

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 22 Deireadh Fómhair 2020

Thursday, 22 October 2020

The Committee met at 11.30 a.m.

MEMBERS PRESENT:

Deputy Colm Burke,	Deputy Neasa Hourigan,
Deputy Jennifer Carroll MacNeill,	Deputy Marc MacSharry,
Deputy Matt Carthy,	Deputy Paul McAuliffe,
Deputy Cormac Devlin,	Deputy Catherine Murphy,
Deputy Alan Dillon,	Deputy Verona Murphy.

DEPUTY BRIAN STANLEY IN THE CHAIR.

PAC

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

2019 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Vote 11 - Office of Minister for Public Expenditure and Reform

Vote 12 – Superannuation and Retired Allowances

Chapter 3 - Vote Accounting and Budget Management

Chapter 4 - Accounting for Capital Assets

Chapter 5 - Accounting for Allied Services

Mr. Robert Watt (*Secretary General, Department of Public Expenditure and Reform*) called and examined.

Chairman: We are joined remotely by the Comptroller and Auditor General, Mr. McCarthy, as a permanent witness to the committee. He is welcome. Apologies have been received from Deputy Munster.

We will now engage with officials from the Department of Public Expenditure and Reform. I welcome them to the meeting and thank them for the briefing they provided to the committee. There are a number of matters for examination from the Comptroller and Auditor General's 2019 appropriation accounts, Vote 11 – Office of the Minister for Public Expenditure and Reform and Vote 12 – Superannuation and Retired Allowances. We are also examining the Comptroller and Auditor General's Report on the Accounts of the Public Services 2019, chapter 3 - Vote accounting and budget management, and the Comptroller and Auditor General's Report on the Accounts of the Public Services 2018, chapter 4 - accounting for capital assets and chapter 5 - accounting for allied services. I remind members that Vote 39 – Office of Government Procurement is not for consideration today. As agreed, we will examine it separately in the new year.

To assist us in our examination of the matters before us, and with regard to the public health guidelines, we are joined in person by Mr. Watt, Mr. David Feeney, chief operations officer, and Mr. John Pender, principal officer in the public service pay and pensions division. Overseeing public expenditure, it has been a very strange year compared with other years. The witnesses have had extra workloads and so on.

I remind all of those in attendance to ensure that their mobile phones are on silent mode or switched off. I ask that members and witnesses remove their masks when speaking to ensure that they can be heard. When members are leaving or taking their seats, they should sanitise the areas they have been using.

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 they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the provisions of Standing Order 218 that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policies. Members also are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable. While we expect them to answer questions asked by the committee clearly and frankly, witnesses can and should expect to be treated fairly and with respect and consideration at all times, in accordance with witness protocol.

I now call on the Comptroller and Auditor General, Mr. Seamus McCarthy, to make his opening statement.

Mr. Seamus McCarthy: The 2019 appropriation account for Vote 11, Office of the Minister for Public Expenditure and Reform, records gross expenditure of €59.5 million. This was divided between two programmes: public expenditure and sectoral policy, costing €18.6 million; and public service management and reform, costing €40.9 million. The latter included significant expenditure in respect of the Office of the Government Chief Information Officer. For 2020, that office has been given its own separate Vote, with a budget of almost €22 million. Vote 11 is consequently significantly smaller for 2020.

At the end of 2019, the Department had underspent by €2 million relative to its budget. Unspent capital funding of €146,000 was carried forward to 2020. The remaining €2 million was liable for surrender back to the Exchequer. I issued a clear audit opinion on the 2019 appropriation account for Vote 11.

Vote 12 is used to pay pensions and retirement lump sums to civil servants and prison officers. Almost 26,400 pensions were in payment at the end of 2019. Pension payments for other public servants are charged, directly or indirectly, to other Votes, including those for education, health, An Garda Síochána and Army pensions. The gross spend on Vote 12 in 2019 amounted to just under €600 million. This represented an increase of 4.4% from 2018. Appropriations-in-aid, mainly comprising employee pension contributions, amounted to €337.7 million in 2019, which was up 34% from 2018. The increase was mainly due to increased employee contributions in respect of the single public service pension scheme. The net result was a surrender at the year end of €110 million in respect of 2019. Again, I issued a clear audit opinion regarding the 2019 appropriation account relating to Vote 12.

Chapter 3 is on Vote accounting and budget management. Vote accounting and budget

management is a standard annual report aggregating and summarising the results across all of the appropriation accounts. It is produced because there is no other source of that aggregate information. As the figure, which can now be shown on screen, indicates, there has been a strong upward trend in voted expenditure over recent years. The report indicates that, in 2019, the total gross expenditure for all 42 Votes was €56.9 billion. After deduction of receipts totalling €2.9 billion, the net expenditure for the year was €54 billion.

One of the functions of the Department of Public Expenditure and Reform is the setting of frameworks for financial reporting by public sector bodies and publication of guidance and standards for corporate governance of public bodies. This includes dissemination of an annual circular setting out guidance for Accounting Officers preparing their appropriation accounts.

Members will be aware that appropriation accounts are prepared on a cash basis. This means that receipts and expenditure are recognised in the accounting period they occur. Notes to the appropriation accounts present additional information on the accrual basis, which is used for standard commercial accounting. Note 1 presents an operating cost statement for the Vote and note 2 presents a statement of financial position at the year end. These are intended to be a form of income and expenditure account and balance sheet, respectively.

Chapters 4 and 5, from my 2018 report, deal with accounting issues that affect the appropriation accounts. Chapter 4 deals with accounting for capital assets, that is assets used on a continuing basis and having a useful life of more than one year. The 2018 appropriation accounts recognised capital assets with a net value of €6 billion. Over 80% of this value related to property assets, that is land and buildings, in use.

Current accounting practice by Departments has resulted in gaps in the assets recorded, and inconsistencies in asset valuations and depreciation rates. The report highlights the need for action at a central level to address the lack of coherence caused by deficiencies in the accounting framework and includes a number of recommendations to achieve completeness and greater consistency. The Department has indicated that it will implement the report recommendations in the context of the phased implementation of reforms arising from an assessment of the central government financial reporting framework in Ireland carried out by the OECD in 2019.

The aim of the operating cost statement in note 1 to each of the appropriation accounts is to show the total amount of resources consumed to provide a voted service. As a result of how Votes are structured, some of the related expenses may be charged to different Votes. For example, as mentioned earlier, the pension-related expenses of all civil servants are borne on Vote 12 irrespective of the Department where the pensioners worked. Certain services are also provided by Departments and offices to others on the basis that, as specialists, the provider is able to perform the services most efficiently. Examples are the Office of Public Works, OPW, which provides office accommodation across central government; and the Office of the Government Chief Information Officer, which provides ICT system supports especially for smaller Departments and offices. These are referred to as allied services.

In 2018, the total costs of such allied services was calculated at: €813 million, of which €566 million, or almost 70%, related to superannuation and retirement allowances; and €179 million, or 22%, related to the OPW. The examination found that the accounting policies and guidance issued by the Department for the treatment of allied services did not provide a clear definition of allied service and, as a result, there was inconsistent treatment of these costs. The examination also found that there were deficiencies in the various cost measurement and allocation bases used to calculate allied service cost. For example, the apportionment of pension

costs incurred in a year does not reflect standard accrual based accounting for pensions.

My office will continue to assist the Department to develop the accounting policies and guidance for accounting officers to ensure that the accrual based information, presented with appropriation accounts, is appropriate and consistent, and that it facilitates a smooth transition to full accrual accounting for central government, which is a long-term objective of the Department.

Chairman: I thank Mr. McCarthy. I invite Mr. Watt to make his opening statement.

Mr. Robert Watt: I thank the Chairman and members for affording me the opportunity to make a statement today. As they are aware, the agenda covers, as mentioned by the Comptroller and Auditor General: the appropriation accounts 2019 for Vote 11, which is the Department of Public Expenditure and Reform, and Vote 12, which relates to superannuation; chapter 3 of the report on the accounts of the public services on Vote accounting and budget management; and chapters 4 and 5 of the Report on the Accounts of the Public Services 2018 in relation to accounting for capital assets and accounting for allied services.

In 2019, the two strategic goals of the Department were to manage public expenditure at sustainable levels and ensure effective and responsive public management and governance structures. These goals are fully aligned with the two programmes set out in my Department's appropriation account for 2019. I will address each of the agenda items now and return to reference some of the Department's key priorities in respect of expenditure management and reform before I conclude.

In the context of my Department's financial performance in 2019, its appropriation account shows a gross outturn of 97% of the budgeted allocation when capital carryover of €144,000 is taken account. The Department surrendered just under €2 million of its €59 million allocation to the Exchequer at the year end. The increase in the allocation in 2019 over 2018 was due to recruitment costs that have since levelled out as headcount has remained largely static from the end of 2018 to the present. While programme expenditure remained flat overall in 2019 when compared with 2018, financial resources moved between some programme subheads. For example, from Civil Service learning and development - the OneLearning initiative - on the completion of its Civil Service-wide IT training and development system to other areas in the Department to progress cross-Government reforms such as the Office of the Government Chief Information Officer's Build to Share programme, which is a significant centralised shared service that we are providing in our Department for Departments and offices across the system. This year is particularly significant for the Office of the Government Chief Information Officer, OGCIO, and the Department with the establishment of the new OGCIO Vote, which has an Estimate of €21.7 million net in 2020. The creation of this Vote, for which I am also the Accounting Officer, will help support the digital transformation agenda across government, while providing and developing pan-public service ICT infrastructure, service delivery models and cross-government applications.

The new OGCIO Vote is being financed solely by Exchequer neutral transfers from client Departments and Government offices, including my own. The Department provides the OGCIO, which remains part of the Department, with corporate services, human resources and finance support at no extra cost to the Exchequer or client organisations, ensuring value for money through enhanced labour productivity.

