



Comptroller and Auditor General

**Accountability of North/South Bodies
1999 – 2007**

May 2008

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Report of the Comptroller and Auditor General

Accountability of North/South Bodies 1999-2007

I have prepared this report, jointly, with the Comptroller and Auditor General for Northern Ireland on matters arising in relation to the audits of North/South Bodies for presentation to the Houses of the Oireachtas, in accordance with Paragraph 2.6 of Part 7 of the Schedule to the British-Irish Agreement Act, 1999.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large circular flourish at the beginning and a long horizontal stroke extending to the right.

John Purcell
Comptroller and Auditor General

14 May 2008

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Accountability of North/South Bodies 1999-2007

1. North/South Ministerial Council

Arising from Strand 2 of the Agreement reached in the multi-party negotiations in Belfast on 10 April 1998, the North/South Ministerial Council (NSMC) was established to bring together those with executive responsibilities in Northern Ireland and the Irish Government to develop consultation, co-operation and action within the island of Ireland - including through implementation on an all-island and cross-border basis - on matters of mutual interest and within the competence of each Administration, North and South. The NSMC, therefore, comprises Ministers of the Northern Ireland Executive and the Irish Government, working together to take forward co-operation between both parts of the island to mutual benefit.

The work of the NSMC is supported by a standing Joint Secretariat, staffed by members of the Northern Ireland Civil Service and the Irish Civil Service. The Secretariat is based in Armagh.

2. North/South Implementation Bodies

Strand 2 of the Agreement provided for the establishment of six Implementation Bodies through which co-operation would take place on a cross-border or all-island level. The Implementation Bodies are

- Waterways Ireland
- Food Safety Promotion Board
- Trade and Business Development Body (known as InterTradeIreland)
- Special EU Programmes Body
- North/South Language Body
- Foyle, Carlingford and Irish Lights Commission.

The North/South Language Body which is known in Irish as An Foras Teanga and in Ullans as Tha Boord o Leid – comprises two agencies, an Irish language agency, Foras na Gaeilge, and an Ulster-Scots agency, Tha Boord o Ulstèr-Scotch.

3. Tourism Ireland Ltd

The NSMC agreed in 1999 to establish a limited company Tourism Ireland Ltd to market the island of Ireland overseas as a tourism destination. It was formed by Bord Fáilte Éireann and the Northern Ireland Tourist Board under the Irish Companies Acts as a company limited by guarantee without a share capital.

4. Functions of the North/South Bodies

The functions of the North/South Implementation Bodies and Tourism Ireland Ltd may be summarised as follows:

Waterways Ireland

Management, maintenance, development and restoration of the inland navigable waterway system, principally for recreational purposes.

Food Safety Promotion Board

Promotion of and research into food safety together with the communication of food alerts and the surveillance of food-borne disease while promoting scientific co-operation and linkages between laboratories.

InterTradelreland

Exchange of information and co-ordination of work on trade, business development and related matters.

Special EU Programmes Body

Preparation, central secretariat, monitoring, research, evaluation, technical assistance, development role and grant making in relation to certain EU Programmes including PEACE and INTERREG.

North/South Language Body

Promotion of, support for and research into the Irish language, and the facilitation of its use; and promotion of greater awareness and use of Ulster-Scots language and culture.

Foyle, Carlingford and Irish Lights Commission (Loughs Agency)

Promotion of development of Loughs Foyle and Carlingford including the inland fisheries conservation functions of the former Foyle Fisheries Commission, and development of aquaculture and marine tourism.¹

Tourism Ireland Ltd

Marketing the island of Ireland overseas as a tourism destination. Working with the two tourist boards on the island, Fáilte Ireland and the Northern Ireland Tourist Board, who are responsible for product and enterprise development and marketing to tourism consumers within the island of Ireland.

¹ The Commission was also to assume the functions of the Commissioners of Irish Lights, but that has not happened and the Commissioners continue to function separately. As a result the body is usually known as the Loughs Agency.

