



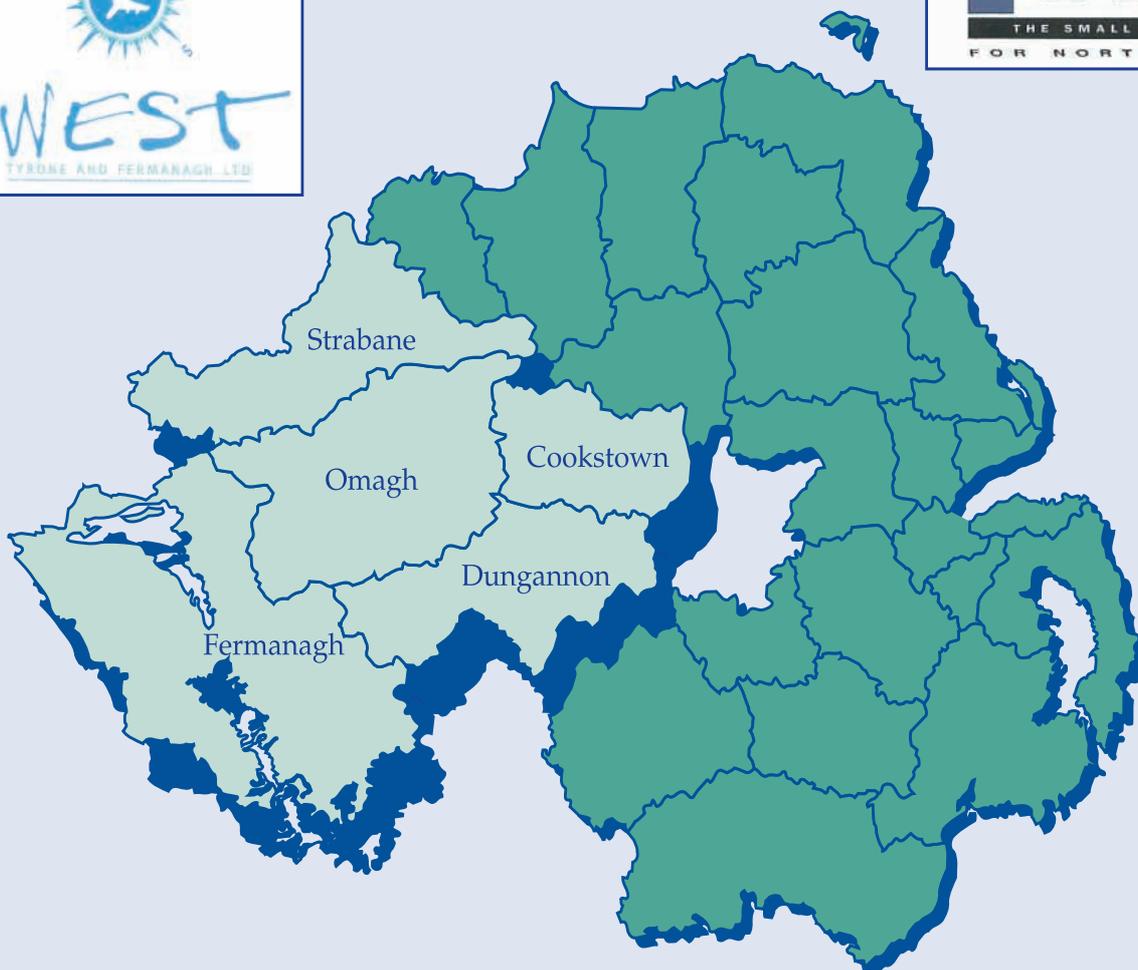
Northern Ireland Audit Office

# Into the West (Tyrone and Fermanagh) Ltd: Use of Agents

Department of Enterprise,  
Trade and Investment

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

HC 877, Session 2005-06, 2 March 2006





Northern Ireland Audit Office

**Report by the Comptroller and Auditor General  
for Northern Ireland**

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**Into the West (Tyrone and  
Fermanagh) Ltd:  
Use of Agents**

This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the House of Commons in accordance with Article 11 of that Order.

*J M Dowdall CB*  
Comptroller and Auditor General

**Northern Ireland Audit Office**  
28 February 2006

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For further information about the Northern Ireland Audit Office please contact:

**Northern Ireland Audit Office**  
106 University Street  
BELFAST  
BT7 1EU

Tel: 028 9025 1100  
email: [info@niauditoffice.gov.uk](mailto:info@niauditoffice.gov.uk)  
website: [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk)



# Abbreviations

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<b>DETI</b>	Department of Enterprise, Trade and Investment
<b>DFP</b>	Department of Finance and Personnel
<b>IDB</b>	Industrial Development Board
<b>ITW</b>	Into the West (Tyrone and Fermanagh) Limited
<b>LEDU</b>	Local Enterprise Development Unit
<b>LGA</b>	Local Government Auditor
<b>MIBH</b>	Making it Back Home
<b>NIAO</b>	Northern Ireland Audit Office
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, Threats

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# Executive Summary

## Background

1. Into the West (Tyrone and Fermanagh) Limited<sup>1</sup> (ITW) was established in 1997 to promote local economic development in the Tyrone and Fermanagh area, as a partnership between the former Local Enterprise Development Unit (LEDU)<sup>2</sup> and the five District Councils for Cookstown, Dungannon, Fermanagh, Omagh and Strabane. LEDU, the International Fund for Ireland and each of the five Councils provided joint funding totalling some £1.2 million ([Appendix 1](#)).

2. The ITW Board (the Board) initially consisted of the five Councils' Chief Executives and LEDU's Western Region Office Manager (LEDU Regional Manager) who acted as Company Secretary<sup>3</sup>, with Council Members joining from November 1999. Financial and administrative support was provided by LEDU staff, headed by the LEDU Regional Manager. The Company operated out of LEDU's Western Region Office in Omagh.

3. Following anonymous allegations of financial impropriety, in December 2001, a joint investigation was undertaken by the Department of Enterprise, Trade and Investment (DETI – the parent Department of the former LEDU) and the Local Government Auditor (LGA). This investigation concluded that there were very poor standards of administration within ITW, involving considerable sums of public money, and an over-reliance by the Board on the LEDU Regional Manager. ITW's activities were suspended from March 2002. The LEDU Regional Manager was dismissed in March 2003 and two other former LEDU officials formally disciplined. The Company entered voluntary liquidation in June 2004.

4. Based on our own review of the case, it is clear that there were serious failings in the management and control of ITW, at both a Board and an operational level within the Company and also within LEDU. As well as the LEDU Regional Manager, the ITW Board of Directors included the Chief Executives of the five participating District Councils. The expectation was that they would apply a degree of skill and care to their work on ITW, commensurate with their knowledge and experience of public administration and controlling public funds. Unfortunately, the Board failed to exercise the level of challenge and control required. Non-executive members of a Board are not, however, bound to give continuous attention to the affairs of a company and generally are entitled to rely on a company's executive officers to perform their duties properly. The principal executive officer within ITW was the LEDU Regional Manager, who played the primary role in the operation, servicing and administration of the company. He was the founding Company Secretary, as well as being a cheque signatory and a credit card holder.

