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Minute of the Minister for Finance
on the Fifth Interim Report of the Public Accounts Committee on the 2003
Report of the Comptroller and Auditor General - Teagasc; Department of
Agriculture and Food; and Department of Community, Rural
and Gaeltacht Affairs

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 Fifth Interim Report of the Committee of Public Accounts on the 2003 Report of the Comptroller and Auditor General - Teagasc; Department of Agriculture and Food; and Department of Community, Rural and Gaeltacht Affairs.

Your attention is drawn in particular to Recommendation 1.ii and to the response of the Minister for Finance. Bodies under the aegis of your organisation should also take note of the Committee's recommendation.

Mise le Meas

David Doyle
Secretary General

To: All Accounting Officers

Minute of the Minister for Finance
on the Fifth Interim Report of the Public Accounts Committee on the 2003
Report of the Comptroller and Auditor General - Teagasc; Department of
Agriculture and Food; and Department of Community, Rural
and Gaeltacht Affairs

The Minister for Finance has examined the Committee's 2003 Report and has taken account of all of its findings and in relation to the specific recommendations the Minister's response is as follows:

1. Teagasc – 2003 Accounts

i. The Teagasc internal auditor and the members of the audit committee should meet from time to time without the director of administration also being present.

The recommendation is accepted. The Minister for Finance is informed by the Department of Agriculture and Food that this recommendation is being implemented by Teagasc.

ii. State organisations with significant property portfolios should be aware of the fair value of their property assets and in the interests of transparency should consider reflecting those fair values in their financial statements in accordance with generally accepted accounting practice.

The Minister accepts this recommendation. He notes that in the private sector, the question of the re-valuation of assets such as building and lands is not an automatic one, and the practise varies considerably. Nevertheless, he agrees that accounts which are prepared on the basis of accrual accounting should, on the basis of professional advice, regularly review the value of assets in the ownership of the body concerned and incorporate an appropriate up-to-date valuation in the balance sheet and accounts generally. The Minister will bring the Committee's recommendation to the attention of Accounting Officers and request that they inform bodies under the aegis of their organisation to take note of the Committee's recommendation.

iii. The ethical conduct required of public servants should be communicated to all staff and management should put in place a framework for monitoring compliance.

The Minister accepts this recommendation. He is very aware of the importance of ensuring that public servants are aware of the ethical standards required of them in the course of their official duties. The *Civil Service Code of Standards and Behaviour* and the *Code of Practice for the Governance of State Bodies* provide the ethical framework for the conduct of business by public servants. Additionally, the disclosure of interests of public officials and the prohibition of performing a function where a conflict of interests exists are provided for by the framework established by the *Ethics Acts*.

Civil Service Code of Standards and Behaviour

The *Civil Service Code of Standards and Behaviour* was promulgated in September 2004 pursuant to the Standards in Public Office Act 2001. The code sets out a clear ethical framework within which civil servants must work, and sets out the principles that govern the behaviour of civil servants and the values the civil service espouses. It forms part of all civil servants' terms and conditions of service.

Department of Finance circular 26/04 requires that a copy of the Code be given to every civil servant, including every new entrant. Staff are required to sign an acknowledgement that they have read and noted the contents of the Code and this acknowledgement must be returned to the Personnel Officer and placed on their personnel file.

Department of Finance letter of June 2006 to personnel officers concerning *Training for all staff in relation to the Civil Service Code of Standards and Behaviour*, requires, in addition to compliance with circular 26/04, that Departments/Offices ensure the Civil Service Code of Standards and Behaviour forms part of the training of new entrants and be included in the course content of induction courses.

Code of Practice for the Governance of State Bodies

The *Code of Practice for the Governance of State Bodies* requires all State bodies to have written Codes of Business Conduct for Directors and Employees. That document helps formulate and develop these codes by providing a suggested framework for a code of business conduct for all directors and employees of State bodies. The code for employees, a copy of which should be given to every employee, embrace such matters as duty to the State body, avoidance of conflict of interest, limits on outside activities, acceptance of gifts and honesty in dealings.

To ensure that these requirements are met by boards, each Chairperson is obliged to confirm the Code of Practice is being complied with, when presenting their annual report and accounts to their parent Minister.

Ethics in Public Office Acts

Public bodies are prescribed for the purposes of the Ethics Acts, under the framework established by the Ethics in Public Office Act 1995 and the Standards in Public Office Act 2001 (i.e. the '*Ethics Acts*').

The Ethics Acts provide for the designation for the purposes of those Acts of the directors of prescribed public bodies as 'designated directors' and for the designation of positions of employment therein as a 'designated positions of employment'. The latter includes all positions of employment, the maximum salary for which is not less than the maximum salary of a civil service Principal Officer, as well as other designated positions that typically interface with the commercial sector.

The Ethics Acts require both designated directors and occupiers of designated positions of employment to furnish annual statements of interests. Where no interests exist a nil statement is requested. Designated directors must also furnish a copy of their statements to the Standards in Public Office Commission.

Where a designated director or occupier of a designated position of employment (or a person connected to him / her) who would normally exercise a function has, to his / her actual knowledge, a material interest in a matter to which that function relates, he or she must furnish a statement in writing of the facts to the person nominated to receive such statements. In order to avoid a conflict of interest, he or she must not perform that function unless compelling reasons to do so exist. Then, in that situation, he / she must furnish a written statement of the compelling reasons to the person nominated to receive such statements. For designated directors, such statements must also be furnished to the Standards in Public Office Commission.

