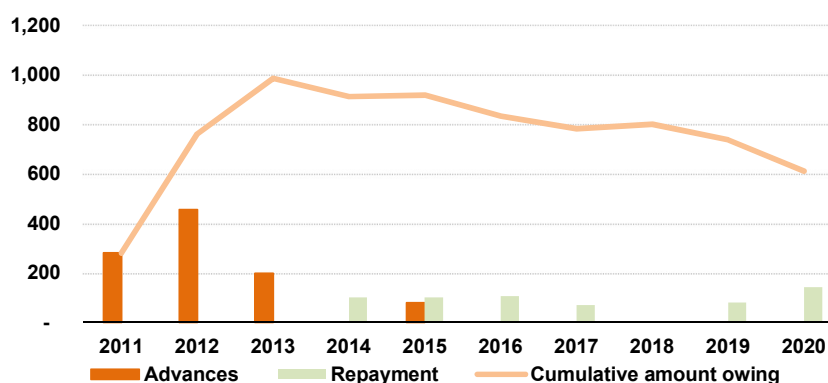
Source: The Central Bank of Ireland. Analysis by the Office of the Comptroller and Auditor General.

Note: a In the event of a liquidation of an insurance company, the liquidator will make an application to the High Court for approval of payments (Irish insurance entity). The State Claims Agency makes applications to the High Court on behalf of liquidators in other EU member states in cases involving non-Irish regulated entities.

Financing the fund

- 14.4** In 2011, Quinn Insurance went into liquidation. At the time, the balance in the fund was €31 million which was significantly less than was forecast to be required to meet the Quinn Insurance claims. As a result, the Minister for Finance advanced Exchequer loans totalling €933 million to the fund between 2011 and 2013. A further €79 million was advanced in 2015. There have been net repayments to the Exchequer totalling €599 million. At 31 December 2020, the balance owed to the Minister was just over €610 million, including interest (see Figure 14.3).

1 Under the Insurance (Amendment) Act 2018, the level of compensation from the Fund is increased to 100% for third party motor insurance claims, with the additional coverage financed by the Motor Insurers Insolvency Compensation Fund.

Figure 14.3 Advances by the Minister to the fund and repayments 2011 – 2020^a

Source: Report on administration and movement of the Insurance Compensation Fund 2011 – 2020, Courts Service and Central Bank of Ireland. Analysis by the Office of the Comptroller and Auditor General.

Note: a The Central Bank undertakes a bi-annual assessment of the fund taking into account the cash position and future commitments of the fund as notified by the State Claims Agency. If there is a surplus, an amount is paid over to the Department of Finance to repay monies advanced by the Minister.

14.5 In the period 2012 to 2020, Revenue transferred €696.3 million to the fund in respect of the fund levies. This facilitated the ongoing repayment of the Exchequer loans.

14.6 Insurance Compensation Fund levy receipts totalling €33 million relating to the period 2016 – 2018 were initially misclassified in Revenue as stamp duty receipts.¹ The control mechanisms in place over the assessment and collection of the fund levy had not detected this shortfall in the receipts collected. This resulted in a delay in those receipts being transferred to the fund.

14.7 This examination sought to identify if the controls over the assessment and collection of the fund levies are effective and if the financial reporting in respect of the fund is adequate.

¹ Account of the receipt of revenue of the State collected by the Revenue Commissioners in the year ended 31 December 2019.

Responsibility for assessment and collection

- 14.8** The respective responsibilities of Revenue and of the Central Bank under the Act in relation to the assessment and collection of levies are set out in Figure 14.4.

Figure 14.4 Responsibilities pertaining to the assessment and collection of the levy

The Central Bank	Revenue
<ul style="list-style-type: none"> Determine an appropriate levy to be paid to the Fund by non-life insurers. Publish a notice specifying the levy to be paid to the Fund and issue notices of liability to individual non-life insurance companies. Enforcement role in relation to non-life insurers who fail to pay the appropriate levy. 	<ul style="list-style-type: none"> Collect the appropriate levy and transmit the monies promptly to the Central Bank. Inform the Central Bank of the name of the insurer and the amount collected. Inform the Central Bank of the name and address of insurers if it appears a levy is not paid.

Source: Insurance Act 1964 (as amended). Analysis by the Office of the Comptroller and Auditor General.

1 The Central Bank does not issue notices to individual non-life insurance companies notifying them of the requirement to pay the levy. The Central Bank stated that when another EU regulator notifies it that an insurance firm intends to sell insurance in Ireland under freedom of service or freedom of establishment, the letter of reply to the regulator from the Central Bank states that details in relation to the Insurance Compensation Fund are available on the website.

2 Under section 125 of the Stamp Duties Consolidation Act 1999, Government stamp duty of 3% is payable on non-life insurance premiums.

3 A captive insurer is an insurance company set up and wholly owned by a non-insurance company to insure its own specific risks only. It does not sell insurance to the public. Under the Act, captive insurers are excluded from payment of the levy.

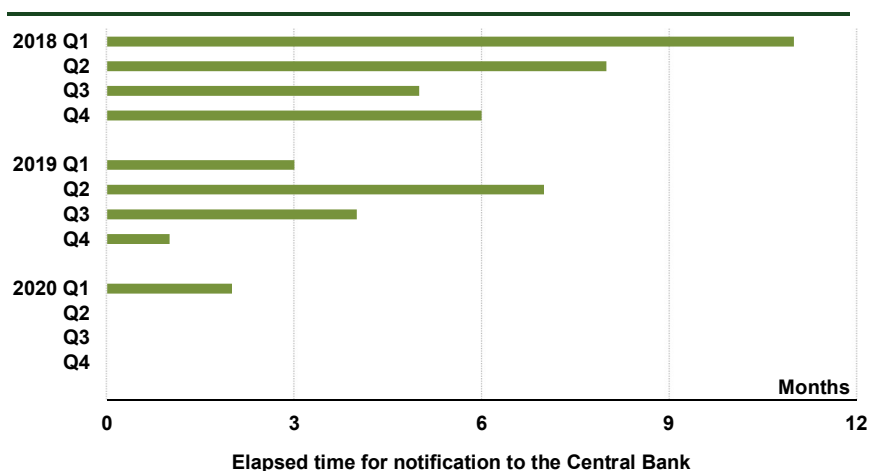
4 Revenue has stated that the process of comparing the stamp duty and levy receipts has been updated. Since August 2020, it now checks the 2% levy against the assessable amount as declared by insurers on tax returns.

Assessment of levies paid

- 14.9** The Central Bank maintains a notice on its website detailing the obligation on each insurer to pay the 2% levy set.¹

Revenue

- 14.10** Under the legislation, Revenue as collector of the levy is required to inform the Central Bank of the name and address of any insurer it considers has not paid an appropriate contribution.
- 14.11** In undertaking this exercise, Revenue uses a spreadsheet to record the amount remitted by insurers each quarter in respect of the standard Government stamp duty of 3% and the Insurance Compensation Fund levy of 2%.² Revenue compares the amount received under the Government stamp duty against the amount received for the Insurance Compensation Fund in each quarter. Since the base for both levies is the same, (with the exception of captive insurers who are not liable to pay the levy under the Act), the ratio between the stamp duty receipts and fund levy receipts should be constant.^{3,4} Any difference between the two amounts is notified to the Central Bank.
- 14.12** The following are the main findings in relation to the fund levy assessment and notification.
- Payments are received from circa 280 non-life insurers, four times each year. In that context, the number of anomalies notified to the Central Bank for investigation is relatively small at under 50 per year.
 - There were delays in Revenue completing the reconciliation and notifying the Central Bank (see Figure 14.5). For example, anomalies in relation to the first quarter of 2018 were only notified to the Central Bank in March 2019.
 - In some of the anomalies notified, the insurers were captive insurers and are not liable to pay into the Fund under the legislation.

Figure 14.5 Delay in notification to the Central Bank of anomalies in Revenue receipts for investigation^a

Source: Revenue Commissioners. Analysis by the Office of the Comptroller and Auditor General.

Note: a There were no discrepancies notified by Revenue to the Central Bank during Q2 to Q4 2020 as they did not arise.

