

# DÁIL ÉIREANN

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## AN COISTE UM CHUNTAIS PHOIBLÍ

## COMMITTEE OF PUBLIC ACCOUNTS

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*Déardaoin, 4 Deireadh Fómhair 2018*

*Thursday, 4 October 2018*

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The Committee met at 9 a.m.

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### MEMBERS PRESENT:

Deputy Bobby Aylward,	Deputy Pat Deering,
Deputy Peter Burke,	Deputy Alan Kelly,
Deputy Shane Cassells,	Deputy Kate O'Connell.
Deputy Catherine Connolly,	

DEPUTY SEAN FLEMING IN THE CHAIR.

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

### **Business of Committee**

**Chairman:** The committee is joined by the Comptroller and Auditor General, Seamus McCarthy, as permanent witness to the committee. He is also joined today by Mr. John Crean, deputy director of audit.

I record apologies received from Deputies David Cullinane, Marc MacSharry, Alan Farrell and Catherine Murphy. The committee will now go into private session for a few moments to deal with a couple of items and will return in public session promptly.

*The committee went into private session at 9.31 a.m. and resumed in public session at 10.01 a.m.*

### **Business of Committee (Resumed)**

**Chairman:** We had a brief discussion in private session which was substantially connected with our work programme.

The next item on the agenda is the minutes of the meeting of 25 September. Are they agreed to? Agreed.

The next item is correspondence. No. 1610B is correspondence received from the Department of Health on the implementation of the Scally report and was circulated to members yesterday. We will discuss the timing of the issue in the context of our work programme, but for now we can note and publish the correspondence.

Category A comprises briefing documents and opening statements received by the committee. Nos. 1598A and 1608A are correspondence received from Teagasc, including briefing documents and the opening statement for today's meeting. We will note and publish the correspondence.

Category B comprises correspondence received from Accounting Officers and/or Ministers, as well as follow-up material requested at previous meetings. We held over a number of items from last week's meeting and are awaiting further information on some of them. We will continue to hold them over until we receive the information.

The first item held over was No. 1482B, correspondence from Mr. Robert Watt, Secretary General, Department of Public Expenditure and Reform, on the Dublin Institute of Technology. At our meeting last week we agreed to note and publish the correspondence and request the Secretary General's views on the relevant legislation. That letter has been sent and the correspondence published.

Nos. 1486B and 1566B, dated 12 September 2018, are correspondence received from Mr.

Seán Ó Foghlú, providing a copy of the review and report on Kildare-Wicklow ETB. We agreed to note and publish this correspondence. The secretariat is working on isolating matters mentioned in the report that are not subject to investigation by An Garda Síochána.

The next item held over was No. 1490B, correspondence received from Mr. Stephen Blake in the Government accounting unit in the Department of Public Expenditure and Reform, enclosing a minute from the Minister for Finance in response to our periodic report which was published last January. I am proposing that we hold the item over again. At this stage there are two or three reports, each of which merits further discussion. I have had a look at the correspondence and have mixed views on the quality of the response received. We will come back to the matter in public session at a later date.

The next item held over was No. 1502B, correspondence, dated 31 July 2018, received from Mr. Fergal Costello in the Department of Rural and Community Development, providing a copy of the statutory review of the Dormant Accounts Fund. We agreed to note and publish the correspondence, as well as a number of other items related to our periodic reports. The Dormant Accounts Fund will be included as an item in a future work programme. We will come back to this item.

**Deputy Catherine Connolly:** That is good because I have attempted to come to terms with it and failed. I need help. We need to look at this matter more closely to find out what is happening. Approximately 50% of the fund, perhaps more, is unspent, while organisations are struggling for money. Some Departments are much worse than others. I have tried to get to the bottom of the matter and, like other Deputies, have tabled questions in the Dáil about it, but I have failed utterly to grasp it. An effort was made by the committee to have a review carried out. Now that one has been carried out, we must look at it and decide if value for money is being obtained and find out what exactly is happening.

**Chairman:** We will come back to it. Representatives of the Dormant Accounts Fund were with us last year and it was one of the most pathetic meetings I had ever attended. Commitments were made to concepts and projects, but there was not a sheet of paper to be had and projects never happened. Money was locked up as part of a concept that had passed its sell-by date. Responsibility for the fund had moved from one Department to another and then another. It ended up being nobody's child in the sense that nobody wanted to take responsibility for it. Meanwhile, because there was no sunset clause, money that had been committed was locked up and could not be used. It was the worst example I had seen in quite a while of poor administration in the use of scarce public resources. We will come back to the matter as part of our work programme.

**Deputy Catherine Connolly:** A lack of preparedness was the main factor in causing the underspend, in addition to low levels of uptake which reached almost 90% in some Departments.

**Chairman:** That lack of preparedness meant that proposals were submitted but there were no details behind them. They were not really proposals but concepts or notions. Somebody had a notion about spending €2 million on a concept which was approved and the money set aside. However, nothing ever happened and the money was locked away.

**Deputy Catherine Connolly:** Whatever about notions, there is huge demand for money on the ground-----

**Chairman:** Yes, there is. That is the sad part. We will definitely come back to the matter which we will be highlighting in a future periodic report. The correspondence received from Mr. Costello will help us in coming to conclusions.

The next item held over was No. 1510B, correspondence received from Mr. Robert Watt, Secretary General, Department of Public Expenditure and Reform, enclosing a minute from the Minister for Finance in response to our second periodic report. We will hold it over again.

The next item held over was No. 1513B, correspondence received from Mr. Ciarán Breen, director of the State Claims Agency, providing further details as requested by the committee of the status of non-screening cervical cancer misdiagnosis claims. We agreed to note and publish the correspondence and hold it over for further discussion at a later meeting. We will discuss the State Claims Agency and CervicalCheck in the context of our work programme in a few minutes.

Also held over were Nos. 1526B, 1528B and 1530B, correspondence received from Mr. Ray Mitchell, assistant national director of the HSE, providing follow-up information as requested at our meeting on 5 July. A considerable amount of information was enclosed. We noted and published the correspondence last week and will come back to the matter as part of our work programme. Mr. Mitchell has provided very extensive and comprehensive information which will take some time to go through. When we come back to the issues, the correspondence will form part of our work programme. We also held over No. 1538B, correspondence received from Mr. Mitchell, providing follow-up information as requested at our meeting on 14 June. Again, very extensive documentation has been submitted. The correspondence has been noted and published and will be held on file as part of our work programme.

The next item held over was No. 1560B, correspondence received from Dr. Barry O' Connor, president of Cork Institute of Technology, providing a detailed note as requested by the committee on the preparation of terms of reference for the KPMG review of anonymous allegations against Cork Institute of Technology in 2014. We agreed to note and publish the correspondence which we will hold over for now.

Also held over was No. 1561B, correspondence received from Ms Anne Hession of the Higher Education Authority on the HEA's examination of expenditure associated with retirement events for the former president of Cork Institute of Technology, enclosing a note on the ability of technological universities to borrow. At our meeting last week we noted and discussed this correspondence which was read into the record. It will form part of our ongoing work. The memo is the only piece of positive information on the topic I have seen to date.

No. 1599B is correspondence, dated 27 September 2018, received from Ms Michelle Lowe, corporate communications manager, NTMA, providing information as requested by the committee for the preparation of our next periodic report. We will note and publish the correspondence. We are continuing work on our periodic reports. The secretariat has been going through the transcripts and is following up on questions that have not been answered fully by various bodies. That is part of that process. We will note and publish that in the meantime, but it will come back to us when we are finalising our periodic report.

The next item is No. 1600 B from Ms Margaret Fitzgerald, private secretary to the Secretary General, Department of Finance. The secretariat requested an update relating to the review of staffing, governance and operations in the Tax Appeals Commission, and the Department advise a copy of the review is expected to be issued to the Committee of Public Accounts in the

next week or so. It has been completed. It is on the Minister's desk, and we are told we will have it in a week or so. We look forward to receiving that, hopefully very shortly. We will note and publish that.

The next item is C, correspondence from private individuals and any other correspondence. The first one is No. 1491 C from Mr. Mark Griffin, Secretary General, Department of Communications, Climate Action and Environment, dated 19 July 2018, enclosing an information note as requested regarding what appears to be a far from complete remediation of a landfill site in County Wicklow. At our meeting last week, we agreed to note and publish this correspondence and hold it over for further discussion. In the meantime, we have received further correspondence from the original correspondent, and we will return to it as part of our work programme.

Held over from the last meeting also was No. 1572 C dated 15 September 2018 related to the previous item to which I have just referred. At our last meeting, we agreed to send the response from the Department to the correspondent. We have received further correspondence from him and we may return to that as part of our future work programme.

Held over from the last meeting is No. 1578 C from an individual dated 14 September 2018 requesting the committee to make recommendations to the Government regarding accountability for the management of the State's property assets. This matter is related to a forthcoming Comptroller and Auditor General report and refers to an issue raised with the previous committee. We agreed to note and publish that and hold it over for further discussion. Is that the item we discussed in private session?

**Deputy Alan Kelly:** Yes.

**Chairman:** I do not think we agreed to publish it the last day; I think we agreed to hold it over. This is one of the items we discussed in private session. I call Deputy Kelly to summarise where we are going with this letter.

**Deputy Alan Kelly:** This is a fairly significant letter in regard to the Office of Public Works, OPW, from a former valuer who worked in the OPW. As I said in private session, I have spoken and met with the individual. I believe the issues he has brought forward in this letter are very serious. We are meeting with the OPW next week and can go through the different issues, particularly those highlighted by the Comptroller and Auditor General. Further to that, at a later date, as a committee, we should meet with this individual. We will take advice on whether that will be a public or, potentially, a private meeting to go through his correspondence and his backup documentation, some of which I have seen, in regard to what he has brought forward. Very serious issues are being brought forward by this individual, who has just retired from the OPW as its most senior valuer.

**Chairman:** Deputy Connolly indicated.

**Deputy Catherine Connolly:** I read the letter and I agree that it raises very significant issues. It should be brought to the attention of the Office of Public Works. It should have a chance to look at it so that it is in a position to deal with questions raised. If there is a report or anything else we should have prior to the meeting - a report is referred to here - inquiries should be made about that.

**Chairman:** We will forward this letter to the OPW. We discussed it in private session. We might redact a few words because of the parliamentary privilege issue, but, by and large, the substance of the letter will be published during the course of the day by the Committee of Public

Accounts, subject to minor redactions. We will send it then to the OPW and ask it to send us whatever report is referred to.

**Deputy Alan Kelly:** I concur with Deputy Connolly. A report is referred to in here that was compiled by this individual, with another individual, who remains employed in the OPW. That report is with the chairperson of the OPW. As I understand it, there has been no reply to that report so we may want to ask the chair of the OPW, in advance of next week, for this report to be sent to the committee-----

**Chairman:** Yes.

**Deputy Alan Kelly:** -----and also for the reply he sent to the individuals who wrote it, if one exists.

**Chairman:** Okay. We have that. We will ask the secretariat to communicate that to the OPW in advance of next week's meeting. We are conscious there is a Comptroller and Auditor General chapter in his report relating to a particular matter dealing with the OPW and the Department of Health, and we will come to our work programme shortly.

The next item is No. 1595 C from an individual dated 22 September 2018 highlighting matters regarding the appointment of a capital projects manager in Our Lady's Hospice and Care Services, in Harold's Cross. I propose we note the item, and members are free to address it as part of a future work programme with the Health Service Executive, HSE. It is a section 38 organisation. We will hold over that issue and it can form part of our work programme with the HSE.

The next item is No. 1602 C from an individual dated 25 September 2018 regarding pension arrangements and the President. We will note it, and there will be no debate.

The next item is No. 1607 C, correspondence from Deputy Bobby Aylward dated 1 October 2018 requesting the committee to examine the operation, financial arrangements and oversight of the school transport service. I propose to include the issue of school transport on our work programme. Does Deputy Aylward want to comment at this stage?

**Deputy Bobby Aylward:** I understand a report was done but neither Bus Éireann nor the Department was brought before this committee. Were they brought in here previously?

**Chairman:** Mr. McCarthy will fill us in on the background.

**Mr. Seamus McCarthy:** I did a special report on the provision of school transport. It addresses responsibilities of the Department. Bus Éireann, *per se*, is not answerable to the committee so I am not sure quite how it would deal with that.

**Chairman:** When was that report done?

**Mr. Seamus McCarthy:** The report was presented on 25 October.

**Chairman:** What year?

**Mr. Seamus McCarthy:** Last year, 2017.

**Deputy Bobby Aylward:** Who requested that report?

**Mr. Seamus McCarthy:** I decided to do that.

**Deputy Bobby Aylward:** Mr. McCarthy decided to do it.

**Mr. Seamus McCarthy:** Yes. I think it may have been overlooked in the crush of other issues last year.

**Chairman:** The report came to us within the past year but it is one item the Committee of Public Accounts just has not got to yet.

**Mr. Seamus McCarthy:** That is correct.

**Chairman:** Mr. McCarthy has done a report that we have not got to yet.

**Mr. Seamus McCarthy:** I have a report, yes.

**Chairman:** It is clear-cut that has not been-----

**Deputy Bobby Aylward:** I raise this now because we know the problems we are having at this time of the year. Approximately 350 children who are on concessionary tickets are being left on the side of the road. That is my concern. I have a particular concern in my own parish where 11 children have been left behind. That is the reason I raise this matter. It is an issue that raises its head at this time of the year. Is the roll-out of the system in place now fit for purpose? Does it need to be reviewed? We should examine the Comptroller and Auditor General's report to see if we are getting value for money.

**Chairman:** As far as I am concerned, if the Comptroller and Auditor General has a report on it since last year, we have to look at it.

**Mr. Seamus McCarthy:** Given the lapse of time, it may be useful to get the Department to update the key measures in the report, if it can.

**Chairman:** When we come to our work programme, we will set a date to deal with that as soon as is practicable.

**Deputy Bobby Aylward:** Will that be sooner rather than later?

**Chairman:** We will come to the work programme in a few minutes, but it certainly has to be on our work programme. We will have a discussion on that in a few minutes.

The next item is statements and accounts received since the last meeting. This will take a few minutes because since July, 101 statements and accounts have been submitted to this committee. Normally, we note ten or 20 every week but, due to the summer period, members will have to bear with me. I will move through them as fast as I can, although it does not sound too bad. There are 70 financial statements and the Comptroller and Auditor General's report, which has 40 Votes for each of the State bodies. That is one composite document, but there are approximately 70. If some members have issues, we can hold over a particular one for a later date, but we will try to move on them as fast as we can. We will give it a few minutes and then come back to our work programme before we go into public session. All of these have been received over the summer period.

The first one is 4.1, the Personal Injuries Assessment Board, clear audit opinion. It assesses compensation entitlements in personal injury claims. The next is 4.2, Enterprise Ireland, clear audit opinion. Attention is drawn to expenditure where the procurement procedures did not comply with public procurement guidelines. I suspect it will not be the only public body about

which that remark will be made. I am marking that one. Enterprise Ireland's annual turnover for 2017 is €350 million. The next is 4.3, Solas, funding of €603 million. It plans and coordinates further education and training. Again, there are issues of non-compliance-----

**Deputy Alan Kelly:** What is it with Solas?

**Chairman:** Its turnover is €603 million.

**Deputy Alan Kelly:** I know, but what is the issue?

**Chairman:** Attention is drawn to instances of non-compliance with public procurement guidelines.

**Mr. Seamus McCarthy:** I do not have the specific figures here but, in general, the figures are between €0.5 million and €2 million. Some of them would be more than that, but-----

**Chairman:** Does it constitute the full amount or are they samples? The HSE only has a sample.

**Mr. Seamus McCarthy:** Yes. It is difficult to extrapolate in the HSE because of the way its systems are organised.

**Chairman:** Or not organised.

**Mr. Seamus McCarthy:** Increasingly, we are seeing organisations carry out full surveys of their procurement processes and self-declaring the extent of non-compliance. Therefore, in some situations there is a mix and it involves less and less. We are reporting a sample figure.

**Chairman:** On procurement, it goes without saying we are meant to be looking at non-compliance, of which there are so many instances. We will come back to the issue. We would probably like to have a summary of the accounts of all of the bodies with procurement issues on a spreadsheet. It is an issue with which we must deal because we cannot hop on it every week and never do anything about it. It is little like getting organisations' financial reporting up to date, on which we have great progress in the past year or two. We must move on a topic such as this, as well as on everything else we must do.

Representatives of Teagasc, the agriculture and food development authority, will appear before us shortly. Again, there is a clear audit opinion, but attention is drawn to expenditure where public procurement procedures were not fully complied with.

The next item concerns Bord na gCon, in respect of which there is a clear audit opinion. There is a clear audit opinion in respect of Kingdom Greyhound Racing Company Limited. Obviously, we are dealing with a lot of bodies that are subsidiaries of Bord na gCon. There are clear accounts in respect of Cork Greyhound Racing Company Limited, Clonmel Racing Company Limited and Limerick Greyhound Racing Track Limited. Abergrove Limited, Bord na gCon's food and beverages operation, is a separate company, in respect of which there is a clear audit opinion. There is also a clear audit opinion in respect of Galway Greyhound Stadium Limited and Dublin Greyhound and Sports Association Limited. The latter company ceased trading in February 2017. Agreement was reached for the sale of Harold's Cross Greyhound Stadium for a sum of €23 million which, coincidentally, was sufficient to allow the company to discharge its residual liabilities. I think it was sold to the Department of Education and Skills. People in Dublin will be more familiar with the issue. Will there be a set of accounts for 2018 for that organisation?

**Mr. Seamus McCarthy:** There will be.

**Chairman:** There is a clear audit opinion in respect of Shelbourne Greyhound Stadium Limited, Waterford Greyhound Racing Company Limited and Youghal Greyhound Racing Company Limited.

