



F7/03/11

25 January 2012

To: Accounting Officers

Circular 1/2012:

Minute of the Minister for Public Expenditure and Reform for the Committee of Public Accounts in response to the Final Report on Appropriation Accounts 2008 & 2009; Annual Reports of the Comptroller and Auditor General 2008 & 2009; and Special Reports of the Comptroller and Auditor General

A Dhuine Usail,

1. I am directed by the Minister for Public Expenditure and Reform to enclose, for your information and guidance, a copy of the Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Final Report on Appropriation Accounts 2008 & 2009; Annual Reports of the Comptroller and Auditor General 2008 & 2009; and Special Reports of the Comptroller and Auditor General.

Issues raised

2. The Minute addresses a number of issues, including;
 - Effective management of services,
 - Enhancement of governance,
 - Management of risk,
 - Performance management,with regard to a broad range of public services.

Enquiries

3. Enquiries in regard to this circular can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.

Mise le meas,

Mr. Robert Watt
Secretary General.

Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Final Report on the Appropriation Accounts 2008 & 2009; Annual Reports of the Comptroller and Auditor General 2008 & 2009; and Special Reports of the Comptroller and Auditor General

The Minister for Public Expenditure and Reform has examined the Committee's Report and has taken account of its conclusions. In relation to the Committee's recommendations, his response is as follows:

1. Need to Target Services

(i) There is a need for greater sharing of information on drug abuse especially information collected by the Gardai and the Probation and Welfare Service with the HSE and the Department of the Environment, Community and Local Government in order to enhance targeting of treatment.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts this recommendation and work is under way in this area.

The Rehabilitation Report (2007), established the National Drug Treatment Rehabilitation Committee (NDRIC), to develop national inter-agency protocols to enable the provision of case management and shared case planning, based on individual need, for persons undergoing treatment and rehabilitation for substance misuse. The committee includes membership from the HSE, the Gardai and the Probation Services amongst others.

As part of this work, the NDRIC National Rehabilitation Framework was developed to facilitate the implementation of a system of multi-agency integrated care-planning. This is currently being piloted in ten drugs task force locations nationwide. Each pilot site involves multiple agencies (statutory, community and voluntary) and one of the key areas being looked at through the pilot process is links with the Probation Service. An evaluation of this programme will be undertaken by Trinity College Dublin and is expected to be completed by end of 2012.

One of the key national protocols that the NDRIC is developing focuses on the sharing of information between agencies. This protocol was drafted in October 2011 and is currently being finalised. A further five protocols have been approved by the NDRIC and these address the areas of:

1. Initial assessment and matching service users to the most appropriate service;
2. Comprehensive assessment and developing an interagency care plan;
3. Referral between agencies;
4. Interagency care plan meetings; and
5. Gaps and blocks.

As the national protocols are tested and implemented locally, this will facilitate effective information sharing and care planning arrangements. This will improve cohesion of services and enhance services for service users.

(ii) The HSE needs to review the systems in place to collect and maintain critical data on those availing of drug treatment while taking account of the need to ensure that the maintenance of such personal data does not deter individuals from availing of treatment.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts the recommendation and work is under way in this area.

In Ireland, patient data relating to drug addiction is gathered through the following channels:

1. The National Drug Treatment Reporting System (through the Health Research Board (HRB))
2. The National Drug Related Deaths Index (through the HRB)
3. The Central Treatment List (the DTCTB on behalf of the HSE)
4. The National Waiting List (the HSE in conjunction with the CTL)
5. The National Psychiatric In-patient Reporting System (through the HRB).

Following the publication of the Introduction of the Opioid Treatment Protocol in December 2010, a **National Data Collation, Collection & Analysis Group** was convened to action recommendations in the report pertaining to the collection, collation and analysis of data on those availing of drug treatment. The group, which includes representatives from the Central Treatment List (CTL), the Health Research Board (HRB), the Methadone Prescribing Protocol Implementation Committee, the Department of Health (DoH) and the HSE, has met twice to date. The group will review all data sources available to ensure that maximum use can be made of all data collected, in a secure and confidential environment with appropriate privacy protection.

In addition, the HSE and the Drug Treatment Centre Board are currently undertaking a feasibility study on an **Electronic Patient System** (EPS) – a patient case tracking system developed by the DTCTB. The feasibility study will assess the suitability of this clinic-based system for voluntary services in the community, for a potential national roll-out. A number of pilot sites are involved with this study.

Another key area is the development of the **National Waiting List** policy by the HSE National Addiction Advisory Governance Group in conjunction with the Central Treatment List (CTL) which was approved in October 2011. The waiting list will monitor all cases waiting for opiate substitution treatment. Consent for use of patient information will be sought with each service user by clinic staff – the process around consent is to be further explored with the Data Commissioner.

Among the key requirements to implement a nationwide case tracking system is the need for legislation concerning the use of a **unique identifier**. A Health Information Bill is currently being drafted by the Department of Health and will include

provisions allowing for the introduction of a unique identifier for individuals for use in the health system. This will facilitate wider data linkages to enable ongoing treatment and mortality analysis and will also help in tracking the pathways and long term outcomes of service users.

(iii) The HSE should carry out verification exercises on in-patient waiting lists of those hospitals with the longest lists and should review the capacity in hospitals with no waiting lists to establish the extent to which patients could be transferred for treatment to those hospitals.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts the recommendation.