5. At an organisational level, LEDU failed to ensure that it had adequate contractual arrangements in place with ITW when the company was established. It did not strengthen the arrangements over time and it failed to adequately monitor and evaluate the ITW projects and activities which it was funding. In addition, it did not exercise adequate supervisory and management control over its Western Office Regional Manager, which meant that his negligence and poor practice were allowed to continue unchecked.

6. The Department commented that, at a District Council level, there were also contractual faults - four of the five councils did not issue letters

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1 ITW is a company limited by guarantee and not having a share capital.

2 With effect from April 2002, LEDU ceased to exist. Its responsibilities transferred to 'Invest Northern Ireland'.

3 The LEDU Regional Manager was Company Secretary from August 1997 to March 2001 and remained a Director of ITW until the company entered voluntary liquidation in June 2004.

of offer to ITW. It is our view however, that the fundamental shortcoming was that LEDU, which had proposed the initiative and taken responsibility for the day-to-day running of ITW, failed to establish proper contractual arrangements.

## ITW Agents

7. ITW operated a network of overseas agents in Australia, New Zealand and North America. Initially, agent activity was focused on encouraging ex-patriates to return to Northern Ireland to set up businesses. From 1998, the focus moved to establishing links with overseas companies interested in joint ventures, manufacturing under license and franchise agreements. Agents were also involved in organising and running business development visits, a major element of ITW's work and the cost of which amounted to approximately £490,000.

8. ITW agents were to be engaged under contract and paid a monthly retainer, supplemented by performance bonuses. We identified a total of 18 agents, who received payments amounting to some £277,000. Given the generally poor financial management and control already identified in ITW, we reviewed the Company's handling of agents in detail (paragraphs 1.7 to 1.12).

## Main Findings and Recommendations

### On the standard of documentation at ITW (Part 1)

9. We encountered considerable difficulties in the course of our investigation, due to the poor standard of documentation at ITW and the former LEDU. There was a lack of formality in ITW's operation - policies and procedures often were not formally developed or adopted by the Board, documentation was frequently incomplete and generally disorganised and Board minutes did

not provide sufficient detail on many of the issues discussed and decisions taken.

10. Much of ITW's business was conducted by the LEDU Regional Manager through e-mail. However, we found that his e-mailbox had been closed after his dismissal and his e-mail records deleted. No hard copies of the electronic records had been produced prior to deletion. Given the circumstances surrounding this case, the deletion of these records and consequent loss of audit evidence represents a serious breakdown in control.

**11. In our view, a clear audit trail is a minimum requirement. We recommend that Departments and their Agencies take steps to ensure that the bodies which they fund have satisfactory policies and procedures in place, commensurate with the nature and level of public funding involved, to properly evidence such matters as:**

- key decision-making
- authorisation for activities undertaken
- details of all financial transactions
- the controls and checks which were exercised (paragraphs 1.13 to 1.15).

### On the appointment of agents and contractual arrangements (Part 2)

12. There was a marked lack of control over the identification, appointment and contracting of agents, together with a failure to conform to accepted good practice.

**13. We recommend that, where Departments and other public bodies fund third party organisations, they ensure that the third parties are aware of, and operate to, the appropriate standards. In relation to the use of agents, this should encompass procedures for their appointment and contracting and the establishment of frameworks to monitor and**

control activities and evaluate performance. This would include:

- development of a formal policy on the use of agents, taking account of the DFP guidance on the use of consultants
- establishment of a clear need for the use of agents, supported by an appropriate business case
- appointment of agents on the basis of open competition, wherever practicable, with candidates assessed by reference to standard criteria relating to identified requirements
- use of agents only when under formal contract (appropriately signed), with copies of all contracts retained
- development and implementation of an adequate document retention policy to ensure a clear audit trail of all actions and decisions (paragraph 2.23).

### On the management and control of agents (Part 3)

14. ITW's capacity to properly manage and control the activities of agents was substantially undermined by the absence of contracts for the majority of the time during which agents operated. Even where there were contracts, with a basis upon which to monitor and assess agent activity (through the requirement for regular reporting against performance targets), ITW failed to properly apply the control framework. The absence of performance assessment, combined with a dearth of information reported to the Board, resulted in ITW's failure, at both a Board and an operational level, to manage its agents effectively. Control was further undermined by a system of remuneration based on retainer fees, without reference to performance.

**15. Where Departments and other publicly-funded bodies use agents, they must ensure that there are proper procedures in place to monitor and control activities, and to evaluate**

performance. We recommend that, in particular, this should include:

- a mechanism to identify the level of activity undertaken by agents e.g. regular reporting by agents
- regular and formal monitoring of activity against contractual obligations
- the setting of challenging targets, formally approved at Board/senior management level, which are specific, measurable and time-bounded and against which performance can be assessed
- regular and formal assessment of individual agent's performance against targets
- the release of payment to agents only where they have fulfilled their contractual obligations. In general, payment should be performance-based and the use of substantial retainers avoided
- regular and formal reporting of activity and performance, together with associated expenditure to Board/senior management level
- periodic, formal reviews, at Board/senior management level, of the cost/benefit and continuing need for agents (paragraphs 3.17 and 3.18).

### On payments to agents and performance (Part 4)

16. There was a clear lack of control, at both a Board and an operational level, over payments to agents. While, from June 2001, there were some improvements, the vast majority of payments were being made automatically, without reference to the quality of agent performance and despite the fact that conditions of contract had not been fully satisfied. The available evidence suggests that, generally, agent performance was poor and, with only two bonuses paid (totalling £850), little was achieved in return for the considerable sums of public funds paid out.

17. **In addition to our recommendations on the management and control of agents, we recommend that Departments and other public sector bodies employing agents ensure that payments are linked to satisfactory performance and the achievement of contractual requirements. Strong performance appraisal procedures should also ensure that poor performance is highlighted at the earliest opportunity and appropriate action taken quickly to address the problems (paragraphs 4.13 and 4.14).**

### **On a postponed visit to Australia in 2000 (Part 5)**

18. ITW was invited to attend an event entitled the 'Australian Technology Showcase' in Sydney, coinciding with the Olympic Games in September 2000. Accommodation was booked and paid for in advance, in May 2000, at a cost of almost £33,000. In July 2000, following a meeting between the LEDU Regional Manager and ITW's Managing Agent<sup>4</sup>, a decision was taken to postpone the visit until later in the year. As a result, the accommodation was resold at a loss of some £15,500 (paragraphs 5.1 and 5.2).

19. ITW's poor planning of the visit resulted in a very substantial and avoidable loss of public funds, caused principally by a 'book first, recruit later' approach. In particular, the exclusion of the Managing Agent at the initial planning stage was a missed opportunity to draw on his expertise in an activity for which he was being paid and for early contact with potential participating companies.

20. We would also question the relative value for money of the proposed visit. While it appears to have been initiated through an invitation, its broad purpose, as recorded in Board minutes, was principally publicity for anticipated agreements - not new business generation. In addition, the majority of the planned participants would appear to have been non-company representatives i.e.

ITW officials and Board Members, District Council representatives and Northern Ireland local dignitaries.

