



Northern Ireland Audit Office

MEDIA RELEASE

Cross-border broadband initiative: the Bytel project

Mr Kieran Donnelly, the Comptroller and Auditor General, today published his report on the Bytel project, a cross-border project which aimed to provide high-speed broadband linking Belfast, Craigavon, Armagh, Dundalk and Dublin.

The report is the result of a co-ordinated examination between the Northern Ireland Audit Office and the Office of the Irish Comptroller and Auditor General. Given the cross-border nature of the issues examined, this approach ensured that the review was as comprehensive as possible. The report of the Irish Comptroller and Auditor General is included as an annex to the report.

Mr Donnelly said *'Bytel shows what can go wrong when projects like this are not handled properly. I have serious concerns over how it was managed and the legitimacy of the grant payments made. The responses to whistleblowers fell well short of the standard required and a robust investigation took too long to complete. Although a broadband network was delivered, it represented poor value for money for the public funds invested in it'*.

Background

The project was delivered by Bytel Ltd, a Belfast-based IT company. It was funded under the European Union (EU) Interreg III programme. The Special EU Programme Body (SEUPB) was responsible for the delivery of Interreg III and it appointed the Department of Enterprise, Trade and Investment (DETI) in Northern Ireland and the Department of Communications, Environment and Natural Resources (DCENR) in the Republic of Ireland¹ as Joint Implementing Agents (JIAs) for the programme.

In October 2004, the JIAs offered funding of €4.3 million against estimated total project costs of €12.4 million. This funding was paid in full. Subsequently, 97 per cent of it was declared ineligible for EU grant. Actual project costs were significantly lower than the planned €12.4 million.

Main Findings

Project assessment and appraisal

The project proposal narrowly passed the assessment for entry to the EU programme. A key element in its favour was a proposed partnership with Aurora Telecom. The strength of this relationship was not probed adequately. Aurora Telecom withdrew from the project in December 2004, less than two months after the funding offer was issued. The project changed significantly, which should have led to a re-appraisal and recalculation of the grant payable. This did not happen and consequently, grant was significantly overpaid.

¹ Until June 2007, DCENR was named DCMNR (Department of Communications, Marine and Natural Resources).

THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST BEFORE 00.01 hrs ON Tuesday 3 March 2015

Checking and authorisation of grant claims

Between November 2004 and November 2005, €4.3 million grant funding was paid to Bytel. There were pressures on the JIAs to pay grant within tight deadlines due to an annual EU spending target. Although ineligible for funding, the JIAs agreed to fund €1.3 million for equipment known as Nortel racks. The racks were bought by Bytel for €1.3 million from a related company. Evidence suggests that this equipment cost €30,000. The racks were never used for the project.

The final grant claim for €2.1 million was effectively the balancing figure required to draw down the full €4.3 million grant originally approved. There remain significant concerns over the valuation, existence, ownership and completion of the assets and infrastructure which formed the basis of the claim.

Investigations into the Bytel project

Opportunities to identify problems were missed. Investigations by DETI into allegations it received in 2006 were inadequate and failed to identify matters of concern which should have been evident. Investigations into further allegations received in 2008 were not completed until 2012.

Value for money

The project achieved the objectives established for it and it made an important contribution to the broadband infrastructure in Northern Ireland and the Republic of Ireland. However, overall it represented poor value for money and DETI and DCENR incurred substantial costs and losses.

Following investigation, all expenditure was declared irregular and the project was withdrawn from the Interreg programme. Consequently:

- all of the €4.3 million grant expenditure was met by the two departments, DETI (€2 million) and DCENR (€2.3 million); and
- EU funding of €2 million (DETI) and €1.8 million (DCENR) was lost.

The opportunity to claw back grant was missed when the assets were sold on by Bytel in September 2009. The sale should have triggered claw back procedures, but these were not implemented.

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He, and the NIAO, are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. This report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on Tuesday 3 March 2015.
3. Background briefing can be obtained from the Audit Office by contacting Neil Gray (028 9025 4345) or David Murdie (028 9025 1135).