The development of various shared IT services and platforms in the Civil Service and the

wider public service has provided an enormous impact during the Covid pandemic. Our ability to provide significant online services, whether people applying for pandemic payments, the wage subsidy scheme through Revenue or for a driver licence, has shown the value of the investment made over the past several years.

In respect of Vote 12, superannuation and retired allowances, the net outturn for 2019 was €261 million, compared to an Estimate of €371.3 million, giving a surplus to surrender of €110.3 million. This surplus arose mainly on account of underspending on established lump sums and greater than expected receipts from the single public service pension scheme. There was an additional once-off remittance in 2019 for contributions which had accrued in previous years which were not remitted until 2019.

Chapter 3 of the Report on the Accounts of the Public Services 2019 addresses Vote accounting and budget management. Looking at overall expenditure in 2019 in gross terms, voted spending for the year amounted to €67.3 billion. This is €649 million, or 1%, above the amount that was set out in the Revised Estimates Volume 2019 and reflects several Supplementary Estimates including in the areas of health, justice and education.

It is the role of my Department to implement a strong and sustainable public expenditure framework, as well as to drive the reform programme across the Civil Service and public service in order to support the delivery of services in the most efficient and effective manner. To achieve this goal, my Department sets out clear and accessible structures and guidelines for Departments to follow. In order for effective management of public expenditure to succeed, it is important all colleagues across the public service apply these policies and guidelines in their own organisations.

The Department fully agrees with the recommendations made by the Comptroller and Auditor General in both his chapters on capital assets and allied services. All recommendations have been accepted and significant progress has been made to implement these recommendations. Additional guidance on the accounting treatment for capital assets was provided for in the appropriation accounts circular for 2019 and the guidance manual for the preparation of the appropriation accounts relating to clarifications on the treatment of depreciation of capital assets.

More generally, in September 2019, prior to the publication of the Comptroller and Auditor General's chapter, the Department established a working group with finance officers of Departments to review the accounting policies for capital assets and to develop a new policy. Work has been ongoing with the working group in reviewing the accounting treatment of fixed assets and working through the various complex historical issues, such as depreciation rates and valuation methods, as well as the different classes of capital assets involved.

While we agree with the Comptroller and Auditor General's report, when it comes to evaluating capital assets for public bodies, there are a variety of complications which may not arise in respect of a private entity. What is the value of Dáil Éireann or the GPO, for example? How do we put a value on the 770 monuments managed on behalf of the citizens by the Office of Public Works? When it comes to more standard buildings, lands or IT, it is more straightforward and the recommendations set out should be more easily implementable.

We are finalising a draft new policy document on capital assets. This is being developed as part of the phased implementation of the financial reporting reforms recommended by the OECD and will address the Comptroller and Auditor General's recommendations.

The accounting treatment for allied services has also been addressed by my Department. Substantial clarification was produced in the appropriation accounts circular for 2019 and the guidance manual for the preparation of the appropriation accounts, which we understand has assisted in improving the presentation of allied services in the accounts. The Department will keep this area under review. This is a key issue of the operating costs statements of Departments to the State as opposed to actual cash spending on their appropriation accounts. This is an area more generally which gives a more accurate assessment of the actual cost of services run by Departments as opposed to cash appropriation on which we tend to focus.

The work in both these areas is underpinned by the wider strategy for the reform of Government financial reporting. This is on foot of a major OECD review of financial reporting in 2019, which recommended that Ireland move to an international standards based accruals system of financial reporting. The broad approach proposed by the OECD has been accepted by the Government. Work is under way to examine the relevant international standards to be used as the basis for future Government accounting policy. This will be the most significant reform in how we implement financial and accounting policies since the foundation of the State. We have been operating on the basis of the Exchequer and Audit Departments Act 1866 which is a cash-based system. We have moved gradually to an accruals system in terms of the balance sheet information provided and the operating costs statement. To move to a full accruals system will be an enormous cost and change but, over time, the better information will assist in assessing the value for money of spending and to report and account more accurately.

The progress we made in the sustainable management of public expenditure and driving and supporting the reform programme in 2019 is set out in considerable detail in my Department's 2019 annual report. Due to the Covid-19 public health emergency, the context for the Department's work changed enormously between the end of 2019 and today. This has led to significant changes in the Department's work and how it does that work. The landscape for managing public expenditure and leading public service reform is now different.

I would like to take this opportunity to highlight that we have seen incredible commitment, flexibility and responsiveness from civil servants and public servants in dealing with the Covid-19 crisis. The public service has shown a sense of common purpose and an ability to deliver at a pace not seen before.

Looking ahead, our priorities will continue to be focused on implementing a strong and sustainable public expenditure framework and driving and supporting the reform programme. In terms of public expenditure, a key focus will be to continue to manage public expenditure effectively, while addressing challenges such as the Covid-19 pandemic, Brexit and climate change.

In addition, the Department will continue to mainstream budgetary reforms, such as the spending reviews, enhancement of performance information and ongoing development of the evidence-based approach to expenditure policy formulation through the role of the Irish Government Economic and Evaluation Service, which produces significant numbers of reports looking in detail at spending programmes and the value for money of State spending. We will oversee the review of the national development plan and alignment with the national planning framework as part of Project Ireland 2040. Another key priority will be to manage public service pay and pension costs on a fiscally sustainable basis using agreed industrial relations frameworks. We will also work to address the challenges posed by Brexit, while maximising the opportunities presented by EU membership in a range of EU policy areas.

With regard to public service reform, we will continue to lead the implementation of Our

Public Service 2020. The Department is also leading the development and implementation of a ten-year Civil Service renewal vision. Aligned with this, we will lead and support the development and implementation of a new Civil Service people strategy, which reflects the workplace transformation that has taken place as a result of Covid-19. The Department will continue in its leadership role to drive digital transformation with particular focus on those initiatives which will improve delivery of services to citizens and business in the most efficient manner.

I want to take this opportunity to pay tribute to my colleagues in the Department for their hard work and the contribution they have made to delivering on our objectives during 2019 and this year. Like any organisation, we look to the future and we advise the committee that along with other Departments we are now implementing a new statement of strategy to cover the next three years. I am happy to receive the views of members on that strategy. I thank the Chairman and look forward to discussing the various items on the agenda.

Chairman: I thank Mr. Watt for that information. The lead speaker this morning is Deputy Burke, who will have 15 minutes. We are working to a tight timeframe in order to keep to our schedule. I ask witnesses to try to keep their answers to questions direct and concise in order to be helpful to members.

Deputy Colm Burke: I thank the witnesses for coming in this morning and for the presentation. I thank them and all the civil servants across all Departments, as well as all the people working in the public service for their contribution, particularly in these challenging times.

I came across a property owned by the Department of Justice and Equality that was vacant for 20 years and nobody knew it existed. It was a dwelling house in Blarney. When I did a Land Registry search I found a large number of properties registered under one folio stretching from Castletownbere to Mitchelstown. I did not know whether anybody in the Department knew these properties existed. This speaks to the question of fixed asset registers. Where are we with Departments owning properties, especially smaller examples like this in rural areas? There may be old Garda stations that are no longer used or other properties that are not in use in towns and cities. How comprehensive is the register we currently have of assets in the State?

Mr. Robert Watt: This is something on which we have spent much time over the past number of years in order to improve the register and have a better sense of what we own across the system. The Department of Justice and Equality has Garda stations, courthouses and old buildings and the Office of Public Works manages and has responsibility for keeping that register. There have been improvements. There is a website on which a person can view buildings owned by the State, some of which are not in use. It is an area that requires ongoing work.

The Land Development Agency has also done a significant piece of work, and it may make that available. It shows lands owned by the State that may have value in development potential for housing. It has done a very significant review over the past year or so. There is definitely an issue in parts of the country that may have suffered depopulation in towns.

Deputy Colm Burke: Are we depending on the OPW to look after this or is each Department going through the process?

Mr. Robert Watt: It depends. Old school buildings would be managed by the Department of Education. Department of Justice and Equality buildings are under the control of the OPW, which has responsibility for Garda stations and courthouses.

Deputy Colm Burke: This particular case is a dwelling house that was used by the Garda

but which was not occupied for 20 years. How many more buildings like this would there be across Departments? For example, the Department of Education may own a building that is not a school but as a result people may assume it is the responsibility of another Department. Have we identified all the properties in the ownership of the State? How can they be put to better use, such as by making them available to local authorities? For example, in this case we contacted the county council about taking over the property, which had been vacant for 20 years? How many more like that do we have?

Mr. Robert Watt: We probably have many older properties.

Deputy Colm Burke: With computerisation, should it be possible-----

Mr. Robert Watt: Yes and the OPW has a better register and other parts of the system have a better sense of what we have. In the case of many old schools, for example, there is no value to them. They are old buildings that served as schools 30 or 40 years ago. They will no longer provide a modern purpose, whether as an educational facility or as anything else. Many of the older buildings, if they were set up for a particular purpose and the purpose is very different now, they do not have much value. The land may have value, depending on where it is located. It is a good point and it comes back to the wider matter in the Comptroller and Auditor General report in terms of how we treat capital assets.

The nature of an appropriation account is a cash base, which is the main focus of Departments and Accounting Officers. If we had full accrual system and charged Departments for the use of assets every year, there would be a very clear benefit in maximising the use of those assets. Currently, they are not penalised for inefficient use of capital assets. It is really part of the benefit of moving in the direction mentioned by the Comptroller and Auditor General. If we have a better register and valuation of assets, and if we account for them properly over time, we can provide the right incentives for Accounting Officers to see their assets as something they should manage and maintain on an annual basis as opposed to just leaving them there because it reflects the investment of the past rather than investment or expenditure at the moment.