21. In making the payment for accommodation so far in advance - before the agenda for the trip and the participants were even confirmed - ITW put a large sum of public money to unnecessary risk, which ultimately resulted in a loss of some £15,500. This was compounded by the lack of due process for the approval of the visit - that the Board was informed of the proposed visit, only after the accommodation had been paid for, was a particularly serious breach of acceptable procedures. We also have concerns that the room rate paid appears very expensive and that the LEDU Regional Manager had been unaware that IDB, another arm of the Department, had planned a trade mission to Australia for October 2000.

**22. We recommend that when funding bodies to undertake overseas trips, Departments and their Agencies ensure that proper procedures are put in place to:**

- **establish the need for the visit**
- **obtain the requisite approval to proceed, in advance of any financial commitments being made**
- **confirm participants, prior to any bookings being made**
- **limit participation to those necessary to achieve the objectives**
- **purchase goods/services at competitive prices.**

**Efforts should also be made to liaise with other relevant public bodies, who may be planning to visit the overseas location at the same time (paragraphs 5.4 to 5.7).**

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4 A lead agent, appointed in January 2000, based in Northern Ireland.





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# Part 1

## Introduction and Background

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1.1 Into the West (Tyrone and Fermanagh) Limited (ITW) was established in 1997 to promote local economic development in the Tyrone and Fermanagh area, as a partnership between the former Local Enterprise Development Unit (LEDU) and the five District Councils for Cookstown, Dungannon, Fermanagh, Omagh and Strabane. LEDU, the International Fund for Ireland and each of the five Councils provided joint funding (see [Appendix 1](#)).

1.2 The ITW Board (the Board) initially consisted of the five Councils' Chief Executives and LEDU's Western Region Office Manager (LEDU Regional Manager) who acted as Company Secretary, with Council Members joining from November 1999. Financial and administrative support was provided by LEDU staff, headed by the LEDU Regional Manager. The Company operated out of LEDU's Western Region Office in Omagh.

### Allegations of Financial Impropriety

1.3 Following anonymous allegations of financial impropriety in December 2001, a joint investigation was undertaken by the Department of Enterprise, Trade and Investment (DETI) and the Local Government Auditor (LGA). This investigation concluded that:

- there were very poor standards of administration within ITW, involving considerable sums of public money
- there was an over-reliance by the Board on the LEDU Regional Manager.

The report highlighted concerns over the use of credit cards on overseas business development

visits and the fact that a substantial proportion of the expenditure was unsupported by receipts and invoices. It also questioned the adequacy of LEDU's supervision and control arrangements.

1.4 The joint DETI/LGA audit team interviewed a sample of Board members. A number confirmed that the LEDU Regional Manager supervised the day-to-day running of ITW and said that they had assumed LEDU practices were being operated. Their view was that ITW had *"bought into an agency of government with considerable support structures"*. Members declared that the Board operated very much in a *"trust environment"*. However, there was no evidence to confirm that the Board ever assured itself that LEDU procedures were implemented and operational.

1.5 All funding was frozen and ITW's activities were suspended from March 2002. As a result of the investigations noted above, the LEDU Regional Manager was dismissed in March 2003 and two other former LEDU officials formally disciplined. The Company entered voluntary liquidation in June 2004 and will be formally wound-up in due course.

### Previous NIAO Report on Into the West

1.6 We reported on the investigation into ITW and the follow-up actions taken in our 'General Report on Northern Ireland Financial Auditing and Reporting 2002–03'<sup>5</sup>. The Report noted that we would continue to monitor developments in the ITW case and, where appropriate, report further on our findings.

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5 NIA 41/03

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1.7 One of the areas of concern noted by the DETI/LGA joint investigation team was the considerable amount of ITW expenditure on ‘agents’ – some £277,000. Agents were also involved in organising and running business development visits, a major element of ITW’s work which cost approximately £490,000. The Department told us that the team did not specifically examine agent costs, as there was no reference to them in the original anonymous allegations of financial impropriety and there was a need to complete the already wide-ranging investigation in a timely manner. Given the amount of expenditure involved and the generally poor financial management and control within ITW, NIAO reviewed the Company’s handling of agents in detail.

## Status and Role of ITW Agents

1.8 In carrying out its economic development activities, ITW undertook business development visits overseas and operated a network of overseas agents in Australia, New Zealand and North America.

1.9 Initially, agent activity was focused on encouraging ex-patriates to return to Northern Ireland to set up businesses through the LEDU ‘Making it Back Home’ (MIBH) programme. From 1998, the focus moved to establishing links between overseas companies interested in business-to-business deals with companies in the Tyrone and Fermanagh area through joint ventures, manufacturing under license and franchise agreements. These were termed ‘International Strategic Business Alliances’.

1.10 ITW agents were to be engaged under contract and paid a monthly retainer, supplemented by performance bonuses. Up to June 2001, agents were required to work between three and four days per month on ITW activities, with retainers intended to cover this activity and normal out-of-pocket expenses. After June 2001, no time

requirement was placed on agents. Initially, agents were managed by the LEDU Regional Manager, until the appointment of a dedicated Managing Agent in January 2000.

1.11 Six agents who had originally been engaged by LEDU were taken on by ITW in 1997. Other agents were directly appointed by ITW between 1997 and 2002. It is unclear exactly how many agents ITW engaged because no central record or complete set of contracts was maintained. However, we have been able to identify a total of 18 agents (including the six who were taken on from LEDU and the Managing Agent).

## Scope of NIAO Review

1.12 Our review involved an examination of all available working papers at Invest NI, ITW’s registered office in Omagh and those held by the Managing Agent. We also interviewed a number of Invest NI staff (including former LEDU employees) and the Managing Agent. Our review focused on:

- the appointment of agents, including contractual arrangements (Part 2 of the Report)
- how agents were managed and controlled (Part 3)
- payments to agents and performance (Part 4)
- a postponed ITW visit to Australia in September 2000 (Part 5).

In carrying out our examination, we assessed ITW procedures against the best practice guidance available at the time of ITW’s activities.

## Standard of Documentation at ITW

1.13 We encountered considerable difficulties in the course of our investigation, due to the poor standard of documentation at ITW and the former LEDU. Generally, this was far below the standard

we would have expected where public monies are involved. In particular, we noted that:

- there was a lack of formality in ITW's operation - policies and procedures often were not formally developed or adopted by the Board
- documentation was frequently incomplete and generally disorganised
- Board minutes did not provide sufficient detail on many of the issues discussed and decisions taken
- much of ITW's business was conducted by the LEDU Regional Manager through e-mail. However, we found that his e-mailbox had been closed after his dismissal and his e-mail records deleted. (At this stage, in March 2003, LEDU had been subsumed within the new, successor organisation, Invest NI.) No hard copies of the electronic records had been produced prior to deletion.

1.14 Given the circumstances surrounding this case, the deletion of these records and consequent loss of audit evidence represents a serious breakdown in control. The importance of sound record-keeping for the proper administration of public funds was emphasised by the Northern Ireland Assembly's Public Accounts Committee<sup>6</sup>, who stated:

*"The Committee ... will not accept assurances that controls were operating when there is no record to support this. (Departments) must demonstrate proper administration. It is no substitute to expect us to believe, in the absence of evidence, that things were being dealt with through contacts which were unrecorded".*

1.15 In our view, a clear audit trail is a minimum requirement. We recommend that Departments and their Agencies take steps to ensure that bodies which they fund have satisfactory policies and procedures in place, commensurate with the nature and level of public funding involved, to properly evidence such matters as:

- key decision-making
- authorisation for activities undertaken
- details of all financial transactions
- the controls and checks which were exercised.

