

Minute of the Minister for Finance
on the Sixth Interim Report of the Committee of Public Accounts on the 2003
Report of the Comptroller and Auditor General - Civil Service Commission;
Office of the Ombudsman; Department of Finance; and Department of the
Environment, Heritage and Local Government

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

1. Civil Service Commission – Vote 16; and Chapter 5.1

- **When moving to a more sophisticated accounting system, as most Departments are doing, it is important to have sufficient accounting expertise to oversee the changes.**
- **New systems implementation arrangements should specifically cater for the maintenance of at least the existing standard of internal financial control, in particular for the timely reconciliation of accounts, while the transition is being made.**
- **Special attention should be given to internal financial control procedures to compensate for situations where the interfacing of systems is not complete or fully signed off.**

The Minister accepts the Committee's recommendations, although it should be noted that all Departments and Offices have now completed their installation of modern financial management systems. His Department wrote in 2004 to all Accounting Officers, on foot of an earlier recommendation by the Committee, to stress the importance of giving particular attention to the vulnerability to error during transitions to new accounting packages when staff are stretched with two systems.

2. Office of the Ombudsman – Vote 17; and Chapter 6.1

- **All Departments and Offices should settle their tax liabilities on time and should be subject to the normal penalties for late payment.**

The Minister for Finance is informed by the Revenue Commissioners that Government Departments, as taxpayers, are treated similarly to the general body of taxpayers and are subject to the normal penalties that apply to the late payment of taxes. In the case in question interest charges were raised by Revenue and paid in full.

- **Proper procedures for the maintenance of adequate internal financial control should be built in while new financial systems are being introduced.**

The Minister accepts this recommendation. As mentioned earlier in this Minute, his Department wrote to all Accounting Officers in 2004 about the need for vigilance during transitions to new financial management systems. All Departments and Offices have now completed installation of such systems.

3. Department of Finance – Votes 1, 6, 7, 12 and 44; Chapter 2.1; Contingency Fund Deposit Account; and Finance Accounts 2003

- **The letter accompanying the charges order should be strengthened in line with the increased sums of money involved. Returning officers need to be reminded of their responsibilities in regard to adhering to public procurement rules, internal financial control and proper accounting record keeping.**

The recommendation of the Committee is accepted and indeed the Department of Finance had already taken action on this matter. However, the Minister would point out that it is essentially a matter for returning officers themselves to ensure that they adhere to proper rules and procedures, maintain proper controls and records etc. The covering letter that accompanied the charges order issued to returning officers in advance of the March 2005 bye-elections included a reminder that in procuring goods and services, returning officers should adhere to the Department of Finance guidelines on public procurement. The letter gave details of where these can be found on the Department of Finance website.

The charges order itself also included a reference to public procurement as part of the declaration made and subscribed by the returning officers when submitting their accounts. The text is as follows:

"I hereby declare that to the best of my knowledge and belief, the accounts which are rendered by me in respect of the services and expenses rendered or incurred by me and accompanying this declaration are correct and I have complied with Public Procurement Guidelines where appropriate."

The Department of Finance liaises with the Department of the Environment, Heritage and Local Government in relation to the charges order before each election. It is intended that similar steps will also be taken in advance of all future elections.

Maintaining proper internal financial controls and accounting records is, again, essentially a matter for returning officers and they are aware of their obligations in this area. However, they will be reminded of them again by the Department of Finance in advance of the next elections. Computer software is already aiding some returning officers both as regards financial controls etc and as regards submission of their election accounts within the 26-week deadline. It is expected to be more widely used for future elections.

- **Consideration should be given to the introduction of a sanction against those returning officers who do not make their returns in an accurate and timely manner.**

The recommendation of the Committee is accepted. It is expected that returning officers will make their returns on time for all future elections. However, should similar circumstances arise in the future, consideration will be given to appropriate sanctions.

Finally, the Minister would ask the Committee to note that he has asked his Department to send copies of the relevant extract (Part 3, pages 9-13) from the Committee's Report to all returning officers and to draw their attention to the Committee's findings and recommendations.

- **Steps should be taken to ensure that receipt of EU funding is not jeopardised due to the presence of avoidable delays in the administration of national schemes.**

The Minister for Finance wishes to point out that a variety of measures were put in place to order to avoid a loss of INTERREG funds in 2004 and in subsequent years. The Managing Authority, the Special EU Programmes Body (SEUPB) held a total of 15 multilateral meetings attended by all the Implementing Agencies as well as representatives from the Department of Finance and the Department of Finance & Personnel in the North. The focus of these meetings was on N+2, associated issues and possible solutions. The Department of Finance wrote to the Secretaries General of all relevant Government Departments in the South in June, outlining the importance of achieving N+2 targets and the need to avoid any loss of EU funds. The Department also held regular meetings with all the Southern Departments on this issue to discuss the situation and to ensure that the N+2 target would be met.