Deputy Colm Burke: Is there a timeframe within each Department to resolve this type of issue or is it to be taken as an ongoing matter?

Mr. Robert Watt: We have made progress on the issues raised by the Comptroller and Auditor General in his report since its publication. We have issued a circular and we are working with Departments to ensure they first identify assets and that they put a proper valuation on those assets. One can put a valuation on land but for buildings it is a question of their nature. There is the question of the current use value of the buildings and whether it is a historical value, which would make sense in many cases. It really depends on the nature of the asset class. The Deputy is raising a related but separate question, which is ensuring we have a fully up to date list of the assets. Many of the properties that are not very visible, and certainly which are not set out in detail in the accounts, would not have any residual value. That is the reality.

Deputy Colm Burke: The presentation indicates the Department is finalising a new policy document on capital assets. When will that policy document be finished?

Mr. Robert Watt: On foot of the Comptroller and Auditor General report we set out a circular relating to capital assets, detailing that we accept the recommendations and the approach that should now be seen. We hope to complete the capital review at the end of next year.

Mr. David Feeney: Yes.

Deputy Colm Burke: I will move to information technology systems. I know there has been much investment in the area. I agree that the use of IT systems during the pandemic has been very effective. The Covid payment was paid out in a very short timeframe, and it went from nowhere to having a huge number of people getting those benefits. It came about as a result of very hard work within the Department and also because of the use of IT systems. Are we putting enough investment into protection in these systems? There is a major challenge across the globe relating to the protection of IT systems. Is enough planning being done and investment in the area?

Mr. Robert Watt: There are a few aspects in that. There is the overall resilience of the network, as government networks in Ireland and elsewhere are subject to periodic attacks and we must ensure the systems are resilient, robust and can repel those attacks. We do not speak about this too much in public but it happens and at times they can be quite frequent. Through Mr. Barry Lowry, the Government Chief Information Officer, and colleagues we have a cybersecurity group and we continue to invest and challenge the system ourselves to ensure it is robust. It is an ongoing challenge.

There is also the question of data protection, which is part of what the Deputy has mentioned. It concerns unauthorised access to data or inadvertent leaks, which can happen. Every so often one will read in the newspapers about people who have been sacked from Departments, generally from the Revenue Commissioners or the Department of Social Protection, for accessing files they should not access. That reflects the robustness of the system. If one is not authorised to look into somebody's files, the system will identify that and an alert will go out. We have good systems but no system is perfect and we have to continually update and prepare ourselves because the world moves on and changes. In terms of electronic files and access, however, the IT systems are much more secure than the old days of going down to the registry and taking out the file and so on, whereby one might have signed in that he or she took out a file or not. The IT system does not lie. If one accesses a file, it will identify it on the system, whereas in the old days it was much easier to access a paper file. It is much harder to access an electronic version of somebody's file without that being authorised and without it being discovered by the system. They are robust in many ways but the fact that people have more data and files in an electronic format, that increases the risk of more significant breaches. It is something we are investing in all the time and we partner with various bodies to help us with that.

Deputy Colm Burke: I want to move on to the area of pensions. The figure that stands out to me is that the number of people receiving pensions in 2019 was 26,000 whereas in 2018, it was 25,000. The issue that is arising is that I presume that in the coming years we will have more people retiring because of the processes ongoing in Departments for quite a long period of time but also because people are living longer and, therefore, there is forward planning for that. Has each Department worked out projections for the cost of pensions? It is hugely at variance with what it was so I wonder what kind of planning has been done in that area.

Mr. Robert Watt: There are different aspects to it. The cash outlay on pensions is going up every year, as set out in Vote 12. That reflects the significant change in the Civil Service during the 1970s, in particular, when there was massive recruitment. The modern Irish State expanded enormously during that period and redeveloped a more modern safety net, an education system and so on. That meant many more civil servants were taken into the system during the 1970s and those colleagues have been retiring in recent years and that will continue. The increase in costs in the A.1. part of the Vote reflects the increase in the number of people who are retiring and the longer life expectancy. When people get to 65, their life expectancy is around 20 years

so they have a longer time to benefit from a pension.

On the overall sustainability of the scheme, there are two points on that. Mr. Pender will correct me on this if I am wrong but around 30% to 40% of public servants are now on the single public service pension scheme, which has costs that are about one third less than the previous scheme. Those colleagues accrue less benefit each year and they also pay higher contributions so the overall cost to the Exchequer of the new recruits since 2012 is a good deal less than for people who came in before 2012. Every few years, we do a report, which Mr. Pender is the main author of. This report looks at the actuarial liability of the accrued service of all the civil servants who have retired and the accrued service of all those civil servants who are active and who are still paying into the scheme in employment. From that, we work out what we can. Based on various assumptions around inflation, wages and the discount rate we use, we work out the net present value of the pensions of those people who are retired and of those people who are in the system. That is based on their service up to a certain date, namely, the year in which we do the review.

Deputy Colm Burke: What percentage increase will we see in the coming years?

Mr. Robert Watt: The last review we did showed that the actuarial value was around €100 billion. It had come down when pay was reduced and then it started to go up again when we recruited and pay started to increase following on from the end of the financial crisis. The actuarial cost will continue to go up and then it will start to come down. When this bulge of retirees works through the system over the next 20 to 25 years and the new people who are on the lower scheme come in, the cost will come down. In terms of the overall-----

Deputy Colm Burke: What will be the increase to the Exchequer over the next five years?

Mr. Robert Watt: Vote 12 just looks at civil servants. If one looks right across the Civil Service, the overall pension bill is about €3.4 billion. That bill will continue to go up to somewhere between €4.5 and €5 billion. It will peak in the late 2030s and then it will start to come down again.

Deputy Colm Burke: How much will it be as a percentage per annum?

Mr. Robert Watt: It will go up by about 3% per annum.

Mr. John Pender: Yes.

Deputy Colm Burke: Is that for the next 25 years?

Mr. Robert Watt: Yes. It will go up by that amount for the next 15 years or so, at which point it will peak and then it will start to come down. These are all sensitive assumptions on the rates of pay, longevity and the discount rates that we use. For example, if this low interest environment continues for another decade or 15 years, we will discount those future benefits and this low rate increases the present value of those benefits considerably. They are sensitive to changes in the discount rate, assumptions about mortality and the pay we assume for the future.

Deputy Verona Murphy: I thank the witnesses for coming in. They will not have seen me before. Sticking to pensions, we can see from the single public service pension scheme that in 2013, it took three years for anything to happen in 2016 with the Department of Public Expenditure and Reform and it has been underestimated every year since. Can the witnesses give me the reason that it is continually underestimated as it is causing significant difficulties in

the Department's report? It is the only matter that is accepted by the Minister as a pure recommendation but there are 24 bodies, if I am correct, that have identified difficulty because of it.

Mr. Robert Watt: Is this the underspend in our Vote?

Deputy Verona Murphy: No. It is the underestimating of the appropriations-in-aid.

Mr. Robert Watt: Is that across the system?

Deputy Verona Murphy: No. It is the underestimating of the appropriations-in-aid in relation to the single public service pension scheme. It was underestimated by €94 million in 2019 and by €92.5 million.

Mr. Robert Watt: There are two aspects to the single public service pension scheme. It is the gross estimate of the pensions. We have difficulty assessing the number of people who can retire at any given moment because for anybody who came in before 2012, the minimum retirement age is 60. Therefore, we never know in a given year the number of people who will retire. In any given year, there are 5,000 to 10,000 civil servants who could retire but we see that it is actually around 1,300, 1,400 or 1,500. It does not impact on the A.1. part of the Vote as it is ongoing spending but because the lump sums are paid, they have a big impact. If there are small differences in the number of people retiring in any given year, compared to our forecast, we have to pay out more for the lump sum. That is an ongoing challenge we have. The other aspect of it-----

Deputy Verona Murphy: I apologise for interrupting but my time is limited. It is an ongoing challenge but how does the Department propose to deal with it?

Mr. Robert Watt: I do not know. We have debated this for years. We like to have a prudent Estimate. We do not want to have a situation where we do not allow enough on budget day for the Vote because we do not want the Minister to have to go back and look for a Supplementary Estimate and because we want to draw the Estimate as close as we can to what we think it is. We might err on the side of caution, therefore. These are debates that take place a few weeks before the budget every year when colleagues present to me their updates for this year. We had a conversation a few weeks ago on what the update for this year is and on what that means for the base on which we make a decision for the Estimate for 2020. It is the inherent uncertainty of spending lines that are driven by demand that we cannot influence or control. It is ultimately a function of decisions that thousands of people will take. The big issue with the Vote in recent years has been the receipts. I mentioned the issue where there was a larger than expected remittance. Therefore, employers were effectively making contributions in respect of single public service pension scheme recipients but had not remitted it to the Vote during the years when it accrued and so there was a build-up. That was an issue we were working on so hopefully we have rectified that. We will not see the large apposition surplus that was surrendered in respect of 2019 again because it reflected the once-off reconciliation of previous positions.

Deputy Verona Murphy: I accept that Mr. Watt said the Department does not know what to do about it. However, what form did the review take?

Mr. Robert Watt: We review it every year. We go through the assumptions that we made and we look at the number of people who are eligible for retirement. We try to get a sense of what we think the retirements will be. It is a net position. It is the new retirements, plus deaths, people who then leave the scheme. There are different elements. We looked at other countries. It is a difficult challenge to estimate on an ongoing basis the numbers of people who retire. On

the lump sum variation, there are slight variations in the average lump sum, so that accounts for some of it, but the actual numbers can have a big impact on A.5, the part of the Vote which deals with the lump sum.