<sup>6</sup> Northern Ireland Assembly Public Accounts Committee: Report on The Rural Development Programme, Session 2000/01; 2/00/R, 19 December 2000



# Part 2

## The Appointment of Agents and Contractual Arrangements

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### Guidance Covering Use of Agents

2.1 We found that there was no LEDU guidance that specifically referred to the appointment and management of agents. However, in 1995, the Department of Finance and Personnel (DFP) had issued a circular on the 'Use of Consultants'<sup>7</sup>, providing advice on their appointment and management. LEDU endorsed this guidance in its Operating Manual, as good practice. While the DFP guidance does not specifically use the word 'agents', its fundamental principles are relevant to their engagement, management and control and its definition of consultancy includes the type of services provided to ITW by its agents. In our view, therefore, the standards and procedures in the DFP guidance should have been applied by ITW in its use of agents.

2.2 ITW's financial and administrative support structures were provided by LEDU, with the LEDU Regional Manager being a founding Company Director (acting also as Company Secretary) and playing a prominent role throughout. As a LEDU employee dealing with agents/consultants, the LEDU Regional Manager should have been aware of the requirements of the LEDU Operating Manual and the DFP guidance.

### Appointment of Agents

2.3 We looked at the procedures adopted by ITW in its identification and appointment of overseas agents, together with the contracting arrangements applied.

2.4 The LEDU and DFP guidance on consultants includes the following issues to be considered:

- establishing a clear need for services, supported by an appropriate business case for engagement
- applying appropriate appointment procedures, in particular, the use of competition to ensure value for money is achieved
- establishing appropriate arrangements and procedures to control and monitor activity/ services provided.

**ITW did not formally assess whether using overseas agents was the best way to deliver its programme, nor that six agents transferred from LEDU could meet its needs**

2.5 In October 1997, ITW took on six agents previously contracted to LEDU (four in North America and two in Australia). These agents had been appointed to support LEDU's 'Making it Back Home' (MIBH) programme. In setting up MIBH, LEDU had considered that overseas agents were necessary to promote the programme.

2.6 The creation of ITW afforded an opportunity to consider afresh the need for agents and, should a need be confirmed, to determine where they should be located and what particular skills were required. It also provided an opportunity to assess whether the existing MIBH agent network was suitable to meet ITW's needs. However, our examination of ITW documentation identified a lack of formal process and a failure to conform to guidance relating to the use of agents. While the appointment of the existing LEDU network of agents was notified to the Board at its first meeting, Board minutes do not record formal approval of this course of action. Our examination

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<sup>7</sup> DPS (DFP) 2/95

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of ITW documentation found no evidence to suggest that ITW considered whether the use of overseas agents was the best way to deliver its programme of activities and the numbers, locations and skills required.

2.7 We noted that, in February 1997, LEDU had carried out a review of the MIBH agent structure in North America. The four agents located there had been assessed as '3 out of 5'. However, there was no explanation as to what this score referred to, or whether it was considered acceptable. Further, there was no evidence that LEDU's assessment was ever communicated to the ITW Board. As regards the two Australian agents, there was no evidence to suggest that any assessment was carried out. Nevertheless, the four North American and two Australian agents were engaged by ITW.

2.8 While ITW continued to operate the MIBH programme, its primary aim from 1998 was to encourage International Strategic Business Alliances (paragraph 1.9). However, we saw no evidence that, in the appointment of the existing six LEDU agents, ITW had separately assessed the suitability of the agents for this substantial change in needs. This was a significant failing, given ITW's later assessment of the quality of the original six agents as poor (paragraph 4.10).

### **ITW rarely used competition to identify and appoint new agents**

2.9 DFP and LEDU guidance stress the need to apply appropriate procedures throughout the identification and appointment process. In particular, the guidance emphasises the need for competition to ensure value for money.

2.10 We were informed by former LEDU staff that the two LEDU MIBH agents in Australia, subsequently appointed by ITW, had been identified by LEDU through newspaper

advertising. However, the four North American MIBH agents had been identified solely on the recommendation of the LEDU Regional Manager, who had previously worked with them in his LEDU role.

2.11 As regards the other 12 agents, recruited directly by ITW, we saw no evidence of a formal policy or any consistency in procedures for their identification and appointment. ITW Board minutes record the appointments of all 18 agents identified by NIAO, but there is little indication of how they were recruited. Based on discussions with former LEDU and ITW staff and the Managing Agent, we believe that seven of the agents were identified as follows:

- 2 through advertisement
- 1 from a District Council referral
- 3 through LEDU
- 1 through the Managing Agent.

We were unable to ascertain how the remaining five agents were identified.

2.12 If there had been circumstances where it was not practical or desirable to recruit agents competitively, we would have expected this to have been documented and approved at Board level. In all appointments, irrespective of the means of identification, we would have expected the suitability of potential agents to be subject to a formal assessment process. However, we only found evidence (principally through ITW Board minutes), of four of the 12 agents directly recruited by ITW having been formally interviewed. The available documentation makes no mention of the assessment process or the criteria (such as previous experience, skills and qualifications and business contacts) against which agents were assessed to confirm their suitability for the ITW programme.

### The Managing Agent was appointed without competition

2.13 In the Autumn of 1999, ITW organised an event in Omagh to bring together representatives of overseas companies, hoping to generate business-to-business deals with Northern Ireland companies. A consultant was appointed to compile a profile of companies within the ITW area and identify those having the ability to engage with overseas companies and create strategic alliances.

2.14 We found no evidence to confirm that the consultant was appointed on the basis of open competition. Board minutes show that arrangements for the event were discussed, but do not note the appointment of a consultant nor the means of selection. The consultant, who subsequently became the ITW Managing Agent, told us that he believed he was selected from a list of LEDU approved consultants and understood that other companies were asked to quote, but had declined. The former Head of LEDU Corporate Marketing confirmed to us that he had provided the LEDU Regional Manager with the names of a number of consultants (including the Managing Agent) used by LEDU on other programmes.

2.15 As a result of the perceived success of the Omagh event, the consultant was asked, by the LEDU Regional Manager, to produce a proposal for the ITW Board to follow-up on the success of the event. On the basis of this proposal, the consultant was officially appointed as Managing Agent in January 2000, working four days per month. Board minutes, while noting his appointment, make no reference to the basis upon which the proposal had been assessed, nor to his terms and conditions of employment.

### Agents' Contractual Arrangements

2.16 DFP guidance identifies a number of matters which should be included within contracts, including:

- full terms of reference
- duration of the contract
- method of payment, fees involved (rates and number of days provided)
- eligible expenses and the basis on which they are paid (including limits/cost ceilings)
- provision for early termination.

In addition, it states that copies of all contracts should be retained for future monitoring.

### A complete set of signed contracts was not available at ITW

2.17 We sought to review whether ITW agent contracts conformed to the best practice noted above. We expected ITW to hold contracts for all agents engaged, covering the complete period of each agent's employment. However, a complete set of contracts was not available. We noted, for example, that the Managing Agent was not issued with a contract at any point in his engagement and, in a number of other cases, contracts had expired and appeared not to have been renewed. Overall, we found copies of contracts for 9 of the 18 agents. Not all of these had been signed and the available contracts did not cover the entire period for which the agents were paid. Indeed, other than by reference to payments made, it is unclear for how long each agent was engaged.

