



**An Roinn Airgeadais  
Department of Finance**

F7/67/05

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**Circular 6/2007**

**Minute of the Minister for Finance  
on the Fourth Interim Report of the Committee of Public Accounts on the 2002  
Report of the Comptroller and Auditor General - Dept. of Communications,  
Marine and Natural Resources; Dept. of Environment, Heritage and Local  
Government; Dept. of Enterprise, Trade and Employment; Office of Public  
Works; Environmental Protection Agency; and the Competition Authority**

A Chara

I am directed by the Minister for Finance to enclose for your information and guidance a copy of the Minute of the Minister for Finance in response to the Fourth Interim Report of the Committee of Public Accounts on the 2002 Report of the Comptroller and Auditor General - Dept. of Communications, Marine and Natural Resources; Dept. of Environment, Heritage and Local Government; Dept. of Enterprise, Trade and Employment; Office of Public Works; Environmental Protection Agency; and the Competition Authority.

Your attention is drawn in particular to the following items in part 1 of the Minute:

- The obligation to ensure that strong project management principles and techniques are applied to the development of all significant systems.
- The need to pay particular attention to the management of ICT risks whenever there is a transfer of functions

Your attention is drawn in particular to the following items in part 3 of the Minute:

- The need to ensure that the administration of receipts and payments is monitored so as to ensure efficiency.

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David Doyle  
Secretary General

**To: All Accounting Officers**



**Minute of the Minister for Finance**  
**on the Fourth Interim Report of the Committee of Public Accounts on the 2002**  
**Report of the Comptroller and Auditor General - Dept. of Communications,**  
**Marine and Natural Resources; Dept. of Environment, Heritage and Local**  
**Government; Dept. of Enterprise, Trade and Employment; Office of Public**  
**Works; Environmental Protection Agency; and the Competition Authority**

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

**1. Department of Communications, Marine and Natural Resources –  
Chapter 8.1**

- *Formal project management techniques should be applied to the development of all substantial I.T. systems.*
- *Procedures should be put in place to minimise the risks associated with handing over responsibility for I.T. systems under development from one Department to another.*

The Minister for Finance notes the Committee's recommendations. He would point out that his Department's Circular 16/97 delegates responsibility for ICT expenditure to Departments and Offices and as part of this process Departments are reminded of their obligations to ensure that strong project management principles and techniques are applied to the development of all significant systems. His Department introduced a peer review process in 2005, which brings to bear the cross-organisational experiences of senior ICT personnel in reviewing the approach being proposed (and later stages adopted) for major ICT projects. The process deals with the whole life cycle of these projects.

Departments and Offices are also reminded to pay particular attention to the management of ICT risks whenever there is a transfer of functions.

- *The importance of maintaining key resource and skill levels on decentralisation cannot be over emphasised. The lessons learnt in this case should be applied to the implementation of the current decentralisation programme.*

The Minister for Finance agrees that the maintenance of skill levels is central to ensuring business continuity and quality service provision during the transition phase of decentralisation and in the early years of relocation. He wishes to assure the Committee that the implementation arrangements in place in the current decentralisation programme are designed to ensure that the lessons learnt in this case are applied.

The Decentralisation Implementation Group, chaired by Mr. Finbarr Flood, has adopted a phased approach to decentralisation. Each organisation involved in the programme has produced an implementation plan setting out the detailed arrangements they are putting in place to plan for relocation while also ensuring

business continuity. The plans are comprehensive and their preparation involved detailed reviews of business processes as well as the logistics of the move. The Implementation Group has also asked that each organisation's plan should incorporate specific risk assessment and mitigation strategies. The Group is satisfied that a prudent approach is being taken by each Department and Office in relation to assessing the risks involved in relocation and the adoption of appropriate measures to manage business risk.

Staff are being actively assigned to decentralising posts. The early assignment of staff, on a phased basis, is a priority for organisations to ensure that they balance the pace of integration with their business needs and customer service obligations.

In addition, the Committee for Public Management Research prepared a discussion paper entitled "A review of knowledge management in the Irish Civil Service" (CPMR Paper no. 30). This study aims to raise awareness of knowledge management issues and approaches among Departments and Offices.