Deputy Verona Murphy: Is there any model anywhere that looks better?

Mr. Robert Watt: We look at it all the time. John Pender is the Department's actuary and he is involved in these discussions. I do not know if he has anything to add, but it is a challenge. The issue for 2019 was exceptional because it related to the single scheme receipts. That will not repeat. However, the ongoing challenge remains of how we assess these amounts and budget for them.

Deputy Verona Murphy: I will put my question to Mr. Pender. From the perspective of actuarially assessing it, the sum of €94 million appears to be a big gap.

Mr. John Pender: That is where extra money was received relative to what was expected. That has largely been driven because recruitment is higher than expected. It is not spending as such. It is a new scheme so when-----

Deputy Verona Murphy: It was 2013 so it is almost ten years old.

Mr. John Pender: I take that point. In terms of doing a projection of the money coming in over the future year, it is difficult to estimate it when one is looking at recruitment across the board. Obviously, we are not in control of all the recruitment which results in the higher contributions coming in.

Deputy Verona Murphy: Okay. There does not appear to be an answer to it.

Mr. John Pender: In terms of the expenditure side and the amount we are spending on pensions, we do quite an accurate estimate and we are very close. If one takes 2019, there was €600 million for spending and we were within €10 million of our estimate. Even with the difficulty Mr. Watt referred to, we still got it very close.

Deputy Verona Murphy: According to the figures I have, it was underestimated by €94 million.

Mr. John Pender: No, that was the A and As. That is the income. That is due to the receipts coming in from the single scheme.

Deputy Verona Murphy: Yes, €92.5 million were due.

Mr. John Pender: That is coming in from the additional recruitment as well as this one-off contribution that came in because it was supposed to be paid by employers as we go.

Deputy Verona Murphy: The Exchequer picks up the tab because it was not paid by the employers. Is that correct?

Mr. John Pender: There was an amount paid. When the scheme started in 2013, some employers were supposed to pay an employer amount for pensions that were accruing, and it was not paid. A special report by the Comptroller and Auditor General pointed out this issue, so we went after them and got this money in. However, we do not know when we are preparing our estimate the exact timing of this money, but it landed in 2019.

Deputy Verona Murphy: It appears that the Exchequer has picked up the tab for certain

agencies.

Mr. John Pender: No, that money was received. It was supposed to be coming in from 2016 and 2017, but it was not received in those years. It arrived in bulk in 2019.

Deputy Verona Murphy: That relates to those bodies.

Mr. John Pender: Yes, it has been received and has been fully closed, essentially.

Deputy Verona Murphy: I have a quick question for Mr. Watt. I understand we are discussing the accounts, but Mr. Watt referred to Covid and all the other implications. I wonder about our debt and deficit sustainability. There are estimates of €20 billion for this year and next year, which will drive up the national debt to more than €250 billion. The GNI has obviously gone up through the roof. Do we have a debt ceiling, and where are we in that regard?

Mr. Robert Watt: Yes, the debts are higher because the State has to support people during this crisis - people who have lost their jobs and who will be on the pandemic payment from today. The State must support all those people.

Deputy Verona Murphy: Do we have a debt ceiling? I am running out of time.

Mr. Robert Watt: There are a number of ways to look at it. Obviously, there is the deficit as a percentage of GNI* and the €40 billion cash amount for this year and next year. Our debt as a percentage of GNI* will get up to about 115% or 120%. That is one metric to look at. Another metric to examine would be our interest costs as a percentage of our revenue, which peaked at around 11% or 12% in 2013 and is now down to about 4%. It is not just the stock of debt, we must also look at the cost. My view on this is that we have to do this for this year and next year, but there is a limit or ceiling. It is really determined by the cost of servicing this debt and our ability to fund it, which is a function of the role of the ECB, how savings and investments will evolve across the globe over the next number of years and a variety of factors. If we have a low-interest environment for the foreseeable future, these debts will be manageable and sustainable. If we moved back to a situation where the cost of new money is 2%, 3%, 4% or 5%, which is the norm or average we would have expected for a sovereign like Ireland, of course, the interest bill becomes more expensive.

There is a ceiling. Nobody knows what that is. Of course, one does not want to find out what the ceiling is. It is like finding out from the bank manager what is the limit to one's overdraft. One does not really want to find out what it is. We are going to avoid that.

Deputy Verona Murphy: Given that we expect an €11 billion deficit to occur as a result of this lockdown, I am very concerned.

Mr. Robert Watt: We estimate the cost of the measures for the six weeks will be an extra €150 million per week. There is approximately €1 billion extra spending on these measures.

Deputy Verona Murphy: I am talking about the loss from the small and medium enterprises, SMEs.

Mr. Robert Watt: The cost to the State is about €1 billion, and the revenue loss will be significant too in the short run. Who knows what the longer-term cost will be depending on the scarring effect?

Chairman: Deputy MacSharry has five minutes, and I will give him a reminder.

Deputy Marc MacSharry: The witnesses are welcome, as always. I thank all the Departments for all the efforts over the last period in ensuring we all have money and all the Departments have money. It has been extremely difficult for everybody. Unless we come up with a real strategy as opposed to the open and closed one, I believe like the last Deputy we are heading for a very bad situation. We may well find out what that ceiling is. I hope we develop a strategy, but that is not the responsibility of the witnesses. It is the responsibility of politicians. Sadly, we have failed so far.

I have limited time, so answers of “yes” or “no” should be given to the extent possible. Is there any disciplinary process and sanction for public servants and Departments that lose money to the State through negligence?

Mr. Robert Watt: Yes.

Deputy Marc MacSharry: What are they, as quickly as possible? Is somebody brought in and can one be fired or suspended? Is there a disciplinary process? What happens if, as a result of me messing up yesterday, the State lost €100,000?

Mr. Robert Watt: Any employer would take the view that if one messes up once, that can happen. If one messes up twice, it is not great but it might not be one’s last chance, but it is after that. We are no different in that sense.

Deputy Marc MacSharry: If I lost €5 million due to my actions, and I am on Mr. Watt’s watch, what happens to me?

Mr. Robert Watt: It depends on what the Deputy means by “lost”.

Deputy Marc MacSharry: It is €5 million lost. I cost the State €5 million because I did not do something correctly.

Mr. Robert Watt: The Deputy should define what he means definitively.

Deputy Marc MacSharry: I will shortly. I just want to know-----

Mr. Robert Watt: It depends on what the Deputy is talking about. Obviously, if it is fraud, one is fired and prosecuted.

Deputy Marc MacSharry: Fraud is fraud. I am not talking about fraud. I am talking about negligence and poor performance, not fraud.

Mr. Robert Watt: These are uncertain concepts.

Deputy Marc MacSharry: I have given Mr. Watt an analogy. I did my job badly yesterday and the outcome to the State is a loss of €5 million. What happens?

Mr. Robert Watt: The Deputy wants “yes” or “no” answers, and I would like to give them.

Deputy Marc MacSharry: I will give the actual example, and I want to know the process-----

Mr. Robert Watt: I do not believe it is ever as clear cut as that. It depends on the circumstances. One can do one’s best and make a legitimate mistake. In many cases we are dealing with uncertainties-----

Deputy Marc MacSharry: I am sorry, but my time is short. I know every situation is different. Notwithstanding the case-by-case nature, due process and so forth, what is the process when that happens? If, definitively, with fingerprints on the word or weapon, I messed up and we lost €5 million, what is available to the Department to do to me? Can it fire me?

Mr. Robert Watt: In our system, and this operates in all other bodies in the private and public sectors despite what people might say, one cannot just fire somebody for one mistake. Very rarely, in what is called constructive dismissal, if one tries that, one will go to court and one will lose.

Deputy Marc MacSharry: Okay, I get that.

Mr. Robert Watt: I am sure that even the Deputy has made mistakes.

Deputy Marc MacSharry: I make mistakes every day, including in this room and probably while questioning Mr. Watt at times.

Mr. Robert Watt: We all make mistakes. I know the Deputy wants a short answer. It is important to have an environment where it is made clear to people that repeated mistakes will be dealt with. Equally important, and probably more important, is that when people try something and make a mistake that they now learn from why they made that mistake. It is much more important to have a learning culture and a supporting learning culture as opposed to the “gotcha” culture. In my experience as a public servant the vast majority of people do their best, work hard and try. They do not go out to make mistakes.

Mr. Robert Watt: We have all made mistakes. I know the Deputy wants a short answer, but an important point is that it is necessary to have an environment where it is made clear to people that repeated mistakes will be dealt with. Equally important, however, if not more so, is having a supportive learning culture in place as opposed to a “gotcha” culture, and that people learn from

Deputy Marc MacSharry: They do. I suppose the reason this is unique to our sector, and I am a public servant too, albeit our case is slightly different in that those of us who are politicians lose our jobs if we do not perform-----

Mr. Robert Watt: Politicians can perform brilliantly and still lose their jobs.

Deputy Marc MacSharry: That is true. That is the danger. However, to deal with the issue-----

Deputy Marc MacSharry: The Office of Public Works made a mistake in measuring Miesian Plaza, and that has exposed the State to a cost of €10 million. When we had representatives from the OPW before the committee, I asked if a disciplinary process was under way. The answer was “No”. They will appear again soon to discuss this matter. It is not a disciplinary matter but the loss to the State over the term of the lease will be €10 million. We are not talking about a learning curve in this instance. We are in a different league, sport and ballpark altogether with that kind of money. If we are accepting a culture that permits that type of mistake and, as an auctioneer, I agree it was a basic mistake-----

Mr. Robert Watt: Yes, it was.

Deputy Marc MacSharry: -----and we are on the hook for it, what process is available to deal with that? Has Mr. Watt’s Department got involved in a disciplinary process related to that

negligence? If not, why not?

