

# DÁIL ÉIREANN

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## AN COISTE UM CHUNTAIS PHOIBLÍ

## COMMITTEE OF PUBLIC ACCOUNTS

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*Déardaoin, 1 Bealtaine 2014*

*Thursday, 1 May 2014*

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The Committee met at 10 a.m.

### MEMBERS PRESENT:

Deputy Áine Collins,	Deputy Mary Lou McDonald,
Deputy Paul J. Connaughton,	Deputy Eoghan Murphy,
Deputy John Deasy,	Deputy Kieran O'Donnell,
Deputy Sean Fleming,	Deputy Shane Ross.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

**Mr. Seamus McCarthy** (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

### **Business of Committee**

**Chairman:** Are the minutes of our meetings on 9, 10 and 16 April agreed?

**Deputy Eoghan Murphy:** Regarding the previous meetings, we were meant to pay a visit to NAMA as part of the sub-committee of the Committee of Public Accounts and that was postponed. Is there an update on that visit? Also, does the Comptroller and Auditor General have an update on the tri-annual report he is completing?

**Mr. Seamus McCarthy:** On the report, I signed off on it last week. Final checks are being done on it before it issues to the Minister, and I would expect that to happen tomorrow.

**Deputy Eoghan Murphy:** What happens to the report when it goes to the Minister? Does it come automatically to us?

**Mr. Seamus McCarthy:** It is up to the Minister as to when the report is submitted to the Oireachtas, but it must be submitted to the Oireachtas.

**Deputy Sean Fleming:** Within three months?

**Mr. Seamus McCarthy:** No. That stipulation is not in the NAMA legislation. There is no time limit on it.

**Deputy Eoghan Murphy:** So we, as a committee, cannot review that report until, at the Minister's discretion,-----

**Mr. Seamus McCarthy:** Until it is presented.

**Deputy Eoghan Murphy:** -----he releases it to the committee?

**Mr. Seamus McCarthy:** It would have to be presented before the committee could deal with it.

**Deputy Eoghan Murphy:** And the visit?

**Clerk to the Committee:** It will be before the meeting we will have with NAMA.

**Deputy Eoghan Murphy:** When is that scheduled for?

**Clerk to the Committee:** It is scheduled for 29 May.

**Deputy Eoghan Murphy:** It is important that we have that tri-annual report before NAMA comes before the committee. There are many questions we want to ask off the back of that report but if we have not seen it, we will not be able to do that investigation.

**Clerk to the Committee:** It is on the basis of that report that they will be coming before us.

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**Deputy Eoghan Murphy:** Should we write to the Minister requesting the report?

**Clerk to the Committee:** We will get in touch. We will wait, probably, until he gets it first, and then ask the Department of Finance in regard to it. We have the Department of Finance in next week in any event.

**Chairman:** Are there any other matters?

**Deputy Paul J. Connaughton:** A number of weeks ago, I raised an issue in regard to Bus Éireann. There has been a lot of media speculation since about it. We were getting legal advice on what we could and could not do. Have we received anything back?

**Chairman:** On that issue Mr. Nolan was in contact with me to say that he was sending in a response to the various newspaper articles and in response to what he had previously given the committee, and the questions that arise from that. Since then, a number of those concerned have been in contact with me who have given information, either to Bus Éireann, in part of the investigation or to the newspapers, and they have submitted transcripts of their conversations and the tape that is being talked about. That information will be circulated to members. In view of what happened in regard to Bus Éireann and what has been said, we need clarification from the Accounting Officer or Bus Éireann, and we will pursue that.

**Deputy Paul J. Connaughton:** Are we still seeking legal advice as to whether we can bring them back in here again while the court case is going on?

**Chairman:** While the court case is ongoing on the issue they more than likely cannot come before the committee or give information, but we can ask for clarification on the submission that was made to the committee and their response to the recent allegations, and to the taped conversations and the transcripts that are now available fairly widely. We can seek information on that, which is what I would hope that we would do. Arising from that, we can see where we are going.

The allegation is that we were misled. If that is so it is very serious. However, as I say, it is an allegation and we need to gather our information and then the questions that need to be asked can be put to the appropriate person.

As there is no other matter, I will go through the correspondence from Accounting Officers and-or Ministers that was received since our meeting of Thursday, 10 April. In light of the correspondence received yesterday from Rehab which was brought to the attention of members, copies of which members received since yesterday, if they want to raise any matter on that correspondence they may do so now. It is the legal response from Mr. Flannery and Ms Kerins.

**Deputy Shane Ross:** We should note it.

**Chairman:** On that aspect we held a meeting on 16 April last and the committee received that response through the clerk to the committee yesterday. We have now received a response from all of the public bodies which provide funding to Rehab. In summary, the position of the public bodies concerned is that other than where data protection provision applies, the information is deemed commercially sensitive or a legal arrangement has been entered into which contains confidentiality clauses, they see no impediment, legal or otherwise, that would prevent all public bodies from supplying full information they hold to the Committee of Public Accounts. Those letters will be published on our website today.

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In addition, the committee wrote to Mr. Flannery and Ms Kerins seeking their voluntary co-operation with the committee in its ongoing examination of the expenditure of the public funding that goes into Rehab, which in 2013 amounted to €95.5 million. A reply was received from the solicitor acting for Mr. Flannery and the solicitor acting for Ms Kerins late yesterday evening. These have been circulated to members and are before the committee today in order to deal with them. I do not have to go into the detail of these letters except to say that the committee will issue a reply rejecting the allegations contained in both letters. While Ms Kerins has stated that she has not ruled out appearing again before the committee, it is clear from the tone of both letters that they do not accept the Committee of Public Accounts has a right to examine any matters relating to Rehab or the expenditure by it of public moneys, which in 2013 amounted to in excess of €95 million. They also wrote we should confine ourselves to examining the public bodies that supplied the funding. They are entitled to their views, but we see the expenditure of public money as falling within our remit.

In that regard, and as it now appears that the committee needs the powers of compellability in order to conclude its examination, I propose that we agree to proceed to that stage by placing a request before the Dáil Committee on Procedure and Privileges, CPP, in accordance with Part 7 of the 2013 Act. The clerk to the committee informs me that a draft of the application has been prepared and is with our legal advisers. Once that submission has been subjected to legal scrutiny, it can then be submitted. Members may wish to comment on the two letters received. However, I wish to get agreement that we should proceed immediately to compellability on the basis of the draft proposal for CPP.

**Deputy Mary Lou McDonald:** I fully agree with the Chairman. It is now apparent that we have no option but to seek powers of compellability. I am not sure there is much merit in picking over the contents of the two letters that we received, save to say the following. My impression is that they are letters that, if you like, throw the kitchen sink at this committee. Their allegations are bogus and designed to stall and delay, and that is a great pity.

I support the proposal that we seek powers of compellability. I ask the Chairman at what stage members will see the draft application that we intend to submit. We will have to have sight of that and may have some suggestions on it. I ask the Chairman to clarify whether it is proposed to publish the letters that we received from Mr. Flannery and Ms Kerins on the committee's website.

**Chairman:** The answer to Deputy McDonald's last question is, "Yes". We will publish the material. In answer to her first question on when the submission will be ready, it is in draft form and is being checked by the legal section. I would hope that we would have it tomorrow because Ms Mellissa English, our legal adviser, is otherwise engaged today. As soon as it is possible within the next day or so, we will have the draft for approval by the members. I propose that the clerk to the committee would speak to the members rather than hold a full meeting and that once the draft is agreed, it would be submitted to the CPP for its consideration.

**Deputy Sean Fleming:** I fully agree with the proposal to immediately move to make the request to the CPP for compellability powers. On the letter received from Dore & Company Solicitors on behalf of Mr. Flannery, all I can say is it contains allegations that some members of the committee, which could include me, have acted without lawful jurisdiction and abused their powers. I take offence to that remark that I may have ever done that at this committee. As I have said previously in regard to the correspondence from this individual, it has amounted to the most blatant attack on the powers of an Oireachtas committee by any person of standing in Irish society to block an Oireachtas committee in its work. The allegations against us, individu-

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ally and collectively, are a disgrace and I reject out of hand that at any stage I have abused my power as a member of this committee. I am sure other members will feel the same, but I must state that for the record. I have never seen such an effort by an individual in Ireland to go to such lengths to not appear before the Committee of Public Accounts. We must seek compellability powers.

**Deputy Kieran O'Donnell:** I regret that Ms Kerins and Mr. Flannery have come back to us in such a fashion. This is not personal; it is not about individuals. Members of the Committee of Public Accounts have a body of work to do on the charities sector. One element of that is a module on Rehab. In terms of this committee continuing its work and coming to a conclusion – we have spoken about a beginning, middle and end – regrettably it has no option but to proceed through the Committee on Procedure and Privileges in the fashion it is now doing.

**Deputy Shane Ross:** I thank the Chairman. These letters, certainly the one from Dore & Company solicitors, are pretty well beneath contempt. This is a kind of contrived tissue of allegations in order to obstruct the work of the committee. I do not believe we have any option whatsoever, in view of this long-winded letter with its large amount of fantasy suggestions about members of this committee, but to go to the Committee on Procedure and Privileges. I fully support what was said in this regard. It is utterly absurd for us to get a letter of this sort when we are simply seeking to make people who have handled public money come in to us and account for it. We are not seeking to witch-hunt anybody at all. As Deputy O'Donnell said, it is not personal. The people we are seeking are not the people to judge whether they can help us or not; we are the people who can do that. The Chairman and my colleagues are 100% right that we must now go straight for the compellability option.

**Deputy Eoghan Murphy:** We have received and noted these letters and perhaps it is courteous to send a response, but we do not need to elevate them to a status they do not deserve. We should not be sidetracked by them. Previously, we agreed a course of action in relation to the activities of Rehab, and we should now follow that as quickly as we can.

**Deputy Paul J. Connaughton:** I agree with what Deputy Murphy said. It is a shame that we have come to this point. This story has dragged on for more months than it ever needed to. It has now become a pitched battle between this committee and the two individuals concerned, which is extremely unfortunate. The only people who are really losing out are those in the charity sector as a whole because this matter will drag on for another few weeks. There is not a lot more to talk about. The committee has decided that it is to go down the route proposed anyway. Let us just do so and move on. Let us see what arises in the coming weeks.

**Deputy John Deasy:** I acknowledge that the Chairman has mentioned this documentation is in draft form. Ms Mellissa English is not here today. Perhaps we could be told what individuals, bodies, agencies and Departments will be compelled to attend. Is there a list?

**Chairman:** Powers of compellability are not necessarily directed at any of the individuals; it is a question of the issue. As far as public moneys are concerned, I stress again that €95.5 million was at stake in 2013. Anyone associated with the allocation of that money, any agency that gave funding to Rehab, Rehab itself and individuals who may have information relevant to the matter can be compelled once we get powers of compellability.

**Deputy John Deasy:** Therefore, we are seeking to compel Ms Kerins, Mr. Flannery, Rehab, HSE and SOLAS. Is that correct?

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**Chairman:** Once we get powers of compellability, all or some of those agencies and individuals can be requested to come to the meeting and give the information that we deem necessary for our investigation.

**Deputy John Deasy:** Did we agree at the last meeting that we would contact the HSE with regard to the information it knew about? Has the clerk done that? What exactly have we ascertained?

**Chairman:** We have contacted everyone. As I said earlier, we have contacted all the public bodies. Other than where these three issues arise-----

**Deputy John Deasy:** Could the Chairman repeat what he said with regard to those public bodies and the Data Protection Act?

**Chairman:** We have now received a response from the public bodies that provided funding to Rehab. In summary, the position of the public bodies concerned is that, other than where a data protection provision applies or the information is deemed commercially sensitive, or where a legal arrangement that contains a confidentiality clause has been entered into, there is no impediment, legal or otherwise, that would prevent all public bodies from supplying full information they hold to the Committee of Public Accounts.

**Deputy John Deasy:** That is nothing new. With regard to the HSE, do we know how much it knows. Is it more than we thought?

**Chairman:** It has given us all the information it has but, as the Deputy noted on the last day, there is other information which was being given to us under the 2013 Act and which was wrongly quoted. Powers of compellability would give us protection and the right to have that piece of information and any other information like that for our use. Therefore, powers of compellability give us the full power necessary to ask for documents and papers to be presented to us and for individuals to come before us relevant to our investigation. That case is set out clearly by the clerk and we have to legally prove it. This is being done. Once it is done, the matter proceeds to the Committee on Procedure and Privileges. It has all its regulations and protocols in place for these inquiries. It has just concluded in this regard, I understand. It may have to seek external legal advice on the submission we make to it. Once that is done, it will then be in a position to make a decision on our request for powers of compellability.

I see no reason, however, that the Committee on Procedure and Privileges could not meet quickly, get its legal advice and make an early decision on this because it is clear that our only intent, despite what has been written, is to pursue how the €95 million in public money was spent.

**Deputy John Deasy:** I think that is right. It is becoming clear that the way to gain that information more effectively is actually dealing with the public bodies involved. They are willing to do that under compellability arrangements. If they have relevant information, they will be required to give it. If the ultimate goal is to garner that information, the most effective way of getting it is actually to pursue those public bodies and enter a compellability arrangement with them.

**Deputy Eoghan Murphy:** Just to clarify, when we seek compellability, we are seeking to enter into the mode of compellability, under which we then request papers, individuals or bodies as we deem necessary in the course of our being in compellability mode.

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**Chairman:** Yes. We will proceed on that basis.

Before we move from the issue, I want to clarify another matter. Page 5 of the correspondence from the solicitor representing Mr. Flannery, and which is addressed to Mr. Ted McEnery, states that from information received by his client in and around 14 April 2014, it further appears that the committee and-or its Chairman, Deputy John McGuinness, either verbally or in writing requested the Revenue Commissioners to review all of his client's financial dealings of whatsoever kind that he may have had with the Rehab Group. I want to reject that absolutely. I have not spoken to Revenue, nor have I written to Revenue as Chairman of this committee. I have done nothing of the sort. However, I ask that the members agree that the transcripts of the meetings we have held on Rehab be sent to the Revenue Commissioners, Office of the Director of Corporate Enforcement and the accountancy body overlooking the standards and so on of the accountants of the country. For the sake of completeness, we should bring the matter to their attention if they want to examine the situation.

**Deputy John Deasy:** For completeness. On what grounds would one do that?

**Chairman:** It has been suggested here that it is already done. It is not done. I make the suggestion because we were dealing in the hearing with issues concerning companies that might not have been registered. We were dealing with interpretative corporate enforcement with the governance of Rehab, the failure in that governance and the failure of the board. We were dealing here with the accountants concerned and the fact that they may have overlooked their own governance issues. If Mr. Dorr and Mr. Flannery wish to have all of this examined for completeness, I am willing to agree and let it proceed.

**Deputy Shane Ross:** Is he referring to something quite obscure?

**Chairman:** I do not know what he is referring to.

**Deputy Shane Ross:** Nor do I.

**Chairman:** I want to bring another matter to the attention of the committee. Mr. Dorr wrote to me directly, strictly confidentially, as "John McGuinness, Chairman of the Public Accounts Committee". In that communication, he said that:

In the public forum you belittled an email sent by me to the committee clerk on the evening of 9 April 2013, and you demeaned me. It is very easy to score cheap shots for your own expedience, but at my expense, while skulking behind the shield of parliamentary privilege. Your readiness to abuse this privilege calls into question your suitability to be a member of the Oireachtas Committee, not to mind your suitability to be Chairman of such an exalted one as the Public Accounts Committee. No doubt this strictly confidential letter will not be leaked and will be consigned to your nonsense file.

I will consign it to the nonsense file but after I ask the members to publish it, or formally leak it, whatever way he wants to describe it, but that is what I am doing with it. I want to put it in the public domain and circulate it to members.

As far as I am concerned, we have a job of work to do. It is set out clearly in regard to the spending of public money. Some of that money went to deal with the issues that arose and that we dealt with over the last two meetings. We have a right within our remit to pursue the €95 million referred to and how it was spent. It is as simple as that. I am not making it personal and I do not think any members of the committee are making it personal either. It is a matter that

needs to be dealt with and we need to conclude our business on it.

The matters that have been brought to our attention through the legal process are just delaying that. Without any further comment, I will ask the clerk to talk to the members as soon as the draft is completed and legally tested.

I will now call on Deputy Kieran O'Donnell, followed by Deputy Eogan Murphy and Deputy Shane Ross.