Each HSE hospital has been directed to operate the waiting list management guidelines issued by the National Treatment Purchase Fund (NTPF). These guidelines include recommendations on the verification of waiting lists. The HSE also works closely with the NTPF to undertake hospital specific reviews on the implementation of these guidelines.

The NTPF is now entering a transition phase. It will continue to fund patient treatments but will be shifting its focus to target waiting lists more strategically, to deliver more treatments for the funds provided and to incentivise hospitals to manage their lists proactively in the interests of patients.

The Special Delivery Unit (SDU) will be introducing a more focused strategy to target treatments for patients. This will require new data systems, a new accountability framework and a sustained focus by clinical and management leaders in hospitals to reduce the lists from their present level and prevent them building up again. As part of these changes, it has been decided that for the remainder of this year the NTPF will no longer routinely accept referrals for those patients waiting over 3 months as at present. It will still provide treatments for patients but will target specific backlogs. Follow up treatments for existing patients will be provided as is the normal practice.

The NTPF is now fully aligned with the SDU. Its capability will be a core part of the SDU's performance management role in holding public hospitals to account. The changes announced lay the foundation for this transformation, and introduce the concept of rigorously enforced maximum waiting times. These maximum wait times will be systematically reduced in the coming months and years to deliver the goal of eliminating excessive waiting lists from Ireland's health economy.

(iv) *The HSE needs to tie down and time band out-patient waiting lists in the same way as is done for elective waiting lists.*

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts the recommendation.

The management of out-patient waiting lists is complex and requires a systematic process of engagement across the health care sector i.e. hospital departments, clinicians, GPs, other sources of referral, administrative staff and patients. The HSE appointed a programme team to engage with these groups to ensure the development of a comprehensive strategic approach to the management of waiting lists.

A new and revised policy for *the Validation of OPD Waiting Lists in Acute Hospitals* was developed by the Integrated Services Directorate in April 2011 and issued to the Regional Directors of Operations (RDOs), for implementation in the hospitals that were selected in phase 1 of the OPD Performance Improvement Project. The hospitals involved in Phase 1 of the project were asked to establish, as a baseline, the number of patients waiting for consultation. This assessment of patients waiting for OPD consultation will be reported by specialty and in standard time frames (0 to 12 weeks, 13 to 25 weeks, 26 to 39 weeks, 40 to 52 weeks and greater than 52 weeks). This will include all patients waiting - patients with allocated appointment times, without allocated appointment times, and patients not yet placed on an IT system, (including patients currently sent for triage).

The project lead for the Outpatient Performance Improvement Project is working in close collaboration with the Special Delivery Unit (SDU) in the Department of Health. The immediate priority is to address the significant number of patients waiting in excess of 1 year for an outpatient appointment. A number of options are being considered at present to address this situation including validation of waiting lists and scheduling of ad hoc clinics for the specialties with the longest waiters.

In tandem with this, a number of policies have been developed by the HSE to address all aspects of outpatient services including Referral Management, Clinic Management, Did not Attend (DNA) and Discharge. In developing these policies, account was also taken of the recent Health Information and Quality Authority (HIQA) *Report and Recommendations on Patient Referrals from General Practice to Outpatient and Radiology Services, including the National Standard for Patient Referral Information (March 2011)*. A Management structure has been put in place at National, Area and Hospital level to manage and support the significant change process. The whole area of out-patients will be a priority for the SDU in 2012.

(v) Referrals by GPs of patients for outpatient appointments should be made to the Clinical Director of the hospital and not to individual consultants.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE notes this recommendation.

The Health Information and Quality Authority (HIQA) have made recommendations regarding patient referrals to outpatient appointments. The practices in the regions are in line with these recommendations.

In Dublin, Mid-Leinster, Dublin North East and the Western Regions, all referrals are addressed to an outpatients referral office and then to the relevant speciality. In the Southern Area, referrals are made to a Hospital Network Referral Office. This is also something that the HSE will be recommending to the SDU as part of the Outpatients Improvement Strategy.

The SDU will be working with the HSE in 2012 on the optimum approach to implementing the HIQA recommendations.

(vi) All demand led schemes should allocate grants based on a score card where agreed criteria are determined based on profiling of recipients which will give the best return for the State.

The Minister for Public Expenditure and Reform notes this recommendation.

It is an interesting approach which fits, in principle, with the objectives of securing the best value-for-money for all publicly-funded schemes. It should be noted that a wide range of existing schemes and programmes are designed to achieve very specific objectives, including social objectives, in which the concept of an economic return for the State is not the primary consideration.

More generally, the Department of Public Expenditure and Reform has launched a new, more rigorous Value-for-Money Code which will involve an ongoing process of review and evaluation of programmes across all Departments. This approach, which builds upon the 2011 Comprehensive Review of Expenditure, will allow for the type of considerations outlined by the PAC to be brought to bear upon all expenditure areas into the future.

(vii) Departments who award grants should conduct cost benefit analysis of schemes to determine the level of grant that is necessary to induce investment.

The Minister for Public Expenditure and Reform accepts this recommendation in principle.

The new, strengthened Value for Money Code that has recently been launched by the Department of Public Expenditure and Reform includes a requirement for rigorous appraisal of all new spending programmes, and an ongoing process of evaluation and review.

The analytical appraisal techniques, including cost-benefit analysis or CBA, are also being reviewed and updated to make sure they are up-to-speed with best international practice. The Central Expenditure Evaluation Unit (CEEU) in the Department is designing new protocols to use CBA procedures in the case of current expenditure including grant schemes. In the past, CBA has been more generally used for large capital projects.