Mr. Robert Watt: We do not-----

Chairman: I ask Mr. Watt to be careful in answering that question or referring to any specific case.

Mr. Robert Watt: I will not refer to any specific case because I do not know the details.

Deputy Marc MacSharry: Mr. Watt should know the details.

Mr. Robert Watt: We do not have a culture of accepting underperformance. We have the opposite, where we encourage best performance and we encourage people to learn from it. If people make a significant mistake, it might be that sanction is appropriate, whatever that sanction might be, or it might be that we conclude that we need to learn from what happened. I am not getting into the details of that particular case because I do not know enough about it.

Deputy Marc MacSharry: Will Mr. Watt find out about it because it is a year old?

Mr. Robert Watt: The OPW can talk to the Deputy about it.

Chairman: The witness should not refer to any particular case.

Deputy Marc MacSharry: Why not?

Chairman: We do not want to prejudice a case or a case that may be pending.

Deputy Marc MacSharry: This will not prejudice a case. There is no court case. This is all a public service issue.

Chairman: I ask the Deputy to allow Mr. Watt to finish his answer.

Mr. Robert Watt: We do have and we encourage a culture of performance. That is what we are about. I am not in a position to talk about the particular case obviously.

Deputy Marc MacSharry: I will come back in later if that is okay.

Deputy Matt Carthy: I thank the witnesses, their teams, the staff in the Department and in the wider civil and public service for the huge amount of work undertaken during the pandemic, in particular. Whatever critiques we may have of our public service, by and large, public servants have stood up to the plate in no uncertain terms during the last seven months in very challenging times.

My question concerns the role the Department has regarding the implementation “of a strong and sustainable public expenditure framework”. In his opening statement, Mr. Watt stated that his “Department sets out clear and accessible structures and guidelines for Departments to follow.” How is that monitored? If clear structures and guidelines are put in place by Mr. Watt’s Department, how does it then monitor the adherence of other Departments to the standards which have been set?

Mr. Robert Watt: As the Deputy said, we produce guidelines in relation to how we would like to see public money being spent, whether that involves assessing the value for money of a project or accounting for the expenditure of that money and the whole variety of processes and procedures involved in that. We do that by having around 150 officers in our Department

who work on the expenditure side. They are what we call “Vote officers” and they shadow their colleagues in other Departments. The process, in effect, is one of delegated sanction. The Government approves and sets out the Estimates for the year and they then go to the Dáil for debate and a vote subsequently. We send out at the end of the year what we call a “sanction letter”, which states to Department X that it is permitted to spend a given amount on these subheads and it must adhere to the various procedures and so on for expenditure. During the year, we monitor that expenditure monthly, deal with issues arising from Departments and give them guidance and help. Ultimately, given the scale of the system - we have 330,000 public servants and spending of €86 billion this year - it is not possible for that to be controlled and monitored to ensure we have compliance. Otherwise, our Department would be making decisions in a centralised way in respect of a whole variety of matters and the system would not be able to function. It is basically delegated sanction. Accounting officers in Departments have legal responsibility to put in place the proper procedures consistent with the public financial procedures. They must sign their appropriation accounts when they send them to the Office of the Comptroller and Auditor General to confirm that proper procedures are in place and they have adhered to the various standards. That is the system we have in place.

Deputy Matt Carthy: That was the question and the subject on which I wanted to get a full understanding. We know what the Comptroller and Auditor General does but it is retrospective. I am trying to find out if Mr. Watt’s Department has a proactive role in ensuring that the standards and guidelines that it has put in place are being adhered to. What does intervention by the Department look like in terms of ongoing expenditure? Is it a case that the Department puts in place the guidelines and the first we hear of any mess-up, misspending or failure to adhere to those guidelines is when a story breaks in the media or the Comptroller and Auditor General gives us a report a year or two later? Is there an intervention process and does that happen?

Mr. Robert Watt: It depends. If issues arise during the year, then our Department would work with the Departments concerned. It depends on the particular area. Regarding procurement, for example, we would do-----

Deputy Matt Carthy: Yes, that is a good example.

Mr. Robert Watt: -----procurement on behalf of Departments. There are particular rules for capital spending, for example. Projects costing more than €100 million must come back to the Government, through us. We would be involved in that. It depends, therefore, on the nature of the spending, but the overall system is ultimately one of delegated responsibility. Our system works very well in the main. I have had the experience of working with the World Bank and the International Monetary Fund in countries that are not in the developed world, and I have seen the challenges those countries have in terms of basic public financial procedures and accounting officers. Our system of delegated sanction, Accounting Officers’ responsibility, the Office of the Comptroller and Auditor General, this committee and the appropriations process means that this process is very well developed. That does not of course ensure there are no mistakes because people are fallible and we live in a world of uncertainty where people make mistakes. The structure is pretty good-----

Deputy Matt Carthy: We are very short on time. I have one question regarding-----

Chairman: Deputy Carthy can come back in on the second round.

Mr. Robert Watt: The Accounting Officer system and the responsibility of the Accounting Officers to discharge their responsibilities to this committee on foot of reports from the Office

of the Comptroller and Auditor General are a fundamental part of what Deputy Carthy was referring to. It is core to it because Accounting Officers have sanction and legal responsibilities based on that sanction.

Deputy Neasa Hourigan: Chapter 4 of the 2018 annual report of the Comptroller and Auditor General, in respect of accounting for capital assets, stated that the Department of Public Expenditure and Reform accepts different valuation methodologies by different Departments in respect of capital assets. That includes when and how often to conduct valuations, how to value those assets in the context of methodology and what the rate of depreciation might be. The report states this could create issues in assessing and doing comparative analysis between Departments. Considering that we are trying to get to a position where we can best use our land and property portfolios between Departments, has the Department attempted to regularise the valuation of capital assets? If so, will Mr. Watt outline what those are?

Mr. Robert Watt: On foot of the report, we sent out a revised circular in respect of the 2009 advice. When the Comptroller and Auditor General was doing the report, there were discussions with colleagues and it was work that was ongoing in any event but, obviously, this gave an extra spur to do this. We sent out a circular to set that out, particularly with regard to the interval - the gap between valuations. Various buildings had not been valued since the early 2000s so we set out guidance about how we wanted more frequent valuation of buildings, the approach to depreciation and how we value an asset. Should it be based on the historic value adjusted for depreciation? Is it the replacement value? It depends on the nature of it. IT is more straightforward because it is more consumable. IT equipment will last between five and seven years and one can depreciate it at a rate. It is fairly straightforward. Obviously, valuing buildings or land is much more complex. The principle here is to have a system whereby we account for our assets, have a proper valuation of the assets and develop balance sheets, as we have done in the notes to the accounts and, ultimately, we move to a fully accrual system where decisions relating to the use or disposal of assets are fully reflected in the incentives Accounting Officers face when they are making decisions. We value this-----

Deputy Neasa Hourigan: Is Mr. Watt happy that the Department's advice and the move to regularise valuation is being implemented by various Government bodies and Departments? NAMA appeared before this committee a couple of weeks ago and there were issues with valuation not being done in the right way. Is Mr. Watt happy that this is being implemented and that there are sufficient skills in Departments to implement change?

Mr. Robert Watt: Progress is being made. If a Department says its assets are worth €100 million, carries out a review and says they are now worth €150 million, the key is that we move to an accounting system that provides that Department with clear incentives to make decisions about the use of those assets. If we implement all of these recommendations, which we will, it will improve things but it does not get us to the end position where we need to make decisions. At the moment, we make a decision to spend more and increase the capital spending of a Department. Over time, we need to consider the impact of that spending on the net worth of the balance sheet of the State. We focus on the general government balance, the gross debt or the cash spend of the Exchequer. Over time, the philosophy is that we must get to a discussion about the net value to the State. This is why we have embarked on this change in how we account for public money, which is-----

Deputy Neasa Hourigan: I want to get one question in.

Mr. Robert Watt: It is worth a conversation for another day. This is not by any means a

trivial change. If we get there, over time, we should be able to make much more sensible decisions about how we use our balance sheet because, ultimately, people will be charged for the use or non-use of those State assets and have to make decisions then.

Deputy Neasa Hourigan: I want to get one more question in but I agree with Mr. Watt that it is a fairly substantial change and worth doing. As a new Deputy, I am trying to get a handle on the relationship between the Estimates and the accounts and how that works within the Dáil and within Departments. It has been raised in a number of reports I have read in the past few months and highlighted by the OECD that our timeline on Estimates is rather out of whack with what EU countries do and that we tend to look at them quite late in the day. I would be interested in Mr. Watt's comments on that. It has also been raised at the Committee on Budgetary Oversight. Regarding the methodology for examining Estimates within sectoral committees and within the Dáil, we ask sectoral committees to consider them rather than approve them, which, again, is unusual in the EU context. Does that have an impact on how we examine the accounts at the end of the process?

Mr. Robert Watt: We have a situation where the budget is set out, including the significant milestones, in advance of the year and, therefore, we have a pre-budget report and the budget in October with the Estimates. A lot of information is prepared, the Revised Estimates are published before the end of the year and we try to get the finance and social welfare Bills enacted before the year. The issue is about the approval of the Votes. It is a matter for Dáil business but I do not see any issue about Votes being approved in advance of the year to which they relate but that is a matter for the Dáil and how it does its business. I do not see any reason-----

Deputy Neasa Hourigan: What should be the role of sectoral committees? At the moment, they merely note Estimates.

Mr. Robert Watt: They vote on the Estimates. They have to vote on each of them. It is not for me to say what the committee should do. It is not my area. Obviously, the Oireachtas must approve the Votes and vote on Supplementary Estimates and the Appropriation Account.