**Deputy Kieran O'Donnell:** The message has to go out loud and clear from this committee that we have a body of work to do. We are currently looking at the charities sector and, effectively, we need to bring that to a conclusion. I am conscious of the impact throughout the entire charity sector. That is why it is a shame that neither Ms Angela Kerins nor Mr. Frank Flannery saw fit to work with us as a committee. We now have no option but to go to the Committee on Procedure and Privileges. It is not personal or about individuals but the central message is very simple - people need to work with us rather than against us. It is about people in the charities sector and especially the service users. People working in the charities sector are doing outstanding work, including collectors. We can never lose sight of that. It is not about individuals but about the central issue. When it goes to the CPP, we should get a relatively swift response so that we can conclude our body work in this area and move on. The charities sector is entitled to that. The key message is that it concerns the entire charities sector and is not about individuals. No individual or individuals can be bigger than one organisation or sector.

**Deputy Eoghan Murphy:** With respect, I think we are at risk of making this personal. When the Chairman reads out correspondence like that, it only furthers the aims of those who would like to think this is a personal witch-hunt against individuals. That is private correspondence received by the Chairman. He can put it in the nonsense file if he wants to, but we are only helping them to create a perception that it is the Chairman versus them, or the committee versus those two individuals. I do not think it helps that we continue down that path. As I said in my initial remarks, there is no need to elevate this correspondence to a status it does not deserve. There is no need to introduce that private correspondence into the meeting because it has no bearing on what we are doing. All it does is to give the impression that the committee is pursuing something personal, when the Chairman reads it into the record. That is why people then make these claims. We do not want to give them any justification for making such claims.

**Deputy John Deasy:** I think this is getting petty. I understand that the Chairman has been specifically mentioned in this letter but if the committee engages in a tit-for-tat every time somebody writes a letter, I am not sure we are going anywhere. We should focus on compellability. If a claim is being made, that is fair enough but for us to start forwarding transcripts to the Revenue Commissioners, we are in danger of becoming petty. I think we should drop it and leave it. The Chairman has refuted this and everybody would accept that. I think we should leave it at that.

**Deputy Shane Ross:** The letter is so absurd in its personal attacks that it is why I said we should probably just note it and ignore it, in the sense of not answering it in detail point by point. The whole objective of this letter is to make it personal. It is to make us respond in a personal way in order to obscure the real issue. It is quite obvious that the tactics are diversionary. I do not know how many members of the committee are criticised in this letter and I do not particularly care, to be honest. It is a four-page rant against us individually, one by one. We should rise above that and say that we are going for compellability. We do not intend to respond in this arena. We can do it outside or wherever we like, but we do not intend to respond in this



arena to personal attacks because it is not a personal committee.

I do not think they are right in saying that we have been personal against them. They happen to be people who we are calling in and who feel very strongly about it. Inevitably, we have to ask them questions and make comments on their behaviour because that is our job. I do not believe, however, that there is any point in saying, point by point, that this or that is wrong. There are so many things in it that are utter nonsense, so I see no point in treating it with anything but contempt.

**Deputy Seán Fleming:** Will the Chairman clarify one aspect? As regards the compellability powers we are seeking - I know it is not for any named individuals - are we looking into Rehab or the entire charities sector? About two months ago, I asked for a letter to be issued to each of the 25 other charities that have each received over €5 million in funding from the HSE, to find out details about senior executive pay and related matters. I understand from the last meeting that most, if not almost all, of those have been received. We have not had sight of those 25 letters back yet. It is quite possible that there might be nothing in them but it is also possible that there may be some things in those other organisations of a scale, nature or on the same lines as happened in the CRC or Rehab. I do not know. I would not like us to go for compellability in respect of Rehab. We should also ascertain if, in respect of the 25 letters referred to, there are two or three for which we would like similar powers.

We are not here because of Rehab. We started with the section 38 hospitals and moved on to the section 39 organisations that received substantial funding for contracts for work done. There are hundreds of them in the country, but there are at least 25 big ones from the HSE alone. Our work does not begin and end with just two. We are looking at the full charities sector, as Deputy O'Donnell said. I would like to get to the end of that even if it takes a while. We started with a lot of good work shining a light where it had never been shone before in some of these organisations. We need to complete that task in the interests of the charities, so that public confidence can be restored in them. Our compellability powers must include all the organisations we are potentially examining under the section 39 agreements or the 25 we have mentioned. I do not think we will go to all 25 organisations but we need to look at that correspondence to see whether we need to talk to any of them.

**Chairman:** The decision we made relates to general compellability on this issue.

**Deputy Sean Fleming:** On Rehab only.

**Chairman:** This is where our difficulty is.

**Deputy Sean Fleming:** We might have difficulty next week when we see the correspondence the clerk has held.

**Chairman:** I do not know. We can deal with that then. I think we should just move on with this particular piece of work because there is no other issue for other organisations. We do not know as yet but for now, this is the only problem we have. We are dealing with it and asking for compellability. The case is prepared and I think we just send it to the CPP as agreed.

I will now return to the general correspondence.

**Deputy Áine Collins:** I have a question. In respect of what we are doing, does that mean that we can ask any private company that tenders for a contract from the State and gets allocated money to come in and explain how it is spending it? If we wanted to bring in all the LEADER

companies who receive full funding from the State, could we ask them about how they spend their money and pay their employees?

**Mr. Seamus McCarthy:** No.

**Deputy Áine Collins:** In respect of what we are doing with the CRC and Rehab, I appreciate that it is an important issue and that the charity sector needs to be addressed but I am concerned about where we are going and what we are opening up. My understanding is that our job is to oversee the money the State spends. When it has been allocated in a tender, my understanding is that it has gone outside our remit. What happened with the CRC was obviously very necessary and what we are doing with Rehab is very necessary but I am not sure where we are and what the benefit is. We all agree that we need to clean up the charity sector. We are putting in place a charity board and must put in place rules concerning how accounts must be displayed and regulations concerning what people can earn and pensions. None of this has been in place up to now. If we go down this road, can we bring in all the solicitors, auditors and LEADER companies - everybody who receives money from the State? Can we bring them in and ask them how they spend this money, how they pay their staff and what their pension funds are?

**Chairman:** If there is an issue in respect of the spending of public monies within the remit of the Committee of Public Accounts or coming from the different agencies, as was the case with the €95 million, the answer is yes, we can. A total of €95 million was involved in 2013.

**Deputy Áine Collins:** I never said that.

**Chairman:** The questions that were put to the various witnesses that appeared before us have not been fully answered. It is relative to that issue alone that we require the answers. As soon as we get that sorted, we will conclude our report on this particular matter but we cannot conclude it because the board members who were here the last day said that they did not know the answers to a number of questions and it is still unfinished business. If something major arises in respect of some other publicly funded body or agency, we would be interested in it but until something arises, there is no issue to investigate but there is an issue to investigate here.

**Deputy Áine Collins:** If a private operator tenders for a public contract from a State organisation and gets it, does our power allow us to investigate that company?

**Chairman:** It does not allow us to investigate the company. It allows us to investigate how the public monies were spent. In this instance, the agencies involved were wide-ranging and the money amounted to €95 million. Going back over previous committees, the National Roads Authority investigated the overspend on various road programmes. It involved looking at how much different contractors were paid, how they were paid and the jobs they did. That was all accounted for here in the Committee of Public Accounts so there are examples of large-scale spend of public monies being accounted for here at the Committee of Public Accounts. That is one example but there are many more. What we are doing here is along the same lines as the examination of accounts for Departments or agencies, which is what we must do.

**Deputy Áine Collins:** I appreciate that and I understand where we are going with Rehab and the CRC but my question was on a bigger scale. Does our remit allow us to investigate where money has been spent by a Department and the contract has been tendered out to a private individual or company? Can we then bring that individual or company in and ask them how they spent that money?

**Chairman:** In the context of the Departments' accountability to us, we bring in the account-

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ing officer as we did before. In this instance, the body spending the money was brought before us as well as the accounting officers because they had control of the information and it was the only way we could get the information from them.

**Deputy Áine Collins:** My question is whether we could extend that?

**Chairman:** If the Deputy wishes, we can ask for a further extension to involve ourselves in other areas.

**Deputy Áine Collins:** For example, I think there is something happening in one of the Westmeath LEADER companies today where there was-----

**Chairman:** One of the what?

**Deputy Áine Collins:** It involved one of the Westmeath LEADER companies where €7 million was not allocated. Would it be within our remit to ask this company to come in?

**Chairman:** It is a matter for the Department in the first place. We would take it up with it. If something was done incorrectly or was wrong and needed to be accounted for, this is the forum to which it should be accountable.

I turn to correspondence dated 10 April from Ms Noreen O'Sullivan, Garda Commissioner, on the purchase of digital recording equipment to be noted and published. Correspondence dated 14 April from Mr. Ray Mitchell on section 38 agencies to be noted and published. Section 38 agencies have until 1 July 2014 to cease payment of unapproved remuneration. We will review the situation with the HSE at our meeting on 12 June 2014 and obtain a further update on the matter in July. It is likely that the committee will then schedule the appearance of a number of section 38 bodies before the committee.

Correspondence dated 16 April from Mr. Brian Kerr, Rehab Group, on further information requested at our meeting on 10 April 2014 to be noted and published. It states that Rehab has received correspondence from Insight Consultants which states that Mr. Flannery has no involvement with the company and that information on payments made to Insight Consultants are commercially sensitive and will therefore not be published. Correspondence dated 16 April from Mr. Brendan Ryan, CEO of the Courts Services, on the appointment of specialist judges of the Circuit Court to deal with insolvency cases to be noted and published.

The next section is individual correspondence. Correspondence dated 8 April from Mr. Ray Mitchell on the transfer of Waterford HSE South cataract list to private hospitals to be noted and a copy to be sent to Mr. Patrick Condon. Correspondence received on 8 April from Dr. Bríd McGrath on the top-up payments to senior management in private schools to be noted and a copy forwarded to the Department of Education and Skills. Correspondence dated 15 April from Mr. William Treacy on the ongoing issue with Horse Racing Ireland and the Turf Club to be noted.

Correspondence dated 14 April 2014 from Ms Carmel Thornton, Monaghan County Council, on the North-South interconnector project to be noted. Eirgrid is outside the remit of the Committee of Public Accounts and we will forward the matter to the Joint Committee on Transport and Communications.

**Deputy Sean Fleming:** Can the Chairman explain why Eirgrid is outside the remit of the committee when it is a State body and part of the ESB? Why would a body responsible for such

major infrastructure spending be outside the remit of the committee?

**Chairman:** Eirgrid is included in Schedule 2 of the legislation and, as such, does not come within the remit of the committee. It is specifically included in the legislation to exclude it from the remit of the committee.

**Deputy Sean Fleming:** I have seen documents setting out that EirGrid intended to spend €4 billion or €5 billion of taxpayers' money on pylons.

**Chairman:** To go back to what Deputy Collins was saying, this may be a matter we should recommend comes under the committee's remit.

**Deputy Sean Fleming:** I propose we do that. EirGrid was excluded from the freedom of information legislation and I had to bring forward a Private Members' Bill on that. Just before the Easter break, I had to publish Private Members' legislation to bring EirGrid under the remit of the ombudsman. Now, I hear that EirGrid is not even under the remit of the committee. All it does is spend public money. I understand it is a policy issue but I have a significant concern. I ask the committee to write to the Minister to ask him to review the legislation to bring EirGrid within the remit of the Committee of Public Accounts.

**Chairman:** We can do that and perhaps include it as part of our submission on extending the remit of the committee also. The submission is being prepared by our legal advisor on foot of an agreement reached by members. As part of that work, we could include the EirGrid proposal and Deputy Collins's proposal of earlier. Separately, we could write to the Minister in the context of the legislation and ask for the review to which Deputy Fleming has referred, if members agree. It is only right in consideration that we should look at a company or business like that. It is an agency.

**Deputy Sean Fleming:** Commercial State organisations like the ESB or An Post are audited privately.

**Deputy Áine Collins:** None of those are under our remit. I refer to Bus Éireann and similar companies from the commercial point of view.

**Chairman:** It is a similar situation.

**Deputy Áine Collins:** However, we can go after companies and private organisations which tender for contracts and ask them questions.

**Chairman:** In the case of Bus Éireann, we can bring in the accounting officer and deal with the issues that arise there.

**Deputy Sean Fleming:** On Irish Water and other large organisations funded by taxpayers which have a commercial remit-----

**Chairman:** The Deputy referred to EirGrid.

**Deputy Sean Fleming:** Yes, but Irish Water will raise similar issues. Irish Water must answer to the Committee of Public Accounts and the environment committee. I do not see why EirGrid should not have to answer to the committee. We should consider asking for the committee to be empowered to look at the commercial semi-State bodies.

**Deputy Áine Collins:** Does the Deputy mean all of them?

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**Deputy Sean Fleming:** Yes, subject to avoiding interference with their commercial activity where they are in competition with the private sector, which is not amenable. One cannot have Aer Lingus in here without having Ryanair in. One cannot interfere with competition with the private sector. However, organisations that receive some or all of their funding from the State should be answerable here.

**Deputy Áine Collins:** It seems to make no sense that we cannot investigate those bodies but can go after any company that wins a tender and ask it to tell us how it is spending that money and the way in which it funds the rest of its organisation.

**Deputy Shane Ross:** Can we start with what Deputy Fleming says to the effect that all commercial State organisations should come under our remit? In the light of what he says about Bus Éireann and CIE generally, which is getting approximately €270 million, we should be entitled to look at any State company receiving subsidies of that sort.

**Deputy Sean Fleming:** Could we get a briefing on it?

**Mr. Seamus McCarthy:** It is Standing Orders which prohibit the committee addressing State-sponsored bodies. I am not their auditor. The legislation to which Deputy Fleming refers is legislation appointing me as the auditor of State bodies. I am specifically precluded from carrying out audits, examinations or inspections of commercial State-sponsored bodies. Standing Orders dictate the scope of the committee's remit. When the Standing Orders were made they were regarded as being consistent with the legislation providing for the functions of the Comptroller and Auditor General. However, they are two different things.

**Chairman:** I will ask the clerk of the committee to provide us with a detailed note on the issue and a recommendation as to how we might proceed to achieve what we want to achieve. Once we have that, the committee members can make a decision as to whether to write to Ministers. We will have that for next week.

I turn to correspondence dated 15 April 2014 from Deputy Sean Fleming requesting meetings with Bus Éireann and Chambers Ireland.

**Deputy Sean Fleming:** There are two items there. There has been a lot of funding of Bus Éireann in relation to school transport. The Chairman had some reference to that from the previous minutes. What is the response to the correspondence? I ask that Bus Éireann be brought before the committee to answer questions. Where are we on that?

**Chairman:** Mr. Nolan contacted me on this and said he would clarify all of the issues. I do not think he would not have any difficulty in coming to a meeting with the committee. We can ask. The Joint Committee on Transport and Communications is probably the committee to which Bus Éireann reports, however, as part of the note for next week we can take Deputy Fleming's correspondence into consideration along with what Deputy Collins has said. When the note is provided, we can decide what we need to do. Is that agreed? Agreed.

The next item is correspondence dated 16 April 2014-----

**Deputy Sean Fleming:** The Chairman has skipped my letter on Chambers Ireland.

**Chairman:** That issue is fine.

**Deputy Sean Fleming:** We had the issue here of procurement and the Department of Public Expenditure and Reform's policy. Chambers Ireland has made quite an issue of the impact this

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is having on small local businesses which are not being successful in many large tenders. We have only heard one side of the debate here. There is clearly a second half to it. Chambers Ireland has asked me - perhaps it has written to all members - seeking an opportunity to discuss the strategic procurement policy of the Department of Public Expenditure and Reform. Chambers Ireland feels the policy is not helpful to some of its members.

**Chairman:** We had agreed previously to invite a group that was present in the public gallery.

**Deputy Sean Fleming:** Book sellers.

**Chairman:** Perhaps we will invite Chambers Ireland to that meeting.

**Deputy Sean Fleming:** It is the same issue.

**Chairman:** The officials who are dealing directly with procurement issues could also attend. We will hold a special meeting as soon as we can get those people together.

**Deputy John Deasy:** Are we in danger of spreading ourselves too thinly as a committee by extending our remit and losing focus on what the committee was established to do in the first place? Its function is to hold the Departments to account on a regular basis and directing the time and schedule we have to that end. I warn against extending artificially our remit to bodies that, frankly, do not come under our jurisdiction and which never have. We should be cautious about that. I understand the Chairman has asked the clerk to put together a note. I, as one member, have serious reservations. The priority for the committee is to deal with Departments and not to get sucked into areas that are secondary when it comes to the committee's jurisdiction.

**Chairman:** The note the clerk will provide next week will outline all of the issues around that. It may well be that we will make a different recommendation when members have judged what has been said in the note. The concerns Deputy Deasy has can be taken on board in the context of that conversation.