These measures helped ensure that the 2004 target was met and exceeded by around €1m. Since 2004 all Programme spend targets have been met to date and there has been no loss of EU funds to the Programme.

4. Department of the Environment, Heritage and Local Government – Chapter 8.1

- **Proper cost benefit analysis should be undertaken on proposed new systems prior to committing major levels of funding to their introduction**

The recommendation of the Committee is accepted.

The Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector, which were published by the Department of Finance in February, 2005 provide for a comprehensive system of appraisal including cost benefit analysis for capital projects of public authorities, including information technology projects. The scale of appraisal and the resources spent on appraisal is commensurate with the cost of the projects and the degree of complexity of the issues involved. The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that the Guidelines are being fully implemented, including in relation to ICT projects.

- **The hardware and software systems involved should be properly tested and signed off on; and the electoral and administrative procedures thoroughly checked by the Commission before the system is introduced.**

The recommendation of the Committee is accepted.

The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that it accepts the need for full assessment and testing of the electronic voting system prior to further use. In this regard, that Department notes that in its final report (July 2006), the Commission on Electronic Voting concluded that it could recommend the voting and counting equipment for use at elections in Ireland subject to further work it has also recommended. The Government established a Cabinet Committee in July 2006, inter alia to consider the report in detail and report to Government on its full implications. That work is ongoing. The timing of the further use of the system is dependent on the progress made with this work, the associated decisions arising from it, and the dates at which future polls may be held.

- **The Department should intervene to ensure that there is better cost control for the storage and insurance of the voting machines. Returning Officers should be asked to certify that they have complied with the necessary regulations or standard procedures (including procurement procedures) that apply in the State Sector.**

The recommendation of the Committee is accepted.

The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that responsibility for the security and safe storage of manual voting electoral materials (e.g. ballot boxes, stamping instruments, stationery) has always been a matter for the Returning Officers, who are statutorily responsible for conducting the polls and have long-standing jurisdiction in electoral matters in

their respective constituencies. Accordingly, similar responsibility was assigned to them in relation to the storage of the electronic voting machines and equipment.

The Department of the Environment, Heritage and Local Government, has indicated in the light of the significant investment being made in modernising the electoral system, Returning Officers were entrusted with the task of procuring suitable accommodation for the electronic voting machines and ancillary equipment. On foot of general technical guidance provided by that Department in January 2003, Returning Officers worked to secure suitable storage premises for the electronic voting equipment. The outcomes of their investigations, including consideration of alternative options and inspection of suitable premises, reflected their considered judgement as to the most viable storage arrangements available in the various locations throughout the country.

The Minister would point out that it is essentially a matter for Returning Officers themselves to ensure that they adhere to proper rules and procedures, maintain proper controls and records etc. However, the recommendation of the Committee is accepted and indeed the Department of Finance had already taken action on this matter. The covering letter that accompanied the charges order issued to Returning Officers in advance of the March 2005 bye-elections included a reminder that in procuring goods and services, Returning Officers should adhere to the Department of Finance guidelines on public procurement. The letter gave details of where these can be found on the Department of Finance website.

The charges order itself also included a reference to public procurement as part of the declaration made and subscribed by the Returning Officers when submitting their accounts. The text is as follows:

"I hereby declare that to the best of my knowledge and belief, the accounts which are rendered by me in respect of the services and expenses rendered or incurred by me and accompanying this declaration are correct and I have complied with Public Procurement Guidelines where appropriate."

Subsequently, the Government directed that consideration be given to the centralised storage of the electronic voting machines. The Government has now approved the storage of the electronic voting equipment in premises in the control of the Army authorities and work is being advanced in this regard.

5. Environment, Heritage and Local Government – Vote 25

- **The Department should review the effectiveness of the provisions of the Part V scheme for social and affordable housing.**

The recommendation for review is accepted.

The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that a comprehensive review of the Planning and Development Act, 2000 (over the course of 2002) resulted in changes being brought about in the Planning and Development (Amendment) Act, 2002. The changes introduced did not affect the fundamental obligations placed on developers under Part V, but provided an element of flexibility to local authorities in deciding on the manner in which developers should satisfy their Part V obligations in individual cases.

Following the major review of the provisions of Part V and the enactment of the amending legislation referred to above in late 2002, the operation and implementation of Part V has been subject to a variety of review elements. These have focused on achieving the maximum yield from Part V. A particular focus of review has been the guidance available to local authorities and developers in relation to the conclusion of Part V agreements. Further review work has led to the introduction of direct sales arrangements and the provision of affordable housing mortgages from the private sector. All of these measures, concluded following detailed review exercises involving inputs from relevant stakeholders, have aimed to ensure that the objectives of the legislation are being met.