Deputy Neasa Hourigan: The parliamentary standard in other EU states is that sectoral committees have a more engaged role in examining Estimates and then returning afterwards to look at accounts. That does not seem to happen in the Irish context.

Mr. Robert Watt: I am not going to comment on that. How committees do their business is their business. There is scrutiny of the Votes by committees and there is engagement. It is not for me to say whether there should be more or less engagement. That is up to members.

Deputy Catherine Murphy: Mr. Watt mentioned officials in his Department shadowing officials in other Departments. Obviously, that is the methodology. The issue of the national broadband plan was raised on one of the previous occasions Mr. Watt was in front of the committee. He committed his views from a value for money perspective to paper. The contract has been signed. I presume his views have not changed. What system is in place for tracking some of the risks identified by him in the letter to Mark Griffin in April 2019?

Mr. Robert Watt: The contract has been signed and the management of the contract is a matter for the Department and the Accounting Officer, Mark Griffin.

Deputy Catherine Murphy: Does somebody in the Department of Public Expenditure and Reform have oversight of how that is playing out?

Mr. Robert Watt: There are officers who have oversight and management of the Vote on a month-to-month basis but they do not have oversight of the contract. The contract is a matter for the Department of the Environment, Climate and Communications.

Deputy Catherine Murphy: What would happen if there was an issue of concern within the Department of Public Expenditure and Reform, for example, the national children's hospital? We are acutely aware that work did not recommence on the hospital and there was a dispute. We can read into that what is happening there. How does the Department maintain oversight of something such as that? Is there a reporting mechanism to the Department if there is a potential overspend? What metric is used in this regard?

Mr. Robert Watt: Because the contract for the national children's hospital is so large and because it has to go back to Government for approval, during the process of developing a memorandum for Government, we are involved in consultations with the Department of Health and the board of the national children's hospital before it goes to Government. We would be involved at that level in giving our view and concerns and, obviously, the Department of Health must come to us in respect of spending management if the contract was going over budget or if the spending in any given year was more or less than-----

Deputy Catherine Murphy: So Mr. Watt would hear about it before it would come to the floor of the Dáil or end up with the Department if there was a supplementary-----

Mr. Robert Watt: It depends on the nature of the issue. If the issue was significant, it might come to our attention and my colleagues would work with the Department of Health in respect of that.

Deputy Catherine Murphy: Has anything come to the attention of the Department regarding a significant overspend on the national children's hospital?

Mr. Robert Watt: As the Deputy will be aware, there are ongoing issues with the national children's hospital so there is nothing more that I have to say from what is already in the public domain in respect of that.

Deputy Catherine Murphy: Has anything come to Mr. Watt's attention relating to the national broadband plan? We all accept there is a need. The need for a proper system of broadband was never more evident than it is at the moment. That is entirely separate from how we fund it and keep control of the spend on that. Has anything of concern come to Mr. Watt's attention? It looks like, for example, the ESB is being drafted in with regard to variation. That is not the kind of thing that he would be made aware of.

Mr. Robert Watt: I am not aware of anything relating to that. Government policy is clear. The Department is implementing the proposal.

Deputy Catherine Murphy: I refer to the OECD report and its findings. What action has been taken on that? What risks is the Department identifying at this stage?

Mr. Robert Watt: The two risks relate to IT and people. We need to change the IT systems and move to a different financial management shared service system to deliver on the recommendations of moving to a fully accrued accounting system.

The second risk is the extent to which people will buy in and accept this. It is an enormous cultural change. We have gone from cash-based systems to a different system. For people to

accept those changes and to use the new system, and for it to impact on behaviour, is a challenge. Financial information is only useful when it aids and improves decision-making. People will have to change. We need to modernise and professionalise the finance function more and have more professional and accountancy expertise in the finance unit to benefit from the enhanced financial information from the systems.

There are many different blocks to the change that is under way. We have spoken about how we account for the appreciation of capital assets and allied services. There are many different aspects to that, which go beyond the report of the Comptroller and Auditor General on notional rents and how we deal with other accrued spending and income. There are a variety of issues.

It is a rolling programme. Over the next number of years we will have enhanced guidance and practices, an enhanced professional finance function and a different IT system. They are the three building blocks.

Deputy Catherine Murphy: Are there training and costs associated with hardware and software?

Mr. Robert Watt: Yes. There are significant costs of more than €100 million across the financial management and shared service system. It is not for me to set out the committee's work programme. However, it would be of benefit, and I would welcome the opportunity, to at some stage have a separate conversation about what moving to the type of accounting system we are talking about would mean, and I am sure the Comptroller and Auditor General would help with that.

Elements of this conversation relate to the system and it is a fundamental change. In the accounts, there are various elements of accruals with regard to the operating costs statement and balance sheet. We will move to a fully integrated system. In effect, two sets of accounts would be presented to the Dáil on budget today, namely, a cash-based account and a financial account. It will be a very different world. It might be something that could be addressed in the future.

Deputy Alan Dillon: I welcome the witnesses and thank them for all they have done in an ever-changing environment on the back of Covid.

I will focus on the 2019 Supplementary Estimates. In the report, the gross Estimates were €67 billion for 2019 and there was a Supplementary Estimate of €640 million. Can the witnesses take me through the decision-making process on that? I understand it is based on policy, overrun, timing and technical data.

There were 13 Supplementary Estimates and four technical Supplementary Estimates. One of them was the Christmas bonus allocation of €279 million. The figure for health was €335 million. Can the witnesses provide some detail on the health aspect of the figures?

Mr. Robert Watt: The overall Vote is within 1% of the quantum of spending. In effect, we are spending 101% of what we budgeted for. I know €600 million is a large number, but in the overall scheme of things, it is not that big. I do not want to be misrepresented in what I said, but in terms of the size of the State, it is 1% of the overall outlay. It is inevitable that every year there are going to be underspends and overspends.

Following on from the discussion with Deputy Murphy, one extreme example of that are pensions. In the health system there is a demand for medical cards, a variety of service providers, the acute system, managing patients and the costs associated with all of that. Then there

are other areas of spending. There are obviously decisions in regard to social welfare, which is a separate category. It is not demand-led; it is a conscious decision, which leads to higher spending. There are pension costs in respect of education.

In effect, the Vote teams in our Department monitor spending with their colleagues throughout the year. This is an exceptional year, but normally after the budget we would consider what Departments may need Supplementary Estimates. Many Departments require savings and Votes. There is some virement allowed between subheads on votes, but if the virement gets to a certain scale, that cannot be done and a Supplementary Estimate is required.

Sometimes we have a Supplementary Estimate on a subhead within a Vote. The overall Vote might be an underspend but we need a Supplementary Estimate. The gross and net figure is different. The gross Supplementary Estimates could be greater than the net increase in spending over the year.

The process involves colleagues in our Department talking to the relevant Votes and discussions on whether they are needed. The Minister, Deputy McGrath, will bring a memorandum to Government seeking its approval for Supplementary Estimates. They come to the Dáil and they are voted on in December. The appropriations Bill is presented and, it is to be hoped, enacted. That is, in effect, the process. There are a lot of discussions and moving parts, but that is what happens.

Deputy Alan Dillon: I refer to Covid and the Vote officers' responsibility for dealing with different Departments. Health lacks a financial management system. The figure for non-compliance in respect of procurement is 80%. How is a decision made on large spending contracts? What oversight does the Department have?

Mr. Robert Watt: It depends. The Accounting Officer for the Department of Health is responsible for spending in the Department and has to produce its account, which is audited by the Comptroller and Auditor General and comes before this committee in the normal way. We have a role for the Department in procurement and do some of its procurement. Ultimately, it is a matter for the Department in terms of its compliance with the public financial procedure. It is for the Accounting Officer to decide.

Deputy Alan Dillon: From the public service and expenditure point of view, the Department is implementing electronic systems and that is something that should be happening across the board in all Departments. If there are any recommendations, and given the spend in the Department of Health, they need to be focused on governance, especially when the Department of Public Expenditure and Reform is allocating funding.

Mr. Robert Watt: There is an issue about the financial management system in health. The Department has to modernise it and I know that is on its work programme. It is an enormous project because it merged the different systems in the health boards. The Department has always struggled with the fact that it has never had an integrated system. It is aware of the need to make improvements.

Deputy Cormac Devlin: I thank the witnesses for coming before the committee. In his opening statement, Mr. Watt referred to a three-year strategy that he hoped would be introduced and implemented shortly. He might let us know what particular areas that will focus on.

He mentioned the OPW and properties in its charge, in particular those under the Department of Justice and Equality. What are the proposals for the Garda stations that recently closed?

Mr. Robert Watt: As the Deputy will be aware, each Department has to prepare a new statement of strategy within three months of the formation of a new Government that reflects the priorities of the new Minister.

Mr. David Feeney: Six months.

Mr. Robert Watt: I thank Mr. Feeney. They have six months to prepare a new statement reflecting the priorities of the new Ministers. At official level we are now drafting it, talking to our colleagues and looking at the priorities. We will sit down with the Minister, Deputy McGrath, and hear from him what he wants to do over the next three years. Much of the agenda speaks for itself in respect of managing spending, the review of the NDP and the digitalisation agenda, which Deputy Dillon just mentioned. There are many aspects of what we have to do that are quite obvious. We have to push ahead with the HR reforms and we have to continue this renewal that we have been engaged in for some time now. We have to address issues concerning public expenditure management and the move to an integrated accrual system of financial accounting. I guess these are the broad themes but the Minister will give us his views and we will reflect those in our statement. It is a question of trying to make statements meaningful rather than offering lots of platitudes because there is a danger of ending up repeating many points that do not mean anything. Setting out something a bit more concrete might be where we go. For example, consider the conversation we had today about more clear milestones indicating exactly when we are going to get to the stage of the accounting reform agenda.

