



Comptroller and Auditor General  
Special Report

Department of Enterprise, Trade and Employment

# **Advertising and Promotion in FÁS**

**June 2009**

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This report was prepared on the basis of information, documentation and explanations obtained from FÁS. The draft report was sent to FÁS and to the Department of Enterprise, Trade and Employment and, where appropriate, the comments received were incorporated in the final version of the report.

# **Report of the Comptroller and Auditor General**

## **Advertising and Promotion in FÁS**

I have, in accordance with the provisions of Section 11 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out an examination of advertising and promotion in FÁS.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Buckley', with a stylized flourish at the end.

**John Buckley**  
**Comptroller and Auditor General**

12 June 2009



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## Summary of Findings

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## Summary of Findings

This report follows up on matters arising out of a previous report on procurement and related matters in FÁS.<sup>1</sup> It primarily deals with the management of advertising and promotional activities. A further report will be issued in the coming months which will, *inter alia*, examine the arrangements for internal control and governance that pertained in FÁS.

Over the period 2002 to 2008, FÁS spent over €48 million on advertising, promotion and related activities including jobs fairs and activities to promote science.

Within FÁS, its Corporate Affairs section had primary responsibility for this expenditure. That section carried out two main types of activity – running certain campaigns centrally and promoting the services of other units within FÁS. It had overall responsibility for jobs fairs and the promotion of science through a Science Challenge programme.

## Overall Examination Findings

Advertising which accounted for almost half of the overall promotion expenditure by FÁS is the largest in the non-commercial State sector. The examination found that

- Advertising and promotional activities lacked strategic direction insofar as a marketing and communications strategy had not been developed by FÁS despite longstanding commitments to do so.
- There was a substantial and prolonged breakdown in budgetary control in the area of promotional expenditure in the period under review with expenditure exceeding budgets by 38%. This lack of control was particularly evident in the area of general advertising where expenditure exceeded budgets by 66% over the seven-year period.
- Much of the advertising was ineffective in increasing an awareness of the services provided by FÁS.
- There was nugatory expenditure of €622,000 as a result of a series of transactions for which there was no evidence of goods or services having been provided.
- There was also considerable non-effective expenditure including over €600,000 spent on producing TV advertisements that were not broadcast and payment of €9,200 for a car that was not delivered.
- The rates FÁS paid for advertising were reasonably in line with industry norms.

Internal financial control was insufficient to ensure that all commitments were recorded and captured, and that procurement was conducted in accordance with public service norms and within expenditure authorisation limits. In particular, the examination found that

- Commitment controls did not function when agents were used to effect transactions. Procurement of certain goods and services by Corporate Affairs through contracted agencies meant that the Finance section only became aware of certain commitments when invoices were presented for payment.

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<sup>1</sup> Chapter 2, Special Report 10: *General Matters arising on Audits – Non-Commercial State Sponsored Bodies, Health Sector Bodies, Vocational Education Committees*, Comptroller and Auditor General, 2008.

- FÁS was exposed to probity risks through a failure to meet public sector procurement requirements. Exposures arose from the purchase from contracted agencies of goods and services that were not contemplated within the scope of their contracts and the potential consequences of FÁS playing a role in the selection of third parties by the agencies to provide services.
- Expenditure authorisation limits were circumvented through the splitting of payment claims into a series of invoices.
- There was a lack of clear accounting trails in regard to proceeds from the sale of exhibition space.

## **Conclusions and Recommendations**

The findings of this examination would suggest the need for adjustments to systems, procedures and practices employed by FÁS. These arise in the following areas:

### ***Strategy***

A fundamental step for an organisation with a significant level of advertising or promotional expenditure should be the development of an appropriate marketing strategy. This should take account of the business needs of the organisation and inform the development of annual business plans. Promotional activity should be clearly focused and only undertaken in response to identified business needs and within specified and agreed budgetary limits.

### ***Evaluation***

Each major promotional activity should have preset objectives and a review of their achievement should follow. In order to determine the effectiveness of promotional activities there should be periodic external review of their outcomes.

### ***Commitment control***

A requirement to record all commitments combined with more timely highlighting of anticipated budgetary overruns would lead to speedier management responses and help to prevent the types of over-expenditure that occurred in FÁS. Commitments need to be controlled better through

- earlier logging in instances where they are entered into by third parties on behalf of FÁS and
- monitoring the cumulative expenditure and outstanding commitments against associated budgets and reporting of all emerging variances.

### ***Budget management***

In the area of advertising, there needs to be a move from passive monitoring to active budget management. While the Executive Board approved budgets and received regular monthly reports about financial performance, this did not lead to effective budgetary control over advertising and promotional expenditure. Because overspends on advertising were compensated by underspends in other areas sufficient attention was not given to individual variances. In order to allow for meaningful control, feedback about financial performance should include clear explanations of variances from budgeted expenditure distinguishing between

- variances on demand-led programmes and
- variances on general advertising and other general expenditure.

Significant budget variances should be formally ratified.

### ***Purchasing/commissioning split***

A weakness in the arrangements for advertising and promotional activities was that Corporate Affairs could incur expenditure and charge it to the budgets of other divisions. A clearer division needs to be established between units who commission advertising and the responsibility of Corporate Affairs to manage it. In addition, where innovative programmes are developed within Corporate Affairs responsibility for these initiatives should be assigned to line divisions at the earliest opportunity in order to maintain an appropriate separation of functions.

### ***Subject matter experts***

A factor contributing to certain nugatory expenditure identified in the report was the preparedness of a manager, when approving payments, to accept, apparently without question, the view of a subject matter expert who initiated the transactions. This type of risk should be addressed by all units in their risk management reviews and be specifically considered by management prior to signing the Statement of Internal Financial Control.

### ***Procurement***

Many of the procurement breaches identified related to jobs and careers fairs. Early planning of exhibitions would go a long way to assist FÁS in meeting its obligations in the area of public procurement and its own internal approval requirements. It would also facilitate the timely authorisation of expenditure at the appropriate level.

### ***Use of agents in procurement***

The operation of contracts with agents should be monitored to ensure that they are not used as a mechanism to avoid procurement controls and rules and in particular that

- goods and services that are authorised to be procured by the agent are clearly and narrowly defined in line with the agent's authority as defined in the contract
- once an agent is in place, valuable resources are not wasted in directly managing services that the agent is already contracted to provide.

### ***Payment control***

The Finance section should have a stronger role as gatekeeper in order to ensure, insofar as possible, that expenditure authorisation procedures have been properly complied with. Its role should extend beyond a mere processing of invoices for payment that have been, on the face of it, authorised in other divisions in accordance with internal procedures. In particular, commitment authorisation and methods of subverting authorisation limits such as invoice splitting should be the subject of checking.

### ***Reconciliation of income***

In conducting exhibitions there should be a clear accounting trail between the income chargeable for each exhibition stand and that received from exhibitors.

### ***Gross accounting***

In the reporting of the outcome of jobs fairs, FÁS reported their cost net of revenue from the sale of exhibition space. Transparent gross accounting would facilitate monitoring of both income and expenditure for these events.



## **Advertising and Promotion in FÁS**

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# 1 Introduction

**1.1** An Foras Áiseanna Saothair (FÁS) was established in 1988 under the Labour Services Act, 1987. FÁS operates under the aegis of the Department of Enterprise, Trade and Employment (the Department). It has functions relating to the training of persons who are unemployed, the upskilling of the employed and the administration of apprenticeships. From 2000 onwards it took on responsibilities for training of persons with disabilities.

**1.2** Overall responsibility for the management of FÁS lies with its Board whose members are appointed by the Minister for Enterprise, Trade and Employment. Its internal governance structures include an Executive Board comprising its Director General and seven Assistant Directors General. The Executive Board reports to the Board.

**1.3** FÁS employed 2,272 people at 31 December 2008. These were deployed over nine regions and seven divisions. Its total expenditure in 2008 was of the order of €1.1 billion made up of

- Programmes – €878 million
- Staff costs and overheads – €225 million
- Capital – €25 million.

**1.4** Its main programmes are the Community Employment and Jobs Initiative programmes which absorbed 47% of total programme spend in 2008. Figure 1.1 gives a breakdown of programme spend for 2008.

**Figure 1.1 Programme expenditure, 2008**

<b>Programme</b>	<b>€m</b>	<b>Percentage of total programme expenditure</b>
Community Employment and Jobs Initiative	415.2	47%
Training for the unemployed	179.7	21%
Apprenticeship	126.8	14%
Disability providers and supports	74.0	8%
Training for the employed	41.9	5%
Local Employment Service	19.2	2%
Other integration supports <sup>a</sup>	21.5	3%
<b>Total</b>	<b>878.3</b>	<b>100%</b>

Source: FÁS.

Note a: This includes FÁS and Local Employment Service Jobs Clubs, European and Other Initiatives, the Opportunities and Jobs Ireland Exhibitions and the Science Challenge Programme.

## Previous Report

**1.5** In late 2006, the FÁS Internal Audit unit issued a report on procurement and related matters in the Corporate Affairs section of the agency. The report formed the basis of a special report<sup>2</sup> which was issued by my Office in April 2008. The special report raised concerns around the extent to which value was achieved, whether certain procurement was open, transparent and competitive and the manner in which a major website project was managed. The special report was considered by the Committee of Public Accounts (the Committee) which issued an interim report in February 2009.

**1.6** The concerns raised in the special report were comprehensively examined in the course of the Committee's hearings and, in its interim report, the Committee recommended that certain matters should be considered in the course of follow up examinations by my Office that were then under way. This report considers those follow up matters that pertain to the management of advertising, promotion and related expenditure.

## Accountability for Advertising and Promotion

**1.7** Advertising and promotional expenditure amounted to €48.2 million over the period 2002 to 2008. In the case of exhibitions and some programmes, internal budgetary responsibility and accountability for advertising and promotional expenditure lay with the Corporate Affairs section<sup>3</sup> while it rested with the relevant programme managers for other programmes.

**1.8** The functions of the Corporate Affairs section were to

- co-ordinate and liaise with Government Departments
- promote FÁS corporate activity nationally and internationally
- manage final production of Annual Reports, action plans and other FÁS publications
- ensure that senior management and the FÁS Board are advised of relevant media issues
- advise on corporate branding and signage
- provide press statements and press releases for FÁS
- plan and implement national exhibitions and award ceremonies
- manage career awareness and recruitment campaigns.

**1.9** Responsibility for oversight of the Corporate Affairs section lay with an Assistant Director General (ADG).<sup>4</sup> The section complement in 2008 was nine, including a Director,<sup>5</sup> a press and publicity manager, a marketing manager and an assistant manager.

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2 Special Report 10: *General Matters arising on Audits – Non-Commercial State Sponsored Bodies, Health Sector Bodies, Vocational Education Committees*, Comptroller and Auditor General, 2008.

3 Following a reorganisation in early 2009, the Corporate Affairs section no longer exists and operational programmes under its responsibility have been reassigned.

4 In 2008, this ADG's areas of responsibility were Secretary to the Board, Oireachtas Liaison, Internal Audit/Corporate Governance, Freedom of Information, Legal Affairs, Curriculum and Quality Assurance, Planning and Research and Corporate Affairs.

5 The title 'Director of Corporate Affairs' as used in this report refers to the person that held the position at the time.

## Scope of the Report

**1.10** This report examines the budgetary control over advertising and promotional expenditure, the general strategy under which it was spent and the extent to which its effectiveness was evaluated. It also reviews how advertising and related services were procured. The examination focused on the period 2002-2008.

**1.11** In general, the term promotion as used in this report encompasses publicity, communications, marketing, the holding of exhibitions and related activities.

## Structure of the Report

**1.12** The results of the examination are set out in the five chapters that follow. Chapter 2 reviews the composition and level of advertising and promotional expenditure, how it was controlled and managed and the steps taken to evaluate its effectiveness. Chapter 3 examines the management of the Opportunities and Jobs Ireland exhibitions while Chapter 4 reviews certain other expenditure administered directly by the Corporate Affairs section. Chapter 5 looks at promotion by Corporate Affairs on behalf of other line divisions and Chapter 6 reviews the procurement of advertising and related services.



## 2 Promotion Activities

2.1 FÁS spent €48.2 million on promotion in the period 2002-2008. This chapter reviews

- the composition of that expenditure
- how it was controlled and managed
- its alignment with the corporate goals of FÁS
- how the level of spend compares with that of other public bodies
- trends in advertising expenditure by FÁS and the media mix
- the steps taken to evaluate the effectiveness of the spend.

### Composition of Promotional Expenditure

2.2 For accounting purposes, FÁS analyses promotional expenditure into four classifications. A breakdown of expenditure for the period 2002 to 2008 using these classifications is set out in Figure 2.1.

**Figure 2.1 Promotional expenditure, 2002 to 2008**

<b>FÁS Classification</b>	<b>2002 €m</b>	<b>2003 €m</b>	<b>2004 €m</b>	<b>2005 €m</b>	<b>2006 €m</b>	<b>2007 €m</b>	<b>2008 €m</b>	<b>Total €m</b>
Advertising	0.6	2.5	2.9	3.8	5.0	5.3	3.3	<b>23.4</b>
Exhibitions and Conferences	2.3	1.7	1.4	1.8	1.5	1.1	1.0	<b>10.8</b>
Publicity and Events	0.9	1.4	0.9	0.8	2.5	1.2	1.5	<b>9.2</b>
Promotional Communications	0.8	0.7	0.3	0.6	1.3	0.6	0.5	<b>4.8</b>
<b>Total</b>	<b>4.6</b>	<b>6.3</b>	<b>5.5</b>	<b>7.0</b>	<b>10.3</b>	<b>8.2</b>	<b>6.3</b>	<b>48.2</b>

Source: FÁS.

2.3 When the expenditure of €48.2 million is analysed by programme the pattern of spending set out in Figure 2.2 emerges. 41% of the total was incurred on the Opportunities and Jobs Ireland exhibitions.

**Figure 2.2 Promotion by programme, 2002 to 2008**

Programme	2002 €m	2003 €m	2004 €m	2005 €m	2006 €m	2007 €m	2008 €m	Total €m
Opportunities and Jobs Ireland exhibitions <sup>a</sup>	2.4	2.6	1.5	1.8	3.6	4.1	3.8	<b>19.8</b>
Services to Business programmes	–	0.9	0.8	1.4	3.6	1.3	0.6	<b>8.6</b>
European and other initiatives	0.1	0.4	0.8	0.6	1.7	0.6	0.7	<b>4.9</b>
Science Challenge <sup>b</sup>	–	0.8	0.9	1.1	0.2	0.3	0.1	<b>3.4</b>
Other programmes <sup>c</sup>	0.1	0.3	0.6	1.0	0.3	0.7	0.2	<b>3.2</b>
Overheads	2.0	1.3	0.9	1.1	0.9	1.2	0.9	<b>8.3</b>
<b>Total</b>	<b>4.6</b>	<b>6.3</b>	<b>5.5</b>	<b>7.0</b>	<b>10.3</b>	<b>8.2</b>	<b>6.3</b>	<b>48.2</b>

Source: FÁS.

- Notes:
- a This includes the annual Opportunities Exhibition (Dublin), Jobs Ireland, Munster (held annually from 2006 to 2008 in Cork) and a fair held in the US in 2006. The exhibitions also generated income of just over €3 million in the period 2002 to 2008.
  - b This is the promotional expenditure only. Total expenditure for the period 2002 to 2008 amounted to around €8 million for Science Challenge.
  - c This includes programmes with cumulative expenditure that did not exceed €1.5 million for any one programme over the period 2002-2008.

## Budgetary Control

**2.4** The amount budgeted to be spent on promotion in the period 2002-2008 was €35 million. There was a 38% overrun on the budgets set. Expenditure exceeded budget every year with the overruns ranging from 15% to 85%. Details are set out in Figure 2.3.

**Figure 2.3 Advertising and Promotion - Budgets and Outturns, 2002 to 2008**

Year	Budget €m	Outturn €m	Excess over budget €m	Percentage over budget %
<b>2002</b>	3.0	4.6	1.6	53%
<b>2003</b>	3.4	6.3	2.9	85%
<b>2004</b>	4.8	5.5	0.7	15%
<b>2005</b>	5.8	7.0	1.2	21%
<b>2006</b>	6.1	10.3	4.2	69%
<b>2007</b>	6.7	8.2	1.5	22%
<b>2008</b>	5.2	6.3	1.1	21%
<b>Total</b>	<b>35.0</b>	<b>48.2</b>	<b>13.2</b>	<b>38%</b>

Source: FÁS. Analysis by C&amp;AG.

## Advertising

2.5 Across all programmes almost half of all promotion can be classified as advertising and this is where €9.3 million of the total budget overrun of €13.2 million occurred. The budgets and outturn for advertising are set out in Figure 2.4.