**Deputy John Deasy:** If one takes transport, the Chairman has made the point himself about the Joint Committee on Transport and Communications. With all due respect to Deputy Fleming and notwithstanding all the points he has made, the normal course with regard to Bus Éireann would be that when the Department of Transport attends, members ask questions of its officials on the moneys it gives to that company. I do not see any great need to depart from that course.

**Chairman:** I recognise that there is an issue there. That is why we need to get the background note to ensure that we are informed in any decision we make.

**Deputy John Deasy:** Fair enough.

**Chairman:** From our point of view, it is a recommendation not a decision. I agree with Deputy Deasy that we cannot let our decision interfere with our work programme. It will not be dealt with immediately anyway.

**Deputy Kieran O'Donnell:** Do we have other items of correspondence?

**Chairman:** Yes.

**Deputy Áine Collins:** To follow on from what Deputy Deasy says, I have great concern

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about tendering and the inability of small companies to access that. There has been work done on it. With all due respect to Deputy Fleming, however, is that really our remit? Is it not within the remit of the committee with responsibility for jobs?

**Deputy Sean Fleming:** I am happy for this committee to refer the request to the Joint Committee on Jobs, Enterprise and Innovation. I agree that the one thing we do not want is duplication of work by both committees. I will have no problem if the decision is made to refer the issue to that committee, but I was asked to raise it.

**Chairman:** We have already agreed to bring in that group. We can couple it with Chambers Ireland and hear about the procurement issues concerning the saving and expenditure of money. A claim has been made that we are not getting value for money from the industry. Therefore, we need to look at that issue. We have already agreed to do this and will do so as soon as possible.

We have received correspondence, dated 16 April 2014, from Mr. Paul Maloney regarding information requested at a meeting on 23 January. The correspondence is noted.

We have received correspondence, dated 17 April 2014, from the Secretary General of the Department of Arts, Heritage and the Gaeltacht, regarding the national monument at 14-17 Moore Street. The correspondence is noted and a copy will be forwarded to Mr. Cooney. Deputy Mary Lou McDonald raised this issue and sought a meeting to discuss it. The clerk to the committee will examine how best this can be achieved. We will come back to the issue.

No. 3B.9 concerns correspondence, dated 24 April 2014, from Mr. William Treacy regarding ongoing issues with Horse Racing Ireland and the Turf Club. No. 3B.10 concerns correspondence, dated 30 April 2014, from Dore Solicitors regarding its client Mr. Frank Flannery. The correspondence will be noted and published. We have already dealt with the issue. No. 3B.11 concerns correspondence, dated 30 April 2014, from Eames Solicitors regarding its client Angela Kerins. This correspondence will also be noted and published.

In regard to correspondence relevant to today's meeting, 3C.1 is correspondence, dated 24 April 2014, from the Department of Social Protection regarding its briefing paper. No. 3C.2 concerns correspondence received on 24 April from the Department regarding its anti-fraud strategy 2014-18. No. 3C.3 concerns correspondence received on 29 April from the Department regarding its opening statement.

Reports and statements received since our meeting on 10 April are listed. They include reports from the Garda Síochána Ombudsman Commission, the Commission for Aviation Regulation, Abargrove Limited, Clonmel Greyhound Racing Company and quite a few other greyhound companies. All of these accounts are to be noted.

I will move to our work programme which is on screen. The HSE has been in contact with the clerk to the committee in regard to the forthcoming report of the special administrator of the CRC. The administrator is finalising his work but is awaiting the 2013 audit prior to submission of his report to the director general of the HSE. At this stage, our scheduled meeting on 15 May will come too soon. Therefore, the meeting must be deferred until we have the report and the CRC witnesses have an opportunity to examine it in preparation for a forthcoming meeting. It is now proposed that we bring forward the meeting on matters relating to education and leave Thursday, 22 May free.

**Deputy Shane Ross:** Does the Chairman have any idea when the CRC witnesses will come

before the committee again?

**Chairman:** They will certainly come before the summer break. It is a question of completing the 2013 audit report prior to its submission and then informing the CRC and so on of what is contained in the report. Once the CRC and the HSE have been informed and are agreeable, we can hold the meeting. It is only fair that those involved have enough time to scrutinise the 2013 report and be as up to date as possible.

**Deputy Shane Ross:** Do we have a date for receipt of the report?

**Chairman:** We do not have an exact date, but it is due in the middle of May or thereafter. We can then decide on a date for the meeting.

**Deputy Shane Ross:** Does the Chairman intend to give them a few weeks to digest it?

**Chairman:** Yes.

**Deputy Shane Ross:** The meeting will probably be held in June then, but it should not take place beyond that date because the report is already late.

**Chairman:** It is late. In fairness, the special administrator has completed the work that had to be undertaken by him. It needs to be finalised, but we are also waiting for the 2013 accounts, which has led to a timeframe issue. There is no question but that the issue is being expedited and will come before us as soon as possible.

**Deputy Shane Ross:** That is fine, as long as there is no sign of a deliberate delay.

**Chairman:** There is no deliberate delay. As far as I know, progress is being made and the meeting will go ahead as quickly as possible.

**Deputy John Deasy:** I was asked to inquire about the appearance of Ms Niamh Brennan at the committee.

**Chairman:** She is agreeable to come before the committee, but she is out of the country at this time lecturing. At a guesstimate, it will probably be September before she can come before us. She is due back in the country some time in August and the clerk will be in contact with her then. As soon as a date can be arranged, a meeting will be arranged.

We must agree to the agenda for our meeting on 8 May. We will deal with the 2012 annual report of the Comptroller and Auditor General and Appropriation Accounts, Vote 7 - Office of the Minister for Finance; chapter 1 - Exchequer financial outturn for 2012; chapter 2 - Government debt and finance accounts 2012. Is that agreed? Agreed.

*Deputy John Deasy took the Chair.*

## **2012 Annual Report of the Comptroller and Auditor General and Appropriation Accounts**

### **Vote 37 - Social Protection**



**Chapter 16 - Expenditure on Welfare and Employment Schemes**

**Chapter 17 - Regularity of Social Welfare Payments**

**Chapter 18 - Welfare Overpayment Debts**

**Chapter 19 - Domiciliary Care Allowance**

**Chapter 20 - Invalidity Pension**

**Social Insurance Fund Annual Accounts 2012**

**Ms Niamh O'Donoghue** (*Secretary General, Department of Social Protection*) called and examined.

**Acting Chairman (Deputy John Deasy):** I apologise for the delay. The Chairman will be back and I am taking his place until his return.

We are examining the 2012 Appropriation Accounts and annual report of the Comptroller and Auditor and General: chapter 16 - expenditure on welfare and employment schemes; chapter 17 - regularity of social welfare payments; chapter 18 - welfare overpayment debts; chapter 19 - domiciliary care allowance; chapter 20 - invalidity pension; Vote 37- Social Protection; and social insurance fund annual accounts 2012.

I advise witnesses that they are protected by absolute privilege in respect of the evidence they are to give to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the Houses or an official, by name or in such a way as to make him or her identifiable.

Members are reminded of the provisions within Standing Order 163 that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policy or policies.

I welcome Ms O'Donoghue, Secretary General, Department of Social Protection, and ask her to introduce her officials.

**Ms Niamh O'Donoghue:** I am accompanied by Mr. John Conlon, assistant secretary in charge of finance; Ms Teresa Leonard, assistant secretary with responsibility for illness and

disability schemes, and Mr. Seán Reilly, principal officer in our accounts branch. On my left is Ms Anne Vaughan, Deputy Secretary; Ms Kathleen Stack, assistant secretary who is in charge of, amongst other things, our control division.

**Acting Chairman (Deputy John Deasy):** Also in attendance is Mr. Menton from the Department of Public Expenditure and Reform.

**Mr. Colin Menton:** Yes.

**Acting Chairman (Deputy John Deasy):** I ask the Comptroller and Auditor General to make his opening statement.

**Mr. Seamus McCarthy:** Expenditure in 2012 on welfare and employment schemes was just over €20 billion, some 3% less than the peak expenditure in 2010. Around two-thirds of the expenditure was funded by the Exchequer through the Vote for Social Protection, and one third by social insurance contributions. Chapter 16 presents a consolidated view of the expenditure funded by the Vote and the Social Insurance Fund, as well as the trends in the main categories of expenditure. The Department has undertaken that, in future, a consolidation will be published with the appropriation account of the Vote. This will improve the transparency and accountability about the cost of schemes.

PRSI contributions provide the main source of income for the Social Insurance Fund. Since 2008, the contributions received each year have been insufficient to meet the annual expenditure of the fund. Initially, surpluses accumulated over a number of years were used to fund the deficits but since 2010, the Exchequer has met the shortfall. This Exchequer subvention is provided through the Vote and amounted to just over €2 billion in 2012. In addition, as provided for in the Social Welfare and Pensions Act 2012, a sum of €300 million was advanced from the Central Fund in December 2012 to meet a temporary cashflow shortfall arising from the timing of PRSI receipts. This advance was repaid to the Central Fund before the end of 2012.

I have given a clear audit opinion on both the appropriation account of the Vote and the financial statements of the Social Insurance Fund. However, I have drawn attention to a number of matters in each certificate.

Note 6.5 of the Vote discloses four cases of possible misappropriations by staff of the Department, with a total estimated loss of €1.3 million. My audit certificate draws attention to the Department's response to those cases which is outlined in the Accounting Officer's statement on internal financial control. The response includes the assignment of additional staff to the Department's internal control support unit and more rigorous monitoring by the unit of controls at local level. The 2013 audit will examine the extent to which these enhancements have been implemented.

In my audit certificate on the Social Insurance Fund, I have drawn attention to ongoing control deficiencies in relation to bank reconciliations and the procedures for confirming balances due to An Post. These issues have been referred to in the audit certificates for recent years and were previously examined by the committee when it considered Chapter 39 of the 2010 report. The statement on internal financial control for the fund outlines the actions being taken by the Department to resolve these issues.

The issue of the level of irregular scheme payments is referred to in the audit certificates for both accounts. Irregular scheme payments arise where welfare recipients are paid amounts to which they are not entitled or which exceed their entitlements. Such payments can arise

from administrative error by Departmental staff or from claimant error or fraud. Fraud and error surveys of welfare schemes carried out by the Department potentially provides a basis for estimating the level of irregular payment. Based on the results of the surveys, I consider that there was a material level of payment in excess of entitlement in 2012 on the Vote and on certain Social Insurance Fund schemes.

Chapter 17 presents the results of the latest fraud and error surveys as well as the findings of an examination of the survey process applied in the four most recent surveys. These related to disability allowance, one-parent family payments, child benefit and jobseeker's benefit. As well as an estimate of the overall scheme loss, these surveys now also provide an estimate of the overall net loss to the Department, which takes account of the fact that claimants found to be in receipt of excess payments on a scheme may instead be entitled to payment under a different scheme or may become a dependent on another person's entitlement. The estimated net Departmental loss for three of the schemes was significant at 4.1% for disability allowance, 2.7% in the case of one-parent family and 1.6% for jobseeker's benefit.

The fraud and error survey process is resource intensive but the results provide valuable information about the underlying level of payments in excess of entitlement and the risks associated with particular schemes. For this reason, they should be developed and enhanced. The examination of the survey process found that, in general, the surveys were carried out in accordance with the Department's procedures. There were, however, a number of technical areas identified where improvements could be made that would improve the efficiency of the process and increase the reliability of the results.

Chapter 18 examines the trends in recorded overpayments, as well as the level of legal action related to debt recovery. Overpayment debt outstanding amounted to €375 million at the end of 2012. Overpayments of €97 million were recorded in 2012, some of which related to excess payments spanning more than one year. Overpayments of €54 million were recovered in 2012 which represented 13% of the debt recorded for recovery. We found that the Department's overpayments recording system is not effective as a debt management tool and cannot produce all the information necessary to monitor the effectiveness of debt management. I understand that the Department expects to have a new debt management system in place before the end of this year.

Chapter 19 presents the results of an audit of the domiciliary care allowance scheme. The allowance is payable to carers of children under 16 years who have a severe disability and require constant care and attention, substantially in excess of that required by another child of the same age. Responsibility for administration of the scheme transferred to the Department from the Health Service Executive in 2009. Total expenditure in 2012 was €102 million. In addition, recipients of the allowance have automatic entitlement to the respite care grant resulting in associated expenditure of a further €45 million.

At April 2013, the average time taken to process an application for domiciliary care allowance was eight weeks. Around 5,000 applications for the allowance are received each year. For the period 2010-12, the initial decision on applications was to disallow over 60% of cases. A high proportion of cases disallowed are appealed with around 2,100 appeals each year. In just over 60% of the appeals cases resolved in 2012 the allowance was granted either as a result of a decision by the appeals officer or a prior revised decision by the deciding officer.

Around 70% of the cases in payment were originally processed by the HSE. The Department did not receive case files from the HSE for the transferred cases and has little information

on the medical eligibility of those cases. Medical review of cases is a key control in determining ongoing eligibility but no programme of reviews for those cases had been put in place. An examination by the Department in early 2012 of a random sample of the transferred cases found that up to half could be ineligible. Around 50% of cases put in payment by the Department and reviewed in 2010 and 2011 were also found to be no longer entitled to the allowance. A review of the scheme policies and processes was announced in May 2012 and all medical reviews were suspended pending completion of that scheme review.

The recommendations of the review group were brought to Government in April 2013 and their report was published. The recommendations are set out at Annex A of the chapter. The Department is implementing the recommended administrative changes and the policy recommendations will be considered in forthcoming budgets. The Accounting Officer will be able to brief the committee on the current status of the recommendations and on the recommencement of medical reviews in domiciliary allowance cases.

The results of an audit of the invalidity pension scheme are set out in Chapter 20. Invalidity pension is payable to those who are incapable of work because of illness and who have sufficient social insurance contributions or credits. In 2012, €603 million was paid to around 50,000 claimants. In 2012, there were 11,500 applications for the pension which is almost 50% more than in 2008. Over 60% of claims decided in 2012 were either disallowed or withdrawn. The number of appeals received doubled between 2011 and 2012 to 4,700. Three quarters of appeal cases resolved in 2012 resulted in a revised decision. A person may no longer be entitled to invalidity pension if they recover the capacity to work. Therefore, medical review of cases is a key control. Departmental procedures require that a medical review status is assigned to all approved claims. That status indicates whether or not the claim should be reviewed in the future and, if so, when that review should take place.

Some 5,800 or 12% of the claims in payment were found to have no review status recorded. The Department has indicated that due to resource constraints it has not been possible to review all cases as scheduled. The Department examined a sample of 170 cases to assess the risk of ineligibility. At mid 2013, it estimated that approximately one in ten of the sample cases were no longer eligible for payment. The Department indicated that it is examining ways to increase its capacity to carry out medical reviews.

**Acting Chairman (Deputy John Deasy):** Thank you. I invite Ms O'Donoghue to make her opening statement.

**Ms Niamh O'Donoghue:** Thank you for allowing me to make a brief opening statement this morning. As well as examining the Appropriation Account for the Department of Social Protection and the Social Insurance Fund statutory account for 2012, I understand that the committee wishes to examine the five chapters relevant to the Department that were in the Comptroller and Auditor General's Annual Report for 2012. As requested, last week I provided the committee with an update on the recommendations contained in the five chapters, together with up to date expenditure figures, the provisional outturn for 2013 and estimates for 2014.

When I last appeared before this committee in July 2013, I briefed it on the three key functions of our Department - income support, activation of those of working age and control of fraud and abuse. Our work continues on all three streams. In seeking to realise our ambitions in each of these areas, we are mindful that this is, and will continue to be, a balance in terms of engagement with our customers and deployment of our resources.

The Department's Customer Charter and Action Plan 2013-2015, published in 2013, sets out our commitments to delivering an excellent standard of service to all our clients. The issue of delays in processing claims has been a cause of concern to some members of the committee. Over the course of the past year we have worked to ensure that backlogs are cleared and that services are delivered to a high level to customers of the Department, particularly in the areas of illness and disability related payments and family income supports. I am also pleased to report that the Department now has 44 Intreo offices in place. These are one-stop shops for jobseekers with access to both income and employment supports. It is planned that the full Intreo service will be rolled out to all of the Department's offices by the end of 2014, which I know will be challenging.

The Intreo service is a new way of doing business for the Department. The service offers employment services and supports for jobseekers and brings together income support and activation in a meaningful way for customers. In the context of the Intreo service, we have made significant efforts to develop our relationship with employers, particularly through offering practical assistance and support in regard to the recruitment of staff from the live register. This is an area of business that we will continue to grow and develop over the coming years.