2.18 Overall, we found only 11 contracts, relating to nine agents. There were no contracts for the remaining nine agents, including the Managing Agent. Based on what appeared to be a standard period of contract of 12 months, we would expect to have had sight of around 33 contracts. Of the 11 contracts reviewed:

- 2 were properly signed
- 6 had been signed by the agents only – they had not been completed by ITW officials
- 3 were not signed at all.

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## 76% (some £209,000) of total payments to agents were made outside periods covered by contracts

2.19 Our review did confirm that the terms and conditions of contract recommended in the DFP guidance (paragraph 2.16) were included in the available contracts. Also, while the basic form of contract was broadly similar over the life of ITW, it did take account of changes in ITW activities and the shift, in 2001, from a retainer-based form of payment to a performance-based system.

2.20 We matched payments made against the periods covered by contracts and identified payments totalling some £209,000 made outside those periods. This included payments of £85,000 to the Managing Agent (£74,000 in fees and £11,000 expenses). Overall, three-quarters (76%) of total payments to agents were made without the protection of a contract. [Appendix 2](#) provides further details.

2.21 It was clear that, even though some contracts had expired, the agents concerned continued to work and receive payments. The Managing Agent told us that he did discuss the issue of agents' lapsed contracts with the LEDU Regional Manager. However, we saw no evidence of this nor that it had been raised at Board meetings. We cannot be sure as to whether the Board was aware of the extent to which its activities were not protected by contracts. The evidence indicates, however, that the Board exercised insufficient oversight over the activities of the LEDU Regional Manager.

## Summary of NIAO Findings

2.22 In summary, we found that:

- contrary to LEDU and DFP guidance, ITW did not assess whether the use of overseas agents was the best method to deliver the ITW programme

- six agents from the LEDU MIBH scheme were engaged by ITW without competition and without a formal assessment as to their suitability to deliver the ITW programme
- the Board had no formal policy for the appointment of agents and there is no evidence as to the criteria it applied to assess agents' suitability
- only 2 of the 12 directly recruited agents were identified through competitive means and only 4 were formally interviewed
- the Managing Agent was appointed without competition and operated without a contract
- there were only 11 contracts with agents – we expected there to have been around 33 contracts
- of the 11 contracts that did exist, 9 had not been signed by ITW and/or the agents concerned
- payments of some £209,000 (76% of total payments to agents) were made in respect of periods not covered by contracts.

## NIAO Conclusions and Recommendations

2.23 There was a marked lack of control over the identification, appointment and contracting of agents, together with a failure to conform to accepted good practice. We recommend that, where Departments and other public bodies fund third party organisations, they ensure that the third parties are aware of, and operate to, the appropriate standards. In relation to the use of agents, this should encompass procedures for their appointment and contracting and the establishment of frameworks to monitor and control activities and evaluate performance. This would include:

- development of a formal policy on the use of agents, taking account of the DFP guidance on the use of consultants<sup>8</sup>

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<sup>8</sup> 'Guidance on the Engagement of External Consultants', February 2005, (DAO (DFP) 3/05)

- establishment of a clear need for the use of agents, supported by an appropriate business case
- appointment of agents on the basis of open competition, wherever practicable, with candidates assessed by reference to standard criteria relating to identified requirements
- use of agents only when under formal contract (appropriately signed), with copies of all contracts retained
- development and implementation of an adequate document retention policy to ensure a clear audit trail of all actions and decisions.



# Part 3

## Management and Control of Agents

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3.1 We examined the structures and processes used by ITW to manage and monitor the work of overseas agents. This comprised a review of available documentation - principally agent contracts and Board minutes and information provided by the Managing Agent - together with discussions with the Managing Agent and former LEDU staff.

3.2 DFP guidance indicates the following arrangements should be considered in the management of consultants:

- how progress will be reviewed, including the setting and achievement of performance standards and the monitoring and control of expenditure, together with appropriate mechanisms for the assessment of performance.

3.3 From October 1997 to January 2000, the LEDU Regional Manager had overall responsibility for the supervision and management of agents. After January 2000, the Managing Agent took over this role (with the exception of the Australian agents who, due to 'relationship difficulties' with the Managing Agent, were supervised by the LEDU Regional Manager from January 2002 until the suspension of ITW in March 2002).

3.4 The formal monitoring and control framework operated by ITW for the management of agents comprised two main elements:

- a contractual requirement for the provision of monthly activity reports
- performance targets set out in contracts.

### Monthly Activity Reports

3.5 Agent contracts required a monthly activity report *"containing details of enquiries received,*

*responses and referrals made and detailing progress to date"*. These reports (which were e-mailed) were intended to provide an indication of the level of activity undertaken and activity outcomes.

### Agents did not always fulfil their contractual requirement to submit monthly activity reports

3.6 We were able to review only a small number of agent monthly activity reports. For the period from October 1997 to January 2000, when agents were managed by the LEDU Regional Office Manager, there was no documentary record of any monthly reports from agents. The deletion of his e-mail account (paragraph 1.13) precluded us from ascertaining what reports, if any, had been received. As regards the period from January 2000 to March 2002, when the Managing Agent was in post, we were able to review a number of reports, but it was clear that, frequently, reports were not submitted.

3.7 A 'SWOT' (Strengths, Weaknesses, Opportunities, Threats) analysis, prepared by the Managing Agent and submitted to the Board in February 2001, identified a *"reluctance to be managed"* on the part of agents and noted that there were *"no monthly reports from which to judge performance"*. However, the analysis did not quantify the extent of the problem. Problems persisted until March 2002, when ITW suspended its activities – we noted references to one agent who had not reported activity for some seven months and two agents who had not submitted any monthly reports.

3.8 The Managing Agent introduced a pro-forma monthly report in June 2001, some 18 months after being appointed. This identified progress in agents' business contacts and separately identified new, current and lapsed cases. This more detailed reporting was introduced because of concerns that agents continued to make reference to cases

previously determined as unlikely to progress further and upon which activity had effectively ceased. Where agents continued to report on 'live' cases, the reports provided little or no evidence of activities undertaken, or indication of time dedicated to ITW work for the fees paid. This is of particular concern given that the majority of payments to agents were retainer-based – that is, made automatically each month without the need for formal approval.

## Performance Targets

3.9 Our review of available contracts confirmed the inclusion of targets against which performance would be assessed, although the Managing Agent operated without a contract and no separate targets were set in relation to his performance. Targets were set in relation to the number of contact referrals maturing to either:

- LEDU (or another funder) agreeing to support the production of a business plan for a project or venture
- the commencement of a commercial relationship.

Bonuses were payable under contract for each referral that matured.

### Performance targets reduced over time

3.10 Target performance levels changed over time. The earliest ITW contracts required an agent to provide 10 referrals per year whereas, by 2001, contracts required only three referrals per year (Figure 1). We have been unable to establish the basis on which targets were set and why they were substantially reduced.