The Minister has been informed by the Department of the Environment, Heritage and Local Government, that Part V output continues to gather momentum, with total output in 2005 more than double that achieved in 2004. This momentum has been maintained in 2006 with output for the first nine months of the year exceeding the total output for the full year of 2005. In total, some 3,557 units were delivered under Part V in the period from its introduction up to the end of September 2006.

The Minister for Finance has been further informed by the Department of the Environment, Heritage and Local Government that in addition to the 3,557 completed units that have been delivered under Part V, land and sites capable of yielding a further estimated 1,100 units have also been provided on foot of Part V agreements with developers. Just over €50m has been accepted in "cash-in-lieu" payments up to the end of September 2006 which, when compared to the Part V yield in terms of completed units/land/sites, does not indicate an over-use of financial contributions as the mechanism for satisfying Part V obligations. It must also be borne in mind that any monies received in this way are ring-fenced for housing purposes.

The provision of Part V housing units is dependent on the level and commencement of private sector residential development and the nature of Part V agreements entered into. In addition, not all housing developments are subject to Part V. From the total output in 2005 of some 81,000 units just over 8,000 units were built under other social and affordable schemes and, together with about 25,000 one-off houses, would not have been subject to Part V. In addition, there are other exemptions under the Act including smaller developments of 4 units or less, developments on unzoned land

(Part V only relates to zoned land), and developments on less than 0.1 hectares. Also, local authorities and developers can avail of the other options available for complying with Part V including the transfer of land, sites or payment of a financial contribution. Finally planning permissions, which predated Part V, are exempt from its provisions. Accordingly, it is estimated that just over 10,000 units of the total housing output in 2005 may have been subject to Part V.

Finally, Part V is operating in all local authorities and there is no evidence that it is not being substantially complied with.

- **The results of the pilot scheme should be used to compare the effectiveness of the rental accommodation scheme with that of social housing provision in order to inform future policy formation.**

The recommendation of the Committee is accepted.

The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that the Rental Accommodation Scheme (RAS) now operates in all housing authority areas. Nearly all housing authorities are now mobilised and most have begun to transfer cases. Over 2,600 households have been transferred to date to RAS with a further 1,900 households previously on rent supplement being provided with local authority housing. The revised target is to accommodate all those currently on rent supplement for more than 18 months and with a long term housing need by the end of 2009 i.e. within four years from the first transfers in September 2005. It is therefore intended that the Government target will be met by the end of 2009. It is expected that RAS will over time become an important part of the overall package of measures in place to address social housing need.

Under the recent Value for Money Policy Review programme approved by Government, the Scheme is scheduled to be subject to a full Value for Money Review when sufficient transfers have taken place to enable the relative effectiveness in value for money terms of RAS and direct social housing provision to be assessed.

- **The Department should make every effort to reduce the causes of environmental complaints brought at EU level.**

The recommendation of the Committee is accepted.

The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that intensive efforts are being made by it at national level, particularly over the last two years, to meet EU requirements in relation to transposition and implementation of EU environmental legislation. Developments include:

- Intensification of the dialogue between Ireland and the EU Commission about complaints and alleged infringements. This dialogue is particularly aimed at resolving cases before they get into the legal process.

- A visit to Ireland in March 2006 by the EU Environment Commissioner provided an opportunity for engagement at the highest level – between the Minister for the Environment, Heritage and Local Government and the Commissioner – on matters relating to the implementation and enforcement of EU environmental law. In particular the opportunity was taken to highlight to the Commissioner efforts that are being made in relation to the thematic areas of nature, water, waste and environment impact assessment and to outline to him the efforts and effectiveness of the Office for Environment Enforcement established in the EPA in 2003.
- The Office of Environmental Enforcement was set up to strengthen implementation structures. The Office has roles in direct enforcement action in providing support and guidance to local authorities and in providing information to the public. The report on a major investigation undertaken by them into unauthorised waste activities in Ireland was published in 2005. The OEE continues to maintain their intensive audits and inspections of waste facilities.
- The setting up of a Task Force by the Minister for the Environment, Heritage and Local Government in his Department, comprising of Heads of Divisions, in early 2005. Its role is to establish strategies to address the range of environmental complaints against Ireland in a more comprehensive way with a view to accelerating Ireland's response to cases that are the subject of infringement proceedings by the EU Commission. The Task Force has met on six occasions. In addition it has participated in two meetings with Commission Officials in October 2005 and July 2006 for the purpose of an in-depth analysis of a number of cases as well as an exchange of views on broader administrative and procedural issues.

The Department of the Environment, Heritage and Local Government understands from the Commission, that a significant drop off in complaints against Ireland took place in 2005.

Given under the Official Seal
of the Minister for Finance on
this, the 27th day of February,
2007

L.S.

David Doyle
Secretary General
Department of Finance