I will now move on to the chapters in the report. As chapter 16 of the comptroller's annual report outlines, the Department spent €20.1 billion in 2012 on welfare and employment schemes. The comparative provisional spend for 2013 is €19.6 billion and the estimate for 2014 is €18.9 billion. These figures exclude expenses incurred on the administration of the schemes which was in the order of €600m in 2012. The number of recipients of weekly payments from the Department at end 2013 was 1.47 million which was at the same level as in 2012. This was because increased pensioner and employment support claimants balanced the fall of 40,000 in working age income support claimants. An increase of 7,000 claimants was also recorded in the illness, disability and caring programme, mainly due to elimination of backlogs in these schemes in the period 2012-13.

A range of measures are employed by the Department to ensure that social welfare fraud and abuse is minimised and that its control activity is focused appropriately. Over the past number of years, fraud detection and control systems have been refined and enhanced. The progress and achievements include the roll out of the public services card, PSC, which acts as a key tool in the prevention and detection of identity fraud and provides an enhanced level of assurance as to a person's identity. To date, approximately 660,000 cards have been issued, including 140,000 PSC free travel variants; a number of legislative provisions have been introduced to strengthen the Department's capacity to tackle abuse; systematic and regular data matching exercises on both internal systems and with external agencies are ongoing; and the Department is now in a much better position to recover overpayments through increasing the contribution from persons on social welfare and by way of notice of attachment to earnings and money held in a financial institution.

Looking to the future, the Department published its new compliance and anti-fraud strategy for 2014 to 2018 last week. A copy of the new strategy has been provided to the committee along with my briefing paper. A key aspect of the new strategy is the harnessing of the potential of risk analytics to enhance the effectiveness and efficiency of our current control activity. This will involve the statistical analysis of large amounts of data to uncover complex patterns which will be used for predicting future risks.

In addition, the Department's requirements in regard to debt management have evolved and expanded significantly in recent times particularly with the enhancements in debt recovery

legislation. It is now in the process of developing a new, more robust and reliable system to maximise the efficiency and effectiveness of the Department's debt management functions. Development of the new system will enable the Department to deliver its debt management objective, which is an integral part of our overall deterrent approach. In addition, the Department has committed to deliver the requirements in relation to debt management identified by the Comptroller and Auditor General.

Chapter 19 deals with domiciliary care allowance, DCA, and I know that this support is a very important one for the parents and guardians who currently receive it in respect of some 27,400 children. The comptroller's recommendations in regard to obtaining evidence in support of claims and the need to have a standard medical review process are accepted. The Department is making the necessary preparations to ensure that medical eligibility and entitlement reviews recommence in Quarter 2 of 2014. The committee will be aware that the Minister initiated a review of the operation of the DCA scheme in 2012 and the new review arrangements take cognisance of the administrative recommendations included in that report.

In chapter 20 the comptroller recommended that medical review status should be assigned to all Invalidity pension cases and that as far as possible medical reviews should be carried out as scheduled. The Department is conscious that there is a need to increase the numbers of medical control reviews carried out on invalidity pensioners in order to ensure that they continue to meet the medical criteria for the scheme. The ability to achieve this is dependent on the capacity of medical assessors to carry out this control work. The committee will be aware from the briefing I provided that the Department is continuing its efforts to increase its capacity to carry out medical reviews and that this is a particular challenge for us. In this context and in an effort to maintain customer service levels, priority has been given to new claim assessments, reviews of new claims disallowed on medical grounds and appeals against decisions to disallow new claims.

I wish to acknowledge the support and co-operation of all staff of the Department of Social Protection in our efforts to deliver and continually improve our services. It is through their ongoing commitment to customer service that we have successfully implemented so many positive changes to date. I am very happy to discuss any issues or proposals raised by the committee.

**Acting Chairman (Deputy John Deasy):** Thank you. May we publish Ms O'Donoghue's opening statement?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** I thank Ms O'Donoghue and her colleagues for coming before the committee. The first area I would like to touch on is the overall budget for 2014 and the various expense headings and categories. How much is the total budget for 2014?

**Ms Niamh O'Donoghue:** The total budget is €19.6 billion.

**Deputy Kieran O'Donnell:** How does that compare with the budget for 2013?

**Ms Niamh O'Donoghue:** The budget was €20.2 billion in 2013.

**Deputy Kieran O'Donnell:** In a context where the live register figures have fallen, seasonally adjusted from December 2013 to end-April 2014, by 10,300 and the unemployment rate has reduced from 12.4% to 11.7%, are the Department's spending headings above or below the

profile?

**Ms Niamh O'Donoghue:** In total, they are more or less on profile. They are marginally behind profile but the budget for 2014 took that into account. The provisions were made on the basis of an assumption that there would be a reduction in expenditure on live register and jobseeker payments - both JA and JB.

**Deputy Kieran O'Donnell:** Is the Department ahead or behind profile on JA and JB?

**Ms Niamh O'Donoghue:** We can provide details to the Deputy. In the overall scheme of things it is not significant. We are on or just below profile.

**Deputy Kieran O'Donnell:** So the Department is actually spending less than it would have anticipated.

**Ms Niamh O'Donoghue:** Yes, but it is marginal.

**Deputy Kieran O'Donnell:** When Ms O'Donoghue says "marginal", what figure would she anticipate?

**Ms Niamh O'Donoghue:** I do not have the precise figure on that heading, but we can seek to provide it.

**Deputy Kieran O'Donnell:** So the Department is behind profile in terms of jobseekers?

**Ms Niamh O'Donoghue:** On that heading, yes.

**Deputy Kieran O'Donnell:** On jobseeker's benefit and jobseeker's allowance?

**Ms Niamh O'Donoghue:** Yes. It is very close to profile.

**Deputy Kieran O'Donnell:** What type of profile did the Department build into the end of April in terms of live register figures being reduced? How do they compare with the Department's figures?

**Ms Niamh O'Donoghue:** The average being used for the year in total was 390,000.

**Deputy Kieran O'Donnell:** For the year?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** What did Ms O'Donoghue anticipate it would be at the end of April?

**Ms Niamh O'Donoghue:** Depending on the occurrence of Easter and seasonal factors, the live register moves up and down over the course of a year. We are broadly on track.

**Deputy Kieran O'Donnell:** The context is that our employment figures are increasing while our unemployment figures are falling. Ms O'Donoghue may say that it is relatively on target, but I am looking for precise figures, which I would expect her to have. Is the figure €1 million, €2 million, €10 million or €20 million?

**Ms Niamh O'Donoghue:** I can provide those figures to the committee.

**Deputy Kieran O'Donnell:** Does Ms O'Donoghue not have them to hand today? I am

referring to the precise figure for jobseeker's allowance and jobseeker's benefit. What savings have been made under that heading to date? I would have expected Ms O'Donoghue to have that figure to hand.

**Ms Niamh O'Donoghue:** It is available but I do not have it to hand or with me today.

**Deputy Kieran O'Donnell:** Why not? I mean no disrespect, but I would have thought that figure would be in the normal report that Ms O'Donoghue received at the end of April.

**Ms Niamh O'Donoghue:** My apologies, Deputy. I do not have it with me, but we can certainly provide that to the committee.

**Acting Chairman (Deputy John Deasy):** Will we give them a few minutes to see if they can come up with a figure?

**Deputy Kieran O'Donnell:** Yes. Is it possible for Ms O'Donoghue to locate that figure?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** That is great. Thank you.

What is the cost to the Department or to the Government of someone being on the live register? The maximum payment for an individual is €188 a week. What is the total cost to the Exchequer of someone being on the live register?

**Ms Niamh O'Donoghue:** I can get an average cost but the Deputy will appreciate that the cost is dependent on the age of the claimant, their family status and how long they have been on the live register.

**Deputy Kieran O'Donnell:** On average.

**Ms Niamh O'Donoghue:** The working average that is used is that it is €9.5 million per 1,000 claimants, which is about €9,500 each.

**Deputy Kieran O'Donnell:** Per annum?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** All these new schemes have been set up, so what is the cost of putting someone through these schemes? What is the average cost for an individual presenting to the Department of Social Protection to work through the schemes? Has Ms O'Donoghue looked at the cost of providing that service per individual?

**Ms Niamh O'Donoghue:** We have not specifically done that because it is early days yet in terms of our engagement through the Intreo service. As I mentioned in my opening statement, we have not yet got that service rolled out throughout the country. The whole point is earlier engagement. Because we are profiling people when they present, it is earlier engagement through the employment services and, hopefully, earlier referral to some sort of support or training initiative. We can work out that kind of model and provide it.

**Deputy Kieran O'Donnell:** I asked about jobseeker's allowance and jobseeker's benefit, but what about the other expense headings? Are they ahead of or behind profile?

**Ms Niamh O'Donoghue:** We will provide that detail to the Deputy.



**Deputy Kieran O'Donnell:** Okay. I want to move on to the Department's anti-fraud strategy. Ms O'Donoghue referred to the fact that the Department had just launched a new plan.

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** It makes for welcome reading. I commend the work of the Intreo offices, which is very good. The fraud issue comes up every year. I welcome the fact that the Department has published a compliance and anti-fraud strategy for the period 2014-18. Some of it makes for interesting reading. The document refers to a particular case of an individual who had €400,000 on deposit and was in receipt of social welfare. What type of social welfare was that person in receipt of?

**Ms Niamh O'Donoghue:** It was jobseeker's assistance.

**Deputy Kieran O'Donnell:** Means-tested job seeker's assistance?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** Was the individual male or female?

**Ms Niamh O'Donoghue:** I think it was a man.

**Deputy Kieran O'Donnell:** That particular person received an overpayment of €30,000. Over what period was that for?

**Ms Niamh O'Donoghue:** Based on that figure, it is somewhere between two and three years.

**Deputy Kieran O'Donnell:** How would that have arisen? What is the process whereby someone applies for a jobseeker's allowance? Was this person on jobseeker's benefit prior to going on jobseeker's allowance or assistance?

**Ms Niamh O'Donoghue:** I do not have that background to the individual case. In this context, it does not matter whether somebody who applies for jobseeker's allowance has previously been in receipt of jobseeker's benefit. This is part of the rights and responsibilities that now exist and which are very much built into claiming social welfare systems. People are required to disclose their means and give such other information in relation to their circumstances to allow a decision to be made on their eligibility. In this particular case means were not disclosed, so that information was not available to the Department or the inspector who would have assessed the eligibility of the individual.

If the Deputy will forgive me, I will explain the context of what happened in terms of managing to establish this information. A number of years ago we established a high-level group between the Department and the Revenue Commissioners to look at new opportunities for operational co-operation and to see if there were things that either organisation could do to assist in the work of the other. There was some media coverage last year about the Department of Social Protection providing information on pension payments, which enabled the Revenue Commissioners to examine the tax compliance of people in receipt of those payments. Similarly, in 2012, we received new data from the Revenue Commissioners on people who had money on deposit in financial institutions which attracted a payment of interest that certainly indicated that those deposits were substantial. We received that information in respect of people who were in receipt of means-assessed payments from the Department of Social Protection. Through that matching exercise we were able to focus on, identify and send for investigation cases in which

it appeared means had not been disclosed to us. This was one such case.

**Deputy Kieran O'Donnell:** What link is there between the Department of Social Protection and the Revenue Commissioners, through computer systems and so forth?

**Ms Niamh O'Donoghue:** There have been data exchanges for many years between the two Departments because Revenue is a collection agency for the Department. It collects PRSI through the tax system and provides the data for us that enable us to keep eligibility records and contribution histories for those who have paid PRSI. We are also required to provide information for Revenue on payments made where they are potentially subject to tax. We have been enhancing our ability to do this in recent years.

The high level group established four or five years ago set up a sub-group to see if there were other data sets we could exchange regularly. We exchange significant data, for example, when somebody takes up employment and the employer or employee registers for tax, we receive notification of the commencement of employment which enables us to match and minimise the risk of overpayment. We have considerably enhanced our ability internally to take that data and match it on a real-time basis across all of our means-assessed payment schemes. Revenue holds various other data that we receive either systematically or an *ad hoc* basis. Both organisations have to respect data protection principles and social welfare and tax law on the exchange of information.

**Deputy Kieran O'Donnell:** What was the value of fraud detected in 2012 and 2013?

**Ms Niamh O'Donoghue:** There is no overall level of fraud for the entire social welfare system. There are levels of fraud which are indicators. The fraud and error surveys to which the Comptroller and Auditor General referred and which are the subject of a chapter in his report are a snapshot of what is perceived to be the level of error or fraud in a particular scheme at a particular moment. They are designed to identify areas of risk to enable us to refine and develop our control policies to put in place new measures to try to deal with such things. The best estimate I can give of an absolute concrete figure is the level of overpayments the Department has identified, roughly 0.5% of total expenditure across all schemes.

**Deputy Kieran O'Donnell:** Am I correct in saying that in 2012 total overpayments amounted to €97 million; that the figure for client error was €36 million; fraud, €41 million; estate cases, €13 million; and departmental error, €7 million? The figure for client error was 37%; fraud, 42%; estate cases, 14%; and departmental error, 7%? In total, the figure for fraud amounted to €41 million out of a budget of €20 billion.

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** A figure of 0.5% appears very low. What resources has the Department put into special investigation in this area?

**Ms Niamh O'Donoghue:** We have very significant resources.

**Deputy Kieran O'Donnell:** Is there an assistant secretary in charge of dealing with fraud?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** What staffing structure is in place?

**Ms Niamh O'Donoghue:** We have a central control unit based in Carrick-on-Shannon,

with approximately 50 staff exclusively studying control measures. It focuses on fraud, but it also tries to eliminate customer and departmental error. There is an inspectorate which, at its hard level, is the special investigation unit, with 91 officers who are based throughout the country but report to a principal officer nationally.

**Deputy Kieran O'Donnell:** Is this a new structure?

**Ms Niamh O'Donoghue:** No, but we have enhanced it in the past year or two.

**Deputy Kieran O'Donnell:** What does Ms O'Donoghue mean by "enhanced"? Are there extra staff?

**Ms Niamh O'Donoghue:** While resources in other areas of the Department have been reducing, resources in that area have been maintained. We have plans to second gardaí to the unit, as flagged in the fraud briefing document.

**Deputy Kieran O'Donnell:** Has that happened?

**Ms Niamh O'Donoghue:** It is in process. We expect them to be in place by the end of quarter two, the second half of the year. Gardaí were invited to express interest and there will be a selection process.

**Deputy Kieran O'Donnell:** In total, there is an assistant secretary, 50 staff-----

**Ms Niamh O'Donoghue:** The unit is headed by a principal officer based in Carrick-on-Shannon. There are 91 officers throughout the country. That group is also headed by a principal officer.

**Deputy Kieran O'Donnell:** That gives a figure of approximately 143 and another 20-----

**Ms Niamh O'Donoghue:** We have inspectors and staff working in the community welfare service, in total approximately 750. Their role is to assess claims and determine eligibility and in so doing ensure only people entitled to payments receive them.

**Deputy Kieran O'Donnell:** How does Ms O'Donoghue think the fraud proceeded? People are entitled to have legitimate claims processed as fast as possible, but the general public and those in receipt of legitimate payments are entitled to know that the system operates with integrity. What has the Department done with its new anti-fraud strategy that is new and creates a system that will stand up to scrutiny and get results? One has to ask whether there is room for improvement on the figure of 0.5%, or €41 million out of a budget of €20 billion. What is new?

**Ms Niamh O'Donoghue:** The figure for overpayments identified has increased considerably in recent years, which is a direct result of the Department's increased activity in this area at different stages in the evolution of a claim. The Deputy is quite right; I said in my opening statement that we had to achieve a balance between customer service and ensuring it was directed at the right people. We must keep that balance constantly in mind. It is a question of the degree to which we process a claim speedily versus the degree of investigation. That investigation will be informed by our risk identifiers.

**Deputy Kieran O'Donnell:** I know all that. What practical additional resources has the Department put into this area? Apart from giving me the policy statement, will Ms O'Donoghue tell me about the practical additional resources the Department has put into this area?

**Ms Niamh O'Donoghue:** We have maintained staffing levels, improved and increased staffing and the powers of inspectors-----

**Deputy Kieran O'Donnell:** That is very general information. I want specific numbers.

**Ms Niamh O'Donoghue:** That is happening specifically in the control space.

**Deputy Kieran O'Donnell:** That is general. Twenty extra gardaí will come in. What extra staff has the Department put into this area? It is welcome that there is an assistant secretary in charge of the area, but what specific, targeted resources has the Department put into it? How many extra staff are there?

**Ms Niamh O'Donoghue:** It is very difficult to single it out because all staff have a control responsibility in processing claims. I have given the Deputy the numbers of staff who are dedicated, whose job is control and nothing else. Beneath this there are control sections in every local office, in all areas in which schemes have headquarters. We have put new measures in place - for example, new data matching so that once a claim is in payment we are actually interrogating the eligibility and the information we hold on people. We have provided new and enhanced training for staff. These measures are all to do with raising awareness about control and also refining the tools we use both in terms of the processing of claims in the first instance and the review and examination of claims once they are in payment.