There is a clear audit opinion in respect of the National Oil Reserves Agency which ensures Ireland meets its obligations to maintain minimum stocks of oil. There is also a clear audit opinion in respect of the Western Development Commission. The Digital Hub Development Agency provides a collaborative space for individuals to create digital media products and services. It is located in Dublin, is it not?

**Mr. Seamus McCarthy:** Correct.

**Chairman:** There is a clear audit opinion in respect of it.

The next item concerns the Pensions Authority, in respect of which there is a clear audit opinion. There is also a clear audit opinion in respect of Teilifís na Gaeilge, the Sustainable Energy Authority of Ireland, the Irish Auditing and Accounting Supervisory Authority, the National Transport Authority and Microfinance Ireland. There is a clear audit opinion in respect of NSCDA (Operations) Designated Activity Company which is involved in developing and operating the National Sports Campus. There is a clear audit opinion in respect of NAMA and a number of its subsidiaries, including the National Asset Management Designated Activity Company, the National Asset Loan Management Designated Activity Company, the National Asset Management Group Services Designated Activity Company, the National Asset Joint Venture Designated Activity Company, the National Asset Residential Property Services Designated Activity Company, the National Asset Property Management Designated Activity Company, the National Asset North Quays Designated Activity Company, the National Asset Management Services Designated Activity Company and National Asset Sarasota Limited. The last named company is a subsidiary in the United States. We recently had a meeting with NAMA at which we covered all of those subsidiaries.

The next item is the Public Trustee Account which administers 148 trusts related to activities of the Department of Agriculture, Food and Marine, including former Land Commission Trust balances. As there is only a figure of €38,000, it really only involve a sheet of paper. There is a clear audit opinion. There are no actual current transactions.

The next item is the finance accounts which involves the annual statement on the transactions of the Central Fund. They were lodged on 18 July. In involves the small matter of €53.6 billion, the full income and receipts of the State. There is a clear audit opinion, but, obviously, it is an issue to which we will return.

The next item is the Local Government Fund 2017. There was a total of €1.9 billion which formed part of the expenditure of local authorities. There is a clear audit opinion. We will deal with that matter as part of our interaction with the relevant Department.

There is a clear audit opinion in respect of the Credit Institutions Resolution Fund which only has a turnover of €8.3 million.

The next item is the State Property (Miscellaneous Deposits) Account for the collection of windfall receipts, for example, from residual property remaining where a company is dissolved or struck off. The figure came to €14.4 million. When we discussed this item previously, I

raised the issue of where a company was dissolved but there was a residual asset. Nobody was able to tell me that there was a State account that actually dealt with the matter. Everyone was vague about where the money ended up. I take it that it is somewhere in the Department of Finance.

**Mr. Seamus McCarthy:** It involves the Department of Public Expenditure and Reform.

**Chairman:** Out of curiosity, I will ask the secretariat to circulate a copy of the accounts to the committee. Members can look at them if they want to do so.

**Deputy Catherine Connolly:** Is involves the Department of Public expenditure and Reform.

**Mr. Seamus McCarthy:** That is my recollection. Last year I gave the committee a note on a number of these unusual accounts. The secretariat will have it and could recirculate it.

**Chairman:** Do funds of people who die intestate also go into it?

**Mr. Seamus McCarthy:** Yes, or it could be sundry moneys. It is explained in the note.

**Chairman:** We have started a conversation about people who died intestate and where their money went. This item really concerns companies that are no more and there is nobody left to claim. It is the corporate version.

**Deputy Bobby Aylward:** Is the money used for charitable purposes if it is not claimed?

**Mr. Seamus McCarthy:** It is money that is collectable or receivable into the Central Fund of the Exchequer. It forms one fund.

**Chairman:** We discussed this issue last year. If somebody comes back within a 25-year period and can prove that he or she is the one remaining shareholder, that he or she has been living in Australia and realises the building the company owned has been sold, he or she can claim back the money. It is a little like the Dormant Accounts Fund. It probably happens very little, but in theory, there is that option, which is why the money is held in an account in the event that somebody might show up some day. We learn something new every day.

There is a clear audit opinion in respect of the Ireland-United States Educational Fund which collects funds for the Ireland-United States Commission for Educational Exchange. There is a total of €7,000 in transactions, a small amount.

The next item concerns the Health Products Regulatory Authority, in respect of which there is a clear audit opinion. It involves the cost of superannuation entitlements accounted for as the amounts become payable, rather than in the year of entitlement. This happens in all of the health organisations. The Comptroller and Auditor General highlights the fact that there is no proper accounting for pension payments.

**Mr. Seamus McCarthy:** I think there is a qualified audit opinion on how the Health Products Regulatory Authority accounts for pension liabilities.

**Chairman:** Is there a qualified audit opinion because of that issue?

**Mr. Seamus McCarthy:** Yes, just on that point.

**Chairman:** The next item concerns the Residential Institutions Statutory Fund Board,

Caranua, in respect of which there is a clear audit opinion, but attention is drawn to ongoing weaknesses in the board's control over grant payments. I will ask the secretariat to circulate the financial statements to the committee because this issue has come up previously.

**Mr. Seamus McCarthy:** They are the 2016 financial statements. There is also a delay in that regard.

**Chairman:** Has the Comptroller and Auditor General received the 2017 financial statements?

**Mr. Seamus McCarthy:** We have received them, but I do not believe they have been signed off on yet. The audit is ongoing.

**Chairman:** They are a little behind. We will circulate them to members because somebody might want to take a closer look at them.

**Deputy Catherine Connolly:** Caranua should not be behind in presenting its financial statements. It was set up for and with a very specific purpose and function, but it has been mired in difficulty from day one. Is there an avenue by which we can return to this matter? There have been serious issues, including there being no chairman, monitoring and governance, as well as the renting of a building with a limited fund. We know since last week that the total amount of €105 million or whatever was agreed to has still not been paid over.

**Chairman:** A total of €3 million or €4 million still has to be paid.

**Deputy Catherine Connolly:** That is not Caranua's fault, but the sum is still outstanding. I have certainly never been happy on the issue of governance, but, more importantly, we know well that people on the ground who are availing of the service have raised serious issues. Is there an avenue by which we can come back to this matter?

**Chairman:** There is, because it is audited by the Comptroller and Auditor General and is under the remit of this committee. That is why the account is here.

**Deputy Catherine Connolly:** When will the 17 accounts be ready and appear before us?

**Mr. Seamus McCarthy:** The audit is ongoing. I do not have a completion date yet.

**Chairman:** Perhaps the Comptroller and Auditor General can give us an estimated date next week.

**Mr. Seamus McCarthy:** I will get back to the committee with a proposed date.

**Chairman:** We might schedule a meeting once we have seen the 17 accounts. It is definitely within the remit of this committee, as is everything I am mentioning this morning.

The next item is from Tusla, the Child and Family Agency. It has a clear audit opinion, but attention is drawn to expenditure on goods and services that were not procured by way of a competitive process, and weaknesses in the agency's oversight and monitoring of grants to outside agencies. We will take up that issue. The HSE had some of those issues, in terms of monitoring grants to outside agencies and seems to have improved its system, so Tusla needs to do the same. We might come back to that Department as part of our work programme, and we can look at Tusla specifically.

The next item concerns the National Disability Authority. It has a clear audit opinion.

The next item concerns the National Cancer Registry Board, which collects and classifies information on all cancer cases which occur in Ireland. It has a qualified audit opinion, but costs of superannuation entitlements are accounted for as they become payable rather than in the year the entitlements are earned. That was not a clear audit opinion because it does not adequately or properly account for its pension costs.

The next item concerns the Health Insurance Authority, which regulates the private health insurance market and administers the risk equalisation fund. The next item, under separate accounts, is the risk equalisation fund itself. The fund involves an audit of €673 million, and the Health Insurance Authority regulates it. The risk equalisation fund, for people wondering what it is, is a fund that concerns the age mix and profile of customers of the three private health insurers in the market. VHI probably has older customers, so there is a transfer of funds, approved by the Health Insurance Authority, from Laya Healthcare and the other insurer, the name of which I cannot recall at the moment, to VHI which equalises the risk across the industry. A large amount of money moves around between the insurers.

**Mr. Seamus McCarthy:** Some €673 million is moved.

**Chairman:** It is a very substantial sum. It seeks to ensure a fair market for everyone in the country rather than allowing companies to cherry-pick customers. The principle is good.

The next item concerns the Food Safety Authority of Ireland. It has a clear audit opinion, although costs of superannuation entitlements are accounted for as they become payable rather than in the year the entitlements are earned. The same issue arises here. The Comptroller and Auditor General might explain why the Food Safety Authority of Ireland got a clear audit opinion even though the same issue arises.

**Mr. Seamus McCarthy:** That should read “qualified audit opinion”.

**Chairman:** That is a typo.

**Mr. Seamus McCarthy:** We are correcting as we go along.

**Chairman:** The score is one apiece. The next item concerns the Dublin Institute of Advanced Studies. It has a clear audit opinion.

The next item concerns the Louth-Meath Education and Training Board. Here we go again with this organisation. It has a clear audit opinion, but attention is drawn to non-compliance with national procurement guidelines and delays in finalising the financial statements for 2016 due to changes in senior personnel, restructuring of the organisation and knock-on impact from the delays in 2015. How is this body fixed for 2017?

**Mr. Seamus McCarthy:** The accounts are not completed yet.

**Chairman:** We will speak about it at our next meeting.

**Mr. Seamus McCarthy:** It is making progress.

**Chairman:** The Comptroller and Auditor General might make a comment on the next occasion as to how complete those accounts are and any other outstanding accounts.

The next item concerns another body which always has trouble with getting its accounts in on time. It is the National College of Art and Design. It has a clear audit opinion, but at-

tention is drawn to procurement issues, a number of governance issues - the college was not in full compliance with the code of practice for the governance of State bodies - the board's decision to discontinue a human resources management project resulting in a waste of public money amounting to €138,000, and the recognition of a deferred pension funding asset of €87 million, which is the standard for universities and third level institutions. We will write to the National College of Art and Design asking it to explain why it discontinued a project it had spent €138,000 on, with no benefit to the organisation or the public for that outlay, and also to deal with the governance issues, including its non-compliance with the code of practice for the governance of State bodies. We will ask for a specific note from the organisation to explain that. Has the Comptroller and Auditor General received its accounts for 2017?

**Mr. Seamus McCarthy:** I have received those accounts. The audit is ongoing. It has made a lot of progress. I believe 2015-2016 was the year systems began to kick in. I expect that there will be much less comment on control and other matters for 2016-2017.

**Chairman:** It is getting there. The next item concerns the Educational Research Centre. It has a clear audit opinion. The deferred pension assets issue is noted again. It is also noted that the board did not carry out a review of the effectiveness of systems of internal control, which will be noted in the set of financial statements.

The next item concerns the Higher Education Authority, which is the statutory funding body for higher education. Its turnover is €1.2 billion. It is on our work programme and we will be dealing with it shortly. It has a clear audit opinion.

The next item concerns the 2017 accounts of Ollscoil na hÉireann, Gaillimh. It has a clear audit opinion but attention is drawn to the deferred pension asset - the same issue affecting all universities - payments where the procurement procedures employed did not comply with public procurement guidelines, and omission from a disclosure about severance of a payment of €91,000 to a staff member in respect of a period of non-attendance treated incorrectly as sabbatical leave. We will write and ask for a note about that.

**Deputy Catherine Connolly:** I would like the Comptroller and Auditor General to clarify that. Was that omission concerning the treatment of the payment done inadvertently? Will the Comptroller and Auditor General put that in context?

**Mr. Seamus McCarthy:** We discussed that matter with the college. We felt the figure should have been included but it took a different view.

**Deputy Catherine Connolly:** On what basis did it take that view? It seems to be a very practical matter. Someone has decided that a person is getting a severance payment or not.

**Mr. Seamus McCarthy:** The view of the college was that this was not part of a severance payment. Our view was that it should have been comprehended in the severance payment.

**Deputy Catherine Connolly:** Did the college agree with the Comptroller and Auditor General then?

**Mr. Seamus McCarthy:** No, it did not. That is why I have drawn attention to it.

**Deputy Catherine Connolly:** That is why it has been highlighted.

**Chairman:** The college stuck to its guns and the Comptroller and Auditor General is highlighting the fact that he has a different opinion.

**Mr. Seamus McCarthy:** An amount has been disclosed, and we drew the college's attention to our view that it should have disclosed a larger figure. When it chose not to disclose that larger figure, I chose to draw attention to it.

**Deputy Catherine Connolly:** That begs the question as to whether there are similar situations elsewhere where this is happening.

**Mr. Seamus McCarthy:** A report is with the Department at the moment which refers to another similar situation. I would prefer not to mention it.

**Deputy Catherine Connolly:** That is okay.

**Mr. Seamus McCarthy:** The committee will have details of the other case shortly and will understand why, in that circumstance, I felt it was appropriate to draw attention to this case as well.

**Deputy Catherine Connolly:** Are we talking about the same college?

**Mr. Seamus McCarthy:** The other case relates to a different institution within the education sector.

**Deputy Catherine Connolly:** Where is that report?

**Mr. Seamus McCarthy:** It is with the Department, and I would expect to see it at some point this month.

**Deputy Catherine Connolly:** Will we write to the college about this matter?

**Chairman:** Yes, we will write asking it to restate its views so that we can consider it formally here. It also did not comply with procurement guidelines, so we will ask it to put the reasons for that on record.

The next item concerns the Longford-Westmeath Education and Training Board. There was material non-compliance with national procurement rules, but it has a clear audit opinion.

The next item concerns the Cavan-Monaghan Education and Training Board. It has a clear audit opinion, but the statement of internal financial controls disclosed concerns regarding the internal audit resources available to the board.

The Cork Education and Training Board has a clear audit opinion, but again there was material non-compliance with national procurement guidelines, and internal financial controls issues were highlighted by the Comptroller and Auditor General.

The Tipperary Education and Training Board has a clear audit opinion, but there was material non-compliance with national procurement rules and concerns regarding the adequacy of the internal audit resources.

We have received accounts from four education and training boards. They are getting their accounts in on time, but they are having problems.

**Mr. Seamus McCarthy:** A number of the education and training boards have raised concerns around the adequacy of internal audit arrangements. That refers to an unusual arrangement in place in those institutions where there is an agency located in Cavan-Monaghan which provides internal audit services and which became understaffed. That has been addressed, but

each institution has a concern that insufficient internal audit was carried out in 2017.

**Chairman:** The statements are from last year.

**Mr. Seamus McCarthy:** The audits were carried out during the period covered by last year's financial statement.

**Chairman:** We might cover this issue globally rather than individually, because the same point arises. It seems that there was a centralised system.

**Mr. Seamus McCarthy:** It is centralised.

**Chairman:** It is based in Cavan-Monaghan and if one had a problem, then they all had a problem.

**Mr. Seamus McCarthy:** Yes, exactly.

**Chairman:** Okay, the next item is-----

**Deputy Catherine Connolly:** On the non-procurement issue. Usually we deal with non-procurement but here our attention is being drawn to a material level of non-compliance by the Cork Education and Training Board.

**Mr. Seamus McCarthy:** They are all material.

**Chairman:** They are all material. Tipperary is material as well.

**Mr. Seamus McCarthy:** If the identified non-compliant expenditure is less than €500,000, we do not draw attention to it. Once it goes over that level, we regard it as material; that is our materiality threshold.

**Deputy Alan Kelly:** So it is over €500,000 and being tendered for inappropriately.

**Chairman:** They did not comply with the guidelines.

**Mr. Seamus McCarthy:** They were non-compliant.

**Chairman:** Is there a figure in their accounts?

**Mr. Seamus McCarthy:** They generally disclose that, yes.

**Chairman:** It is in their accounts, all of which are in the Oireachtas Library-----

**Mr. Seamus McCarthy:** Yes, the details are available. They are also on the Oireachtas website.

**Chairman:** Members can check the figures for the ETBs in which they are interested. They are published and are available through the Oireachtas too. The next item is the 2017 accounts of the National Paediatric Hospital Development Board, which have been given a qualified audit opinion. The financial statements give a true and fair picture except that the cost of super-annuation entitlements is accounted for as they become payable rather than in the year they are earned. The same issue arises with all of the health bodies.

The Mayo, Sligo, Leitrim ETB 2016 accounts are given a clear audit opinion but attention is drawn to delays in the production of the financial statements. This is the 2016 account-----

**Mr. Seamus McCarthy:** Yes, it is. As we discussed previously, that ETB had a very particular problem. There was considerable difficulty getting 2015 accounts together but significant progress has been made since then and 2017 is under way.

**Chairman:** Again, control weaknesses were identified. The finance committee met just once during the year and there was no review by the board of the effectiveness of the system of internal financial control.

The 2016 account for Dundalk Institute of Technology received a qualified audit opinion. The financial statements give a true and fair view except that the group income for 2015-2016 has been materially overstated. Contrary to accounting standards, the institute has recognised €812,000 that should be treated as a prior period adjustment as current income but the end of August 2016 financial position is not affected. Attention is also drawn to non-recognition of pension costs and liabilities and a material level of non-compliance with public procurement rules. The issue with the €812,000 relates to whether it should have been accounted for in one year or another. It is in there now-----

**Mr. Seamus McCarthy:** It is in there now and the statement of financial position at the end of 2016 is correct. It is really a question of where one recognises the income.

**Chairman:** We will come back to all of those separately.

The Commission for Aviation Regulation's 2017 accounts received a clear audit opinion.

Donegal Education and Training Board received a clear audit opinion for 2017. However, attention is drawn to a payment of €853,000 made to the Revenue Commissioners in 2017 in respect of the misclassification of a number of employees for PRSI purposes between 1997 and 2011. We will have to write to Donegal ETB on this matter, to which the Comptroller and Auditor General has drawn attention. Did that €853,000 include interest and penalties? Does the Comptroller and Auditor General have a breakdown on that?