**Figure 2.4 Advertising Budgets and Outturn, 2002 to 2008**

Year	Budget	Outturn	Over/(under) budget	Percentage over/(under) budget
	€m	€m	€m	%
2002	0.7	0.6	(0.1)	(14)%
2003	1.1	2.5	1.4	127%
2004	1.8	2.9	1.1	61%
2005	2.5	3.8	1.3	52%
2006	2.4	5.0	2.6	108%
2007	3.1	5.3	2.2	71%
2008	2.5	3.3	0.8	32%
<b>Total</b>	<b>14.1</b>	<b>23.4</b>	<b>9.3</b>	<b>66%</b>

Source: FÁS. Analysis by C&AG.

## Responsibility for Promotion

2.6 Responsibility for advertising and promotional expenditure lay with the Corporate Affairs section in respect of the Opportunities and Jobs Ireland exhibitions, the Science Challenge programme,<sup>6</sup> miscellaneous advertising ultimately levied as overheads and a small amount of other programme expenditure (around €0.5 million over the period).

2.7 Accountability for promotional expenditure for all other programmes lies with the designated programme managers. In these instances, while programme managers have responsibility for their programme expenditure, the Corporate Affairs section was tasked with developing and procuring the services that the programme managers required, with the exception of some advertising and related expenditure which was incurred in the regions.<sup>7</sup>

2.8 The Executive Board, at its meeting on 26 February 2003, confirmed policy and procedures to be followed in regard to advertising, literature and media production. A memorandum from the ADG with responsibility for Corporate Affairs to the members of the Executive Board after that meeting stated, *inter alia*, that “*final approval of advertising style, layout, logos and placement in national newspapers is the responsibility of the Director of Corporate Affairs or his nominee.*” The memorandum was forwarded to all Directors.

2.9 In regard to resourcing, the Director of Corporate Affairs stated that in 2005 he had sought approval for recruiting a Finance Officer for his section pointing out that due to pressure of work

6 During 2007, responsibility for the Science Challenge programme moved from the Corporate Affairs section to the Training Services division. However, the manager of the programme remained the same.

7 FÁS is divided into nine regions for administrative purposes.

staff were having difficulty in availing of their annual leave entitlements. The ADG with responsibility for the Finance section responded that this would not be possible as there was a clear division of duties between the responsibilities of operational units and the responsibilities of the Finance section. The response also noted that responsibilities of individual sections in relation to procuring goods and services were clearly set out in FÁS procedures.<sup>8</sup> The ADG pointed out that it was the responsibility of the Finance section to record and pay for invoices when the procedures had been correctly followed and that the Finance section was available to all units in FÁS to provide necessary expertise in the financial area.

## Promotion and Corporate Goals

**2.10** In the absence of a marketing and communications strategy, approved at the appropriate level in the organisation, there is a risk that promotional activities would lack focus and it becomes difficult to develop and implement related business plans.

**2.11** Statements of Strategy adopted by FÁS for 2002-2005 and 2006-2009 both identified goals in relation to communications and marketing. In the 2002-2005 Statement, a goal was “*to ensure that our customers and key stakeholders are fully aware of the availability of our programmes and services and that the reputation of the organisation is consistent with the achievement of the organisation’s objectives.*” The Statement committed to specified actions to achieve this goal including the development of a marketing and communications strategy.

**2.12** The 2006-2009 Statement also included a goal ‘*to improve our communications and relationships with all our stakeholders and to communicate proactively with our customers so that they can make informed choices regarding our range of programmes and services.*’ Again, the Statement identified the development and implementation of an integrated marketing and communications strategy aimed at a diversity of customers and stakeholders as one of the actions required to achieve the goal.

Appendix A sets out the communications and marketing goals in the two Statements of Strategy.

**2.13** Despite the commitments in both Statements of Strategy, no marketing and communications strategy was developed in the lifetime of either statement.<sup>9</sup>

**2.14** In March 2008, a Marketing and Communications working group, with cross-divisional representation, was established under the Chairmanship of the ADG with responsibility for Corporate Affairs. The purpose of the group was to oversee the development of a Communications, Marketing, Advertising and Public Relations Strategy which would be aligned with the FÁS strategy 2010-2013.

**2.15** The group met twice, in March and September 2008, following which a paper was prepared for submission to the Board at its December 2008 meeting. The paper noted that a marketing and communications research audit needed to be conducted to identify where improvements could be made in regard to FÁS public relations, advertising, marketing and communications activities. The results of this audit would then inform the development of the strategy. The Board was informed

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<sup>8</sup> Financial Authority Levels and Procurement Procedures, FÁS 2005. The Board approved a revised set of these procedures in March 2009.

<sup>9</sup> In the course of the examination a document, dated September 2007, entitled Communications and Marketing Strategy 2006-2009 was provided by FÁS. However, this document did not contain the type of information that would normally be expected in a strategy document. The document was not presented to the Executive Board or the Board.

that FÁS had initiated a tender process and an evaluation panel had made a recommendation to award a contract for the work. The Board queried the need to undertake research at that time given the changing economic climate and rising unemployment levels. It deferred the matter until sometime in 2009.

**2.16** In regard to oversight by the Board of FÁS, the Board is annually presented with a paper setting out progress in meeting the organisation's strategic aims. The level of detail in the annual paper has increased and, since 2005, includes detailed information on what has been achieved in regard to the goals set out in the Statement of Strategy and on what is to be achieved in the following year. By way of example, in regard to the strategic goal for communications and marketing, the 2006 report to the Board noted that the key business priorities were to strengthen internal communications, to develop a three-year communications and marketing strategy and to further enhance the FÁS website. In regard to achievements, the paper noted that in 2006 work had started on revamping the FÁS website, the Opportunities and Jobs Ireland, Munster exhibitions had been extensively promoted, a number of overseas jobs fairs had been held and customer satisfaction surveys had been undertaken.

## Comparative Review

**2.17** Advertising expenditure by FÁS appears to be high in comparison with other non-commercial Semi-State bodies and government departments. In a presentation to the eProcurement Network<sup>10</sup> in October 2007, the Institute of Advertising Practitioners in Ireland (IAPI) noted that the Government sector had the highest spend on advertising in 2006 and within that category FÁS had the highest spend.<sup>11</sup>

**2.18** The cumulative value, at rate card rates,<sup>12</sup> of advertising by government departments and agencies with substantial spends during the period 2005 to 2008 as recorded by IAPI was estimated as follows<sup>13</sup>

- FÁS – €22.7 million
- Health Service Executive – €17.3 million
- National Safety Council – €1.8 million
- Department of Environment, Heritage and Local Government – €9.8 million
- Department of Communications, Energy and Natural Resources – €6.7 million
- Department of Justice, Equality and Law Reform – €6.2 million
- National Dairy Council – €6.1 million
- An Bord Bia – €6.1 million
- Department of Social and Family Affairs – €3.2 million.

**2.19** In relative terms, based on rate card rates, advertising expenditure by FÁS in the period 2005 to 2008 was higher than for any government department or other non-commercial State body.

<sup>10</sup> Managed by the National Public Procurement Policy Unit of the Department of Finance.

<sup>11</sup> These figures were provided to the examination by the Institute of Advertising Practitioners in Ireland.

<sup>12</sup> Standard prices quoted by media outlets (e.g. press, TV, radio, outdoor).

<sup>13</sup> Commercial State bodies have not been included as their activities may not be comparable with those of FÁS which is a non-commercial State body.

**2.20** While the value of advertising at rate card rates is useful in comparing the volume of advertising by FÁS with that of other agencies, advertising is, in practice, purchased at rates lower than quoted rate card rates. Enquiries from the industry suggest that there are a number of factors affecting the level of discount that an organisation can achieve. The factors include the following

- the amount spent on advertising by the organisation
- the buying power of the advertising agency
- the type of advertising e.g. print or outdoor and
- the time and place of the advertising.

**2.21** The 2004 contract between FÁS and its advertising agency states that the agency would achieve a discount of at least 40% on published rate cards. A report compiled by a communications media consultancy company on behalf of FÁS noted that a reduction of 52% on rate card rates had been achieved for its advertising expenditure in 2006.<sup>14</sup>

**2.22** Industry sources suggest that while it would not be possible to be exact, it would not be unreasonable to expect to achieve discounts of between 50% and 60% for a State organisation with a budget of around €1 million per annum. The prices paid by FÁS appear, therefore, to be reasonably in line with industry norms.

## **Advertising Expenditure – trends and media mix**

**2.23** The total amount spent on advertising increased considerably over the period, more than doubling between 2004 and 2007 before reducing in 2008. The most notable increase was on advertising in the print media which almost quadrupled between 2004 and 2005. Figure 2.5 outlines the expenditure over the period 2004 to 2008.

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<sup>14</sup> A comparison of advertising expenditure at rate card rates with the amounts paid for advertising by FÁS across a range of national print titles for the period 2004 to 2008 provided assurance that the conclusion of the media consultants was reasonable.

**Figure 2.5 Advertising by media type, 2004 to 2008**

Media Type	2004 <sup>a</sup> €000	2005 €000	2006 €000	2007 €000	2008 €000	Total €000
Print <sup>b</sup>	736	2,757	3,015	2,753	1,532	<b>10,793</b>
TV	430	362	315	285	362	<b>1,754</b>
Radio	252	232	623	884	262	<b>2,253</b>
Outdoor	506	449	608	534	539	<b>2,636</b>
Cinema	-	-	24	-	-	<b>24</b>
<b>Total</b>	<b>1,924</b>	<b>3,800</b>	<b>4,585</b>	<b>4,456</b>	<b>2,695</b>	<b>17,460<sup>c</sup></b>

Source: FÁS.

- Notes:
- a This includes advertising placed through the advertising agency only. FÁS stated that purchasing of advertising directly in the national media commenced in 2005.
  - b Advertising in the print media does not include some advertising in local press.
  - c This expenditure does not include design, creative and productive work. As a result, this figure cannot be directly compared with expenditure on advertising as presented in Figures 2.1 and 2.4.

**2.24** When advertising expenditure is categorised by type, print had the highest share with the proportion averaging around 62% for the period 2002 to 2008. This ranged from 38% in 2004 to a high of 73% in 2005 before falling back to around 57% by 2008. The share of advertising placed in the other media, principally TV, radio and outdoor fluctuated over the period. Figure 2.6 outlines the position over the period 2004 to 2008.

**Figure 2.6 Type of advertising, 2004 to 2008**

Year	Total €m	Print %	TV %	Radio %	Outdoor %
<b>2004</b>	<b>1.9</b>	38%	22%	13%	26%
<b>2005</b>	<b>3.8</b>	73%	9%	6%	12%
<b>2006</b>	<b>4.6</b>	66%	7%	14%	13%
<b>2007</b>	<b>4.5</b>	62%	6%	20%	12%
<b>2008</b>	<b>2.7</b>	57%	13%	10%	20%
<b>Total</b>	<b>17.5</b>	<b>62%</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>

Source: FÁS. Analysis by C&AG.

Note: There was a small amount of cinema advertising done in 2006, however, this was not included as it was only 0.5% of total advertising expenditure in that year.

**2.25** A media audit of Opportunities 2007<sup>15</sup> carried out by media consultants noted that there was an over reliance on advertising in the press and that the increase in print activity needed to be closely monitored since print is the most expensive advertising medium in Ireland on a cost per

15 There was also a media audit for the One Step Up campaign and a similar comment was made.

thousand audience basis. In the following year, 2008, the proportion of advertising spent in the print media fell from 62% to 57%.

**2.26** Some evidence was provided which suggested that placing of advertising in the various media was not well planned. In January 2006, media consultants contracted by FÁS prepared a report setting out the planned advertising campaigns for that year. The report noted that FÁS planned to spend €4.75 million on nine advertising campaigns across all media during 2006. However, the approved budget for advertising for that year, including the cost of design and production, was €2.4 million indicating that advertising plans were being drawn up without reference to the available budgets. The actual amount spent on advertising in 2006 was €5 million, of which €4.6 million was spent on placing advertising in the media.

**2.27** The report also set out the media mix planned for the 2006 marketing activity. The planned mix differed considerably from what materialised. The most significant differences were for

- Print media – planned 25% of spend but accounted for 66% of actual spend
- TV – planned 30% (actual 7%) and
- Outdoor advertising – planned 30% (actual 13%).

**2.28** Figure 2.7 sets out the details of advertising in the print media for the period 2004 to 2008.

**Figure 2.7 Print Media Advertising Expenditure, 2004 to 2008**

	Total €000	Percentage of total expenditure
Independent Newspapers <sup>a</sup>	1,973	18.3%
Daily Star	1,694	15.7%
Irish Examiner	1,401	13.0%
Sunday World	588	5.4%
Associated Newspapers <sup>b</sup>	516	4.8%
Phoenix Magazine	464	4.3%
Irish Times	454	4.2%
News International <sup>b</sup>	450	4.2%
Sunday Tribune	391	3.6%
Relevance Publishing <sup>c</sup>	370	3.4%
Business and Finance	326	3.0%
Business Plus	204	1.9%
Sunday Business Post	184	1.7%
Irish Sun	175	1.6%
Telephone Directories	150	1.4%
Other <sup>d</sup>	1,453	13.5%
<b>Total</b>	<b>10,793</b>	<b>100%</b>

Source: FÁS.

- Notes:
- a Independent Newspapers includes the Irish and Sunday Independents and the Evening Herald. Advertising expenditure with titles in associated companies is reported separately.
  - b Associated Newspapers includes the Mail on Sunday/Ireland on Sunday. News International includes the Sunday Times.
  - c Relevance Publishing publishes local newspapers in the greater Dublin area.
  - d Expenditure on any one title included in this category did not exceed €150,000 over the five-year period.

## Effectiveness of Advertising

**2.29** In April 2005, FÁS engaged the services of a media consultancy company to, *inter alia*, carry out an audit of campaigns across all media in order to

- determine effectiveness in communicating with the identified target audience and
- review media rates applied, negotiate future rates and analyse media discounts.

**2.30** A number of reports were provided under the terms of the contract. Most of these reports analysed the proportion of advertising that had been undertaken in the different media<sup>16</sup> and the

<sup>16</sup> Print, outdoor, TV, radio, cinema, on-line.

rates that had been paid. As noted previously, the rates paid by FÁS appear to be reasonably in line with industry norms.

**2.31** Three reports from the media consultants were provided which made reference to effectiveness in communicating with the identified target audience

- A January 2006 report on a Science Challenge TV campaign, which cost almost €140,000 in October 2005, stated that the major concern was that the campaign “*had not driven applications for the primary schools competition*” and that this appeared to have been caused by the poor quality of airtime in which the commercial was placed. The report noted that “*over 73% of the TV spots bought delivered zero ratings/audience numbers against the target audience*” and stated that this type of problem normally occurs when a TV campaign’s audience ratings are not being closely monitored.
- A report on the national TV campaign for Opportunities 2007 noted that the campaign, which cost over €150,000, had not achieved its target of reaching 976,000 people aged between 15 and 34 years at least five times during the campaign. The report stated that the campaign had reached a ‘high proportion’ of the target audience but not high enough for the amount spent on the campaign. It also noted a number of causes for the poor results including an over reliance on advertising spots on poorly performing TV stations and poor management when the campaign was live.
- A report the following year noted an improvement. The consultants stated that the Opportunities 2008 TV campaign had delivered across all key areas and the only negative point was the poor level of ‘audience delivery’ for the amount of spots broadcast on two TV stations.

**2.32** An indicator of the effectiveness of advertising undertaken by FÁS is the extent to which there is awareness of FÁS programmes and services.

**2.33** Three services had been heavily promoted by FÁS during 2005 and 2006. These services had a combined advertising expenditure of over €3 million, as follows

- One Step Up - €1.8 million in 2006
- Excellence Through People - €432,000 in 2005 and
- FÁS eCollege - €58,000 in 2005.

**2.34** In 2007, FÁS commissioned Red C Research and Marketing Ltd to carry out a survey of private sector employers. The research was carried out in the last two weeks of January 2007 and the results were presented to the Board in September 2007.

**2.35** The report noted that overall there was a high level of awareness of FÁS, with 96% of companies spontaneously aware of FÁS and all companies aware when prompted. However, notwithstanding this general awareness, the report stated that many companies did not seem to be aware of services offered by FÁS and suggested that awareness raising and information provision might play an important role in improving FÁS’s impact in providing services to employers. The report found that

- Just 15% of companies were aware of the One Step Up initiative and
- Only around one in four companies were aware of Excellence Through People and eCollege on-line training.