**Deputy Kieran O'Donnell:** Fifty people and an Assistant Secretary deal with fraud. They are based in Carrick-on-Shannon. Ninety-one people are involved in the special investigations unit and 20 gardaí are specifically assigned to that area. That is a total of 165 people specifically dealing with fraud.

**Ms Niamh O'Donoghue:** They are full-time, but in addition, it is important to note that in total there are somewhere between 900 and 1,000 staff in the Department who have some dimension of control activity. Our inspectorate is involved in this work, as are those involved in the community welfare service and those involved in taking information and claims.

**Deputy Kieran O'Donnell:** It seems the new element is the inclusion of 20 gardaí in the structure.

**Ms Niamh O'Donoghue:** If I may, it is also a case of better use of data and better training and refining our risk identification through data analytics. Those are the dimensions we are putting in place.

**Deputy Kieran O'Donnell:** There was €97 million in overpayments in 2012 and fraud accounted for €41 million of that amount. What was the total overpayment figure in 2013? How much of the amount related to fraud?

**Ms Niamh O'Donoghue:** These figures are subject to audit. The total for overpayments was €127 million in 2013, of which suspected fraud accounts for €62.9 million, which is roughly 49%.

**Deputy Kieran O'Donnell:** The figure for fraud has increased from €41 million to €62 million and the figure for overpayments has increased from €97 million to €127 million.

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** An issue arose in the audit about possible misappropriation of

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public funds by employees. There were four cases of possible misappropriation of public funds by employees, estimated at approximately €1,279,190, during the period 2003 to 2012. How did these four cases come to light?

**Ms Niamh O'Donoghue:** Prosecutions in some of these cases are ongoing. It is difficult to give too much detail about them at this point. We have provided an update on the four cases to the Comptroller and Auditor General. In one of the cases, on foot of investigation it was found that there was no evidence to support the allegation. The four cases then became three cases. In one case a member of staff was misappropriating - as a customer of the Department the person was claiming a benefit to which the person was no longer entitled. In the other two cases members of staff were allegedly misappropriating funds by making payments to others that were not appropriate.

**Deputy Kieran O'Donnell:** Were they making payments to fictitious persons or was collusion involved?

**Ms Niamh O'Donoghue:** There is a suggestion in at least one of the cases that there was collusion. In each case, those matters were referred to the Garda Síochána. In one of the cases a prosecution has happened and in the other two cases the investigations are ongoing.

**Deputy Kieran O'Donnell:** What has been the outcome in the case where the person was receiving the payments? It seems the person had been receiving a payment and was then not entitled to receive the payment. What has happened with regard to that person's situation?

**Ms Niamh O'Donoghue:** The person has been dismissed.

**Deputy Kieran O'Donnell:** What about the money?

**Ms Niamh O'Donoghue:** It is recoverable.

**Deputy Kieran O'Donnell:** Has it been recovered?

**Ms Niamh O'Donoghue:** There is a process under way for recovery of that money.

**Deputy Kieran O'Donnell:** When was the person fired?

**Ms Niamh O'Donoghue:** During the course of 2013.

**Deputy Kieran O'Donnell:** What was the amount of money involved in the other two cases? In the case where the person continued to claim, was the amount large?

**Ms Niamh O'Donoghue:** It was a significant amount of money in so far as the person had been claiming for quite some time.

**Deputy Kieran O'Donnell:** For years?

**Ms Niamh O'Donoghue:** I think it was in excess of ten years, but I can clarify that for the Deputy.

**Deputy Kieran O'Donnell:** Is the Secretary General at liberty to say what was the reason for the payment?

**Ms Niamh O'Donoghue:** I would rather not say.

**Deputy Kieran O'Donnell:** How did it come to light?

**Ms Niamh O'Donoghue:** It was through a random information checking review.

**Deputy Kieran O'Donnell:** Ten years is a long time for someone to be in receipt of a payment and also to be working. Was there collusion involved in this case?

**Ms Niamh O'Donoghue:** No.

**Deputy Kieran O'Donnell:** Was this person involved in making that payment to himself or herself?

**Ms Niamh O'Donoghue:** No.

**Deputy Kieran O'Donnell:** The person just continued to receive the payments. Did this come to light as a result of a random selection or was it as a result of a tip-off?

**Ms Niamh O'Donoghue:** It was a random review.

**Deputy Kieran O'Donnell:** People working for the Department of Social Protection do a great job.

**Ms Niamh O'Donoghue:** This case is absolutely atypical, Deputy.

**Deputy Kieran O'Donnell:** Are the other two cases with An Garda Síochána?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** Is the amount of money significant?

**Ms Niamh O'Donoghue:** It is.

**Deputy Kieran O'Donnell:** What are the general parameters of the cases? Is collusion involved?

**Ms Niamh O'Donoghue:** As I said, Deputy, my understanding is that collusion was involved.

**Deputy Kieran O'Donnell:** What were the specific circumstances? What types of payment are involved?

**Ms Niamh O'Donoghue:** These were payments where the officers involved had discretion over payments to be made. Payments have come to light that were being made over a period of time to a range of different individuals based on either alleged circumstances or for the provision of services or whatever.

**Deputy Kieran O'Donnell:** What area were they involved in?

**Ms Niamh O'Donoghue:** They would have been in the community welfare service.

**Deputy Kieran O'Donnell:** Community welfare officers do great work.

**Ms Niamh O'Donoghue:** Yes, they do.

**Deputy Kieran O'Donnell:** Over how many years was this going on?

**Ms Niamh O'Donoghue:** The Deputy will be aware that the Department only took responsibility for the actual operation of the community welfare service towards the end of 2011 and

the beginning of 2012. My understanding is that it was somewhere in the period 2006 to 2012.

**Deputy Kieran O'Donnell:** Over a period of six years. How did it come to light?

**Ms Niamh O'Donoghue:** Again, because of new management controls which the Department had put in place and through audit procedures. I stress that it is now a very significant feature of our internal audit programme. I am very glad to say I have received considerable assurance from the audits that have been carried out under that programme since 2012 that this is not widespread.

**Deputy Kieran O'Donnell:** What has happened to the two individuals involved?

**Ms Niamh O'Donoghue:** They have been suspended.

**Deputy Kieran O'Donnell:** Are they suspended on pay?

**Ms Niamh O'Donoghue:** That is the basis for suspension.

**Deputy Kieran O'Donnell:** When was the matter referred to An Garda Síochána?

**Ms Niamh O'Donoghue:** I can get the dates for the Deputy because I do not have them to hand. As soon as the issues came to light we would have referred them to the Garda Síochána because of the nature of them. It was in December 2012.

**Deputy Kieran O'Donnell:** We are talking about three cases and a total of €1,279,290. In the case of the individual in receipt of a payment to which the person was not entitled, I would have thought the amount involved was probably in the order of €100,000 or more.

**Ms Niamh O'Donoghue:** Given what we said earlier about an annual payment, and the period was ten years-----

**Deputy Kieran O'Donnell:** It is about €100,000, I reckon.

**Ms Niamh O'Donoghue:** It is a bit less than that.

**Deputy Kieran O'Donnell:** We are talking about €1.2 million involving two individuals. That is a staggering figure. It is taxpayers' money. It is shocking that this is €600,000 on average for the two individuals.

**Ms Niamh O'Donoghue:** In fairness, Deputy, I should clarify that they are not cases of equal value.

**Deputy Kieran O'Donnell:** Can I take it from what the Secretary General says that we are talking about 60-40, 70-30?

**Ms Niamh O'Donoghue:** One is much more significant than the other. I should clarify that the investigations are ongoing.

**Deputy Kieran O'Donnell:** May I take it that one of the cases involves an amount in excess of €1 million?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** That is incredible. Some €1 million in taxpayers' money was defrauded from the Department over a six-year period by one individual. That equates to

something over €150,000 per year or just over €3,000 per week. Deputies refer people who are in direct circumstances to community welfare officers, CWOs. Why was this level of fraud not identified earlier?

**Ms Niamh O'Donoghue:** As I said, the Department took over the operation of the community welfare service in January 2012. It was through the institution of management checks that this was picked up by us.

**Deputy Kieran O'Donnell:** Were the two individuals working in the same geographic area?

**Ms Niamh O'Donoghue:** No.

**Deputy Kieran O'Donnell:** So they were working separately.

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** Was there collusion with other members of staff or did they collude with individuals coming into the offices in which they worked?

**Ms Niamh O'Donoghue:** It is in respect of payments to others that the question of collusion arises. In other words, inappropriate claims were made and facilitated. That is my understanding. The Deputy will appreciate that they are very complicated claims and that there is a very complicated investigation taking place.

**Deputy Kieran O'Donnell:** Has the Department sought legal advice from counsel at this point?

**Ms Niamh O'Donoghue:** No. The matter is under investigation by An Garda Síochána.

**Deputy Kieran O'Donnell:** So it does not fall within the remit of the Department in any way.

**Ms Niamh O'Donoghue:** No.

**Deputy Kieran O'Donnell:** When is it anticipated that investigation will be completed?

**Ms Niamh O'Donoghue:** That is a matter for An Garda Síochána.

**Deputy Kieran O'Donnell:** What procedures has the Department put in place to ensure that something of this nature will never happen again? What is being done to prevent it happening right now? We are discussing fraud at a time when ordinary people who are in receipt of social welfare payments are under enormous pressure. The Department is trying to make payments to them as quickly as possible. These individuals are often directed to their local CWOs and in many instances it is not possible to obtain payments for them. A number of these people are very deserving of payment. It is extremely important that there is flexibility in the system. However, one individual has taken €1 million in taxpayers' money to use for their own ends. That person held a position of enormous responsibility and what was done has undermined the system. The actions of the individual involved were extremely unfair to other staff who work in the Department of Social Protection, to ordinary people who are in receipt of social welfare payments and to the taxpayers whose money funds the system. What procedures has the Department put in place to ensure that something of this nature is not happening now and that it will not occur in the future?



**Ms Niamh O'Donoghue:** The Deputy made comments about the scale of the case. He will appreciate that when that scale became apparent within the Department, it caused great shock. It is absolutely atypical in the context of the experience of the Department in managing public money.

**Deputy Kieran O'Donnell:** Is it not extraordinary that in excess of €150,000 - or approximately €3,200 per week - was being taken per annum for a six-year period and that this went undetected?

**Ms Niamh O'Donoghue:** It is extraordinary and that is why we have moved very quickly - now that we have responsibility for the relevant operations - to put in place the same level of controls we have in place in respect of the remainder of our payment functions. The Deputy will be glad to hear that we have done a number of things. We have drawn up control checklists and requirements for officers working in the community welfare service and instituted new training for them on an ongoing basis. Our internal control unit is now monitoring local management audit checks on a monthly basis. In addition, quarterly compliance reports must be made to divisional managers. The unit has completed inspections at over 23 locations and six internal control staff briefings have been held throughout the country. Furthermore, the unit has carried out 12 reviews of community welfare services since January 2012 and while a number of areas have been identified for improvement - recommendations have been implemented in this regard - an assurance has also been given that the kind of issues identified in the cases in question are not widespread.

**Deputy Kieran O'Donnell:** Ms O'Donoghue stated that money is being recouped from the person who was overpaid. What will be the length of the period over which that money will be recouped? Less than €100,000 of the €1.2 million relates to one individual, while the remainder - €1.1 million - relates to another person. How much of this money has been recouped to date?

**Ms Niamh O'Donoghue:** In terms of the person who is a member of staff and who was claiming a benefit to which they were not entitled, the full amount involved will be recouped.

**Deputy Kieran O'Donnell:** Over what period?

**Ms Niamh O'Donoghue:** Basically, a payment arrangement is in place. If a balance remains outstanding when the person reaches retirement age, it will be recouped from their pension.

**Deputy Kieran O'Donnell:** How much of the €1.1 million has been recouped?

**Ms Niamh O'Donoghue:** As I said, those cases are still under investigation. The outcome very much depends on to whom the payments involved were made. In addition, the Deputy referred to collusion and we must establish whether claims were made inappropriately and whether there are moneys which we must recoup.

**Deputy Kieran O'Donnell:** So none of it has been recouped to date.

**Ms Niamh O'Donoghue:** There is a criminal investigation under way. The Deputy will appreciate that what that investigation throws up will determine what moneys can be recouped and how they can be recouped.

**Acting Chairman (Deputy John Deasy):** The matter needs to take its course before the Department proceeds.

**Ms Niamh O'Donoghue:** Yes.

**Acting Chairman (Deputy John Deasy):** For clarification and in the context of the €1 million, one individual colluded with regard-----

**Ms Niamh O'Donoghue:** Potentially.

**Acting Chairman (Deputy John Deasy):** Yes. The person potentially colluded with regard to facilitating multiple claims on the part of other individuals. Is that the case?

**Ms Niamh O'Donoghue:** There is an investigation under way and allegations regarding an inappropriate use of money - over €1 million - have been made.

**Acting Chairman (Deputy John Deasy):** So one individual is at the centre of the matter-----

**Ms Niamh O'Donoghue:** Yes.

**Acting Chairman (Deputy John Deasy):** -----but there are potentially multiple claims in respect of other people involved.

**Ms Niamh O'Donoghue:** Potentially.

**Acting Chairman (Deputy John Deasy):** So that is what we are dealing with here.

**Ms Niamh O'Donoghue:** Yes.

**Deputy Áine Collins:** I thank Ms O'Donoghue and her team for coming before the committee. I wish to focus on activation measures, fraud and domiciliary care.

I understand that there is only 3% activation in respect of the Gateway scheme. I am not sure if an update is available in the context of what is currently happening with the scheme. JobBridge has attracted mixed reviews. Is Ms O'Donoghue in a position to indicate the number of jobs that have been created for people who went on this scheme? What percentage of such individuals return to the live register? There is a specific issue with Tús in that when one accepts a placement on it, one becomes an employee. As a result, one is obliged to pay employees' PRSI. There are people who are married with children and who are in receipt of larger social welfare payments of €400 plus per week. If they go on Tús schemes - many of them have the urge to do so when asked - they receive an additional €20 per week but they actually come out with less money because they are obliged to pay the universal social charge, USC, and PRSI. That is unfair and it would not happen if they were on community employment, CE, schemes. Will Ms O'Donoghue comment on those points?

**Ms Niamh O'Donoghue:** I will take the Deputy's final point first. The application of the taxation system to individuals such as those to whom she refers is no different than it would be to people in public or private employment who are earning that amount of money. This comes down to a decision made by Government previously in respect of PRSI and the disallowance relating thereto.

As the Deputy will be aware, JobBridge is an internship programme. It is designed to give people work experience, in the first instance, and encourage employers to consider the appropriateness of creating new jobs. An evaluation carried out by Indecon shows that progression rates from JobBridge into employment are extremely high in comparison to those which obtain

in other European states. In the region of 51% of interns move directly into employment. After a period of five months, this increases to 61%. Those jobs may not necessarily be with the employers with whom the people involved served their internships. Obviously, however, the objective behind JobBridge of providing work experience has legitimate currency in the labour market. If one looks across Europe, that is a hugely positive outcome for JobBridge when compared with the types of internship programme that exist in other countries.

The Deputy's third question pertained to the Gateway scheme. There is no doubt that Gateway has been much slower in terms of the Government's intention to provide for a significant number of placements. I believe the original target in 2014 was 3,000 placements. New arrangements now have been put in place, as well as new dialogue regarding governance of that scheme to try to remove any impediments that might have existed or any confusion regarding access to the scheme. I am pleased to report that as of today, 177 participants are employed on the scheme and more than 250 job offers are pending. The target we had was to have 1,200 placements by mid-year, and with those numbers, this obviously is extremely ambitious. However, we are working hard to try to achieve that. Obviously, it involves working with partner local authorities and trying to ensure that all the different parameters are teased out in this regard.

**Deputy Áine Collins:** While I appreciate the Department might not achieve its target by the middle of the year, is the Secretary General hopeful that it will be achieved by the end of the year?

**Ms Niamh O'Donoghue:** Absolutely. Our target for 2014 still is 3,000 placements and we will try to get as close to that as we possibly can.

**Deputy Áine Collins:** Although there has been some cynicism in the media about JobBridge, it is actually working.

**Ms Niamh O'Donoghue:** Absolutely; there is no question about it. The evaluation evidence and the evidence we receive from the vast majority of participants are incredibly positive. There has been a lot of media focus on some negative elements. Obviously, for some interns, their experience is not great and there have been all sorts of allegations about employers. That has been absolutely minimal. There are regular controls and monitoring in place and there are opportunities for interns and indeed for employers who are dissatisfied with their experience to report back to us and for us to take that into account.