5. Location

The offices of the Implementation Bodies and Tourism Ireland Ltd are located as follows:

Name of Body	Headquarters	Other offices	Number of Employees during 2006
Waterways Ireland	Enniskillen	Athlone, Ballyconnell, Carrick-on-Shannon, Coleraine, Kilclare (Leitrim), Dublin, Killucan (Westmeath), Portumna, Scarriff, Tullamore	348
Food Safety Promotion Board	Cork	Dublin	33
InterTradeIreland	Newry	None	41
Special EU Programmes Body	Belfast	Monaghan, Omagh	45
North/South Language Body			
■ Foras na Gaeilge / Irish Language Agency	Dublin	Belfast	43
■ Ulster-Scots Agency	Belfast	Raphoe	10
Loughs Agency	Derry / Londonderry	Carlingford	53
Tourism Ireland Ltd	Dublin Coleraine	Represented in 22 markets overseas	147

6. Financing

Funding obligations in respect of the six North/South Implementation Bodies are as set out in Paragraph 15 of Strand 2 of the Agreement reached in the multi-party negotiations in Belfast on 10 April 1998. This was given legislative effect by Article 3 of the Agreement of March 1999 between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland establishing Implementation Bodies (the “Implementation Bodies Agreement”), which states that: “Each Body shall be funded in accordance with the provisions of the Multi-Party Agreement on the basis that it constitutes a necessary public function”. Part 7 of Annex 2 of that Agreement provides common provisions relating to the Bodies and states at paragraph 2.1 that “The Body will receive grants from money voted by the Northern Ireland Assembly and Dáil Éireann. NSMC will, with the approval of the Finance Ministers, make recommendations as to the amount of such grants.”

In respect of Tourism Ireland Ltd, the Company’s Memorandum and Articles of Association and funding arrangements were agreed at a meeting of the NSMC in October 2000.

Funding for each North/South Implementation Body and for Tourism Ireland Ltd is determined following consideration of an annual business plan prepared by each Body. These plans are subject to approval by Ministers in the relevant funding Departments and the Finance Departments, and the NSMC.

Funding to the North/South Implementation Bodies and Tourism Ireland Ltd is subject to the normal process of Assembly and Oireachtas approval and scrutiny through the relevant Estimates and Budget processes following recommendation by the NSMC. The contributions to the budgets relate to the benefits accruing to each jurisdiction

The Bodies must comply with the provisions of a Financial Memorandum drawn up by the relevant funding Departments and the Finance Departments of the two jurisdictions. The Financial Memorandum specifies the detailed financial arrangements including those in relation to accounts, accounting year and currency.

The approval of the Finance Ministers and the NSMC is required for the remuneration, grading, numbers and conditions of service of the staff of the Bodies.

The following table shows which Departments fund each Body, and in what proportions.

Name of Body	Northern Ireland funding Body	NI % funding	Irish funding Body	Irish % funding
Waterways Ireland	Department of Culture, Arts and Leisure	15% current expenditure; 100% of capital expenditure in NI	Department of Community, Rural and Gaeltacht Affairs	85% current expenditure; 100% capital expenditure in Ireland
Food Safety Promotion Board	Department of Health, Social Services and Public Safety	30%	Department of Health and Children	70%
InterTradeIreland	Department of Enterprise, Trade and Investment	33%	Department of Enterprise, Trade and Employment	67%
Special EU Programmes Body	Department of Finance and Personnel	Variable depending on programmes, but usually around 60%	Department of Finance	Variable depending on programmes, but usually around 40%
North/South Language Body	Department of Culture, Arts and Leisure	Foras na Gaeilge/Irish Language Agency 25%; Ulster-Scots Agency 75%	Department of Community, Rural and Gaeltacht Affairs	Foras na Gaeilge/Irish Language Agency 75%; Ulster-Scots Agency 25%
Loughs Agency	Department of Agriculture and Rural Development	50%	Department of Communications, Energy and Natural Resources	50%
Tourism Ireland Ltd	Department of Enterprise, Trade and Investment (channelled through Northern Ireland Tourist Board)	26%	Department of Arts, Sports and Tourism (channelled through Fáilte Ireland)	74%

7. Governance

The governance arrangements for the Implementation Bodies are set out in the Implementation Bodies Agreement. They are summarised in the following table. The governance arrangements for Tourism Ireland Ltd which are set out in its Memorandum and Articles of Association are also shown.