**2.36** Prior to submitting the research results to the Board in September 2007, the Secretary sought comments from the Director of Corporate Affairs. In regard to employer knowledge of One Step Up, the Director responded “*it is clear that FÁS is selling a concept, as the Competency*

*Development Programme (CDP)<sup>17</sup> is a 'real product' and 'One Step Up' is a concept. We plan a changeover on all materials in October 2007 when CDP will become One Step Up. Also, our marketing research will clearly look at all advertising to ascertain if it is meeting the clients' needs".*

**2.37** In regard to the One Step Up campaign, the purpose of the advertising, according to the division with line responsibility, was to promote the availability of training for the employed arising from increased funding of €60 million being made available for that purpose over the period 2005 to 2008.

**2.38** The provision of information on the specific supports available from FÁS for that training would, given that objective, have been more appropriate than the promotion of a concept. The general nature of the advertisements did not increase employers' awareness of individual services.

**2.39** In regard to recruitment services provided by FÁS, the consultants asked whether respondents were aware of

- the National Contact/Call Centre which could be contacted by freephone to advise of a job vacancy and
- the web service where job vacancies could be put directly on the FÁS website.

**2.40** As these questions had also been asked in a survey of employers in 2005, a comparison was made of the responses in 2005 and 2007. Despite these services having been promoted in the Media Campaign for Employers and Job Seekers in 2006 at a cost of €1.2 million, there was a lower level of awareness of the services in 2007

- 25% of employers were aware of the National Contact/Call Centre, down from 31% in 2005 and
- nearly half (48%) of employers were aware of the web service, down from 63% in 2005.

**2.41** Chapter 5 reviews the management of the expenditure for those advertising campaigns whose effectiveness is referred to above

- One Step Up (2006)
- Excellence through People (2005)
- FÁS eCollege (2005) and
- Media Campaign for Employers and Job Seekers (2006).

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17 Under the Competency Development Programme FÁS provides funding for training of people in employment.

## Conclusions

FÁS has by far the largest advertising spend in the non-commercial State sector. FÁS achieved a reduction of the order of 52% on charges quoted for advertising. This is reasonably in line with industry norms for organisations with the level of spend it has.

Overall, responsibility for advertising procurement rested with the Corporate Affairs section. Some promotional activities were funded from its central budget and the balance was charged against those of other divisions.

There were overruns on advertising and promotional expenditure of €13.2 million over the period 2002-2008 (38% more than planned). €9.3 million of this overrun occurred on advertising expenditure.

Notwithstanding a corporate commitment going back to 2002, no specific marketing and communications strategy was developed to help focus advertising and promotional activities.

Some advertising was planned without due regard for the available budget. In addition, a high proportion of advertising was placed in the print media. In 2006, print advertising was more than double the proportion that was planned notwithstanding the fact that it is relatively the most expensive advertising medium.

The effectiveness of FÁS's advertising is open to question in that

- Media consultants reported that two TV campaigns which cost almost €300,000 between them had achieved poor results although an improvement was noted in the most recent campaign.
- In the case of employers, while they displayed a general awareness of FÁS in a survey in early 2007, for four areas where FÁS had focused much of its advertising expenditure in the previous two years there was little awareness of the specific services being provided. In particular, the One Step Up initiative was heavily promoted as a concept but the advertising was inadequate to link the services with the targeted customers.

## 3 Jobs Exhibitions

3.1 Almost €20 million was spent on exhibitions over the period 2002 to 2008. This chapter examines

- the budgetary control over exhibition costs
- the management of exhibition income
- the sponsorship arrangements associated with exhibitions
- the building of the exhibition facilities and the choice of exhibition venue
- advertising associated with the exhibitions.

3.2 Exhibitions were directly managed by the Corporate Affairs section.

### Opportunities and Jobs Ireland Exhibitions 2002 to 2008

3.3 In regard to the Opportunities and Jobs Ireland exhibitions, income and expenditure for the period 2002 to 2008 were reviewed with reference to how they were managed and the associated budget setting and monitoring process.

#### Opportunities Exhibition

The Opportunities exhibition was the main careers, education and skills fair organised by FÁS. It was held annually in Dublin from 1995 to 2008 and was organised in association with the Irish Independent Newspapers Group and supported by the Institute of Guidance Counsellors.

The first two Opportunities exhibitions in 1995 and 1996 were held in a hotel. From 1997 to 2003, the exhibition was held in the RDS in Ballsbridge while from 2004 to 2008 it was held in Croke Park. In September 2008, the Board approved a proposal to hold Opportunities again in 2009. This decision was reversed at a Board meeting in December 2008.

The exhibition was organised around 'villages'. In 2008 the three main villages were

- The Skills Village – providing information on apprenticeships, traineeships, and specific skills and training programmes (35 stands in 2008).
- The Careers Village – staff from FÁS Employment Services division, together with other employers, providing visitors with relevant information and details on current and future employment prospects (70 stands in 2008).
- The Education Village – training and education providers i.e. Universities, Institutes of Technology and other public sector and private colleges making themselves available to discuss further education and training course choices (46 stands in 2008).

In addition, there was also a Euro Opportunities Village, which had representatives from 18 member countries of the EU and provided information about living and working throughout the EU and a Training Options Village focusing on specific sectors.

3.4 Opportunities was aimed at school leavers, graduates, job changers and job seekers. The exhibitors included national and international organisations as well as public and private educational institutions. FÁS estimates that each year the event attracted between 80,000 and 100,000 visitors.

**3.5** In addition to the Opportunities exhibitions held in Dublin, the other jobs fairs organised by FÁS were

- Jobs Ireland, Munster which was held annually in Cork from 2006. The fair was held in City Hall in 2006 while in 2007 and 2008 it was held in the Nemo Rangers Sports Complex.
- Jobs Ireland, New York which was held in the Affinia Manhattan Hotel in October 2006.

**3.6** The detail of how the €20 million exhibition costs were spent during the period 2002 to 2008 is set out in Figure 3.1.

**Figure 3.1 Opportunities and Jobs Ireland Exhibitions Expenditure, 2002 to 2008**

	2002	2003	2004	2005	2006	2007	2008	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Opportunities Exhibitions <sup>a</sup>	2,301	2,133	742	1,353	1,048	1,000	1,343	<b>9,920</b>
Jobs Ireland, Munster <sup>a</sup>	-	-	-	-	319	260	280	<b>859</b>
Jobs Ireland, New York <sup>a</sup>	-	-	-	-	636	65	-	<b>701</b>
Related Advertising <sup>b</sup>	89	491	751	462	1,568	2,807	2,164	<b>8,332</b>
<b>Total<sup>c</sup></b>	<b>2,390</b>	<b>2,624</b>	<b>1,493</b>	<b>1,815</b>	<b>3,571</b>	<b>4,132</b>	<b>3,787</b>	<b>19,812</b>

Source: FÁS. Analysis by C&AG.

Notes: a Excluding advertising expenditure.

b Advertising for all exhibitions.

c FÁS generally reports the expenditure of the Opportunities and Jobs Ireland exhibitions net of revenue from the exhibitions. This examination reports gross expenditure with revenue reported separately.

**3.7** The expenditure on these exhibitions exceeded budget by 45% over the entire period. A comparison between budget and outturn for the exhibitions for the period 2002 to 2008 is set out in Figure 3.2.

**Figure 3.2 Opportunities and Jobs Ireland Exhibitions budget and outturn, 2002 to 2008**

Year	Budget	Outturn	Over/(under) budget	Over/(under) budget
	€m	€m	€m	%
<b>2002</b>	0.8	2.4	1.6	200%
<b>2003</b>	1.5	2.6	1.1	73%
<b>2004</b>	1.8	1.5	(0.3)	(17)%
<b>2005</b>	1.9	1.8	(0.1)	(5)%
<b>2006</b>	1.9	3.6	1.7	89%
<b>2007</b>	2.9	4.1	1.2	41%
<b>2008</b>	2.9	3.8	0.9	31%
<b>Total</b>	<b>13.7</b>	<b>19.8</b>	<b>6.1</b>	<b>45%</b>

Source: FÁS. Analysis by C&AG.

**3.8** The highest overrun was €1.7 million in 2006. During that year Jobs Ireland, Munster was held for the first time and, in addition, an exhibition was held in New York. The cost of these exhibitions was €1.4 million including advertising costs of €0.4 million. The variance was due to the fact that these costs had not been provided for in the budget for the year. In June 2006, the Director of Corporate Affairs sent a memorandum to the Finance Director pointing out that expenditure for Jobs Ireland, Munster was unplanned and that the event was likely to cost around €50,000 including advertising costs. The financial report to the Executive Board for November 2006 noted that neither the Munster nor the New York events had been provided for in the budget. The overrun for the Opportunities exhibition in Dublin was €0.3 million.

**3.9** The budget setting and monitoring process for 2007 where an overrun of €1.2 million occurred was reviewed. As part of the budget setting process, budget holders bid for funding. The process starts around the middle of the prior year (mid-2006 for expenditure in 2007) and is completed early the following year. To finance the 2007 exhibitions, the Director of Corporate Affairs made a bid for funding of €4.3 million. The proposed expenditure and final budgets are set out in Figure 3.3.

**Figure 3.3 Budget for Opportunities and Jobs Ireland Exhibitions, 2007**

<b>Exhibition</b>	<b>Budget Bid €m<sup>a</sup></b>	<b>Budget Allocation €m</b>
Opportunities Exhibition, Dublin	3.23	2.21
Jobs Ireland, Munster	1.07	0.74
<b>Total</b>	<b>4.30</b>	<b>2.95</b>

Source: FÁS. Analysis by C&AG.

Note a: The budget bid as set out in the above figure does not include €2 million sought in respect of a proposed exhibition in New York - Skilled US Emigrant Initiative - which did not proceed.

**3.10** The budget process includes consideration of detailed budgets by the Executive Board following submission of the budget bids as well as consideration of the available funding and input from the Finance section. Following this, budgets are approved by the Executive Board and, subsequently, by the Board of FÁS. The Finance section then informs budget holders of their final budget allocation. The bids made, the final budget notified by the Finance section for Opportunities 2007 and the outturn are set out by type of expenditure in Figure 3.4.

**Figure 3.4 Opportunities and Jobs Ireland Exhibitions Budget and Outturn, 2007**

Type of Expenditure	Budget Bid €000	Final Budget €000	Outturn <sup>a</sup> €000	Over/(under) budget €000
Exhibitions and Conferences	1,300	891	766	(125)
Exhibition Advertising	2,300	1,577	2,807	1,230
Publicity and Events	550	377	469	92
Promotional Communications	100	68	31	(37)
Representation Expenses	23	16	8	(8)
Printing	30	21	10	(11)
Other	-	-	41	41
<b>Total</b>	<b>4,303</b>	<b>2,950</b>	<b>4,132</b>	<b>1,182</b>

Source: FÁS.

Note a: The expenditure shown here is gross expenditure.

**3.11** The budget was approved by the Board at its meeting on 2 February 2007. The paper put to the Board noted that a proposed budget of €2.95 million<sup>18</sup> had been allocated to cover the cost of the Opportunities exhibition to be held in the Croke Park Exhibition Centre, an exhibition in Cork and a further exhibition the location of which was to be decided at a later date. In the event, the third exhibition was not held. Nonetheless, expenditure for the two events held exceeded the total budget by almost €1.2 million. Exhibition advertising costs were €1.23 million over budget while the balance of expenditure was slightly under budget.

**3.12** Part of the budget monitoring process required budget holders to submit figures for expected outturn to the Management Accounting unit around mid-year. By then most of the expenditure on the exhibitions would have been incurred. Corporate Affairs submitted a document with the forecast outturn in mid-2007 that provided some explanations for the overruns in that year. However, the reasons put forward only confirm that advertising activities were out of line with budget provision, in that

- Corporate Affairs stated that a significant increase in the cost of advertising and marketing the events directly correlated with a revenue increase. In fact, revenue was only €310,000 greater than the budgeted amount<sup>19</sup> whereas expenditure was €1.2 million in excess of budget. Also, the basis for the budgeted revenue figure is unclear. Total revenue in 2006 had amounted to over €500,000 yet the 2007 revenue budget was set at just over €350,000.

<sup>18</sup> The Board approved a net budget of €2.6 million which consisted of costs of €2.95 million less estimated income of €350,000.

<sup>19</sup> Actual income for the exhibitions was €664,000 including €200,000 sponsorship from Independent Newspapers.

- Corporate Affairs pointed out that a new TV advertisement had been produced which was scheduled to run for three years. It expected the TV advertisement would save €100,000 of the ongoing Opportunities costs for each of the following three years. The cost of producing the TV advertisement was €240,000 and the cost of broadcasting it was around €150,000.
- Corporate Affairs also stated that the budget requested for all three exhibitions had been €6.3 million while only €2.95 million was approved.

**3.13** No evidence was presented to show that expenditure in excess of the approved budget had been authorised.

### ***Approval for Opportunities and Jobs Ireland Exhibitions***

**3.14** The budget for the Opportunities and Jobs Ireland exhibitions is approved annually by the Board of FÁS as part of the annual budget process. Approval of a budget by the Board gives an overall figure within which expenditure should be managed for a programme. A separate approval at transaction level is necessary to enter into specific financial commitments. The level at which commitments can be approved is laid down in the Agency's procedures. The procedures provide that the Director General has the authority to authorise normal operating expenditure or engage normal services up to €250,000 for any one transaction. For expenditure over €250,000 authority lies with the Board.

**3.15** In February 2008, the Board approved the overall FÁS budget for 2008 including €2.65 million net for the Opportunities exhibition in Croke Park and one further event with its location to be decided at a later date. A contract with Croke Park, with an estimated value of €590,000, was signed on behalf of FÁS by the Director General and the ADG for Corporate Affairs in January 2008 and a 50% deposit was paid.<sup>20</sup> Prior to entering into the contract with Croke Park, Board approval should have been sought as the value of the proposed contract exceeded the threshold at which the Director General had the authority to authorise expenditure.

**3.16** The final cost of the contract with Croke Park was €640,000, largely due to the inclusion of two extra villages at the event. A paper was put to the Board in September 2008, prior to paying the balance due to Croke Park, noting the overall cost of Opportunities 2008 and, also, the cost of the contract with Croke Park. The Board endorsed the costs and outcomes of Opportunities 2008. The balance due to Croke Park was paid in October 2008.

### ***Revenue from Opportunities Exhibitions***

**3.17** The sources of income from the Opportunities and Jobs Ireland exhibitions are the proceeds from the sale of exhibition space together with sponsorship income. Income for the period 2002 to 2008 is set out in Figure 3.5. In regard to income from exhibitors, the sizes of stands taken by exhibitors varies.

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<sup>20</sup> The contract value was €520,000 excluding VAT. The deposit paid was €260,000.

**Figure 3.5 Opportunities and Jobs Ireland Exhibitions Income, 2002 to 2008**

Year	Opportunities Exhibition, Dublin			Jobs Ireland, Munster	Total €000
	Number of exhibitors that paid for stands <sup>a</sup>	Income from Exhibitors	Sponsorship Income <sup>b</sup>	Income from Exhibitors	
2002	63	403 <sup>c</sup>	38	-	441
2003	48	200	80	-	280
2004	50	192	80	-	272
2005	53	246	80	-	326
2006	52	260	200	46	506
2007	85	397	200	67	664
2008	82	360	200	47	607
<b>Total</b>	<b>433</b>	<b>2,058</b>	<b>878</b>	<b>160</b>	<b>3,096</b>

Source: FÁS. Analysis by C&AG.

- Notes:
- a This includes external exhibitors only. It excludes FÁS exhibits and a number of educational exhibits that were sponsored by Independent Newspapers.
  - b The sponsorship income was from Independent Newspapers under agreements between FÁS and Independent Newspapers from 2003 onwards. No agreement was provided for 2002.
  - c FÁS is not entitled to charge VAT. However, invoices issued by FÁS for Opportunities 2002 included VAT at 20%. Credit notes for the VAT were issued to some exhibitors but some paid the full amount of the invoice.

**3.18** The sale of exhibition space for the Opportunities exhibitions in Dublin was handled by other companies on behalf of FÁS. From 2006 to 2008<sup>21</sup> FÁS appointed the sales company directly while for years prior to that the sales company was appointed by the advertising agency. The total fees paid to the sales contractors amounted to over €500,000 over the period and varied considerably ranging from €30,000 in 2008 to over €100,000 in 2002 and 2005. The contract fees in 2002 and 2005 were considerably higher than in any other year. Details of the sales contractors, how they were appointed, the fees paid to them and how the proceeds from the sale of exhibition space were remitted to FÁS are set out in Appendix B. The procurement of sales contractors is examined in Chapter 6.

**3.19** In the course of the examination, lists of exhibitors that had paid and lists of those that had exhibited at Opportunities each year were reviewed to assess the reasonableness of the proceeds. While schedules of exhibitors that had paid for exhibition space for each year from 2002 to 2008 were provided, some lists of exhibitors were incomplete<sup>22</sup> and no evidence was available which would give assurance that a reconciliation of sales proceeds to all exhibitors was carried out in any year. For some years FÁS engaged consultants as budget managers. Budget management reports provided by them did not contain any reconciliations of income to exhibitors.