(viii) Future State investment in broadband infrastructure should be on the basis of a detailed business case in respect of the town in which the investment is proposed.

The Minister for Public Expenditure and Reform is advised by the Department of Communications, Energy and Natural Resources that it accepts this recommendation.

Any such proposals will abide by capital appraisal, VFM, public procurement and project management requirements.

2. Enhancing governance and internal controls

(i) Expenditure on entertainment should only be incurred for the clear business purposes of the organisation and should be fully vouched.

The Minister for Public Expenditure and Reform notes this recommendation.

The Minister draws the attention of the Committee to the following;

- The Code of Practice for the Governance of State Bodies requires all State Bodies to have written Codes of Business Conduct for their directors and employees.
- Appendix II of the Code of Practice sets out a framework for such a Code (of Business Conduct) and states that the Code of Business Conduct to be drawn up by the Board should address, inter alia, “ensuring a culture of claiming expenses only as appropriate to business needs and in accordance with good practice in the public sector generally”.
- Financial management guidance for the Central Government area is provided in *Public Financial Procedures*. Section C6.5 of PFP outlines the arrangements required before making any payment.
- In addition, the requirements of Circular 25/2000 – Official Entertainment for the Central Government Area are under review and the review will take this recommendation into account.

(ii) The guidelines on travel for the public sector should be revised to deal with the issue of the travel costs of the spouses of officials.

The Minister for Public Expenditure and Reform notes this recommendation.

The Minister draws the attention of the Committee to the following;

- The current Foreign Travel Guidelines issued by the Department of Public Expenditure & Reform in which Departments are advised that they should not pay the travel costs of persons who have no direct connection with the Department concerned and who have no role in the official business being conducted during a trip.
- The exception to this travel policy provision may arise in circumstances where a specific invitation has been extended by a host country for a spouse to be included for a special occasion and the appropriate Minister has certified that such attendance is in the public interest. While the travel costs would be covered in this instance the subsistence costs would not be payable for the spouse.

(iii) The Accounting Officer of the Department of Education and Skills should arrange a review of the travel expenses paid by FÁS in respect of the spouses of senior officials and board members in the period 2002 to 2008, to determine whether these payments are an appropriate charge on the State.

The Minister for Public Expenditure and Reform is informed by the Department of Education and Skills that the Department accepts this recommendation.

The Minister is further informed by that Department that FÁS has confirmed that the practice of the payment of travel expenses for spouses accompanying FÁS officials and Board members on official business has ceased. A review of the travel expenses paid by FÁS in respect of the spouses of FÁS senior officials and Board members in the period 2002 – 2008 to determine whether these payments are an appropriate charge on the State has commenced. On completion, a copy of this review will be forwarded to the Public Accounts Committee.

(iv) Public Authorities should examine ways of minimising the need for foreign travel on fact finding missions and, where such travel is deemed necessary, a report on the outcome of the travel should be available to the Authority.

The Minister for Public Expenditure and Reform notes this recommendation.

The Minister draws the attention of the Committee to the following;

- The Department of Public Expenditure & Reform has advised Departments that expenditure on foreign travel and subsistence (whether recouped by a third party or not) should be strictly appraised and monitored in order to ensure that only appropriate travel is undertaken.
- The responsibility for implementing this travel policy rests with Heads of Departments who must ensure that only essential travel is undertaken and that the number of officers travelling on official business is kept to a minimum consistent with the business needs of Departments.
- Similar arrangements apply to State Bodies who are required to furnish the relevant Minister, in conjunction with the annual report and accounts of the body, a comprehensive report affirming that all appropriate procedures including, inter alia, travel, have been complied with.

(v) All Accounting Officers should review controls of subsidiary bodies that do not have executive authority and who have their own separate facility to spend public funds.

The Minister for Public Expenditure and Reform notes this recommendation.

The Minister would like to advise the Committee that a letter has issued to all Accounting Officers from his Department requesting that they conduct a review in this regard.

(vi) The HSE should investigate the manner in which changes were made to procedures in respect of payments made to Trade Unions under the Action Plan for People Management.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts this recommendation and that the HSE will investigate the manner in which changes were made to procedures in respect of payments made to Trade Unions under the Action Plan for People Management.

(vii) A value for money review should be undertaken by the HSE in respect of the €41 million expended by the Health Services National Partnership Forum.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts this recommendation and will conduct a Value for Money Review in respect of the €41m expended by the Health Services National Partnership Forum.

3. Outsourcing of service delivery

(i) The Department of Finance should review the effectiveness of the process involved in its value for money reviews.

The Minister for Public Expenditure and Reform accepts this recommendation.

The Minister would like to inform the Committee that his Department is already acting upon this recommendation. The Value-for-Money and Policy Reviews are designed to allow ongoing scrutiny of blocks of expenditure across all Departments. In the past however, the process has been somewhat slow-moving, and this has limited its impact on the overall resource-allocation process. Given the challenges that all Departments are facing in managing within smaller budgets, we need a system that is speedier, that allows for greater coverage, and that can play a meaningful role in helping Ministers and Departments to make the choices and priorities they need to make.

The Minister for Public Expenditure & Reform recently launched a new Value-for-Money Code which will (a) speed up the existing VFM process and streamline its procedures, and (b) supplement the existing VFM process with more focused policy analyses, conducted by the Central Expenditure Evaluation Unit (CEEU) and by local Evaluation Units. In making these reforms, we are building upon the experience of the 2011 Comprehensive Review of Expenditure.

