

**Minute of the Minister for Finance in response to the Report on the 2001  
Appropriation Accounts; Audit Reports on Non-Voted Accounts and C&AG's  
VFM and Special Reports considered by PAC between November 2002 and  
September 2003**

The Minister for Finance has examined the Committee's 2001 Report and has taken account of all of its findings. In relation to the specific recommendations the Minister's response is as follows:

**Part 1:**

**Examination of Voted Accounts**

**1. Vote 22 - Courts Service, Working Group on Court Funds Report**

***Bail System***

- *A fundamental review of the framework in which the bail system operates should be made.*
- *The Gardaí should not be involved in the collection of small fines or bail amounts.*
- *In the management of the estreatment process, warrants should be prioritised on the basis of monetary amount and collectability. The means of a charged person as well as the seriousness of an offence should be taken into account before the amount of bail is set.*
- *Before bail is levied the person's address should be made available from his or her social welfare book or income tax records. Where a case requires it, an attachment order should be made to the person's Personal Public Service number.*

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that, in response to the concerns of the Public Accounts Committee, an Ad-Hoc Group was established in the Department with representatives from the Courts Service and the Garda Síochána. The Group's Report included a number of conclusions in relation to the operation of the Bail System. This report is now being reviewed by the Department with a view to giving consideration to amending legislation in this area.

The Department of Justice, Equality and Law Reform point out that the bail system is set out by statute and reform would generally require amending legislation. (For example, by law only a distress warrant can be issued to enforce the payment of the amount of the bail, such warrants direct the Garda to seize goods to the value of the bail amount. Warrants of this nature are difficult to enforce.) The court does take into account the seriousness of the offence and the means of the person when setting bail levels. When the person fails to appear in court the bail is estreated. If the bail amount is not paid then a warrant is issued. The execution of the warrant is currently a matter for the Gardaí, but active consideration is being given to implementation of a

pilot project to outsource collection of fines which, if successful, would support the case for an extension to bail estreatments also.

Finally the Department of Justice, Equality and Law Reform advise that, while they accept the proposal that the PPS number be made available to assist in identifying a person in these cases, Section 5 of the Bail Act 1997 already provides for the production in court of an instrument which is evidence of title to property or a bank, building society, credit union or post office book as security. The use of PPS numbers in attachment orders would require a change in the law. Consideration of such a change would require examination of the issue of whether it would be legally possible given the Data Protection legislation and the Council of Europe's *Convention for the Protection of Individuals* with regard to automatic processing of Personal Data. The Minister is further advised that very few Social Welfare recipients now have a "social welfare book" or would be in a financial position to stand bail. In addition, even if legislation were to be enacted to allow for attachment of an order to a person's PPS number, the position is that if the weekly allowance of a person on social welfare benefit went below the basic rate, that person would be entitled to go to their Community Welfare Officer for a top-up amount, which would effectively negate the order.

#### **Valuation of Court Property**

- ***When the ownership of court property is transferred from the Local Authorities, the total capital expenditure and value of Court House buildings should be included in the statement of capital assets in the annual accounts.***

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that the Courts Service Act 1998 provides for the transfer of legal title in respect of certain land and buildings that are used for the purposes of the functions of the Service. In accordance with Section 26(3) of the Act, the Minister for Justice, Equality and Law Reform may, by order, appoint a day on which such land and buildings will be vested in the Service. Valuations of vested properties are provided by the Office of Public Works (OPW). To date not all vested properties have been valued by the OPW. Where possible, estimated values have been included based on guidelines provided by the OPW.

Since 2003 a total of 20 buildings have been vested in the Court Service and reported in note 3 of the appropriation account "Statement of Capital Assets". These buildings have been included at a value of €23.62m.

## 2. Vote 36 Department of Defence, Vote 37 Army Pensions

***• The efficiency of the property maintenance function should be monitored on a routine basis. There is a need to improve the way and the means in which the work of civilian employees is managed. Absenteeism needs to be systematically recorded and tightly controlled. The Committee requested that it be kept informed of improvements in the management of the maintenance function.***

The Minister for Finance is advised by the Department of Defence that all civilian employees involved in the provision of building maintenance services are now required to complete work sheets on a daily basis. The sheets give details of the time spent by each employee on particular tasks. The introduction of work sheets has been underpinned by agreement with the trade unions under the Sustaining Progress mechanism.

The Minister has also been advised by the Department of Defence that in relation to the PAC finding regarding the Absence Control Programme that an absence control programme in respect of civilian employees is now operational at all military installations. In 2004 the average number of days lost due to sick leave was 20 per employee compared with 24 per employee in 2003.

***• The relative cost of undertaking the different elements of maintenance programmes by contract or by using direct employees should be assessed.***

The Minister is advised by the Department of Defence that in general it is satisfied that better value for money is obtained by reducing the number of civilians employed on maintenance work and contracting out such work on the basis of competitive tendering. Accordingly, the number of civilians employed in maintenance work significantly reduced in recent years (from 835 in 1990 to 440 in 2005) and this trend is likely to continue. Decisions on whether to use outside contractors for particular jobs are primarily based on the availability of directly employed civilians, while ensuring that use of outside contractors represents value for money.

***• A commercial approach should be taken towards the management and costing of buildings.***

The Minister for Finance is advised that since 2002, the value of military equipment is included in the Statement of Capital Assets in the Department of Defence's Appropriation Account and that a detailed register of all property holdings is maintained by the Department.

The Department is currently undertaking an in-house estimate of valuation of its property portfolio, based on local market values/conditions.

The Department will also conduct an expenditure review, under the Expenditure Review Initiative 2005-2007, on the usage of Military Training Land. This expenditure review will establish the current value of the lands under review and will feed into the wider exercise of determining the valuation of the overall property portfolio.

Increased budgets in recent years have led to a far higher standard of maintenance in military posts. The introduction of Multi-Annual Capital Envelopes in 2004 facilitates the ongoing planning of major refurbishment and upgrade works. A rolling five-year Capital Works Programme, approved annually by the Minister, is in place in the Department to facilitate such works. More minor maintenance projects are prioritised annually in the Annual Maintenance Works Programme, which typically includes window replacement, painting, rewiring, etc. In addition, planned maintenance programmes are in place for most building services areas, e.g. boilers, fire alarms, c.c.t.v., emergency lighting, and intruder alarms. The Capital Works Programme and the Annual Maintenance Works Programme are regularly reviewed and updated to reflect the identified priorities in each area.

The Department's policy is to dispose of properties that are surplus to military requirements and in this regard the Department's property portfolio is kept under continual review. In this context, however, due to the nature of military installations and their attendant security considerations, it is not practicable to consider the sale / disposal of individual buildings located within military installations. Since 1988 it has been the policy of the Department to sell off married quarters located outside of barracks. To date 300 such quarters have been disposed of and work in connection with the disposal of the remaining 28 such married quarters is ongoing.

- ***The level of stock, parts and equipment which can no longer be used should be quantified***

The Minister has been advised by the Department of Defence that a board, reporting to the Department's Audit Committee, was established in 2001 to oversee the identification and disposal of surplus and obsolete stocks from stores. The vast bulk of these stocks were disposed of by end-2001 and the process of identifying and disposing of such stocks, as they arise, has continued since then.

He is further advised that the Department has installed a new financial management system which contains an inventory management module which will facilitate greater management of stocks, including identification and quantification of non-moving stock items, using various stock management tools.

- ***Every Department should have a reliable asset register.***

The Minister wishes to advise the Committee that there are standing instructions from his Department in relation to the importance of compiling and maintaining asset registers (Circular 1/95: Appropriation Accounts and Asset Registers refers). The asset registers of Departments/Offices form the basis for the Statement of assets and liabilities that is included with the Appropriation Accounts of each Department/Office. Asset registers are thus available to the C&AG during his annual audit of the Appropriation Accounts, and in this regard the Department of Defence maintains asset registers in accordance with Circular 1/95.

### 3. Vote 34 - Department of Enterprise Trade and Employment

*• The number of bodies concerned with regional and local development needs to be kept under review to ensure that duplication of mission is minimised and that opportunities for the rationalisation of the administration of these bodies are identified and taken up. The Committee would like to be kept informed of developments in this area.*

The Minister for Finance accepts the Committee's findings in relation to the need to keep under review the bodies responsible for regional and local development.

In this regard, the Minister for Finance is advised by the Department of Enterprise Trade and Employment that it asked Forfás to carry out a review of the role of the City and County Enterprise Boards (CEBs) in the development of micro enterprises. Forfás engaged Fitzpatrick's consultants to carry out the review and its report was published in February, 2004. While the report made a number of recommendations in relation to the manner in which the CEBs delivered their programmes, it concluded that assistance to micro-enterprise through the CEBs should be continued. It also concluded that the arrangements in place for the coordination of activities between the CEBs and other agencies, including Enterprise Ireland and LEADER groups, were generally working well. In order to strengthen the CEB structure and to ensure better coordination and integration into the enterprise agency family, the consultants recommended that a central coordination unit should be established within Enterprise Ireland. The recommendations of this report fed into the wider deliberations of the Enterprise Strategy Group (ESG).

The ESG Report was published in July 2004 and recommended, inter alia, that:

- (i) the enterprise activities of Shannon Development should be brought within the remit of Enterprise Ireland and the IDA; and
- (ii) the City and County Enterprise Boards (CEBs) should be integrated into the mainstream enterprise development system by establishing a Central Co-ordination Unit in Enterprise Ireland.

In relation to recommendation (i) above, the Minister for Finance is advised by the Department of Enterprise, Trade and Employment that, following detailed consultations with the Board of Shannon Development, other stakeholders and regional interests, the Minister for Enterprise, Trade and Employment announced a decision in July 2005 on a future mandate for Shannon Development. Under the terms of the new mandate, Shannon Development is being given a more focused regional economic remit that will complement the roles of the national agencies, IDA Ireland and Enterprise Ireland, in attracting foreign direct investment and developing the indigenous enterprise base in the region. Shannon Development will also continue to be responsible for providing appropriate property solutions for both indigenous and overseas enterprises throughout the Shannon region and for the management and development of the Shannon Free Zone Industrial Estate. Discussions are underway between the agencies to give effect to the new mandate.