Contract Year	Referrals Target Level
1998	10
1999	10
2000	8-10
2001	3

Source: ITW

### Absence of an agent appraisal system

3.11 We expected that agents' performance would have been formally assessed on a regular basis (at least annually). However, despite the fact that targets were set and agents' performance was to be assessed against targets, we found no evidence of an appraisal system. Indeed, our discussions with the Managing Agent and other ITW and former LEDU staff confirmed that no agents had been formally assessed.

### Reporting to the Board

3.12 We examined ITW Board minutes and associated papers to ascertain the level and quality of information reported to the Board on agent activity and performance and Board action on receipt of this information.

### There were significant weaknesses in the information provided to the Board and the Board's management of agents

3.13 We identified a number of significant weaknesses in the reporting of agent activity to the Board and the Board's review of that activity. These included the lack of:

- reporting on agent activity and performance
- regular and detailed analysis of agents' costs.

3.14 The Board received reports on the progress of on-going cases and business development visits abroad. However, there was no regular reporting of agent performance. In particular, there is no evidence that the Board was made aware of the on-going problems associated with agent reporting, other than through the SWOT analysis in February 2001.

3.15 For the period prior to the appointment of the Managing Agent (October 1997 to January 2000), our review of Board papers did not identify any specific references to agent performance. For the period from January 2000 to March 2002, the Managing Agent told us that he raised agent performance with the Board where necessary. We identified two occasions where his comments/assessment resulted in the termination of an agent's engagement (one in April 2000 and another in January 2001). The Managing Agent also said that, generally, the Board took little interest in the performance of agents until the preparation of the SWOT analysis in February 2001.

3.16 Expenditure on agents was not reported to the Board until August 2000 – over two and a half years after the commencement of ITW activity. The introduction of expenditure reporting resulted from a request by a Board member in May 2000 for more detailed expenditure information (but not specifically details of expenditure on agents). Details provided to the Board comprised the total quarterly expenditure on agents, by region. It did not, however, identify the level or nature of payments to individual agents.

## NIAO Conclusions and Recommendations

3.17 ITW's capacity to properly manage and control the activities of agents was substantially undermined by the absence of contracts for the majority of the time during which agents operated. Even where there were contracts, with

a basis upon which to monitor and assess agent activity (through the requirement for regular reporting against performance targets), ITW failed to properly apply the control framework. The absence of performance assessment, combined with a dearth of information reported to the Board, resulted in ITW's failure at both a Board and an operational level to effectively manage its agents. Control was further undermined by a system of remuneration based on retainer fees, without reference to performance.

3.18 Where Departments and other publicly-funded bodies use agents, they must ensure that there are proper procedures in place to monitor and control activities, and to evaluate performance. We recommend that, in particular, this should include:

- a mechanism to identify the level of activity undertaken by agents e.g. regular reporting by agents
- regular and formal monitoring of activity against contractual obligations
- the setting of challenging targets, formally approved at Board/senior management level, which are specific, measurable and time-bounded and against which performance can be assessed
- regular and formal assessment of individual agent's performance against targets
- the release of payment to agents only where they have fulfilled their contractual obligations. In general, payment should be performance-based and the use of substantial retainers avoided
- regular and formal reporting of activity and performance, together with associated expenditure to Board/senior management level
- periodic, formal reviews, at Board/senior management level, of the cost/benefit and continuing need for agents.



# Part 4

## Payments to Agents and Performance

### Payments to Agents

4.1 Good practice with regard to the payment of agents requires that:

- payments are made in line with authorised contracts
- payments are made only where contractual requirements are fulfilled
- incidental costs and expenses are incurred only where approved in advance, within agreed limits and on production of invoices in support of payments made.

4.2 Overall, some £277,000 was paid by ITW to 13 agents (no payments were recorded against the remaining 5 agents identified by NIAO). Payments included retainers, performances bonuses, fees to agents for the administration of ITW Business Development Visits, Managing Agent's fees and agents' expenses. A summary is provided at [Figure 2](#) (see also [Appendix 3](#)).

4.3 Our analysis of payments to agents showed that:

- fees paid to agents accounted for some 81% of the total cost of agents, with a further 15% being agents' expenses
- retainer payments represented 84% of total fees paid to overseas agents
- performance bonus payments account for only 0.3% of total agents' costs
- the Managing Agent, who was paid on the basis of time spent, received fees totalling £73,760 and expenses of £11,615.

### There were a number of weaknesses in the control of expenditure

4.4 As noted earlier, three-quarters of payments to agents were made in cases where no contract was in place (paragraph 2.20). Where contracts were available, retainers and bonuses were generally in line with the contract sums. However, we noted

**Figure 2: Total Agents' Costs, 1997 to 2002**

	£	£	£
Retainer Payments	126,523		
Business Development Visit Fees	<u>24,980</u>		
<b>Total Fees Paid to Overseas Agents</b>		<b>151,503</b>	
Managing Agent Fees		<u>73,760</u>	
<b>Total Fees Paid to Agents</b>			<b>225,263</b>
Bonus Payments			850
Agents' Expenses			41,554
Unknown Costs <sup>1</sup>			9,427
<b>Total Costs of Agents</b>			<b><u>277,094</u></b>

Source: ITW

Note: 1. Sums totalling £9,427 were paid to two agents, for which there is inadequate information to identify the nature of the expenditure.

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that, from April 1998, the monthly retainer for two agents was increased above the contracted amount. Over the period of their engagement, this amounted to some £30,800. We saw nothing to indicate why these retainers were increased and no evidence of authorisation.

4.5 Retainers, which made up the overwhelming majority of payments to agents, were paid automatically without reference to the quality of agent performance and irrespective of whether monthly activity reports had been received (a specific requirement of contract). Interestingly, later agent contracts (from 2001) indicated that the Managing Agent would authorise fee payments following receipt of agent's monthly progress reports. However, in our discussions with the Managing Agent, he said that this was never implemented and he had no direct control over payments.

4.6 Our review of available documentation identified that payments to agents for additional time spent in relation to overseas business development visits and expenses were supported by invoices. However, there was no evidence that any of these costs were approved in advance, as required under contract, and particularly with regard to expenses payments, that budgets had been agreed and communicated to agents to limit their ability to incur costs on behalf of ITW.

## Agent Performance

4.7 We sought to review the performance of agents with a view to assessing whether value for money was obtained. However, no central record of agent performance or activity was maintained at ITW and, as noted previously, no formal or regular assessment of individual agent performance was undertaken. Consequently, our examination was limited to the identification and review of performance payments and indirect references to performance contained in available documentation.

## Only two performance bonuses were paid to agents over the life of ITW

4.8 Over the four-and-a-half years that ITW was in operation, only two performance bonus payments, totalling £850, were made. Both bonuses were paid in 2000 and related to earlier 'Making it Back Home' activities. As bonuses were linked directly to performance targets, this suggests that agent activity generated only two instances where their contacts and referrals matured. This view is supported by comments from the former Head of LEDU Corporate Marketing, in a June 2000 memo to the LEDU Regional Manager, where he raised concerns that the Australian operation had cost ITW £75,000 "*without one real project*" being achieved and suggested that agents were on a "*gravy train*".