In relation to Information Communication Technology (ICT) staff, particular arrangements are being put in place to manage the issue of skills transfer. The Centre for Management and Organisation Development (CMOD) in my Department is providing assistance and guidance to ICT managers across the Civil Service. In this regard:

- a protocol for filling of ICT posts across the Civil Service has been developed and will shortly be presented to the Staff Side for consideration and discussion;
- Departments/Offices are in the process of identifying staff who wish to relocate to locations involving ICT areas;
- skills matrices have been developed to facilitate such transfers;
- proposals for training and certification of new entrants to ICT areas have been developed; and
- protocols for familiarisation and hand-over periods between staff have been developed.

Following from this work, detailed analysis of staffing and phasing options is now underway in those Departments and Offices with decentralising ICT functions.

## 2. Department of Communications, Marine and Natural Resources – Chapter 8.2

- *Where appropriate the State should endeavour to involve private companies in sharing the risks of investing in infrastructural projects in the sectors in which they operate.*

The Minister for Finance accepts the recommendation. The Minister is advised by the Department of Communications, Marine & Natural Resources that it considers that the private sector, through the market, has the primary role of delivering telecommunications services in Ireland. Where the market is unable or unwilling to address a key strategic need of the Irish economy, the question of whether an appropriate intervention by the State might be necessary is a matter for policy consideration by the relevant Minister.

Such considerations were relevant in the appointment, by the Minister for Communications, Marine and Natural Resources, of the Managed Services Entity (MSE) to operate the Metropolitan Area Networks on an open-access basis in a public-private partnership. E-Net was awarded the MSE contract. E-Net is now providing wholesale access to the MAN fibre network as a commercial operator. However, the infrastructure assets will remain in state ownership.

The Minister is informed by the Department of Communications, Marine & Natural Resources that the availability of competitively priced international bandwidth is very important to attracting ICT foreign direct investment to Ireland, such as Google, eBay, etc, as well as retaining the existing ICT companies in Ireland, which as a sector contribute significantly to the Irish economy.

### **3. Department of Enterprise, Trade and Employment – Vote 34; and Chapter 11.1**

- *Departments should have a procedure to ensure that all required Statutory Instruments are put in place at the appropriate time.*

The recommendation is accepted. The Minister for Finance is advised by the Department of Enterprise, Trade & Employment that procedures were put in place to ensure that the specific oversight referred to in the Comptroller and Auditor General's 2002 report in relation to the Companies Registration Office would not re-occur and similar procedures have recently been extended to the wider Department.

The Minister for Finance has asked his Department to advise all Accounting Officers of the need to have procedures in place to ensure that all required Statutory Instruments are put in place at the appropriate time.

- *The availability of modern financial information systems in Departments should lead to more efficient administration of receipts and payments. Meaningful performance indicators should be introduced to monitor this in all Departments.*

The recommendation is accepted. The Minister for Finance is advised by the Department of Enterprise, Trade and Employment that it introduced a new financial management system during 2004 and that it is progressively using it to increase the efficiency of its payments and receipts processes.

The Department of Finance will bring to the attention of all Accounting Officers the need to ensure that the administration of receipts and payments is monitored so as to ensure efficiency.

- *The inspections of the Health and Safety Authority should primarily be organised on a risk basis but have a random element similar to the approach adopted for Revenue audits. Particular emphasis should be given to certain more dangerous work places such as construction sites and farms.*

The recommendation is accepted. The Minister for Finance is advised by the Department of Enterprise, Trade and Employment that the Health and Safety Authority's 2005 Programme of Work committed the Authority's proactive inspection and enforcement programme to focussing on achieving improvements in health and safety management in the high-risk sectors of mines and quarries, agriculture and forestry and construction. It also provides that a limited number of high-risk activities, together with health and safety management, will be targeted in each high-risk sector.

The Minister for Finance is further advised that in 2006, in order to make best use of its resources, the Authority is again prioritizing these same high-risk sectors for attention as well as the health services, local authorities and process industries. In addition, a number of inspections take place across all sectors at the discretion of HSA operations as well as dealing with urgent complaints received. This is a day-to-day matter for the HSA. The Authority is committed to achieving improvements in the high-priority areas of:

- Workplace health and safety management
- Workplace vehicle movements in all sectors
- Chemical safety, and
- Manual handling.

The Minister for Finance is informed by the Department of Enterprise, Trade and Employment that small employers will receive most inspections and those with a poor compliance record or who have been served with enforcement notices will be targeted for follow-up inspections and, where necessary, with enforcement action. A proactive inspection programme under the Safety, Health and Welfare at Work Act 2005 was developed and implemented. This included giving advice and information to employers and employees, and taking enforcement actions where necessary. A total of 13,549 inspections were carried out by the HSA in 2005, including 6,203 and 1,187 in the construction and agriculture sectors respectively.