Name of Body	Accounting Officer(s)	Board Details
Waterways Ireland	Chief Executive, appointed by NSMC	No Board is required under the Implementation Bodies Agreement.
Food Safety Promotion Board	Chief Executive, appointed by NSMC	NSMC also appoints a 12 member Advisory Board (remunerated) and an 18 member Scientific Advisory Committee (not remunerated).
InterTradeIreland	Chief Executive, appointed by the NSMC	NSMC appoints a 12 member Board (remunerated).
Special EU Programmes Body	Chief Executive, appointed by NSMC	No Board is required under the Implementation Bodies Agreement.
North/South Language Body	Chief Executives of Foras na Gaeilge/ the Irish Language Agency and the Ulster-Scots Agency, both appointed by the Board with the approval of NSMC	NSMC appoints a 24 member Board (remunerated), of whom 16 are responsible for exercise of functions through Foras na Gaeilge/ the Irish Language Agency, and 8 for exercise of functions through the Ulster-Scots Agency.
Loughs Agency	Chief Executive, appointed by the Board with the approval of NSMC	NSMC appoints a 12 member Board (remunerated).
Tourism Ireland Ltd	Chief Executive, appointed by the Board, with the approval of NSMC	NSMC appoints a 12 member Board of Directors (remunerated).

The Chief Executive of each Body (or Agency within the Language Body) is appointed by the funding Departments as Accounting Officer/Accountable Person (which is essentially the same concept as Accounting Officer).

8. Accountability and Reporting Arrangements

Under the Implementation Bodies Agreement, each Implementation Body is required to prepare a statement of accounts in respect of each year in a form which complies with guidance issued by the Finance Departments.

The guidance requires compliance with generally accepted accounting practice (GAAP) in most respects and is similar to the guidance under which all public bodies in Northern Ireland and many public bodies in Ireland prepare their accounts. Pensions are accounted for differently in the two jurisdictions because of the different accounting regimes in operation. Tourism Ireland Ltd accounts for pensions in line with the method used by non-commercial state-sponsored bodies in the South. The Finance Departments have directed that the other bodies should, for the time being, account for the proportion of pension costs borne by the Northern Ireland funding Departments in the same way as other Northern Ireland public bodies and that the proportion of pension costs borne ultimately by the Irish Exchequer should be accounted for by recognising pension costs only as they fall due. This treatment is being kept under review.

The Bodies prepare their annual accounts as at 31 December, in line with the Irish practice.

There is currently no requirement for Implementation Bodies to prepare a remuneration report. However, the accounts disclose certain information about the remuneration of Board members and senior managers.

The accounting arrangements for Tourism Ireland Ltd are that it complies with the Companies Acts 1963-2006 and with the guidance issued for Implementation Bodies, where applicable.

9. Audit and Accountability

The Implementation Bodies Agreement requires the Implementation Bodies to submit their annual accounts to NSMC, to the Comptroller and Auditor General for Northern Ireland and the Irish Comptroller and Auditor General (the C&AGs). Under the terms of the Financial Memoranda which the funding Departments have issued, the Bodies must do this by 1 April each year.

The Agreement requires the C&AGs in co-operation to examine and certify the accounts, and the audited accounts must be laid before the Northern Ireland Assembly and both Houses of the Oireachtas. It is a requirement of the Financial Memoranda that this should be done by 30 June.

In general, the Northern Ireland Audit Office is the lead partner in the audits of Bodies whose headquarters are located in Northern Ireland, and the Office of the Irish C&AG leads on the others.

In general, an internal audit service is provided to the Bodies by the Internal Audit Unit of the funding Department in the jurisdiction where the Body's headquarters are located. The Food Safety Promotion Board sources its own internal audit service. Waterways Ireland has its own in-house internal audit section; however, its audit reports are provided to its funding Departments for scrutiny/consideration.