(ii) Departments should have service level agreements with its agencies where such agencies are running a programme and/or are responsible for the appropriation of public funds.

The Minister for Public Expenditure and Reform accepts this recommendation.

The Code of Practice for the Governance of State Bodies (2009) mandates that “For State bodies involved in service provision, the development and widespread use of service level agreements should form part of the wider performance framework.” As part of the budgetary decisions on agency rationalisation, the Government recently decided that all Departments are to develop and implement Service Level Agreements as a basis of oversight and accountability for all State bodies.

4. The need to ensure delivery of services paid for by Public Authorities

(i) The HSE and the Department of Health and Children should conduct a review of the extent to which public beds are blocked by private patients and the extent to which this leads to a payment by the relevant consultant for private practice which is in excess of the contract.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE accepts the recommendation.

The Minister for Health would support any analysis of the type proposed. He would note that a key concern is to ensure that public patients have fair access to services in public hospitals and he is determined to ensure that the terms of the Consultant Contract are fully implemented with this in mind.

The HSE has reviewed the cost to the State of providing medical care to private inpatients in public hospitals and this is estimated at €372.744m.

This figure is calculated by comparing the inpatient cost per bed day against the chargeable income for each bed day. The chargeable income per bed day is as set by the Minister for Health and varies depending on the category the hospital is in and whether the patient is in a private or semi private bed. Where a private patient occupies a public or non designated bed then there is no charge, so the cost to the state is the cost per bed day. The cost per bed day is as calculated from the costing provided by hospitals that participate in the National Casemix Programme. Consultants pay is excluded from this figure as they are paid separately by the insurer.

The bed day data is as provided by the 39 hospitals in the National Casemix Programme is collected through the HIPE system (HIPE is a computer based system designed to collect demographic, clinical, administrative and discharge data on hospital discharges from acute hospitals nationally). These 39 hospitals would account for over 90% of National Activity.

The HIPE data identifies patients who choose to be treated as private patients. The system then asks the hospital to identify the number of days each private patient spent in a private bed. This makes it possible to identify the number of bed days private patients spend in a public bed.

The costs, bed days and charges used in this calculation are based on 2009 as this is the last full year for which costs are available.

The 2008 Consultants' Contract includes measures to strengthen the management, monitoring and control of activity in hospitals with a view to ensuring that the level of consultant private practice within public hospitals does not exceed the permitted ratio - 20% for new consultants, and up to 30% for those who had such a level previously. The HSE in conjunction with the ESRI has introduced a range of new measurement systems in order to meet the requirements of the contract.

Since January 2009 each Consultant is issued with a monthly public/private mix measurement report. This documents the consultant's activity in relation to in-patient,

day case, out-patient and diagnostic activity over the previous three months. The contract provides that the employer may require the consultant to remit monies in respect of any private practice excess to a research and study fund.

At this stage, the HSE's focus is on consultants who have been identified as engaging in as much as 50% private activity despite the passing of both a 9 month period allowed for resolution of the issue in the contract and substantial additional periods of time for remittance of private fees. In January 2011 the HSE wrote to these consultants informing them that if they did not remit the required amount they would be required to cease private practice in respect of any segment of practice where they are in excess of the ratio specified in their contracts. It also advised them that as employer it would reserve the right to invoke the Disciplinary Procedure specified in the Contract.

To date (Sept 2011) the hospital managers have written to 70 Consultants who are 40% or higher in breach of their public private limits under the Consultant Contract 2008. These Consultants were requested to provide 20% of the money owing as an initial step. Failure to comply with the request to remit funds arising from breach of the public/private ratios would result in an instruction to cease charging private patients. This follows the completion of the 9-month period provided to each consultant for them to resolve the issue and to query any data issues. In many cases, the Consultant has had nearly 18 months to resolve the issue. Non compliant Consultants had until mid September 2011 to rectify breaches under their contract. A small number of consultants who failed to rectify the breach have been informed that they may no longer conduct private practice in public hospitals.

(ii) All schemes, such as the teacher substitution scheme, should be reviewed to ensure that there are no negative incentives in place which would increase the cost of such schemes to the State.

The Minister for Public Expenditure and Reform is informed by the Department of Education and Skills that it accepts this recommendation as it relates to that Department.

The Minister is further informed by that Department that the following changes have been introduced which impact on the operation of the Supervision and Substitution scheme.

- The Supervision and Substitution scheme was one of the items advanced in negotiations with teacher unions as part of the Croke Park Agreement. Following this agreement the scheme was adjusted. Under the terms of the agreement post primary teachers are required to be available for three class periods per week as opposed to the previous requirement of two. This is now in operation.
- The allowable provision for uncertified sick leave days was reduced from thirty to seven. This reduction now applies to all teachers.

- The Department has put in place a new annual reconciliation process to ensure that any unspent balance of supervision grant paid to schools is netted off against a schools provision in subsequent years.
- Changes were introduced to the scheme whereby all second level schools are now provided with a defined number of hours of substitution for the school year to provide cover for teacher absences arising from uncertified sick leave and official school business. Prior to the introduction of this change schools could claim substitution for all absences on uncertified sick leave and official school business. This arrangement means that schools are using the supervision/substitution scheme more effectively. It has also ensured that the thirty seven hours commitment for supervision/substitution is better utilised.
- The Minister would draw the attention of the Committee to the expenditure reforms being introduced by the Department of Public Expenditure and Reform, which include a new Value for Money code which allows for a more focussed approach to conducting expenditure evaluations.

(iii) Work load management processes should be put in place to cover the work of lecturers in the third level education sector.