The Minister for Finance is advised by the Department of Enterprise, Trade and Employment that discussions are well advanced with Enterprise Ireland and the

County Enterprise Boards on the arrangements necessary to implement recommendation (ii) above. At this stage, the Department of Enterprise Trade and Employment is hopeful that the arrangements will be approved by the Enterprise Ireland Board in April 2006 and that the new unit will be established by mid-year.

#### **4. Department of Health and Children – Extension of the Medical Card Scheme to all those aged 70 years or over**

- ***Accounting Officers should take a firmer position in terms of not giving an opinion on the expenditure implications of budget proposals [where they have neither the systems nor adequate time to all the facts].***

At the outset, the Minister notes that the Government's right to introduce policy initiatives through the budgetary process has been followed by successive administrations. He is satisfied that Departments make every effort possible to assess the financial and other implications of policy options before Government decisions are taken. In this instance he notes that the Health Board/GMS databases of medical card holders in the over 70s category, upon which much of the costings were based, were inaccurate.

The circulation of this Minute of the Minister to Accounting Officers will bring home the importance of ensuring that the expenditure implications of proposals are always fully considered.

- ***The Department should assume overall responsibility for the proper functioning of the medical card system. This requires that reporting procedures should be put in place to ensure that the underlying medical card databases are being properly maintained. The Committee would like to be briefed on the new control arrangements for the database.***

The Minister has been advised by the Department of Health and Children that the Health Service Executive has developed a standard national framework for managing the medical card database and ensuring data integrity and currency, with the aim of minimising the risk of duplicates being created on the system through standard management and control procedures. He has been assured that the on-going management of medical card databases is being monitored by the HSE on the basis of this framework. The Department of Health and Children reports that the HSE has made progress on introducing a Schemes Client Index along with the introduction of real time connectivity between the local medical card databases and the national database. To date

- 95% approximately of entries on the medical card database have been assigned a PPS number. (In October 2004 there were approximately 190,000 entries without a PPS number; however, by July 2005 this number had fallen to 66,000).
- The HSE have also completed a "Proof of Concept" exercise in two former health board areas to test the technical feasibility of real time connectivity between the local and national medical card databases.
- The HSE are encouraged by the findings from the exercise which will provide a basis upon which real time connectivity can be made a reality with significant benefits in terms of data integrity and improved customer responsiveness.

- ***The Department should pursue recovery of the overpayments to GPs with the Irish Medical Organisation (IMO) and should negotiate the insertion of appropriate clauses in the contracts with GPs to cover the issue of overpayments in error.***

The Minister has been advised by the Department of Health and Children, that the Health Service Executive has undertaken an analysis of overpayments of GMS Scheme capitation fees made to GPs. At the request of the Irish Medical Organisation (IMO) it undertook a similar exercise in relation to claimed underpayments to GPs. The findings and associated calculations from both exercises were compiled into one analysis which was subjected to a further independent external analysis to underpin its accuracy, comprehensiveness and objectivity. On completion, the HSE will review the analysis with the Department of Health and Children and discuss the next steps in the context of the resulting net overpayment / underpayment outturn.

The Minister is further advised that in the context of the Labour Relations Commission's recommendation of June 2005 on a Framework Agreement between the IMO, the Department and the HSE Employers Agency, terms of reference for a review of all publicly funded GP services, to be completed by March 2006, were agreed. This review process commenced formally in October 2005. The Minister is assured by the Department of Health and Children that, as part of this review, new contractual arrangements are envisaged which would address the particular deficiencies identified.

- ***Any claim by the IMO that they were underpaid should be negotiated separately.***

Preceding response addresses this recommendation.

- ***Projects for the reorganisation of structures and the development of health services need to take account of their implications for underlying information systems. An integrated health information strategy is needed as part of the restructuring of the Health Sector.***

As regards the future development of standardised information systems, the Minister notes that the Government approved the National Health Information Strategy in April 2004. The NHIS sets out a phased action plan for the development of information systems to meet the requirements of improved evidence-based decision making throughout the health sector. The Minister has been advised by the Department of Health and Children that this issue is being progressed and that the lead role in many of these actions will be taken by the Health Information and Quality Authority (HIQA) which is in the process of being established on a statutory basis. The Department of Health and Children advise that a key objective will be to establish and optimise the health information roles and relationships between the Department, HIQA and the Health Service Executive (HSE) and that this is being undertaken in the context of the overall health service reform programme.



## 5. Health Project Audit - Drugs Payment Scheme

- *On completion of the refunds to applicants, a look back exercise should be made to ensure that all material refunds have been made. The Committee would appreciate receiving a short report on the results of this exercise.*

The Minister notes that the Government in February 2003 approved a process to refund overpayments under the Drug Payment Scheme.

He has been advised by the Department of Health and Children that the option of automatic refunding, using the GMS (Payments) Board's database, was considered but rejected for operational reasons. Instead, a refund claim scheme was chosen in order to provide for fairness, administrative transparency, accuracy and timeliness of repayment. The scheme was widely advertised and, in order to facilitate the public and the pharmacy profession, the original closing date for applications was extended. Late applications have been treated sympathetically. Nearly 38,000 claims have been dealt with and a total of €6.73 million refunded, at an average of payment of €179 per claim. The Minister understands that, while the Department of Health and Children is satisfied that the scheme is now finished, further late claims may still arise and the Primary Care Reimbursement Service (which has replaced the General Medical Services (Payments) Board as part of the Health Service Executive) will treat them sympathetically.

The Minister has been assured by the Department of Health and Children that the refund scheme operated efficiently and effectively, providing access and transparency for claimants and probity and accountability for the Exchequer.

## 6. Department of Finance

Section 6 of the PAC's report deals with the issue of tax revenue forecasting and the shortfall in tax revenues compared to target in 2001. The Minister for Finance agrees with the finding of the Committee that "the 2001 shortfall was triggered by a downturn in the international economy amplified by the economic effects of the foot and mouth disease crisis and the aftermath of the disaster of September 11, 2001".

The Minister for Finance would point out that tax revenue is a product both of the level and composition of economic activity which is determined by many factors and is subject to national and international shocks. Forecasting economic activity on which forecasts of tax revenue are largely based is not, therefore, an exact science.

While there are specific factors which help to explain discrete elements of the shortfall in 2001, the main explanation for the shortfall rests on the rapid and unexpected downturn in the economy at that time. Two-thirds of the 2001 shortfall in tax revenue was accounted for by indirect taxes, in particular VAT and Excises. The level of personal consumption expenditure, which is a major driver of indirect taxes, is now estimated to have been 3.3% lower in nominal terms in 2001 compared to the Budget 2001 forecast (based on the CSO's 2004 National Income and Expenditure data published in July 2005). At the time of the Department of Finance's appearance before the Committee on this issue (in January 2003), it was then estimated (based on figures provided by the CSO at that time) that nominal personal consumption expenditure in 2001 was 3.8% lower than the Budget 2001 forecast. The lower than expected level of personal consumption together with the disruption to tourism and cross-border trade caused by the foot and mouth restrictions severely impacted on VAT and excise revenues.

At a more detailed level, the report states that some of the causes of the shortfall in indirect tax revenues suggest a need to tighten up on tax forecasting procedures. The report specifies the failure to include in the Budget 2001 arithmetic the cost of deferring excise payments on alcohol from 2001 into 2002 (accounting for about €90m of the shortfall in excise duties) and the assumption that new car registrations in 2001 would match the level of registrations in 2000. As regards the oversight in relation to the deferred excise payments, the Minister for Finance has put arrangements in place in his Department to prevent a repeat of this type of error. Lower than expected car sales in 2001 accounted for about €260m of the shortfall in excises in the form of vehicle registration duty (VRT). The methodology for forecasting excise duties was subsequently revised with the introduction of a separate methodology for forecasting VRT using specific estimates of the forecast growth in the volume and price of new cars. In addition, the Department now takes soundings from the motor trade on their views of the prospects for the industry.

The Minister for Finance has been advised by the Revenue Commissioners that the additional cost of the income tax package in 2001 accounts for €272m of the shortfall compared to €242 million estimated previously. The increase in the estimated cost of the package is due to the growth in the levels of income in 2001 exceeding our previous expectations despite the fact that the numbers of additional income earners was lower than expected (38,000 compared with 58,000). The updated figures for

2001 are different from those previously provided to the Committee because the data for that year has been updated by the Revenue Commissioners. The original costing of the 2001 income tax package was derived from a model of the income tax base using, among other things, projections of the numbers of tax payers and the levels of income. The model was based on the latest complete historical data (for the tax year 1997/98) updated to 2001 with estimates of the growth in incomes and employment in the intervening years.

The Minister for Finance has been informed by the Revenue Commissioners that they have moved to improve the reliability of the incomes and numbers data used to update the tax model for running budget costings by using information drawn from a sample of (incomplete) income tax returns from a more current tax year. More regular reviews of the data used in the model have also been introduced. Both these changes were introduced in 2002 in advance of Budget 2003. While it is difficult to isolate the impact which these changes have had, the variance from the Budget targets for income tax has improved significantly from -5% and -4% in 2001 and 2002, respectively, to less than -2% in 2003, +0.5% in 2004 and -0.7% in 2005 (excluding the excess yields from Special Investigations in 2004 and 2005).

***• The Department of Finance should report to the Committee on how it proposes to put the basis of the forecasting model on a better footing in terms of the underlying data used and the ability of the model to cater for abrupt changes in external economic conditions.***

The Minister for Finance points out that changes in procedure and methodology have already been made as a result, in part, of issues raised by the Committee as detailed above. The Department of Finance keeps its approach to forecasting tax revenue under regular review and has consulted on a peer review basis with the Central Bank and the ESRI. There will always be a difficulty in getting individual forecasts right due to changes in the level of projected growth, changes in the composition of growth and individual one-off factors. This shows up in the varying records for particular taxes. Indirect taxes and income tax were the main sources of the tax shortfall in 2001 while the shortfall in 2002 was due mainly to the direct taxes (corporation tax and income tax).

In 2003, 2004 and 2005, however, the outturns for the main direct and indirect taxes taken together (VAT, Excises, Income tax -excluding one-off yields from special investigations- and Corporation tax), and which accounted for at least 90% of total targeted tax revenues, were only 1% to 2% outside of the Budget targets set for these taxes. The main sources of the excess in tax revenues in 2003, 2004 and 2005 were from taxes which made strong gains from the current buoyancy in the property market ( in particular CGT and Stamp duties) and higher than expected one-off yields from Revenue's special investigations.