Tourism Ireland Ltd is audited by the Irish Comptroller and Auditor General. NIAO provides assistance in the completion of the audit. The Comptroller and Auditor General for Northern Ireland provides a report to the NI Assembly following his review of the accounts. To date, no matters have been raised in these reports.

All the Implementation Bodies and Tourism Ireland Ltd have Audit Committees.

The following table summarises the membership of their audit committees.

Name of Body	Membership of Audit Committee	No. of meetings in 2007
Waterways Ireland	2 executive members and 2 non-executive members	3
Food Safety Promotion Board	1 Advisory Board member and 3 other non-executive members	2
InterTradeIreland	3 Board members	3
Special EU Programmes Body	2 non-executives and 1 representative each from the 2 funding Departments	4
North/South Language Body	<i>Ulster-Scots Agency</i> : 3 Board members and 1 independent.	4
	<i>Irish Language Agency</i> : 3 Board Members and 2 independents	4
Loughs Agency	4 Board members	2
Tourism Ireland Ltd.	4 non-executive directors	4

The Implementation Bodies Agreement also brought the Implementation Bodies (but not Tourism Ireland Ltd) within the jurisdiction of the Northern Ireland Assembly Ombudsman and of the Irish Ombudsman and required the Ombudsmen to liaise and consult with each other.

10. Preparation and Audit of Annual Accounts

The first period of account for the Implementation Bodies ran from 2 December 1999 until 31 December 2000 and the first period of account for Tourism Ireland Ltd was 2001. Thereafter the accounting periods have coincided with each calendar year. In the early years, accounts were often presented late and the audit process was often protracted. This was because Implementation Bodies required some time to reach staffing complement and because systems required time to be developed and embedded.

The following table shows the amount spent by each Body and the value of its net assets, in the latest year for which the accounts have been certified by the C&AGs (or, in the case of Tourism Ireland Ltd, by the Irish C&AG alone).

Name of Body	Expenditure		Net Assets		Latest accounts certified
	£ Stg m	€ m	£ Stg m	€ m	
Waterways Ireland	22.0	32.3	463.0	687.2	2006
Food Safety Promotion Board	5.9	8.6	1.1	1.6	2006
InterTradeIreland	9.6	14.1	1.1	1.6	2006
Special EU Programmes Body	116.6	171.1	0.2	0.3	2006
North/South Language Body	14.7	21.3	0.8	1.1	2003
Loughs Agency	3.9	5.7	3.6	5.3	2006
Tourism Ireland Ltd	53.6	78.7	2.3	3.5	2006

The accounts of the Irish Agency and the Ulster-Scots Agency have to be consolidated for final audit and certification. The audit of the consolidated accounts for 2004 has been completed but the audit certificate cannot be issued until accounts approved by the board of the North/South Language Body are sent to the C&AGs. Substantial audit work has been completed on the 2005 and 2006 accounts of the Irish Language Agency and the Ulster-Scots Agency. However, the accounts of the Irish Language Agency need further adjustment before they are ready for consolidation.

11. Audit Issues

In the years following their establishment some of the North/South Bodies experienced difficulties which led to qualified opinions on their financial statements and, in some cases, the issue of reports which were appended to the audit certificates. Most of these issues had their roots in the difficulties inherent in setting up new bodies with cross - border responsibilities, coupled with lack of resources in the early years of establishment.

The following is a synopsis of the issues that arose in each body with an indication of the action taken to resolve them.

Waterways Ireland

The two issues arising in this Body related to

- Recording and accounting for fixed assets
- Weaknesses in project management procedures.

Recording and accounting for fixed assets

The difficulties in relation to recording and accounting for fixed assets arose in the context of the transfer of very substantial asset portfolios to Waterways Ireland from the Department of Arts, Heritage, Gaeltacht and the Islands, in the South, and the Rivers Agency, in the North. Prior to the establishment of Waterways Ireland, the Department of Arts, Heritage, Gaeltacht and the Islands had not undertaken a complete physical inventory of assets for a number of years. Accordingly, Waterways Ireland had to prepare a register of the assets taken over and carry out valuations.