21 In 2007, a second consultant was appointed by the advertising agency at FÁS's request. This was due to concern, in December 2006 at the slow progress of sales for Opportunities 2007.

22 For some years, some exhibitors who were listed as having paid were not included on the list of exhibitors provided and some companies, listed as having exhibited, did not pay. These non-paying exhibitors were in addition to the educational institutions whose exhibits were funded by sponsorship.

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### *Sponsorship Income - Agreements with Independent Newspapers*

**3.20** FÁS entered into two agreements with Independent Newspapers (Ireland) Ltd in regard to sponsorship of the Opportunities exhibitions in Dublin. The copies of both agreements that were made available during the examination were signed but undated. The Director of Corporate Affairs signed the agreements on behalf of FÁS.

**3.21** Under the terms of the first agreement, which covered Opportunities 2003 to 2005, Independent Newspapers agreed to provide sponsorship of €80,000 per annum. In return, FÁS was to contribute to the production of a newspaper supplement for Opportunities.

**3.22** The second agreement was to cover Opportunities 2006 to 2010 inclusive. Under the terms of the agreement Independent Newspapers was to provide sponsorship of €200,000 per annum while FÁS committed to paying €30,000 each year towards the cost of the newspaper supplement and to purchasing €150,000 of advertising each year.

**3.23** The Corporate Affairs section informed the examination team that the income from Independent Newspapers was partly intended to sponsor stands for the main educational institutions at Opportunities although this was not mentioned in either agreement. As a result, revenue from the sponsorship agreement was assigned as a substitute for revenue from the sale of exhibition space to the sponsored exhibitors. Little documentary evidence exists to measure the value of the revenue foregone in comparison with assigned revenue from the sponsorship agreement. A review of payments by exhibitors for the years 2006 to 2008 showed that between 16 and 18 educational exhibitors, including universities and Institutes of Technology, out of a total of around 40 each year did not pay for exhibition space. FÁS stated that these exhibitors were covered by the sponsorship provided by Independent Newspapers.

**3.24** The Director of Corporate Affairs pointed out that the main educational institutions were important for the success of Opportunities and that, in the absence of sponsorship for these stands, their presence would not have been guaranteed.

**3.25** In regard to the commitment to undertake a certain amount of advertising with Independent Newspapers, FÁS spent an average of around €400,000 annually with Independent Newspapers, either directly or through its advertising agency, in the five-year period from 2004 to 2008. This represented around 18% of all advertising in print media over that period. In the period 2004 to 2008 the proportion ranged from 15% to 22%.

### ***Construction of Exhibition Stands***

**3.26** Apart from advertising, one of the highest costs incurred annually for the Opportunities, Dublin exhibitions is for the construction of the exhibition stands. Figure 3.6 sets out the contractor, the cost and the method of procurement for each of the years from 2002 to 2008.

**Figure 3.6 Cost of Exhibition Build for Opportunities Exhibition, 2002 to 2008**

Year	Contractor	Cost €000 <sup>ab</sup>	Procured through
2002	Display Contracts International	452	The advertising agency
2003	Display Contracts International	408	The advertising agency
2004	Display Contracts International	306	The advertising agency
2005	Display Contracts International	242 <sup>a</sup>	A sub-contractor of the advertising agency
2006	O'Brien Expo Services <sup>c</sup>	239	A sub-contractor of the event management company
2007	O'Brien Expo Services	301	The advertising agency
2008	O'Brien Expo Services	359	Croke Park

Source: FÁS.

- Notes:
- a This is the cost of the main contract for the construction of the exhibition stands and public spaces at Opportunities. Additional costs were incurred with other contractors. For example, in 2005 the total cost of the exhibition build was €350,000 including payments of €108,000 to contractors other than Display Contracts.
  - b Cost includes VAT and, where applicable, agency fees.
  - c The principal in O'Brien Expo Services formerly worked in Display Contracts International.

**3.27** From 2002 to 2007, the contractor to carry out the exhibition build was appointed by the advertising agency, a sub-contractor of the advertising agency or the event management company. The FÁS contract with the advertising agency ended during 2007. In October 2007, the Director of Corporate Affairs sent a memorandum to his ADG noting that Opportunities 2008 was scheduled to take place in Croke Park. He attached a draft contract with Croke Park that included details of ancillary services provided by suppliers to the stadium. The total costs associated with the contract, including the ancillary services, amounted to almost €90,000. The ancillary services included the exhibition build at an estimated cost of just over €300,000 and security costs of almost €60,000.

**3.28** The contract with Croke Park noted that security personnel, if required, must be provided by Croke Park's preferred supplier but made no reference to any requirement to use a specific supplier for the exhibition build. FÁS stated that as part of a recent review of the procurement for Opportunities 2008 it held discussions with the commercial manager at Croke Park in regard to whether Croke Park had a sole or preferred supplier contract with O'Brien Expo Services. The Croke Park commercial manager confirmed in a letter dated 16 February 2009 that, in common with many other suppliers that Croke Park recommended to its clients, it did not have a written contract in place with O'Brien Expo Services. If FÁS had engaged directly in the procurement of the exhibition build, the estimated value of the contract would have exceeded the threshold at which FÁS would be required to place a contract notice in the Official Journal of the EU. It would appear that a view had been formed, in October 2007, that Croke Park had a sole supplier for the exhibition build and that this view was not tested.

**3.29** O'Brien Expo Services also won the contracts for the Jobs Ireland exhibitions in Cork and an exhibition in Warsaw in 2006 for Polish construction workers that was organised by the

Corporate Affairs section on behalf of the Services to Business division. The details were as follows

- For the exhibition builds in Cork, the records indicate that FÁS sent requests for tender to a number of companies in 2006 and 2007 but, on each occasion, just one company responded. For the 2008 exhibition a tender notice was placed on the government e-tenders website. Three companies expressed interest but just one submitted a tender. Payments under the contracts were €81,000 in 2006, €132,000 in 2007 and €105,000 in 2008.
- For the exhibition build in Warsaw, FÁS awarded the contract to O'Brien Expo Services. The cost was €26,000.

### ***Venue for Opportunities***

**3.30** From 1997 to 2003, the exhibition was held in the RDS. In October 2003, the Director General advised the Board that it was intended that Opportunities 2004 would be held at Croke Park. The Director General noted that the change of venue had arisen following careful consideration of a number of issues including on-site facilities, location and value for money as well as the overall cost of staging the event. The minute of the Board meeting noted that Board members had raised a number of queries in regard to the proposed location which the Executive agreed to consider.

**3.31** When documents about the decision to move were sought, the examination team was informed that the decision that was notified to the Board had been made by the former Director General and that no file on the background to the decision could be located.

**3.32** The Director of Corporate Affairs stated that he was not involved in the decision to move Opportunities from the RDS. He also stated that the RDS was his preferred venue due, in particular, to its layout and the additional space it offered.

**3.33** Following Opportunities 2004, the Institute of Guidance Counsellors (IGC) wrote to the Director General. The IGC stated that the Croke Park venue was totally inappropriate as space for stands was too confined and there had been excessive crowding and difficulty in accessibility at the event. The IGC stated that members who had contacted them were adamant that under no circumstances would they return to Croke Park nor would they encourage their students to do so. In regard to the timing of the event, the IGC stated that it would be preferable if it was held after the UK Universities and Colleges Admission Service (UCAS) and Central Applications Office (CAO) deadlines as, coming up to these deadlines, it was extremely difficult for guidance counsellors to prepare students to take full advantage of the valuable opportunity and to escort them to the event. The Director General responded that the views of the IGC would be included in a review of Opportunities 2004 that was under way.

**3.34** In July 2004, the Director General advised the Board that Opportunities 2005 would again take place in Croke Park. He pointed out that a number of concerns raised following the 2004 event including health and safety issues, disabled access and crowd control were being addressed in order to improve arrangements and facilities in 2005. In response to a query from a Board member, the Director General stated that the RDS was not available on the dates required in 2005.<sup>23</sup>

**3.35** Figure 3.7 sets out the venue and the cost of hiring it for each of the years from 2002 to 2008.

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<sup>23</sup> Opportunities 2005 was held from 14 January to 17 January 2005 inclusive.

**Figure 3.7 Opportunities Exhibition, Dublin Venue Cost, 2002 to 2008<sup>a</sup>**

Year	Venue	Cost €000
2002	RDS	146
2003	RDS	159
2004	Croke Park	104
2005	Croke Park	114
2006	Croke Park	131
2007	Croke Park	164
2008	Croke Park	157

Source: FÁS. Analysis by C&AG.

Note a: Croke Park was booked as the venue for Opportunities 2009. The event did not proceed and FÁS incurred a cancellation fee of €25,000.

**3.36** In all years the cost of the venue exceeded €100,000. Notwithstanding this, the venue was not chosen in any year based on a competitive process but, rather, was unilaterally selected.

**3.37** In October 2007, the ADG with responsibility for the Corporate Affairs section sent a memorandum to the Director General seeking approval for entering into the proposed contract with Croke Park. In his memorandum, he noted that there were, in effect, just two venues suitable for hosting Opportunities - Croke Park and the RDS. The ADG also noted that the FÁS experience with the latter had been far from satisfactory in terms of catering, car parking and flexibility of dates and that the experience with Croke Park had been very satisfactory.

**3.38** Surveys of exhibitors and participants were carried out at Opportunities each year from 2003 onwards. The survey reports for 2003 when the event was held in the RDS and for 2004 when it was held in Croke Park for the first time were reviewed. 60% of those surveyed rated the RDS event as either excellent or very good while 51% rated the Croke Park event in that fashion in 2004. The detailed responses with regard to the venue are set out in Figure 3.8.

**Figure 3.8 Opportunities Exhibition, Dublin Visitors Survey, 2003 and 2004**

	Overall Assessment of the Exhibition	
	2003 (RDS)	2004 (Croke Park)
Excellent	18%	16%
Very Good	42%	35%
Good	30%	39%
Fair	8%	8%
Poor	2%	2%

Source: FÁS - Opportunities Visitors surveys 2003 and 2004.

**3.39** The report on the 2004 exhibition noted that the overall survey results were based on a representative sample of 1,086 visitors. The report pointed out that 36% of those visiting Opportunities in 2004 had visited it in the past. The survey also asked visitors which was their preferred venue. The report noted that the RDS was the preferred venue with 32% favouring it

while 21% preferred Croke Park. The remainder did not express a preference. The report noted that those expressing a preference for the RDS saw it as a more spacious venue that operated on one level while those who preferred Croke Park saw it as a better location generally. In regard to the preferred venue, a footnote cautioned that there were a small number of responses to this question.<sup>24</sup>

**3.40** The visitor surveys from 2006 and 2007, while reporting that over 95% of visitors gave an overall rating of good, very good or excellent for Opportunities, noted that the responses indicated a poor level of satisfaction with the catering<sup>25</sup> at Croke Park

- In 2006, 39% rated it 'less than good' and 27% did not express a view
- In 2007, 52% rated it 'less than good' or 'poor' and 21% did not express a view.

#### *Concerns of the Institute of Guidance Counsellors*

**3.41** In October 2008, the Institute of Guidance Counsellors (IGC) wrote to FÁS stating that their members were concerned that little attention had been paid in the past to their serious reservations about Croke Park as a venue for Opportunities. In response, FÁS stated that Croke Park had been confirmed as the venue for Opportunities 2009 but that the IGC would be consulted at an early stage in the selection of the venue for Opportunities 2010. FÁS pointed out that the one way circulation system at the event would be examined and adjusted to reflect IGC concerns for Opportunities 2009 subject to health and safety requirements.

**3.42** In November 2008, the IGC responded that their support for the event in 2009 was contingent on certain conditions being met including the provision of passes for guidance counsellors to enable them to move in both directions around the concourse. The letter noted FÁS's agreement to consult the IGC about a suitable venue for the event in 2010 and subsequent years.

#### ***Advertising for Opportunities***

**3.43** The Opportunities and Jobs Ireland exhibitions are heavily advertised. Over the period 2002 to 2008, the cost of advertising amounted to €8.3 million representing 42% of the total expenditure on the exhibitions. The highest expenditure was in 2007 when over €2.8 million was spent - almost 34% of the total advertising expenditure over the period. This was almost double what had been spent the previous year.

**3.44** 75% (€2.1 million) of the advertising expenditure in 2007 was spent on Opportunities in Dublin. A media expenditure audit of Opportunities 2007 carried out by FÁS's media consultant noted that

- FÁS purchased almost €1.8 million<sup>26</sup> of media advertising space and the expenditure on the campaign was almost double that of 2006.

<sup>24</sup> The report did not specify the number of responses.

<sup>25</sup> The survey reports from 2003 to 2005 did not include any data on catering.

<sup>26</sup> The media expenditure audit is based on invoices provided to the consultant by FÁS for advertising space purchased by FÁS in the period January 2007 to March 2007. The €2.1 million expenditure reported by FÁS also includes, for example, the costs of producing advertisements as well as the cost of advertising. For example, the cost of producing a TV advertisement in 2007 was €240,000.

- FÁS had increased its direct negotiations with media owners and had purchased 40% of advertising directly achieving a discount of 50% from rate card rates. The advertising agency had purchased the balance at a discount of 56% from rate card rates.
- The main changes in the media mix were that 65% was spent on print media (up from 54% in 2006) and 7% had been spent on TV (down from 15% in 2006).
- The increase in print media needed to be closely monitored in the following year, as print is the most expensive medium in Ireland on a cost per thousand audience basis.

**3.45** The visitor surveys report visitor's 'source of awareness' of Opportunities. While surveying people who attend an event may not be a good measure of the overall effectiveness of the advertising for that event as it does not provide any indication of the level of awareness among those who did not attend, nevertheless it does give some indication of how successful the advertising has been in reaching its target audience. Despite a doubling in advertising expenditure on Opportunities from 2006 to 2007, the proportion of visitors who became aware of the event through advertising fell from 52% to 45%. This raises concerns about the effectiveness of this advertising and the value achieved for it.

**3.46** In a report discussing the media budget for Opportunities 2008, the media consultants noted that the Opportunities 2007 advertising campaign had also acted as a 'FÁS Brand' campaign and that the increase in advertising for Opportunities 2007 had partly resulted from the decrease in the advertising for the Science Challenge programme. The report recommended that the advertising budget for Opportunities 2008 should be reduced to 2006 levels as the One Step Up media campaign would double up as 'FÁS Brand' advertising during the following 12 to 18 months.

### ***Visitors to Opportunities Exhibition***

**3.47** Around half of attendees at Opportunities are students. The visitor surveys sought details on visitor type and purpose of visit. The type of visitor for each year from 2005 to 2008 is set out in Figure 3.9.

**Figure 3.9 Opportunities Exhibition, Dublin - Visitor Type, 2005 to 2008**

<b>Visitor Type</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Student	47%	49%	50%	47%
Employed person	33%	35%	33%	39%
Unemployed person	12%	11%	12%	13%
Other	8%	5%	5%	1%

Source: FÁS – Visitors' Surveys 2005 to 2008.

**3.48** While there is inevitably an overlap in interests the survey found that around half of all visitors sought information on job opportunities with a considerable number also seeking information on educational opportunities as set out in Figure 3.10.

**Figure 3.10 Opportunities Exhibition, Dublin - Purpose of Visit<sup>a</sup>, 2005 to 2008**

Purpose of Visit	2005	2006	2007	2008
Job opportunities information	50%	46%	53%	47%
Educational opportunities information	41%	46%	43%	45%
Skills programmes information	20%	22%	14%	16%
Other purposes	14%	12%	12%	13%

Source: FÁS - Visitors' Surveys 2005 to 2008.

Note a: Visitors could select one or more purposes for their visit.

**3.49** In regard to the quality of the event, visitors were asked to assess a number of features of Opportunities. The proportion of visitors rating certain features as very good or excellent (the top two from four possible ratings) for the period 2006 to 2008 were

- Overall event – 71% to 77%
- Amount of material – 71% to 78%
- Quality of information – 67% to 75%.

## Purchase of a car for Opportunities 2000

**3.50** As part of Opportunities 2000, a raffle of a car was promoted by FÁS to all those attending the event. Two cars were on display at the event and attendees were asked to fill out a registration form to gain entry to the draw. However, the raffle did not take place as a licence to carry out the draw was not obtained. The Director of Corporate Affairs stated that the two cars on display were returned to the supplier.

**3.51** The Director stated that an event management company was appointed, through the FÁS advertising agency, to manage and organise Opportunities 2000 to a maximum cost of €35,000 plus VAT. The advertising agency was to invoice FÁS for all third party costs at three stages (commencement, interim and final).