**Mr. Seamus McCarthy:** I do not have the breakdown here but-----

**Chairman:** We will write to Donegal ETB and ask for a full breakdown. Was the €853,000 a settlement?

**Mr. Seamus McCarthy:** Yes, it was a settlement. Effectively, some employees had the wrong PRSI classification and employer's PRSI was underpaid as a result.

**Chairman:** Was it self disclosure or was it published? I do not remember seeing it.

**Mr. Seamus McCarthy:** I do not recall it being published.

**Chairman:** We will ask for a full explanation of how that arose, how the figure of €853,000 was settled with the Revenue Commissioners and the lessons learned.

An Bord Pleanála received a clear audit opinion on its 2017 accounts.

Finally, the 2017 appropriation accounts, published with the report on the accounts of the public services last Friday, covering 42 different Votes, all got clear audit opinions. However, there are some interesting chapters with commentary on at least half of them, to which we will return. That will keep us busy for the year. That is a total of 101 financial statements that have been noted, recorded and published, with comments on some.

The next item is our work programme. Today, we are dealing with Teagasc. Next week we are dealing with the OPW and as part of that work programme, we are sending the letter we received from Mr. Alan Morgan, with some redactions, to the OPW for comment. That letter will be noted and published and we will discuss the issue with the OPW next week. On 18 October we will meet representatives from the Department of Public Expenditure and Reform to discuss the accounts for 2017. We never got to do the 2016 accounts so we will have to include them too but our focus will be on the most recent set of figures.

In terms of other issues, the Scally-----

**Deputy Catherine Connolly:** Are we meeting the Higher Education Authority, HEA, on 18 October too?

**Chairman:** Yes, we will try to have the HEA in on the afternoon of 18 October. That is arising from the press statement by the HEA's chief executive, Dr. Graham Love, that he is stepping down. We agreed in private session that we would invite Dr. Love to attend to assist the committee in its work in the education area. We also agreed to invite Mr. Michael Horgan, the chairman of the HEA and the Secretary General of the Department of Education and Skills to that meeting. The Secretary General has come before us previously with the chief executive but given the fact that the HEA is in transition in the context of its chief executive, we felt that it was important to invite the chairman of the board to attend as well. It was agreed to proceed on that basis and to contact those concerned as soon as possible to give them sufficient notice in respect of that meeting.

In private session, we also agreed to have a private meeting with a person who has made a protected disclosure regarding the Irish Prison Service.

**Deputy Alan Kelly:** Are we absolutely certain that Dr. Love will still be *in situ* on 18 October?

**Chairman:** No, we have to check that out.

**Deputy Alan Kelly:** If he is not going to be *in situ* on that date, we will have to bring the meeting forward.

**Chairman:** I will ask the secretariat to confirm that by tomorrow.

**Deputy Alan Kelly:** I suspect he will not be around on that date so we will probably have to bring our meeting forward to next week.

**Chairman:** We will ask the secretariat to check into that and to email all members once confirmation has been received.

**Deputy Alan Kelly:** I thank the Chairman.

**Deputy Catherine Connolly:** We may be meeting them next week.

**Chairman:** Let us see how the secretariat gets on. It will keep all members informed by email.

As already stated, we are going to arrange a private meeting as soon as possible with a person who made a protected disclosure. We also had a discussion in private session earlier on Dr. Gabriel Scally's report. The Joint Committee on Health is meeting Dr. Scally and the

HSE on 10 October. The clerk to this committee will liaise with the clerk to the Joint Committee on Health regarding any matters that arise which may be of significance to us, such as, for example, contracts, contract management, procurement and so forth. We also agreed that we will deal specifically with the State Claims Agency regarding how claims are being dealt with, whether through mediation or in court. We will get an update on that as soon as possible. We will also get updates after the Joint Committee on Health meets next week. Essentially, the health committee is doing work on this and there is a role for us too. We will try to ensure that there is no unnecessary duplication.

**Deputy Alan Kelly:** What date has been agreed for dealing with the OPW representative who wrote to us?

**Chairman:** We will set a date for that after the meeting next week. We will see how we get on. In terms of general ideas for the work programme, we have agreed meetings for 11 October and 18 October. On 25 October, we will be dealing with matters relating to housing. We will be meeting representatives from the Department of Housing, Planning and Local Government solely in connection with housing. As part of that issue we are going to bring in representatives of the Irish Council for Social Housing, the umbrella group for approved housing bodies, AHBs. Most of the funding is now being channelled through approved housing bodies. It is very clear from the Comptroller and Auditor General's report that there is no statutory regulation of housing bodies. I think he said the Department cannot confirm how many houses have been built by approved housing bodies. There is a lacuna of information.

**Deputy Shane Cassells:** The topic is listed as "matters related to housing", which is a fairly broad church. Is the Secretary General of the Department coming in on that day?

**Chairman:** Yes.

**Deputy Shane Cassells:** We said previously at the committee that we could do a whole day on the housing assistance payment, HAP, in terms of value for money, the amount of money now being spent on housing assistance payments and the amount spent on acquisitions. I think nearly €1 billion has been spent by local authorities on house acquisitions in the past seven years. Are we going to structure the day in order to deal with the various issues? Otherwise, we could go all over the place.

**Chairman:** I expect it will be an extensive meeting. We need to have the Department, the Secretary General and key people in the housing section in. We also need to have someone from the housing and sustainable communities section of the Housing Agency.

**Deputy Shane Cassells:** Did you say, Chairman, that the housing bodies are coming in as well?

**Chairman:** No. Am I correct in saying the Irish Council for Social Housing is the umbrella body for approved housing bodies?

**Mr. Seamus McCarthy:** Yes, as I understand it. The body is not within my remit.

**Chairman:** Does Mr. McCarthy audit them?

**Mr. Seamus McCarthy:** No.

**Chairman:** So it is responsible for the private housing organisations. We all know who the approved housing bodies are. Essentially, most Government funding is being channelled

through them for house construction and long-term leasing, as opposed to the local authorities. We will have a major gap if they or their representatives are not in the room.

The Department of Employment Affairs and Social Protection still pays up to €250 million for rent supplement, not to mind the substantial amounts of money being paid in HAP. The issues are all connected. Perhaps we will not get everything covered in one meeting. I would hate to have a discussion here without the approved housing bodies. If they are the main agents to deliver houses then they must be present. Perhaps we could leave rent supplement and HAP for another meeting. I would prefer to start by having everyone present and they can come back if need be.

**Deputy Shane Cassells:** Given that the Secretary General is coming in we should structure the day and reach an agreement among ourselves on our approach. There is a body of work with regard to how money is being spent by the Department.

**Chairman:** We will put all of those organisations on notice to be ready on 25 October and by next week's meeting on 11 October the secretariat can give us a proposed structure for how to handle the meeting. It could be a case of having a different time for different sections or an agenda and timetable for the meeting. First, we will give them notice and we can come back to how we structure the meeting the next day.

**Deputy Shane Cassells:** In that context, I have asked parliamentary questions about State-owned land, council-owned land and a breakdown of same, but it is like running around the field trying to get an answer. Such information should be provided to us ahead of the meeting.

In terms of capital construction, we hear a lot of talk about where the possibilities exist for the tens of thousands of homes that could be built. Could we ask the Department to provide us with tabular information on a county-by-county basis on land in local authority and State ownership, a breakdown of the status of the land in terms of zoning, and if it is part of the land aggregation scheme? We will need to get the information in good time. I ask that we would make the request now in order that we can have the information well in advance of the meeting.

**Chairman:** The land aggregation agency is the Housing and Sustainable Communities Agency.

**Mr. Seamus McCarthy:** It has the land that came from the land aggregation process.

**Chairman:** It has schedules of every piece of land it took over from local authorities.

**Deputy Shane Cassells:** We need to put it all together. It is difficult to get information.

**Chairman:** If we do not get the answers on the day the witnesses will have to come back a second time. It is as simple as that.

**Deputy Catherine Connolly:** I support Deputy Cassells. I take a particular interest in housing. Whatever about the approved housing bodies coming in, the Department and the Housing Agency must come in as they are subject to the Comptroller and Auditor General. We definitely want them in here.

**Chairman:** And those responsible for the HAP.

**Deputy Catherine Connolly:** HAP comes into it anyway. HAP is under the remit of the Department. This year the amount will be €300 million. The amount doubled this year. It has

gone from €150 million to €300 million.

I read the chapter on the approved housing bodies. It is clear that there is no statutory regulation of them. There are many schemes concerning them with names such as the capital advance leasing facility, CALF, and others that make it difficult to follow. There are also various types of tenancies. My understanding is that one got a local authority house or one could seek a house from an approved housing body. The only distinction in the past is that one could buy out the local authority house but one could never buy out the other one. Now it seems there are many other distinctions, not least of which is the oversight in relation to AHBs and the absence of security of tenure. With millions being expended, there are serious issues to be examined.

It should be simple for the city council and the county council in Galway to be able to tell the Department what land they have in their direct ownership, the zoning of it and the plans they have for it. They should be able to tell us in plain, simple English, and what other public lands are available. In Galway we have Ceannt Station, where there are 14 acres. The site has huge potential yet it is being developed by a private person on behalf of CIÉ, with no regard to an overall plan. The docks are waiting to be taken in charge. I understand all the other small ports have been taken in charge. One might ask what relevance that has. The port has a significant landbank with major potential for housing. We have the existing land that is under the direct control of the city council and then we have public land under CIÉ or the docks authority.

**Chairman:** Or the IDA.

**Deputy Catherine Connolly:** Yes, I did not even mention that. We need clarity in advance of the meeting so we have the information.

**Deputy Shane Cassells:** Deputy Connolly cited the example of Galway. Could we request the Department to get all 31 local authorities to submit the capital projects they currently have with the Department requiring funding and also what is currently in the pipeline in terms of construction on the ground so that we can get an appraisal of where they are and where they want to be. We hear consistently about the projects and the funding the Department has provided to all 31 local authorities and the work that is in progress at the moment. We should be able to get that information by tomorrow.

**Chairman:** A big element of that equation is the request from the approved housing bodies to the Department for their developments.

**Deputy Shane Cassells:** That is fine. That is separate. If we have the Secretary General here we want to get a sense of where the local authorities are at as well. You might decide to break the meeting into two distinct sections, Chairman. We require all of the information ahead of the meeting so that we do not let witnesses go without having dealt with the issue in a substantial manner.

**Chairman:** The only reason I mention the approved housing bodies is that in my experience nearly every housing project that is under way is through an approved housing body. From my observations, more requests are going to the Department for funding from approved housing bodies than from local authorities. AHBs are the elephant in the room.

**Deputy Catherine Connolly:** I agree with you, Chair, but I do not think it is their role to be here. I think what is important is to see what the Department is doing in terms of oversight given the volume of work undertaken by the AHBs and the type of schemes the Department has set up. That is the most important thing. Otherwise, we could spend half the day talking to

AHBs about their vision and mission rather than oversight and the amount of expenditure. We should get confirmation that the Housing and Sustainable Communities Agency will be represented at the meeting.

**Chairman:** Yes, I think they are departmental officials.

**Mr. Seamus McCarthy:** No, they are two separate agencies. The Housing Agency is a separate State body.

**Deputy Catherine Connolly:** Our hands will be full trying to tease out all the issues if we have the Department in and the Housing Agency.

**Chairman:** We will want to deal with HAP.

**Deputy Catherine Connolly:** It is inevitable that we will deal with HAP.

**Chairman:** There has been a change from rent supplement to HAP. When one goes down, the other goes up. They are fundamentally the same thing.

**Deputy Pat Deering:** People transfer from the rental accommodation scheme, RAS, to the HAP scheme. Everybody who was in RAS will now be in HAP.

**Deputy Catherine Connolly:** Rent supplement is being phased out, except for emergency cases. HAP is the only game in town, but there is also the rental accommodation scheme. They are just three of the schemes that support the private market.

**Deputy Pat Deering:** This would be important given the number of voluntary housing organisations in receipt of State money. I am open to correction on that. No one knows where they are or what they are doing. It would be a mistake not to investigate those in detail.

**Chairman:** I know we will not go through them individually. I believe I saw somewhere yesterday that 6,000 staff are employed in the-----

**Deputy Pat Deering:** They all have chief executives who are well paid.

**Chairman:** Only a fraction of that number work in the housing sections of all the local authorities combined.

**Deputy Catherine Connolly:** Hundreds are reported on by the Comptroller and Auditor General.

**Chairman:** Some of them are kind of dormant.

**Deputy Catherine Connolly:** There are 547 bodies. I agree with the Chairman, but it is not for that day. That day is for us to hear from the Department and that agency. We are looking at governance and money. They should come in on a separate day.

**Chairman:** I have no intention of getting into the plans and concepts of the individual approved housing bodies. I am interested in the funding the Department is giving approved housing bodies to do the job.

**Deputy Catherine Connolly:** The Department will tell us.

**Chairman:** For next week we will ask the secretariat to prepare a programme. The big issue in respect of housing - no one has mentioned it yet even though we mention it every day in

this House - is the issue of homelessness. Do we keep that funding for homelessness? There is €109 million support for homelessness in 2019. We cannot do everything on the one day if we want to deal with the construction and all that sort of stuff. I will list that as an issue in case someone asks why we did not talk about homelessness. I will ask the secretariat to draft a structured way of dealing with the housing issue. It will not all happen on that day. We will have to decide which topics we are dealing with. I think we will start with house starts and house building.

As everyone knows, the Comptroller and Auditor General issued his report last Friday. He has chapters on approximately half the Departments and organisations like the Revenue Commissioners. I make these as suggestions. We have ongoing things in our work programme. The issues relating to the Revenue Commissioners need to be examined fairly soon. There is a chapter on tobacco smuggling, high-wealth individuals' tax liabilities, corporation tax losses, which we dealt with, and PRSI contributions for the self-employed. There is quite a bit there for the Revenue Commissioners and we can start with them fairly early on in our work programme.

**Mr. Seamus McCarthy:** The PRSI is more a matter for the Department of Employment Affairs and Social Protection.

**Chairman:** There is something else for the Department of Public Expenditure and Reform relating to pension contributions to the Exchequer. Is that the Department of Public Expenditure and Reform?

**Mr. Seamus McCarthy:** That is Department of Public Expenditure and Reform.

**Chairman:** That needs to be addressed with the Department of Public Expenditure and Reform when its officials come in. That is on the list.

**Deputy Alan Kelly:** The management of high-wealth individuals' tax liabilities-----

**Chairman:** That is the one I mentioned, and it concerns the Revenue Commissioners. People would benefit from a public discussion.

**Deputy Alan Kelly:** I think the public would benefit from a full, open and transparent discussion on that.

**Chairman:** We will try to schedule for officials from the Revenue Commissioners to come in as promptly as possible. If anyone has any other comments-----

**Deputy Catherine Connolly:** We spoke about private patient activity in acute public hospitals. There is no monitoring of that. There are no mechanisms in place to give clear information.

**Chairman:** Those are two issues so far. We have to deal with everything in the Comptroller and Auditor General's report as the year goes by. I am just trying to identify a few for early on. The Comptroller and Auditor General has a chapter on the oversight of approved housing bodies, but that is for the Department.

The next issue we want to deal with somewhere along the line is this hepatitis C treatment fund that has now cost €1.5 billion. I know it is an historical issue, but we are on the verge of starting another one of these issues with CervicalCheck. Someone will be here in five or ten years. I want to interrogate the Department. We want to know at the end of that process what lessons were learned to prevent some of these major scale issues arising again. We have not

seen evidence that they worked. I want to address that issue because it is such a big issue. The State Claims Agency's handling of the CervicalCheck issues is on our work programme.

For the next meeting members should indicate if they want any particular issue from the Comptroller and Auditor General's report to be discussed early. We have mentioned three or four. I will ask the secretariat to try to work on those three or four.

**Deputy Alan Kelly:** The decisions that we have made will determine what the clerk has to do regarding meetings because we have three or four meetings we need to tie down in the next few weeks, including Dr. Love, the Office of Public Works, OPW, and the Prison Service whistleblower. Once we know more next week, we might to be able to slot in what we will do with the others.

**Chairman:** This only deals with the next couple of weeks. For next week we will ask for a draft work schedule to take us into November or early December.

**Deputy Alan Kelly:** Until the next Government.

**Chairman:** We will have a draft until Christmas. Will many of us be here next summer? We have had a useful discussion. We are a little behind schedule, but I will-----

**Deputy Catherine Connolly:** I seek clarification on one thing. Did we deal with the question that came in on thalidomide and write back to the individual?

**Chairman:** We are dealing with that with the State Claims Agency

**Deputy Catherine Connolly:** No. It was an individual who wrote into us. It may have come through Deputy Cullinane. The Irish Thalidomide Association provided a letter dated 30 July. I thought we held that over.

**Chairman:** We will come back to it next week. We have written to the State Claims Agency on that.

**Deputy Catherine Connolly:** That is okay.

**Chairman:** I knew the State Claims Agency came in because it was a Statute of Limitations issue.

**Deputy Catherine Connolly:** The letter raised a number of questions regarding-----

**Chairman:** We have written to the State Claims Agency, which will come back to us. We will suspend to allow the witnesses to take their seats.

*Sitting suspended at 11.06 a.m. and resumed at 11.12 a.m.*

## **Teagasc Financial Statements 2017**

**Professor Gerry Boyle** (*Director of Teagasc*) called and examined.

**Chairman:** We are back in public session. Today, we will be dealing with Teagasc's financial statements for 2016 and 2017. We are joined by Professor Gerry Boyle, director, and Mr. Tom Doherty, chief operations officer. The representative from the Department of Agriculture,

Food and the Marine is Dr. Kevin Smyth.

I remind members, witnesses and those in the public Gallery to turn off all mobile phones. That means switching them to aeroplane mode. Switching them to silent mode is not sufficient because they can still interfere with the recording system.