The Minister for Public Expenditure and Reform is informed by the Department of Education and Skills that it accepts this recommendation.

The Minister for Public Expenditure and Reform is further informed that The Education Sector Implementation Plan for the Public Service Agreement provides for co-operation with the introduction and implementation of academic workload management and full economic costing models and with the compilation of associated data to support these. It was acknowledged in the Plan that there is not a single best practice approach to workload management, and a variety of models can be applied which will allow effective planning at department/school and institutional level. However, the goal of such models and management systems is a common one - namely: balanced workloads among school/college academic staff, and transparency of workload allocation among school/college staff.

In regard to the composition of workload management systems, the three core components of academic work will be covered: research, teaching and overall contribution to the mission and functions of the institution.

Universities have undertaken, from the start of the 2011 academic year, to implement the agreed detailed implementation document for the Public Service Agreement which includes the implementation of workload allocation models for all academic staff.

(iv) Department should review all allowances to determine their on-going validity and where it is found that the basis for the payment of an allowance no longer applies the payment should cease and if necessary the allowance should be bought out.

The Minister for Public Expenditure and Reform notes this recommendation.

The Minister draws the attention of the Committee to the following;

- The general conditions applying to the payment of allowances is that such payments would normally cease once the work requirements no longer necessitated the need for the allowance.
- Under the provisions of the Financial Emergency Measures in the Public Interest (No 2) legislation 2009, allowances paid as part of annual remuneration to public servants were subject to a reduction in the actual amount of payment. Payments of this nature fall within the terms of the Public Service Agreement 2010-2014 which provides that there should be no further reductions in the pay rates of serving public servants for the lifetime of that Agreement. It is not currently proposed to change this policy in respect of such payments.

5. The development of capacity to manage risk

(i) The Department of Finance needs to address capacity issues so as to have expertise in areas such as banking and the operation of financial markets.

The Minister for Public Expenditure and Reform is informed by the Department of Finance that it notes this recommendation.

The Minister is further advised by that Department that the following appointments have been made to the Department of Finance;

- In Late 2009 a banking analyst, with extensive knowledge and experience in the banking field,
- The Department secured the services of a banking accountant through an agreed secondment arrangement, at no cost to the Department.
- The Department has also engaged, on secondment from the Office of the Attorney General, a Senior Legal Advisor to work solely on financial services matters and an Accountant from PriceWaterhouse Coopers.
- In September 2010 a Senior Economic Advisor was appointed.
- The Government, in March 2011, approved the appointment of Mr John Moran at Second Secretary level in the Department, on secondment from the Central Bank, to oversee the Banking Division which was to be thereafter separated from the Financial Services Division. Mr Moran has had experience in the banking' legal and financial sector since 1988.
- In June 2011, following a TLAC competition, Mr Neil Ryan was appointed at Assistant Secretary level in the Banking Division of the Department, thereby filling the gaps from March and building a financial stability and intervention unit. Mr Ryan worked with various international banks in Dublin, London and New York since 1989.
- In August 2011, the NTMA Shareholder Management Unit, lead by Mr Michael Torpey, moved into the Department of Finance to enhance the oversight of the Banking Division.
- A financial markets training programme was initiated in September 2011 to enhance the general understanding and awareness of the financial markets within the Department of Finance (and offered to DPER as well as the Department of the Taoiseach). The programme delivery is led by a Professor of Finance from DCU who has delivered similar courses at the Central Bank as well as the Dutch National Bank.

The Minister for Finance further notes that the staffing levels in the Financial Services Division and Banking Division of the Department have increased from 34.20 to 51.73 (whole time equivalents) in 2010 - a 51.5% increase. Overall, therefore, the resources in relation to the banking and financial services, including specialist expertise, have increased significantly.

Qualifications held by other staff within the banking and Insurance areas.

Within the Financial Services & Banking Division, qualifications held by staff are as follows:

| | Economics & related disciplines | Accountancy | Law | Other |
|------------------------------|---------------------------------|-------------|-----|-------|
| Basic Degree | 1 | | 1 | 8 |
| Masters/ other Post Graduate | 7 | 3 | 3 | 9 |

(ii) The Department of Finance should examine the feasibility of appointing a risk officer and having a risk committee which would have oversight of the different sectoral areas of the economy.

The Minister for Public Expenditure and Reform is informed by the Department of Finance that it notes this recommendation and would like to point out the following;

- As regards the Economic Policy, Forecasting and Analysis Unit, risks about developments in the property market were articulated in the Stability Programme Updates that accompanied the Budget documentation each year from the mid-2000s on. Notwithstanding this, and the fact that macroeconomic risks were kept under constant watch, the Department of Finance accepted that more could be done in terms of preparing more wide-ranging macroeconomic risk assessments. As a result, the National Recovery Plan, Budget 2011 and the latest Stability Programme Update (which was published last April) contained specific sections which looked at upside, downside, external and domestic risks.
- In light of the still-existing high degree of uncertainty and margins of error surrounding projections for the Irish economy, it is essential to continue to pay a great deal of attention to these risks. Accordingly, the Pre-Budget Outlook and Budget 2012 will include macroeconomic risk assessments. The Stability Programme Update, which will be published in the spring of 2012, will contain a further macroeconomic risk assessment. As well as this, the adequacy of the arrangements and the scope of macroeconomic risk assessments will be subject to ongoing review so that they will remain adequate and appropriate.
- In addition, the establishment of a Financial Stability Unit within the Banking Division to examine systemic risks across the financial sector, and their interaction with macroeconomic factors, should enhance the focus and analysis in this area. The financial stability team will work closely with the Economic Policy, Forecasting and Analysis Unit as well as the Central Bank's financial stability team and the NTMA to try to provide a co-ordinated approach towards this important theme.