**3.52** FÁS was invoiced by its then advertising agency for a car costing €9,200 including VAT and agency fees. The invoice, which merely stated 'car', was approved for payment by the Director of Corporate Affairs in February 2000.

**3.53** The Director stated that he approved payment of this invoice as part of the interim payments but it was the responsibility of the advertising agency to reconcile the account at the final payment stage and to ensure that credit notes for goods or services not supplied were issued. He confirmed that no other car was provided to FÁS following the return of the two vehicles on display at the event.

**3.54** Enquiries made to the motor trade, as part of this examination, did not provide any information about what car, if any, had been provided to FÁS for the payment. No evidence of credit having been issued to FÁS for the cost of the car was provided.

**3.55** The €9,200 was non-effective expenditure as FÁS did not receive anything for it.

## Conclusions

€20 million of the total advertising and promotion spend was incurred on careers, education and skills exhibitions in the period 2002-2008. These exhibitions exceeded planned expenditure by 45% running €6.1 million over budget. In general, the increased expenditure was not authorised or formally ratified by the Board.

The financial management of these exhibitions was weak in that

- for most years it was not possible to reconcile the proceeds from the sale of exhibition space that were collected by specially appointed contractors with a list of exhibitors
- revenue from a newspaper group was assigned to pay for the stand costs of major educational institutions but there was no transparent linkage between the revenue foregone by not charging for these exhibitions and the assigned revenue
- the choice of venue for the Opportunities exhibitions was not the subject of a competitive process in any year
- prior approval of the Board was not sought despite the contract value for the Opportunities 2008 venue exceeding the relevant threshold.

Key users expressed dissatisfaction with the layout of the exhibition after it moved to Croke Park.

In the period 2002 to 2008, 42% (€8.3 million) of all expenditure on the Opportunities and Jobs Ireland exhibitions was for advertising. In 2007, €2.8 million was spent on promoting the exhibitions (around €2.1 million for FÁS Opportunities and €0.7 million for Jobs Ireland, Munster). This represented 68% of the total exhibition costs for 2007.

The €2.1 million spent on advertising Opportunities in 2007 was around twice what had been spent the previous year and was the main cause of the overrun on the overall FÁS Opportunities budget that year. However, the visitor survey of Opportunities 2007 showed that, despite the increased level of advertising, the proportion of visitors who had become aware of Opportunities through advertising was lower than in 2006. This calls the effectiveness of the advertising campaigns and the value achieved for the expenditure into question.

## **4 Other Directly Promoted Services**

**4.1** This chapter reviews certain expenditure administered directly by the Corporate Affairs section of FÁS. It includes

- the costs associated with the Science Challenge Initiative
- general advertising charged as overheads
- certain procurement by the Corporate Affairs section.

**4.2** Around €8 million was spent on the Science Challenge Initiative over the period 2003 to 2008. €3.4 million of this related to advertising and promotion.

### **Science Challenge Initiative**

**4.3** At its meeting in April 2003, the Board was informed that the relevant authorities in the United States had indicated their agreement, in principle, to work with FÁS on technology programmes for Irish people. These would be based in the space industry.

**4.4** In May 2003, the Director of Corporate Affairs made a presentation to the Board on the proposed programme. As part of the presentation he stated that the Task Force on Physical Sciences Report (published in 2002) showed that participation rates in sciences at second level was low resulting in third level science, engineering and technology courses being under-subscribed. The Director of Corporate Affairs said that the Minister for Education and Science was committed to implementing the key recommendations of the Task Force Report. The Board noted the proposed programme and stated that it should be kept advised of developments.

**4.5** The FÁS science initiative was launched in June 2003 with the Discover Science Programme run at Space Florida in association with the National Aeronautics and Space Administration (NASA). In November 2003, the Board was advised that the Taoiseach had launched a new initiative 'Discover Science and Engineering Programme' and that FÁS was represented on the Steering Group overseeing the programme. Discover Science was renamed Science Challenge in November 2003. Since then collaborative links have also been established with other organisations and universities in the United States, Costa Rica and Sweden where individuals participate in the various programme strands.

### Science Challenge

The main objectives of the initiative are to raise awareness of the sciences and to encourage students to pursue further education and careers in science, engineering and technology. Science Challenge was the responsibility of the Corporate Affairs section from inception until early 2007 when it moved to the Training Services division. There are four staff involved in operating the programme.

Science Challenge was implemented in 2004 under four distinct strands – the Apprenticeship Programme (Upskilling), the Intern Programme, the Primary Schools Programme and the Graduate Programme. A further strand was added in 2007 to assist post-graduate students in pursuing PhD degrees. These are described briefly below.

- **The Upskilling Programme** provides training for qualified craftspeople allowing them to learn new skills and competencies and experience first-hand how new technology will apply to their trade in the future. Up to the end of 2008, 66 people took part in the programme spending 12 weeks in both universities and companies in Florida.
- **The Intern Programme**, run in association with Space Florida, Biolink USA-Ireland and the National Space Biomedical Research Institute is a 6-month combined internship and work experience programme for both post-graduate students and apprentices. Up to the end of 2008, 130 post-graduate students/apprentices participated in the programme in a number of different locations throughout the United States (Florida, Boston, Houston and North Carolina) and in Costa Rica and Sweden.
- **The Primary School Programme** was designed to create an awareness and interest in science-related topics for students in primary schools. National competitions were held annually between 2003 and 2005 and 10-15 students were chosen each year to visit the Kennedy Space Centre in Florida for one week. Between 2004 and 2006, when the programme ceased, 40 students took part.
- **The Graduate Programme** provided the opportunity for recent graduates to undertake a 6-week education and research programme abroad and was run in association with Space Florida and NASA. This programme ceased in 2006 – between 2003 and 2006, 62 graduates took part in the programme.
- **Bursaries** - In 2007, FÁS began providing assistance for post-graduate students pursuing a PhD degree with research conducted in universities in the US, China and Japan. To date, nine candidates have been awarded bursaries by FÁS.

**4.6** FÁS conducted an in-depth analysis of the expenditure on the Science Challenge programme for the years 2003 to 2007, the details of which are set out Figure 4.1. A further €1.3 million was spent in 2008. FÁS has not analysed this expenditure in the same detail.

**Figure 4.1 Science Challenge Programme Total Expenditure, 2003 - 2007**

	2003 €000	2004 €000	2005 €000	2006 €000	2007 €000	Total €000
Advertising and promotion	854	873	1,133	279	290	<b>3,429</b>
<b>Direct Programme Costs</b>						
Programme facilitation fees	167	169	184	191	168	<b>879</b>
Student flights	32	59	20	113	39	<b>263</b>
Subsistence and other expenses	42	96	246	259	507	<b>1,150</b>
Local representatives	62	65	43	82	81	<b>333</b>
<b>Programme Overheads</b>						
Air travel - staff and other	2	41	161	98	118	<b>420</b>
Subsistence and other expenses	-	16	55	38	58	<b>167</b>
Transport <sup>a</sup>	-	-	30	29	10	<b>69</b>
Representation expenses	1	-	23	18	5	<b>47</b>
Other costs	13	19	20	24	43	<b>119</b>
<b>Total</b>	<b>1,173</b>	<b>1,338</b>	<b>1,915</b>	<b>1,131</b>	<b>1,319</b>	<b>6,876</b>

Source and analysis: FÁS.

Note a: These transport costs do not include flights and are for either FÁS staff or 'other' travellers.

### **Advertising and Promotion**

**4.7** No budget was set for the first year of the programme in 2003, when advertising and promotion expenditure amounted to €0.8 million. For the years 2004 to 2008, cumulative advertising expenditure was €2.7 million<sup>27</sup> against an associated budget of €2.8 million. Expenditure differed significantly from budget in two of those years

- in 2004, expenditure of €0.9 million was €0.6 million over budget with most of the expenditure incurred in promoting the Primary Schools Programme
- in 2006, there was an approved budget of €1 million. Expenditure was just €0.3 million as the Primary Schools Programme ended and advertising in autumn 2006 was not required.

**4.8** Overall, 43% of expenditure on Science Challenge for the period 2003 to 2008 was for advertising and promotion. For the first three years of the programme, it accounted for 65% of expenditure. The advertising was principally for the Primary Schools Programme.

**4.9** The highest advertising and promotion expenditure, over €1.1 million was in 2005 and expenditure for that year was reviewed. €850,000 was found to have been incurred in respect of the Primary Schools Programme.

**4.10** Invoices totalling €550,000 (just under 50% of the costs charged to advertising and promotion in 2005) were examined. The costs incurred included

<sup>27</sup> Expenditure on advertising and promotion was approximately €96,000 in 2008.

- €361,000 related to the Primary Schools Programme - €234,000 for broadcasting TV advertisements, €24,000 for radio advertising, €25,000 for advertising on the FM104 outside broadcast unit and €78,000 for outdoor advertising
- €70,000 for outdoor advertising for the Graduate Programme
- Funding provided to the Royal Irish Academy to commission a series of five short science-related films aimed at senior classes in primary schools costing €60,000
- Sponsorship of the Life Science Awards Dinner in 2005 at a total cost of €13,000
- Just under €47,000 for a strategic proposal for the development and expansion of Science Challenge in May 2005.

**4.11** One of the purposes of the advertising for the Primary Schools Programme was to encourage students to enter the competition to travel to the Kennedy Space Centre in Florida. Entries peaked at just over 11,000 in 2005/2006, the final year the competition was run.

### ***Programme Facilitation Fees***

**4.12** During the period 2003-2007, FÁS had contracts in place with the University of Central Florida (the University) and Space Florida. Total payments under these contracts amounted to approximately €774,000 in respect of the Graduate, Upskilling and Primary Schools programmes. No programme facilitation fees were incurred for the Intern programme.

**4.13** The contract with the University was signed in June 2003 by the ADG with responsibility for oversight of the Corporate Affairs section. Under the terms of the contract, the University was required to carry out a six-week space programme for Irish graduates. The project fee was \$191,000 (€167,000). This was the only contract FÁS had with the University.

**4.14** From 2004 onwards, Space Florida facilitated the running of the Graduate, Upskilling and Primary Schools programmes. FÁS had separate contracts in place with Space Florida for each of the programmes. The payments under these contracts amounted to around €607,000 and the details of the contracts were as follows

- the Graduate Programme contracts covered an annual six-week educational space programme for Irish graduates over a three-year period from 2004 to 2006. The fee was \$150,000 per annum
- the contracts for the Upskilling Programme were for a twelve-week educational programme for Irish electrical and electrical instrumentation apprentices for 2005 (\$120,000) and 2007 (\$150,000).
- the Primary Schools Programme contracts were for a one-week educational programme for 15 Irish primary sciences students in 2005 (\$6,000) and 2006 (\$20,000).

**4.15** Excluding the Primary Schools Programme, the fees paid to the University and Space Florida came to an average of around

- €8,600 per participant on the Graduate programme
- €6,600 on the Upskilling programme.<sup>28</sup>

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<sup>28</sup> Between 2003 and 2007, 33 people took part in the Upskilling programme.

**4.16** In each of the four<sup>29</sup> locations in the United States where the programmes are run there is a local representative contracted by FÁS on a temporary advisory basis. The programme manager for Science Challenge informed me that the local representatives were recommended to FÁS by one of the organisations in the United States involved in the programme and appointed following interview by FÁS. The duties of the local representatives include, *inter alia*, acting as liaison between the organisations and educational institutions in the United States and FÁS and managing the programmes in the United States.

**4.17** The balance of the €879,000 in facilitation fees included in Figure 4.1 is made up of an accelerated payment of \$150,000 (€105,000), in December 2007, in respect of the 2008 Upskilling Programme which was made to the local representative to pass on to Space Florida. This payment was made outside the normal procedures as payments under the contracts should be made directly to Space Florida. The local representative paid \$135,000 to Space Florida in January 2008 and the balance in Summer 2008 at the end of the programme. The terms of the contract were that FÁS should have paid 45% (\$67,500 or around €48,000) at the start of the contract, 45% at the end of the programme and the balance of 10% when a report on the programme, prepared by Space Florida, was delivered to FÁS. The contract also provided that FÁS could make advance payments under the contract at its discretion.

**4.18** By making the payment in respect of the 2008 contract in advance, FÁS paid out €7,000 around six months earlier than required.

### **Flights**

**4.19** FÁS paid the flight expenses for the students who travelled in economy class at a total cost of €63,000 for the period 2003-2007. This comes to an average of less than €1,000 for return flights for each student. Additional flight costs of €253,000 were incurred for travel by FÁS executives and staff members and €167,000 for travel by others. These costs will be examined in a further report about FÁS.

### **Subsistence and participant expenses**

**4.20** In addition to flight costs a number of other expenses are paid by FÁS for students including accommodation, a monthly stipend of between \$800 and \$1,000 for each student, visas, insurance cover (both medical and travel) and other transport costs.

**4.21** The expenses for participants in 2007 were reviewed, when €507,000 (44% of the total from 2003-2007), was spent. Stipends paid to students amounted to approximately €133,000 while €374,000 was advanced to local representatives for other expenses incurred. €110,000 of the cumulative advances was unspent at 31 December 2007.<sup>30</sup>

**4.22** Local representatives' duties include paying the stipend to students and paying for their accommodation and other expenses. FÁS made advance payments to the local representatives based on anticipated expenditure. The local representatives maintain separate bank accounts for the funds they receive from FÁS and, periodically, they provide statements of expenditure, bank statements and receipts to the Science Challenge unit of FÁS.

<sup>29</sup> Florida, Houston, North Carolina and Boston. From 2008, the Intern Programme was also run in New York.

<sup>30</sup> These amounts although unspent were charged to the FÁS accounts.

**4.23** Advance payments, one to each of the four local representatives in 2007, totalling approximately €205,000 were examined. The amounts and dates of the payments and the locations of the local representatives were

- €30,217 (\$40,000), July 2007, North Carolina
- €30,122 (\$40,000), August 2007, Boston
- €37,768 (\$50,000), September 2007, Houston
- €107,430 (\$150,000), November 2007, Florida.

**4.24** Documentation was subsequently provided to FÁS by the local representatives to vouch the expenses they had paid from the advances. Expenses incurred on behalf of the course participants included

- Accommodation costs
- Car rentals<sup>31</sup>
- Local transport costs (taxis and buses)
- Dinners with the students (welcoming ceremonies and closing ceremonies)
- Health insurance expenses
- Visa and university administrative fees.

**4.25** Total payments to local representatives for participant expenses amounted to €1.15 million over the period 2003 to 2007 of which the local representatives retained around \$290,000 (€10,000) at the end of 2007, giving expense charges of around €40,000. In addition to the participant expenses, some expenses had been incurred on behalf of FÁS staff. These will be examined in a further report about FÁS.

**4.26** The floats appeared to be unnecessarily high in two cases

- In regard to the advance payment of \$40,000 to the local representative in North Carolina in July 2007, this was in addition to a payment of \$10,000 one month earlier which was unspent when the second advance was made. In the period to the end of December, the local representative claimed expenses of around \$8,000 leaving the float standing at just over \$52,000 at the end of 2007.
- The \$150,000 advanced to the local representative in Florida in November brought that float to \$190,000. A further \$15,000<sup>32</sup> was advanced in December 2007. Expenses from November 2007 to March 2008 amounted to just over \$50,000 leaving the local representative holding a float of around \$140,000 in March 2008.

**4.27** It is estimated that the average cost per participant was in the range €4,500 to €5,000.

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31 Cars are rented for students based in one location only, Florida, due to the distances that students need to travel. The students in this location share cars.

32 The total advance was \$150,000. However, \$135,000 was paid out almost immediately to Space Florida and is not included as part of the local representative's float.

### **Fees paid to local representatives**

**4.28** Under the terms of their contracts the local representatives receive a fee of \$400 per day for the services they provide. In the 19-month period from June 2003 to the end of 2004, the local representative based in Florida was contracted for an average of 19 days per month. Otherwise, the contracts, including later contracts for the Florida-based representative, were generally for between 10 to 12 days per month. A sample of the monthly contract payments totalling €46,000 between November 2006 and December 2007 were examined and found to be in order. Total payments to each local representative, by location, over the period 2003 to 2007 were

- Boston – €12,000
- North Carolina – €13,000
- Houston – €60,000
- Florida – €248,000.

### **General Advertising**

**4.29** Advertising and publicity related expenditure that is not chargeable to a specific programme is included in general overheads. Expenditure was generally within budget for the period 2002 to 2008. The budgets and outturn for that period are set out in Figure 4.2.

**Figure 4.2 Promotional Expenditure charged to Overheads, 2002 to 2008**

Year	Budget €m	Outturn €m	Over/(under) budget €m	Over/(under) budget %
2002	2.2	2.0	(0.2)	(9)%
2003	1.3	1.3	-	-
2004	1.1	0.9	(0.2)	(18)%
2005	1.0	1.1	0.1	10%
2006	0.9	0.9	-	-
2007	0.9	1.2	0.3	33%
2008	0.9	0.9	-	-
<b>Total</b>	<b>8.3</b>	<b>8.3</b>	<b>-</b>	<b>-</b>

Source: FÁS. Analysis by C&AG.