- 14.13** Revenue also undertake a review of Central Bank registers. In 2017, using the registers, Revenue identified 456 insurers across Europe who had advised of their intention or obtained an administrative authorisation to carry on non-life insurance business in Ireland and who were not paying levy amounts. Revenue directly notified the companies of their stamp duty and insurance compensation fund obligations, if selling insurance in Ireland. There was a response rate of 30% from the companies, including seven disclosures with a combined yield of €203,000 in levy receipts. Nearly one quarter of letters (24%) were returned to Revenue as the insurers' office was no longer in existence or was no longer at that address. There was no follow up on these cases. Revenue stated that due to Covid-19 restrictions, a planned review of Central Bank registers for 2021 has been postponed until staff from insurance undertakings return to the office.
- 14.14** In 2017, Revenue also undertook a project to test compliance with the levies on non-life policies. Revenue completed 41 compliance interventions which yielded €823,000. Of this, nearly €160,000 relating to three entities can be attributed to the Fund. Revenue has stated that while it has not repeated this compliance activity since 2017, it is something that will be looked at on a cyclical basis and may be considered for inclusion in the Divisional Business Plan for 2022.

Central Bank

- 14.15** Revenue provide the Central Bank with the detail of the insurers it considers may not have paid the correct levy. The examination found that the follow up process by the Central Bank was limited.
- The Central Bank issues a letter to the insurance company drawing attention to an anomaly requesting that the company contact Revenue directly to clarify the matter. The Central Bank does not as standard follow up with either Revenue or the company but noted that it would follow up with the company if requested to do so by Revenue.
 - Central Bank letters in relation to discrepancies identified for Q4 2019 and Q1 2020 issued in June 2021, 17 months after notification by Revenue.¹ The total value of the discrepancies noted was just under €53,000. The Central Bank stated in that regard, that in line with government guidance on Covid-19 restrictions, staff were working from home and only attended the office for essential reasons.
- 14.16** In its role of oversight of the fund, the Central Bank conducts a review of the completeness of levies paid by insurers to Revenue. The Central Bank categorises the review as a reasonableness review intended only to ensure the companies with a large liability to the fund are paying their share. While the Central Bank has statutory power in relation to recovering debt from liable parties that have not paid and a statutory role to keep proper and usual accounts, it notes that the reasonableness review conducted is a non-statutory role.
- 14.17** The review involves the Central Bank comparing the value of levies paid over to the fund from Revenue with details of the value of insurance premium written by the companies. The Central Bank receives the latter information directly from
- domestic insurers via its online reporting system in April (for the prior year) and
 - the European Insurance and Occupations Pensions Authority (EIOPA) for branches operating in Ireland under freedom of establishment and firms selling into Ireland under freedom of service basis in September (for the prior year).²
- 14.18** The operation of the Central Bank checks was reviewed as part of this examination and the following was noted.
- The information received directly from domestic insurers and from EIOPA relates to the value of premiums written whereas the levy is payable on insurance premiums paid. Due mainly to the timing of payments, the value of premiums written can differ from the value of premiums paid.³
 - The Central Bank has stated that the information provided by domestic insurers and EIOPA is treated as an estimate only and used as a starting point for the review only as some insurers may incorrectly complete the regulatory returns and/or may not allocate premium correctly based on where risk is located in the EU.
 - For receipts in 2018, the review relative to all data was finalised in August 2020, over 19 months after the financial reporting year-end. However, the Central Bank noted that it is not possible to commence this review until October as the information from EIOPA is only available nine months after the year-end. It is the Central Bank's view that the process is not time critical as there is no time limit on enforcing the 2% levy charge.

1 There were no discrepancies notified by Revenue to the Central Bank during Q2 to Q4 2020 as they did not arise.

2 Under the Solvency II directive, there are reporting requirements at EU level which all insurance entities must comply with. All entities are required to report detailed data on insurance premiums written under each type of insurance at an individual member state level on an annual basis to the regulator in their country. This data is provided to EIOPA by each of the member state regulators. EIOPA collate this information and provide it to each regulator including the Central Bank in September of each year.

3 Gross written premium is the total value of an insurance policy written. Gross premium paid is the value of premiums paid by the consumer to the insurer in the period. This may be paid in instalments over a 12-month period or over two calendar years, depending on when the contract was written.

- For the 2018 receipts verification process, all Irish authorised non-life insurers and all EU regulated non-life insurers with a branch in Ireland were investigated for payment discrepancies by the Central Bank. These accounted for €76.8 million, or 83% of total levies received in 2018. A sample of 17 non-life insurers writing business into Ireland on a 'freedom of service' basis was investigated representing 7% of insurers in this category. There was no additional recovery of monies on completion of this exercise.
- The examination selected a sample of 13 cases where differences occurred between the amount of levy received and anticipated levy payable based on EIOPA returns to review the follow up action undertaken by the Central Bank. The Central Bank use a risk-based framework to rank each firm based on the impact it has on financial stability and the consumer in Ireland. If the Central Bank judges the risks they pose to the economy and the consumer to be of a high impact, a discrepancy of up to 2% is allowed between actual amount received and expected value. It allows a discrepancy of up to 10% in the case of firms regulated in other EU states and operating in Ireland under freedom of establishment or service. In 12 of the 13 cases, possible discrepancies had been followed up and differences arose due to the data from EIOPA not being ideal for use as a reasonableness check against the levy.¹

Levy collection and pay over

- 14.19** The examination reviewed the procedures in place to ensure timely and accurate payover to the Central Bank of levies collected by Revenue. Issues were identified in relation to allocation (or matching) of levy receipts to individual insurers' returns.
- 14.20** All insurance companies within the scope of the levy complete a quarterly return which relates to the two separate levies payable by non-life insurers — the stamp duty levy of 3% and the insurance compensation fund levy of 2%.
- 14.21** The process for allocating monies received is labour intensive. Revenue must match each payment received against completed forms. The average time taken to allocate receipts increased from 74 days in 2019 to 83 days in 2020. In 2020, in the case of sixteen of the receipts allocated, the payments had been received over three years previously.
- 14.22** In some cases, Revenue is unable to allocate receipts against an individual insurer. This arises in cases where a matching return has not been completed or the payment reference information is incomplete. At 31 December 2020, Revenue confirmed that it held unallocated receipts totalling €2.2 million.²
- Nearly half of the unallocated receipts relate to payments made in 2017.
 - Revenue has stated that there are no unallocated receipts relating to the fund for periods prior to 2017 remaining in the bank account.
 - In 2018, a project was undertaken to process all aged payments and an amount of €358,000 was unresolved. In May 2018, the unresolved balance was transferred to the Exchequer and allocated to government stamp duty. Revenue did not allocate the monies between stamp duty receipts and the fund on a pro-rata basis.

¹ In one case, the value of the difference between the levy received compared to what was expected based on EIOPA returns was below 10% and there was no follow up action undertaken as per the Central Bank policy (value of difference €16,000).

² The unallocated amount relates to receipts for both stamp duty and the insurance compensation fund levy.

14.23 The examination reviewed a sample of 25 completed returns allocated in 2020.

- For 24 of the 25 returns reviewed, the completed return was correctly allocated.
- In one case, the return had been incorrectly completed by the insurance company and all monies had been incorrectly allocated to stamp duty (€53,295). The amount proper to the fund was €21,318.

Co-operation between the Central Bank and Revenue

14.24 While the responsibilities of both the Central Bank and Revenue are set out in legislation, they have not been formalised by way of an operational agreement between Revenue and the Central Bank setting out the respective responsibilities. Such an agreement would include definition of responsibility for timely checks and controls over amounts paid by insurers, allocation of receipts and timely pay over by Revenue to the Central Bank.

Financial reporting

14.25 The requirement for the preparation and audit of the fund's accounts is set out in the Act.¹ The legislation specifically requires the Central Bank to

- keep 'proper and usual accounts' of moneys paid into or out of the fund
- submit accounts to the Comptroller and Auditor General for audit within six months of the end of the financial year to which the accounts relate, and
- present the audited accounts and the Comptroller and Auditor General's report on the audited accounts to the Minister for Finance.

14.26 The audit of the accounts for financial year ending on 31 December 2019 was completed in October 2020 and the accounts received a clear audit opinion. The format of the 2019 financial statements was examined for the purpose of this examination.

- The account of the fund is prepared on a cash basis as opposed to an accruals basis. The accruals basis is most commonly used in the preparation of financial statements and is governed by standards and therefore considered good practice.
- The accounts do not include a statement of financial position or a cash flow statement. As a result, key information potentially of use to the reader, such as amounts owed to the Fund are not recognised and do not form part of the audited accounts.
- The financial statements do not set out the accounting policies or principles governing their preparation and a statement on internal control is not included.