I advise the witnesses that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. If a witness is directed by the committee to cease giving evidence in respect of a particular matter and he or she continues to so do, the witness is entitled thereafter only to a qualified privilege in respect of the evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person or persons or entity, by name or in such a way as to make him, her or it identifiable. Members are reminded of the provisions within Standing Order 186 that the committee shall also 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 policies. While we expect witnesses to answer questions put by the committee clearly and with candour, witnesses can and should expect to be treated fairly and with respect and consideration at all times, in accordance with the witness protocol.

We will start by taking the Comptroller and Auditor General's opening statement.

**Mr. Seamus McCarthy:** The Agriculture and Food Development Authority of Ireland, better known as Teagasc, was established in 1988. Its primary function is to provide education, training, advisory and research services to the agriculture and food industries and to rural communities.

The Teagasc financial statements before the committee this morning relate to 2017. They are consolidated statements incorporating the results of the Teagasc subsidiary Moorepark Technology Limited, in which the authority has a majority shareholding. The financial statements record total income of €183 million. Over three quarters of Teagasc's income is accounted for by direct Oireachtas grants. The bulk of the remainder comprises advisory service and course fee income, research grants and commissions, and trading income from Teagasc's own farming operations, including the sale of livestock.

The authority's expenditure for 2017 totalled €178 million, and is detailed in notes 7 and 8 to the financial statements. As the figure in the presentation indicates, pay, pensions and other staff costs accounted for two thirds of the expenditure. Other expenditure related to Teagasc's operations, including depreciation, amounted to €50 million or 28% of the total. Grants of various kinds accounted for €10.2 million, or 6%. The operating surplus for the year was just over €5 million.

I issued a clear audit opinion in respect of the financial statements for 2017. However, I drew attention to the disclosure in the statement on internal control regarding expenditure in 2017 of €1.35 million where the procurement procedures employed did not comply with public procurement guidelines.

Members may wish to note the presentation with the financial statements of a governance statement and authority members' report. Presentation of a report of this kind is a requirement from 2017 for all State bodies operating under the code of practice for the governance of State

bodies issued by the Department of Public Expenditure and Reform. As well as describing the governance structures in place in Teagasc, the governance statement includes additional information about expenditure on consultancy and legal services, travel and subsistence costs incurred, and spending on staff and corporate hospitality.

**Chairman:** I now call Professor Boyle to make his opening statement.

**Professor Gerry Boyle:** I welcome this opportunity to present a brief opening statement to the committee. The Teagasc mandate, as set out in the 1988 Agriculture (Research, Training and Advice) Act, comprises three components, namely, “to provide or procure educational, training, and advisory services in agriculture”; “to obtain and make available to the agricultural industry the scientific and practical information in relation to agriculture required by it”; and “to undertake, promote, encourage, assist, co-ordinate, facilitate and review agricultural research and development (including research and development in relation to food processing and the food processing industry).”

In regards to governance, the Teagasc authority is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance through setting strategic objectives and targets and by taking strategic decisions on all key business issues. The day-to-day management, control and direction of Teagasc are the responsibility of the director and the senior management team.

Teagasc fully adheres to the code of practice for the governance of State bodies and adheres to all circulars emanating from the Departments of Agriculture, Food and the Marine and Public Expenditure and Reform. Teagasc’s system of internal control is supported by its audit and risk committee, comprising three authority members, one of whom serves as chair, another is the Department of Agriculture, Food and the Marine’s representative on the authority and there is also an external member with significant financial and audit expertise. The audit and risk committee is supported by an internal audit function which reports to it. The authority’s operations committee provides oversight on the effectiveness and efficiency of all Teagasc’s administrative functions.

Teagasc maintains regular contact with the Department of Agriculture Food and the Marine on administrative and programme matters. At the end of each year, a business plan for the year ahead is approved by the authority and a oversight agreement, OA, based on this plan is agreed with the Department. The OA is regularly reviewed by the Department in consultation with Teagasc. Each year, as required under the 1988 Act, Teagasc also submits a proposed annual programme of activities for review to the Department. Teagasc also operates a rigorous performance and evaluation system involving external peer reviews of all of its programme as well as the monitoring and tracking of key performance indicators. The mission of Teagasc, as adopted by the authority, is to support science-based innovation in the agrifood sector and the wider bioeconomy to underpin profitability, competitiveness and sustainability. The Teagasc authority has adopted four goals. These are to improve the competitiveness of agriculture, food and the wider bioeconomy to encourage diversification of the rural economy and enhance the quality of life in rural areas; to support sustainable farming and the environment; and to enhance organisational capability and deliver value for money.

Teagasc has six operational programmes. These are animal grassland research and innovation; food research; crops, environment and land use; rural economy and development; advisory and extension; and education and training. In addition, Teagasc has a central administration service embracing finance, HR, ICT and corporate service functions. Teagasc is a national

organisation with sites distributed throughout every county in the country. It has 51 advisory offices, which is down from 90 following a recent rationalisation programme. It also has four colleges of further education and seven research centres.

In regard to finances, Teagasc is obliged each year to match its expenditure with its income. It is unique as a non-commercial body in having a relatively large proportion of non-grant-in-aid, GIA, income, some €56 million in 2017. This non-GIA income comprises grants awarded to Teagasc as a result of success in competitions for research and advisory funds at national and EU level, advisory and education fees, farm operations, industry levies and the sale of various professional services. In 2017, Teagasc received €125 million grant-in-aid, including €43 million for pensions, to meet its current expenditure needs and a further capital grant of €3.15 million. Turning to capital requirements, in the absence of access to borrowing facilities, Teagasc faces significant challenges in funding its working capital requirements. This issue has become more acute in recent years as Teagasc's non-grant-in-aid income has increased significantly.

Similarly, in the absence of a borrowing facility, longer-term capital funding for our research and educational infrastructure is even more challenging. Teagasc's grant-in-aid earmarks a relatively small amount of funding for infrastructural purposes which is only sufficient to partially cover maintenance costs and undertake some minor capital works. More substantial infrastructural needs are funded as the opportunity arises through the sale of assets that are no longer programme priorities, or through once-off special capital grants from Government. Reliance on asset sales as a funding mechanism is not a sustainable basis on which to fund ongoing infrastructural needs. While the availability of special capital grants is welcome, the process results in an episodic funding schedule.

Teagasc received an unqualified audit certificate in 2017, but the Comptroller and Auditor General did draw attention to some procurement issues. Teagasc is making every effort to be as fully compliant as possible in regard to its procurement practices. Significant improvement in procurement procedures has been implemented in recent years through the recruitment of specialist staff and the development of robust systems. It should be noted that procurement in Teagasc is complex due to our diversified activities and the geographical dispersal of our sites. The issues reported in the financial statements were discovered and brought to the attention of the Comptroller and Auditor General by Teagasc.

In the main, the reported matters were due to two factors. The first was quotes being sought from a number of local suppliers rather than advertising through eTenders. We are satisfied that this did not adversely impact value for money, given the number of quotes sought and the type of services procured. The second factor was the extension of existing contracts for services where the requirement was being reviewed, where there were delays in the implementation of the Office of Government Procurement process or where a similar service had been procured from that supplier. While no breaches can be tolerated, it is noted that the breaches amounted to tender values of €1.35 million out of a total expenditure of €42 million, or 3.2%.

**Chairman:** I thank Professor Boyle for his opening statement. I call Deputy Deering, who has 20 minutes. He is followed by Deputy Aylward, who has 15 minutes. All other speakers will have ten minutes.

**Deputy Pat Deering:** I welcome Professor Boyle and his colleagues. I have a number of questions but I might not take 20 minutes as I have to go to another meeting. The operating surplus for last year was reduced by almost €3 million year on year. Will Professor Boyle give the committee an indication of why that is the case? The advisory fees have gone up consider-

ably in the same period.

**Professor Gerry Boyle:** I thank Deputy Deering. The first point I will explain about the operating surplus is that Teagasc does not aim ever to have a surplus. We are obliged to match expenditure with income. The second point is that attention should be focused on the surplus for the financial year, which is lower down the column on the page Deputy Deering is referring to, under note 11. The surplus declined from €6.152 million to €2.398 million. There is a simple reason for that. We do not expect, normally, to have a surplus, but in recent years we have had significant difficulty in trying to manage cashflow. We sought leave to put in place an overdraft facility but permission was not forthcoming from our parent Department or from the Department of Public Expenditure and Reform. The decision was taken then to try to build up a capital reserve to be able to meet our recurrent capital requirements on a sustainable basis. In 2016, we were able, through prudent management, to generate such a surplus. I want to emphasise that would not be the norm-----

**Deputy Pat Deering:** Is it a rainy day fund?

**Professor Gerry Boyle:** Yes, that is it precisely. We felt that was a prudent thing to do because we were quite concerned about our ability to manage cashflow in a prudent way. The Department did support us in this respect. In 2017, because this is an opportunistic type of activity, the same opportunity did not generate itself because of demands on current expenditure. The €2.398 million surplus is broken down roughly between €1 million from the capital side of our activities - we did not spend as much as we thought we would on capital - and the other €1.83 million from the current budget side. In summary, it is unusual to have any surplus but there is a reason we have a surplus. Whenever we have the opportunity over the next couple of years, we want to build that up to probably a significantly higher sum given the nature of our activities-----

**Deputy Pat Deering:** I am sorry to cut across Professor Boyle but in the event that fund is built up, what is intended to be done to mind it?

**Professor Gerry Boyle:** This fund will be ring-fenced and only used as we need it. To be honest, I would far prefer to be able to use a fund like this for long-term capital investment because we have serious infrastructural deficits in the organisation. At the same time, we are being prudent in wanting to ring-fence a fund to ensure we can meet our recurrent capital requirements. An example would be that much of the time when we get income, we incur the costs of those activities before we get paid for them. It can also take a long time to recover moneys on projects where we have spent resources. We have a very clear cashflow issue and that is the basis of the surplus.

**Deputy Pat Deering:** How are advisory fees determined, considering they have increased from one year to the next?

**Professor Gerry Boyle:** The process of determining the advisory fees is that when we are proposing any change in fees, the advisory and education committee of the authority reviews the arguments for fee increases. They tend to be quite marginal from year to year. The authority committee makes a recommendation to the full authority and if it is adopted by the full authority it has to be approved by the Minister for Agriculture, Food and the Marine. We are going to recover the full cost of our activities because much of our advisory activity is classified as public good activity.

In recent years the Government has put out tenders for the delivery of some large schemes, such as GLAS, which underlines the growth in external income to a significant extent. We competed to provide that service and that generates a large amount of income on top of the charges we impose on farmers.

**Deputy Pat Deering:** Are any debts attached to the advisory fees? If so, what is the percentage?

**Professor Gerry Boyle:** There are bad debts but they tend to be small. I do not have the percentage but we can supply it to the Deputy. The audit committee makes a determined effort to recover all bad debts, and we only write a debt off when we have reached the end of the road. We wrote off €113,000 in 2017. That is across 12 advisory regions. We have 45,000 clients so, while no write-off is acceptable, in the context of the overall income generated by our advisory fees of close to €12 million it is not an entirely bad figure.

**Deputy Pat Deering:** In the context of the disposal of assets, how much land does Teagasc own?

**Professor Gerry Boyle:** Teagasc owns approximately 1,800 ha in non-utilised agricultural area across all our sites, which are mainly our six research sites and our four agricultural colleges.

**Deputy Pat Deering:** When was this most recently valued?

**Professor Gerry Boyle:** It is based on historical valuation. I do not know when it was done.

**Ms Susan Kearney:** We do not have a policy of regular revaluation of our land. We have given careful consideration to it because the assets are stated in the financial statements at historical cost value. If we were to adopt a policy of revaluation we would have to do it on a regular basis and it would be a relatively expensive operation.

**Deputy Pat Deering:** Teagasc has properties other than land, which it has disposed of from time to time. I presume there is a database of properties which it is looking to dispose of. Have they been revalued in recent times? If so, how does Teagasc come to the conclusion that it will dispose of a particular property?

**Professor Gerry Boyle:** Our property disposals typically involve land and when we sell land we engage professional advice to ensure we know the market value and that we get the best value for the State. The process involves various committees of the authority, which then decides whether to proceed. The key issue is to ensure appropriate value is obtained and this has to be sanctioned by the Minister for Agriculture, Food and the Marine. The decision to dispose of any property is not taken lightly and we always ensure any land to be sold is not a programme priority for Teagasc.

**Deputy Pat Deering:** Has Teagasc identified any land or property it intends to sell going forward? In 2017, Teagasc made a loss of €192,000 in the disposal of assets and it was over €1 million in the previous year. It is not sustainable to rely on asset disposal to fund infrastructure.

**Professor Gerry Boyle:** We have identified assets to dispose of. Teagasc undertook a rationalisation programme in the period up to 2012 and 2013 and we identified a number of properties to be sold. These were mainly advisory offices, of which we had 91 in 2010 but have now sold off around 40. The rationalisation plan concluded that we could accommodate all our

research requirements at that time at our Ashtown site so the Kinsealy site, which had been used for horticultural research purposes, was earmarked for closure. We migrated all our staff from Kinsealy to Ashtown and we are now in the process of selling the site, though we have not yet commenced the process. We have secured professional advice on how to maximise value to the State.

**Deputy Pat Deering:** Has there been a valuation?

**Professor Gerry Boyle:** Yes. We have had an initial valuation, without planning permission, of €12 million. We would like to retain all the proceeds of the sale for investment in our infrastructural requirements, which are many, but that is a matter to be determined by our parent Department and the Department of Public Expenditure and Reform. We certainly hope they will accept the logic of our position, because other than once-off grants we do not have recourse to any funds other than the proceeds of such sales. This would be a very welcome sale but it is, in any event, a couple of years down the road.

**Deputy Pat Deering:** If €12 million is realised, what would the priority be in terms of spending it in the medium term?

**Professor Gerry Boyle:** In the immediate term we have a requirement to build a new suite of laboratories at Johnstown Castle, to address our environmental research programme and things such as climate change, water quality and so on. There are a number of other projects which we wish to pursue, including the refurbishment and development of our agricultural colleges, which is a major cost that we have to fund out of our own resources. We do not receive any grants from the Department of Education and Skills and it all comes through the agricultural Vote. It is a significant cost from time to time.

**Deputy Pat Deering:** Professor Boyle mentioned climate change, an issue which is coming at us at 100 mph. He said he would like to invest the money in laboratories for that purpose but would he say we were playing catch-up at this moment?

**Professor Gerry Boyle:** I believe that is absolutely not the case in respect of agriculture. I am an *ex officio* member of the climate change council and I am quite aware of the measures being taken by other sectors. I believe agriculture has been to the fore on the issue, in acknowledging the challenge and in identifying solutions. My colleagues, in Teagasc and in the universities, have identified a number of measures relating to mitigation, sequestration and the replacement of fossil fuels by renewables such as biomass. We have identified nearly 30 individual measures that, if adopted, could significantly address the likely targets under the EU effort sharing agreement by 2030.

**Deputy Pat Deering:** Some people - I would not agree with them - believe climate change is a fallacy. Is there a public relations job to be done by Teagasc, the Department and all farming organisations in order to highlight what has been done? While much has been done in the whole sector, this issue is coming at us at 100 miles an hour. We have targets to meet which we will not meet in the short term but will in the long term. Is there a need for a public relations campaign to be waged by Teagasc to enlighten and inform what has been and can be done?

**Professor Gerry Boyle:** In this situation, one cannot have enough communication. We are involved on several fronts on environmental enhancement and improvement. For example, there is a huge appreciation in the agricultural sector that concerns over water quality have to be dealt with. The Deputy is correct in suggesting the same appreciation does not extend at

this point in time to climate change because the visibility is not there. We have been working closely with Bord Bia trying to generate visibility among the farming community as to the consequences and potential solutions to mitigate climate change.

For example, we have introduced the concept of the carbon navigator which is widely regarded across Europe as being an innovative device which indicates to farmers how normal practices can improve efficiency and the environmental footprint. In other words, there is a win-win, which is positive. Our plan for the next year is to build on that and on the publication, which I mentioned earlier, with regard to mitigation options in order to build a whole campaign around driving sustainability on farms.

We are also discussing with our parent Department where that can be extended in terms of policy. There has to be a suite of incentives for farmers to adopt some of the measures we have identified. For example, there are two clear quick wins. We have suggested a significant mitigation option on farming is to replace calcium ammonium nitrates with stabilised urea which can address nitrates oxide emissions, as well as the problem with ammonia, an important area to which we have been drawing attention. We think that is a wider problem beyond agriculture and is probably not as fully appreciated. The spreading of slurry is a critical mechanism to reduce emissions. We are looking at various technologies such as injection systems, trailing shoes and so on. Farmers will have to be informed and incentives will probably have to be put in place to ensure those technologies are adopted.

**Deputy Pat Deering:** We have ambitious targets in the whole agricultural sector with programmes such as Food Wise 2025. How does Professor Boyle believe we can balance those targets with the challenges that climate changes presents?

**Professor Gerry Boyle:** This is a real challenge. I have gone on record in public that there is an incompatibility between the trajectory for cow numbers and our greenhouse gas obligations by 2030. Teagasc, along with the Department and other bodies researching this area, has identified mitigation and sequestration options. They will not be sufficient to offset the trajectory in terms of cow numbers. That is the reality and has to be faced up to. The Deputy made the point about awareness, the importance of identifying the problem in the first instance and then coming up with solutions. That is a dilemma for the industry.

**Deputy Pat Deering:** There is a Greenfield programme site in County Kilkenny which has come in for some criticism recently, rightly or wrongly, for the type of farming model created there. What investment has Teagasc put into it? Who were the different stakeholders involved initially?

**Professor Gerry Boyle:** This is a partnership between Teagasc and several private entities comprising Glanbia, the Irish Farmers Journal Trust and a private farm family. We have made no investment in the facility. We provide managerial advice on the model to be implemented on the farm. We also supply the services of a Moorepark staff member who liaises with the manager on the site and with the stakeholders in terms of the overall management of the farm.