The Minister for Finance is also advised that in September 2006, the Minister for Labour Affairs in the Department of Enterprise, Trade and Employment signed new revised Construction Regulations, the purpose of which are to prescribe the main requirements for the protection of the safety, health and welfare of persons working on construction sites and to give further effect to Council Directive 92/57/EEC3 on the minimum safety and health requirements at temporary or mobile construction sites. These Regulations are designed to clarify and strengthen the general duties of all parties as regards securing occupational safety, health and welfare in construction work, including those of Clients, Project Supervisors, Designers, Contractors and Employees.

The Minister for Finance is informed that in September 2006, a new Code of Practice for the Agriculture Sector was launched. Compliance by farmers employing 3 or less employees, with the Code will obviate the need for completion of the Safety Statement required by the Safety, Health and Welfare at Work Act 2005.

#### 4. Competition Authority Accounts 2002 and 2003

- *The Competition Authority should undertake a programme of work that reflects public concerns about the extent of price-fixing in the economy.*

The recommendation is accepted. The Minister for Finance would however wish to point out that it is developments such as the expansion of the EU and consequently of the Single Market, as well as the rapid development of internet commerce which are amongst the principal factors leading to increased competition, which is in turn the most effective deterrent to price fixing.

The Minister is advised by the Department of Enterprise, Trade and Employment that the Competition Authority already devotes in excess of 50 per cent of its resources to its enforcement functions and since publication of the Committee's report the Authority has, through the Director of Public Prosecutions, secured criminal convictions arising from its investigation into a major price-fixing cartel in the home heating oil sector in the West of Ireland. These are the first criminal convictions in the EU. The Minister is also advised that a separate investigation into alleged price fixing in the motor trade led to the prosecution in January of this year of a person charged with aiding and abetting a price fixing cartel, resulting in his being given a 12 month suspended sentence and a fine of €30,000.

The Minister for Finance is also advised that the Authority's Strategy Statement 2006 – 2008, published in January 2006, takes on board the Committee's recommendation and reflects the increased resources allocated to the Authority since the Committee's report.

- *The balance between advocacy and enforcement of the work of the Authority needs to be kept under review.*

The recommendation is accepted. The Minister for Finance is advised by the Department of Enterprise, Trade and Employment that the Competition Authority reviews its activities regularly as reflected in its annual work programmes. About 25% of the Authority's resources are devoted to advocacy, whereas in excess of 50% are allocated to enforcement. Sanction was given in 2006 for seven additional posts to work on enforcement. Recruitment to these seven new positions was completed in February 2007.

Reflecting the provisions of Section 30 of the Competition Act 2002, however, the Authority's advocacy work is also very important. The Minister for Finance is further informed that identifying State restrictions on competition across a range of markets has immense impact and is as important to consumers as detecting a cartel operation in a particular market. Advocacy is less resource-intensive than investigative enforcement work, a point recognised by the Committee in its report: hence the devotion of considerably more resources to enforcement. The Authority has confirmed that it will bear the Committee's recommendation in mind in striving to keep the balance right.



- ***Consideration should be given to possible changes in the competition legislation to improve the operating environment of the Authority.***

The question of possible changes in legislation is a policy matter for consideration by the Minister for Enterprise, Trade and Employment. The Minister for Finance is advised that the Department of Enterprise, Trade and Employment is monitoring the appropriateness of the legislation on an ongoing basis and the committee's recommendation will be borne in mind in that context.

## **5. Department of Environment, Heritage and Local Government – Vote 25; and Chapter 6.1**

- ***The Department of the Environment, Heritage and Local Government should exercise greater care in framing annual estimates of expenditure under EU – aided grant programmes.***

This recommendation is accepted. The Minister for Finance has been informed that in framing the Estimates for the Urban and Village Renewal Scheme the Department of the Environment, Heritage and Local Government's priority was to ensure adequate funds were available to match the likely contribution from the EU. He accepts that in so doing the Department of the Environment, Heritage and Local Government acted reasonably and prudently in the light of the circumstances then prevailing. The Minister for the Environment, Heritage and Local Government accepts that in framing estimates for schemes co-financed by the EU, the Department should take proper account of all factors, including the likely starting time for EU funding. The Minister for Finance has been informed by the Department of the Environment, Heritage and Local Government that the principal causes of slower than anticipated expenditure were delays related to the start-up stage of the EU co-funded measure for Urban and Village Renewal. Estimates for the Scheme were framed having regard to operational programme profiles and the imperative to ensure that the Exchequer provision was sufficient to garner maximum EU co-financing under N+2 criteria. In the event, activity progressed at a slower rate than anticipated leading to some shortfalls in expenditure when compared to provision. Delays have now been overcome and expenditure has significantly caught up with projected spend.