As regards the ability of the tax forecasting model to cater for abrupt changes in external economic conditions, the position is that forecasts of tax revenue depend on forecasts of economic activity. Care is taken by the Department of Finance to ensure that its forecasts of economic activity take account of all potential risks to economic growth. However, by their nature it will always be impossible to forecast abrupt changes in economic conditions, such as those brought about by the outbreak of foot

and mouth disease and September 11, 2001. Best practice is to subject estimates to risk/sensitivity analysis. This is required to provide forecasts that are seen by informed commentators at the time of publication as reasonable in the light of expected economic growth and valid risk parameters. Such risk analysis is required, and carried out, in the context of the annual update of the Stability and Growth Pact.

***• Monthly profiles of overall central government expenditure including debt service should be published.***

The Minister for Finance points out that since 2003 his Department has published (in January of each year) profiles of the expected net Voted expenditure and expected tax revenue receipts for each year. The profiles show expected voted expenditure and expected tax receipts cumulatively on a month-by-month basis. In line with the Committee's recommendation, the Minister for Finance has augmented these arrangements with the publication of a corresponding profile for debt service expenditure for 2006.

## 7. Vote 25 Environment and Local Government

- ***Bodies in receipt of significant government funding should be required to follow open and transparent procurement rules in the placing of publicly funded contracts. The guidelines to local authorities in this regard should be tightened up.***

The Minister wishes to indicate that the Department of Finance issued updated public procurement guidelines in a May 2004 publication “Public Procurement Guidelines – Competitive Process”. These guidelines set out appropriate procedures to be followed by contracting authorities in placing contracts for supplies and services in accordance with national and EU rules. They were disseminated to all public bodies in booklet format and can be viewed or downloaded from the national public procurement website [www.etenders.gov.ie](http://www.etenders.gov.ie).

The 2004 guidelines include a requirement that funding authorities should ensure that the guidelines are followed in the award of contracts that they fund or part fund. In accordance with paragraph 3.3 of the Guidelines, most works and related services contracts awarded by a private entity, which are subsidised 50% or more by a public body, must be awarded in accordance with the relevant EU Directives if they exceed the EU thresholds.

For contracts below the EU thresholds funded or part-funded from public funds, awarded by private sector entities, the funding authority should ensure that they are awarded in accordance with the procedures set out in Section 5 of the Guidelines, including requirements for advertising or direct invitation, to the extent that this is practical and proportionate. Where appropriate, this requirement should be included among the conditions attached to the grant of funds to private sector entities.

Local Authorities have been reminded by the Department of the Environment, Heritage and Local Government of the guidelines and the importance of compliance with them.

- ***The Department should oversee the compilation of a comprehensive register of land banks owned by local authorities***

The Minister has been advised by the Department of the Environment, Heritage and Local Government that local authorities are required to have assets registers with effect from 2004 and cannot complete their accounts for that year unless one has been compiled. The Local Government Auditor would pick up any local authority without such a register. These registers would include information on acquisition and disposals of all lands throughout the year.

The Minister further understands that as in the case of social and affordable housing, the Department has initiated the development by local authorities of new five-year action plans for social and affordable housing to ensure a systematic and integrated approach to the effective use of all of their resources. In developing these plans, local authorities have been specifically requested to address the issue of land availability. The action plans will be reviewed in 2006 in the light of performance.

The Minister is further advised that from a broader housing perspective, the Department carries out a survey of the total amount of serviced land zoned for residential purposes, owned both privately and by local authorities. This is a point in time survey which is valuable in assessing the overall stock of land and the sufficiency of that stock to underpin required housing supply. Since 2003, the survey has been extended to collate data on the amount of residentially zoned land owned directly by each local authority. The Minister is advised that the Department of the Environment, Heritage and Local Government intends to develop the 2005 survey further to improve the reliability and usefulness of the information to be collected on the overall picture of residentially-zoned lands held by local authorities. The proposed enhancement of the survey of serviced land for residential use together with the improvements in the accounting system should help to address the gap in information highlighted by the Public Accounts Committee in their report.

The Minister has been advised by the Department of the Environment, Heritage and Local Government that, in addition, as part of the recently announced Government initiative on housing, all local authorities will review their land management strategies to maximise the availability of land for their own housing programmes, voluntary and co-operative housing, housing partnerships with the private sector and to secure more active use of brownfield land and derelict sites.

## **8. Vote 42 Department of Arts Heritage Gaeltacht and the Islands – Dúchas (the Heritage Service)**

***• Priority should be given to consolidating the functions of the heritage service into its new Department. The Committee expects control over expenditure on national monuments to improve and for basic financial information on costs to be available.***

The addition of Heritage functions was intended to broaden the Department of Environment and Local Government's remit to encompass the built and natural heritage functions giving it a wider, more holistic environmental mandate.

In his original announcement of the transfer of functions the Taoiseach said that 'it is appropriate that Department of Environment and Local Government be given responsibility for protection of our natural heritage and heritage policy generally. Accordingly I intend that responsibility for Heritage Policy and Duchas be transferred to that Department, while responsibility for the management and other operational aspects of our built heritage will be exercised by the Office of Public Works.'

However, it was subsequently decided that all functions in relation to the built (as well as the natural) heritage should be transferred to the Department of Environment and Local Government initially, pending the completion of a review to recommend the most appropriate organisational arrangements for giving effect to the Taoiseach's announcement.

A Task Force reported in February 2003 on the reorganisation of Heritage functions in their new setting; its recommendations were approved by the Government in April 2003.

The resulting change in arrangements, in place since 1 January 2004, entrust the Department of Environment, Heritage and Local Government with responsibility for policy in respect of the built heritage and for both policy and operational matters relating to the natural heritage. The operational and management functions in relation to the built heritage in State care are, since 1 January 2004, the responsibility of the Office of Public Works. Overall responsibility for the management of the built heritage capital programme remains with the Department and the recent roll-out of the Department's new Oracle Management Information System to this area will improve availability of financial information on costs generally.

These changes were designed to achieve the optimum use of the organisational resources available to the Government. They build on the Department of Environment, Heritage and Local Government's strengths in terms of regulation and policy development, particularly in the environmental area, and on the expertise and experience of the Office of Public Works in the areas of conservation and management of the State's property portfolio.

## 9. Vote 9 - Office of the Revenue Commissioners

- *The organisation of the random audit programme should include an element of pure random selection of files.*

Revenue gave a commitment to the Public Accounts Committee that the programme would be reviewed with a view to re-establishing the random nature of the selection. The Revenue Commissioners recognise that random audit type interventions are beneficial in improving risk identification and for the provision of statistically valid compliance measures and to ensure that no taxpayer is exempt from the possibility of having their compliance position checked. Following the PAC recommendation, Revenue developed a new Taxpayer Compliance Testing Programme, which incorporates pure random case selection and tests compliance on three fronts - payment compliance, filing compliance and reporting compliance. This programme will act as a deterrent measure and will also validate and support the risk criteria used to select cases for future audit using the ESKORT risk scoring system. The Minister is advised by the Revenue Commissioners that 400 cases were selected for random compliance testing as part of their 2005 programme. In relation to 2006, the random compliance testing programme will commence shortly and the sample size is again expected to be 400 – the same as for the 2005 programme. Given the size of our tax base and the fact that all of these are comprehensive audits, a figure of 400 is in line with international norms in this area. In addition to these random programmes, Revenue undertake some 14,000 audits annually as part of their risk-driven audit programme.



## 10. Revenue – In-depth Examination of Tax Debt written off

- *The required actions and consultation required for the introduction of the legislative underpinning to the improvements in tax investigation procedures should be prioritised.*

Legislative changes to underpin improvements in tax investigation continue to be examined in the context of the annual Budget, the Finance Bill and other relevant legislation. The report of the Revenue Powers Group, set up by the Minister for Finance under the chairmanship of Mr. Justice Francis Murphy, was published on 4 February 2004. The Group's main recommendations included some new powers for Revenue, reform of the interest, penalties and voluntary disclosure regime, extension of rights of appeal, reduction in interest rates, improved safeguards for use of powers, and increase in publication limits for settlements. Section 87 of the Finance Act 2004 was enacted to enable Revenue to seek information held by offshore entities under the control of a domestic financial institution. This power will be of use in the latest phase of the Offshore Assets Investigation. Following further consideration, the process of reform has continued with certain non-legislative changes and with the inclusion of a number of provisions in Finance Act 2005 representing a balanced package of measures based on the Group's report. These included a reduction in the interest rate charged on unpaid tax and an increase to the limit at which publication of tax offenders occurs as well as new powers for Revenue to access records relating to life assurance policies. The Revenue Powers Group also recommended the automatic reporting to Revenue of interest payments on deposits in financial institutions, the profits earned on other financial products and payments made to taxpayers by Government departments and agencies. Finance Bill 2006 contains an enabling provision which will allow the Minister for Finance to make regulations requiring such returns. Finance Bill 2006 also strengthens the general anti-avoidance provisions in Section 811 of the Taxes Consolidation Act 1997 and improves Revenue's information gathering capacity on tax avoidance schemes.

In relation to the six possible proposals specifically referred to in paragraph 10, subparagraph 4.1 of the C&AG 2001 Report, the first remains under consideration in consultation with the Department of Enterprise, Trade and Employment which is responsible for legislation in the area of company law. Revenue are working on advancing the second and third proposals under the Intoxicating Liquor Bill. They have indicated that the fourth proposal would not comply with the EU Sixth VAT Directive. The fifth proposal will be examined in the context of the Review of VAT on property legislation. Revenue has since changed its procedures in such a way as to implement the sixth proposal.

- *Legislation for the provision of Personal Public Service number of individuals behind company registrations should be progressed.*

The Company Law Reform Group (CLRG) recommended that consideration be given to requiring the pre-registration of directors who would at all times subsequently identify themselves confidentially on CRO filings by reference to their unique PPSN, with parallel provisions being required in the case of non-Irish resident directors. This personal information would be used by CRO for administrative purposes only, and

would not appear on the public register. As all information which is filed with the registrar is accessible to the public under current law, legislation is needed to give effect to the Group's recommendation. This recommendation regarding directors has been accepted in principle and, subject to the views of the Attorney General as to its compatibility with Data Protection legislation and the Council of Europe's Convention for the Protection of Individuals with regard to automatic processing of Personal Data, will be included in a major company law bill currently being prepared by the Department of Enterprise, Trade and Employment. It is hoped that the draft bill will be with Parliamentary Counsel before the end of 2006.