¹ Section 2(5) the Insurance (Amendment) Act 2018.

Conclusions and recommendations

- 14.27** The annual receipts into the Insurance Compensation Fund are substantial. In 2020, receipts totalled over €100 million. Surpluses over the costs incurred by the fund each year are available to contribute to reducing the liability of the fund to the Central Fund of the Exchequer. Steady progress has been made in reducing the liability from its peak of almost €1 billion in 2013.
- 14.28** The Central Bank took on responsibility for the administration and management of the fund in 2018. Revenue has statutory responsibility for collection of the proceeds of the levy on the premiums paid by consumers of non-life insurance in Ireland.

Controls over the collection of levy income

- 14.29** Revenue matches payments received to returns submitted from insurers and subsequently pays over the proceeds to the Central Bank.
- 14.30** The matching of receipts is a lengthy manual process and leads to delays in identifying and paying over receipts to the Central Bank. In 2019, a misclassification error was identified. It resulted in approximately €33 million of levy receipts relating to the period 2016 to 2018 being paid over late to the Central Bank. At end December 2020, there was a balance of €2.2 million of accumulated receipts over the period 2017 to 2020 held in a Revenue bank account. An as-yet undetermined part of this money relates to levy proceeds.
- 14.31** Revenue has an existing system in place for EU and non-EU companies who supply services to Irish residents through its VAT 'mini one stop shop' (VAT MOSS) platform. This online platform allows a company to submit returns and pay VAT simultaneously. A similar approach may be useful for the fund levy receipts.

Recommendation 14.1

Revenue should consider modernising its system for the collection and allocation of the fund levy such as the introduction of an online levy return form within Revenue's payment platform which would enable payment alongside the submission of gross premium paid in the quarter.

Accounting Officer's response

Agreed.

A project is already underway to modernise the collection and allocation system and is due to go live in February 2022. This new system will allow taxpayers to pay and file the stamp duty levies and Insurance Compensation Fund (ICF) contributions through ROS. This will eliminate the current manual matching and reconciling process and facilitate the timely transfer of levy proceeds to the Central Bank.

Controls over the assessment of levy income

- 14.32** Insurers calculate and pay the fund levy proceeds on a self-assessment basis. A successful self-assessment system requires¹
- effective collection enforcement — prompt detection of taxpayers failing to file tax returns and/or pay the tax due is critical to improve tax compliance
 - selective risk-based audit — reliance on a strong audit program focused on higher-risk taxpayers with a reasonable percentage reviewed each year using a variety of audit techniques.

Revenue

- 14.33** Revenue performs a high-level review by comparing receipts for the fund with receipts for stamp duty and notifies potential discrepancies to the Central Bank. The notification process has not been timely with delays of up to one year occurring. In 2017, Revenue undertook a compliance project to review the 3% stamp duty levy and parallel 2% fund levy imposed by insurers. The project identified underpayments of nearly €160,000 relating to three entities. A similar project has not been conducted since.
- 14.34** In 2017, Revenue conducted a review of the Central Bank registers comparing them to levies received by non-life insurance entities. A similar review was planned for 2021 but has not yet commenced.

The Central Bank

- 14.35** The Central Bank also reviews for reasonableness the value of levies paid over by Revenue for the bigger insurers with information it receives directly from domestic insurers and from EIOPA (available nine months after each year end). The reconciliation is complex and generally results in a large number of apparent inconsistencies requiring investigation. The datasets used are not designed for this purpose, giving rise to inevitable anomalies. The review of the 2018 receipts was completed 19 months after the financial reporting year end. Overall, the process in place does not facilitate prompt detection of incomplete/non-payment of levies due from insurers.
- 14.36** The reviews and checks performed by both entities up until 2019 were not sufficiently robust to detect levy proceeds paid by insurance companies but not transferred to the fund.

Recommendation 14.2 (both entities)

Both the Central Bank and Revenue should explore the possibility of a co-operative approach to introducing risk-based reviews to underpin the self-assessment approach adopted for the fund levy and to provide timely assurance over the accuracy and completeness of levy payments by relevant insurers.

¹ *Managing income tax compliance through self-assessment*, IMF, 2014.

Accounting Officer's response

Agreed.

Revenue has already held meetings with the Central Bank to discuss the implementation of a co-operative approach. Revenue will have further discussions with the Central Bank with a view to maximising compliance and clarifying the respective roles of Revenue and the Central Bank.

Governor's response (the Central Bank)

Agreed.

The Central Bank will continue to engage with Revenue to discuss the implementation of a co-operative approach. The Central Bank is prepared to have further discussions with Revenue with a view of maximising compliance and clarifying the respective roles of Revenue and Central Bank.

- 14.37** A formal agreement that sets out the specifics of how the process of assessing and collecting the levy should operate is not in place. A memorandum of understanding is a useful document to ensure clarity of roles and implementation of effective procedures and governance structures. Such an agreement would include clear allocation of responsibility for timely checks and controls over amounts received, allocation of receipts and timely pay over to the Central Bank.

Recommendation 14.3 (both entities)

The Central Bank and Revenue should put in place a memorandum of understanding (MOU) specific to the fund to ensure clarity of roles and responsibilities to ensure effective controls over the assessment of the fund income. The MOU would set out protocols for the administrative arrangement for collection and remittance of receipts, issue resolution, data exchange and liaison arrangements.

Accounting Officer's response

Agreed.

Revenue would welcome the implementation of an MOU along the lines recommended and will initiate discussions with the Central Bank immediately with a view to implementing an MOU in 2022.

Governor's response (the Central Bank)

Agreed.

The Central Bank will discuss agreeing MOU material with Revenue detailing the roles of each party and agreeing timelines where applicable.

Financial reporting of the Fund

- 14.38** The Fund's accounts are prepared on a cash basis which provides a report of the amount received in the year rather than the amount that is due to be received as required under an accruals based format. Cash based accounts do not present a statement of financial position. Furthermore, the fund's account do not have a statement of accounting policies or statement on internal control.

- 14.39** The cash format of the financial accounts for the fund do not provide the type of information expected to properly manage and account for the fund. There is scope to improve the quality of the information for the users of the account. Most legislation in relation to accounting for public monies provides a role for ministerial approval of the format of accounts, but the Minister for Finance has no role in prescribing or approving the format of the accounts of the fund.

Recommendation 14.4

The Central Bank should conduct a review of the format of the financial statements. The review should consider how the accounts could be improved to provide a more complete picture of the financial position of the fund.

Governor's response (the Central Bank)

Agreed.

The Central Bank had previously considered the format of the Report on Administration and Movement of the Insurance Compensation Fund (accounts). However, given the issue identified in relation to under lodgements to the fund, the Central Bank considered it prudent to continue preparing the accounts on a cash receipts basis as it was considered to be the most reliable method to provide information to the users of the fund information. The Central Bank will review the format of the accounts for the 2021 iteration and give consideration to how the accounts could be improved to provide a more complete picture of the financial position of the fund. A statement on internal control has been included in the 2020 accounts.

Other Matters

15 Accounts of the National Treasury Management Agency

- 15.1** 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 them for audit by the Comptroller and Auditor General. Following completion of the audit, the NTMA must submit the accounts and the related audit reports to the Minister, who in turn must present them to the Houses of the Oireachtas.
- 15.2** Separately, section 12 of the 1990 Act requires the Comptroller and Auditor General to report to Dáil Éireann with respect to the correctness of the sums brought to account by the NTMA each year. This is the report for 2020 under that section of the 1990 Act.

Accounts of the NTMA 2020

- 15.3** 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.
- 15.4** Separately, the NTMA prepares the financial statements of the Dormant Accounts Fund (under the Dormant Accounts Act 2001) and of the Carbon Fund (under the Carbon Fund Act 2007). These are published by the NTMA together with the other (section 12) accounts it publishes.
- 15.5** The accounts for 2020 have been audited. My reports on the audits were issued on 11 May 2021.