- ***The Department of the Environment, Heritage and Local Government should conduct an expenditure review of the scheme to determine the extent to which the scheme objectives are being met and the justification for the continued allocation of public moneys in this area.***

This recommendation is accepted. The Minister has been informed by the Department of the Environment, Heritage and Local Government that the programme will be subject to an expenditure review to determine the extent to which the scheme objectives are being met and to evaluate the justification for its continuance in a non-co-financed context.

**6. Department of Environment, Heritage and Local Government – Vote 25;  
and Chapter 6.2**

- *The Department of the Environment, Heritage and Local Government should take advantage of the new accounting systems in local authorities to improve its oversight of local finances.*

This recommendation is accepted. The Minister for Finance is assured by the Department of Environment, Heritage and Local Government that it agrees that the new financial management system in local authorities should be used both to improve financial management in the local authorities themselves and to improve that Department's oversight of local finances. The Minister is assured that both processes are in train.

- *The Local Government Audit Service should ensure that its skills base and audit approach are constantly updated by reference to best practice in the sector.*

This recommendation is accepted. The Minister is assured by the Department of Environment, Heritage and Local Government that it, and the Local Government Audit Service, acknowledge that as with all auditing functions, public and private, the knowledge and skills base of the Local Government Audit Service must be continually updated by reference to best practice and that such a process is an ongoing one in that Service.

## 7. Environmental Protection Agency Accounts 2002

- *The Department of the Environment, Heritage and Local Government should consider the widest possible application of the polluter pays principle in arranging for the funding of the EPA.*

This recommendation is accepted. As regards the polluter pays principle, the Minister is informed by that Department that the Committee's recommendation has largely been implemented. Income from Integrated Pollution Protection and Control (IPPC), and waste licensing fees and monitoring charges has increased in recent years as the EPA seeks to match income more closely to the expenditure involved, reflecting the polluter pays principle. Income from these sources reached €7.85 million in 2005 compared to €7.44 million in 2004, €6.84 million in 2003 and €5.66 million in 2002.

- *The EPA should ensure that the charge levied on persons making an objection does not act as an impediment to those who have genuine concerns in relation to the environment.*

**This recommendation is accepted. The Minister is informed that the fee charged by the EPA in respect of third party objections to Integrated Pollution Protection and Control licences was set at £100 (€127) under the Environmental Protection Agency (Licensing Fees) Regulations 1994 and has not been increased since then. The corresponding fee set by regulation in 2004 in respect of waste licences is €200. While the Minister is advised by the Department of the Environment, Heritage and Local Government that it does not consider that the level of the fees acts as a deterrent to potential objectors, the Regulations concerned enable the EPA to refund part of such charges. A reduced fee for objections is payable by certain specified bodies, including An Taisce.**

- *Penalties for serious infringements of environmental legislation should be set at a level that will act as a meaningful deterrent.*

This recommendation is accepted. In relation to penalties, the Minister understands from the Department of Environment, Heritage and Local Government that the Committee's recommendation has been implemented. The level of penalties available to the courts under the Environmental Protection Agency Act 1992 was reviewed in

the context of the drafting of the Protection of the Environment Act 2003. For summary convictions, the penalty was increased to €3,000 (the maximum level permissible bearing in mind Constitutional constraints) plus up to twelve months' imprisonment and for conviction on indictment to €15 million and/or ten years' imprisonment.

- ***The level of prosecutions and the methods of enforcement available need to be kept under review.***

This recommendation is accepted. The Minister is informed by the Department of the Environment, Heritage and Local Government that the Committee's recommendation in relation to levels and methods of enforcement has been substantially implemented through the new focus that is being brought to all aspects of enforcement on foot of the establishment of the Office of Environmental Enforcement in Autumn 2003.

- ***Better co-ordination is needed between the EPA and local authorities in the matter of waste / pollution licensing and the granting of planning permission.***

The legal framework governing the Integrated Pollution Prevention and Control and waste licensing systems, including their interface with the planning code, was restated in the Protection of the Environment Act 2003. Any change would be primarily a matter for the Minister for the Environment, Heritage and Local Government and the Minister is informed by that Minister that there are no proposals, at this stage, to amend the current arrangements but the situation is kept under ongoing review.