## 11. VAT Repayments to Registered Traders, Dividend Withholding Taxes

- *Specific measures to bring phoenix companies within the Integrated Tax system should be progressed.*

The recommendation is accepted and has been implemented. There are currently in excess of 700 cases within the phoenix monitoring programme. All such cases are part of Revenue's Integrated Tax system.

- *The Personal Public Service number should be required on dividend returns to improve the effectiveness of the administration of the enforcement of dividend withholding tax.*

Revenue consider that implementing this recommendation is not feasible at this time, but are seeking to address the problem on an administrative basis. At the time the Dividend Withholding Tax (DWT) legislation was enacted, it was considered that imposing a requirement on registrars of quoted companies and qualifying intermediaries to obtain PPSNs was a disproportionate compliance burden which could interfere with the efficient workings of the stock market. This is still the view of Revenue. The information contained on the DWT returns has been made available to the Revenue Districts for reference/use on a case by case basis. While access to this information would be more efficient if the PPSN was attached to the case detail, this is not an insurmountable issue for the Districts. In 2006 computerised name and address matching will be implemented for batch matching purposes. It is envisaged that such a development will allocate PPSNs to the DWT data. While it is unlikely that a match will be possible with every case, such an automated process will make this information more readily accessible and usable by Revenue, for example in relation to risk assessment and evaluation.

## 12. Vote 40 Department of Social and Family Affairs

- *The rules covering the treatment of overpayments arising from certain estate cases should be reviewed as it is unfair that the estate of a pensioner should be pursued for overpayments arising from the accumulation of capital through savings made by the pensioner from his pension.*

The Minister for Finance is advised by the Department of Social and Family Affairs that a person's entitlement to an old age non-contributory pension is based on his/her means. In assessing the level of means, account is taken of the person's cash income together with the value of any capital/property the person has, including savings (subject to specified disregards). There is an obligation on a person who applies for the old age non-contributory pension to disclose his/her means and, once the pension is in payment, the pensioner is also obliged to notify the Department of any increase in means.

The Department of Social and Family Affairs further advises that if, subsequent to the death of a person who was in receipt of the old age non-contributory pension, it comes to light that the deceased's full means were not disclosed at initial application stage and/or during the period the pension was in payment, social welfare legislation provides for the recovery from the estate of the deceased of any moneys overpaid. Individual decisions in this area, taking account of the particular circumstances of each case, are made by deciding officers. The personal representative of the deceased person has the right to seek a review of such a decision and/or to appeal against it to the Social Welfare Appeals Office.

The question of any change in the legislation governing this area is a policy matter for consideration by the Minister for Social and Family Affairs. In this regard, the issue was addressed in the course of a reply to Parliamentary Questions on 14 June 2005 by the Minister. (Question numbers 447 and 452-463).

- *The process improvements anticipated from the service delivery model should be progressed.*

The Minister for Finance has been advised by the Department of Social and Family Affairs that the service delivery model (SDM) is a long term programme of change and is being implemented in a number of phases. The Minister understands that Phase 1 of SDM was successfully implemented in November 2002 for Child Benefit and further developed in 2003 with the enabling of the civil registration process. The Minister has been further advised that efficiency gains have resulted from the more streamlined and efficient claim taking process and the fact that it was possible to transfer the administration of the Maternity Benefit scheme to Letterkenny using existing "Child Benefit" resources is evidence of such efficiency gains.

- ***The Department should report back to the Committee on the actions taken on foot of the review of the Social Welfare Appeals Office and in particular, the specific efforts to shorten the time taken for the appeals process.***

The Minister for Finance has been advised by the Department of Social and Family Affairs that an external review in 2002 made a number of recommendations pertaining to the social welfare appeals process.

A key recommendation concerned the ‘vetting of files’. (The “vetting” of files is carried out by Appeals Officers at an early stage in the process when all the preliminary activities of acquiring statements, medical referrals (where appropriate) etc. have been completed. Each appeal is examined by an Appeals Officer to determine if the case can be decided summarily, if an oral hearing is required or if further information is needed.) The consultants found that the “vetting” system in operation at the time was inefficient and recommended change. Following consultations with the Appeals Officers a new vetting process was introduced in 2003 which significantly altered the way the work is carried out.

The majority of the other recommendations deal with process and information improvements and are now wholly or partly implemented. These include greater transparency (with the publication of selected case reports of Appeals Officers), the establishment of a special corporate unit to enable enhancements of the Office’s work to be implemented more readily, the re-design and simplification of the Notice of Appeal form and the identification and addressing of training deficiencies.

The changes in vetting procedures have contributed significantly to greater efficiency in the time it takes to clear appeals, with consequential benefits for those using the service. There has been a reduction of 10% in the headline (average) time. When the slowest 25% of appeals are excluded, processing times for the majority of appellants i.e. the quickest 75%, are now less than 13 weeks.

The Minister is assured by the Department of Social and Family Affairs that, while the processing of appeals will, due to its quasi-judicial nature, always require a period of time, it is conscious of the need to have appeals dealt with as expeditiously as possible and that it will continue to consider all options to achieve that objective.

### 13. Vote 31 Department of Agriculture and Food

- *The Department should make every effort to avoid incurring penalty interest on late payments, especially in cases where new schemes are put in place.*

The Minister for Finance is advised by the Department of Agriculture and Food that it accepts the PAC findings in relation to penalty interest payments as outlined in paragraph 1.12.

The Minister for Finance is also advised by the Department of Agriculture and Food that the issues were largely resolved by mid 2002 and there was a dramatic decrease in 2003 in late payment penalties as indicated in the table below. A slight increase in late interest was recorded in 2004. This was mainly due to the introduction of the Animal Health Computer System (AHCS) in the Department's local offices, which is used to process the payment of private veterinary practitioner fees under various animal disease control measures.

<b>Year</b>	<b>Late Interest Paid €</b>
1998	3,360.93
1999	56,452.02
2000	5,809.69
2001	707,736.12
2002	156,603.23
2003	8,963.00
2004	13,971.25
2005	11,907.81

The following measures have been introduced by the Department of Agriculture and Food to improve compliance with late payment rules:

- Instructions requiring strict compliance with the 1997 Prompt Payment of Accounts Act and the European Communities (late Payment in Commercial Transactions) Regulations, 2002 have issued to all payment Divisions
- The level of late interest payments is the subject of detailed ongoing monitoring. This is facilitated by monthly reports from the Department's computerised accounts system.
- Payment requests from line Divisions are monitored in order to identify invoices at risk of exceeding the late payment deadline.
- Late interest payment penalties arising are brought to the attention of the line divisions concerned; explanations for the delay in processing invoices attracting late interest are sought and filed.
- Monthly reports are submitted to the MAC on the current late interest payment position.

- ***The Department should review its guidance on the placing of insurance to avoid a repetition of the circumstances of the Ballaghaderreen fire case.***

The Minister for Finance is advised by the Department of Agriculture and Food that it accepts the PAC findings. The Minister has also been informed by the Department of Agriculture and Food that, in the wake of the Ballaghaderreen fire, its procedures were reviewed and that appropriate steps were taken as regards the placing of new insurance in respect of intervention storage.

- ***The relevant authorities should set a target for a greater take up of the school milk scheme. At the very least, every school board of management should again be notified of the school milk scheme and encouraged to take it up. The Department should keep the Committee informed of action in this regard.***

The Minister for Finance is advised by the Department of Agriculture and Food that it accepts the PAC findings in relation to this scheme.

The Minister for Finance is also advised by the Department of Agriculture and Food that, given the current emphasis on nutrition, there is a need for greater efforts to be made between relevant Departments and school boards in order that full advantage is taken of the scheme.

The Minister is further advised that a working group with representatives from the Departments of Agriculture, Education, Social and Family Affairs, Health and the National Dairies Association was set up in 2002.

This group commissioned market research to analyse the awareness and perceptions of the school milk scheme amongst principals and pupils, to identify the key barriers to the Scheme and to examine ways to increase the appeal of school milk. In addition, discussions have taken place between the dairy industry and the various teacher/school management organisations in an effort to ensure awareness of the scheme permeates to local level. The product range is being extended and the pack design changed for the 2006/2007 school year to make the product more attractive and to increase uptake.

#### 14. Vote 26, 27, 28 and 29 - Department of Education and Science

- ***The recommendations of the critical review of the buildings unit should be prioritized to put the contracting of work on a better footing. The Department should include a project to improve the information available about the condition of school buildings in its strategic plans.***

The Minister is advised by the Department of Education and Science that the Department's review and restructuring of the Planning and Building Unit to which the recommendation refers has been completed. It involves new arrangements for managing project flow for schools at both levels. These arrangements, taken in tandem with the Multi-Annual Capital Funding Framework, create greater certainty regarding funding and enable the Department to align project flow to prospective funding.

Based on a project that involved a pilot inventory of accommodation conducted in one county, the Minister understands that the Department of Education and Science is now looking at wider technology-based solutions that can reference information supplied in electronic format by schools and their design teams with information contained in the Department's own databases.

Furthermore since 2003 the Department of Education and Science has in place a published comprehensive set of criteria that are used to assess and prioritise the accommodation needs of individual schools and allocate band ratings. These criteria were further revised in 2004 in consultation with the education partners. The Department's assessment of each school's position results in a particular band rating being attached to that school's capital projects. This enables better planning and prioritisation within the schools' capital programme commensurate with available funding.

- ***The Department should issue an account of all sums paid to schools once a year. Each school should furnish returns supported by bank records. The Department should monitor the reasonableness of such returns.***

The Minister is advised by the Department of Education and Science that it accepts that a school should be able to identify the source and reason for all funds received from the Department in order to ensure the proper and timely use of funds and to underpin financial accountability.

To that end the Department's new financial management system facilitates providing a full identification of information regarding the nature of a payment at the time of issue. The question of issuing a composite annual statement of all payments to schools, and the question of related returns from schools, will be considered further by the Department of Education and Science when the new financial system is fully operational.