**Deputy Pat Deering:** Has Teagasc leased the land?

**Professor Gerry Boyle:** It is a private company. It has leased the land from the owners. Teagasc has no involvement in that. Our only involvement is primarily that one of our staff members supports the manager on site. We then provide the high level information through our research services to the site.

**Deputy Pat Deering:** Is Teagasc using it as a template as to how a system could be developed for the future?

**Professor Gerry Boyle:** It was very much designed to enable new entrants into agriculture, particularly into dairy. It was to establish a farm that could be sustainable in economic terms at a relatively low cost. It has been immensely successful in that respect. We have established several discussion groups - this is the role of the Moorepark officers on the farm - of young people who have come into dairying for the first time. They are enabled through the model to put together the investment needed.

We are conscious of the importance of communicating full information on the operation of the farm, the successes and the failures. Most recently, during Storm Emma, there were concerns around several animal deaths. Two cows and six calves died during that storm. We have commissioned a review, carried out by the former Secretary General of the Department of Agriculture, Food and the Marine, along with the other partners in the project. We are awaiting finalisation of that review. Lessons will certainly be learned in terms of the model and managing an extreme event like that into the future.

**Deputy Pat Deering:** Is it a 15-year project?

**Professor Gerry Boyle:** It is a 15-year project and it is midway, at year seven.

**Deputy Pat Deering:** How do profit margins look year on year?

**Professor Gerry Boyle:** Up to this year, the farm has been building up significant reserves. It has been useful as a demonstration facility for other farms because it is a full-cost model. For example, all of the labour and land are fully costed. There is no other entity that has that financial data. It is not available in a normal farming situation. The farm was also affected by the drought to a significant degree. There were substantial extra costs incurred this year in particular.

**Deputy Bobby Aylward:** I welcome Professor Boyle and Teagasc to the committee.

I know it is doing a good job for farmers, being one myself who avails of its services, of which I am very appreciative.

On the death of the animals on the Greenfield programme farm, was it because of the intensiveness of the model or that they were exposed and did not have protection? I know the model is very intensive and there are many experiments going on there.

**Professor Gerry Boyle:** There would not be much experimenting going on. It is a fairly straightforward model.

**Deputy Bobby Aylward:** Is it a dairy farm?

**Professor Gerry Boyle:** Yes. It is designed to be a top-class dairy farm, based on minimising investment and production costs. Along with the other partners, we have commissioned a review which is not yet complete. It would be inappropriate for me to get into what is at this point a draft review, but I note that the episodes that occurred were primarily due to the storm event. It was an extraordinary event in terms of the build-up of snow and drifts over a very short period. Even though the farm had taken preventative measures, they clearly were not sufficient. In the wider context of overall animal health and mortality statistics on the farm, the episodes, while utterly regrettable, are not significant. The overall health status of the animals

and the mortality-----

**Deputy Bobby Aylward:** Are the animals mostly kept outdoors?

**Professor Gerry Boyle:** They are, yes.

**Deputy Bobby Aylward:** They are not what we might call traditionally farmed, that is, brought indoors.

**Professor Gerry Boyle:** No. Obviously there is housing for pregnant animals, young calves and so on. That is at the heart of the review. We hope there will be lessons from it. One of the reviewers we brought in is from Canada and is familiar with dairy farming under extreme weather conditions. We hope to benefit from the insights presented from that review. I should say that I have a long-standing commitment to present the results of that review to the Committee on Agriculture, Food and the Marine when it is finalised.

**Deputy Bobby Aylward:** I would like to move on. I will touch on topics raised by Deputy Deering. Is most of Teagasc's 1,800 ha of land used for research purposes, as is the case at Kildalton college?

**Professor Gerry Boyle:** Yes. I do not have data on the area utilised for agriculture because there is a lot of forest on those lands around the country. We have six research sites. We farm 175 ha that we own at Moorepark, for example. We also have leased land, which I am not counting in that total. The 1,800 ha is owned land.

**Deputy Bobby Aylward:** Does Teagasc lease land to farmers?

**Professor Gerry Boyle:** No. We lease land from farmers.

**Deputy Bobby Aylward:** I thought it was the other way around.

**Professor Gerry Boyle:** We lease land from farmers. For example, the famous Curtins Farm in Moorepark is leased. The land on the agricultural colleges, such as the 158 ha we own at Kildalton college, is primarily used for educational projects and the training of students. However, we have taken the decision in recent years to also locate significant research projects on all of our college farms. For example, we have a major project on the way at Clonakilty agricultural college on the use of clover in rye grass swards which has been generating really interesting results of international significance. On the Kildalton site we have what we call a sustainable farm. It is early days, but our intention there is to establish a farm that meets the full spectrum of demanding sustainability requirements but is commercial. That is a research project. For several years we have had a research programme under way at Ballyhaise college on dairying in the region. That project has established that it is possible to generate significant profits in a more challenging landscape than Moorepark. Our plan has been to have a research programme under way in the colleges.

**Deputy Bobby Aylward:** Given the recent Government directive about semi-State land and the housing crisis, does Teagasc have land or property that would be suitable for sale for housing? I know Teagasc's land is mostly rural. Does Teagasc own land that could be used for social or affordable housing? Has the organisation identified such sites? The Comptroller and Auditor General mentions sites held for resale on page 106 of the report. There is one site each in Limerick, Galway and Cavan and two sites in County Dublin, with a total carrying value of €914,000. I would like to ask about the sites the Comptroller and Auditor General identified.

**Professor Gerry Boyle:** Those are historical valuations. There are two sites in Dublin that the State could, if it wished, consider-----

**Deputy Bobby Aylward:** Is it a priority for Teagasc to identify those?

**Professor Gerry Boyle:** If I may elaborate, we intend to put the site in Kinsealy, which I mentioned in reply to Deputy Deering, on the market. It does not have planning permission for residential use at the moment.

**Chairman:** It is not zoned.

**Professor Gerry Boyle:** Sorry, it is not zoned for residential use at the moment, but that is a possibility. There are about 12 ha there.

**Mr. Tom Doherty:** That is about 25 acres.

**Professor Gerry Boyle:** That will go on the market and could potentially be used for social housing.

**Deputy Bobby Aylward:** That is one site that could be used.

**Professor Gerry Boyle:** The other site in Dublin is the Ashtown site in Castleknock. There are about 12 ha there. That is chock-a-block with activity at the moment because we moved all of our activity down the motorway from Kinsealy to Ashtown. It is a hive of activity. It has absolutely top-priority programmes. Three different types of activity are going on there. It is the location for our meat centre. All the meat research that Teagasc does is located in Ashtown. We work very closely with the Grange production research facility on beef. It is also the centre for our horticulture activity. We recently invested in state-of-the-art glasshouses. We also use the site for our education programmes, as an adjunct to our horticulture education facility at the National Botanic Gardens. It is also the location of Meat Technology Ireland. In the last year, with pressures from Brexit and support from the Department and the Minister, we have substantially invested in facilities and equipment for the prepared consumer food sector. This is very much programme priority and every inch of space is absolutely dedicated to top-priority research programmes.

**Deputy Bobby Aylward:** I will move on. I would like to ask Professor Boyle's opinion on the fodder shortage. In August and September there was a fodder shortage of about 30%. Last week, the Minister stated in the Dáil that this had decreased to just 10%. As an advisory body, what is Teagasc's opinion on farmers' position regarding the fodder shortage? Will we have an ongoing problem in the winter like we had last year, due to the bad weather and the drought that followed? I would like a general opinion.

**Professor Gerry Boyle:** We have carried out two fodder surveys. Teagasc has co-ordinated that. We are members of and co-ordinate the interagency fodder committee established by the Minister to deal with and respond to the fodder situation. We did a survey around June that showed a 30% fodder deficit. I think that is where the Deputy's figure comes from. We carried out a new survey more recently, and there was significant improvement between the first and the second surveys. The first one showed an average deficit of about 30%, though of course there is a range of results. The second survey showed an average deficit of about 12%.

**Chairman:** What date was that?

**Professor Gerry Boyle:** It was done about two weeks before the ploughing championships.

**Chairman:** I saw a good few silage trailers in Laois last weekend. They are still out there.

**Professor Gerry Boyle:** If anything, I would say the position has improved since then.

**Chairman:** It has since improved. That is the point Professor Boyle is making.

**Professor Gerry Boyle:** It has. This is our best available information. It is given completely independently. We believe that is the situation and it has improved. In fact, a lot of farmers plan to graze for a lot longer this year if the weather holds up. Having said all of that, we are very conscious of an enormous range. One thing that I found travelling around the country this year is a huge variation on this very small island between the western seaboard, from Clare right up to Donegal - I made a trip along that line - and the south-east of the country, particularly Wexford, parts of Kilkenny and parts of my own county of Tipperary. The challenge is to help farmers to manage a difficult situation that some will find themselves in over the winter. We have clear sets of protocols in place to help farmers stretch the fodder in the drying off period. We believe that with careful and proper management farmers can get through the winter. That is our view.

I am quite concerned that this is unlikely to be a once-off event because one of the predictions of climate change is that these kinds of episodes will be more frequent and when they occur they will be more severe. We are sitting down with our research colleagues and asking how we need to adjust the recommendations around the farm model, which is most resilient, given the expectation that these events will be more frequent.

**Deputy Bobby Aylward:** The push is on in Food Harvest 2020 and Food Wise 2025 to increase production. Are we pushing farmers to the limits, especially in the dairy industry where we have too much stock and not enough capacity? This applies in particular in the context on climate change, the weather we are having now and the changes in the seasons. Are we pushing too much without thinking about the consequences? It is alright having 300 or 400 cows but is Teagasc worried that farmers will have enough fodder to ensure viability?

**Professor Gerry Boyle:** One fact should be pointed out. There are fewer cows - less livestock - in the country now than there were in the late 1990s. That is a reality. Clearly what has happened is that expansion has taken place over a very short period of time, particularly in the dairy farms, in certain areas. Sometimes Teagasc is criticised unfairly - and the Deputy might say that I would say that - for advocating an unsustainable expansion strategy. We did nothing of the kind. Time and again, we told farmers to look to their own farm gate first and improve their efficiency before increasing their cow numbers. That message does not always get across, especially in a rapidly changing situation where farmers who may have been used to providing fodder for 50, 60 or 70 cows took a chance and doubled their cows over a couple of years. We say to these farmers that it is time to pull back and look at improving their grassland. The Deputy will be aware that we still have the situation where the average utilisation of grass on dairy farms is only 7 tonnes per ha. With PastureBase Ireland we can track grass growth all over the country so we know that capacity is double that figure.

**Deputy Bobby Aylward:** It might not come up this year with the drought, particularly in the south east.

**Professor Gerry Boyle:** No, but the issue is whether farmers had been up to capacity before the drought and before this year in producing to what is possible. We can double grass production on most farms and PastureBase Ireland has demonstrated that. We have a Grass

10 programme, which is a four-year programme supported by the Minister and a number of other private companies are involved. We are focusing all our efforts around efficiency but if a farmer, clearly, is not capable of generating the efficiencies in grass production for the stock on his or her farm, that is not a sustainable position. That is the clear message we are trying to send out. I admit it can be difficult at times to get that message across.

**Deputy Bobby Aylward:** With regard the decline of the suckler herd and its viability, especially suckler-to-beef, will Professor Boyle comment on that decline and getting young farmers to continue raising suckler animals and making it a viable proposition? The amount that is realised from a suckler-to-beef herd for a livelihood makes it hard to survive. What research is done on this?

**Professor Gerry Boyle:** The Deputy is absolutely right. Without the basic payment scheme, farmers could not survive on the income levels from suckler farming. According to the Teagasc national farm survey, the typical family income from a suckler farm is about €10,000. That mainly involves the basic payment to the farmer. Clearly there is a viability issue. When one analyses the problem it is not difficult to explain why it is at that level. There is quite a spread of people engaged in suckler farming. Very few of them would be full-time, commercial type farmers. Many of these farmers are older people who perhaps are stepping down from a career in dairy farming or the fattening of animals and they like to be involved in farming. A lot of them are part-time farmers whose livelihood is not dependent on the income from their suckler enterprise. It is, therefore, a very challenging area. There is no escaping the fact that this has not happened today or yesterday. I am in this business a fair long time now at this stage, and we have always had this problem within the suckler industry. The fattening sector is a little better but it is highly variable. The suckler industry, however, has a huge difficulty.

Teagasc tries to emphasise that we can have a win-win pathway for dry stock farmers from dairy, but it will take a while for a mindset change. There are huge opportunities, for example, for dry stock farmers who are expert at managing cattle and herding to rear young animals. There is already a small number of farmers engaging in that and they are doing very well. We also believe there are opportunities for farmers to fatten animals coming off the dairy herd, which was much more common prior to the dairy quota. There are far fewer animals coming off the dairy herd, for example, beef animals, than we had before the dairy quota. There are opportunities there and rather than this false antagonism between dairy and the rest, we should be trying to see how income earning opportunities can be complemented as dairying is moving forward.

**Deputy Bobby Aylward:** What is Professor Boyle's general opinion on the beef data and genomics programme? Those rearing continental breeds, especially the Charolais breeders, say the genomics scheme is destroying the animal because people are choosing small lean animals of between 22 months and 24 months for beef as opposed to the big, honest animals of years ago. This is especially the case with continental breeds. What is Professor Boyle's general opinion of the scheme and the research on it?

**Professor Gerry Boyle:** It will not surprise the Deputy to hear me saying this but I believe it is a really important scheme. Alongside the improvements in efficiencies of grassland use, the second biggest area where we have made substantial advances in the agriculture sector has been in the breeding of animals. We can see the huge benefits in the dairy industry by promoting the economic breeding index, EBI. The difficulty when it comes to the beef animals is that the group is much more heterogeneous in terms of types of breeds and so on. The principle, however, is the same. The beef data and genomics scheme provides us with the hard information

to enable us to improve the efficiency of the breeding indices. I am sure the Deputy is aware that breeding is the one area where there is most discussion, and it is very often emotional and, at times, virulent. The science is very clear. The breeding index is based on science. It is not based on the look of an animal. While it will take longer, the beef data and genomics scheme is the pathway towards improving the quality of the beef herd.

**Deputy Bobby Aylward:** I want to move on to Brexit, which is the white elephant in the room. Does Professor Boyle believe that we are ready for Brexit? We do not know what will happen with regard to Brexit but how is Ireland's agriculture community prepared? Brexit will have a bigger effect on the agriculture community than on any other sector in Ireland. Are we prepared for it or will there be serious consequences arising from whatever outcome emerges from Brexit?

**Professor Gerry Boyle:** Obviously, like everybody in the country, nobody knows what exactly the format of Brexit will be. With regard to Teagasc's responsibilities, we work very closely with the Department and with Bord Bia in particular. Our responsibility relates to the innovation agenda. We have a capability in our economic division and we also have a responsibility around analysing the economic impacts of Brexit as it affects the dairy sector. Teagasc was the first to produce a comprehensive analysis two years ago on the impact of the so-called hard Brexit option. We are all aware of the devastating consequences it would have. In terms of actions to combat Brexit, we have been focusing on identifying opportunities for innovation. If there is to be a silver lining in Brexit, it will be the opportunities presented and the drive to market diversification, which is positive. Most of the markets being identified are outside of Europe.

**Deputy Bobby Aylward:** Are we preparing now or are we waiting for it to happen such that we will then be trying to catch up?

**Professor Gerry Boyle:** I am not fully involved in this area but I am aware that companies are actively engaged in securing their UK markets and in entrenching customer loyalty therein. As members will be aware, a number of companies are building and expanding facilities in the UK. We are interested in the potential that lies in Asian markets, particularly south east Asia. This will require innovation. The example I always give is the outlook for cheddar. We are hugely dependent on the UK market in this regard in that 70% of our cheddar exports are to the UK. The Irish and the British like cheddar but the continentals do not. While other cheeses can be produced on a cheddar platform, we are working with a number of companies to identify a cheese that could be built off a cheddar platform which would be of interest to the Chinese consumer. That is a long haul. Hopefully, we will have a sufficiently long transition period to enable us to bring forward these new products.

The farmer is in a more difficult position in that he or she cannot relocate the farm to the UK. Insofar as we can be of assistance, we are advising farmers to promote, develop and implement efficiency on their farms.

**Deputy Bobby Aylward:** On farm safety, there were 16 farm-related deaths last year. Does Teagasc provide courses on farm safety and what initiatives has it put in place to try to stop these unfortunate tragedies occurring?

**Professor Gerry Boyle:** Farm safety is the remit of our advisory service. We do a significant volume of research on the causes of farm accidents, focusing not only on mortality rates but farmer health in general. We have a specialist adviser dedicated to farm safety. This

person is responsible for training Teagasc advisers throughout the country, of which we have approximately 280, on the latest thinking in regard to reducing accidents on farms. This person also ensures farm safety is on the agenda of all discussion groups on a regular basis. We are in the process of recruiting a second specialist because we think the workload has become too onerous for one specialist. This person also works in collaboration with our frontline advisers. Everything we do on farm safety is in partnership with the Health and Safety Authority, HSA. We work hand in glove with the HSA to deliver our annual farm safety course. Farmers sign up for this course. Along with the HSA, we have identified that awareness is one thing but getting farmers to do the things they know they should be doing is the challenge. For this reason, we have undertaken research to identify the underlying behaviour that causes a man or woman to do something on the farm that he or she knows is hazardous.

There is particular concern at the moment with regard to elderly farmers. Unfortunately, a lot of the tragic accidents in recent times involved elderly farmers, some of them aged 80 plus, overturned tractors and livestock. The reason for this is, we think, pretty obvious. Many young people are taking up jobs off-farm and leaving management of the farm to their elderly relatives. This is an area on which we intend to increase our focus. We also work closely with the Department and other bodies such as the FBD Trust, which has a major farm safety programme, and the committees within the farm organisations. We have been talking about this issue for a long time. Unfortunately, the statistics are still moving in the wrong direction. I do not know the answer.