6. The need for better performance measurement

(i) The Department of Social and Family Affairs should measure its performance based on the analysis of fraud and error surveys.

The Minister for Public Expenditure and Reform is informed by the Department of Social Protection that it accepts this recommendation.

The Minister is further informed by that Department:

- Fraud and error surveys are an integral part of the Department's control strategy. These surveys provide the Department with an indicator of the estimated risk of the specific schemes surveyed to enable the Department to enhance procedures and processes to build control across the relevant schemes. The Department establishes the risk and exposure of fraud and error within its schemes by conducting fraud and error surveys at regular intervals.
- It is committed to carrying out two fraud & error surveys per year. A medium term programme of surveys is currently being developed.
- It is important to note that that a fraud and error survey is designed to illustrate the risk of non-compliance with a scheme's rules within the surveyed scheme to enable the Department to target that scheme for enhanced control measures, where necessary. They are not conducted to estimate the total loss to the Department as a result of this non-compliance. This reflects the fact that while a customer may be non-compliant with rules of one scheme, s/he may, nevertheless, be entitled to payment under another social welfare scheme. In such cases, therefore, there may be no excess expenditure by the Department.
- In addition to fraud and error surveys, the Department uses a range of other performance measures. These include the number of reviews carried out on the various social welfare schemes every year and the number of employer inspections finalised, and how these compare with the target and with previous year's performance. The estimated savings from control work is also used as an additional measure of performance (see next point).
- Control savings are an estimate of the value of the various control activities across the schemes in payment. They represent an estimate of the value of prevented expenditure on fraudulent claims over a future period. Control savings are not actual monies recovered by the Department but are a good indication of the increase in social welfare expenditure that would occur if these control activities did not take place. These savings arise as a result of control activity on claims in payment and from inspections of employers. These activities also have deterrent or knock-on effects, which are not readily quantifiable in monetary terms. They are used as a performance indicator for year-on-year activities at regional and scheme level.

(ii) Revenue needs to be in a position, based on the results of its Random Audit programme, to profile the tax compliance behaviour of different sectors of the economy.

The Minister for Public Expenditure and Reform is informed by the Office of the Revenue Commissioners that it notes the recommendation.

The Minister is further informed by that Office that cases for audit examination are increasingly selected using Revenue's Risk Evaluation and Profiling System [REAP]. REAP's rules are sectoral specific and subject to constant review. This enables Revenue to see the dominant sectors in the high-risk categories and to tackle those risks in a focussed manner on a sectoral basis. This means that Revenue's annual audit programme can be analysed on a sectoral basis. In addition to this, sector orientated audit approach, Revenue has also organised its Large Cases Division on a sectoral basis.

As the current Random Audit Programme is constructed around the general body of taxpayers it cannot be used to make valid inferences about specific economic sectors without a considerable extension in scale and scope which would have significant costs for Revenue and compliant taxpayers.

(iii) Advertising should only be undertaken where there is a clear and justified business need and be underpinned by a marketing and communication strategy that is itself subject to a detailed review to determine its impact in the case of major campaigns.

The Minister for Public Expenditure and Reform is informed by the Department of Education and Skills that both FÁS and that Department accept this recommendation.

The Minister is further informed by that Department that the examination of advertising expenditure within FÁS led to organisational changes and the adherence to the Financial Authority Levels and Procurement Procedures. There was a refocus on Public Relations, Marketing and Promotion. The current focus is on using internal resources to get FÁS's message across to its client base using the web, text messaging and most recently mobile phone Apps to the greatest extent possible.

In the context of the Department's advertising and marketing expenditure, since 2009 the Department has in place revised policies in regard to the need for economy in administrative expenditure, which includes advertising. Overall expenditure on advertising in the print media is centrally monitored to ensure that it does not exceed predetermined limits. The Department is satisfied that routine advertising in the print media is undertaken only where there is a justified business need.

In addition, advertising will only be undertaken by both FAS and the Department where there is a clear and justified business need and is underpinned by marketing and communications strategy that is itself subject to a detailed review to determine its impact in the case of major campaigns

(iv) The Higher Education Authority should review the workload management procedures now in place in NUI Galway and ensure that similar type procedures are put in place in all universities in the State.

The Minister for Public Expenditure and Reform is advised that the Department of Education and Skills notes the Committee's recommendation.

Workload management procedures are being put in place in all universities.

The Education Sector Implementation Plan for the Public Service Agreement provides for co-operation with the introduction and implementation of academic workload management and full economic costing models and with the compilation of associated data to support these. It was acknowledged in the Plan that there is not a single best practice approach to workload management, and a variety of models can be applied which will allow effective planning at department/school and institutional level. However, the goal of such models and management systems is a common one - namely: balanced workloads among school/college academic staff, and transparency of workload allocation among school/college staff.

In regard to the composition of workload management systems, the three core components of academic work will be covered: research, teaching and overall contribution to the mission and functions of the institution. These principles and elements are common to all of the workload management systems under development in the universities, including those in operation in NUIG.

Universities have undertaken, from the start of the 2011 academic year, to implement the agreed detailed implementation document for the Public Service Agreement which includes the implementation of workload allocation models for all academic staff.