The Minister is further advised by the Department of Education and Science that the financial accountability framework for schools is covered by Section 18(1) of the



Education Act 1998 which places a requirement on Boards of Management to keep accounts of all receipts and expenditure. It states “a board shall keep all proper and usual accounts and records of all monies received by it or expenditure of such monies incurred by it and shall ensure that in each year all such accounts are properly audited or certified in accordance with best accounting practice”. School accounts are open to inspection by the Minister for Education and Science and by parents of students in the schools (including individual parents) in accordance with section 18(2) of the Act. In so far as they relate to funding provided by the Oireachtas these accounts are, of course, also open to inspection by the Office of the Comptroller and Auditor General.

The Minister is advised by the Department of Education and Science that the control and reporting environment that the Department of Education and Science operates in regard to schools’ funding aims to achieve a reasonable balance between (1) affording flexibility to schools in their use of resources consistent with meeting the needs of their pupils and obtaining value for money for the Exchequer, (2) being proportionate to the potential of financial loss arising from misappropriation and (3) having regard to the overall administrative workload placed on school principals and Boards of Management.

***• There are several areas where the Department should be better equipped to implement schemes that have been provided for in the Vote or from other sources. These include social inclusion initiatives and information technology initiatives in schools.***

This recommendation followed from the PAC finding that there was significant under-spending in the education votes in 2001, particularly in priority areas of social inclusion measures and higher education grants.

In response, the Department of Education and Science has indicated that expenditure in demand-led areas such as student support can be difficult to forecast accurately. In addition, the Department is dependent upon local authorities submitting claims in time for payment within the particular financial year. In 2001 specifically, the number of students applying for grants was lower than originally anticipated.

The Department of Education and Science has advised that a further reason for the under-spending in these areas arose as a result of the amalgamation and expansion of a number of social inclusion schemes. This process which occurred in 2001 took longer than anticipated with a consequent slowing of expenditure. The learning experience and best practice gained from the two pilot social inclusion schemes, one in the primary sector - the Early School Leaver Initiative (ESLI) and one in the second level area - the Stay in School Retention Initiative (SSRI) were incorporated into a new programme - the School Completion Program (SCP). Work on this consolidated initiative (the SCP) began in 2001 with the intention of having the programme up and running during that year. The work took longer than anticipated, however, and it was not launched until 2002. Expenditure for the SCP initiative has more than doubled since 2001 - from € 9.2m in 2001 to €22.1m in 2005.

The Department of Education and Science is of the view that the reference in the PAC recommendation to information technology initiatives in schools was as a result of the

fact that a small number of schools may have experienced difficulty in accessing training or in accommodating ICT equipment in the context of Schools IT 2000.

In response, the Department of Education and Science accepts that this was the case but emphasises that these difficulties were small in the context of the size and scope of the Schools IT initiative. The Department of Education and Science explained that between 1998 and 2004 some 100,000 training places were provided for Primary and Post-Primary teachers through Full-time Education Centres, Part-time Education Centres, INTO, University of Limerick and other partners in support of the ICT initiative in schools. Training needs have been and continue to be assessed, and provided for, in this regard by the local ICT Advisory Service. Training has been undertaken by teachers in courses for Basic ICT skills, the Use of ICT in Teaching, Network Management, Special Needs, Basic Troubleshooting, Web Design and Multimedia Applications. The suite of training courses available to teachers in relation to ICT have been developed and reviewed on an on-going basis to match the changing requirements of teachers at both first and second level. Training needs have been and continue to be assessed, and provided for, in this regard by the local ICT Advisory Service to answer the range (in terms of course type) and extent (in terms of course places) of ICT training needs as articulated by schools and teachers locally.

## 15. Vote 10 Office of Public Works

- ***OPW should review its purchasing guidelines to ensure that the essential clauses are inserted to provide for making properties suitable for the purposes for which they are acquired.***

The Minister notes the finding and recommendation in relation to the insertion, as a matter of course, of a “...*subject to planning permission*...” clause in purchase contracts. He is advised by the OPW that this is a matter which has been considered by the Commissioners, who are of the view that it is preferable to keep open a range of options on how to deal with the question of planning. These would include advance consultation with the planning authority; the insertion of the clause as recommended, or the inclusion of appropriate equivalent clauses. All of these approaches are used and provide the flexibility required to protect the public interest, while facilitating the early acquisition of property.

## 16. Vote 5 Central Statistics Office

- *Although census information is a public good, the public sector should obtain a fair return for its use for commercial purposes. Central Statistics Office (CSO) should consider how it could extract a greater monetary return from the commercial sector reflecting the value of the information provided out of public resources.*

The Minister is advised by CSO that

- the total five-year income from the sale of census products for the period 2000 to 2004 was approximately €840,000 (representing about 2% of the total Census 2002 budget). The main income headings were royalties from value-added resellers, sales of small area population statistics and special tabulations in response to one-off demands.
- the trend prevalent elsewhere is to make census outputs available free of charge on the websites of national statistics offices. This is in keeping with the shared view that statistics are primarily a public good. This view was reinforced as recently as May 2005 during a meeting of the Directors General of National Statistical Offices in Copenhagen.
- Directive 2003/98/EC on the re-use of public sector information puts an onus on public sector organisations to be non-discriminatory in the re-use of public sector information.

The Minister is further advised by CSO that it considers that the way forward on census information is to enhance the current situation whereby all published tables are provided free of charge on the CSO website. In particular, it is intended that small area population statistics will be provided in this way for the 2006 census. The underlying motivation for this policy is that the full value added of the widespread and effective use of all statistical data (not least census data) far outweighs the immediate monetary returns from the sale of census products.

## 17. Vote 4 - Ordnance Survey Ireland

- *All Accounting Officers should specifically ensure that the basic internal financial controls over transaction processing and the maintenance of accounting books and records are not neglected while new financial information systems are installed.*
- *Amended or additional internal financial controls designed into new financial information systems should be fully documented and communicated to relevant staff.*
- *The Public Financial Procedures maintained by the Department of Finance should be expanded to provide a full description of the expected standards of basic internal financial control to take account of the new management information framework being rolled out across the central government sector.*

As regards Ordnance Survey Ireland, the Minister for Finance is assured that:

- A comprehensive range of controls with supporting documentation is now in place in respect of the financial systems in operation in Ordnance Survey Ireland (OSI).
- In the context of the Comptroller and Auditor General's audit, OSI commissioned a full review of the internal financial procedures and systems in OSI. OSI implemented the full series of recommendations made by consultants and a copy of their report was made available to the Office of the Comptroller and Auditor General.
- All controls in respect of the Financial Systems are now in place and have been fully documented.
- All staff are apprised of prevailing control procedures and any changes to them.

As regards the general issues, the Minister would point out that virtually all Departments and Offices have by now completed installation of new financial management systems and are therefore aware of the necessity of ensuring that basic internal financial controls are not neglected while such systems are being installed. In addition, the Department of Finance wrote to all Accounting Officers in late 2004, on foot of the Minister's minute in response to the Committee's First and Second Interim Reports on the Appropriation Accounts 2003, which dealt with similar issues, enclosing the Minister's minute and stressing the importance of giving particular attention to the vulnerability to error during transitions to new accounting packages when staff are stretched with two systems.

As regards documenting procedures and controls, the financial management systems that have been installed in Departments and Offices are commercially available packages widely used outside as well as within the civil service and they have inherent within them the basic financial controls required in running financial management systems. The procedures and controls in these systems have in general already been documented by Departments and Offices as part of their installation project and/or for the purposes of training staff in the use of these new financial systems and enabling them to use the systems in a secure and efficient manner. While the Minister understands that such documentation, updating and communication to staff is the norm in Departments and Offices generally, his Department has

nevertheless advised all Departments of the need to do so now in any case where it may not have been done already.

Finally, the Minister would point out that on foot of a recommendation in the Report of the Working Group on the Accountability of Secretaries General and Accounting Officers, Accounting Officers have since 2003 been required to submit a Statement on Internal Financial Controls with their Appropriation Accounts. In signing this Statement, Accounting Officers acknowledge their responsibility for ensuring that an effective system of internal financial control is maintained and operated by their Department or Office.

## 18. Garda Síochána and Prison Service Overtime

- *Management in the prison service should continue their efforts to improve working conditions and work practices to further reduce overtime levels and bring absenteeism down to more reasonable levels. The Committee would like to be kept informed of progress in this area.*

### Overtime in the Prison Service

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that overtime expenditure in 2003 (€58.9m) was held at slightly below 2002 levels (€59.3). Furthermore, the figures of €45.5m for 2004 and €46m for 2005 show a significant decrease on 2002/2003 levels. This is due to strict monthly overtime budgets in each institution, which are rigidly controlled.

The Minister for Finance is further advised by the Department of Justice, Equality and Law Reform that the Minister for JELR is pressing ahead with measures to improve the efficiency of the service in the context of acceptance by prison staff of the *Proposal for Organisational Change* in the Irish Prison Service (revised July 2005). Implementation of the Agreement, (whose major aspects have already been rolled out) will see the elimination of conventional overtime working in the Prison Service and its replacement with a new 'additional hours' system.

The new system, which has already been introduced in all prisons, is expected to reduce the cost of extra attendance in the Prison Service by a further €15m approximately. It is broadly based on the concept of 'annualised hours' whereby staff contract to work a fixed number of additional hours in the year and are paid for them whether they work them or not, thus encouraging smart working. There are benefits in the system for both management and staff. Management will have staff available when they are needed most and staff will have predictable attendance patterns and earnings. The agreement also comprehends changes to the organisational structure and working arrangements in specialised areas such as stores, maintenance, prisoner escorts, etc. It also involves the introduction of a new Recruit Prison Officer grade with modified conditions of service.

The financial compensation for staff for the level of change involved has been settled at arbitration. There are two main elements to this, i.e., the payment of an ongoing pensionable allowance equivalent to 8% of basic pay and a lump sum amounting to €13,750 payable in four instalments over a 42 month period of time. Indications are that the roll-out of the new arrangements heralds a new era of long term stable industrial relations in the Prison Service with controlled and predictable costs going into the future.