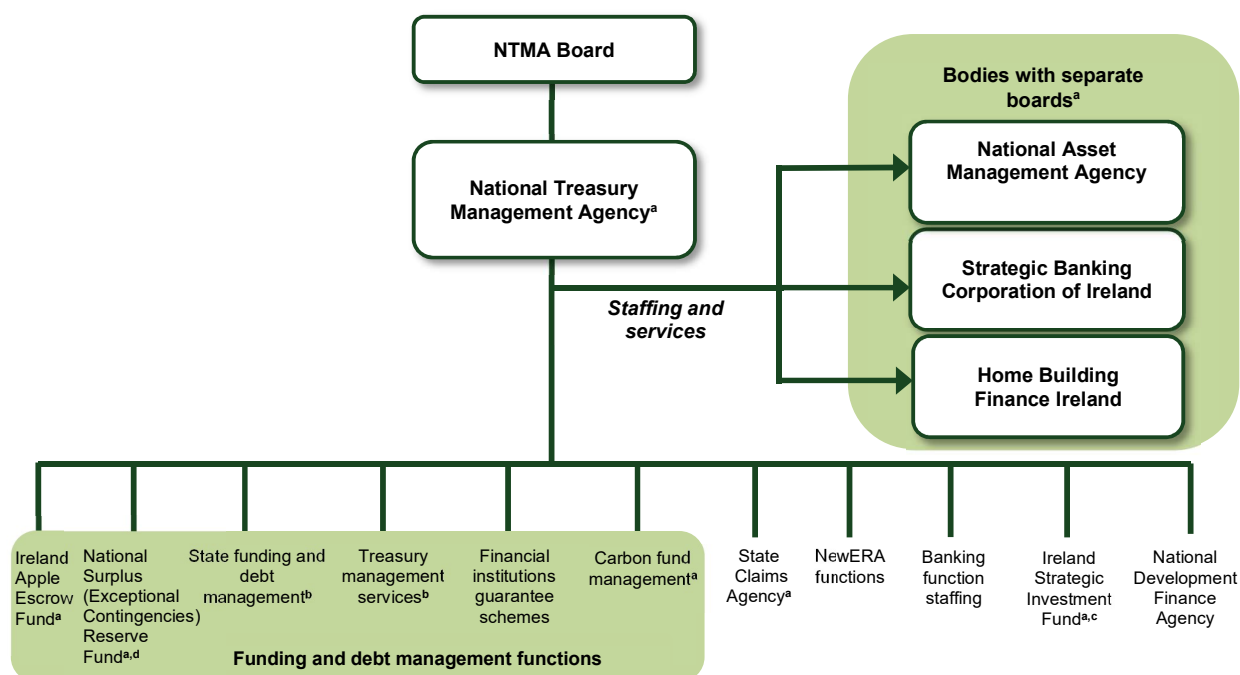
¹ See Chapter 16 *Ireland Apple escrow fund* for details on the establishment of the fund, and on the accounting for it.

Structure, costs and staffing of the agency

- 15.6** The NTMA was originally set up in 1990. It has since evolved into a complex organisation with multiple functions that extend beyond its original and core role in managing Ireland's national debt (see Figure 15.1). Figure 15.2 summarises the distribution of the NTMA's costs across the functions.
- 15.7** At the end of 2020, NTMA staff numbers totalled 787 on a whole time equivalent basis. The assignment of staff to the various functions and activities is shown in Figure 15.3.
- 15.8** The NTMA senior management team 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.¹

¹ The Head of Banking is seconded to the Department of Finance.

Figure 15.1 Functions of the National Treasury Management Agency



Source: National Treasury Management Agency

- Notes:
- a Separate financial statements are prepared for the activities of each of these functions/entities.
 - b In the case of State funding, debt management and treasury management services, separate financial statements are prepared for the Dormant Accounts Fund, the Post Office Savings Bank Fund and the national debt.
 - c The Ireland Strategic Investment Fund (ISIF) took over the assets and liabilities of the National Pensions Reserve Fund (NPRF) in 2014. Financial statements for the NPRF will continue to be prepared until all remaining assets are legally transferred to the ISIF. At 31 December 2020, foreign assets valued at €18,000 (2019: €51,000) remained in the NPRF.
 - d Dáil Eireann passed a resolution on 13 October 2020 approving payment of moneys out of the National Surplus (Exceptional Contingencies) Reserve Fund to allow for public expenditure to mitigate the impact of the Covid-19 pandemic. On 28 October 2020, €1,500 million was transferred from the Fund to the Central Fund of the Exchequer.

Figure 15.2 Cost of operations, by business area, 2017 to 2020

	2017	2018	2019	2020
	€m	€m	€m	€m
NTMA business units				
Funding and debt management	12.5	12.3	12.3	12.6
Ireland Strategic Investment Fund	12.5	14.5	15.2	16.0
State Claims Agency	20.8	25.0	28.5	28.1
NewERA	5.4	6.1	6.0	5.8
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	4.3	3.8	3.9	1.8
National Development Finance Agency	10.1	11.3	12.6	11.3
Supported bodies				
National Asset Management Agency	38.1	40.8	40.7	33.9
Strategic Banking Corporation of Ireland	5.2	5.9	5.9	6.2
Home Building Finance Ireland ^a	—	—	5.3	5.0
Total payments	108.9	119.7	130.4	120.7

Source: National Treasury Management Agency

Note: a No costs arose in relation to HBFI prior to 2019.

Figure 15.3 NTMA staffing distribution at year-end, 2017 to 2020^a

	2017	2018	2019	2020
NTMA business units				
Funding and debt management	24	24	23	23
Ireland Strategic Investment Fund	44	42	47	53
State Claims Agency	138	148	156	166
NewERA	21	26	25	26
Banking Unit (Shareholding and Financing Advisory Division, Department of Finance)	11	11	11	9
National Development Finance Agency	67	63	64	67
NTMA corporate functions				
Finance, technology and operations	138	138	133	145
Legal, compliance, HR and internal audit	41	46	43	48
Risk	20	21	20	20
Other	4	9	3	1
Supported bodies				
National Asset Management Agency	264	236	210	174
Strategic Banking Corporation of Ireland	18	17	23	28
Home Building Finance Ireland	—	5	21	27
Total	790	786	779	787

Source: National Treasury Management Agency

Note: a 2018 to 2020 numbers are based on whole time equivalent. 2017 numbers are based on headcount.

Supported agencies

- 15.9** 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.

Banking system functions staffing

- 15.10** The NTMA's Banking Unit has been seconded to the Department of Finance since August 2011, where it now forms part of the Department's Shareholding and Financial Advisory Division. At the direction of the Minister, costs of the Banking Unit, comprising staff costs and certain professional advisor costs, are met by the NTMA. Costs incurred by the NTMA in 2020 in relation to the Banking Unit totalled €1.8 million (2019: €3.9 million). There were no professional advisor costs incurred during 2020 (2019: €1.3 million).

Key NTMA operations in 2020

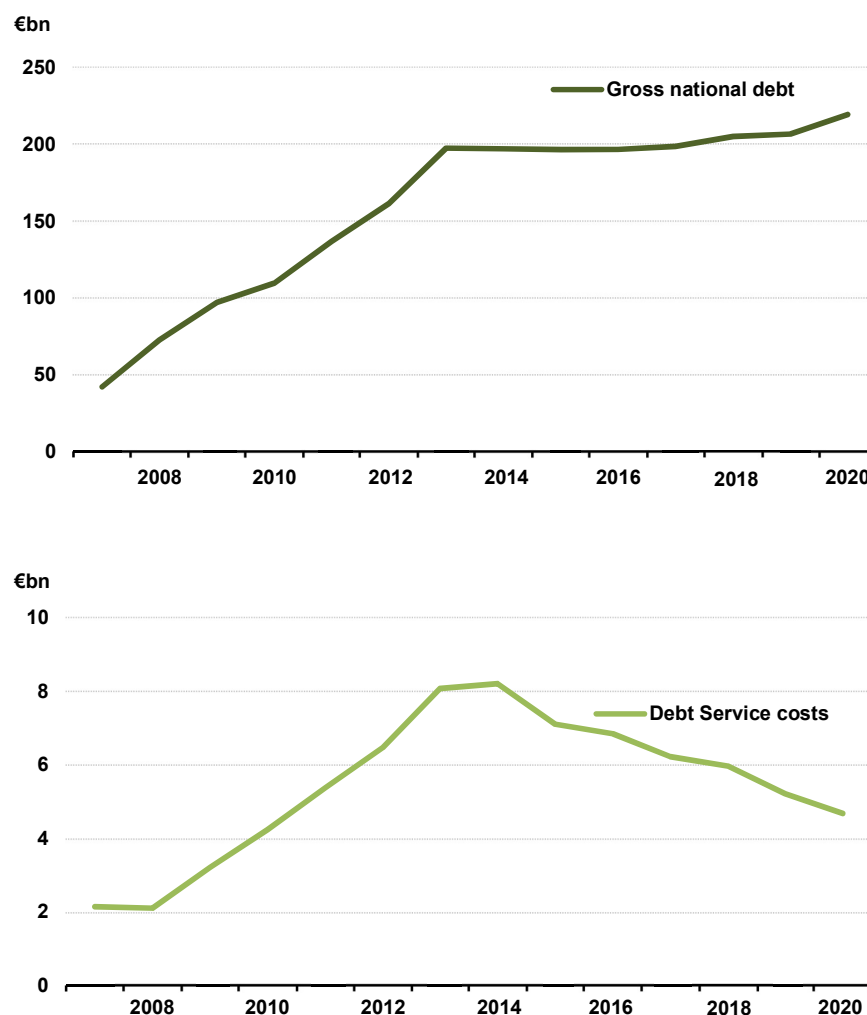
- 15.11** Key developments in the NTMA's operations in 2020 relate to
- a €12.75 billion (6.2%) increase in the level of the gross national debt
 - a decline of €2.3 billion in the estimated value of the net assets of the Ireland Strategic Investment Fund
 - continuation of the upward trend in the estimated liability of the claims being managed by the State Claims Agency
 - depletion of the net assets of the National Surplus (Exceptional Contingencies) Reserve Fund (the Exchequer's 'rainy day' fund).