4.9 We also noted that £1,000 was paid in June 2001 to an agent, as a "*goodwill*" gesture in lieu of a disputed bonus claim. However, no approval was sought or received by ITW from the funding bodies for this payment. There is an obligation upon central government departments (and their Non-Departmental Public Bodies) to ensure that funds provided to third parties are used for the purposes intended. Good practice in the use of public monies, as identified in Government Accounting guidelines, requires approval for an 'ex-gratia' payment, from the funding body or parent Department. Given that ITW was understood to be operating LEDU practices and in the absence of any delegated authority, we would have expected prior approval from LEDU, or the Department, to have been sought for this payment. It is important that, when entities such as ITW are set up, the funding bodies establish formal arrangements to ensure that expenditure which could not clearly be regarded as 'eligible', receives specific prior approval.

4.10 While no formal system of agent performance assessment was implemented, we identified a number of separate reviews undertaken

at ITW which made reference to overall agent performance. The findings of these reviews are summarised below.

#### *Strategic Reviews by the Managing Agent (February 1999 and October 2000)*

The first review identified weaknesses in agents' past performance. The review suggested that the main weakness had been that "*enthusiastic 'I can do it' style individuals*", accepted on a "*referral basis*", had "*singularly failed to meet their targets*" and that, in future, ITW would only commit to agents from a consultancy background, with contacts based in the small business/economic development sectors.

The October 2000 review identified the same issue and suggested solution. This would suggest that little progress had been made since the earlier review.

#### *June 2001 Short-term Strategy Paper*

The paper proposed a renewed focus for ITW's principal objectives and goals. In relation to agents, the paper noted that:

- a new target would be set for agent performance - at least three 'Joint Venture/Manufacturing Under License' agreements per annum - although the paper does not explain why the target was set at this level
- contracts would be revised to move towards payments by results and away from substantial retainers. It also noted that agents would be appointed on a 'commission only' basis, if the opportunity arose
- a monthly report to the Board would be established to ensure that demonstrable value for money was being achieved from agents.

#### *February 2001 'SWOT' Analysis*

Carried out by the Managing Agent and presented to the Board in February 2001, the issues noted included:

- there had been no regular monthly reports to the Board on agent performance
- agent activity was primarily driven by events and there was no strategic plan for the use of agents
- there was limited analysis available in terms of the value for money from the use of agents.

The Managing Agent told us that the analysis caused some Board members to take more interest in how agents were performing and led to the formation of a Board sub-group which produced a short-term strategy for ITW's activities.

4.11 We noted that contracts issued subsequent to the June 2001 Strategy Paper (of which 5 examples were available to us) incorporated these revised targets and payment arrangements. We also identified that three agents were engaged, in 2001, on a 'commission only' basis, although no payments had been made to them by the time of ITW's suspension in March 2002. Their contracts were, in other respects, the same as those previously offered to other agents but with no retainer payable. In addition, our review of Board minutes and other available documentation confirmed that the Managing Agent provided the Board with update information on agent activity and progress in company contacts arising from that activity.

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## **Two agents had their contracts terminated due to poor performance**

4.12 When ITW's activities were suspended in March 2002, five agents, including the Managing Agent, appeared to be still working for the Company. Two agents had had their contracts terminated for poor performance on the recommendation of the Managing Agent, although we noted that their termination letters did not specifically refer to poor performance. One agent left to pursue employment elsewhere and another declined a revised contract in June 2001. In the nine remaining cases, the reasons for leaving are unclear.

## **NIAO Conclusions and Recommendations**

4.13 There was a clear lack of control, at both a Board and an operational level, over payments to agents. While, from June 2001, there were some improvements, the vast majority of payments were being made automatically, without reference to the quality of agent performance and despite the fact that conditions of contract had not been fully satisfied. The available evidence suggests that, generally, agent performance was poor and, with only two bonuses paid, little was achieved in return for the considerable sums of public funds paid out.

4.14 In addition to our recommendations on the management and control of agents (paragraphs 3.17 and 3.18), we recommend that Departments and other public sector bodies employing agents ensure that payments are linked to satisfactory performance and the achievement of contractual requirements. Strong performance appraisal procedures should also ensure that poor performance is highlighted at the earliest opportunity and appropriate action taken quickly to address the problems.





# Part 5

## Postponed Visit to Australia, September 2000

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### Background to the Proposed Visit

5.1 The May 2000 Board minutes record that ITW was invited to attend an event entitled the 'Australian Technology Showcase' in Sydney, coinciding with the Olympic Games in September 2000. The invitation resulted from contacts at a related event in London in March of that year. Accommodation was booked and paid for in advance, in May 2000, at a cost of almost £33,000.

5.2 In July 2000, following a meeting between the LEDU Regional Manager and the Managing Agent, a decision was taken to postpone the visit until later in the year. As a result, the accommodation was resold at a loss of some £15,500. No travel arrangements had been made at the time of postponement.

5.3 We were unable to find any documentation formally inviting ITW to attend the Showcase event. However, we did confirm the following:

- initial arrangements in April 2000 were handled between the LEDU Regional Manager and the main ITW Australian agent. The ITW Managing Agent was not involved until late May 2000. No reason was identified for his exclusion
- in early April 2000, the LEDU Regional Manager instructed the Australian agent to source appropriate accommodation. As a result of problems in booking accommodation during the period of the Olympics, accommodation was arranged through an Australian 'booking agent', with a requirement for payment in advance
- the accommodation bill was paid on 17 May 2000, at a cost of £32,973. This comprised 20 double rooms at AUD\$ 475 (Australian

dollars) per room per night. By comparison, we obtained evidence that the officials of an English representative sporting body attending the Olympics secured rates which ranged between AUD\$ 176 and AUD\$ 185 per room per night for a similar standard of accommodation, closer to the centre of Sydney. It seems likely, therefore, that ITW incurred a considerable premium in deciding to attend an event which it knew coincided with the Olympics and making the booking only five months before the event. This calls into question the appropriateness of its decision to accept the 'Showcase' invitation

- the ITW Board was not formally informed of the visit until one week after the accommodation had been paid for, at its meeting of 24 May 2000. The Board minutes record that the primary purpose of the visit was "*to celebrate and sign five international strategic business alliance agreements*" and noted that tentative arrangements had been made with local dignitaries to accompany ITW on the visit. Board minutes do not record a decision/approval to undertake the visit
- on 31 May 2000, the Managing Agent expressed his concerns to the LEDU Regional Manager that he had not been informed of the proposals for the trip until the day before the Board Meeting of 24 May 2000 and suggested that he could have provided some constructive input to planning had he been involved at an earlier stage
- on 20 July 2000 (following the meeting noted at paragraph 5.2), the Managing Agent informed the Australian agent that it had been decided to postpone the visit and requested that he "*make every possible effort to recover the funds sent to pay for the rooms*". The Managing Agent indicated that the visit was being postponed because of

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non-availability of dignitaries and sensitivity “of the trip being perceived in the wrong way” i.e. because it coincided with the Olympic Games

- a letter dated 21 July from the LEDU Regional Manager, presented at the Board meeting of 9 August 2000, informed the Board that the visit had been postponed. The reasons given included:
  - of the five participant companies which were to sign agreements during the visit, only three were in a position to do so
  - the non-availability of local dignitaries to participate
  - an Industrial Development Board (IDB) trade mission was already planned for the month following the Olympics (October 2000) [at that time, IDB was the Department’s major industrial development body]
  - lack of opportunities for competitive deals on airfares, given the uncertainty of the participation of the companies and dignitaries
- there is no evidence that the Board was informed that the accommodation had been paid for in advance or that it approved its re-sale after postponement
- on 18 August 2000, the Australian agent informed the LEDU Regional Manager that the ‘booking agent’ had indicated that the rooms could be sold. The sale took place on 8 September, for £17,404, with ITW receiving payments from the purchasers between 15 September and 20 November 2000. The loss of £15,569 on re-sale is not shown as having been reported to the ITW Board

- when interviewed by Invest NI, in February 2003, the LEDU Regional Manager said:
  - the visit was planned on a “book first, recruit later basis”
  - accommodation was paid for in advance due to huge demand
  - the accommodation had been resold on the advice of the Australian agent and with unanimous Board approval and he couldn’t understand why it was sold at a loss given that “accommodation in Sydney was at such a premium”.