## **Absenteeism in the Prison Service**

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that the acceptance of the revised *Proposal for Organisational Change* is expected to result in a significant reduction in sick leave in the Service, in line with the experience of other employments which adopted additional hours attendance arrangements. Meanwhile, there is a range of tools available to management, which will be employed to the full. These include:

- Staff support services
- Warnings, which can vary in severity
- Withdrawal of pay increments
- Withdrawal of the privilege of uncertified sick leave for a specified period - usually a year
- Withdrawal of the privilege of paid sick leave, both certified and uncertified, for a specified period - usually a year
- Retirement on the grounds of ill health
- Dismissal (In the case of a probationer the Minister has power to dismiss; in the case of an established officer only the Government can dismiss)
- Referral to the Chief Medical Officer.

A Human Resources staff unit has recently commenced targeting the most serious cases in each institution initially. At the same time, a Review Group of senior managers has been tasked with examining current policies and procedures in depth with a view to identifying deficiencies and making recommendations for change.

A Review of the higher absence cases across all prisons has been undertaken in the past 12 months and these cases have been reviewed by management on an individual basis. Management Systems for addressing the problem cases are under review so that appropriate staff support as well as control measures can be systematically applied across the prison system. A psychologist has recently (January 2006) been appointed to provide a dedicated professional staff support service in this area. Where necessary, sanctions were also applied to address unsatisfactory sick absence records, in excess of ninety officers are now on a schedule for sick leave without pay while a further forty officers have had the privilege of uncertified sick leave withdrawn. In addition, dismissal proceedings are in train against a number of officers for abuse of sick leave privileges.



## 19. Garda - Army Cash Escorts

- *The Department of Justice Equality and Law Reform and the Department of Defence should take immediate steps to improve their accounting and activity recording systems so that a reliable computation of the full cost of the cash escort service for each beneficiary can be made.*
- *Negotiations should continue to be pursued with the beneficiaries to achieve full cost recovery for these services as soon as possible.*

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that this recommendation is accepted. The Minister for Finance is assured that the Department of Justice, Equality and Law Reform will work with An Garda Síochána to see what improvements can be made on this issue.

The Minister for Finance is further advised by the Department of Justice, Equality and Law Reform that from the outset, that Department did not seek full cost recovery from the banks. The cash escort system was introduced by the Government following a major robbery in Limerick in 1978. The State held the view that it had a direct interest in ensuring that cash was protected from criminals and that it was reasonable that the State should make some contribution towards the costs of the cash escort service, in the public interest. This continues to be the position of the Department of Justice, Equality and Law Reform. However, the Minister for Finance is advised by the Department of Justice, Equality and Law Reform that following negotiations between the banks and the Department in 2003, the Banks agreed to more than treble their contribution in respect of Garda Escorts to €3 million per annum, compared to €952,000 in previous years. The €3 million contribution currently meets approximately 85% of the costs incurred by An Garda Síochána in providing armed escorts. The Department, together with An Garda Síochána, is currently in negotiations with the banks to increase this proportion still further for 2006 and beyond.

## 20. Criminal Assets Bureau Accounts, 2001

- *More specific information about the number of cases pursued should be included in the annual report of the CAB.*

The Minister for Finance is advised by the Department of Justice, Equality and Law Reform that Section 21 of the Criminal Assets Bureau Act 1996 requires the Bureau to submit, through the Garda Commissioner, an annual report of its activities.

Material contained in the report relates to operations which, of their nature, are particularly sensitive. However, the Bureau accepts the recommendation of the Committee, subject to the need to balance the requirements of confidentiality and optimum dissemination of information.

## 21. Vote 42 Department of Arts Heritage Gaeltacht and the Islands - State Subsidised Transport to the Aran Islands

- *All future contracts for the provision of subsidized public services should be subject to the open tender rules.*
- *Service contracts should have built-in provisions for variation of the service level in line with changing patterns of consumer demand.*

The Minister for Finance is advised by the Department of Community, Rural & Gaeltacht Affairs that it fully accepts that the PAC Report brought to light a number of shortcomings in the approaches adopted in relation to the provision of subsidised services to the Aran Islands, as acknowledged in the Secretary General's opening statement to the Committee of Public Accounts on 29 May 2003. The Department believes that full implementation of the recommendations in the Report will significantly enhance the effectiveness of expenditure and the Department's capability in managing subsidised transport services to the offshore islands. The Department remains fully committed to the implementation of those recommendations.

The Minister for Finance is also advised that, following the PAC Report, the Department commissioned external consultants to review existing arrangements in regard to a selected number of services and to advise on a range of measures to assist in implementing a more effective and efficient system of administering and monitoring the provision of subsidised island transport services generally.

The consultants' report made a number of worthwhile recommendations in regard to the tender process, contract duration and improvements to the contract generally, the introduction of key performance indicators and a formal monitoring regime.

Significant progress has been made in implementing the various recommendations. Formal contracts in respect of ferry services now contain a range of conditions to ensure compliance with all aspects in regard to health and safety issues, Department of Community, Marine and Natural Resources regulations, reliability of services and quality customer services. To date (March 2006), ten such contracts have been put in place with a further ten scheduled to come into operation before the end of 2006.

The following initiatives are being or have been taken arising from the consultants' recommendations:

- The duration of new ferry service contracts will be five years, as opposed to three years in the past;
- Service Monitoring Committees are being established on a phased basis as contracts come up for renewal;
- Key Performance Indicators in regard to effectiveness, efficiency and economy are being included in all new contracts;
- The Department now seeks historical accounts and detailed financial forecasts from operators tendering for subsidised services in order to ensure value for money;
- Daily sailing logs are analysed each month and, if appropriate, deductions made for services not provided; and

- Service contracts now have built-in provisions for variation of the service level in line with changing patterns of consumer demand.

With specific reference to the Aran Islands service:

- External consultants, Saltire Management Ltd., were engaged in 2004 to oversee the procurement process for a cargo ferry service between the Aran Islands and Galway;
- In addition, a Steering Committee made up of representatives from the Department of Transport, Galway County Council, Shannon Development and the Department of Community, Rural and Gaeltacht Affairs was established to oversee the process;
- Notices announcing the tender process (Restricted Procedure) were placed in the Official Journal of the European Union and on the Government's e-tender website. Advertisements were also placed in national and local publications and in two international shipping publications; Lloyd's List and Tradewinds. In addition, contact was made with a number of companies whom it was felt might have an interest in providing the service;
- Since November 2005 the Ros an Mhíl passenger ferry contract has been split into two contracts, one for Árainn and another for Inis Meáin and Inis Oírr in order to encourage competition on these routes;
- The Aran Islands - Galway City service is now cargo only and, with effect from 1 January 2007, will operate from Ros an Mhíl.

## **Part 2:**

### **Examination of Non Voted Accounts**

#### **1. National Roads Authority – Annual Financial Statements 2001**

***• The overruns in the road building budget are not acceptable. Every effort should be made to limit them in the management of road projects. Contracts for each step in the road building process should be further reviewed to minimise the risk to tax payers' funds, contain client risk and provide for a greater use of penalties.***

The Minister agrees that all efforts should be made to limit cost overruns in investment projects and that Departments and agencies must have in place the necessary systems, controls and skills to effectively manage the implementation of their expenditure programmes. He would point out that his Department has taken a number of important initiatives in recent years to assist better management of capital programmes and projects. The financial management framework for public authorities engaged in capital investment has been significantly improved through the introduction in Budget 2004 of five-year rolling multi-annual funding envelopes and new arrangements for the carryover of unspent capital monies at the end of a financial year.

In early 2005, the Department of Finance circulated revised Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector. These guidelines set out a robust and proportionate framework for the appraisal, planning and management of capital projects. In addition, a circular letter issued to all Departments on 25 January 2006 giving effect to value for money measures on ICT projects and consultancies decided by Government on 11 October 2005 and additional measures announced by the Minister for Finance on 20 October 2005. All Departments and agencies are required to comply with the requirements set out in this circular letter. These measures complement and build on recent reforms such as the capital envelopes, the revision of the capital appraisal guidelines and public procurement guidelines. The cumulative impact of all these recent value for money initiatives is one of improved management of capital projects and programmes.

As regards the structure of public sector contracts, the Department of Finance has developed a suite of new Standard Forms of Contract, which introduce fixed-price lump sum contracts tendered on a competitive basis with optimum risk transfer in line with the Government decision on construction procurement reform. These are currently subject to consultation with the construction industry, and the Minister intends to introduce them soon. Cost certainty, value for money and cost-effective delivery of projects are at the core of the reforms and they should help authorities to better manage public projects.

In addition to these general developments, the Minister is advised by the Department of Transport that the National Roads Authority (NRA) has also taken a range of measures to strengthen its own cost estimation and cost control arrangements, in line with recommendations of the Committee. The measures include:

- greater use of Design and Build contracts which transfer more risk to the contractor and provide greater certainty of outturn cost,
- standardisation of designs for high cost items such as bridges,
- buyout of the Price Variation Clause in contracts,
- the publication of design and construction standards, and
- a strengthening of the Authority's cost estimation function.

The Department of Transport has informed the Minister that the combined effect of these measures has improved the management of the National Roads Programme, and that their beneficial impact is now evident in the implementation of major roads projects throughout the country, including the recently completed projects of Monasterevin, Cashel, Ashford/Rathnew, Dundalk Western, Loughrea and Kilcock-Kinnegad by-passes.

The Minister understands that, as part of its monitoring of the implementation of the National Roads Programme, the Department of Transport is continuing to pursue the further strengthening of the NRA's cost estimation and cost control arrangements. The NRA is in the process of assigning additional resources to further strengthen its capability in this key area, following approval given in 2005 to the recruitment of additional staff.

***• The balance of expenditure, present and proposed, between the S&E region and the BMW region should be specifically monitored in line with the overall objectives of the road building programme. The proposed priority and expenditure for roads in the BMW region should be ring fenced.***

The Minister accepts the importance of infrastructural investment, including roads in promoting better balance in regional development. He has been advised by the Department of Transport that national roads investment in the Border, Midlands and Western (BMW) Region is behind the indicative targets set out in the current National Development Plan (NDP). This reflects the fact that the infrastructure deficit and associated gridlock and bottlenecks have been most severe in the Southern and Eastern (S&E) Region – especially in the Greater Dublin Area. Therefore, in the earlier years of the NDP, priority had to be accorded to major projects in that part of the country. The Minister would point out that many of these projects give benefit to the entire country – including the BMW Region – because they improve the transport links to the major ports and airports and to national markets, particularly Dublin.