We are in the middle of discussing the strategy. Our Department's world involves pre-budget and post-budget phases. We are now in a post-budget phase. One hears people talking about this. After the budget, everybody in the Department sits down to discuss matters. We will be doing this in November. We will be doing it remotely this year, obviously. I will hear from my colleagues about how they are getting on and what the priorities are, and the information will be fed into the statement of strategy.

On the issue of properties, the matter is really for the OPW. I suggest that we organise a note on that from the OPW because I do not have the details here. Obviously, the Garda stations most recently closed down have been converted. The one in Whitehall is now being used by Forensic Science Ireland, I believe. The more modern stations can be used. Many of the older ones would not have much use or value. We can get a note on that for Deputy Devlin to answer his question because I do not have the details in front of me here.

Deputy Cormac Devlin: I thank Mr. Watt.

Chairman: I have a couple of questions for the Secretary General.

On the broadband plan, I am aware the contract has been signed and that Mr. Watt was before the communications committee. He and I, in addition to other members of that committee, had a discussion about the plan at the time in question. Mr. Watt expressed his concerns at the time. His belief was that the proposed project posed an unprecedented risk to the Exchequer. It is signed now; I accept that. I raised this in the Dáil with the former relevant Minister, Deputy Richard Bruton, and asked what safeguards existed. He assured the Dáil that, among other things, there would be milestones in terms of the progress made. It is now reported that milestones are not being reached, and Department officials are reported as saying there are no penalties. With regard to the broadband connection points, 300 were supposed to have been connected this year. There are 164 installed. There are 51 connected, with a further three schools coming on. That makes 54 but it is almost Christmas. I acknowledge that Mr. Watt will say the

Department of the Environment, Climate and Communications is responsible. I followed the process very diligently when the contracts were being put together, as did others in this House. I have had major concerns about large contracts with a single bidder. What can be done at this stage when promised milestones are not being reached? Where is the protection for the money voted by this House, the public funds? There is potential for a hit to the State of €2.6 billion. We had long conversations about that. We had very detailed conversations at meetings of the communications committee at the time. Is there anything that can be done at this time from a public expenditure point of view?

Mr. Robert Watt: The answer I will give to the Deputy is the one he expects, so I apologise for that. It is a matter for the Secretary General of the relevant Department. I am aware that the Department is actively managing the contract. It has to do so. There are milestones and targets. I am aware that the Secretary General is involved in this. It is obviously complex and difficult and I presume Covid has had an impact.

Chairman: Will there be communications between the Department of the Environment, Climate and Communications and Mr. Watt's Department at the end of each year to check the milestones and to ask what is happening?

Mr. Robert Watt: Yes. Since the contract is so large and significant in terms of the Vote for the Department, if there are outturns that are different from the profile we will be involved in asking what has happened from a financial perspective. Monitoring of the contract, however, is the responsibility of the relevant Department.

Chairman: I appreciate that. Obviously, Mr. Watt knows the concern we have as elected representatives. It is an important contract and service. Covid has really shown that we need to get broadband rolled out to get people working from home, including remote locations.

According to the Department of Public Expenditure and Reform's PPP tracker, at the end of 2019 the State was tied into some 30 PPPs, valued at a total of almost €7.1 billion. Does the Department carry out post-project reviews of the PPPs? How many of the project reviews has the Department carried out?

Mr. Robert Watt: A PPP contract, as the Deputy knows, is more complex and involved than a normal contract, whereby the Exchequer provides the capital and the project is built by Transport Infrastructure Ireland or the Department of Education. PPP contracts are more detailed and involve significant management and post-contract management. The Chairman's predecessor, Deputy Fleming, was very strong on post-project reviews and asked questions about them all the time. A number of ex post evaluations of a variety of projects have been undertaken. These are not just undertaken by my Department. We set out guidance and the type of approach we believe should be adopted. There have been evaluations of the criminal courts project - a bundle of courts - and various roads. Various valuations are available of the schemes, including the Arklow–Rathnew and Gort–Tuam schemes, and various other projects, which include primary care centres and education facilities.

Chairman: Has there been a review of the M7–M8 Portlaoise bypass project, and has it been published?

Mr. Robert Watt: I will check and I will revert to the Chairman on that. It is one of the concession projects. It pertains to 2007.

Chairman: There was a very detailed contract set out at the time. I raised questions at the

time about it. I would appreciate if Mr. Watt could revert to me on that. I am really asking about the overall costs, the up-front costs for the taxpayer, the maintenance costs each year and what is collected in tolls. Is there a final payment, or what is sometimes referred to as the bullet payment, at the end? Could Mr. Watt revert to me on that?

I will allow members back in for a second round of questions, taking them in the same order as on the first occasion. Members have three minutes each and I will endeavour to include everybody.

Deputy Verona Murphy: To go back to pensions, given that there does not appear to be a strategy to cope with the measure, could Mr. Watt put something together, including a time-frame, for dealing with this? Could it be presented to this committee in the coming weeks?

Mr. Robert Watt: This is a strategy on improving the Estimate, the gross expenditure on the Vote.

Deputy Verona Murphy: Yes.

Mr. Robert Watt: We can set out-----

Deputy Verona Murphy: Mr. Watt does not need to answer. Could he just commit to it?

Mr. Robert Watt: I can set it out because I do not want to disappoint anybody. There is no foolproof strategy for estimating the number who are going to retire.

Deputy Verona Murphy: Mr. Watt must have one he is looking at. If he presents that, we can look at it.

Mr. Robert Watt: Yes. We can set out the detail.

Deputy Verona Murphy: I am very concerned about a point I raised with Mr. Watt already. If the Central Bank is saying we have a deficit of €11 billion as part of this surge, is that accounted for in the €20 billion we expect to borrow next year? With regard to our banks and capitalisation, is there any risk based on the Covid scenario, or has this been examined? If there is a risk, what is the capital reserve in regard to the €11 billion that is projected? Where does Mr. Watt envisage we will be?

Mr. Robert Watt: When Covid hit, the original estimate was for a deficit closer to €30 billion. On budget day, the Ministers announced a deficit of €21 billion. On the spending side, we think it is going to add €1 billion over the next six weeks, and it is hoped we will be able to open up as quickly as possible and get people back to work.

Deputy Verona Murphy: Where does the €11 billion at the Central Bank come from?

Mr. Robert Watt: I had not heard that number. The €11 billion does not relate to the six weeks because it could not. It is too large a number, so it must relate to something else. I will have a look. The two Ministers gave an estimate of the cost the other day. It will add to the deficit. It will be less than 1% for the six weeks.

Deputy Verona Murphy: Having said that, our projections are looking worse or higher than anyone in Europe.

Mr. Robert Watt: As a percentage of GDP for this year, we are in the middle of the pack. The way to look at that is that the Irish Government is doing more to help the economy and to

support businesses and households than other countries. That is the way to interpret that deficit number. If one believes that we actually have a higher deficit, we have a higher deficit because the Irish Government is doing more for its citizens than other countries, which I think actually is the case. We think this is the right approach. We think it is right that we have this deficit this year and next year because of our unique circumstances that we are all facing. That is the correct thing to do. Of course, the big challenge, when we get beyond next year, is to get the deficit down in a sensible way and get the debt-GDP burden on a downward trajectory. That is the big challenge that we face.

Deputy Verona Murphy: What is the figure for capital reserves?

Mr. Robert Watt: On the banks, I do not have numbers on what the capitalisation of it is.

Deputy Verona Murphy: Will the Secretary General come back to me, through the accounts?

Mr. Robert Watt: Yes.

Deputy Verona Murphy: I thank Mr. Watt

Deputy Marc MacSharry: I thank the witnesses. The most recent guidelines from the Department for appointments of CEOs to non-commercial State bodies and for appointments to State boards were issued in April 2019. I understand from the guidelines that there is a maximum of two terms in the main and eight years for a State board member. Sport Ireland had an extension issued last week for its CEO, who has been in post since 1999, and for its chairman, who has been in post since 2010. This appears to me to breach both the Sport Ireland Act, the guidelines for the appointment of CEOs to non-commercial State bodies, and the guidelines for appointments to State boards. Has the Department been provided with a business case for these extensions? What section of the guidelines or underpinning legislation provide for such extensions?

Mr. Robert Watt: The guidelines, in the main, are not set out in legislation. The guidelines are the guidelines that are there. They are not underpinned by legislation. I am not aware, in relation to sports bodies, if the guidelines are put within the Sport Ireland Act.

Deputy Marc MacSharry: It is a non-commercial State body.

Mr. Robert Watt: Yes.

Deputy Marc MacSharry: Was there a business case?

Mr. Robert Watt: I do not know.

Deputy Marc MacSharry: The principal officer from the public service pay and pensions division is present. Is that not something that would have come across his desk?

Mr. John Pender: I am not sure the procedures, whether for a chair or a CEO of a non-commercial body, come to our Department. It would depend on the scale or whether it could be approved by the Minister without going to Government. I will check.

Deputy Marc MacSharry: Under section 3 of the guidelines it is very specific what the Department of Public Expenditure and Reform's involvement ought to be. I am conscious that we have been having a kind of a clear-out, given the level of sports funding that we rightly pro-

vide to various organisations, and that we are moving away from the old guard. I am conscious, and this is not personal, that the existing regime in Sport Ireland presided over the FAI debacles of many years, the solution to which Mr. Watt is part of, and he is a great asset to them. This would be a good time for me to say that my only commentary relating to that is that I would not want to lose him to this Department in terms of his focus and public commentary.

Mr. Robert Watt: I am overwhelmed by the Deputy's concern for my well-being.

Deputy Marc MacSharry: Absolutely. I am conscious that rules need to be consistent.

Mr. Robert Watt: I am going to come over all emotional now.

