

**Submission to Public Accounts Committee**

Cathaoirleach, Members of the Committee thank you for the opportunity to present to you today. The invitation from Committee advised that the matter under discussion would be to review oversight and accountability of exchequer funding to Irish Water which is one of the largest reform projects in the history of the State.

**Oversight of the Establishment of Irish Water**

The following diagram describes the model put in place by Bord Gáis Eireann to govern and oversee the establishment of Irish Water.



The Irish Water Programme reports to the Board of Bord Gáis Eireann on a monthly basis. The Board is ultimately accountable for all Irish Water establishment activities. Specifically, changes in programme direction, scope or budget allocation must be expressly approved by the board. The Board also act as an escalation point for the resolution of strategic issues and their input and review is requested on activities that pose significant risks to Bord Gáis Éireann.

The Irish Water Programme also reports to the Irish Water Board on a monthly basis. Prior to the establishment of the Irish Water Board the Programme reported to a specific Irish Water Sub-Committee of the BGE Board. The Irish Water Board is briefed on all aspects of programme progress and are responsible for ensuring that the enduring Irish Water organisation is compliant with legal and legislative requirements. Strategic issues and risks impacting Irish Water or Bord Gáis Eireann are escalated to the board of Bord Gáis Éireann.

The Irish Water Programme Management Team reports to the Irish Water Programme Steering Group on monthly basis. The Steering Group is convened more frequently when required to support programme decision making. In addition to reviewing programme progress and risks this body is also responsible for ensuring that the programme is appropriately resourced and

may redirect resources in response to issues arising within the programme to ensure that the programme objectives and timelines are met. The Steering Group escalate any requests for changes in programme direction, timelines, scope or budget to the board.

The Irish Water Managing Director and IW Programme Director participate in the Water Services Reform Steering Group. This forum is chaired by the DECLG and Irish Water Programme participation is required to ensure that dependencies, risk and issues that impact either the Irish Water Programme or Water Services Reform Steering Programme are managed appropriately.

The Irish Water Programme Management Team and Irish Water also ensure that appropriate input is sought for the resolution of key decisions across the programme and critically that the outcome and impact of these decisions are understood. This includes:

- Organisation Design Steering Group
- Enterprise Architecture Design Authority
- Water Technical Forum
- Asset Transfer Steering Group
- SLA Steering Group
- Business Readiness Forum

### **Irish Water Governance Arrangements**

Compliance with the Code of Practice for the Governance of State Bodies (the “Code”)

The Code provides a framework for the application of best practice in corporate governance by both commercial and non-commercial State bodies. BGE’s governance and approval structures have been developed over numerous years in line with best practice in corporate governance. BGE’s seeks to comply fully with the Code and also complies as appropriate with the UK Corporate Governance Code and the Irish Corporate Governance Annex to the Irish Stock Exchange Listing Rules. BGE continuously reviews and updates its policies and procedures to ensure compliance with the Code and other best practice guidelines on corporate governance.

The Code provides that State bodies and their subsidiaries are required to confirm to the relevant Minister that they comply with the up-to-date requirements of the Code in their governance practices and procedures. BGE confirms its own compliance with the Code (and its subsidiaries’ compliance) as part of its Annual Report. The Chairpersons of each of BGE’s subsidiaries formally report to the main BGE Board on compliance with the Code in a similar manner as the BGE Board Chairperson reports to the relevant Minister. Irish Water is required

to report to the BGE Board on its compliance with the Code in the same manner as all other BGE subsidiaries.

### Formal Schedule of Matters Reserved to the Board for Approval (“Formal Schedule”)

The Code contains a requirement for state bodies to maintain a schedule of matters reserved for the Board and specifies some of the items to be reserved. BGE’s Formal Schedule includes matters such as the review of the effectiveness of the system of internal controls, the annual report and accounts, the review of the risk policy etc.

Strategic Irish Water matters that fall within the scope of matters included on BGE’s Formal Schedule require BGE Board approval and are controlled at BGE level (e.g. corporate plan, risk policy, review of internal controls).

### Board Approved Policies

The BGE Board has reserved a number of corporate policies for its approval. Some of these derive from the Formal Schedule and others relate to matters that are of particular concern to the Board. These Board-approved policies include Purchasing Policy & Procedures, Authorisation Levels and Execution of Contracts, Diversification, Risk Policy etc.

BGE’s corporate policies documents have been adopted and applied by Irish Water and any changes to same require the approval of the BGE Board.

### Ministerial Consents

The Gas Acts contain requirements for BGE to seek Ministerial Consent for certain activities. For example, diversification and entry into capital commitments require Ministerial approval. Irish Water’s Memorandum & Articles of Association (“M&A”) and the Water Services Acts set out the requirements for Irish Water to seek Ministerial Consent for certain activities, including entry into capital commitments, borrowing, allotment of shares. Irish Water’s M&A specify that the prior consent of BGE is required in relation to the submission of any Ministerial Consent request by Irish Water.

### Irish Water Governance

The Irish Water Board is currently a twelve member board composed primarily of non-executive directors. It is responsible for ensuring that Irish Water complies with its governance

obligations and as a statutory company, Irish Water is subject to a wide range of governance obligations, including those imposed on it by the Companies Acts 1963-2013, by common law and by the provisions of the Water Services Acts. In addition, as a subsidiary of BGE and as outlined above, Irish Water is required to report to BGE on its compliance with the Code.

As Irish Water's parent company, BGE is responsible for ensuring the proper and effective management of its subsidiary. Irish Water's M&A provide that all contracts over €10m must be approved by the BGE Board. In addition, as outlined above BGE has implemented its own internal controls and policies (including its risk management policy) within Irish Water. Furthermore, any matters requiring the submission of a request for Ministerial Consent by Irish Water (e.g. entry into capital commitments, any borrowing by Irish Water) are reviewed and approved in advance by the BGE Board.

### **Interactions with the State**

On a quarterly basis BGE meets with NewERA and Department officials and provides details on financial performance metrics for the previous quarter along with details on forthcoming Ministerial consent requests.

Ministerial consent request applications can result in clarification meetings and the provision of additional material to deal with queries raised by NewERA and DECNR/DECLG/DPER.

The Annual Report has to be considered and approved by Cabinet prior to publication and in accordance with the Code BGE provides the Department with a report on compliance with governance requirements.

We have not covered the material in relation to the establishment Budget the process and timelines in this paper as it is contained in our submission yesterday to the Joint Oireachtas Committee on Environment, Culture and the Gaeltacht. But we are happy to take questions on this.

The CER is the independent State Body that will regulate Irish Water's revenues and expenditure. This allows for review of expenditure both before and after it is incurred. It is also the Independent State Body which is advising the Minister on aspects of the Establishment Costs.