From 2000 to 2002 we² issued qualified opinions on the financial statements of Waterways Ireland arising from the omission of certain fixed assets. Waterways Ireland did prepare a satisfactory asset register in due course and we have given unqualified opinions on the financial statements for 2003 and later years.

Weaknesses in project management procedures

A number of weaknesses in project management procedures were noted during our audit of the financial statements for the year 2000. These had to do mainly with the lack of investment appraisals for capital projects and the lack of formal documented project management procedures. Waterways Ireland subsequently took steps to strengthen its procedures in this area. In the course of the 2006 audit it was noted that project appraisals are being carried out for new capital projects. A new project management system was being piloted with a view to its extension to all major projects.

² The opinions/findings discussed in this part of the report (with the exception of opinion/findings in respect of Tourism Ireland Ltd) represent joint findings of the C&AG for Northern Ireland and the Irish C&AG.

Food Safety Promotion Board

The issues arising in relation to the Food Safety Promotion Board (FSPB) concerned procurement practices.

In relation to the **2000** financial statements we reported that it was not possible to confirm that the control and monitoring of the process for the engagement of an advertising agency was adequate as public relations consultants were largely responsible for the process and had retained most of the relevant documentation.

FSPB must follow public procurement procedures in placing any contract. The application of such procedures was not evidenced by supporting documentation. In particular, in view of the size of the FSPB's advertising budget of €52,300 (Stg£581,786), the tender should have been advertised in the Official Journal of the European Union.

The FSPB also sought proposals for research projects during **2000**. Major contracts totalling €1.68m (Stg£1.02m) were awarded in late December 2000. Our examination of the procedures adopted in selecting the research contracts highlighted two weaknesses

- 80% of the funding was paid on the signing of the research contracts, possibly exposing the Board to loss if the contract did not progress satisfactorily, and
- the Board had not established a mechanism to satisfy itself that the costs expended by grantees were correct.

Subsequently, the Board revised its funding schedule, so as to pay less of the funding upfront. It also enhanced controls over payments.

We also reported on a number of issues which arose in relation to managing the procurement and the fit-out of the Board's Cork office in **2001**. The Board entered into a 25 year lease of a building. The annual rental and service charges amount to €351,717 (Stg£218,716). Fixed asset additions in the accounts, most of which related to this building, amounted to €2.06m (Stg£1.285m). In our opinion, the manner in which the office space requirement for the Board was determined and the way in which the fit-out of the premises was managed - in particular, the absence of investment appraisal and competitive tendering for work and supplies - suggested that best value for money may not have been obtained.

The North/South Language Body

The difficulties in the North/South Language Body concerned three matters

- Regularity of expenditure
- Shortcomings in internal control
- Financial reporting.

Regularity

Under the governing legislation, the arrangement for the payment of grants by a North/South Body must be approved by the NSMC and the Finance Ministers in both jurisdictions. In 2000, no such approval had been given in the case of the North/South Language Body and, therefore, the total grant expenditure incurred by the Body of €6,036,055 (Stg£3,803,024) did not comply with the financial authorities which governed it. As a consequence, we qualified our certificate on the **2000** financial statements. The Body subsequently sought and received the necessary approval from the NSMC and the two Finance Ministers.

A second regularity issue concerned the scope of the remit of the Ulster-Scots Agency. The governing legislation defines the functions of the Agency as “promotion of greater awareness and use of Ullans and of Ulster-Scots issues, both within Northern Ireland and throughout the island.” In effect, this restricts the promotion of Ulster-Scots issues to the island of Ireland.

In **2001**, Agency representatives made visits to the United States, Canada and Italy at a cost of Stg£56,377 (€89,480). The Agency’s statement of the benefits derived from these visits indicated that it considered the promotion of Ulster-Scots issues outside Ireland as an end in itself. In our opinion, the main objective of these visits was the promotion of Ulster-Scots cultural issues outside Ireland.

We were of the opinion that the legislation does not permit the Agency to undertake activities to promote greater awareness and use of Ullans and of Ulster-Scots cultural issues outside the island of Ireland and we qualified our opinion accordingly.