**Deputy Bobby Aylward:** On the increase of €403,000 in travel and subsistence which the Comptroller and Auditor General referenced in his opening remarks, what was the reason for that increase? Are Teagasc personnel taking trips abroad and so on? I ask Professor Boyle to explain the reason for the increase.

**Professor Gerry Boyle:** There is a breakdown of domestic and foreign trips. The cost for foreign trips is a relatively small component of the overall amount. It is an 8% increase.

**Deputy Bobby Aylward:** It is €403,000.

**Professor Gerry Boyle:** Yes, but it is an 8% increase. First, there was an improvement in subsistence rates, which had been fixed for a number of years, and this accounts for a significant part of the increase. Second, we have additional staff. All of our travel and subsistence is driven by activity levels on farms. Owing to the fodder situation, we have been engaging in more on-farm visits, which gives rise to additional expenses. While we have 45,000 clients, when it comes to fodder advice we give that to non-clients as well, which is another additional cost.

As regards the foreign trips-----

**Deputy Bobby Aylward:** What do the foreign trips entail?

**Professor Gerry Boyle:** In my own case, I was recently on a visit to Colombia at the invitation of the Department of Foreign Affairs and Trade. On foot of the President's visit there last year, it was felt that Teagasc might be able to advise on how farmers could be helped to transition from the FARC-dominated violence in some of the regions. Many of the other trips are directly related to research. Teagasc is involved in research all over the world, but substantially in Europe. We are also involved in joint research projects. For example, we might win a project from the European Union in respect of which there would be partners in other countries and we would have to meet up them, or meet in Brussels. A lot of our activity is increasingly

international, which is another factor in terms of cost. I assure the Deputy that every item of expenditure is rigorously assessed. When an increase arises, the audit committee reviews the reasons for it.

**Deputy Catherine Connolly:** I welcome the witnesses. This is an interesting meeting. I agree that there is huge diversity in the country. I have just returned from north Mayo where I attended an all-day Irish committee. People there feel they are forgotten but I will come back to that in terms of the rural programme.

On governance, am I correct that Teagasc has a board of directors?

**Professor Gerry Boyle:** Yes.

**Deputy Catherine Connolly:** How many members are on the board?

**Professor Gerry Boyle:** There are 11 members, including the chairperson.

**Deputy Catherine Connolly:** Are they appointed by the Minister?

**Professor Gerry Boyle:** Yes.

**Deputy Catherine Connolly:** Do they serve a five-year term?

**Professor Gerry Boyle:** Yes.

**Deputy Catherine Connolly:** Is there provision for members to serve a second five-year term?

**Professor Gerry Boyle:** Yes. The Minister can at his or her discretion renew the term for another five years.

**Deputy Catherine Connolly:** Can a member serve for a third term?

**Professor Gerry Boyle:** No.

**Deputy Catherine Connolly:** A member may only serve for a maximum of two terms.

**Professor Gerry Boyle:** Yes.

**Deputy Catherine Connolly:** Are there any vacancies on the board?

**Professor Gerry Boyle:** As of now, there is one vacancy because the departmental representative has been promoted to Secretary General. We hope the vacancy will be filled soon.

**Deputy Catherine Connolly:** Is Professor Boyle a member of the board?

**Professor Gerry Boyle:** I attend but I am not a director.

**Deputy Catherine Connolly:** It would be remiss of me not to comment on gender balance. There is a great absence of gender balance on that board.

**Professor Gerry Boyle:** There are two women on the board. I agree with the Deputy.

**Deputy Catherine Connolly:** Two out of how many?

**Professor Gerry Boyle:** Two out of 11. It is not satisfactory.

**Deputy Catherine Connolly:** What steps is Teagasc taking with regard to that?

**Professor Gerry Boyle:** We do not make the nominations. The Department-----

**Deputy Catherine Connolly:** We will go back to-----

**Deputy Bobby Aylward:** Let us go back to the Minister.

**Deputy Catherine Connolly:** The men do, I think, in this case. No, I take that back. I will leave it for the Minister. I just highlight it because we had discussions earlier, though not today, about this in the context of value for money. Gender balance will clearly bring more value for money. There are many studies about that. I will leave that.

With regard to governance, I congratulate the witnesses on a clean audit, which is good. Is the audit and risk committee established and sitting?

**Professor Gerry Boyle:** Yes.

**Deputy Catherine Connolly:** It has met on a number of occasions. It is all set out here. The chairperson of the board said he had set up internal audit control. When was that?

**Professor Gerry Boyle:** Like all organisations, we have an internal auditor and a system which has been established for several years.

**Deputy Catherine Connolly:** That is what I want to clarify with Professor Boyle now. Everything looks good on paper. The committee meets the audit and risk committee. I saw a comment that the chairperson of the board has set up internal audit controls. When were they set up? Professor Boyle did not give a date.

**Professor Gerry Boyle:** That may be a misunderstanding. The internal audit system is the executive support to the audit committee.

**Deputy Catherine Connolly:** I understand all that.

**Professor Gerry Boyle:** I have been in the job for 11 years and that has been in place-----

**Deputy Catherine Connolly:** Page 73 indicates Teagasc has an audit and risk committee, which met four times, and that it has also established an internal audit function, which is adequately resourced and conducts an agreed programme of work. That caught my eye. It says it has established it. When was it established?

**Professor Gerry Boyle:** It might be-----

**Deputy Catherine Connolly:** Is it just the way it is written?

**Professor Gerry Boyle:** It is not phrased very well. It has been established for as long as I can remember. We will certainly revise that. I can see why the Deputy might get that impression.

**Deputy Catherine Connolly:** There was an organisation before the committee recently, which had no internal audit function, even though on paper-----

**Professor Gerry Boyle:** We have a strange-----

**Deputy Catherine Connolly:** I would like to believe Professor Boyle but I prefer to see it

on paper. Page 47 refers to the Teagasc national farm survey. I thank Professor Boyle for it. It contains interesting information. Is 84,599 the total number of farms?

**Professor Gerry Boyle:** It is represented by a sample.

**Deputy Catherine Connolly:** I saw that the sample is 800.

**Professor Gerry Boyle:** It represents that number of farms.

**Deputy Catherine Connolly:** I see a huge range. Some 35% of farms earned less than €10,000. Will Professor Boyle explain the regional analysis for me on page 47, tying it back to north Mayo? I have a difficulty with the colour coding about farm viability. It indicates that 30% of farms are vulnerable, 43% are viable and 27% are sustainable.

**Professor Gerry Boyle:** We have particular definitions. Viable farms are farms that generate sufficient income from their farming activity to keep going. Sustainable farms, in addition to commercial income and the basic payment scheme, also take into account whether the family has an off-farm job, for example.

**Deputy Catherine Connolly:** Which 31% of farmers would.

**Professor Gerry Boyle:** We would argue that they are sustainable. The vulnerable are the people who fall into the final category. They do not have an off-farm job and are typically elderly. They might have a low income from their farming activity.

**Deputy Catherine Connolly:** What is the percentage in the west of Ireland, including Galway and Mayo?

**Professor Gerry Boyle:** I do not have that figure immediately available.

**Deputy Catherine Connolly:** Would it be possible to get those figures?

**Professor Gerry Boyle:** We can get them for the Deputy.

**Deputy Catherine Connolly:** Will they include a breakdown of the counties of the west?

**Professor Gerry Boyle:** Probably not on a county basis because the sample numbers would be small at that level. I would hazard that most are in those areas.

**Chairman:** I ask that this information be forwarded to the secretariat.

**Deputy Catherine Connolly:** I will go through Teagasc's mission statement regarding the rural economy and development. What was the purpose in drawing attention to the fact that Teagasc cannot borrow? Is the organisation not allowed to go into an overdraft and not allowed to borrow? I do not know why I received two opening statements.

**Professor Gerry Boyle:** The longer one was meant to be a briefing statement.

**Deputy Catherine Connolly:** That is very good. It was very helpful. The last goal in that one "to enhance organisational ability" - is especially relevant to today's proceedings. Does Professor Boyle believe that Teagasc should be able to borrow money? Is that his purpose in raising it today? If so, what changes have to be made?

**Professor Gerry Boyle:** Under the Act that established Teagasc, we are permitted to borrow but it has to be with the agreement of the two Departments.

**Deputy Catherine Connolly:** I see, and so far, they have said “No”.

**Professor Gerry Boyle:** They have good, sound reasons.

**Deputy Catherine Connolly:** I just wanted to clarify that. I was in the west of Ireland all day on Monday. It was a tale of neglect. We met from 9.30 a.m. to 7.30 p.m. with various groups and co-operatives. Their words were that they feel they are forgotten.

Teagasc’s documents are good. A major point in them is to encourage diversification of the rural economy and enhance the quality of life in rural areas. Will Professor Boyle zone in on how he does that on a fair and equitable basis?

**Professor Gerry Boyle:** I am not sure what the Deputy means by “equitable”.

**Deputy Catherine Connolly:** North Mayo is not my area and I am not interested in votes. The people there feel they are forgotten. I looked at Teagasc’s map. There is no advisory centre in north Mayo. I can pick west Clare or areas in Connemara. I was trying not to be parochial. How does Teagasc work that out as fulfilling its objective with regard to rural development?

**Professor Gerry Boyle:** My own background is in rural development. That was where I did most of my earlier research work. We do not operate on a regional basis. We do not have a plan for each county with regard to activities.

**Deputy Catherine Connolly:** How does Teagasc operate to fulfil that objective?

**Professor Gerry Boyle:** It is through our series of programmes. The most important driver of rural development, in our view, is having viable family farms. That filters down into the rural community, if we can establish solid income-earning farms. That is the first requirement. That part of the world is similar to where I live. I live in a relatively remote and challenging area. We would emphasise the work that we do on sheep production there. We have an active programme under way involving both research at our site in Athenry, which we try to promulgate the messages from, and what we call a better sheep programme, an advisory programme which involves selecting a number of farms around the country that can demonstrate how commercial sheep production can be enhanced. Similarly, with beef, I committed to establishing a beef demonstration farm in the west. We have located one in Athenry for a number of years. That demonstrates to farmers in those regions how they can improve their income-earning activity. On top of that, a big part of this programme relates to succession planning and assisting farmers in moving the farm from one generation to the next.

**Deputy Catherine Connolly:** Can I stop Professor Boyle there? A better way for me to deal with this may be to pursue it afterwards and talk to the Teagasc officials because I will run out of time. I have not used up my time but I am conscious that two more speakers are due to contribute. The perception on the ground from people in some rural areas is that they are being forgotten, and I wonder whether Teagasc could take a proactive approach towards that. I may come back to that because I want to deal with a number of practical things along with climate change. I am looking at the mitigation plan and I am heartened by what Professor Boyle said about the trajectory of dairy farming being contradictory to the aims that we need to meet under climate change. Is that correct?

**Professor Gerry Boyle:** At the present time.

**Deputy Catherine Connolly:** On the mitigation plan, we fought a long battle to get this

legislation and we are clearly not meeting our targets under climate change legislation generally. Has a team been set up in Teagasc on climate change to monitor the targets set out in the mitigation plan? I looked at Teagasc's annual statement and Brexit got two pages. Brexit is very important but it has opportunities associated with it as well as risks. We are in serious trouble with climate change, however, and there is only half of a page on it in Teagasc's report. Will Professor Boyle outline for me what actions Teagasc is taking under the mitigation plan?

**Professor Gerry Boyle:** In terms of actions we have a very active research programme on climate change-----

**Deputy Catherine Connolly:** Does Teagasc have a dedicated team?

**Professor Gerry Boyle:** Yes, we have.

**Deputy Catherine Connolly:** How many are on the team?

**Professor Gerry Boyle:** First, we have a research department dedicated to this which would have several people involved in different areas. Climate change overlaps a number of skill areas-----

**Deputy Catherine Connolly:** I know.

**Professor Gerry Boyle:** We have soils people, water people-----

**Deputy Catherine Connolly:** I understand that and we are listening to that at Government level all of the time-----

**Professor Gerry Boyle:** We have that.

**Deputy Catherine Connolly:** I accept that it crosses all Departments all of the time.

**Professor Gerry Boyle:** We have a specific department for it.

**Deputy Catherine Connolly:** For me, the risk at a political level is that when something crosses a number of Departments, no one really takes charge. I am asking about Teagasc's research team on the ground-----

**Professor Gerry Boyle:** We have a research team and a knowledge transfer team dedicated to sustainability, which includes carbon, water and biodiversity. We also have two large internal working groups drawn from all over the organisation, one on climate change and the other on water. The climate change group would have produced this report that I referred to in response to Deputy Deering, the marginal abatement cost curve, MACC, report - it is a bit of a mouthful - and that is on our website. That is the culmination of the most recent analysis and reflection on climate change.

**Deputy Catherine Connolly:** Teagasc is the lead authority for a number of the actions under the mitigation plan, so if I look this time next year in the annual statements, will I be able to see a report from Teagasc saying it has met its target, it has not met its target, it is on course to reach its targets or it is not on course to reach them? Will we see that kind of detail?

**Professor Gerry Boyle:** I will definitely ensure that there is more material on climate change to reflect what we are doing. As I said, this MACC report is the culmination of all of the work we have been doing in recent years.

**Deputy Catherine Connolly:** I understand that and I do not mean be curt-----

**Professor Gerry Boyle:** My answer is yes.

**Deputy Catherine Connolly:** I would be happier with accountability. I may have picked him up wrong but Professor Boyle said earlier that climate change is not visible. It is very visible. We see it practically every day. Plans have been set with clear objectives and I would like to see Teagasc, as the lead authority, saying what targets it has met, what targets it has not met and explaining the reasons. There is a need for that.

**Professor Gerry Boyle:** That is a fair point. There is one area where that is the case. Under Food Harvest 2020 and Food Wise 2025, there is an implementation committee chaired by the Minister which meets every six weeks or so. All of the actions and achievements are clearly set out there. What the Deputy is referring to is done in the context of those meetings.

**Deputy Catherine Connolly:** To look at some practical things, on page 94 of the accounts, I wish to examine the financial charges. If the other speakers are going to look at these details, I will stop and let them do so. There was a big jump between 2016 and 2017 in financial charges. It went from €95,000 up to €439,000. Will the witnesses clarify those financial charges for me?

**Ms Susan Kearney:** I am not sure exactly what they are but what I can say on financial charges is that our charges have increased because whereas we would have earned some deposit interest from our funds which we had in the bank, that is now becoming more difficult because the banks operate-----

**Deputy Catherine Connolly:** I ask the Chair that we note that because there is a significant difference. On the grants to private colleges on note 28 which is on page 94 as well, will the witnesses explain that to me? There are three colleges, one of which is in my county although Mountbellew is not in my area. Will the witnesses explain the rationale behind that?

**Professor Gerry Boyle:** There are three colleges. There is Gurteen College, the Salesians run the Salesian Agricultural College in Pallaskenry, and the Franciscans run the Mountbellew Agricultural College. They provide educational courses on behalf of Teagasc in their communities and therefore Teagasc is required to subvent a substantial number of the staff at those colleges. We also second staff there who are on our payroll, but that is a separate matter. Additionally, we are required to assist in the maintenance of those facilities insofar as we can because the entities in question do not have the resources. We supply a small amount of funding every year to help with basic maintenance. These are a very important resource to Teagasc in delivering education throughout the country-----

**Deputy Catherine Connolly:** We understand that, but what is the framework for governance of it and monitoring it?

**Professor Gerry Boyle:** We have a service level agreement with all of the colleges, for example, and that is the main mechanism through which both the audit committee in Teagasc and the Teagasc authority are satisfied that governance is appropriate because we try to make sure that they are run on the same basis as the overall Teagasc programmes.

**Deputy Catherine Connolly:** I have many more questions but I will stop.

**Chairman:** Deputies O'Connell and Burke are next, but we said that we would try to finish before the vote, so I ask them to be brief.

**Deputy Kate O'Connell:** Professor Boyle was asked a question earlier about building up capital reserves and Teagasc sold assets in 2016. Going forward, how sustainable is it to sell assets to fund daily operations? He said that "this fund will be ring-fenced and only used as we need it". That seems to me to be contradictory so perhaps Professor Boyle might clarify what he meant by that.

On the wage bill where two thirds of the budget goes on pay and pensions, I understand that it is not the same model as any business but could someone outline how this compares internationally, perhaps with the United Kingdom equivalent? Is it normal to have two thirds of the total spend going on pensions and wages?

On the 18,000 ha of land owned by Teagasc, will someone tell me what percentage of that is in forestry? Is that managed by Coillte or Teagasc?

One of the speakers asked about who decided what assets to sell. We did not get an answer on that. We were talking about the Kinsealy site. Who prioritised what lands should be disposed of in that rationalisation programme and is there a list of those assets anywhere?

On the fodder crisis, in relation to which we have had a number of incidents in the past year, many of the EU directives refer to farming by calendar. During the summer at the start of the good weather in July, in areas of Ireland such as the west and the midlands, many farmers wanted to cut hay early. As it turned out the weather stayed good longer than anticipated and it all worked out well in the end. Will Professor Boyle give his view on the wisdom of farming by calendar while on the other hand speaking about erratic climate incidents? It does not make sense to me that on the one hand there are rigid timeframes for cutting silage or hay or spreading slurry and then on the other hand to say that weather changes and it is unlikely to be a one-off, as one of the witnesses said earlier. If we look to the future of farming, that incident caused a lot of stress to farmers over the summer months because they were worrying about the winter ahead of their animals. Is there anything the professor can suggest that we can do to mitigate some of that concern and worry?

The professor said - maybe I misinterpreted him - that most farms could double their grass output, which would obviously offset a fodder incident. Could he give us some examples of how he is getting down to the grassroots farmers? I am sure it is like anything in that it is probably those who need it the most do not engage in the process. Could the professor speak to that?