**4.30** The expenditure in 2007 was reviewed to determine its nature. A sample of eight invoices, totalling approximately €143,000, was selected and examined to ensure that the invoices were correctly coded. All were found to be of a nature that was appropriate to general distribution as overheads as they related to advertising expenditure which was general in nature and that could not easily be attributed to any particular programme or division. The invoices examined were applied to the following purposes

- The design and publication of two brochures about FÁS services for distribution at Opportunities 2007 at a cost of €14,000.
- An advertisement in the jobs supplement of a Sunday newspaper at a cost of €18,000.
- Publication of a supplement entitled 'Expanding the Workforce' in a national newspaper at a cost of €39,000.

- Two separate full-page advertisements for the annual Apprenticeship Awards and the Labour Market Conference in national newspapers at a cost of €10,500 and €8,000 respectively.
- Advertisements in a national newspaper for ‘Women Returning to Work’ at a cost of €27,000.
- Recruitment advertising in the Polski Herald at a cost of €12,000.
- Advertising on an Irish-based website hosted by FM104 which provided information on job vacancies for Polish people in Ireland. The cost of this advertising was €14,500 and this covered a period of four months.

## **Nugatory Expenditure**

**4.31** Information provided by an external source called into question the value received for certain payments made by FÁS over the period 2003 to 2008. Two different payees were paid €22,000 for certain promotional goods and services on foot of 47 invoices.

**4.32** FÁS was unable to provide evidence of any goods or services having been supplied for those payments. In the course of this examination, the system of control under which the payments were processed was reviewed.

**4.33** The recorded transactions for which the payments had been made were all initiated by the completion of a ‘request for purchase’ form. Most of these forms had been approved by a manager in the Corporate Affairs section. FÁS stated that the manager, who has retired, had relied for assurance on a subject matter expert who initiated the transactions.

**4.34** This examination also noted shortcomings in the management of tax clearance procedures and the arrangements for altering permanent details relating to supplier accounts which were relevant to the loss suffered by FÁS.

**4.35** The matter was referred to the Gardaí.

## Conclusions

The Science Challenge Programme comprises a wide range of initiatives. The participants ranged from post-graduates on internships in the United States, through craftspeople undergoing upskilling to an awareness programme in primary schools. €2 million was spent in the period 2003-2008.

43% of the programme expenditure was on advertising of which a high proportion was directed at primary schools.

Advances to local representatives in the United States appeared to be in excess of cash needs and were charged on disbursement rather than when expended. €10,000 was held by representatives at 31 December 2007.

Reasonable assurance was received on the content and allocation of a sample from the total population valued at €3.3 million of general advertising charged to the accounts of divisions as overheads.

Over a period of years at least €22,000 was paid out for which no evidence can be provided that goods or services were delivered to FÁS. The non-effective payments appear to have been facilitated by shortcomings in the procedures for altering the recorded details of suppliers in the FÁS records and the reliance, by the manager who approved the transactions, on a subject matter expert in what was a technical area.



## 5 Advertising on behalf of FÁS Divisions

5.1 This chapter examines advertising by the Corporate Affairs section on behalf of other line divisions.

5.2 It examines advertising in respect of

- the Services to Business division
- other programmes and initiatives.

### Services to Business Advertising

5.3 Over 50% of the advertising and promotional expenditure in the period 2002 to 2008 for which ultimate accountability rested with divisions other than Corporate Affairs was charged to the Services to Business division. €8.6 million was incurred in respect of the Services to Business division over the full period with €6.9 million of this expenditure occurring in the four years from 2005 to 2008. A comparison of the approved budget and expenditure for these four years is set out in Figure 5.1.

**Figure 5.1 Services to Business Division Advertising and Promotional Expenditure, 2005 to 2008**

Year	Budget	Outturn	Over/(under) budget
	€m	€m	€m
2005	0.4	1.4	1.0
2006	0.4	3.6	3.2
2007	1.1	1.3	0.2
2008	0.4	0.6	0.2
<b>Total</b>	<b>2.3</b>	<b>6.9</b>	<b>4.6</b>

Source: FÁS. Analysis by C&AG.

5.4 Further analysis showed that the overruns were principally due to expenditure under the heading of advertising where an overrun of €3.9 million had occurred over the four years. Most of the increase is attributable to the promotion of in-company training.

5.5 In February 2004, following a request from the Department, the Director General wrote to the Department attaching a submission for increased expenditure and activity under Measure 18.<sup>33</sup> It noted that projections by the Department suggested that the Department was likely to be underspent in regard to funding from the European Social Fund and that FÁS had been asked if it could increase its level of activity to draw down the money over the remainder of the period. In a later submission, dated September 2004, the figure likely to be underspent was put at €60 million over the period 2000-2008.

5.6 In its September 2004 submission, FÁS indicated how it proposed to spend the €60 million between 2005-2008 (and possibly 2009 for training undertaken or commissioned in 2008). The

<sup>33</sup> Measure 18 of the Employment and Human Resources Development Operational Programme relating to in-company training.

Director General's letter noted that much of the activity would be sub-contracted and also outlined the need for an additional 10 staff to assist in managing the increased activity.

**5.7** In March 2005, the Department allocated FÁS an additional budget of €27 million for training of employed people during that year. FÁS applied the additional funds to its Competency Development Programme.

### **Competency Development Programme**

The Competency Development Programme (CDP), which began in 2003, supports the training of employed persons in key skill areas. The CDP replaced the Training Support Scheme and the Construction Training Incentive Scheme which had ceased at the end of 2002.

In July 2003, the Tánaiste appointed an Enterprise Strategy Group (ESG) to prepare an Enterprise Strategy for growth in employment in Ireland up to the year 2015. In its July 2004 report 'Ahead of the Curve, Ireland's Place in the Global Economy' the ESG recommended that a formalised programme of lifelong learning be administered through the introduction of a national 'One Step Up' initiative. Arising from this, FÁS aligned CDP with the One Step Up concept.

The overall aim of the One Step Up initiative is to assist individuals, through training and development programmes, to build on their competency levels where possible within the framework of the National Qualifications Authority of Ireland.

Training under CDP is available to private sector organisations, commercial state bodies in the public sector and employees in the engineering departments of Local Authorities.

Training is delivered through independent training providers and not directly by FÁS. During 2007, approximately 45,000 participants from 11,000 companies were trained under the CDP programme.

**5.8** The division which would administer the programme had to adjust to a higher level of activity. The Director with responsibility for CDP pointed out that, in 2004, the budget for the Services to Business division was around € million and that the principal activity related to the Safe Pass programme. Arising from the increased funding for the training of people in employment and the expansion of CDP it was necessary to increase the amount of advertising so that prospective participants would be made aware of the increased availability of training.

### **Advertising and Promotion of One Step Up**

**5.9** Total advertising and promotional expenditure for the Services to Business division was €6.9 million in the period 2005 to 2008. Of this, €5.5 million was in respect of CDP. Expenditure in regard to advertising accounted for the bulk of this expenditure, €4.6 million (84%), as follows

- 2005 – €0.6 million
- 2006 – €2.5 million<sup>34</sup>
- 2007 – €1.1 million
- 2008 – €0.4 million.

**5.10** Ideally, there should be written procedures or guidelines governing the interaction between Corporate Affairs and programme managers about how the advertising and promotional

<sup>34</sup> The accounting records show €2.8 million as having been spent on advertising for CDP. However, €0.3 million was incorrectly coded and was in respect of separate Services to Business advertising and promotional costs.

requirements of the programme managers should be specified and related budgets should be agreed and controlled. In practice, the only guidance was a memorandum issued to management in February 2003 by the ADG to whom the Director for Corporate Affairs reported, in regard to the requirement to use the services of Corporate Affairs when placing advertisements. There were no guidelines or procedures in place outlining how campaigns should be planned and managed and how budgets should be controlled.

**5.11** In regard to how the interaction was managed the Director with responsibility for CDP stated that he met with Corporate Affairs to discuss the marketing and promotion of the One Step Up campaign. However, there is no documentary evidence of what was agreed in regard to either the approach to be adopted or the budget that was available. The Director confirmed that there was no formal agreement with Corporate Affairs about either of these. He pointed out that there was pressure to deliver the training and that it was necessary to publicise its availability. He said that Corporate Affairs had the expertise in this area and, also, divisions were required to carry out all advertising using the services of Corporate Affairs. He stated that the ADG for Services to Business, to whom he reported, was fully aware and supportive of the approach being taken.

**5.12** As the biggest expenditure in relation to promoting One Step Up was in 2006, the examination focused on how the CDP general advertising expenditure of €2.5 million had been managed in that year.

**5.13** An external review<sup>35</sup> of the FÁS media expenditure in 2006 noted that €1.8 million of the €2.5 million spend related to the One Step Up campaign. Almost 80% of this was spent on advertising in the press with the balance split between outdoor and radio advertising. The bulk, €0.6 million, of the remaining €0.7 million expenditure, was spent on producing a series of four television advertisements for the One Step Up campaign.

### **Television Promotion**

**5.14** In March 2006, the Training for the Employed sub-committee of the Board was notified that the Services to Business division had requested Corporate Affairs to review and develop branding and promotional materials for Services to Business. At its next meeting in May 2006, the Director of Corporate Affairs and an external creative consultant presented a proposed TV promotional campaign for One Step Up. The committee welcomed the proposal and asked for consideration to be given to direct marketing to employers. Corporate Affairs have stated that, while there was no direct marketing to employers the proposal was addressed and that the advertising campaign had two strands, one directed at employees and the other directed at employers.

**5.15** In June 2006, the Director of Corporate Affairs wrote to the Director with responsibility for CDP describing the content of the proposed TV advertisements and setting out the production plan. No cost was mentioned. He also included a press/media plan for One Step Up with a budget of €64,000.

**5.16** In July 2006, the Director of Corporate Affairs informed the Director of Finance that the estimated cost of the TV advertisement for One Step Up would be €3.5 million. The total advertising budget for the Services to Business division for 2006 was only €30,000 and expenditure to June 2006 was already over €1 million.

**5.17** The Director of Finance then wrote to the Director with responsibility for CDP and pointed out “*there is absolutely no scope for Services to Business to overspend its budget this year and any advertising carried out has to be financed out of the existing Services to Business budget*”. He

35 FÁS 2006 Media Expenditure Annual Audit, conducted by media consultants contracted by FÁS.

also recommended that, in the future, the budget for the advertising spend for Services to Business should be agreed between Services to Business and Corporate Affairs, by programme, at the start of the year. This should be communicated to the Finance section and budgeted accordingly. He also noted that the forecast outturn for the year would have to be revised taking into account the likely spend on advertising and asked what operational activity would be reduced to finance this.

**5.18** The TV advertisements were produced by a company which had been sub-contracted by the advertising agency, at a total cost to FÁS of €12,000. The cost comprised €460,000 for production, a 10% fee for the advertising agency and VAT at 21%. A further €45,963 was incurred for creative and post-production work associated with the advertisements although this sum is in dispute between the agency and FÁS. Board approval was not sought for the production of the TV advertisements. This issue is explored in Chapter 6.

**5.19** The advertisements were not broadcast.

**5.20** The Corporate Affairs section stated that, to the best of their knowledge, while the budget was available to produce the advertisements in 2006, there was then no budget available for broadcasting them. The Director with responsibility for CDP stated that he was aware that the advertisements were being produced and that this had been at the initiative of the then ADG for Services to Business. He reiterated that a budget had not been discussed in detail with Corporate Affairs in regard to the cost of producing and broadcasting the advertisements or about what was to be spent on print media during the campaign.

**5.21** The Director of Corporate Affairs stated that when the advertisements were commissioned, this was with the support of the then ADG with responsibility for the Services to Business division and that following the change of ADG around mid-2007, the level of advertising being undertaken on behalf of the Services to Business division was reduced.

**5.22** In May 2007, the Services to Business division contacted Corporate Affairs requesting that no further expenditure be incurred in regard to general advertising for CDP as the budget for the year, €726,000, had already been exceeded.

**5.23** In April 2008, the issue of the TV advertisements was raised again. The Director of Corporate Affairs wrote to the Services to Business division stating that Corporate Affairs had commissioned and produced the TV advertisements at the request of Services to Business and expressed concern that no media budget had been set aside to broadcast them. Services to Business responded confirming that there was no budget available to broadcast the advertisements.

**5.24** The Director with responsibility for CDP stated that Services to Business did not provide Corporate Affairs with written instructions when advertising was being procured because there were no requirements for this. It was common practice for Corporate Affairs to initiate a transaction, charge it to the CDP account and see it through to payment without the CDP unit becoming aware of it. However, notwithstanding the fact that Corporate Affairs could incur expenditure without the knowledge of CDP, the Director said that it would not be fair to suggest that his, or any other unit, would not be aware, in general, of what was being incurred on their behalf. He also said that, on occasions, there were issues when amounts were charged to Services to Business as a share of general advertising cost. Monthly expenditure reports were provided to Services to Business by the Finance section in respect of CDP and expenditure could be monitored.

**5.25** The Director with responsibility for CDP also stated that in regard to managing a budget, his concern was not with the individual components of the expenditure but to ensure that total expenditure remained within budget.

### ***Role of the Finance Section***

**5.26** In July 2006, in his monthly financial report to the Executive Board, the Finance Director noted that at the end of June an overspend of €0.9 million had occurred on advertising and related costs for CDP. He also noted that he understood that there were plans for a further €3.5 million expenditure later in the year on advertising for One Step Up and that, should this take place it represented an allocation of more than 10% of the total Services to Business budget to advertising and related costs. The report noted that the Services to Business division needed to indicate how that increased expenditure would be financed. In December 2006, the Finance Director's report noted that clarity was still awaited as to how the expenditure would be financed.

**5.27** In January 2007, the Finance Director reported the 2006 outturn to the Executive Board and noted that there had been an overspend of €2.4 million for CDP. The Finance Director noted in his report that the overall budget for Services to Business was overspent by €3.3 million.

### **Other Programmes and Initiatives**

**5.28** A number of other programmes and initiatives involving promotion activities provided by Corporate Affairs were examined. These included

- The Excellence Through People (ETP) programme
- FÁS eCollege
- A media campaign aimed at increasing employer awareness of FÁS services in accessing jobseekers.

### ***Excellence Through People***

**5.29** In regard to the ETP programme on which €432,000 was spent on advertising in 2005, the Director in the ETP unit contacted the Finance Director in July 2005 noting that the advertising budget for the unit showed an overspend, at the end of May, of €100,000 and that he had no record of requesting or approving such amounts. The Director of ETP also wrote to the Finance Director in August 2005 and again in November 2005 about the issue. In August, he pointed out that almost €400,000 had been charged to the ETP unit of which just €14,000 had been requested by management in the unit. He noted that the balance appeared to be corporate advertising in respect of which the unit had no budget or involvement. He requested that the miscoding be corrected as soon as possible. The Director of Finance then wrote to the ADG with responsibility for Corporate Affairs seeking his views on where the apparent over advertising of ETP, which had been authorised by Corporate Affairs, should be charged. No evidence that the ADG responded was available in the course of the examination. In November, the Director of ETP wrote again noting that no action had been taken.

**5.30** Following receipt of this, the Director of Finance wrote to the ADG with responsibility for Corporate Affairs seeking his comments and pointing out that the advertising in question was being authorised by Corporate Affairs. The ADG then wrote to the Director of Corporate Affairs asking him to clarify the ADG's understanding that all Services to Business expenditure was authorised by Services to Business. The response from the Director of Corporate Affairs has not been provided. However, the Director of Corporate Affairs has informed the examination team that, in response to the query from the ADG with responsibility for Corporate Affairs, he notified him that the expenditure had the full approval of the then ADG with responsibility for the Services to Business division.

### ***FÁS eCollege***

**5.31** In regard to FÁS eCollege upon which advertising of €58,000 was incurred in 2005, the Director of Finance wrote to the Director for FÁS eCollege in December 2005, expressing his concern at the level of advertising which then stood at almost €800,000. He asked when the expenditure would be brought under control. The Director responded saying that a corporate decision to rebrand FÁS eLearning as FÁS eCollege necessitated a relaunch and that the ordering and approval process involved had not been within his control. On receipt of this reply, the Director of Finance wrote to the ADG for Corporate Affairs saying that the response from the Director appeared to imply that the expenditure had arisen as a result of decisions made in Corporate Affairs and seeking his views. No evidence that the ADG responded was available in the course of the examination.