Exchequer borrowing in 2020

- 15.12** The NTMA's primary function is to borrow on behalf of the Minister and to manage Ireland's national debt. This is the debt outstanding for the time being of the Exchequer.¹
- 15.13** At 31 December 2020, Ireland's gross national debt stood at €219,482 million (2019: €206,730 million). The increase of €12,752 million (or almost 6.2%) in 2020 was largely attributable to the additional funding requirements of the State, as a result of the deterioration in public finances related to the response to the Covid-19 pandemic.
- 15.14** Debt service costs paid in 2020 were €4,676 million and included net interest paid, transaction fees and operating expenses. This was down from €5,220 million in 2019, and represented a continuation of the downward trend occurring since 2014. This relates mainly to the NTMA's on-going re-financing of Ireland's national debt in the context of an international low interest rate environment.
- 15.15** The NTMA initially planned to raise between €10 billion and €14 billion in bond funding during 2020, in line with its debt re-financing objectives. However, as a result of the Covid-19 pandemic, the target range for borrowing in the year was increased to between €20 billion and €24 billion. Over the course of the year, the NTMA completed €24 billion of benchmark bond issuance. A further €0.6 billion was issued in non-competitive bond auctions, bringing total bond issuance in the year to €24.6 billion.
- 15.16** The NTMA held six bond auctions during 2020, issuing bonds to the value of €8.6 billion. In addition, the NTMA undertook three bond syndications during the year, issuing €4 billion of a new 15-year bond, €6 billion of a new 7-year bond and €6 billion of a new 10-year bond. The coupon rates associated with the three new bonds issued by way of syndication were in the range of 0.2% – 0.4%.²

¹ See section 1 of the 1990 Act.

² Bond syndications involve assembling a syndicate of primary dealers from a network of primary dealers. Bonds sold through a syndicate are sold to end investors who may choose to hold the bonds to maturity or trade them themselves.

Figure 15.4 Gross national debt and debt service costs, 2007 to 2020

Source: National Treasury Management Agency

- 15.17** There were two bond redemptions in 2020. In April 2020, bonds first issued in January 2004 with a coupon of 4.5% were redeemed to the value of €10.6 billion. In October 2020, bonds first issued in January 2010 with a coupon of 5% were redeemed to the value of €6.5 billion.
- 15.18** The NTMA raised a further €1.4 billion in 2020 through private placements issued under the NTMA's Euro Medium Term Note Programme. There were seven placements with maturities ranging from 58 to 100 years and coupon rates ranging from 0.7% – 1.2%. This brought total long-term issuance in 2020 to €26 billion; the most in a single year since 2009.

Ireland Strategic Investment Fund

15.19 The Ireland Strategic Investment Fund (ISIF) was established in December 2014, pursuant to the National Treasury Management Agency (Amendment) Act 2014.¹

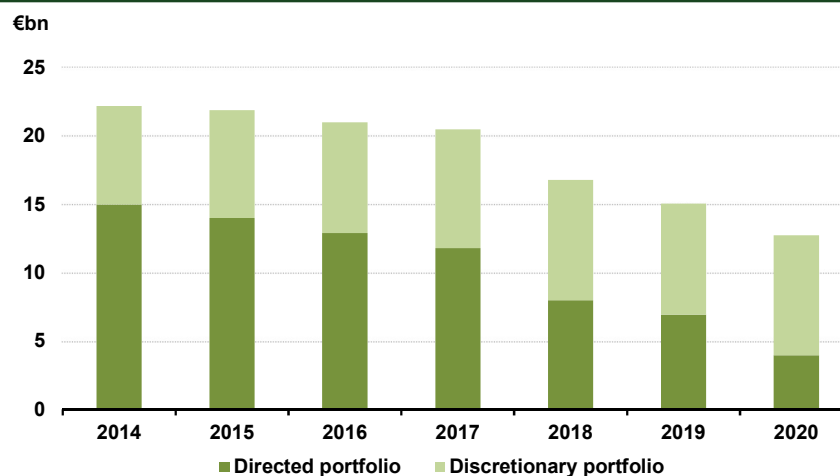
15.20 The assets of the ISIF are held in two portfolios.

- The **directed investment portfolio** is subject to directions given by the Minister for Finance.² The assets in the portfolio comprise investments in a number of banks. The Minister has directed that any interest or other income received in respect of deposits and/or securities held in the directed portfolio are transferred to the discretionary investment portfolio and are held or invested by the NTMA.
- The **discretionary investment portfolio** consists of investments made in accordance with the relevant sections of the 2014 Act, where the NTMA holds or invests the assets of the ISIF (other than directed investments) on a commercial basis.

15.21 At 31 December 2020, the ISIF held net assets of €12.7 billion (2019: €15.0 billion). The net assets comprised €3.9 billion in the directed portfolio, down from €6.9 billion at the end of 2019; and €8.8 billion in the discretionary portfolio, up from €8.1 billion at the end of 2019 (see Figure 15.5).

15.22 The €3 billion decrease in the value of the directed portfolio is largely attributable to a decline in the market value of Allied Irish Bank (AIB) and Bank of Ireland (BOI) shares. At end 2020, shares in AIB were valued at €1.678 per share (2019: €3.104 per share) and BOI shares were valued at €3.296 per share (2019: €4.882 per share).

Figure 15.5 Value of ISIF net assets, 2014 to 2020



1 On its establishment, the assets and liabilities of the National Pensions Reserve Fund (NPRF) became assets and liabilities of the ISIF, apart from a small residual amount (now reduced to c €18,000) of foreign assets and liabilities which are still being worked out.

2 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, and the disposal of a directed investment.

Source: Financial Statements of the Ireland Strategic Investment Fund, 2014 to 2020. Analysis by the Office of the Comptroller and Auditor General

Pandemic Stabilisation and Recovery Fund

- 15.23** In May 2020, the Minister for Finance instructed the ISIF to make a €2 billion fund available, known as the Pandemic Stabilisation and Recovery Fund (PSRF). The PSRF seeks to support (on a commercial basis) medium and large enterprises affected by the Covid-19 pandemic in Ireland, with a focus on enterprises employing more than 250 employees or with annual turnover in excess of €50 million. The PSRF investment activity takes place within the ISIF's discretionary portfolio.
- 15.24** In 2020, the PSRF portfolio supported four businesses affected by the pandemic. This included investments in Aer Lingus (€150 million), Dublin Airport Authority (€40 million), Staycity (€30 million) and Finance Ireland (€17 million).