Deputy Marc MacSharry: I am conscious that we need to be consistent, that we cannot moan about the former Minister of State, Mr. D'Arcy, on one hand and encourage Mr. Watt on the other, but that is an aside. The point is, reappointing these people against the guidelines we have is akin to reappointing the financial regulator after the bank bailout. At the same time as that organisation is presiding over the good and new governance of limiting terms for people, and indeed Mr. Watt is a party to it, we are ignoring the guidelines, as I read them, and I grant it that Mr. Pender will check, or we are acting contrary to the guidelines as written by the Department and contrary to the Sport Ireland Act. Notwithstanding the context, it looks a bit grubby that these sporting organisations are being told to tidy up their act, but those saying so continue on in their roles for life, as it were. I would appreciate if the officials came back to me in writing on that so as not to delay the meeting.

Deputy Matt Carthy: On the issue of monitoring and intervention of the structures and guidelines that the Department has put in place, we have begun to talk about procurement issues and we know that there are very rigid procedures in place for procurement practices. In fact, many of us would have issues pertaining to the rigour involved in some of those practices and the disadvantage that they put smaller local companies at in terms of the wider scale. This issue is especially important in the year that we are in because of the need to bypass competitive processes as a result of urgent need. Yesterday, we met officials from the Department of Education and we had a bit of a conversation about that. What role does the Department of Public Expenditure and Reform have in ensuring that best practice is employed when non-competitive processes need to be deployed by Departments?

Mr. Robert Watt: I know we are going to talk about procurement when we talk about the Office of Government Procurement, OGP, Vote.

Deputy Matt Carthy: The relates to the Department's oversight as opposed to-----

Mr. Robert Watt: I am happy to answer the question, but I know it is something that we will talk about another time. As the Deputy will be aware, for the vast majority of procurement spending, there is a competitive process and Departments have to indicate each year in their accounts where they have not gone through a competitive process. The Comptroller and Auditor General sets this out, and there is generally a summary prepared and we can see it. Between 98% and 99% of spending is covered through a competitive process. There are exceptions when such a process cannot be gone through, and I know that the particular case in education was because of the speed required to do it.

Deputy Matt Carthy: At the end of the year we know that Departments, in their annual report to the Comptroller and Auditor General, notify where non-competitive processes were utilised. Is there a mechanism whereby contact is made with Mr. Watt's Department in advance

or it is only after, when somebody has got what could have been a very lucrative contract as a result of a non-competitive process, that the Department is made aware of it?

Mr. Robert Watt: It could be a non-lucrative contract too. It could look lucrative, but after it has been won and the work has been done on it, it could turn out not to be very lucrative at all. Just because a person wins something and there is juicy cash, he or she still has to do the work, pay the staff and everything else.

What normally would happen is, if there is a non-competitive process, the relevant Department might come to the Vote in our Department and say it is going to do this.

Deputy Matt Carthy: That is not standard.

Mr. Robert Watt: No. Again, the procedures are there. Depending on the nature, the Department might go to the Office of Government Procurement, which would normally procure, and it might ask it for advice, but ultimately it is the Accounting Officer who has to decide.

Deputy Matt Carthy: Did the Department of Education approach the Department of Public Expenditure and Reform or does it generally approach that Department when it employs non-competitive processes?

Mr. Robert Watt: It would not generally approach us, no.

Deputy Catherine Murphy: I want to go back to the OECD report and get some sense of how it will be delivered on. Is it likely that it will be done in increments across particular categories? For example, will the property assets be in place for 2020? Will the Secretary General give us some sort of an idea? Has Covid put it back? What can we expect to see over the next two or three years, particularly this year?

Mr. Robert Watt: Covid has put it back, unfortunately, like everything else. On making progress on blocks of work, we cannot make progress this year on the assets. We hope that for the appropriation accounts, which will be prepared next year in respect of this year, there will be more and better information on assets and that they are accounted for in line with the Comptroller and Auditor General's report and the updated guidelines. We hope to see that and we should make progress there. We made progress on other aspects of the agenda as well. We will have the wide reforms in waves so certain Departments will go first. We are looking at an updated timeframe for this but next year our Department, the Department of Finance, the Office of the Comptroller and Auditor General and the Office of the President will, hopefully, migrate as wave 1 to the new financial management shared system. We have had some delays and false starts on this but next year we need to make a lot of progress.

Deputy Catherine Murphy: Can Mr. Watt give us a note on it so we have some expectation of what we might see? What kind of projected costs are there? Obviously, there will be changes of equipment and software and hardware. How will that be procured?

Mr. Robert Watt: It has cost significantly already because we have been doing it for a number of years. We reckon, however, it will cost €100 million in total which will involve mainly buying software, licensing, new financial systems, consultancy support staff, training staff and new staff so it is approximately €100 million. Hopefully and, again, this is subject to the Comptroller and Auditor General, when the shared services Vote is discussed the Deputy might have a chance to look at it in more detail. It is an enormous change project. We have issues about our financial system at the moment with regard to, for example, disaster recovery and its resilience

so we need to do this. The way in which we are doing it, however, is expensive. Hopefully we will have a system in for 25 or 30 years but we will set out something for the Deputy.

Deputy Catherine Murphy: Will this be done on a Vote within each individual Department? Are we going to see a fragmented approach? Where are we going to see that?

Mr. Robert Watt: This is a good point. We will have to keep on producing the cash basis system and operating cost statement and the accruals information that we have. We may, let us say for 2022 or 2023, have a situation where we produce all the information one would get already but one might see additional information for some Votes presented in a different format in a full financial statement. That is something we will have to think about. Obviously, the Comptroller and Auditor General will have to be involved in those conversations. I have not really figured out exactly how we will do that but no less information will be provided because, obviously, we have requirements under the law and we need to meet those requirements. It might, however, involve us providing the cash statement, as we do, but the operating statement and the balance sheet will look very different. I believe that is probably the way we will do it. For some Departments, therefore, it will look exactly the same way it does now but for other Departments that part of the account will look different. We might, for a period of perhaps two or three years, have Votes migrating and looking a little bit different but that is something we need to talk about. It is an issue for the Comptroller and Auditor General as much as for us.

Deputy Catherine Murphy: Mr. Watt will send us a note on that.

Deputy Alan Dillon: The Department of Public Expenditure and Reform is responsible for setting diversity standards with regard to the recruitment of all civil and public servants and in doing so, it has set quotas in terms of the Irish speakers and ensuring it has a diverse workplace to cover all abilities. What percentage of Mr Watt's Department or his workforce is competent in transacting business in Irish?

Mr. Robert Watt: We do not have quotas. We run competitions now for specialist posts and we have general-----

Deputy Alan Dillon: What percentage?

Mr. Robert Watt: I do not know offhand the number in the Department but we have recruited various posts. We have the details of that. We can come back to the Deputy on the number.

Deputy Alan Dillon: Does Mr. Watt have the gender percentages, in particular, at management level?

Mr. Robert Watt: Yes. In terms of the Department, the percentage ratio of assistant principals is 52:48 female to male. For assistance secretaries, it is 38% female and 62% male and for the management board it is approximately one third.

Deputy Alan Dillon: One third is ahead of the Dáil.

Deputy Verona Murphy: The year 2065 is when we will get gender balance. We will hold Mr. Watt to that.

Chairman: Deputy Dillon has another question.

Mr. Robert Watt: When I joined the Department of Finance for the first time on my first tour of duty in 1993, there were 50 officers from principal officer and upwards and the percent-

age ratio was 98:2.

Deputy Alan Dillon: And in terms of the equality and inclusion?

Mr. Robert Watt: To give the Deputy the civil service numbers, at assistant principal level it is 51% female and 49% male. For principal officers it is 44% female now. That was 34% in 2012 so it is still not good enough but it is getting there. Assistant secretary level is now 37% from 23% in 2012.

Deputy Alan Dillon: I have one final question.

Mr. Robert Watt: That is at assistant secretary level. At Secretary General level we are doing much better in terms of gender diversity but that deteriorates significantly. The last two Secretaries General appointed, however, were females so we made some progress there but we are not quite there yet. It is much better than the Dáil, of course, the Deputy is dead right.

Deputy Alan Dillon: What percentage of employees within the Department have a recognised disability in terms of its inclusion?

Mr. Robert Watt: It is approximately 5% or 6% offhand but we will come back to the Deputy with that.

Chairman: I have one final question for the Secretary General. With regard to the public private partnerships, PPP, does the Department know what percentage of the PPPs go over budget or take longer than expected or fail to be completed? Mr. Watt might give a brief answer if he can.

Mr. Robert Watt: If they go over budget? Let me come back to the Chairman.

Chairman: What is the percentage that go over budget? Is it common? Would it be one quarter?

Mr. Robert Watt: Let me come back to the Chairman on that.

Chairman: Has the Comptroller and Auditor General received any of the post-project reviews that have been carried out? Has any of them been forwarded to the Comptroller and Auditor General?

Mr. Robert Watt: They have been completed. There is no reason why they should not be shared with the Comptroller and Auditor General.

Chairman: We will bring the Secretary General in on whether he has received any of the post-project reviews of PPPs.

Mr. Robert Watt: The Department has, yes.

Chairman: I thank the witnesses for joining us and for the information they have provided at today's meeting. A huge amount of information has been imparted and considering the short timeframe in which we are working the co-operation of witnesses and members is much appreciated. I also wish to thank the Comptroller and Auditor General and his staff for attending and assisting the committee, as always. Is it agreed to request the clerk to seek follow-up information and carry out any agreed action arising from today's meeting? Agreed.

The witnesses withdrew.

PAC

The committee adjourned at 1.28 p.m. until 4.30 p.m.on Wednesday, 4 November 2020.