**Deputy Áine Collins:** What monitoring is in place? Does the Department monitor what the employer would do with someone participating in JobBridge and what training is being given, or is that overly bureaucratic?

**Ms Niamh O'Donoghue:** One thing we are trying to do is to achieve a balance in this regard by not over-complicating the matter, while at the same time ensuring there is some support or security for participants. In the first instance, in applying for JobBridge employers are required to indicate what precisely they have in place and what they propose to provide by way of training and experience to the individual. We actually have a significant programme of inspection of employment. Moreover, we have ramped that up considerably in response to some of the suggestions in the media. As I stated, we are satisfied that for the vast majority of residents, it has been a very successful programme.

**Deputy Áine Collins:** I support that and thank the Secretary General.

I believe that a real issue exists in respect of Tús. As I am a tax consultant by profession,

I understand the taxation system very well. However, the Secretary General will appreciate that someone who is participating in a Tús programme is still in receipt of social welfare. I acknowledge that he or she is working and gaining experience, but this work usually is in a community scheme. It is very valid from a social point of view and is fantastic with regard to giving someone confidence and getting activated. However, such participants still are getting a payment from the Department of Social Protection, and this issue must be examined. I appreciate that it is a policy issue for the Government, and the Minister will be obliged to consider it. I am unsure whether there is a major issue in the sense of there being a large number of people on the higher level who would hit the tax and universal social charge, USC, thresholds. With the community employment scheme, it does not come into the same-----

**Ms Niamh O'Donoghue:** My understanding is the USC does not apply. It is PRSI that is the issue.

**Deputy Áine Collins:** The Secretary General can appreciate that if one is getting €20 more per week to go out to work and one is coming home with less and one still is getting paid by the Department of Social Protection-----

**Ms Niamh O'Donoghue:** I absolutely understand the issue and the difficulty. Certainly we will look to see whether there are any particular issues that we can address.

**Deputy Áine Collins:** It is my understanding that in the CE scheme, the supervisor gets paid that amount. He or she pays the employee portion of the PRSI, but it is allowed in the cost of the scheme, if the Secretary General knows what I mean.

**Ms Niamh O'Donoghue:** I am not aware of that, but we absolutely will look at the specifics of it.

**Deputy Áine Collins:** Will the Department please do so? It is an issue.

**Ms Niamh O'Donoghue:** However, I caution that I am aware that there is a particular issue because of the €127 allowance. Moreover, the bigger the family one has, the worse the impact, because of the child dependent allowance. I am aware of that.

**Deputy Áine Collins:** My point is that an allowance or something should be given to the people who are providing the Tús programme.

**Ms Niamh O'Donoghue:** The difficulty, presumably, in that space is that one then is looking at absolute employment in the public or private sector and the need to treat people on a common basis.

**Deputy Áine Collins:** This is something that could be examined and I would appreciate that.

I have one question on fraud and how social protection payments are made. As I am working from memory, my percentages might be slightly awry, but my understanding is that 45% of all payments go through An Post, while 55% go directly to the bank.

**Ms Niamh O'Donoghue:** It is roughly 50-50.

**Deputy Áine Collins:** Okay. I have heard that in the case of the payments going to An Post, approximately €7 million is coming back to the Department where errors have been made. However, this is not happening when the payments go directly into the bank.

**Ms Niamh O'Donoghue:** In one sense, the position on giving people an option as to their payment mechanism changed in 2008 or 2009 or thereabouts. At that point, the Department took a view that electronic funds transfer, EFT, no longer would be an option for those payments that were considered to be riskier and that people would be required to take their payment through An Post. This was particularly in the context of jobseeker payments. Part of the reason was that there was greater assurance with regard to the presence of the individual in the country, and there was the potential for better identity checks. The payments that go to people via EFT primarily tend to be what would be considered low-risk payments. More often than not, they are pensions - that is, contributory State pensions - child benefit in many but not all cases, disability payments and invalidity payments. More recently, certainly over the past five or six years, we have moved a lot of illness benefit customers into EFT on the basis that most of those people have an attachment to the workforce. Again, it is to do with the risk of their presence or otherwise.

**Deputy Áine Collins:** Jobseeker payments cannot be paid into someone's bank account.

**Ms Niamh O'Donoghue:** We made an exception last year for jobseekers who are over 62. They now have the option of a different signing regime and of having their moneys paid into a bank account. Otherwise, however, at the time when the numbers of jobseeker applicants began to increase very substantially, in 2008 and 2009, the decision was made that all those payments would be made through the post office system, because greater controls were available to us at that point in time through that system.

**Deputy Áine Collins:** I wish to ask about a subject about which one hears a lot on the ground, especially when one talks to business owners. It relates to dealing with people who are on the black market - that is, people who are in receipt of jobseeker's payments but who also are working. Everyone is familiar with the sectors about which I am talking. If people wish to give information to the Department, is there some easy accessible way to so do, and can it be promoted? My information is that when people ring up in this regard, they are asked all sorts of detailed questions.

**Ms Niamh O'Donoghue:** There are extremely simple ways of doing this. It can be done through our website and anonymous reports can be made either through the website or through a dedicated telephone line. Some information will be sought to establish whether there may be something that must be investigated or otherwise. The Deputy will appreciate that occasionally someone might make a report to the Department where they see someone claiming a social welfare payment who potentially is in some sort of employment, but in fact that might be allowed under the terms of the scheme.

**Deputy Áine Collins:** Yes.

**Ms Niamh O'Donoghue:** While such detail is to allow us to establish the veracity or otherwise of an allegation, it is on an anonymous basis. This has been responded to by members of the public to an incredible extent in recent years. In 2011, for example, there were just under 17,000 reports of fraud and abuse, and that figure increased to 28,000 in 2012. It fell slightly, to just over 24,700, in 2013 but it is still a very substantial area of activity and information for the Department.

**Deputy Áine Collins:** Is there an easy way of doing it?

**Ms Niamh O'Donoghue:** Absolutely. As I say, through the website there is an online abil-

ity to do it on an anonymous basis but, equally, there is a dedicated telephone line.

**Deputy Áine Collins:** Is it easy to get the number of that dedicated telephone line?

**Ms Niamh O'Donoghue:** Yes. It is advertised on the website.

**Deputy Áine Collins:** Does one have to go to the website?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Áine Collins:** I will ask about the kind of work the Intreo offices are doing, particularly with those who have been unemployed, the retraining, etc. What kind of training are they doing? Are there a lot of soft skills involved? Is it in, and around, building confidence? From speaking to those who have lost their job, if they do not get re-employed in the first six or 12 months their confidence hits an all-time low. It is a big issue.

**Ms Niamh O'Donoghue:** There has been a very significant shift in the last couple of years in regard to how we engage with our customers. The Deputy may appreciate that up to about two years ago we operated on the basis of what was called an employment action plan where there was a mechanism for referral of people who presented for unemployment that after three months on the live register they were referred to FÁS at the time and consideration given to whether employment support or training was required. That was a very blunt instrument in so far as that referral was done after three months regardless of the skills, background or experience of the individual who presented.

What has changed in the last couple of years is that we have introduced what we call a profiling model. This is a model that was developed with the ESRI to actually look at what are the kind of indicators of the potential for somebody to exit the live register of their own volition or what degree of support. It is probability of exit from the live register. It is called a PEX score.

In 2012, we started profiling new applicants and, really, the thrust under the original Pathways to Work document and mandate that were given by Government was to try and prevent a drift into unemployment by engaging with people early and looking to identify people who needed support to a greater extent, and referring them early for such support. What Pathways to Work did was shift the emphasis somewhat to the long-term unemployed. I am glad to say that in the course of 2013, working with the ESRI, we have profiled the entire stock of long-term unemployed that exist on the live register and we are now engaging through the Intreo service with this cohort. The whole thrust of that is to find out what their previous experience and vulnerabilities and needs are and to develop a personal progression plan with them that is absolutely tailored to their particular needs. It is a combination of engaging with them, as part of a group in the first instance, to give some basic information about the process and structures and then, on a one-to-one basis, develop this plan. Whether it is referral for soft-skills training or whether it is referral into a structured training programme, all of those opportunities exist. Our case officers - we have substantially increased the number of case officers within the Department - have some funding available to them to allow for those kind of interventions, particularly for those who are in vulnerable situations or who need additional support over and above somebody who has, maybe, a professional background or work experience in the not-to-distant past.

**Deputy Áine Collins:** I am hearing that the integration of the FÁS side into the Department of Social Protection has embedded and is working well. Is that the experience?

**Ms Niamh O'Donoghue:** I am delighted Deputy Áine Collins is hearing that. It certainly would be our understanding that there is a lot of learning, a lot of cultural change, a lot of business process change and very significant progress. The fact that we have been able to change the surroundings, that people have worked together and reformed the teams that they are in to support the whole Intreo process, has been a huge benefit to both sides of the service. That will be rolled out across the entire office network by the end of this year.

**Deputy Áine Collins:** On a personal note, I have an issue in Charleville, which is part of my constituency, with an activation officer because it is situated at the end of two counties - it is between Limerick and Cork. I have brought it up previously. Charleville has a population of almost 3,500. Ms O'Donoghue might look into it and come back.

**Ms Niamh O'Donoghue:** We will have somebody talk to the Deputy about it.

**Deputy Áine Collins:** The issue with domiciliary care, as I understand it, is that it was transferred to the Department in 2009 from the HSE. There is a 60% refusal rate, 60% of the appeals are being accepted but the process is long and cumbersome and applicants can be waiting up to nine or 12 months.

**Ms Niamh O'Donoghue:** That had been the experience. Those numbers have dropped very significantly in the course of the last two years. The actual waiting time, for both processing in the first instance and then appeals, has been very considerably reduced.

**Deputy Áine Collins:** How long is Ms O'Donoghue talking about? How long does it take to process a form?

**Ms Niamh O'Donoghue:** In terms of the initial process, initial application, it is somewhere between eight and nine weeks. From an appeals point of view, sorry, if the Deputy would bear with me,-----

**Deputy Áine Collins:** What is the percentage of applicants are successful?

**Ms Niamh O'Donoghue:** If the Deputy bears with me one moment, I can give her chapter and verse on this. In terms of success, it is a 48% success rate at initial claim and, if you like, a 52% refusal rate. That then rises following the appeals process to an overall 60% success rate.

**Deputy Áine Collins:** Are 60% of the 52% successful?

**Ms Niamh O'Donoghue:** The 48% moves to 60% following the whole process. Not everybody, who is refused, appeals, if I can put it like that.

In terms of times for appeal, in 2012, for summary decisions, the time was 32.5 weeks. That reduced to 27.6 weeks in 2013. For oral hearings, it started, in 2012, at 41.4 weeks and that reduced to 34.4 weeks in 2013. It is a significant amount of time but the Deputy will appreciate that in many instances, when there is either a request for a review or a request for appeal, there is very considerable additional evidence adduced. That then has to be considered again and it takes some time.

**Deputy Áine Collins:** In regard to a person's eligibility, my understanding is that a person is entitled to domiciliary care where a child has extra needs due to a condition, but sometimes the condition cannot be identified or there might be no diagnosis. For example, there may be a case of a person with very serious learning difficulties but, as such, no diagnosis.

**Ms Niamh O'Donoghue:** It is an illness-related scheme. The scheme is about providing assistance to somebody in regard to the additional care and attention that is required but there is a fundamental requirement that has to be identified. It is not because a child has X condition or Y condition. It is because of the nature of the additional care and attention that the child requires.

**Deputy Áine Collins:** Does one have to be diagnosed with a disability?

**Ms Niamh O'Donoghue:** It is not a disability scheme but the evidence would have to support the requirement that is in law.

**Deputy Áine Collins:** I appreciate that but we have seen recent reviews in relation to autism. A child with autism clearly needs greater care and attention than a child of the same age who does not have autism.

**Ms Niamh O'Donoghue:** Indeed, but the Deputy would be aware that there is a huge range on the autism spectrum which is part of the reason why the Minister set up the review process, which involved parents and representatives from the different advocacy groups, in terms of trying to work out processes that were seen to be more transparent and fairer. As the Comptroller and Auditor General has pointed out, we are putting those recommendations in place.

**Deputy Áine Collins:** On those recommendations, Recommendation No. 14 states: "That the Department explore the feasibility of putting in place a multi-disciplinary panel, comprising professionals working in the area of children's disability that can be consulted by medical assessors to support them in forming their opinions". Has that recommendation been put in place?

**Ms Niamh O'Donoghue:** It is one of the things we are considering. The Deputy will appreciate-----

**Deputy Áine Collins:** The Department is considering and, therefore, it has not been put in place.

**Ms Niamh O'Donoghue:** I mean we are looking to adopt all of the recommendations that we have been asked to adopt. There are certain policy issues related to the legal requirements as well that are a matter for the Government.

**Deputy Áine Collins:** What is the qualification of a medical assessor?

**Ms Niamh O'Donoghue:** They are all registered medical practitioners. The medical assessors in the Department in the main also have some form of specialist qualification. They all have received some sort of disability awareness training.

**Deputy Áine Collins:** Are they all doctors?

**Ms Niamh O'Donoghue:** The medical assessors are all doctors. There are nurses who work with those doctors. In the main, they have occupational training as well, and also disability training.

**Deputy Áine Collins:** There is a lot of criticism that there are desktop appeals being examined by medical assessors. They are making decisions that are different from those of specialists in the area who have actually met the child and recommended extra care and attention for him or her. Despite this, it seems to be-----

**Ms Niamh O'Donoghue:** The application process is very comprehensive but it is desk-



based in the first instance. It is absolutely reliant on the amount of information and evidence that is provided by the person making the claim, from wherever that might be. Whether it is medical or non-medical, the person is invited to give as full a spectrum of information as he possibly can. That process has been upheld in a court case. There is no automatic assumption that there should be an in-person assessment, provided the assessment is seen to take into account the full range of evidence provided.

**Deputy Áine Collins:** In the recent court cases, the judge was quite critical of some aspects of the approach.

**Ms Niamh O'Donoghue:** There is a more recent court case that obviously has implications for the Department. We are still considering that, but that is different from the one I referred to in terms of whether there should be an in-person assessment or not.

**Deputy Sean Fleming:** I welcome the witnesses. As I say on each occasion, they are in a very efficient Department. If the HSE and a few more organisations were like it, we would have a much better country.

With regard to some of the specifics, I want to touch on a couple of different topics, the first of which is the overpayments issue. The Department recouped €70 million in overpayments in 2013. It states in the document that its target for this year is €75 million. If somebody is owed arrears from the Department and it is spotted that there has been a previous overpayment, the sum is deducted from the arrears. That is fine and I have seen it happen. It is right. Can the Department give me a figure for the value of the arrangements it has put in place? Definitely in recent times I have encountered many cases in which the Department settled for a bit less than the 15% it was looking for. Aside from what it actually collected in 2013, or its target, what was the value of the overpayments in respect of which the Department has arrangements in place for collection? In other words, the Department might have an agreement with a person to take €20 per week over two or three years to clear a debt. The Department is happy with that. If the Department does not have the figure, it should send it on.

**Ms Niamh O'Donoghue:** I do not have it to hand.

**Deputy Sean Fleming:** However, Ms O'Donoghue knows where I am coming from.

**Ms Niamh O'Donoghue:** Absolutely.

**Deputy Sean Fleming:** I suspect it is a growing figure because the Department's power is now much greater in this area. In most cases, people make repayments over a couple of years.

**Ms Niamh O'Donoghue:** The Deputy will appreciate my position. I do not have a figure to hand but the Deputy will appreciate that the vast bulk of overpayments are very small. Given the powers we now have and the level of overpayments we can recoup, a very considerable number of debts can now be satisfied within the course of a 12-month period.

**Deputy Sean Fleming:** I accept that.

**Ms Niamh O'Donoghue:** I understand what the Deputy is saying. I will determine whether we can extract the figure. To confirm, the arrangements we have currently in place to recover a debt over a particular period, and to ascertain what that might amount to, which is obviously more than an annual-----

**Deputy Sean Fleming:** For how much of the amounts to be recovered is there an arrange-

ment in place?

**Ms Niamh O'Donoghue:** I understand.

**Deputy Sean Fleming:** It might take nine months or 19, or another period.

Let me make a suggestion to the Department on recovery. The Department's system has obviously identified people who have been overpaid, for various reasons. In the past, when the Department could collect only €2 per week, it was not bothered going after it and it sat there. I now see that when somebody is to receive a new payment, the Department checks immediately to determine whether any arrears are due. That is fine. I have dealt with cases of people who received overpayments, perhaps through FIS or another scheme, or perhaps because their spouses got some part-time work that would have made them ineligible. I have seen cases where, although X thousand euro might have been due during an individual's working life, the Department waited until he or she applied for the State contributory pension before reclaiming it. An individual might be identified by the Department as owing €3,000, yet it does not recoup it until the individual hits pension age, at which time he or she is on a reduced income. Individuals ask why the money was not taken from them by the Department when they were working and could afford it rather than when they reached 66. One can believe what one likes about whether the overpayments were forgotten about or whether it was hoped the matter would not be noticed. The Department waits until it receives the State pension application before taking action.