- ***The Department should develop an action plan to work with local authorities to swiftly increase the infrastructure to support household recycling.***

This recommendation is accepted. The Minister is informed by the Department of the Environment, Heritage and Local Government that it works closely with local authorities in relation to provision of recycling infrastructure. A major investment in recycling infrastructure has been made in recent years with around €90 million being allocated from the Environment Fund towards over 100 recycling projects, ranging from bring banks to composting facilities. In addition, that Department provides financial assistance to local authorities towards operational costs of recycling facilities. By the end of 2005, the official EPA figures, published on 11 January 2007, showed that there were 1,937 bring banks and 81 civic amenity centres around the country, an increase of 301 (18.4%) and 32 (65.3%) respectively over the end 2002 position.

## 8. Value for Money Report on Television Licence Fee Collection

- *Alternative licence collection systems based on tried and tested arrangements in other countries should be given serious consideration.*

The Minister for Finance accepts the recommendation of the Committee. The Minister has been advised by the Department of Communications, Marine and Natural Resources that considerable research has been undertaken on television licence fee collection systems in other countries, in particular in the UK, to assist in the formulation of proposals relating to the television licence elements of the proposed Broadcasting Bill.

- *If it is decided to renew the arrangement with An Post, it should be governed by a multiyear framework agreement that would encourage An Post to invest in the licence collection business.*

The Minister for Finance accepts the recommendation of the Committee. The Minister has been advised that the Minister for Communications, Marine and Natural Resources has asked RTÉ to take the lead in managing the television licence fee collection contract with An Post. A new RTÉ company, RTÉ Licence Collections Ltd (RTÉLC) has been established for this purpose. A 2006-2007 Contract for Television Licence Fee Collection was agreed for An Post in 2006. This is the first multi-annual contract agreed with An Post and will forward a template for future contracts. It is intended that a further multi annual contact will be negotiated to commence in 2008. The Minister for Communications, Marine and Natural Resources will continue to retain overall responsibility for policy issues relating to licence fee collection.

The Department of Communications, Marine and Natural Resources has informed the Minister that it is of the view that there is merit in agreeing a multi-annual contract in particular with a view to ensuring the necessary investment in IT systems. The Department of Communications, Marine and Natural Resources has already committed to co-fund IT investment in An Post's systems. In 2005, the Department of Communications, Marine and Natural Resources commissioned consultants to prepare a report on the current systems in place in An Post and the estimated cost of updating and modernising these. Implementation of the recommendations contained in the consultants report is now a matter for RTÉ and An Post in consultation with the Department of Communications, Marine and Natural Resources.

- *Any new agreement should make separate provision for pursuing evaders.*
- *Determined action needs to be taken against persistent evaders to ensure compliance.*

The Minister for Finance accepts the Committee's recommendations. The Minister understands that the Department of Communications, Marine and Natural Resources places a high priority on reducing the level of evasion. To date the approach adopted has included:

- initiatives aimed at making it easier for people to pay for their television licence (i.e. monthly direct debits, a dedicated TV licence call centre, etc)

- incentivising An Post through the collection contract by paying a higher collection fee where An Post exceeds specified targets
- targeted campaigns.

RTÉ will have the lead role in agreeing future contracts with An Post. Through its very active engagement in the Liaison Group that oversees all aspects of the television licence fee collection, RTÉ is aware of the measures that have already been introduced and the further proposals being considered to pursue evaders. The terms of the contract with An Post will reflect the fact that reducing the level of evasion is a high priority.

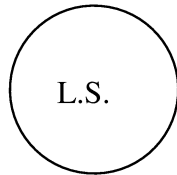
The Minister for Communications, Marine and Natural Resources will consider measures, including raising the level of existing fines associated with the television licence enforcement regime, in the context of the development of the draft general scheme of the Broadcasting Bill.

### 9. Office of Public Works – Chapter 3.2

- *Companies acquired by public bodies in the course of property dealings should be wound up once their purpose has been served in order to avoid incurring nugatory expenditure in complying with legislative requirements.*

The Minister for Finance accepts the Committee's recommendation. He has been assured by the Commissioners of Public Works that the Committee's recommendation regarding the use of companies acquired in the context of property purchases will be implemented.

Given under the Official Seal of  
the Minister for Finance on  
this, the fifth day of April,  
2007.



David Doyle  
Secretary General  
Department of Finance