(v) A performance indicator which equates hospital staff with through-put of patients should be developed as part of Health Stat.

The Minister for Public Expenditure and Reform is informed by the Department of Health that the HSE notes this recommendation.

The Minister is further informed by the Department of Health that the HSE agrees with the Committee of the value in having an indicator of performance of resources per outcome. The initial indicator referred to in the report was a crude measure of staff per inpatient bed. This was not found to be accurate enough given the range of complexity of individual cases.

The HSE, in 2011, is driving better performance management by piloting the funding of certain elective orthopaedic procedures on a prospective cost per procedure basis. Whilst it is in the early stages, indications are that this approach to funding is driving better productivity and it is planned that following evaluation, which is ongoing, it will be further extended to other areas. This methodology of resource allocation is in

line with the objective of the Universal Health Insurance model of health funding as outlined in the Programme for Government.

As part of the process of forming the overall picture of the emergency departments' situation nationally the SDU is establishing an infrastructure based on information collection and analysis, hospital by hospital, so that we will know what is actually happening in real time. It is providing information tools for hospital managers, including clinical managers, to map and measure bed capacity in their hospital depending on variations in for example the average length of stay of patients. This will allow us to begin to embed performance management in the system, to manage bed capacity and to sustain shorter waiting times. A central objective of the SDU is to improve the quality and timeliness of data in the context of developing a balanced scorecard based on quality, access, and finance.

On scheduled care a key priority is to drive down waiting times for patients. The resources of the NTPF have been refocused to align with the work of the SDU, and crucially, to allow for a progressive improvement in the performance of the acute hospital system.

The NTPF is working to support hospitals in the delivery of a 12 month maximum wait time for inpatient or day-case surgery by December 31st 2011.

The NTPF is undertaking weekly monitoring and risk analysis of every hospital's performance at patient level using both the overall waiting list and the Primary Target List (PTL) whilst advising and supporting and where appropriate suggesting alternative approaches to hospitals that are experiencing particular difficulties.

7. Developing business cases to underpin policy initiatives

(i) Where the State proposed to invest in an area where there is no proven technological track record, it would be preferable if contractual commitments were not entered into until there was certainty in relation to the delivery of a solution arising from the use of the technology concerned.

The Minister for Public Expenditure and Reform notes the recommendation.

The Minister draws the attention of the Committee to the fact that with respect to ICT projects, the Department of Finance has issued two Circulars 2/09 and 2/11 (now published on the website of the Department of Public Expenditure and Reform) on arrangements for approving ICT expenditure, which among other things, require organisations to comply with a range of guidelines and policies published by the Centre for Management and Organisational Development CMOD, Department of Public Expenditure and Reform.

Those guidelines require public bodies to develop ICT strategies that specify maximum allowable exposure limits in any ICT contract, i.e., the maximum amount to which the organisation can be exposed if it terminates a contract early or a project cannot be brought to completion. The Minister notes that, in sanctioning terms, the maximum exposure allowed by his Department is €250,000 or 50% of the value of the contract, whichever is the lower. Organisations are free to set a lower limit taking into account the size of the organisation, its ICT budget, planned ICT projects, etc.

Additionally, and amongst other things, the guidelines require organisations to –

- clearly define the scope and objectives of a project at the Project Initiation Stage and set out the level (and availability) of resources necessary to ensure the success of the project;
- identify the business and other risks associated with the project and put in place an associated risk management process;
- pay particular attention to the implementation of effective mechanisms to ensure early detection and resolution of critical problems by identifying control checkpoints and putting in place associated problem monitoring processes and quality reviews. These checkpoints should also facilitate the ongoing risk assessment process and the reviewing of project scope if appropriate;
- subject projects to ongoing monitoring during the development and/or implementation phase in order to ensure that slippage is not being experienced with regard to –
 - i). functionality;
 - ii). schedule;
 - iii). cost;
 - iv). quality/usability; and
 - v). the resolution of issues.
- develop immediate strategies to mitigate slippage where it is identified and submit them for approval to the Finance Officer, the Accounting Officer and the Department of Public Expenditure and Reform; and
- seek legal advice from the Office of the Chief State Solicitor or the Office of the Attorney General in respect of contracts being drawn up for large-scale projects.

When seeking legal advice, attention should be drawn to business risks, which are particular to the project in question, in order that the proposed contract can be tailored to address these risk issues.

The Minister notes that, on foot of a Government Decision in October 2005 regarding the management of ICT projects and consultancies, major ICT projects must be submitted to a Peer Review Process. The purpose of peer review is to provide external, independent assurance that a project can progress successfully to the next stage. The aim is to secure more realistic time and cost targets, improve knowledge and skills in the public sector, and provide project managers with timely, independent advice and guidance. Such reviews are carried out at key decision points of a project, including: the business case; the preparation of the RFT and subsequent tender evaluation exercise; the proposed contract; project initiation; other key milestones in the project cycle as determined by the funding authority and/or the peer review group; and at the project close-out stage. Details on the peer review process are published on the website www.peerreview.gov.ie.

The Minister notes that, on occasion, his Department advises organisations to conduct a Performance Evaluation, prior to award of contract. In such cases, a preferred bidder is required to develop or provide an element of the solution or service to a particular standard and within a defined time period at little or no cost. The aim is to provide a greater guarantee that their proposal works and at the proposer's risk. This approach, while not a panacea, has been used successfully on a number of projects.

(ii) All innovative technology programmes by Public Authorities should be characterised by a strong input from the CMOD division of the Department of Finance so as to ensure greater control over projects and so as to build up public sector expertise in the area of technology.