Loan facility made available to the Strategic Banking Corporation of Ireland

- 15.25** The Strategic Banking Corporation of Ireland (SBCI) was established in September 2014 pursuant to the Strategic Banking Corporation of Ireland Act 2014. The role of the SBCI is to promote the provision of additional credit to enterprises and other persons in the State, in particular to small and medium enterprises (SMEs), by sourcing funds from national and international lenders (and/or from investors).¹
- 15.26** In 2015, on the direction of the Minister for Finance, the ISIF provided a loan facility of up to €240 million to SBCI. In 2016, SBCI drew down €25 million of this facility. During 2017, the €25 million loan was converted into shares (at €1 each) in SBCI which were issued to the Minister in accordance with the 2014 Act.²
- 15.27** In October 2020, the Minister subscribed for an additional 50 million shares of €1 each in SBCI. The subscription was paid for by the immediate conversion of a €50 million loan advanced by the ISIF from the directed portfolio to the SBCI.³ All shares issued by SBCI are held directly by the Minister for Finance.
- 15.28** At 31 December 2020, the balance of the available commitment under the ISIF-SBCI loan facility is €165 million (2019: €215 million).

¹ SMEs are defined in accordance with Article 2 of EC Recommendation 2003/361/EC (6 May 2003).

² An initial €10 million in capital (shares valued at €1 each) was provided to SBCI by the National Pension Reserve Fund in 2014.

³ Pursuant to Section 11(7)(a) of the Strategic Banking Corporation of Ireland Act 2014.

State Claims Agency

- 15.29** The NTMA manages personal injury, property damage and clinical negligence compensation claims on behalf of the State and certain delegated State authorities. In addition, it has a risk management role, advising and assisting those State authorities in minimising their 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).

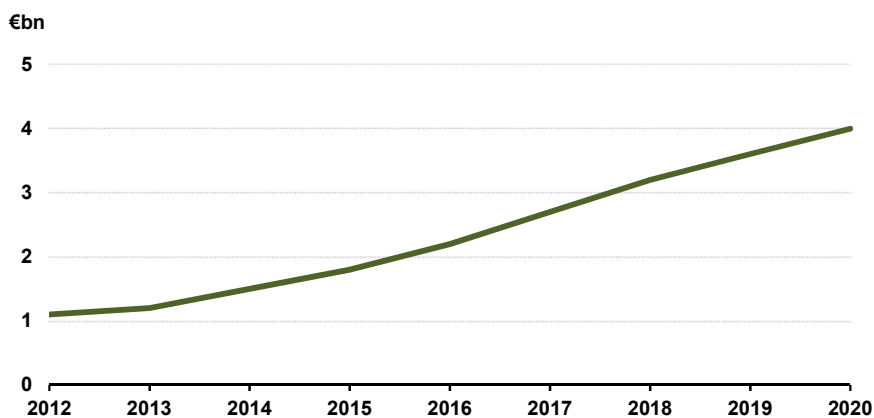
Extension of scope of claims (due to Covid-19 response)

- 15.30** During 2020, the management of claims against private healthcare facilities and clinicians providing facilities and additional professional medical services resources to the public health system in the management of Covid-19 cases and the delivery of acute hospital care more generally during the pandemic, was delegated to the SCA. The management of claims against a private sector company assisting with the Covid-19 testing programme was also delegated to the SCA in 2020.

Claim settlement in 2020

- 15.31** Awards and associated claim costs of the SCA in 2020 amounted to a total of €430 million (2019: €431.4 million).¹ These costs are recoupable from the relevant State authorities availing of the SCA services. In addition, the NTMA incurred €28.1 million (2019: €28.5 million) in administrative costs in the performance of its SCA functions. These administrative costs are included in the administration expenses of the NTMA, which are charged on the Central Fund.
- 15.32** The estimated cost of settling outstanding claims has been steadily increasing.² The estimated outstanding liability at the end of 2020 has been estimated by the SCA at €4.03 billion — over 3.5 times the estimated outstanding liability at the end of 2012 (see Figure 15.6).

Figure 15.6 Estimated outstanding liability, at end-2012 to 2020



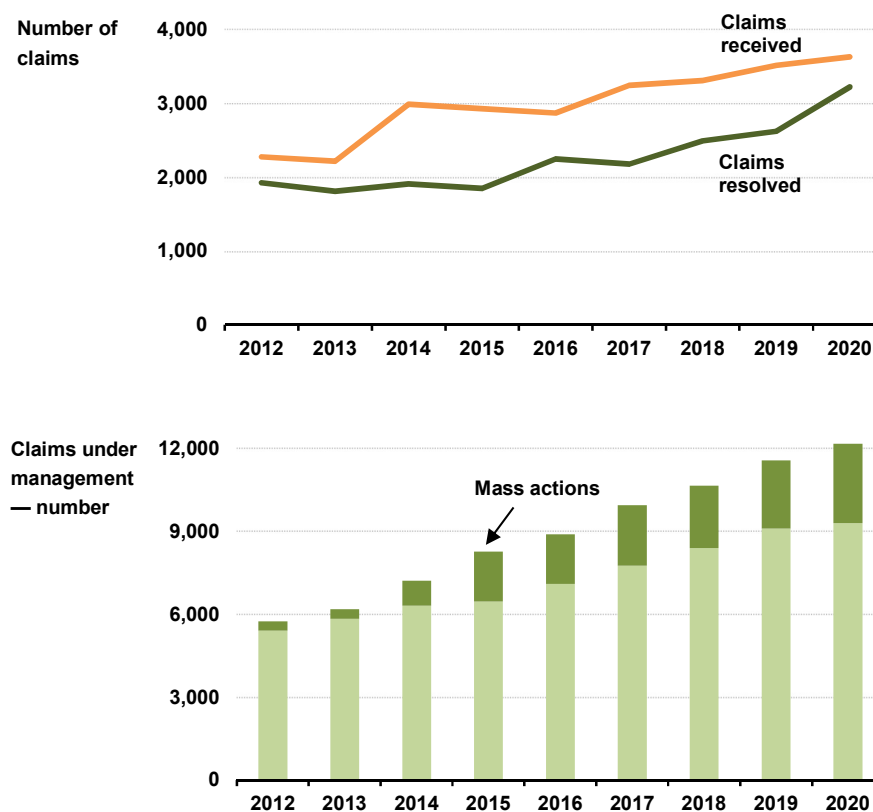
¹ Includes all awards and costs paid under the general and clinical indemnity schemes and all other costs paid by the Legal Costs Unit — including Tribunal costs.

² Of the €4.03 billion outstanding estimated liability at year-end, €518.7 million relates to interim payment orders and 'periodic payment orders'.

Source: National Treasury Management Agency

- 15.33** The number of claims under management has increased significantly since 2012. At the end of 2020, there were 12,175 claims under management including 2,877 claims in mass actions (general and clinical). In 2020, 3,221 claims were resolved, an increase of 22.9% over the previous year (see Figure 15.7).

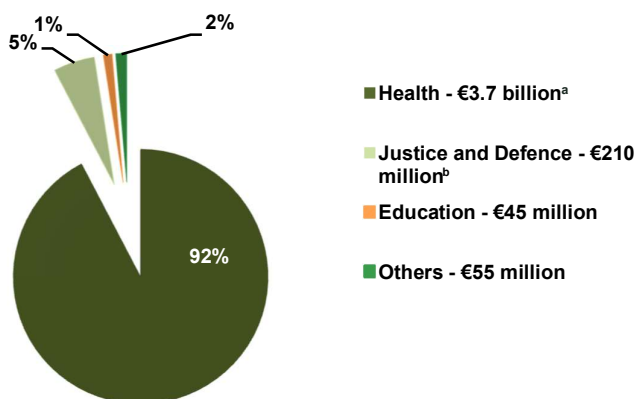
Figure 15.7 Claims received and resolved annually, and claims under management, at year end, 2012 to 2020.



Source: National Treasury Management Agency

- 15.34** Health sector bodies (including the HSE, Tusla and the Department of Health) accounted for 92% of the estimated outstanding liability at the end of 2020. Two other sectors (Justice and Defence, and Education) accounted for a further 6% (see Figure 15.8).

Figure 15.8 Proportion of estimated outstanding liability for each State authority sector, at end-2020



Source: National Treasury Management Agency

- Notes:
- a The health sector includes the HSE, Department of Health and bodies under its aegis, and Tusla.
 - b Justice and Defence include the Irish Prison Service, An Garda Síochána, Defence Forces and certain others.