In 2005, following legal advice, the Sponsor Departments agreed a protocol governing the approval, processing and accountability of funded activities and travel outside the island of Ireland by the Ulster-Scots Agency (the Protocol). The Protocol, which was adopted by the Agency states that “the Agency can legitimately engage, if it chooses, with cultural and linguistic organisations and individuals outside Ireland and with the wider Ulster-Scots Diaspora in the furtherance of promoting Ulster-Scots language or cultural issues within the island of Ireland”.

Shortcomings in internal control

The Irish Language Agency makes grant payments under a number of programmes designed to promote and advance the Irish language. In order to be satisfied that grants paid were applied for the purpose intended, the Agency ought to document the results of its inspection of grantee records or obtain from grantees substantiating documentation in the form of audited accounts or invoices or certified returns of expenditure. Based on a review of all grant payments, we estimated that Stg£720,000 (€1,142,764) of grant expenditure did not have substantiating documentation in **2000**. As there was no other satisfactory way that we could confirm that these funds were applied for the purposes intended, we qualified our opinion on the 2000 financial statements.

We also noted that no formal funding criteria for projects had been established by the Board in relation to grants paid by the Irish Language Agency, that there was no standard appraisal mechanism and that record keeping in relation to projects was deficient. In subsequent audits we noted that the Department of Community, Rural and Gaeltacht Affairs and the Department of Culture, Arts and Leisure commissioned an external review of the Agency’s grant administration system. This review took place in March 2004 and found continued weaknesses in that system. We note that by November 2005 the Chief Executive Officer responded to the review and confirmed that at that point in time the main recommendations had been implemented.

There were also shortcomings in the internal control systems of the Ulster-Scots Agency. The Northern Ireland Department of Education's Internal Audit Unit carried out an investigation into the systems in operation within the Agency in **2001**. Internal Audit reported in October 2001 that a system of internal control was largely non-existent. However, by April 2003, Internal Audit was able to report that a Policy and Procedures Manual had been put in place to provide the Agency with guidance to enable it to act in a manner that is expected of a public sector body.

Financial reporting

The North/South Language Body has had difficulties in discharging its accountability obligations since establishment. Both the Irish Language Agency and the Ulster-Scots Agency are required to produce annual financial statements and these are then consolidated to form the financial statements of the Body.

A draft of the annual financial statements for the Irish Language Body for the period ended 31 December 2000 was only presented for audit in October 2002. The account was the subject of subsequent adjustments and a final version suitable for consolidation into the account of the North/South Language Body only emerged in mid-2004.

The Ulster-Scots Agency submitted a statement of accounts for the period ended 31 December 2000 to the C&AGs in January 2002. This was returned because the format did not comply with the Finance Departments' guidance.

Delays in producing financial statements and completing the audits have continued and, as is apparent from paragraph 10, this is the only Body which has yet to produce audited financial statements for the years 2004, 2005 and 2006.

Foyle, Carlingford and Irish Lights Commission (Loughs Agency)

The issues in relation to this Body were:

- Late presentation of financial statements
- Accounting for pensions.

Late presentation of financial statements

The Agency submitted draft financial statements for the year **2000** for audit in June 2001 but these were not in the format required for North/South Bodies. Various drafts were required until we were satisfied that the format and content were acceptable. Furthermore, the financial statements for the Agency's predecessor body, the Foyle Fisheries Commission, for the period ended 1 December 1999 were not certified until March 2003. The Loughs Agency's financial statements for the period ended 31 December 2000 were signed in June 2003.

Accounting for pensions

From **2000** to **2005** qualified opinions were issued arising from limitation in audit scope because no actuarial review had been commissioned since 1993. Therefore, we were unable to assess whether a provision in respect of pension liabilities shown in the financial statements was sufficient. A valuation was carried out in 2006 and we issued an unqualified opinion.

Tourism Ireland Ltd

In **2001**, the Irish C&AG reported on weaknesses in procurement arrangements in respect of professional services. The objective of the company was to be operational for the 2002 tourist season but, due to lack of support staff, it had to rely on professional services and externally sourced support. The weaknesses arose in this context and have since been addressed.