## NIAO Conclusions and Recommendations

5.4 ITW’s poor planning of the visit resulted in a very substantial and avoidable loss of public funds, caused principally by the “book first, recruit later” approach. In particular, the exclusion of the Managing Agent at the initial planning stage was a missed opportunity to draw on his expertise in an activity for which he was being paid and for early contact with potential participating companies.

5.5 We would also question the relative value for money of the proposed visit. While it appears to have been initiated through an invitation, its broad purpose, as recorded in Board minutes, was principally publicity for anticipated agreements - not new business generation. In addition, the majority of the planned participants would appear to have been non-company representatives i.e. ITW officials and Board Members, District Council representatives and Northern Ireland local dignitaries.

5.6 In making the payment for accommodation so far in advance - before the agenda for the trip and the participants were even confirmed - ITW put a large sum of public money to unnecessary risk and one which ultimately resulted in a loss of

some £15,500. This was compounded by the lack of due process for the approval of the visit - that the Board was informed of the proposed visit, only after the accommodation had been paid for, was a particularly serious breach of acceptable procedures. We also have concerns that the room rate paid appears very expensive and that the LEDU Regional Manager had been unaware that IDB, another arm of the Department, had planned a trade mission for October 2000.

5.7 We recommend that Departments and their Agencies, when funding bodies to undertake overseas trips, ensure that proper procedures are put in place to:

- establish the need for the visit
- obtain the requisite approval to proceed, in advance of any financial commitments being made
- confirm participants, prior to any bookings being made
- limit participation to those necessary to achieve the objectives of the trip
- purchase goods/services at competitive prices.

Efforts should also be made to liaise with other relevant public bodies, who may be planning to visit the overseas location at the same time.



# Appendices

# Appendix 1

(Executive Summary, paragraph 1 and Main Report, paragraph 1.1)

## Into the West: Sources of Funds, October 1997 to March 2002

Funders	Cash Funding £	Funding 'in-kind' £	Total Funding £
LEDU	197,500	189,600	387,100
International Fund for Ireland	317,700	-	317,700
Cookstown District Council	75,000	22,560	97,560
Dungannon District Council	75,000	22,560	97,560
Fermanagh District Council	75,000	22,560	97,560
Omagh District Council	75,000	22,560	97,560
Strabane District Council	75,000	22,560	97,560
Other contributions	23,500	-	23,500
<b>Total Core Funding</b>	<b>913,700</b>	<b>302,400</b>	<b>1,216,100</b>

Source: ITW, DETI

Notes: 1. 'In-kind' contributions comprised management and administrative support provided to ITW.  
2. 'Other contributions' were from private sector delegates on overseas business development visits.

# Appendix 2

(paragraph 2.20)

<b>ITW Agents: Analysis of Payments Covered by Contracts</b>				
<b>Agent Location</b>	<b>Period Covered by available ITW contracts</b>	<b>Periods not covered by available ITW Contracts</b>	<b>Amount paid without ITW contract cover £</b>	<b>Total period of engagement with ITW</b>
Sydney, Australia	1/4/98 - 31/3/99 1/4/01 - 31/3/02	1/10/97 - 31/3/98 1/4/99 - 31/3/01	54,628	1/10/97 - 31/3/02
Toronto, Canada	No contract	1/10/97 - 31/3/00	23,735	1/10/97 - 31/3/00
Melbourne, Australia	1/1/99 - 31/12/99 1/1/00 - 31/12/00	1/1/01 - 31/3/02	6,870	1/1/99 - 31/3/02
Perth, Australia	No contract	1/10/97 - 31/3/98	15,525	1/10/97 - 31/3/98
Auckland, New Zealand	1/1/99 - 31/12/99	1/1/00 - 28/2/02	8,350	1/1/99 - 28/2/02
Toronto, Canada	No contract	1/11/99 - 31/5/01	13,948	1/11/99 - 31/5/01
Chicago, USA	1/3/00 - 28/2/01	-	-	1/3/00 - 28/2/01
Pittsburgh, USA	1/9/00 - 31/8/01	-	-	1/9/00 - 31/8/01
Chicago, USA	1/4/98 - 31/3/99	-	-	1/4/98 - 31/3/99
Winnipeg, Canada	1/4/01 - 31/3/02	-	-	1/4/01 - 31/3/02
San Francisco, USA	No contract	20/1/98 (single payment)	310	1/10/97 - 31/3/98
Toronto, Canada	No contract	15/1/98 (single payment)	800	1/10/97 - 31/3/98
<b>Sub Total</b>			<b>124,166</b>	
Managing Agent, Belfast	No contract	26/1/00 - 20/3/02	85,375	26/1/00 - 20/3/02
<b>Total</b>			<b>209,541</b>	

Source: ITW

- Notes:**
1. The final column covers the entire period agents were engaged by ITW, irrespective of whether a contract was in place.
  2. In addition to the above, NIAO identified five other agents to whom no payments were made.
  3. There were three separate agents in Toronto and two in Chicago.

# Appendix 3

(paragraph 4.2)

## ITW Payments to Agents, 1997 to 2002

Agent Location £	Retainer Paid £	Business Development Visits Costs £	Managing Agent Fee £	Bonus Paid £	Expenses Paid £	Unknown Costs £	Total Paid £
Managing Agent - Belfast			73,760		11,615		85,375
Sydney, Australia	57,191	5,730		350	12,540	5,500	81,311
Toronto, Canada	17,036	500			2,272	3,927	23,735
Melbourne, Australia	16,465	5,000		500	275		22,240
Perth, Australia	1,663	3,500			10,362		15,525
Auckland, New Zealand	15,000	2,500					17,500
Toronto, Canada	8,663	3,500			1,785		13,948
Chicago, USA	1,250	3,500			1,769		6,519
Pittsburgh, USA	4,375						4,375
Chicago, USA	3,060	750					3,810
Winnipeg, Canada	1,020						1,020
San Francisco, USA					936		936
Toronto, Canada	800						800
<b>Totals</b>	<b>126,523</b>	<b>24,980</b>	<b>73,760</b>	<b>850</b>	<b>41,554</b>	<b>9,427</b>	<b>277,094</b>

Source: ITW

- Notes:
1. Managing Agent fees were paid on the basis of invoices submitted for work carried out.
  2. In addition to the above, NIAO identified five other agents to whom no payments were made.
  3. There were three separate agents in Toronto and two in Chicago.

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