Cervical cancer litigation

- 15.35** At end-2020, the SCA had received notification of 234 claims against the HSE's CervicalCheck programme (end-2019: 134 claims).¹ This includes 44 psychological injury claims from members of the families of the women concerned. There were 12 claims concluded during 2020, bringing the total number of claims concluded as at end-2020 to 22. Of these 22 claims, 19 claims were settled while one claim was the subject of a court judgement. The other two claims were not pursued. Mediation was offered in 17 of these claims and took place in 12.

¹ A CervicalCheck Tribunal has been in operation since December 2020, as an alternative system to the courts for processing claims arising.

Depletion of National Surplus (Exceptional Contingencies) Reserve Fund

- 15.36** The National Surplus (Exceptional Contingencies) Reserve Fund (NSRF) — also known as the 'rainy day' fund — was established in October 2019 with the commencement of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 (the NSRF Act). The fund is designed to help mitigate the impact of a severe economic shock, beyond what are considered normal fluctuations of the economic cycle.
- 15.37** The fund is controlled and managed by the Minister for Finance. Upon commencement of the NSRF Act, the Minister delegated the functions under section 8 of the NSRF Act to the NTMA.¹ In addition, the Minister directed the NTMA to
- prepare an annual investment plan and submit a copy of the plan to the Minister before the end of October each year (or as soon as reasonably practicable thereafter)
 - prepare and keep all proper and usual accounts in relation to the fund to be audited by the Comptroller and Auditor General and to submit the audited accounts to the Minister as part of the NTMA's annual report.
- 15.38** On 7 November 2019, the Minister directed the NTMA to transfer assets to the value of €1.5 billion from the ISIF to the rainy day fund.
- 15.39** On 20 October 2020 the Minister for Finance revoked certain of the 7 November 2019 directions and directed the NTMA, inter alia, to convert assets of the rainy day fund into cash and to transfer the balance to the Exchequer. The Minister also directed the NTMA to preserve an account for the rainy day fund. On 28 October 2020, €1.5 billion was transferred from the fund to the Central Fund of the Exchequer. As a result, there was a zero balance in the fund account at the end of 2020.
- 15.40** Notwithstanding the depletion of the fund's assets, the rainy day fund will continue in existence, and will be available to hold any assets which may be transferred into it in the future. The NTMA will continue to produce an annual account for the fund.

¹ SI No. 535/2019 — National Treasury Management Agency (Amendment) Act 2000 (Delegation of Investment Functions) Order 2019.

16 Ireland Apple escrow fund

16.1 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 Europe Limited (jointly referred to as Apple), pending the final outcome of legal challenges to the findings of a State aid investigation undertaken by the European Commission (the Commission). The investment and management of the fund is jointly overseen by the Minister and Apple. The Minister delegated functions in that regard to the National Treasury Management Agency (NTMA).

Origin of the escrow fund

16.2 In June 2014, the European Commission opened a formal investigation procedure into the tax opinions issued by the Revenue Commissioners in 1991 and 2007 to Apple. The investigation was focused on establishing whether these opinions conferred any advantage on the Apple Ireland subsidiaries relative to competitors, such that they constituted State aid.

16.3 In August 2016, the Commission issued a decision ('the Commission's decision') concluding that Ireland had given illegal State aid to Apple.¹

16.4 The Commission ordered Ireland to recover, from Apple, the alleged State aid plus interest, related to a ten-year period from 2003 up to 2014.² The Commission estimated that the State aid allegedly granted was in the order of €13 billion. Both the Irish Government and Apple separately appealed the Commission's decision.

16.5 Notwithstanding Ireland's appeal against the Commission's decision, the Irish Government complied with its obligation to recover the alleged State aid plus interest from Apple. The Minister agreed with Apple that the amounts collected would be held in an escrow fund until the legal process is completed.

16.6 The Revenue Commissioners computed the alleged State aid to be collected by reference to the Commission's decision. The sum was €13.1 billion plus interest of €1.2 billion. Apple transferred €14.3 billion into the escrow account in 2018.³

16.7 In July 2020, the General Court of the European Union issued its judgement in respect of the appeal case. The Court annulled the Commission's decision that Ireland had granted unlawful State aid to Apple.

16.8 The Commission lodged an appeal of the Court judgement. As a result, the monies will remain in escrow pending a final decision by the European Court. This process of litigation could take a number of years.

1 Commission Decision on State Aid SA.38373 of 30 August 2016.

2 Article 9, Chapter V of the Commission Regulation (EC) No 794/2004 of 21 April 2004. The Ireland Apple case is the largest State aid recovery ever ordered.

3 Figures in this report have been rounded.

Oversight and management of the fund

- 16.9** Placement of the funds in an escrow account allows the escrow parties (the Minister and Apple) to determine jointly how these funds are invested until a final judgement by the European Court, and the ultimate owner of the fund is determined.
- 16.10** In April 2018, the Minister and Apple entered into an escrow framework deed. This sets out the detailed legal arrangements governing the collection of funds from Apple, how they are to be managed and any required releases from the escrow account. The arrangements for oversight, management and monitoring of the fund are summarised in Annex 16A.

Investment strategy

- 16.11** The investment principles and parameters for the escrow fund are set out in the investment policy. The objective of the investment policy is to preserve the capital value of the escrow fund to the greatest extent possible in light of the prevailing market conditions. The agreed risk appetite in respect of the escrow fund is 'low', with investments permitted only in securities that have a low degree of inherent risk, such as highly-rated fixed-income securities of short to medium-term duration. The investment committee periodically reviews the ongoing appropriateness of the investment policy.¹
- 16.12** 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.
- 16.13** The management and monitoring of risks is carried out by the investment managers. The escrow agent/custodian independently monitors compliance by the investment managers with their mandates and reports to the NTMA and Apple on a daily basis. The mandates issued to the investment managers are consistent with the investment policy for the fund. Compliance with the investment policy is considered by the investment committee on a quarterly basis. Regular meetings are held between the investment committee and the investment managers to review the investment managers' performance and that of the overall escrow fund.

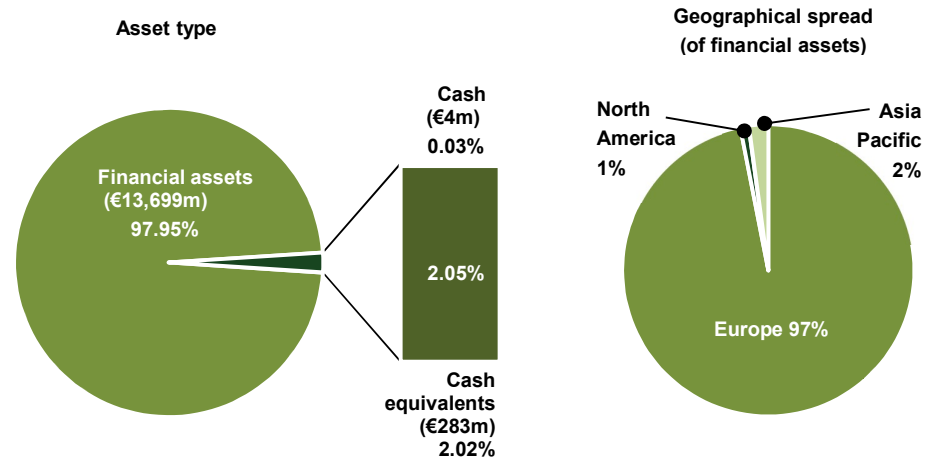
¹ The investment committee comprises three representatives of the NTMA and three representatives of Apple. An NTMA representative chairs the committee.

² As a consequence of the Minister's delegation of the investment functions, the NTMA is required to prepare annual financial statements to be audited by the Comptroller and Auditor General, and to be presented (following audit) to the Houses of the Oireachtas. This arises from the terms of Section 12 of the NTMA Act 1990.

³ The financial statements of the escrow fund are prepared pursuant to Section 28(5) of the National Treasury Management Agency (Amendment) Act 2000.

Performance of the escrow fund

- 16.14** The financial statements of the escrow fund are prepared in accordance with International Financial Reporting Standards (IFRS), as directed by the Minister.^{2,3} All financial assets of the escrow fund are priced at fair value, which is the quoted market value at the close of trading on the period-end date.
- 16.15** 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).
- 16.16** At 31 December 2020, the total assets held in the escrow fund amounted to €13,986 million (31 December 2019: €14,025 million). A breakdown of the assets is shown in Figure 16.1.