The Minister is further advised by the Department of Transport that national roads expenditure in the BMW region is now accelerating. Investment in national roads in the BMW region for 2000 to 2005 amounted to €1,565 million, i.e., 77% of the OP Forecast for that period. Total expenditure on national roads in the BMW region for 2005 was €416 million which is slightly ahead of the OP forecast for the year, and reflects the major pickup in road building activities in the Region in recent years. The Minister understands from the Department of Transport that 10 projects are in construction and another 4 projects are due to start in the BMW Region in 2006. The Department of Transport has assured the Minister that investment in upgrading the national road network in the BMW region will be maintained at a high level in the ongoing implementation of the National Roads Programme. The next National

Development Plan (2007-2013) will have an important focus on investment which promotes balanced regional development.

- ***The new contract provisions introduced by the NRA should be monitored using appropriate cost and output indicators to establish the improvement in cost effectiveness delivered in future road building.***

The Minister understands from the Department of Transport that the National Roads Authority (NRA) is monitoring the impact of the new contract provisions and that the Authority's experience in the use of the Design and Build form of contract indicates that it is achieving greater certainty of outturn costs and improved contract completion times and contributing to major contracts (e.g. the M7 Monasterevin Bypass and the N8 Cashel Bypass) now being completed ahead of contracted completion dates.

The Minister further understands from the Department of Transport that the Department and the NRA monitor implementation of the National Roads Programme by reference to a number of factors, including performance indicators relating to the extent of the road network upgraded, the extent of road network restored annually, journey time savings on major inter-urban routes, and level of service on the national primary and secondary network.

- ***The Committee should have a review mechanism for changes in risks in PPP projects. The private element of a PPP should be subject to the scrutiny of the Committee.***

The Minister recognises the important and helpful role played by the Public Accounts Committee and is very supportive of its role in regard to parliamentary scrutiny. In considering a response to these recommendations, the Minister for Finance was mindful of the current powers of the Committee as set out in legislation and in its terms of reference. The current arrangements are predicated on an ex-post examination by the Comptroller and Auditor-General and his reports thereon, including value-for-money (VFM) reports.

The Minister notes that all documentation held by State authorities entering into PPP projects is fully available for review by the Comptroller and Auditor General for reporting by him as appropriate. Arrangements for VFM examinations by the Comptroller and Auditor General have provided access to a substantial amount of relevant information including the financial model used by the winning bidder in the PPP arrangement. The financial model includes, inter alia, the discounted cash flows for the project, based on the risk transfer to the private sector consortium reflected in the project contract. This access is illustrated by the recent VFM report to the PAC on the Bundled Schools project.

The Committee can itself request documentation from State authorities in the course of its proceedings and the Minister expects that authorities would respond positively to such requests from the Committee, subject to considerations of commercial sensitivity or confidentiality and of legal professional privilege.

- *Within the context of the national development plans, there should be a mechanism for a systematic rather than an incremental updating of the road building strategy in line with changing economic, social and environmental priorities and the balance between national, regional and local needs.*

The Minister would point out that the National Roads Programme has been kept under close review in the context of the National Development Plan 2000-2006 (NDP). Relevant evaluations in recent years include the “Evaluation of Investment in the Road Network” by Fitzpatrick Associates (August 2002) and the “Mid-Term Evaluation of the Economic and Social Infrastructure Operational Programme” by Indecon Consultants (September 2003). These confirmed the continuing relevance and appropriateness of the national roads development provided for in the NDP.

In October 2003, the “Mid-term Evaluation of the NDP/CSF” by the Economic and Social Research Institute concluded that the overall strategy underlying the Plan was as valid as when it was first drawn up. It found that the returns to investment in physical infrastructure, especially roads, were very substantial and recommended further concentration of resources on the Plan’s investment in national roads.

In the context of the new National Development Plan (2007-2013), the Government have commissioned the Economic and Social Research Institute to carry out an independent evaluation of investment priorities, including transport, which should inform the investment strategy in the Plan.

The Minister is informed by the Department of Transport that the NRA takes account of a range of changing factors in its work on implementing the National Roads Programme and in its detailed programming of individual roads projects. Such factors include changing economic, social and environmental priorities relevant to the roads infrastructure investment, changing transport needs (including changing current and projected traffic levels), and the balance between national, regional and local needs.



## **2. National Treasury Management Agency Accounts 2001, National Debt, Savings Bank Fund, National Pensions Reserve Fund Accounts 2001**

- ***NTMA and the Department of Finance should ensure that the terms of availability of NPRF funding for self financing infrastructure projects are widely known so that best use can be made of these funds in the national interest.***

The National Pensions Reserve Fund is controlled and managed by the National Pensions Reserve Fund Commission. The Commission is independent of Government in the exercise of its functions including the determination and implementation of the Fund's investment strategy in accordance with its statutory investment mandate. This mandate requires that the Fund operate on a commercial basis so as to secure the best possible financial return, subject to prudent risk management. The NTMA acts as Manager of the Fund and the Commission is required to perform its functions through the Manager.

The Commission has informed the Minister for Finance that it has set aside €200m for investment in Public Private Partnership (PPP) projects in Ireland and will add to this should suitable opportunities arise in the future. The Commission has made a number of references to the existence of this allocation in its public announcements and publications. Suitable projects have, however, been slow to materialise. In February 2005, the Commission announced in the press release accompanying its 2004 Review that, in future, rather than joining particular consortia in tendering for projects, it would make equity and/or debt finance available to the winning bidder provided it is satisfied with the prospective rate of return.

The Commission has informed the Minister that the money it has made available, and any money it will make available in the future, must be provided to the market on commercial terms if the Fund is to comply with its mandate to secure the best possible financial return.

The Minister for Finance also notes that, as with PPPs generally, the involvement of the NPRF with those who have successfully tendered for PPP projects would of course be subject to the relevant EU and national public procurement rules.

- ***The NTMA should report periodically to the Department of Finance on any savings made on the national debt so that these savings can be reflected in the monthly profiles of receipts and expenditure being published by the Department.***

The monthly profiles of receipts and expenditures published by the Department of Finance early in the New Year include, from 2006, a monthly profile of debt service expenditure provided by the National Treasury Management Agency (NTMA). The profiles are not revised during the year. This is because they are intended to provide a benchmark against which the actual monthly returns can be compared. They serve to inform economic commentators and institutions such as the EU Commission of deviations against original Budget Day projections.

***• The medium and longer term objectives of products offered by the POSB should be reviewed to ensure they remain relevant to the overall objective of the POSB. Performance requirements for the cost effectiveness of POSB products should be established.***

The National Treasury Management Agency (NTMA), to whom the Government delegated (under Schedule 1 of the National Treasury Management Agency Act 1990) functions previously assigned to the Minister for Finance in respect of the POSB, have informed the Minister that the small savings products have generated satisfactory levels of new funding for the Exchequer in the past four years, with the amount raised increasing from €39 million in 2002 to €280 million in 2003, €356 million in 2004 and €407 million in 2005. This compares with a net outflow of funds from the products in question in the years 1999, 2000 and 2001, with an average outflow of over €180 million per annum. The NTMA and An Post continue to closely monitor the performance of the small savings products.

The NTMA has informed the Minister that in 2004 they engaged a consultant to undertake a review of the Government savings products and to make recommendations on, inter alia, appropriate levels of administration fees and benchmarking vis-à-vis the NTMA's wholesale debt operations. The consultant's recommendations are currently being examined by the NTMA and An Post.

### **3. Teagasc Financial Statements 2001 and Moorepark Technology Limited Financial Statements 2001**

- ***The benefits from the disposal of assets should be shared with Teagasc to support its future operations.***

The Minister is advised by the Department of Agriculture and Food that during 2003, it was agreed that projected capital proceeds of €23.66m from the sale of assets by Teagasc in 2003 would be retained to cover (i) necessary expenses and relocation costs associated with asset sales, (ii) capital expenditure in lieu of capital grant-in-aid funding that was allocated for current expenditure purposes in 2003 and (iii) the balance to be set aside/carried forward to fund a potential Voluntary Severance/Early Retirement package for staff affected by the closure/sale of offices/centres and capital expenditure projects in 2004 or subsequent years.

Teagasc Headquarters and a number of its offices and centres were sold in 2003. These sales realised net proceeds amounting to some €17.652m. Further sales of assets (relating to the 2003 sanction of €23.66m) took place in 2005 amounting to €5.710m bringing the total proceeds to €23.362m in 2003 and 2005. There were no sales of assets in 2004.

- ***Where possible, the rationalisation of operations and the location of research facilities should favour small communities.***

The Minister has been advised by the Department of Agriculture & Food that it notes the PAC recommendation. The Teagasc Authority has been made aware of the recommendation.

#### **4. City of Dublin Vocational Education Committee 1998-2001 Accounts and Section 7 Report**

- *The number, grade and levels of administrative positions proposed in the Rochford report for CDVEC should be adopted.*
- *The recommendations of the Rochford report, in respect of the CDVEC should be implemented as soon as possible. In particular, the elements of the Rochford report deemed necessary to facilitate the financial audit should be implemented. The Committee would appreciate receiving an updated report on the progress made.*
- *The annual accounts should be prepared on an income and expenditure and balance sheet basis.*

The Minister is advised by the Department of Education and Science that agreement was reached with the IVEA, CDVEC and IMPACT regarding the adoption of the Rochford Report recommendations for CDVEC, and these recommendations are being implemented. Under the agreement, an internal audit unit has been established in the VEC. Procedures are being implemented to ensure the preparation of VEC accounts on an accruals basis and that CDVEC will be in a position to present its annual accounts for 2007 on this basis.

The VEC annual accounts are audited by the C&AG and are submitted by the C&AG to both the VEC and the Minister for Education & Science. The Accounts, together with the C&AG's certificate and reports, are published by the VEC when the procedure, whereby the accounts are laid by the Minister for Education and Science before each House of the Oireachtas, has been completed.