**5.32** The Director of Finance did not receive any response from the ADG in regard to either ETP or FÁS eCollege (both of which were part of Services to Business). He raised the matter in a report to the Executive Board for December 2005 which noted that there appeared to be no correlation between the advertising budget set by Services to Business and the actual spend incurred by Corporate Affairs. In regard to FÁS eCollege, the report noted that the overall budget for the programme in 2005 was €750,000 of which €190,000 (25%) was for advertising. The outturn was €1.05 million – 40% over budget. The advertising expenditure of €58,000 accounted for 82% of all FÁS eCollege expenditure.

**5.33** No adjustments were made to the financial records and the costs remained charged to ETP and FÁS eCollege. The Director of the ETP programme stated that, as he understood it, the expenditure was retrospectively approved by the ADG with responsibility for Services to Business – but there is no documentary evidence of this approval.

### ***Jobs Ireland – Employer Strategy***

**5.34** The budget for the Media Campaign for Employers and Job Seekers was €0.5 million in 2006. A budget overrun of €0.7 million occurred.

**5.35** The Director of Employment Services, which had responsibility for the campaign, explained that in early 2006, FÁS launched its Jobs Ireland Employer Strategy. The purpose was to increase employers' awareness of services available from FÁS in accessing jobseekers.

**5.36** The promotional campaign included posters, brochures, advertisements in the press and TV and radio advertising. The primary focus of the advertising campaign was on promoting a freephone number which provided contact with FÁS for employers with a vacancy and for jobseekers.

**5.37** The Director of Employment Services stated that his division was consulted in regard to the content of the promotional material but that Corporate Affairs decided on the marketing mix. However, he also stated that there was no discussion about the budget for the campaign.

## Conclusions

The organisational arrangements within FÁS were not conducive to the achievement of control over advertising expenditure charged to divisional budgets nor to the achievement of value for the spend.

While in some cases there was a degree of engagement on the content of advertising campaigns between line divisions and Corporate Affairs, in other cases expenditure ended up charged to divisional budgets without budget holders' consent.

At organisational level, although budgetary indiscipline was identified by the Finance section, it was not subsequently addressed from an accountability standpoint and no post hoc action was taken to adopt or ratify overruns based on a reasoned explanation to the governing organs of the agency. This militated against meaningful management accounting.

This arbitrariness manifested on one hand in divisions finding it difficult to get explanations for charges made to their accounts while on the other a lack of joined-up aims and actions led to the incurring of €612,000 on the production of TV advertisements but there was an inability to use them for lack of a transmission budget. This rendered the entire production spend valueless.

Overall, there was a lack of clear rules and norms sufficient to clearly identify those with whom decision-making should rest with the consequence that internal resource deployment decisions in the area of advertising appeared arbitrary and contestable with outcomes depending on the persuasive power or position of individuals rather than on structured systems.



## 6 Procurement of Advertising and Related Services

**6.1** A considerable amount of the advertising and related services delivered by Corporate Affairs was provided through advertising agencies. €23.9 million was paid to advertising agencies during the period 2002 to 2008. This chapter examines the procurement of those services.

### Contracting with Advertising Agencies

**6.2** In the period from November 2001 to November 2007, FÁS engaged the services of advertising agencies as follows

- On 1 November 2001, the Board approved the appointment of Euro RSCG, following a tender competition,<sup>36</sup> subject to annual review by the Executive Board. The contract was for a three-year period from 1 November 2001. At its meeting on 5 December 2003, the Director General informed the Board that Euro RSCG had resigned the FÁS account as a result of a change in status and structure of Euro RSCG.
- Following the resignation of Euro RSCG FÁS sought tenders for a replacement agency. In the interim, a caretaker agency was appointed to handle all FÁS advertising requirements. On 7 November 2003, FÁS entered into a contract with AFA O'Meara. The contract was subject to review on a monthly basis.
- In September 2004, the Board approved the appointment of AFA O'Meara, following a tender competition,<sup>36</sup> subject to annual review by the Executive Board. The contract with AFA O'Meara ran for three years from 1 November 2004.

The contract with AFA O'Meara expired in October 2007. FÁS has not entered into a contract with an advertising agency since then.

**6.3** The services to be provided by the agencies, which were broadly similar under each contract, were

- Planning, preparation and placing of advertising requested by FÁS
- Checking, paying and accounting for all such advertising in all media
- Planning, preparing and supervising all display and other promotion material, activities and publicity requested by FÁS
- Planning and commissioning research activity requested by FÁS
- Event management of promotional and marketing events, when requested
- Project management of design and print requirements when requested
- Public relations services when/where requested<sup>37</sup> and
- Any other appropriate services requested by FÁS from time to time.

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<sup>36</sup> The company contracted was the highest ranked of the companies which tendered.

<sup>37</sup> This service was specified for the first time in the 2004 contract.

### **Contract Reviews and Revisions**

**6.4** In regard to the condition attached by the Board that the contracts should be subject to annual review by the Executive Board, there was evidence of only one such review having been carried out. This took place in December 2002 when the Executive Board approved the continuation of the arrangements with Euro RSCG for a further year.

**6.5** In January 2003, independent of the review by the Executive Board, Corporate Affairs commissioned an external review<sup>38</sup> of the operation of the contract with Euro RSCG which noted, *inter alia*, that

- Total expenditure under the contract in the 14 months was €4.8 million
- Certain non-core advertising/production/event management costs had been routed through the agency. Excluding advertising spend, €2.2 million excluding VAT had been spent with third parties
- The retainer<sup>39</sup> structure was expensive
- Insufficient detail was provided to demonstrate that the resources earmarked were applied exclusively on the FÁS account.

**6.6** The review suggested some changes including

- Ensuring that only relevant third party expenditure would be routed through the agency to reduce service fees
- Considering opening negotiations with other agencies to ensure the most competitive contract available would be in place
- Considering removing the retainer.

**6.7** In February 2003, the Director of Corporate Affairs sent a memorandum to the ADG to whom he reported stating that, following the review of the expenditure under the contract, it had been decided to revise the existing Euro RSCG contract. The revised contract was signed on 1 April 2003. The principal changes from the first contract were a reduction in the retainer to €4,000 per month with a reduction from three to two in the size of the agency team dedicated to the FÁS account, a reduction from 10% to 5% for the agency fee on production and third party costs and the insertion of a clause providing for advance payments to be made to the agency in exceptional circumstances. The Euro RSCG contract was terminated in November 2003 and AFA O'Meara provided the services thereafter.

**6.8** Notwithstanding the issues raised in the 2003 review, major contracts which the review referred to as non-core continued to be procured through the advertising agencies at additional cost to FÁS.

**6.9** The approval, by the Board, of the contract with AFA O'Meara can be viewed as approval to place advertising business with that company. However, in regard to individual transactions, the internal procedures in FÁS are clear. These state that the authority for incurring normal operating expenditure or engaging normal services for any one transaction in excess of €250,000

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<sup>38</sup> FÁS – *Financial appraisal of the Euro RSCG contract*, OSK Accountants and Business Consultants, January 2003.

<sup>39</sup> Under the terms of the agreement, a retainer of €11,428 per month would be charged by the agency to cover the cost of providing a full-time account team consisting of Account Director, Account Manager and Account Executive to work exclusively on FÁS business.

lies with the Board. This expenditure threshold includes VAT. This control was rendered non-effective by procuring services at a cost in excess of that threshold through the advertising agency. An example is the provision of the TV advertisements referred to in Chapter 5.

### **Production of One Step Up Advertisements**

In 2006, a set of four TV advertisements for the One Step Up campaign was produced by a company sub-contracted by the advertising agency at a total cost to FÁS of €12,000. The cost of producing the advertisements was charged to FÁS by the advertising agency in eight separate invoices. However, the four advertisements were clearly produced under a single contract. An estimate from the advertising agency stated that the cost quoted was based on producing the advertisements at the same time and the cost was invoiced to the advertising agency in two invoices, each for 50% of the cost. In addition, a memorandum from the Director of Corporate Affairs to the Director of Services to Business with responsibility for CDP, in June 2006, referred to the TV advertisements and production plan. The document attached to the memorandum was entitled "One Step Up, 4 x 30" TV – pre-production meeting" and included four scripts for the advertisements and a production schedule which did not distinguish between the four advertisements. Despite the cost of producing the advertisements, Board approval was not sought.

For each 50% payment four invoices from the advertising agency were paid on the same day by FÁS and it should have been clear that the payments were linked. There was no evidence that the financial section had sought evidence that Board approval had been provided for the contract.

FÁS procurement procedures normally require purchasers to complete a request for purchase form and forward this to the Procurement Unit with the appropriate supporting documentation. The Procurement Unit then issues a purchase order. In 2004, Finance sought clarification from the Financial Standards Unit<sup>40</sup> in FÁS on whether the purchasing unit needed to raise purchase orders for the advertising agency. The response stated that they were not required as there was a contract in place with the advertising agency that had been approved by the Board.

**6.10** In regard to whether the Finance section in FÁS should have a role in identifying instances where a single transaction is split into separate invoices and apparently circumventing FÁS procedures

- the financial section does not question individual invoices when the authorisation from the initiating division is at the appropriate level and
- its check on the pattern of related payments is focused on whether the aggregate payment exceeds the contract level.

**6.11** In regard to periodic payments under a contract, the financial section maintains a record of these payments to ensure that the aggregate payments do not exceed the contract value. There was no contract value for the contract with the advertising agency. The only control that the financial section used for assurance that payments were properly authorised was the authorisation levels for transactions.

40 The Financial Standards Unit is responsible for producing the Financial Authority Levels and Procurement Procedures manual for FÁS.

### **Contract Management**

**6.12** Certain post contract events place doubt on the extent to which the drawdown of work under the contract was systematically managed. In late 2007 and early 2008, FÁS sought material from AFA O'Meara which the agency had developed on behalf of FÁS. The agency responded that the material could not be released until outstanding account issues had been settled while FÁS pointed out that according to the terms of the contract all material developed on behalf of FÁS was the property of FÁS. FÁS also pointed out that it settled all accounts on time provided that the necessary paperwork was in order.

**6.13** In February 2008, the agency sent a list of unpaid invoices to FÁS. The letter from the agency accompanying the invoices noted that there were no signed estimates attached, as these had not been provided by FÁS. FÁS responded that invoices with clear evidence of back up would be approved for payment.

**6.14** In June 2008, legal advisers for the agency wrote to FÁS requesting payment of €132,000 that was stated as being due to its client. Subsequent payments by FÁS have reduced the disputed amount to just under €55,000. The balance outstanding includes almost €46,000 in respect of creative and post-production work for the TV advertisements for the One Step Up campaign. The Director of Corporate Affairs, in a memorandum to the manager of legal affairs in FÁS, said that services in respect of the amounts invoiced had been delivered but that payment had been withheld as signed estimates, an essential control feature of the agency's dealings with FÁS, had not been provided.

**6.15** Under the terms of the contract between the agency and FÁS, there was a requirement that the agency would not purchase or agree to purchase production materials or agree to incur any costs chargeable to FÁS, without the prior written approval of FÁS. The manner in which this approval was given was that a document entitled 'Production Estimate' would be sent by AFA O'Meara to FÁS and signed by a member of the Corporate Affairs staff. The production estimates are attached to the invoices in FÁS as evidence that the service had been requested by FÁS. A sample of payments to the agency was reviewed. It was noted that the use of production estimates was not consistent. In many instances, the production estimate post-dated the agency's invoice and there were also many instances where no production estimate was attached to an invoice.

### **Contracting with Media Consultants**

**6.16** In April 2005, FÁS engaged the services of a company as a communications media consultant. The Director of Corporate Affairs stated that reports from media consultants were important for Corporate Affairs as they provided an independent view of the cost and effectiveness of the advertising expenditure and also highlighted areas for improvement.

**6.17** FÁS stated that the appointment was made following a tender competition. The documentation relating to the procurement was not complete. The documents provided consisted of

- Copies of letters sent to four companies that were invited to tender.
- The specification that accompanied the invitation to tender documents stating that FÁS was seeking an independent media consultant specifically in areas relating to sponsorship, audit of campaigns and identification of new communications channels. Quotations for daily rates to a maximum of seven days per month were requested.
- The full tender document from the successful company.
- Three loose sheets, extracts from tenders submitted by the other companies.

- A sheet which provided evidence of when the tender documents were opened.
- A single page tender review document which did not score the tenders but included comments on each.

**6.18** No other tender documentation could be located. There was no evidence to show how the companies invited to tender were selected or for what period the proposed contract was to be awarded.

**6.19** Two memoranda from Corporate Affairs to the Procurement Officer, both dated 8 April 2005 were available. These recorded that

- The Director of Corporate Affairs stated that, following a review of the tenders, it had been decided to award the contract to the successful company based on the fact that their fee levels were the lowest of the four tenders received.
- The marketing manager stated that it had been decided to award the contract based on cost and the successful company's ability to provide all the services required.

**6.20** The principal in the company appointed as media consultants had previously worked with AFA O'Meara. Contact between FÁS and AFA O'Meara in relation to media planning for FÁS prior to the appointment of the media consultants casts some doubt on the integrity of the tender competition

- In October 2004, the Director of Corporate Affairs emailed AFA O'Meara stating that he was very happy with the work carried out by a named individual on behalf of FÁS and that he had asked that person to continue in his role as media manager on the FÁS account with AFA O'Meara.
- AFA O'Meara responded that the named individual was no longer an employee of AFA O'Meara and that he could no longer continue to carry out media planning for FÁS.
- Following a further exchange of emails, in which AFA O'Meara reiterated that the person could not continue to do the work, the Director of Corporate Affairs stated that he would hire the individual directly.

**6.21** A nine month agreement, dated 15 April 2005, stated that the communications media consultants would provide the following services

- Identification, negotiation and implementation of sponsorship opportunities on behalf of FÁS to include print and broadcast media
- Campaign analysis across all media to determine effectiveness in communicating with identified target audiences including a review of media rates applied, negotiating future rates and analysing media discounts
- Identification of new channels for communication.

The rate agreed was €750 per day excluding VAT for a maximum of seven days per month with any additional days being agreed in advance by FÁS.

**6.22** No work was carried out by the company from the time the first contract ended in January 2006 until May 2006. In January 2006 a new procurement competition commenced. Four companies were invited to tender. A document entitled 'Media Communications Tender Review 2006' which summarised the tenders was provided. It set out the rates proposed by the companies which tendered but gave no indication of how the tenders were scored. On 20 April 2006, the Director of Corporate Affairs wrote to the Procurement Unit stating that it had been decided to award the contract to the same company that had been appointed in 2005 as the company had

provided the most cost effective option for the service required. However, it is not clear from the tender documents how this decision was reached. Some companies tendered a price per day only while some tendered a fixed price for some parts of the work and a price per day for other parts. The tender review did not indicate how these were evaluated. An agreement, covering an eleven month period was signed in May 2006. This provided for a maximum of five days per month at the same rate as the first contract. It stated that each invoice should be accompanied by a detailed timesheet setting out the tasks completed. The first contract did not include this clause. Almost all invoices submitted, including those in the period of the first contract, were supported by timesheets.

**6.23** When the second agreement expired, Corporate Affairs sought approval from the Procurement Unit to extend the contract for a further six months pending the award of a new contract for media services following a procurement competition. The Procurement Unit approved a three-month extension until July 2007. FÁS continued to use the services of the company until March 2008.

**6.24** Total payments to the communications company from May 2005 to March 2008 amounted to almost €195,000 inclusive of VAT. The costs incurred were as follows

- In the first contract €88,000 was charged for 97 days. This was 34 days and almost €31,000 in excess of the agreed maximum. Finance notified Corporate Affairs when the agreed maximum had been reached. The Director of Corporate Affairs sent a memorandum to Finance stating that the additional days were required to complete specific projects set within a specified timeframe and this was agreed in advance. No evidence of what had been agreed with the company for the additional time was provided.
- From the commencement of the second contract to March 2008, a period of 23 months, payments totalled just under €107,000. Five days were charged for each month with one additional piece of work for around €2,000.

**6.25** The invoices from the media consultants were supported by timesheets which showed the hours charged by the company on various projects. A sample of the amounts invoiced was reviewed to ascertain what reports or other deliverables had been provided to FÁS. Details are set out in Figure 6.1.

**Figure 6.1 Sample of Media Consultant Deliverables, 2005 to 2007**

Project <sup>a</sup>	Days charged	Report provided
Review of advertising expenditure in 2005	13	Report summarising advertising expenditure including a breakdown by programme
Science Challenge 2005	19	Report on review of Science Challenge TV campaign October 2005
Review of advertising expenditure in 2006	18	Report summarising advertising expenditure with commentary
Jobs Ireland 2006	9	No report available
Review of advertising expenditure on Opportunities 2007	6	Report summarising advertising expenditure by media type

Source: FÁS.

Note a: Project identified on timesheet submitted by media consultants.