On the six research facilities, I would imagine that these facilities do a lot of work with disease control and testing. Do these facilities do testing for other countries? What I am getting at here is how prepared those research facilities are for Brexit. Can Professor Boyle elaborate on the cross-Border and UK relationships in this respect?

**Professor Gerry Boyle:** I will clarify our attempts and determination in recent years to build up a small capital reserve. This is for managing cashflow. We do not spend these resources on current expenditure. It is simply to manage the gap between the timing of doing the work and getting the income in. That is the problem we have. A company in this situation would normally have overdraft facilities. We do not have overdraft facilities.

**Deputy Kate O'Connell:** It is like a bridging loan.

**Professor Gerry Boyle:** We would prefer to be using these resources for longer-term capital requirements, but at the same time we have to be prudent in managing cashflow. At present, this is the only way we see of doing that.

As to the question on pay and pensions, I do not have the comparable figure for international organisations, but my strong view would be, from my knowledge of these organisations, that we are very similar. A research organisation is people-heavy, so to speak. All our research staff would be at PhD level, so there would tend to be on higher grade salaries relative to the rest of the public sector. I do not have the data at present, but bodies like Institut National de la Recherche Agronomique, INRA, or Scotland's Rural College, SRUC, Rothamsted in the UK or any of these bodies would have a very similar structure.

On the forestry area, we do not have that information, but I will get that for the committee. We have forests on a lot of our sites. In Moorepark, we have a small forest area around the periphery on the Dungarvan-Lismore Road, and significant forestry in Oak Park. The Deputy is probably aware that a number of years ago the Teagasc authority, with the consent of the Government, handed over a forest and lake area for recreational purposes to the people of Carlow. There is about 50 ha involved in that, but we also have forest on site. We have forest in Ballyhaise and in Johnstown Castle. We conduct a certain amount of research on those activities. We can extract that figure for the Deputy, by site.

On the question of who decides to sell the assets, the process is well set out. During the rationalisation programme that issue obviously came to a head. The management proposed a series of criteria by which assets would be sold. We were dealing with a particular challenging period in the financial history of the country, so there was an absolute necessity to rationalise, which was the context. Management proposed a series of criteria on which, for example, an advisory office would be closed. As one might expect, that included the usage of the office the farmers in the hinterland and the state and age of the office and so on. Then, the authority adopted these criteria, following consultation, and we came forward with a list of properties that were deemed suitable to sell. The authority decided *en bloc* and stuck with that decision. Given the number of offices we have around the country, it is a very difficult thing to sell even one office. By having a set of criteria, we managed to get buy-in for the entire suite of rationalisation, including the sale of the Kinsealy offices. That was the basis and it had to be approved subsequently by the Ministers.

The Deputy raised a very difficult question on farming by calendar. The popular view among some farmers is that we should move to farming by calendar. One might think that is the sensible way to go. My colleagues, when they have looked at this, found that it can give rise to unexpected implications. It is not as straightforward as it might seem. I believe that the current system, while it has disadvantages, is useful. This year is a good example, where the Minister has been able to exercise flexibility in how it is implemented. We have the best of both worlds. One thing that is very important here is there is at least certainty with the current system. People know exactly on what day they have to cease spreading slurry and what day they can commence. That is useful for a lot of people. If there is a crisis situation, where that does not make sense, one needs the flexibility and, by and large, it has been demonstrated. There a number of ways one could view that issue. I do not think it is entirely straightforward.

On the point I made on the potential to grow grass, it is a massive challenge. It is one of our key performance indicators, KPIs, and we track that each year. We have a trend now. While there has been growth in grass utilisation, it has not been as we would have liked. It has grown over the last three or four years, averaging out the extremes. It is a huge puzzle because our research colleagues estimate that every extra tonne of grass utilised is worth about €180 per hectare for a dairy farmer and about €105 for a beef farmer. What are we doing about it?

We have a number of programmes in place in recent years. We have invested a lot in devel-

oping a whole methodology for measuring grass. On the front of our report, there is a photograph of colleagues engaged in that activity. We have set up a programme called PastureBase Ireland. This allows us to track grass growth performance right around of the country. With that information, we can benchmark. If one is a farmer in west Tipperary and is interested in what one's colleagues in east Limerick are doing, a comparison can be made with their performance. Benchmarking has proved to be a useful tool to improve performance. That data is published regularly and is very much like a weather map and has been very useful in the last year, in particular, in tracking the impact of the fodder situation, because grass growth diminished particularly during the drought. That is one tool. This is an example of precision agriculture at work in the dairy sector, in particular, although the technology can be used elsewhere. We can learn a huge amount from that information. It is unique worldwide and we are talking to the New Zealanders and the Australians about using that technology. Hopefully, they will buy it off us.

We also have a programme in place to promote the utilisation of grass more aggressively. It is called Grass 10 and we are in the second year of a four year programme. The ten stand for a target of ten tonnes, utilised grass per hectare, which is a little less ambitious than what I said, but it is considered to be a reasonable target. Ten also stands for the number of grazings that we would advocate farmers to conduct during the season, because there is a high correlation between grazings and production and utilisation. That is strongly supported by the Department and is also supported by a number of companies. The biggest challenge we face as an organisation is to persuade farmers to adopt these kinds of technologies with regard to grass in particular. I will give the committee an example. As I said, there are two main technologies that we have been promoting within Teagasc. One is breeding technology. There has been huge success in this area as we have been working with the Irish Cattle Breeding Federation, ICBF, and the artificial insemination companies. The adoption of the economic breeding index, EBI, has been very successful, for example. Grassland faces a massive challenge and we have not yet cracked how we can encourage farmers to make the transition to what is clearly in their interests and what is also very important from an environmental point of view.

On the Deputy's final question in respect of disease control, we do not have responsibility in that area. We do have responsibility in respect one dimension or aspect, that of food safety. We do a lot of research around food safety from our Ashtown site, and we are also the national laboratory for the analysis of residues in meat. We liaise with the Department regularly in regard to that area. As far as the general economic diseases are concerned, we work very closely with Animal Health Ireland. That is where we feature. We also work closely with the Department in that area. We have joint programmes under way and we subvent or provide a contribution to the work of Animal Health Ireland to enable it to recruit a technical officer.

**Deputy Kate O'Connell:** I thank Professor Boyle.

**Chairman:** I want to let Deputy Burke in because we will be caught for time in a few minutes. I know time is tight.

**Deputy Peter Burke:** I thank the Cathaoirleach. I thank the witnesses for their attendance. I have a few brief questions. First, I am not impressed that we could not get a detailed explanation for the financial charges in the accounts when we have the head of finance and the chief operations officer before us. An increase of 362% is substantial. We should be able to detail that in the accounts. That disappoints me. On Teagasc's investment strategy, a part of its model involves doing farm works and advising farmers in organic practices. Is that correct?

**Professor Gerry Boyle:** Yes, it is a relatively small part.

**Deputy Peter Burke:** It is a small part. I was wondering about how that circle is squared. I see Teagasc has investments in private companies. It is an ordinary shareholder in Glanbia, Kerry Group and Lakeland as part of its business model. Their business models involve selling fertilisers. Another key part is to sell animal remedies etc. How does Professor Boyle safeguard his organisation in promoting organic farming when it, in theory, benefits from share dividends and investments in private companies, part of whose business model contradicts organic farming?

**Professor Gerry Boyle:** To be clear, the reason we have those investments is that we supply milk from several farms around the country. We automatically receive shares on foot of that. It is not that we go out and actively seek to invest in these companies. It is something-----

**Deputy Peter Burke:** How does Teagasc safeguard in terms of-----

**Professor Gerry Boyle:** That is a very good point. To add to and complement that point, we have a number of what we call joint programmes with virtually all the dairy co-ops in the country. We jointly agree a programme of advisory activity. We pride ourselves on our independence. In the contracts we draw up with all of those co-ops, and it arises specifically and directly in the case of what we call the joint programmes, we only agree to a programme of activity which absolutely does not compromise our independence. Again, the process goes through the internal committee, the advisory and research committee of the organisation.

**Deputy Peter Burke:** Does Teagasc have to accept shares in respect of the sale of milk? Does it not have a choice in that?

**Professor Gerry Boyle:** I do not think so. As far as I am aware, we do not have a choice. Every farmer who supplies milk gets shares. It is part of the deal.

**Deputy Peter Burke:** I know, but this is different from farmers. This is a State organisation. That is where my concerns arise.

**Professor Gerry Boyle:** I want to be very clear about this. In no way does that compromise our independence. I have given the Deputy the example of a situation where, separate to this matter, we have these joint programmes in which we draw up a specific contract with the same co-ops. These contracts might have regard to improvement in protein on farms, reducing carbon footprint, or whatever else it might be. The Deputy is right. It is a challenging issue. It is very challenging. It is something we repeatedly discuss at the full authority level. The question always comes back to me being asked by the chairman or members of the authority whether I am absolutely sure that Teagasc's independence is not compromised.

**Deputy Peter Burke:** In terms of Teagasc's livestock, from the holdings listed in the accounts, I note that its stock increased by more than 20% but that the mortality rate of livestock and the value thereof increased by 73%. There seems to have been a significant increase in the number of stock that died on the holdings. Is there any reason for that?

**Professor Gerry Boyle:** We can provide detailed mortality figures by farm. As I say, we have several farms around the country. We certainly perform exceptionally well in terms of mortality rates. We have to as an organisation.

**Deputy Peter Burke:** It is a big increase however. Teagasc's stock increased by approximately 24.5% but the mortality rate seems to be creeping up. It is up at 4% of total stock now. It is a little bit disproportionate in terms of the value. Is there any detailed reason for that?

**Professor Gerry Boyle:** I am not aware of any. I would consider that a significant change. Livestock values went up dramatically in that particular year because of the market situation. This was natural enough as it was a very good year for dairy and so on. The mortality figure, however-----

**Deputy Peter Burke:** I would imagine breeding stock is held at a reduced value for accounting purposes, so one would imagine that values should not impact on that figure. Neither should breeding new stock in because it would not have hit the marketplace yet.

**Professor Gerry Boyle:** If the Deputy does not mind, I will ask my head of finance to deal with that question.

**Ms Susan Kearney:** We value the stock at market value as set out in our market policy. At the bottom of page 89, under the heading “2.11 Inventory”, it states:

Livestock and own farm produce are valued at the fair value model. Fair value is determined on the basis that animals are sold on the open market. Gains and losses, which arise from these valuations, are reflected in full in operational income.

**Deputy Peter Burke:** That does not explain what happened. I can move on. The witnesses said Teagasc has service level agreements with private third level colleges for any moneys paid. On page 78 of the annual report, €175,000 for tax advice is mentioned. What is the nature of that advice?

**Professor Gerry Boyle:** If the Deputy does not mind, I will again ask our head of finance to answer his question.

**Ms Susan Kearney:** We avail of the services of a tax expert to get advice on a range of tax matters, including VAT compliance, issues around sales of properties, and issues around the various types of activities in which we are involved. We are involved in a range of activities which have different VAT statuses. Our research activities and the advisory services we provide to farmers, as compared with the advisory services we provide to the Department of Agriculture, Food and the Marine, have different statuses. Tax compliance is a very high priority in Teagasc so we avail of expert advice to ensure that we maintain compliance. We would also take other financial advice from time to time. That figure would not be entirely for tax advice, but tax would be a main component of it.

**Deputy Peter Burke:** Would the figure for that year be considered high?

**Ms Susan Kearney:** It has been higher in recent years than it would have been in the past, but compliance seems to become ever more onerous.

**Deputy Peter Burke:** Under other consultancy costs there is a figure of €345,000. What is the nature of that? It is on the same page.

**Ms Susan Kearney:** I have some detail on that. The €345,000 includes €19,000 for consultancy on Moodle, which is an educational tool in college, some work done by an external agency on means-testing student grants, an evaluation of our library service, and payments made to UCD and UCC for expertise of which we availed. There was also spend on consultants associated with the project in Johnstown Castle to develop a tourism centre. The castle was formerly used for research but it is not appropriate for that use. Some of the spend was also on organising international conferences and other things. The amount includes a range of issues.

**Professor Gerry Boyle:** As it happens, we have the details with us and we can make them available directly after the meeting.

**Deputy Peter Burke:** The highest overtime payment was €23,000 to one individual. The details are in note 9 on page 96. How is overtime recorded? Is there a computerised system? Does Teagasc consider this amount significant?

**Professor Gerry Boyle:** The particular case identified is someone who is on call over week-ends for milking activities. That is why it arises.

**Deputy Peter Burke:** Is he contracted out to farmers?

**Professor Gerry Boyle:** No.

**Deputy Peter Burke:** This is Teagasc's own milking.

**Professor Gerry Boyle:** Yes, it is our own stock that has to be milked.

**Deputy Peter Burke:** I thought that should be easy to manage with a basic core salary for milking. We know when cows have to be milked. It is not something that changes. It is not irregular.

**Professor Gerry Boyle:** The individual is on a very low salary and it is not-----

**Deputy Peter Burke:** The basic salary level is not reflective of the work he is doing.

**Professor Gerry Boyle:** He is an operative. He is a milker. It is a very low salary and when we take this into account on top of the overtime-----

**Deputy Peter Burke:** Is he the only individual who is anywhere near the rate of €22,000 or €23,000 that we saw in previous years? Is it one individual each year?

**Professor Gerry Boyle:** I think it is the same person.

**Deputy Peter Burke:** No one else is near that figure.

**Professor Gerry Boyle:** I do not have the distribution. He was certainly the outstanding case to which we drew the attention of the committee in the report. We can certainly get the distribution.

**Deputy Peter Burke:** That is okay. I had better go to vote.

**Professor Gerry Boyle:** There are not many people in that situation.

**Chairman:** I will proceed with a few questions. The vote in the Dáil is on but I will carry on. Committee members have put their questions and I will ask a few more to complete the process.

Deputy Aylward touched on the issue of fatalities. Teagasc provides agricultural advice and the farmers are its clients. I have read the report. Health and safety is mentioned on page 51, and I know Dr. Jim Phelan has been active in this area, but I do not get a feel from the report that it is a significant priority for Teagasc. What I mean by this is we know it is a priority but it is not an adequate priority. On page 51, it states that in 2017 a total of 24 people died in accidents on Irish farms, which was an increase of three on the 2016 number. To date this year, I believe there have been 16 or 17 farm deaths. The very next sentence of the report states that Teagasc

works with a number of partners to promote health and safety among rural stakeholders. In the first paragraph on this issue Teagasc outsources much of the issue. Even though everyone is concerned about this, I get the feeling no one has ownership when it comes to dealing with the problem. It is a health and safety issue. If there is a farm death, the Health and Safety Authority conducts the investigation, not Teagasc.

**Professor Gerry Boyle:** That is correct.

**Chairman:** Even though Teagasc is the body that deals with farmers on an ongoing basis, it is the Health and Safety Authority that is responsible for health and safety and investigating farm accidents where there are deaths. I heard a debate this week in the Dáil from which I understand that many agencies are involved in health and safety. Various Departments can have a stake in health and safety issues, and I am sure the Department of Agriculture, Food and the Marine has a role. Teagasc has a role, as does the Health and Safety Authority. I get the feeling that no one is taking full ownership of the issue. I would have hoped it was Teagasc that did so. I know that when something goes wrong, we have a statutory body to investigate it.

This point has been touched on a little and I ask Professor Boyle to give us a bit more information on the age profile of those involved in accidents. All of us who live in rural Ireland have come across the situation of an old man out on his own trying to do what he used to do and do the work of three people. He is not able to do it and should not be doing it. We also have five year old children running around behind tractors. All of these accidents are tragic. Will Professor Boyle give us an age breakdown of all of the deaths?

Many younger people now work off the farms. We are all talking about the situation this creates but we are not doing much about it. A few years ago, I used to meet farmers who would tell me they had never been as well off as they were in the farm retirement scheme. They had never had as much money in their working lives. Many of those farms were vulnerable and not viable. Now I meet farmers in their 70s who tell me they are working harder than they ever did because their sons are trying to hold down a day job. We have 70 year old farmers out on their own with big machines and big tough animals. I feel there is a growing risk. It is a reflection of where we are in rural Ireland at present. Will Professor Boyle also give us details on how many people involved in accidents were farming on their own at the time? We have all heard of tragic accidents where a lot of time had elapsed before someone spotted there was a problem.

I am trying to spur on Teagasc to do more in this area. This is where I am coming from. I do not get it. Teagasc has trained its staff through events it has run. The staff it sends to farms have had training. Professor Boyle has told us the Teagasc national safety conference took place in Clare last November. How many farmers attend these events? Teagasc's staff and consultants, the consultants who do reports for farmers and representatives from some farmers' organisations attend. We feel bad when farm accidents happen and they are the biggest cause of workplace fatalities in Ireland. This should not be the case. Industry has been forced to take quite a step up and I do not think farmers have. I ask Professor Boyle to reflect, come back and give us a bit more information. No one is specifically responsible. This is a plea from rural Ireland to help. Professor Boyle knows all about this, but I would like a greater emphasis on it.

With regard to Teagasc's financial statements, I always ask a basic question when I do not understand something. If I do not understand something, I am quite sure I am not alone in that regard. The Teagasc representatives understand what it means in the financial statements. The financial statements contain the heading "knowledge transfer", which seems to be a very big source of income and expenditure. It is a significant part of the accounts. Teagasc's income

also includes operations income, research income and Oireachtas grants, but knowledge transfer is a big part of it. Will Professor Boyle explain to the people watching this, who are not familiar with Teagasc financial statements, what this is all about? What does the heading mean?