## **5. Bord Iascaigh Mhara 2000 Accounts, Supplementary Report and 2001 Accounts**

- *The Department and BIM should leave enough time for the implementing arrangements to be put in place for new government initiatives, before drawing down appropriated funds.*

The Minister was concerned to learn of the events surrounding this disbursement of these funds. He has been assured that the Department of Communications, Marine and Natural Resources appreciates the concerns expressed by BIM's auditor, the Comptroller and Auditor General and the Committee and fully accepts its recommendation. The Department of Communications, Marine and Natural Resources is satisfied that the drawdown of funds that occurred in this case was a direct response to once-off policy decisions and commitments made to groups within the fishing sector that a substantial tranche of emergency funding would be made available for disbursement before the end of 2000. The Minister is further advised that the Department of Communications, Marine and Natural Resources is satisfied that both the Department of Communications, Marine and Natural Resources and BIM acted on a bona fide basis to deliver on this policy commitment, although this did not prove possible because of a range of practical difficulties. The Minister is also advised that, as the policy commitments in question remained valid in 2001, the unexpended amounts were carried over, and in the event, it was possible to apply the bulk of these funds during 2001 to provide the additional industry support for which they were originally intended while fully satisfying national and EU requirements in respect of such measures. The balance was surrendered to the Exchequer by way of an offset against BIM's 2001 grant-in-aid.

## 6. Midland Health Board, Accounts 2001

- *The internal audit reporting arrangements should be modified to allow for the internal auditor to be able to report, on occasion, directly to the Board without the Chief Executive Officer being present.*

The Minister has been informed by the Department of Health and Children that, while the Internal Auditor reported to a line manager on day to day issues in relation to Corporate Governance, his ultimate reporting relationship was to the CEO. This remained the position until the establishment of the Audit Committee in March 2004. The Audit Committee held its first meeting on 31 March 2004. The Internal Auditor attended all committee meetings and answered any questions in relation to audit and internal control. The responsibility for internal audit arrangements now rests with the Health Service Executive since its establishment on 1 January 2005. The Minister understands that the HSE has assured the Department of Health and Children that best corporate governance, in terms of reporting arrangements for Internal Audits, will apply in the HSE and that the Head of the Internal Audit function reports directly to the Chairman of the Audit Committee, who is a member of the Board of the HSE.

## 7. Western Health Board, Accounts 2000 and 2001

- *Steps should be taken to reduce and manage the level of patient debt.*

The Minister has been advised by the Department of Health and Children that, following the PAC hearing in 2003, the then Western Health Board engaged accountants PricewaterhouseCoopers to undertake a review of Patient Income Collection and to make recommendations for improvements. A Steering Group was set up to oversee the implementation of the recommendations made.

The Minister understands that steps taken include:

- Overall focus on debt collection was increased.
- Debtors were a standing item at Western Health Board monthly management meetings.
- Hospitals in the region collate their claims and submit them directly to the insurer.
- To reduce the number of unsigned claim forms, specific initiatives were introduced to assist hospital consultants. These include the greater involvement of hospital consultants in the process, improved communication between the Medical Records staff and the consultants and the introduction of a new tracking system for each claim in the region's largest hospital, UCHG.

## **Part 3:**

### **Examination of Value for Money Reports and Special Reports of the Comptroller and Auditor General**

#### **1. VFM Report Number 41 – Planning Appeals**

***• Implementation action should be taken on the recommendations in the Value For Money report that divergences between board inspectors' recommendations and board decisions should be studied to provide feedback to inspectors and promote greater consistency in board decisions.***

The Minister for Finance is advised by the Department of Environment, Heritage and Local Government that a Working Group of an Bord Pleanála and departmental officials has been following up on recommendations in C&AG's Value for Money Report No. 41 on issues relating to quality and efficiency and progress has been made.

Ultimately it is a matter for the Board, not the inspector assigned to a case, to make a decision in relation to a particular planning appeal. Under the Planning and Development Act 2000, the Board must indicate when it disagrees with the recommendations made by the Inspector on a case and give its reasons for not following the recommendations made to it.

Representatives of the Board and inspectorate now take part in regular meetings to assess the quality of inspector's reports and to flag any issues where the Board feel that an inspector's report was inconsistent with Board or general planning policy. This feedback forms part of the regular assessment done in accordance with the new system of Inspectorate Performance Forecasting /Appraisal System, which aims at improving both productivity and general performance in the Inspectorate.

***• The Department should consider bringing interested parties (including, local authorities, the Board and An Taisce) together in a partnership to agree on common guidelines rather than having different regulations for each county. Public information seminars would be beneficial.***

The Minister is advised by the Department of Environment, Heritage and Local Government that a number of Ministerial planning guidelines have been issued, including in relation to rural housing, windfarms and telecommunications masts. More are in preparation including in relation to the preparation of development plans and development management practices. It is standard practice to issue drafts of the guidelines for general public consultation and to send them to key stakeholders for comment. Meetings may be arranged with particular interests as part of the consultation process. This approach is in accordance with the principles of best practice in this area.



## 2. VFM Report Number 42 – Car Parking at Beaumont Hospital

- *The business case for significant schemes that involve taking advantage of available tax breaks should be referred to the National Development Finance Agency to confirm that a proper cost benefit analysis from a taxpayer perspective has been made.*
- *The roles of the beneficiary agencies, its sponsoring department and the Department of Finance in contracts of this nature should be more clearly established through a strengthening of the existing guidelines and communication to departments and agencies.*

The Minister has been informed by the Department of Health and Children that guidelines for the provision of Structured Car Parking Facilities in Acute Hospitals were issued by the Department of Health and Children in May 2003. These were subsequently revised and reissued in July 2003, taking account of issues raised by the Public Accounts Committee at its May 2003 meeting.

The Minister would point out to the Committee that “*Revised Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Service*”, issued by the Department of Finance in February 2005, sets out clearly the roles of sponsoring agencies and sanctioning authorities in these matters. He notes that the Guidelines require that all costs, including ongoing capital and lifecycle costs which would also include tax costs, be assessed. He wishes to clarify for the Committee that the question of the cost benefit analysis of projects and the assessment of the results is a matter for the promoting agency/Department and the Minister concerned, not the NDFA. The sponsoring agency is required to seek the advice of the National Development Finance Agency (NDFA), at the preliminary appraisal stage, on the best way to finance projects above €20m. The NDFA’s statutory functions include advising public bodies on the optimum means of financing the cost of public investment projects to achieve value for money and providing advice in relation to all aspects of financing, refinancing and insurance, including risk analysis of public investment projects.

The Minister would also point out that, under the Department’s circular letter of 25 January 2006, giving effect to the value for money measures announced by him in his address to the Dublin Chamber of Commerce on 20<sup>th</sup> October 2005, Departments and Agencies must make regular progress reports to their MAC or Boards on projects costing over €30 million. These reports and spot-checks by Departments for compliance with the Department of Finance Guidelines for Appraisal of Capital Projects may be subject to audit or review by the Department of Finance.

### 3. VFM Report Number 43 – Building Maintenance Service

- *The BMS accounts should be prepared on a full cost basis using generally accepted accounting principles compatible with its private sector comparators.*
- *External financial statements should be prepared in compliance with generally accepted public sector financial reporting standards. It is not appropriate for notional profits to be reflected in external financial statements but they should be included in internal costing analysis.*
- *Quotations should be issued for all BMS jobs.*

The Minister for Finance is advised by the OPW that it agrees that professional accounting expertise and support should continue to be made available to the Building Maintenance Service and that appropriate generally accepted accounting principles should guide the service in the delivery and analysis of its functions. The Minister agrees that every effort should be made both by the Commissioners of Public Works and client Departments to ensure that monies due for services provided are collected in full.

The Minister is advised by the OPW that the Committee's recommendations regarding the preparation of annual financial statements have been implemented by the Commissioners. The accounting and reporting protocols used by comparable private sector operators have been initiated in Building Maintenance Services (BMS) and are being continually improved and developed.

The Minister is further advised by the OPW that the greater part of the work undertaken by BMS for Departments is emergency works where damage limitation is the priority and that quotations are given to Departments on request; this is the norm on large scale capital works.

Finally, the Minister is advised by the OPW that the purpose in stating the notional profit for BMS in external reports was to address comments as to the financial viability of the unit by comparison with having the work undertaken solely by the private sector.

#### **4. Special Report 4 on Financial Control and Management in the Irish Blood Transfusion Service**

- *Where significant liabilities are incurred for Tribunals that last for several years, there should be a mechanism for an interim settlement of invoices.*

The Minister has been advised by the Department of Health and Children that, when an interim payment was requested by the legal representative of the IBTS in 2001 for work undertaken by them at the Lindsay Tribunal, approval was given by that Department to obtain an overdraft rather than providing for this payment from State funds. In relation to the payment of legal costs, the usual procedure has been to await the taxation of the final sum by the Taxing Master before payment of the full amount is made. Interest cannot accrue on fees, unless costs are not paid in a prompt fashion after the Taxing Master's decision.

The Minister has been advised by the Department of Health and Children that it considers that an interim payment may have been the more prudent option, as interest accrued on the IBTS bank overdraft.

The Minister would like to assure the Committee that, where public funded bodies are faced with large payments pending recoupment of legal costs, consideration will be given to such interim payment arrangements in the future by the relevant Departments concerned in consultation with his Department.

- *The Audit Committee at IBTS should be separated from the Finance Committee.*

The Minister is advised by the Department of Health and Children that the Finance and Audit Committees of the IBTS have been separated since 14 May 2003.

## 5. Special Report 5 on Garda Interview Recording Systems

- ***National guidance on the public procurement process needs to be kept up to date and communicated regularly to all those involved in public procurement.***

The Minister wishes to advise the Committee that the Department of Finance issued updated public procurement guidelines in a May 2004 publication “Public Procurement Guidelines – Competitive Process”. These guidelines set out appropriate procedures to be followed by contracting authorities in placing contracts for supplies and services in accordance with national and EU rules. They were disseminated to all public bodies in booklet format and can be viewed or downloaded from the national public procurement website [www.etenders.gov.ie](http://www.etenders.gov.ie). The website is now a significant reference point and source of information for public sector purchasers, suppliers and service providers. Guidance material is being updated and augmented as required, published on the website and publicised appropriately, for example, electronically via networks of officials involved in the public procurement function.

In regard to pilot testing, the guidelines require that the pilot should be conducted in a manner that allows and encourages the identification of a range of acceptable solutions or options and does not hinder a fair and open process or limit competition.

The Minister is advised by the Department of Justice, Equality and Law Reform that An Garda Síochána have been made aware of these new guidelines and that the revised public procurement arrangements have been introduced within the organisation.

Given under the Official Seal  
of the Minister for Finance this  
24<sup>th</sup> day of March, 2006

L.S.

Thomas Considine  
Secretary General  
Department of Finance