I suggest that where the Department knows moneys are due, bearing in mind that there is now a much better exchange of information with the Revenue Commissioners, it should reclaim them during the working life of the recipient. The recipient might be in employment, but the Department seems to wait until he or she comes to it for another payment before taking action. The witnesses know the point I am trying to make.

**Ms Niamh O'Donoghue:** I do.

**Deputy Sean Fleming:** It would be easier on the client.

**Ms Niamh O'Donoghue:** There are a number of facets to what we are trying to do. We now have power of attachment to earnings, which we did not have previously. The Deputy is correct that when our recovery limits were quite small, there might not have been the focus that we would have wished for. That has obviously changed. We now have powers of attachment and we are seeking to extend them to other State payments where they might arise.

Second, we are now trying to eradicate and recoup overpayments at the earliest possible date so the situation described will not arise. Unfortunately, we do not actually become aware of some of the overpayments until the recipient passes away and it becomes an estate issue for us.

**Deputy Sean Fleming:** The Department collects money from estates. I am talking about the State pension.

**Ms Niamh O'Donoghue:** Absolutely. However, one of the points is that we have better IT systems and platforms in place in relation to making our payments. As I stated at the start of the meeting, we are now in the process of developing a new debt management and recovery system. We will have it in place by the end of this year. I think it will allow us to be even more efficient in getting money quicker.

**Deputy Sean Fleming:** Getting it in earlier?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Sean Fleming:** That is fine. The witnesses get the point. I propose that money be collected a bit earlier, if possible. If the recipient of overpayments is in employment, he might be in a position to write the cheque and pay, but he is not necessarily asked to do so.

On the compliance and anti-fraud strategy and procurement, the Department proposes to undertake site visits, especially where contractors are working on public service projects. Obviously, we are talking about schools. I am on public record several times as having said several schools have been milked in my constituency. Busloads of people were claiming social welfare outside the county and were being bussed back to the county in the afternoon where they continued to work as normal. They showed up on a Thursday morning. This is public information and the story has been publicly covered. The Minister for Education and Skills announced a measure on this a while ago. It applies to road contracts and other contracts. Why has action been so slow? The Department seems to have done very little on this. It has required agitation among workers who might not have got a job on a site and also complaints to the Department through the unions or individuals. These workers say they are registered tradesman but cannot work on a particular site. They state they know there are people on the site who are doing the work of tradesmen but who are claiming the dole somewhere else. It has taken a lot of shouting and screaming and complaints by people who are entitled to work on the various sites for action to be taken. The Department has been a bit slow in that area.

**Ms Niamh O'Donoghue:** I would not agree with the Deputy. We are doing that work. We are not just doing it on our own behalf; we are also doing it as part of joint operations with both NERA and the Revenue Commissioners. We have had some successes in a number of sites, but in other sites that we visited we found the workers and employers are compliant. Obviously, if the Deputy has details, we would be happy to follow them up.

**Deputy Sean Fleming:** It is too late now; they are gone.

Will the postcodes being introduced next year help the Department in tracking people down? People are on the move. It will probably be of assistance in knowing where someone is living.

**Ms Niamh O'Donoghue:** Ultimately, it will be of great assistance to us. However, I would not underestimate the effort that will be required on the part of the Department in terms of the adjustments made to payment systems and our communication with all our customers. We will now have to allow for postcodes that previously did not exist. Therefore, there will be quite a job of work for us to put that in place. It is a development that we welcome and one we are co-operating on and will be involved in.

**Deputy Sean Fleming:** How many people are paying the local property tax through deductions to social welfare payments?

**Ms Niamh O'Donoghue:** It is somewhere in the order of 20,000. I can get exact figures for the Deputy.

**Deputy Sean Fleming:** What are the key payments from which the tax is being deducted?

**Ms Niamh O'Donoghue:** The key payments are what we call the long-term stable payments, the pensions.

**Deputy Sean Fleming:** The State pension?

**Ms Niamh O'Donoghue:** Yes. There are 22,971 customers using the weekly deduction at source facility. At the end of 2013, we had deducted €1.9 million. Obviously, €1.5 million was deducted at the end of March. The expected deduction over the course of this year will be €6 million. The schemes from which people have asked us to make deductions are the contributory and non-contributory State pension, the widow's or surviving partner's contributory and non-contributory pension, the blind pension, the invalidity pension, one parent family payment, carer's allowance and disability allowance. We did not extend the facility at the time to people who were in receipt of jobseeker's benefit because of the churn on the live register.

**Deputy Sean Fleming:** A total of 22,971 people will be paying their local property tax adding up to approximately €6 million in 2014, as Ms O'Donoghue said. When the legislation relating to the local property tax was being introduced, arrangements were put in place where it could be deducted through a person's employer. Employers are required under legislation to give a statement at the end of the year regarding the amount deducted. There are arrangements in that legislation that specifically say that the Department of Agriculture, Food and the Marine is obliged by law to give a statement at the end of the year to people who make their payments for the local property tax from moneys received from the Department. When it comes to the 22,971 people who pay through the Department of Social Protection and who are probably by definition people on the lowest income level, there is no requirement in the legislation for a receipt or statement to issue automatically to these people at the end of the year.

I put down a parliamentary question to the Minister for Finance some time ago relating to the cases I mentioned. I was informed that this decision was made after consultation with the Department of Social Protection so I want to know why the 22,971 people who are paying €6 million through the Department this year are the only people in Ireland who are not getting an automatic receipt for their local property tax. I think this was bad service on the part of the Department. It probably felt there was a cost involved and that people could request a statement of what they had paid. That is not the point. Everybody else gets it automatically from Revenue, their employer or the Department of Agriculture, Food and the Marine. Everyone else is covered. The Department of Social Protection was involved in the decision not to give the receipt to its customers unlike every other customer in Ireland. The Department was not treating its customers fairly. I would ask Ms O'Donoghue why this is the case and whether the Department would not reconsider at least giving people an annual statement because people forget. Three or four years on, a person might die, the question of whether he or she paid the local property tax arises, people scramble around the place and there is no evidence, proof or receipt in the box or cupboard at home while a receipt or at least an annual statement is issued for every other payment of the local property tax. Could Ms O'Donoghue comment on that because I have felt that it is unfair and have said that I would raise it with her?

**Ms Niamh O'Donoghue:** As part of putting arrangements in place for the local property tax, we were asked to act as agents for the Revenue Commissioners in terms of collection. We did so on the basis that our understanding was that all communications with the individuals involved would be done by Revenue. We have no direct communication with the customers involved. All of the customer communication is with Revenue and we operate on instructions from Revenue. It is a different arrangement than perhaps exists for others because we are paying people on a weekly basis.

**Deputy Sean Fleming:** It is not the agent. This is not something Revenue came up with. The section in the legislation specifically states that people will receive an automatic receipt

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from employers or the Department of Agriculture, Food and the Marine, but the Department of Social Protection is excluded from that section. It is included in the other section setting out where these payments can be made through but it is specifically omitted from the section relating to the receipt. Ms O'Donoghue just told me that most of these people are on State pensions. They are old age pensioners aged between 70, 80 and 90. Ms O'Donoghue has said that they are people on blind pensions. The Department is an agent but it is coming through it. The employer is an agent for Revenue but it is obliged to give a receipt.

**Ms Niamh O'Donoghue:** I am not aware of any discussions in respect of that particular issue. I am certainly aware that the general principles that were agreed between Revenue and ourselves at the time were that all communications with the customers would be serviced by Revenue and that we would simply act as an agent on instruction from Revenue. I am not aware that there were any discussions to differentiate us.

**Deputy Sean Fleming:** The Department deducts council rent.

**Ms Niamh O'Donoghue:** No, we do not.

**Deputy Sean Fleming:** So it does not do this through any of its social welfare payments?

**Ms Niamh O'Donoghue:** No.

**Deputy Sean Fleming:** There are deductions relating to some social welfare payments.

**Ms Niamh O'Donoghue:** There might be some confusion. There is a household budgeting arrangement operated by An Post which facilitates deduction of council rent and indeed-----

**Deputy Sean Fleming:** That is an An Post arrangement?

**Ms Niamh O'Donoghue:** It is.

**Deputy Sean Fleming:** I ask Ms O'Donoghue to revisit the issue because my information is that the deductions still come through the Department's computers and records.

**Ms Niamh O'Donoghue:** For?

**Deputy Sean Fleming:** For the local property tax.

**Ms Niamh O'Donoghue:** As I said-----

**Deputy Sean Fleming:** The Department would have a record of it.

**Ms Niamh O'Donoghue:** We have a record in terms of the overall amount that we pay to Revenue but the system was designed to simply act on instruction from Revenue. I will certainly look into it but I am not aware of any issue arising in respect of this at the time of the discussions.

**Deputy Sean Fleming:** If the Department is aware that it is handing over €6 million, it must have a record of the customers and the weeks that add up to €6 million.

**Ms Niamh O'Donoghue:** The customer relationship is with Revenue in this instance. It is not with the Department of Social Protection.

**Deputy Sean Fleming:** Ms O'Donoghue gets the point.

**Ms Niamh O'Donoghue:** I do.

**Deputy Sean Fleming:** I think the Department's customers are not being treated equally compared to every other citizen when it comes to getting a receipt for the local property tax.

In respect of the medical assessors, I know that the original forms, be they for illness benefit or disability or carer's payments, were filled out by the GP because we all get them back under FOI or when we look for the forms and see what was on them. Is Ms O'Donoghue able to tell us how many medical assessors the Department has for illness benefit, disability allowance, blind pension, carer's allowance, domiciliary care allowance and the respite care grant? Could she give me a breakdown? It does not have to be off the top of her head. She can send the information on to us.

**Ms Niamh O'Donoghue:** The medical assessors employed by the Department cover all the schemes.

**Deputy Sean Fleming:** How many does the Department have?

**Ms Niamh O'Donoghue:** We have a cadre of 25 medical assessors.

**Deputy Sean Fleming:** Are they whole-time posts?

**Ms Niamh O'Donoghue:** Yes. We have been trying to increase the number of medical assessors within the Department but as we have looked to recruit, we have also been losing medical assessors to retirement and indeed to other careers, which is one of the issues that has been raised in terms of our capacity. Our efforts so far to increase our pool have not amounted to much.

**Deputy Sean Fleming:** What is the salary scale for a medical assessor?

**Ms Niamh O'Donoghue:** It is roughly approximate to a principal officer in the Department, which would be-----

**Deputy Sean Fleming:** Some €85,000.

**Ms Niamh O'Donoghue:** Something of that order.

**Deputy Sean Fleming:** So Ms O'Donoghue is telling me that the Department of Social Protection has jobs on offer for €85,000 for doctors and it cannot get them?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Sean Fleming:** That is extraordinary. I am agreeing with Ms O'Donoghue but if that is where we are, it is an extraordinary situation.

**Ms Niamh O'Donoghue:** We have concluded a competition that was advertised before the end of last year and will be immediately going back to market to look to recruit. As soon as we get them, we lose them. It is a difficult job. There is a lot of work to be done. We have an agenda to increase that amount of work so we are having to look at other ways to supplement our cadre and that is what we are doing at the moment.

**Deputy Sean Fleming:** We accept that they must be medically qualified as it is only right.

**Ms Niamh O'Donoghue:** That is the model that is currently used.

**Deputy Sean Fleming:** There has been a reduction in rent supplement. Could Ms O'Donoghue give us the lowest rate for rent supplement for a single person? As she knows, rents are increasing. Does she have any concerns that the reduction in rent supplement is increasing homelessness to some level? I know it must be controlled but we have crossed the tipping point where cutting it was right to keep landlords in check. People now cannot afford rent, particularly single people on a reduced jobseeker's allowance. It is contributing to homelessness and we hear about cases on a daily basis. I am not referring to some of the contrived cases that often receive publicity - every Deputy knows the difference - but to genuine cases.

**Ms Niamh O'Donoghue:** The rent supplement scheme was designed to be a short-term solution. It has not been designed to meet an individual's long-term housing needs. There is no doubt that particular difficulties arise in certain areas of the country, but these difficulties have more to do with the supply of housing than the level of rent supplement provided. At one stage the Department was heavily criticised for the level of rent supplement in that it was driving rents and playing a disproportionate role in the rental market. Approximately 78,000 people are in receipt of rent supplement, which shows that it is at least working in these cases. There is no doubt, however, that in particular areas of the country supply is a huge issue. I am not sure that increasing rent supplement would necessarily address the issue. It would possibly drive rents upwards in these areas. The supplement is reviewed on a regular basis. It was last reviewed in the middle of 2013 and the current arrangements are scheduled to remain in place until the end of this year. We are aware of the particular difficulties that arise. There is very limited discretion in regard to circumstances where particular vulnerabilities present.

**Deputy Sean Fleming:** I know that Ms O'Donoghue will tell me it is on the website, but she might send the information to the clerk for circulation.

**Ms Niamh O'Donoghue:** Absolutely, we have extensive details on the matter and would be happy to share them with the committee.

**Deputy Sean Fleming:** I have examined the changes to social protection payments made in the last couple of years. Ms O'Donoghue probably does not have the relevant information to hand, but I will indicate the figures that I would like her to supply.

There has been a reduction in the standardised maternity benefit payment. It goes without saying the individuals affected are female. Perhaps Ms O'Donoghue might outline the numbers and amounts involved in respect of the reductions in child benefit since 2012 and how many recipients of this payment were male. I imagine 80% to 90% of recipients of the one parent family payment are probably female, but Ms O'Donoghue might give us the actual figure. The one parent family payment was reduced in two respects. The age of qualifying children has changed, which means that fewer people will qualify for the payment. I ask for a breakdown between males and females in this regard. The inclusion of the age of the youngest child in the equation also has a knock-on effect in that some people are not eligible for the one parent family payment, depending on the age of their children, and they are transferring to jobseeker's allowance. I encountered several cases last summer where the income disregard for the one parent family payment was higher than the income disregard for jobseeker's allowance. I estimated that some people had lost €50 per week just by changing the title of their payments. I understand a transition arrangement was put in place, but I ask for a breakdown of the figures, including the numbers of males and females. The carer's respite grant was cut from €1,700 to €1,300. Most of the carers I know are female. I ask how many males and females are in receipt of that grant.

Changes were made recently to eligibility rules for the State pension in respect of the total number of contributions required over an individual's career and the average annual contribution. These changes discriminate against women who left the paid workforce to do unpaid work. I ask Ms O'Donoghue for an estimate of the numbers of males and females affected. The only cases I have dealt with in my office involve women.

There have also been changes to the household benefits package, including the telephone and fuel allowances. As women live longer, there are more older women and widows in society. More power to the women present for having a longer life expectancy than the Chairman or I might have. However, I will not get into that debate. All of the aforementioned changes have affected women more than men.

In respect of each of the budgets and the options for changes and impact assessments - I am leaving aside policy decisions - were gender proofing exercises conducted on these changes? If such exercises were conducted, can we have the relevant documents? I do not know what to say to the witnesses if gender proofing was not used in assessing the impact of cuts on different groups. I presume these changes could have not been made in the absence of some proofing of their impacts. I was surprised that most of the people who had come to me to complain about budgets and cuts in the Department of Social Protection were women. Other cuts apply to men, but I am singling out the aforementioned areas.

**Ms Niamh O'Donoghue:** We will supply the data the Deputy requested. I do not have all of the information to hand.

**Deputy Sean Fleming:** I did not expect Ms O'Donoghue to have it.

**Ms Niamh O'Donoghue:** We can certainly supply it. Significant changes have been made to the structure of social welfare payments in recent years. They include significant changes to the means assessments and income criteria. In many cases, this involves standardising, but, obviously, these are decisions that Governments take in moving towards a common platform. Similar changes have been made to the farm assist payment, in respect of which the majority of claimants are men.

**Deputy Sean Fleming:** I accept that.

**Ms Niamh O'Donoghue:** We will pull together the issues involved, but the design behind many of the changes was aimed not only at effecting reductions in the system but also at protecting core payment rates.

**Deputy Sean Fleming:** Did I miss any payment?

**Ms Niamh O'Donoghue:** I think the Deputy has covered them comprehensively.

**Deputy Sean Fleming:** In my honest opinion, I have dealt with more complaints from women than men about these payments.

**Ms Niamh O'Donoghue:** We will collate the data for the Deputy.

**Deputy Sean Fleming:** I am not getting into policy issues. Governments are elected to make decisions, but I am concerned that the information behind the decisions was not adequately investigated.