**Professor Gerry Boyle:** The Chairman has raised an interesting point. We are very used to the terminology. Knowledge transfer activity in Teagasc embraces two divisions. Our advisory activity, whereby we have offices throughout the country, is one branch. We have a dedicated head of that activity. We also have 284 front-line advisers in the field who are backed up by an administrative support team and so on. The other branch covers our educational activity. It comprises the four Teagasc colleges and all of their teachers, technicians and farmer staff. In recent years we have taken on some contract lecturers because of the big growth in demand for part-time courses. We generate income on both sides. Advisory fee income in the accounts last year was €11.8 million. The figure for educational activity was about €5 million or €6 million.

**Chairman:** Where was that shown in the accounts?

**Professor Gerry Boyle:** It is there somewhere.

**Chairman:** It is on page 93. There is a figure of €18.9 million for knowledge transfer operational income.

**Professor Gerry Boyle:** It is there somewhere because-----

**Chairman:** Someone who is familiar with the document will know.

**Professor Gerry Boyle:** There is course fee income.

**Chairman:** Where is that shown?

**Professor Gerry Boyle:** Under the heading of knowledge transfer.

**Mr. Seamus McCarthy:** In the breakdown.

**Professor Gerry Boyle:** It is over €5 million.

**Chairman:** Which forms part of the sum of €18.9 million.

**Professor Gerry Boyle:** Yes. We have a variety of charges for all courses. About 7,000 students passed through Teagasc last year in courses of different duration, both full-time and part-time. There is associated expenditure. We have large a number of staff.

**Chairman:** I am looking at the figures and need a little help with them in order that people will be able to understand them. I am looking at page 93 which shows that the operational income of the knowledge transfer section was €18.9 million. If I turn to page 95 and look at the analysis of general operating expenses, the knowledge transfer box includes a sum of €13.6 million. Am I comparing like with like?

**Mr. Seamus McCarthy:** One is for income and one is for expenditure.

**Chairman:** I am on the same topic.

**Professor Gerry Boyle:** Obviously, it excludes salaries.

**Chairman:** Therefore, it is not an exact comparison. Will Professor Boyle fill in the picture for me?

**Professor Gerry Boyle:** Where are the salaries-----

**Chairman:** Where is the pay figure associated with that activity?

**Professor Gerry Boyle:** The pay bill is included on page 94. It is €31.19 million.

**Chairman:** What is the associated pay figure in respect of knowledge transfer?

**Professor Gerry Boyle:** That is it.

**Chairman:** The sum of €31.19 million.

**Professor Gerry Boyle:** Yes. It is for the two categories - advisers and staff in the colleges.

**Chairman:** Will Professor Boyle send us a breakdown of the operational income of the knowledge transfer unit? Will he break it down between advice and education and salaries?

**Professor Gerry Boyle:** Yes.

**Chairman:** Expenditure also.

**Professor Gerry Boyle:** Absolutely.

**Chairman:** Just in order that we can get a feel for it. We have mentioned that the profit figure was down significantly. I recall that the operating surplus was down from approximately €8 million to €5 million. I am trying to figure out where in the divisions - operations, knowledge transfer and research - the reduction in profit occurred, as in the case of income, salaries and expenses. The figure for Teagasc is down by €3 million. Can Professor Boyle give me a headline on the divisions in which the loss occurred? The profit figure decreased from €8 million in 2016 to €5 million. Does he want to send us a schedule? He can see my obvious question. I am looking at the breakdown under these headings and know that the financial statements are right, but they do not show that information.

**Professor Gerry Boyle:** There was a substantial saving in 2016. We managed to squirrel away resources across the organisation, but we can certainly allocate it to educational and advisory activities.

**Chairman:** I am not querying the figures, but I am asking the question as someone who is not as familiar with the accounts as Professor Boyle is.

**Professor Gerry Boyle:** As I said at the beginning, normally we do not want to have a surplus. We have to hit a balanced budget on 31 December. That is normal. In recent years we have had to build up a reserve. In some years it is not possible-----

**Chairman:** Some believe farmers are not benefiting fully from the income received if Teagasc is on a drive to increase profitability or activity when it is meant to break even.

**Professor Gerry Boyle:** The point is-----

**Chairman:** Does Professor Boyle understand what people might think?

**Professor Gerry Boyle:** Yes, but we have to be prudent in managing our cash flow.

**Chairman:** I know that. Professor Boyle can send-----

**Professor Gerry Boyle:** Absolutely.

**Chairman:** I will call it a breakdown that a non-Teagasc person could understand. I will put it that way.

The third item on page 95 is rents, rates and insurance. Where is Teagasc renting? Are there some situations where Teagasc rents premises? Is there much paid in rent? Will Professor Boyle give us a breakdown of the rents paid and the location of premises?

**Professor Gerry Boyle:** We rent both land and premises.

**Chairman:** Professor Boyle can send us a schedule indicating what is paid in rent.

**Professor Gerry Boyle:** Absolutely. That will be no problem.

**Chairman:** Why is Teagasc renting land if it has 1,800 ha available?

**Professor Gerry Boyle:** If one takes Moorepark as an example, we own a core amount of land surrounding the facility. It is programme-driven. We have rented land from Dairygold because we are rolling out a new programme for next generation dairy herd precision farming. We fund that activity from a variety of sources. Much of the time we generate research income that enables us to take on a new programme. That is often the driver. We are very careful about the land we rent. It is a question I ask continually when there a proposal is made. There has been none in recent years. Everything has to be programme-driven. If something makes sense, we will rent. We own most of our offices, but if there is an area where we have an office or think we need one and it makes more sense to rent rather than commit to a new build, we will rent.

**Chairman:** I will not go into the detail, but I have noticed an unusual situation which I have not seen too often. It involves deferred income. I will try to put it simply because I have only had a quick look at it. I get the impression that if Enterprise Ireland gives Teagasc a grant of a couple of million to do a job, if Teagasc does the job, the income is recorded in that year. If Enterprise Ireland gives Teagasc €3 million and it lodges it in its bank account and has to do the work the following year, it holds it as deferred income. It does not come within current income and is recorded as income in the year Teagasc incurs the expenditure.

**Professor Gerry Boyle:** Yes.

**Chairman:** Why would anyone pay Teagasc upfront to do work, which means that it has to be held as deferred income?

**Professor Gerry Boyle:** It is the typical way in which research is funded.

**Mr. Seamus McCarthy:** The same happens in third level institutions.

**Professor Gerry Boyle:** The very same happens in UCD or UCC. The programmes are multiannual. We do not get all of the money. We receive a certain amount upfront. We have to have resources to start the job and then the problem is usually at the other end because when we finish the project and invoice for it, it can take a long time to receive the balance of the moneys.

**Chairman:** Sometimes it might not be a one-year issue.

**Professor Gerry Boyle:** They are all multiannual programmes.

**Chairman:** It is a rolling issue.

**Professor Gerry Boyle:** A typical research project is for a period of three to four years. The other component is that we can only commit to capital investment if the resources are in place. Therefore, with capital funds, there is about €6 million of the €20 million available where we have a commitment to build infrastructure over a period of time. The money has to be in place.

**Chairman:** Teagasc has the cash.

**Professor Gerry Boyle:** We have to have it.

**Chairman:** Teagasc has the cash.

**Professor Gerry Boyle:** That is one of the key requirements in proceeding with infrastructural development.

**Chairman:** Will Professor Boyle talk to me about taxation? Teagasc made a profit of €5 million in the previous year. A figure of €8 million is also referred to. How much did Teagasc pay in corporation tax or income tax? A lot of its money comes from the Exchequer grant. I do not know if the income from it is deemed to be exempt, but Teagasc has other income.

**Ms Susan Kearney:** As Teagasc has charitable status, it is not liable to income tax.

**Chairman:** Teagasc is a charity.

**Ms Susan Kearney:** Correct. There is a small element of taxation which is attributable to the subsidiary company Moorepark Technology Limited which is run on a commercial basis. The profits it generates are subject to corporation tax. However, Teagasc has charitable status from the Revenue Commissioners and does not pay income tax. We are subject to-----

**Chairman:** VAT and PAYE. Of course.

**Ms Susan Kearney:** -----payroll tax, VAT and so on, just not tax on profits. As has been discussed here already, however, we are not in the profit-making business in any event so it balances out over time. We do not build up surpluses and we are not subject to-----

**Chairman:** Will Ms Kearney explain why there is a big figure in here of €110 million in deferred tax if she is telling me that Teagasc never pays tax? It is stated in note 22 on page 110 that €110 million has been provided for under "Provisions for liabilities - Deferred tax". If Teagasc is not liable for tax, why is that provision in there?

**Ms Susan Kearney:** That is €110,000, and the Chairman will see that is-----

**Chairman:** Sorry, €110,000. That is a small figure.

**Ms Susan Kearney:** Yes. The Chairman will see that comes in under the group-----

**Professor Gerry Boyle:** It relates to the Moorepark facility.

**Chairman:** I want to ask about Moorepark. I ask our guests to bear with me a moment. I saw in a note somewhere that Teagasc has a 57% shareholding in-----

**Professor Gerry Boyle:** Yes.

**Chairman:** It is in note 14 on page 106. I just do not understand how the two work together. This comes under investments. On investments, I understand what Deputy Burke said, namely, that Teagasc might have a conflict of interest with shareholding in the co-operatives. I refer

to the figure of €438,000. It is not major. Teagasc can always sell its shares. Let us be clear: farmers can get shares. They are entitled to sell them if they want. What I found unusual in this is the question whether it showed a bias towards the dairy industry. I do not see any shares in meat processing. I know Teagasc says it got the shares just because it was-----

**Professor Gerry Boyle:** It does not arise in this case. We sell animals to the marts and so on.

**Chairman:** It is funny. When I read that, I said to myself, “Teagasc only has shares in the dairy industry.” I think we have dealt with that, though.

It is stated, “Teagasc has invested €650 in Moorepark Technology Limited and has a 57% holding in the paid up share capital of the company.” Who has the other 43%?

**Professor Gerry Boyle:** Moorepark Technology Limited was set up in the early 1990s. It was a collaboration between us and the dairy industry. Not all of those in the dairy industry had joined up and were involved in the shareholding or contributed to the equity of the company at the time. In the first tranche of activity, I believe Enterprise Ireland was involved as well. In recent years, we have sought additional investment of €10 million to upgrade the facilities in light of Brexit and everything else, and Enterprise Ireland dropped out. It is not currently a shareholder.

**Chairman:** Who are the shareholders who own the 43% then?

**Professor Gerry Boyle:** They are most of the dairy companies, the likes of Glanbia, Dairygold, the co-operatives, Kerry Group, Tipperary Co-op, Arrabawn and, I think, Aurivo. Is Aurivo there? One or two of them are not there and I do not want to-----

**Chairman:** It does not matter. They are small.

**Professor Gerry Boyle:** Yes.

**Chairman:** It is a small amount. At the top of page 110, note 25 states, “The non-controlling interest comprises shares in Moorepark Technology Limited.” I do not get how Teagasc has a 57% controlling shareholding in note 14 and then has a non-controlling interest in note 25.

**Ms Susan Kearney:** I will answer that question. In our consolidated statement of income and expenditure on page 80, those are the combined results for Teagasc and Moorepark Technology Limited. At the bottom of that statement it states that the surplus attributable to Teagasc is €2.28 million and that is attributable to non-controlling interest is €118,000. Note 25, to which the Chairman referred, on page 110 explains that the non-controlling interest is Moorepark Technology Limited. What this is explaining is that the amount of the surplus there that is not attributable Teagasc is attributable to Moorepark Technology Limited.

**Chairman:** The non-controlling interest.

**Ms Susan Kearney:** Yes. We have only one subsidiary, which is Moorepark Technology Limited. The financial reporting standards require the terminology “non-controlling interest”, but basically it is the amount that is not attributable to Teagasc.

**Mr. Seamus McCarthy:** Yes, it is undistributed-----

**Chairman:** I understand. Note 25 does not relate to the 57% but rather to the 43%.

**Mr. Seamus McCarthy:** Exactly.

**Chairman:** It is all the same company.

**Mr. Seamus McCarthy:** The same companies.

**Chairman:** That is the 43%. We are nearly there.

**Mr. Seamus McCarthy:** The accounting standards are fairly prescriptive about certain matters, this being one of them.

**Chairman:** I am nearly there now. I do not know whether I have anything else to raise. I think I am really on the last point or two. I have mentioned the deferred income, which the witnesses have explained, the taxation issue and the controlling interest. I know these relate to the accounting side.

The final issue is Johnstown Castle - the building. It is stated in note 13, under "Heritage assets", that most of the assets Teagasc lists are capitalised at original cost. There is a great amount of reserve accounting in there. Teagasc has an awful lot of assets that it does not include because they are heritage assets and Teagasc says it would be impossible to get an objective valuation of them on a comparable basis. What is included in Teagasc's assets in respect of Johnstown? Is it just the building or the land?

**Professor Gerry Boyle:** May I ask the CEO to deal with that?

**Chairman:** Yes.

**Professor Gerry Boyle:** He is directly responsible for the current development project on the site.

**Mr. Tom Doherty:** Johnstown comprises 950 acres of land - that is the estate - but within the estate there is about 120 acres of gardens and lakes and a castle. Part of the condition under which these were passed over to the State was that we could not use them for any other purposes, so-----

**Chairman:** For what purpose? Is it for agricultural-----

**Mr. Tom Doherty:** The castle was initially transferred to the State for ley agricultural purposes. We built new facilities in the 2000s and the castle became surplus to requirements. As a result, we have the castle and the gardens and we must maintain them as part of the agreement of transfer to the State. We occupy other purpose-built laboratories and offices now on the estate, as do the Department of Agriculture, Food and the Marine and the Environmental Protection Agency, and we do actively farm the balance of the land. We use it for research purposes.

**Chairman:** When was that bequeathed to the State? In what year?

**Mr. Tom Doherty:** About 1945.

**Chairman:** As long ago as that.

**Mr. Tom Doherty:** Yes.

**Chairman:** I just happened to visit the castle during the summer. I had a beautiful walk in the garden, with the branches of the lovely trees hanging down over the lakes. It is fantastic.

It was my first time there. The one thing that saddened me was that I went up to the castle and looked inside - as the witnesses know, one can walk right up and look in the windows - and it looked very shabby. Some of the floorboards were not in great nick. I did not even do a tour of the grounds. It would only take a couple of people to tidy it. I accept that a major renovation may be required and that is almost beyond the scope-----

**Mr. Tom Doherty:** No, that is ongoing.

**Professor Gerry Boyle:** It is under way.

**Chairman:** Right, so work has started since I was there.

**Professor Gerry Boyle:** There is a €7.5 million programme under way.

**Chairman:** On the building.

**Professor Gerry Boyle:** Yes.

**Mr. Tom Doherty:** We have a joint programme with the Department of Agriculture, Food and the Marine, and Fáilte Ireland has committed funds to a programme. We are renovating the castle and building a visitors' centre on the grounds. We hope to have the castle renovated and open to the public internally, obviously, as well as the grounds. We hope to have that open to the public by April 2019.

**Chairman:** Next year. When I was there I read about the plans, but the castle looked a bit sad. I was obviously there just before the work started, and it is fantastic that it is under way. Is much of that coming out of Teagasc's resources? It is a national asset.

**Professor Gerry Boyle:** A special capital fund of €5 million was set aside by the Department of Agriculture, Food and the Marine, and we sought additional funding-----

**Chairman:** Fáilte Ireland.

**Professor Gerry Boyle:** -----from Bord Fáilte because of the tourism nature of the project. There is also a national agricultural museum located on the site.

**Chairman:** Yes, I was there.

**Professor Gerry Boyle:** It is involved in the project along with the Irish Heritage-----

**Chairman:** Does Teagasc have to put much of its money into it or very little?

**Professor Gerry Boyle:** It is Teagasc money in the sense that it comes through its Vote via the special capital fund of the €5 million.

**Chairman:** Is it not drawing on Teagasc's resources?

**Professor Gerry Boyle:** Teagasc has a long-standing commitment, over several years, to maintain the house in good order and it has subvented the agricultural museum and committed to continue that for ten years.

**Mr. Tom Doherty:** When the castle had been repaired and the visitors' centre developed, the arrangement is that Teagasc will enter into an operations agreement with the Irish Heritage Trust for ten years. Teagasc will pass its operation to the Irish Heritage Trust. Unfortunately, historical buildings never generate money. They consume far more money than they generate,

so Teagasc has agreed to subvent it with a subsidy in the region of €300,000 per year on a sliding scale. That €300,000 in year 1 will hopefully slide to a small amount in year 10.

**Professor Gerry Boyle:** Teagasc has been incurring that expenditure historically.

**Chairman:** In the upkeep of it?

**Professor Gerry Boyle:** Yes. There has also been expense in subventing the operation of the museum. It was reasonable to continue it on a sliding scale.

**Chairman:** It is a great thing. I know there is a cost in keeping it there but there is value to the taxpayer to have a facility like that.

**Professor Gerry Boyle:** Teagasc has other heritage buildings and the same issues arise.

**Chairman:** Which buildings are those?

**Professor Gerry Boyle:** Teagasc has Oak Park House, Ballyhaise College and Kildalton Agricultural and Horticultural College.

**Chairman:** We have strayed a little into heritage and other matters. I did so, however, because they relate to Teagasc.

At this stage, I am on my own. All the other members have left. I thank our guests for attending. Dr. Smyth from the Department of Agriculture, Food and the Marine got off lightly, but that is the way the meeting went. It is approximately ten years since representatives from Teagasc came before us, so the committee is very happy. The only reason our guests from Teagasc are here is that, earlier in the year, the committee asked what large, State-funded organisations are out there that have not been before the committee in a while. There was no other agenda, only a matter of routine because the Committee of Public Accounts had not met Teagasc in so long. Our guests heard the tone of the questions. Compared with others, this was a non-confrontational meeting. The witnesses can take that as a good thing.

I thank everyone from Teagasc and the Department of Agriculture, Food and the Marine and the Comptroller and Attorney General and his staff for attending.

*The witnesses withdrew.*

The committee adjourned at 1.30 p.m. until 9 a.m. on Thursday, 11 October 2018.