(iii) The CMOD division of the Department of Finance should review the handling of the public sector on-line broker project and document the lessons which can guide future innovative projects in the public sector.

The Minister for Public Expenditure and Reform notes these recommendations.

The Minister wishes to draw the attention of the Committee to the fact that since the Comptroller and Auditor General's Special Report 58, and the Committee's consideration of it, the Department of Finance has issued two Circulars (2/09 and 2/11) on new arrangements for approving ICT expenditure that are designed to ensure a strong input from his Department on proposed ICT expenditure and that incorporate the lessons learned from this particular report. These Circulars have been circulated to all public bodies and are available on the website of the Department of Public Expenditure and Reform.

In addition, the Minister notes that CMOD has published a wide range of ICT guidelines, policies and advice notes on a Government Intranet website for public bodies. These relate to matters such as –

- ICT Governance,
- Project Management,
- Financial Policies,
- Procurement Policies,
- Technology Policies,
- Shared ICT Services and Procurements, and
- Enhancing Self Sufficiency in the provision and management of ICT services.

These Circulars set out very clear directions on a range of requirements including –

- Compliance with all of the guidelines and policies published by CMOD;
- Robust ICT project governance, management and approval structures and processes at appropriately senior levels of management;
- Monitoring and reporting arrangements – especially with respect to ongoing evaluation of the cost-effectiveness of the selected approach – and measures for dealing with any project drift that could impact on such cost-effectiveness;
- Evaluations being based on Total Cost of Ownership models;
- Use of shared services and central procurement frameworks where applicable; and
- Reductions in the dependence on external providers and enhanced self-sufficiency in the development and provision of ICT solutions and services.

Additionally, the Circulars make it clear that public bodies should consult with CMOD at the earliest possible opportunity on ICT initiatives where complexity or Value for Money issues are likely to arise.

(iv) The scheme whereby local authorities provide house procured through long term leases should be the subject of a detailed value for money review.

The Minister for Public Enterprise and Reform is informed by the Department of the Environment, Community and Local Government that it notes the recommendation.

The Minister is further informed by that Department that while no definitive single economic evaluation of all the components of the leasing initiative was carried out at the outset, a number of value for money reports were prepared at different stages for the Rental Accommodation Scheme (RAS) and that other studies and work have been undertaken relating to the cost of providing for social housing and the value of the social housing asset to the State. These include:

- The Interim Value for Money and Policy Review of the Rental Accommodation Scheme;
- The Indecon report on the Economic and Social Review of the Proposed Revised Terms of the Tenant Purchase Scheme;
- The Supplementary Regulatory Impact Analysis on the Incremental Purchase Scheme introduced as part of the Housing (Misc Provisions) Bill 2008; and
- The Grant Thornton Review of the Capital Funding Schemes of the Voluntary and Co-operative Housing Sector.

The collective findings of these reports, coupled with general Government policy promoting a more varied and flexible range of social housing delivery mechanisms led to the introduction of the Social Housing Leasing Initiative.

The evaluation of financial models underpinning a range of social housing delivery mechanisms is complex, especially in a period of uncertain market conditions, and accordingly the Department of the Environment, Community & Local Government ensures that the costs and benefits are reviewed on an ongoing basis.

In this regard, the Housing and Sustainable Communities Agency (HSCA) has been commissioned by the Department to undertake a Value for Money and Policy Review of the Rental Accommodation Scheme. As part of this study, the Agency is also examining the long-term cost of providing social housing through a range of different delivery mechanisms, including long-term leasing. The report is due to be complete by early 2012.

(v) Given the need to make best use of scarce public resources, schemes such as the Strategic Innovative Fund could achieve maximum return for minimum input where there is greater competition between third level institutions and where all proposals are ranked based on specific criteria.

The Minister for Public Expenditure and Reform is informed by the Department of Education and Skills that it accepts this recommendation.

Following the conclusions of the mid-term evaluation of the Strategic Innovation Fund in early 2010 and the Comptroller and Auditor General review, the Higher Education Authority sought to maximise the impact of remaining funding under this programme. Institutions were informed that access to outstanding funding would be contingent on the demonstration of viable plans to consolidate activity with other similar type projects. As a result, a number of project mergers have been successfully developed and significant efficiencies achieved. Furthermore, funding in 2011 has been specifically targeted at mainstreaming priority projects and ensuring that outcomes from SIF projects are embedded at a national level.

It should also be noted that the majority of projects funded under this programme have now been completed and there are no intentions at present to fund any new activities.

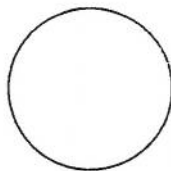
(vi) Departments must ensure that projects, such as science projects, which impact on areas outside the remit of the Department, are the subject of a whole of government approach.

The Minister for Public Expenditure and Reform accepts this recommendation.

As part of the new, strengthened Value for Money Code, the existing Value-for-Money and Policy Reviews are to be supplemented with more focused analyses of “cross-cutting” or “whole-of-government” issues, to be conducted by the Central Expenditure Evaluation Unit (CEEU) of the D/PER as well as by Departmental Evaluation Units. Science projects, of the type referred to by the PAC, would be likely to fall into this category.

Given under the Official Seal of the
Minister for Public Expenditure and
Reform on this the 25th day of January,
2012

L.S.



A handwritten signature in black ink, appearing to read 'Robert Watt', written over the official seal.

Robert Watt
Secretary General
Department of Public Expenditure and Reform