## Direct Procurement of Media Services

**6.26** Under the contracts with AFA O’Meara, FÁS reserved the right to engage the services of other suppliers directly in relation to specialist services for

- promotion and event management
- public relations and
- creative and media advertising services.

**6.27** On foot of this, FÁS purchased advertising directly. Some of this advertising was purchased in local media and some in the national media. Figure 6.2 sets out the total payments to the agency and the payments in respect of advertising purchased directly for the period 2004 to 2007.

**Figure 6.2** Payments in respect of advertising, 2004 to 2007

Year	Payments to AFA O’Meara <sup>a</sup>	Payments direct to suppliers <sup>b</sup>	Total	Payments direct to suppliers
	€000	€000	€000	%
2004	1,924	-	1,924	-
2005	3,170	630	3,800	17%
2006	2,451	2,133	4,584	47%
2007	1,811	2,645	4,456	59%
<b>Total</b>	<b>9,356</b>	<b>5,408</b>	<b>14,764</b>	<b>37%</b>

Source: FÁS

Notes: a These are the payments that have been identified by FÁS as having been paid to AFA O’Meara in respect of advertisements.

b These payments exclude payments in respect of some advertising purchased in regional or local media.

**6.28** In February 2008, and after the expiry of their contract, the agency wrote to the Procurement Manager in FÁS drawing attention to the fact that numerous advertisements had appeared in the national media which had not been booked by AFA O’Meara and which had not, in some cases, been created by AFA O’Meara. The letter noted that the agency considered this to be a breach of the contract between itself and FÁS.

**6.29** In regard to the circumstances in which FÁS purchased advertising directly Corporate Affairs stated that it did so because, by purchasing advertising directly, it could achieve better discounts than the agency.

**6.30** The communications media consultancy company issued a report in regard to media expenditure in 2006. The report noted that FÁS had achieved a discount of 53% on rate card rates for the advertising that it purchased directly and a discount of 51% on rate card rates for the advertising purchased by the agency. Accordingly, there appeared to be a broadly similar outcome in both cases.

**6.31** However, the proportions of advertising in the different media types was not the same for advertising booked directly and that booked through the agency. The principal media types used in 2006 are set out in Figure 6.3.

**Figure 6.3 Advertising – Principal media types used, 2006**

Medium	Agency	FÁS
Press	78%	51%
TV	13%	-
Outdoor	-	29%
Radio	8%	20%

Source: FÁS

**6.32** Discounts offered vary between media owners – for example, one newspaper group offers a high discount while a lower discount is available from another. Therefore, while the media consultant's report noted that FÁS achieved a higher overall discount than the agency, in the absence of details of all advertisements placed and the media owner with which it was placed, it is not possible to conclude definitively on whether the FÁS practice of dealing directly with suppliers was justified on cost grounds.

## Outdoor Advertising

**6.33** From January 2002 to late 2004, a company engaged by the advertising agency added an additional percentage to contractor charges for the use of outdoor poster sites. The charges were passed on to FÁS and were paid in due course. Internal Audit estimated the financial loss arising from the apparent overcharging at around €60,000. The matter is the subject of a Garda investigation.

**6.34** A further allegation was made around that time that FÁS had paid for the use of poster sites but that advertisements were not placed on them. This matter was also referred to the Gardaí. However, due to the difficulty in obtaining evidence as to whether posters were displayed on particular dates in the past, the matter has not been pursued.

## Procurement of Other Services through the Advertising Agency

**6.35** Notwithstanding the fact that certain core advertising services were being procured directly, the advertising agency was simultaneously being used to procure non-core services.

**6.36** All agreements with the advertising agencies acknowledged that the agencies might need to sub-contract services and required the agencies to obtain written quotations for the production of any material or the provision of any services on a sub-contract basis for FÁS. The contracts also provided that the agencies would not incur any costs chargeable to FÁS without the written permission of FÁS.

**6.37** The 2004 contract with AFA O'Meara provided for a fee of 5% to be charged by the agency in respect of all third party costs incurred in relation to FÁS events such as Opportunities, Community Initiative Awards, Apprenticeship Graduation Days and a fee of 10% in respect of all in-house production and other third party costs incurred on behalf of FÁS.

**6.38** The procurement of services from a third party through the advertising agency raises two main concerns. Firstly, from the viewpoint of the proper conduct of public business, the cost of some of the goods and services were such that, if FÁS was procuring them directly, it would be required to hold a competitive tendering process either under national or EU procurement rules. In addition, from the viewpoint of internal control, using the contract as a mechanism for procurement not within its scope would bypass normal internal control procedures.

## Compliance with Procurement Rules

**6.39** The main consideration when an agent acquires goods and services on behalf of a principal from third party suppliers is whether that procurement falls within the scope of the contract between the principal and the agent.

### *General Legal Provisions*

**6.40** In regard to the nature of goods and services purchased from an agent, it is generally a breach of public procurement law for a contracting authority to purchase goods or services from that agent (either directly or through the agent's sub-contractor) which fall outside the scope of that described in the contract notice and tender documents.<sup>41</sup> It is the nature of activities undertaken, and not their purpose, that is principally relevant in determining what falls within the scope of the contract between FÁS and the advertising agency. The principle of transparency requires the subject matter of each contract to be clearly defined so that a tenderer is able to determine what is being sought. Anything that would not normally be understood as falling within the description set out in the contract notice and the tender documents would fall outside the scope of the contract.

**6.41** The contract notices<sup>42</sup> published in the Official Journal of the EU in 2001 and 2003 sought "full service advertising agencies" to provide "services" and the descriptions in the contract notices are similar to what is set out in the contracts. The descriptions are limited to services and, therefore, would not seem to contemplate the provision of any supplies.

### *Examination of Third Party Procurement*

**6.42** Once goods or services are contemplated within the contract scope, it is generally irrelevant, for the purposes of public procurement law, whether the agent directly supplies the goods or services to the contracting authority or whether it engages a third party to do so.

**6.43** A sample of invoices related to goods and services that were procured by the advertising agencies from third parties on behalf of FÁS was reviewed.

**6.44** Some of the services were of a type that might reasonably be expected under a contract for advertising services. These included, for example, the design of advertisements, creative services, artwork for advertisements and the production of TV advertisements. However, it appeared from the nature of some of the goods and services that were sub-contracted through the agency that, notwithstanding the contract providing for the provision of event management and other appropriate services as requested by FÁS, direct procurement by FÁS might have been more appropriate and less costly. Goods and services procured from third parties by the agency included

- The production of four TV commercials at a total cost to FÁS of €12,000 including agency fee and VAT. This was covered by the description of services in the contracts and was, therefore, within the scope of the contracts.

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41 Insofar as public procurement law would ordinarily require the contracting authority to hold a competition to procure the relevant goods or services and no such competition was held.

42 Obtained from [www.etenders.gov.ie](http://www.etenders.gov.ie)

- Preparation, delivery and installation of the Opportunities 2007 exhibition build at a total cost of €301,000 including agency fee and VAT. This was a supply, not a service, and was, therefore, not within the scope of the contracts.
- Strategic proposal for the development and expansion of FÁS Science Challenge in May 2005. The total cost of producing this report was €46,585. The service provided fell outside the scope of the contracts.
- The development and management of a website for the Science Challenge project in May 2003. The total cost of the contract was €45,980 including VAT. No agency fee was charged. This service also fell outside the scope of the contracts.
- An exhibition sales contract for Opportunities 2005. The contract had two parts – a fixed fee of €3,000 including agency fee and VAT and provision for an incentive based sales plan to be added to this total. The incentive payment amounted to €27,400 including agency fee and VAT. In regard to this contract, the position is not clear. It can be argued that the service provided fell outside the scope of the contract but industry expectations are relevant and, if it is considered in the industry that event management services would normally include services of this nature then the sub-contracts would be within the scope of the contracts.
- Budget management services for Opportunities 2005 at a total cost of €36,000 including agency fee and VAT. The position is not clear in regard to this service either. If it is considered in the industry that event management services would normally include this type of service then it would be within the scope of the contracts.

#### *Role of FÁS in procuring third party suppliers*

**6.45** One instance where FÁS played a significant role in the selection of a company, which provided goods and services to FÁS through the agency, was in regard to the appointment of event managers for Opportunities 2005. A selection committee, comprising two staff members from Corporate Affairs, a representative from the advertising agency and a person from the company that had been awarded the budget management contract for Opportunities 2005, assessed the submissions of the five companies that had been invited to tender by the advertising agency.

**6.46** Total payments by the agency to the event management company amounted to €547,000 excluding VAT. The total cost to FÁS including agency fees and VAT amounted to €695,000. Appendix C provides more detail on this expenditure.

**6.47** The risk where FÁS plays a substantial role in choosing or designating a supplier acquired through the advertising agency is that this could be a breach of public procurement law as a contract has been awarded to the third party without a competition having been held in accordance with procurement law.<sup>43</sup>

**6.48** Overall, having regard to the payments made under the event management contract, the role of FÁS in the selection of the contracted company and the fact that at least some of the goods and services involved a supply and not a service, this contract was outside the scope of the contract with the agency. While there was a certain competitive process undertaken, this was inadequate insofar as five companies were invited to tender for a contract where the value exceeded the

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43 Insofar as public procurement law would ordinarily require the contracting authority to hold a competition to procure the relevant goods or services and no such competition was held.

threshold at which the contract should have been advertised in the Official Journal of the EU.<sup>44</sup> The only cost considered when the tenders for the event management contract were being evaluated was the management fee. For the successful company this amounted to €67,475, excluding VAT, or just over 12% of the total payments, excluding agency fees and VAT.

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44 In 2004, when the contract was awarded, the minimum threshold at which a contract for goods or services should have been advertised in the Official Journal of the EU was €236,945.

## Conclusions

€3.9 million was paid to advertising agencies during the period 2002 to 2008. The pattern of procurement through these agencies was somewhat inconsistent in that

- Core advertising services were acquired outside the contracts, mainly in the period 2005 - 2007, when €5.4 million of advertising was directly commissioned.
- On the other hand, certain services were commissioned and supplies purchased under the contract which may have been outside public procurement norms.

Some of the procurements through the advertising agency were substantial. For instance, services from an event management company for Opportunities 2005 cost €547,000 excluding VAT and agency fees. Despite the fact that it was engaged by the advertising agency, FÁS played a significant role in its selection. The risk where FÁS plays a substantial role in choosing or designating a supplier acquired through the advertising agency is that it could breach the competition requirement of public procurement law.

There was inadequate internal control in the management of contracts with the advertising agencies in that

- Commitments entered into by the agencies on behalf of FÁS only became apparent to the financial control section at payment stage.
- The production estimate procedure envisaged in the contract to evidence the commissioning of work was not consistently operated.
- Financial control did not detect breaches of expenditure authorisation limits for individual transactions.

Almost €200,000 was paid to a media consultancy company. A number of issues arose in relation to these payments.

- There was limited documentation of the tendering processes
- The volume of work paid for greatly exceeded the volume envisaged when the services were procured
- A combination of extra work and the extension of a second contract beyond its termination date brought the entire procurement to a level that would have required open tender procedures.

## Appendices

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## **Appendix A Extracts from FÁS Statements of Strategy 2002 to 2009**

### ***Statement of Strategy 2002 to 2005***

#### *Priority Goal 8 - Corporate Image and Communications*

To ensure that our customers and key stakeholders are fully aware of the availability of our programmes and services and that the reputation of the organisation is consistent with the achievement of the organisation's objectives.

FÁS is driven by customer needs and, as a public sector organisation, it is important that all customers and stakeholders are aware of both the work carried out by the organisation and the opportunities for advancement in the labour market. FÁS will continue to use all relevant media to ensure it keeps all of its customers and stakeholders informed on its activities, as well as ensuring adequate feedback from its customers.

#### *Implementation*

##### Actions

- Developing and implementing an integrated marketing and communications strategy that would incorporate the overall market position, build the FÁS brand, strengthen corporate identity and support the mission and vision of the organisation.
- Building a strong focus, in the overall communications strategy, on developing an improved internal communications infrastructure and process that would ensure involvement and engagement of staff at all levels of the organisation.
- Setting up adequate consultation and feedback mechanisms from all stakeholders and customers, through focus groups etc., to ensure that their needs are both identified and met.

### ***Statement of Strategy 2006 to 2009***

#### *High Priority Goal 8 - Corporate Image and Communications*

To improve our communications and relationships with all our stakeholders and to communicate proactively with our customers so that they can make informed choices regarding our range of programmes and services.

FÁS is a leading provider of labour market services and it is important that all of its customers, partners and stakeholders are aware of these services. They need to be aware of the opportunities that they present for individuals to access and advance in the labour market as well as the capacity of these services to enhance the competitiveness and profitability of companies. FÁS will continue to review and refine its internal communications systems to improve organisational efficiencies and support the achievement of the strategic objectives.

### *Implementation*

To achieve this goal, FÁS will

- strengthen the FÁS brand and corporate identity to support the vision and mission of the organisation
- develop and implement an integrated marketing and communications strategy aimed at a diversity of customers and stakeholders
- strengthen the consultation and feedback mechanisms from a diversity of customers to ensure that their needs are identified and met
- strengthen internal communications systems to ensure involvement and engagement of all staff
- ensure that FÁS customers are directed to the appropriate access and referral points for information and sources of support
- exploit the full potential of the internet to communicate to customers
- customise marketing campaigns based on feedback received from customers, stakeholders and staff
- raise awareness of FÁS labour market services
- develop consistent regional marketing campaigns.

### *Performance measurement*

The following indicators will measure progress in achieving this goal

- trends in customer surveys
- participation on targeted FÁS programmes and services
- participation of targeted groups on FÁS programmes and services.

## Appendix B Sales Contractors - Opportunities, 2002 to 2008

Year	Sales Contractor	Fees <sup>a</sup> €000		Remittance of proceeds to FÁS <sup>b</sup>	Method of procurement
		Basic Fee	Incentive Payment		
2002	Deirdre Lynam <sup>c</sup>	56	46	55% by March 2002. Balance April 2002.	Through the advertising agency.
2003	Supply Chain Consulting	67	-	September 2003.	Through the advertising agency.
	Sheila Rochford <sup>d</sup>	-	7		
2004	Supply Chain Consulting	56	-	78% by June 2004. Balance by September 2004.	Through the advertising agency.
2005	Bravo Group Ltd	83	27	80% by July 2005. Balance August 2005.	Through the advertising agency.
2006	Bravo Group Ltd	31	45	Proceeds deducted from payment due to Bravo in its role as the event management company.	Directly by FÁS. Sales contract awarded as part of the event management contract. FÁS advertisement placed on e-tender website. Five companies submitted tenders.
2007	Ovation Group	15	36	89% by May 2005. Balance by November 2005.	Directly by FÁS. Five companies were invited to submit tenders. Two responded including the company appointed.
	Connell Consulting	12	4		
2008	Verve Marketing Ltd	30	-	97% by April 2008. Balance in August 2008.	Directly by FÁS. Six companies were invited to submit tenders. Four responded including the company appointed.

Source: FÁS.

- Notes:
- Including agency fee, where applicable, and VAT.
  - In 2002, FÁS invoiced the exhibitors directly. In all other years, the sales contractors invoiced the exhibitors and remitted the proceeds to FÁS.
  - The sales contract for 2002 was one element of a contract which also included project management, administration for Opportunities and exhibitor support. Total payments under the contract amounted to €286,000 including agency fee and VAT.
  - Fee for collecting the exhibition sales proceeds.



## Appendix C Event Management for Opportunities 2005

### Payments to the Event Management Company for Opportunities 2005

Cost Type <sup>a</sup>	Cost <sup>b</sup> €000	Agency Fee <sup>c</sup> €000	VAT <sup>c</sup> €000	Total €000
Exhibition build – main contract	190	10	42	242
Exhibition build – other	27	1	6	34
Event management	101	5	22	128
Support staff	37	2	8	47
Exhibition bags	34	2	7	43
Audio visual	33	2	7	42
Signage for Opportunities	32	2	7	41
Website development	27	1	6	34
Project management	16	1	4	21
Equipment hire	14	1	3	18
Lighting	13	1	3	17
Sales brochures and tickets	8	-	2	10
Office expenses	5	-	1	6
Clothing, badges and lanyards	4	-	1	5
Speaker costs	3	-	1	4
Event Management Company staff expenses	1	-	-	1
Administration expenses	1	-	-	1
Room hire and catering	1	-	-	1
<b>Total</b>	<b>547</b>	<b>28</b>	<b>120</b>	<b>695</b>

Source: FÁS.

- Notes:
- a Certain services included in this table were sub-contracted by the event management company to other parties.
  - b This is the cost, before VAT, charged by the event management company to the advertising agency. The advertising agency applied their agency fee and VAT to this amount.
  - c Due to rounding, the agency fees and VAT amounts are not exact.