**Acting Chairman (Deputy John Deasy):** The Comptroller and Auditor General and Dep-



uty Kieran O'Donnell referred to the issue of there possibly being a large misappropriation. I am trying to figure out its scale and the number of individuals who might have participated in it. We are no stranger to fraud and potential fraud at this committee, even when it comes to Irish Aid money going astray in places like Uganda. However, I have never come across anything of the scale involved in the social welfare area. Notwithstanding the fact that an investigation is ongoing and that Ms O'Donoghue is limited in what she can say, can she give us any idea of the potential number of participants in this scheme?

**Ms Niamh O'Donoghue:** I do not wish to be unhelpful to the committee, but I am constrained in what I can say because investigations are ongoing.

**Acting Chairman (Deputy John Deasy):** Can we get an idea of the number and types of claim involved?

**Ms Niamh O'Donoghue:** The area in which the fraud is alleged to have been perpetrated involves a mixture of discretionary payments and claims. I do not know what the breakdown is between them other than that a range of issues are being pursued as part of the investigation.

**Acting Chairman (Deputy John Deasy):** It took place over the course of six years. If it amounted to more than €1 million, we would have to be speaking about a sizeable number of people. It would be something that was very organised and involved a large number of participants.

**Ms Niamh O'Donoghue:** Again, that would be on the assumption that claims were made for real people or payments were made to real businesses. That is all part of the investigation.

**Acting Chairman (Deputy John Deasy):** Overpayments seem to be the topic of the day. The legislation made provision for reductions of 15% in welfare payments to provide for better recovery. The Act also provided for the use of attachment orders. How effective and how widely utilised has this been since the enactment of the legislation? Previously, there was a deduction of €2 or €3 a week. We talked about this issue a couple of years ago and Ms O'Donoghue suggested the figure had ended up being included in the legislation. How has it worked out?

**Ms Niamh O'Donoghue:** It has worked out very well based on the fact that our recovery figure in 2013 was significantly ahead of our recovery figures in 2012 and previous years.

**Acting Chairman (Deputy John Deasy):** By how much? That is important.

**Ms Niamh O'Donoghue:** It was €70 million in 2013 compared to a figure of €54 million in 2012.

**Acting Chairman (Deputy John Deasy):** Does Ms O'Donoghue attribute this specifically to the provisions included in the Act?

**Ms Niamh O'Donoghue:** It is primarily due to the 15% provision but not exclusively because we have upped our game in pursuing payment recovery at an early stage. We are not recovering 15% in all instances because a deciding officer has discretion. While we seek to recover 15%, if the circumstances of the individual are such that it would cause great hardship, the deciding officer can come to a different arrangement.

**Acting Chairman (Deputy John Deasy):** The point of including it in the legislation was to improve it and Ms O'Donoghue is saying definitively that it has worked.

**Ms Niamh O'Donoghue:** Absolutely and we expect it to continue to improve in the coming years. The attachments facility has had a twofold impact. The fact that we have the facility to attach, whether to bank accounts or earnings, has been very significant and it is a power of influence over people to come to voluntary arrangements with us. In some instances, the fact that we said we had this power and would use it has encouraged people to come to an arrangement that has stopped short of our putting it in place. There are cases in which we are in the process of putting attachment orders in place. So far this year, 57 cases suitable for attachments have been referred for consideration in the Department and engagement is happening in most of these cases. Final demands have issued in only 12 of these cases, ten for attachment of earnings and two for attachment to amounts held in financial institutions. In six of the 12 cases people have begun to repay their debts or approached us with acceptable payments to do so. In the other six we are moving to the next stage of putting the attachment procedures in place.

**Acting Chairman (Deputy John Deasy):** In the Act is there a provision to deduct amounts from other State payments?

**Ms Niamh O'Donoghue:** That is another development we are seeking, particularly regarding payments such as redundancy lump sums.

**Acting Chairman (Deputy John Deasy):** If it has been so effective so far and there is progress on the overall overpayments issue, is the Department moving towards this?

**Ms Niamh O'Donoghue:** We will have to take legislative steps to do it and that is our intention. We are exploring the issue in the context of attachments to other payments and tax refunds paid by Revenue.

**Acting Chairman (Deputy John Deasy):** The reaction when people know the Department has these powers is interesting.

**Ms Niamh O'Donoghue:** The deterrent effect.

**Acting Chairman (Deputy John Deasy):** If the Department allows itself additional powers, the position is likely to improve further. Is that the thought process?

**Ms Niamh O'Donoghue:** Absolutely. A number of years ago when we had this conversation at the committee, I signalled that we were considering taking a multi-strand approach to recovering debt. The 15% provision was one element, among others. We are seeking to pursue everything we can and it is all about trying to protect the Exchequer. Ultimately, we want to try to ensure overpayments do not occur in the first instance.

**Acting Chairman (Deputy John Deasy):** The number of applicants for invalidity pension in 2012 was 50% higher than in 2008. To what does Ms O'Donoghue attribute this?

**Ms Niamh O'Donoghue:** The most significant single contributory factor was the change in the criteria for the payment of illness benefit. Illness benefit is a short-term, contribution-based payment for people in work who are ill. As it originally had no particular term, one could have been in receipt of illness benefit for multiple years. The scheme was changed and the first impact was felt in 2011. The length of time for which one could receive illness benefit was limited to two years. Many people who might have stayed on the payment were no longer eligible and the next progression was to invalidity pension.

**Acting Chairman (Deputy John Deasy):** In the headline figures included in her opening

statement Ms O'Donoghue quoted €18.9 billion for 2014, outside the €600 million in administration costs. Is the reduction from €20.1 billion accounted for largely by reductions in income supports or do other reductions in the Department account for that lower figure?

**Ms Niamh O'Donoghue:** As the figures are for the programme of expenditure, they are the income support payments. The reduction is due to changes in eligibility and conditionality attached to jobseeker's payments, one parent family payment and various others.

**Acting Chairman (Deputy John Deasy):** When will the card be rolled out completely?

**Ms Niamh O'Donoghue:** The contract we have in place is to issue 3 million cards by 2016. As I indicated in my opening statement, we have issued 660,000. Our target is to issue 900,000 in 2014, a similar number in 2015 and approximately 600,000 or 700,000 in 2016. We issue the card only to adults, not to those under 18 years. With such numbers, it goes way beyond the customer base of the Department. Because it is a public service card with major potential as an authenticator of identity, we are talking to various other organisations about the use and deployment of the card and it would help in engaging with customer bases.

**Acting Chairman (Deputy John Deasy):** Because of the new checks, what impact does Ms O'Donoghue envisage it will have on security issues, overpayments, fraud levels, etc.?

**Ms Niamh O'Donoghue:** It has been very successful for us as an identity check.

**Acting Chairman (Deputy John Deasy):** Does it work?

**Ms Niamh O'Donoghue:** Absolutely. There are 15 cases in which we have definitively identified the fraudulent use of identity for claiming. This has generated savings of several million euro for the Department already; it is an instant tool. When somebody comes in to claim and his or her photograph is taken for a public service card, that photograph is compared almost in real time with what is contained in the Department's existing database of photographs and it identifies potential matches. Where potential matches are identified, they are eyeballed to ensure we are looking at the same person or whatever and then referred to investigation if necessary. As I said, there are 15 cases where there was suspected fraud and where we have been able to investigate, cease claims and generate savings for the Department.

**Acting Chairman (Deputy John Deasy):** Expenditure on pensions totalled €6.3 billion in 2012, which is an increase of 7% on 2009. A further 3% increase was projected for 2013. I would like to shift to something in which the Department is involved intimately, that is, the Waterford Crystal pensions issue. Rather than outline the background, of which Ms O'Donoghue will be aware, perhaps she could outline the Department's involvement in this and the current position when it comes to dealing with those representing the workers. The High Court has set a date in the autumn. Many people, including me, are unhappy about that because this has dragged on a long time but perhaps Ms O'Donoghue can address the current position, the Department's involvement and, broadly, the issue of under funded pension funds in the State. What is of interest to me is how we got to this position, how the massive under funding of the Waterford Crystal pension scheme was allowed to happen, how we will deal with the numerous other under funded pension schemes that are discussed regularly, which probably amount to billions of euro, and how we deal with the governance of these schemes, for example, how the trustees acted and so on. It is a significant issue.

**Ms Niamh O'Donoghue:** The Waterford Crystal case arose because of a case taken to Europe in the context of what was called a double insolvency where a pension fund was insolvent

and the company then became insolvent. Workers, therefore, were caught by a double insolvency and the question arose in respect of the State's liability to protect their pension rights in that instance. The court made findings that the State had an obligation and had failed in its obligation in regard to a particular directive to establish a rate at which such protection could be offered. In terms of how that would be addressed, legislation was passed last year to address the gap that was identified by Europe. The mechanism is now in place in terms of future proofing to ensure there is some protection for workers but, obviously, a number of companies, including Waterford Crystal, are caught in that gap between the directive and last year's legislation. Given that it is the subject of a court case, I cannot comment on it except to say the court case is ongoing but the predominant group is the workers in the Waterford Crystal case. A small number of other schemes are in the same situation with a much smaller number of workers.

**Acting Chairman (Deputy John Deasy):** The Department has made an offer to the group representing the workers. The issue that will be decided by the High Court in the autumn is how much or what percentage of their pension they will get ultimately. The Department is actively engaged with the people who represent them. Am I correct that an offer has been made by the State to provide a particular level of payment?

**Ms Niamh O'Donoghue:** It would be very inappropriate for me to comment on that.

**Acting Chairman (Deputy John Deasy):** Is the Department in contact with the High Court regarding the setting of dates or is that an independent function of the court?

**Ms Niamh O'Donoghue:** That is handled by the Attorney General's office.

**Acting Chairman (Deputy John Deasy):** Is Ms O'Donoghue in contact with the Attorney General's office?

**Ms Niamh O'Donoghue:** Yes.

**Acting Chairman (Deputy John Deasy):** Ms O'Donoghue, therefore, liaises with the Attorney General's office regarding its communications with the High Court. Can she understand the difficulty for the workers? I know people who have died since this process began, going back to when the court case was taken to the Europe. It is estimated 30 former workers have died since this was initiated and that is an issue for us. It has gone on too long. There is a huge issue with under funding of pension schemes but-----

**Ms Niamh O'Donoghue:** It is a huge issue in the State and Ireland is not unique in terms of problems with defined pension schemes and the funding of pension schemes. A number of things have happened. There has been a restructuring of the governance arrangements. The Pensions Authority has been put in place to replace the Pensions Board, which had responsibility in this area for regulating the application of the Pensions Acts. The funding standard has been restored and engagement is going on with all the schemes in respect of their plans to meet that standard over a number of years. It is, therefore, an active space at the moment but it is challenging and difficult. That is not unique in Ireland.

**Acting Chairman (Deputy John Deasy):** Ms O'Donoghue has explained the nexus regarding the Government generally. The Department is in communication with the Attorney General's office and it might be in contact with the office of the President of the High Court. Some indication needs to be given by Ministers or the Department, although it does not speak for Ministers, with regard to the urgency required. It has been dragged out for too long and there needs to be some resolution regarding this scheme, notwithstanding the massive issue of under

funded pension schemes. Has the Department examined the governance of the Waterford Crystal pension scheme and how that hole came to be in the first place? Has this been investigated?

**Ms Niamh O'Donoghue:** The governance and operation of the scheme was subject to the regulation of the Pensions Board.

**Acting Chairman (Deputy John Deasy):** "No" is the answer. The Department is dealing with this perspective or from this point on.

**Ms Niamh O'Donoghue:** The Department was actively involved in the court case that led to Europe so very considerable examination was done in regard to that. However, at that point, the company and scheme were insolvent and the workers found themselves in that situation.

**Deputy Kieran O'Donnell:** I refer again to the misappropriation of funds, the €1 million and the CWO. Am I correct that the scheme was funded by the Department but administered by the HSE and CWOs were employees of the HSE?

**Ms Niamh O'Donoghue:** Yes.

**Deputy Kieran O'Donnell:** Under what internal control mechanism did the CWOs operate?

**Ms Niamh O'Donoghue:** The local area committees. The CWOs had a role within the HSE but I do not know how their control mechanisms operated.

**Deputy Kieran O'Donnell:** Did the Department set down such mechanisms in the context of how the fund was administered by the HSE?

**Ms Niamh O'Donoghue:** I am not sure that we prescribed the control mechanism or supports the HSE had in place but certainly we required the HSE to account for all the activity but, obviously, in this situation, this arose and was not picked by whatever mechanisms were in place.

**Deputy Kieran O'Donnell:** Was the CWO based in a health centre or was it a more senior person such as the head of the local CWOs? What exactly was the individual's-----

**Ms Niamh O'Donoghue:** I do not know. Off the top of my head, I am not sure what the position of the person was.

**Deputy Kieran O'Donnell:** Does Ms O'Donoghue understand that internal controls failed?

**Ms Niamh O'Donoghue:** Indeed, which is why we have put in place much more rigorous and regular control procedures. We were not happy but I reiterate what they have shown us is that this was a very isolated instance.

**Deputy Kieran O'Donnell:** How was the issue highlighted? Did it arise when the CWOs were transferred from the HSE to the Department following an overall review?

**Ms Niamh O'Donoghue:** When the community welfare officers came from the HSE they became part of, and reported into, the local management structure within the Department. The fact that there seemed to be a problem or divergence was identified and investigated and it became clear it was substantial.

**Deputy Kieran O'Donnell:** Was it down to the sheer volume of payments being made in

a particular week?

**Ms Niamh O'Donoghue:** I would say volume and amounts.

**Deputy Kieran O'Donnell:** Individual amounts?

**Ms Niamh O'Donoghue:** Yes.

**Acting Chairman (Deputy John Deasy):** I thank Ms O'Donoghue and her officials for coming before the committee today.

**Ms Niamh O'Donoghue:** Deputy O'Donnell looked for information and I am happy to provide it afterwards.

**Deputy Kieran O'Donnell:** Does Ms O'Donoghue have it to hand?

**Ms Niamh O'Donoghue:** I do.

**Deputy Kieran O'Donnell:** If it is okay and not too detailed, perhaps Ms O'Donoghue could provide it now.

**Acting Chairman (Deputy John Deasy):** Go ahead.

**Ms Niamh O'Donoghue:** At the end of April Department of Social Protection expenditure was approximately €5.5 million above profile. In one sense this is because of particular issues which arise in payments. Today is 1 May and Monday will be a bank holiday, so single euro payments area, SEPA, payments had to be made in advance.

**Deputy Kieran O'Donnell:** Does Ms O'Donoghue have specifics? I am more interested in the employment side and jobseeker's allowance.

**Ms Niamh O'Donoghue:** Expenditure on jobseeker's allowance and jobseeker's benefit is estimated to be approximately €7.7 million, or 0.7% below profile at present. It is very marginal.

**Acting Chairman (Deputy John Deasy):** With regard to Waterford Crystal, does Ms O'Donoghue know whether the Attorney General has raised the issue of the delay involved? Ms O'Donoghue is in touch with the Office of the Attorney General.

**Ms Niamh O'Donoghue:** The Office of the Attorney General is our legal agent in this matter so we are in reasonably regular contact with it. I cannot state that I know specifically about the issue but I will raise it.

**Acting Chairman (Deputy John Deasy):** Who in the Department is the point person for this issue?

**Ms Niamh O'Donoghue:** At senior management level there is a principal officer and an assistant secretary.

**Acting Chairman (Deputy John Deasy):** How often does the Department communicate with or meet the Office of the Attorney General on this issue? These are important questions and even from an operational standpoint I would like Ms O'Donoghue to answer them.

**Ms Niamh O'Donoghue:** It depends on the stage an issue is at. This is an ongoing case and advices must be obtained even with regard to the changes made in the legislation last year

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and what it prompted or otherwise. At that time there was very regular communication because of other developments, and perhaps it is less regular at present. With regard to whether the Attorney General has raised the specific issue of the delay, I cannot answer the question, but I can raise it.

**Acting Chairman (Deputy John Deasy):** Does Ms O'Donoghue know what type of contact the Office of the Attorney General has with the office of the President of the High Court?

**Ms Niamh O'Donoghue:** I do not.

**Acting Chairman (Deputy John Deasy):** I thank Ms O'Donoghue. Is it agreed to dispose of Vote 37 and Chapters 16 to 20, inclusive, of the 2012 annual report and appropriation accounts of the Comptroller and Auditor General and the 2012 Social Insurance Fund annual accounts? Agreed.

*The witnesses withdrew.*

The committee adjourned at 1.35 p.m. until 10 a.m. on Thursday, 8 May 2014.