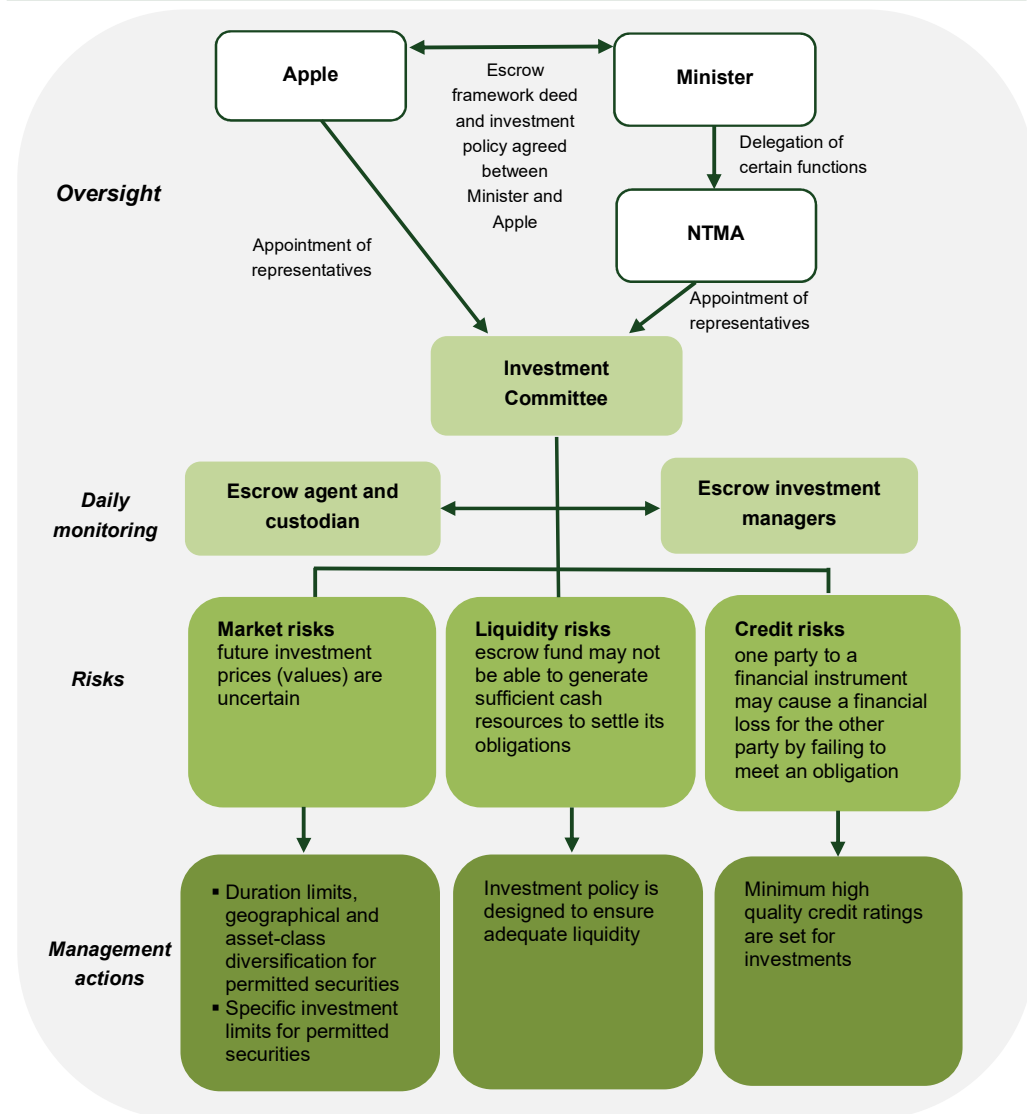
Figure 16.1 Assets of escrow fund as at 31 December 2020

Source: Financial Statements of the Ireland Apple Escrow Fund 2020

- 16.17** The total net assets of the fund reduced in 2020 by €36 million to €13,984 million (2019: €14,020 million).¹ The decline in value for the year reflects the current negative interest rate environment and negative yields on highly-rated euro sovereign and quasi-sovereign bonds, and fund operating expenses.
- 16.18** The escrow fund incurred operating costs of €7 million during 2020 (2019: €7 million). Operating costs include investment managers' fees, escrow agent/custodian's fees and other fees.
- 16.19** The fund's financial statements for 2019 included an expense of €2 million in respect of withholding tax. This was applied by the escrow agent/custodian on certain investment gains. Following discussion with the NTMA and Apple, the escrow agent/custodian determined that it should not have applied the withholding tax in those cases. The fund was refunded in 2020 for the amounts withheld.

¹ The difference between the total assets and the total net assets is liabilities of the fund outstanding at the year-end.

Annex 16A

Figure 16A.1 Oversight, management and monitoring of the escrow fund^{a,b,c}

Source: Financial Statements of the Ireland Apple Escrow Fund, 2020. Analysis by the Office of the Comptroller and Auditor General

- Notes:
- 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.
 - 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.
 - The escrow fund is held by BNYM, as escrow agent and custodian. The investment and management of the escrow fund is jointly overseen by the Minister and Apple Sales International Limited and Apple Operations Europe Limited through an investment committee. The Minister for Finance is the beneficial owner for the duration of the escrow fund in accordance with the agreed escrow framework deed.

17 Irish Fiscal Advisory Council

- 17.1** The Irish Fiscal Advisory 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

- 17.2** 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)² and to submit them for audit by the Comptroller and Auditor General within three months after the end of the accounting period to which they relate. On completion of the audit, a copy of the accounts and of the audit report must be given to the Minister, who in turn must lay them before the Houses of the Oireachtas.

- 17.3** 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 2020.

- 17.4** The accounts of the Fiscal Council for 2020 have been audited, and the report on the audit was issued on 3 September 2021.

- 17.5** 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 2020 and of its income and expenditure for the year.

Funding

- 17.6** The Fiscal Council is funded from the Central Fund of the Exchequer, subject to an inflation-indexed annual 'ceiling' amount.³ The funding ceiling for 2020 was €838,000 (2019: €829,000).⁴

- 17.7** Expenditure of the Fiscal Council totalled just under €787,000 in 2020 (2019: €815,000), of which 56% (2019: 53%) related to salary costs.⁵ 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 2020 which totalled around €132,000 (2019: €136,000).

1 Mr Sebastian Barnes (OECD) is the Chairperson of the Fiscal Council.

2 The 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 Council on commencement (31 December 2012) at €800,000.

4 The Department of Finance applied the Central Statistics Office Harmonised Index of Consumer Prices when determining the ceiling for any year.

5 Expenditure is determined based on the accrual accounting convention whilst the funding ceiling is cash based.

Peer review

- 17.8** In June 2020, in line with its strategic plan 2020-2022, the Fiscal Council commissioned the Organisation for Economic Co-operation and Development (OECD) to conduct an external evaluation.^{1,2} The purpose of the evaluation was 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.
- 17.9** The OECD review was led by two members of the OECD Secretariat's Public Management and Budgeting Division in the Directorate for Public Governance. The review team also included two external international experts (from Denmark and Sweden) and one Irish external expert. A member of the European Commission's Directorate-General for Structural Reform Support also participated.
- 17.10** The review was conducted virtually during the summer of 2020 and a final report was issued in February 2021. This is the second independent external review of the Fiscal Council.³
- 17.11** The review team found that the Fiscal Council performs 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 Council demonstrates high levels of transparency regarding its methodologies and is perceived as independent and non-partisan.
- 17.12** The review made recommendations across six areas: budget, leadership, governance requirements, access to information, staffing and medium to long term fiscal issues. The key recommendations included that
- The Fiscal Council's budget should be safeguarded in real terms, which may require legislative changes. The report notes that currently the budget is linked to inflation to protect the Fiscal Council's independence, but wages and other costs have risen faster.
 - Leadership arrangements should be strengthened.
 - The Fiscal Council should be given legal rights to access information on budgetary matters, in line with international best practice.
 - The Fiscal Council should further develop work highlighting medium to longer term fiscal issues through continued publication of its new *Long-term Sustainability Report*.
- 17.13** The Fiscal Council has stated that it is considering the recommendations and has begun to implement those under its direct control while engaging with Government on other issues.

1 The Fiscal Council has stated that the OECD was selected as reviewer based on its understanding of independent fiscal institutions, its benchmarking resource credentials and its reputation for comprehensive and independent analysis.

2 The review was funded by the European Commission under its Structural Reform Support Programme.

3 The previous external review was conducted in 2015.