The Department of Finance has a procedure for updating annually the lists of prescribed public bodies and for ensuring that changes in the designation of directorships and positions of employment of these bodies are accurately recorded. This ensures that the remit of the Ethics Acts is kept up-to-date, and has been welcomed by the Standards in Public Office Commission in its annual report. As part of this procedure, the Department of Finance asks departments to confirm each year in respect of all prescribed public bodies under their aegis, that the bodies concerned remind all designated directors and occupiers of designated positions of employment of their obligations under the Ethics Acts.

iv. Consideration should be given to amending the Comptroller and Auditor General (Amendment) Act 1993 to allow the Comptroller and Auditor General more flexibility in discharging his reporting.

The Minister for Finance has considered the proposal and is satisfied that the Comptroller and Auditor General (Amendment) Act, 1993 provides an appropriate framework in which the Comptroller and Auditor General can draw attention to issues of internal financial control that do not materially affect his audit opinion. It would be open to the Comptroller and Auditor General in future supplements to Audit Reports to include an introduction explaining the context in which the supplement is provided and its relationship to the overall audit opinion.

v. Departments and all State organisations should note that there is a requirement to carry out a specific review of internal financial control to support the statement of internal financial control issued with the Appropriation Accounts or annual financial statements.

The Minister for Finance agrees with the recommendation. A letter was issued by the Head of the Finance Directorate in the Department of Finance on 23 February 2006 to all Accounting Officers conveying a statement on internal financial controls to be signed by Accounting Officers for inclusion with the 2005 Appropriation Accounts. This statement included the following text: "Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review".

2. Agriculture and Food – Vote 31; and Chapters 11.1 and 11.2

i. The Department of Finance should review and update the references in the public financial procedures to the use of escrow agreements in order to avoid any possibility of their use to avoid a surrender of funds.

The Minister for Finance agrees that escrow accounts should not be used to avoid a surrender of funds. The Public Financial Procedures Review Group has been asked to consider the Committee's recommendation as part of its work programme, which is aimed at publishing a revised Public Financial Procedures manual.

ii. The Department should ensure, prior to decentralisation, that key resource and skill levels are maintained in all sections that re-locate.

The Minister for Finance is informed by the Department of Agriculture and Food that, as part of the planning process for decentralisation, that Department drew up a 'Risk Assessment and Management' Plan. This plan outlined the main identifiable risks arising from decentralisation and the mitigating actions which will need to be taken, paying particular attention to staffing issues which would arise due to the loss of experienced staff and the shortfall of staff volunteering for posts. The main mitigating actions that the Department identified are as follows:

- The replacement of staff in key management posts in Dublin by officers with commensurate ability, experience and, in certain cases, equivalent scientific and other qualifications and expertise.
- Adequate overlapping for all incoming staff with existing personnel and comprehensive training – duration will vary according to the posts.
- The phased introduction of the new staff into the Department over a period of years and flexibility in relation to staff numbers and budgets for that time.
- The creation and establishment of a satisfactory verification process, aimed at ensuring that all the required mitigating actions have been successfully implemented and the maximum safeguards are in place in respect of each work area before it is re-located.

Nevertheless, there are significant challenges that need to be managed to ensure a smooth relocation. The Department of Agriculture and Food will continue to work with the Department of Finance and the Decentralisation Implementation Group in resolving any issues that will arise.

iii. Efficient methods of redeploying surplus staff should be adopted in order to eliminate the incidence of staff being paid for doing no work.

The Minister for Finance agrees with the recommendation. The Department of Finance is fully committed to proactively pursuing all possible avenues to ensure that surplus staff are redeployed as efficiently and as quickly as possible. Department of Finance officials actively monitor progress on redeployments through regular meetings with Personnel Section at the Department of Agriculture & Food and the Department of Finance has issued clear instructions to all Government Departments and Offices outlining a range of options for the utilisation of these surplus staff. These measures included an instruction to Departments and Offices that they must fill provincial office vacancies in the first instance from local Department of Agriculture & Food surpluses, that they should explore the possibility of using these staff for 'advance parties' for proposed decentralisation moves, and that they should consider assigning long term or short term blocks of work to Agriculture & Food staff to be discharged in their current locations.

Other initiatives brought forward to reduce the surplus include: the Government decision of 22 February 2005 to redeploy civil servants to carry out administration work for the Gardai; the establishment of the Garda Information Services Centre in Castlebar (PULSE); and redeployment of surplus staff in Castlebar to the Revenue Commissioners.

Significant progress is being made as a result of the various redeployment options being taken up by Departments and Offices:

- Transfers of blocks of work – e.g. Department of the Environment to Ballybay & the Property Registration Authority to Roscommon;
- Decentralisation advance parties to Claremorris (OPW), Tubbercurry (Department of Community, Rural & Gaeltacht Affairs);
- Staff for the Garda Headquarters in Thurles, the Civil Defence in Roscrea; the Garda HR Unit in Navan, and the Private Security Authority being set up in Tipperary;
- Driver-testers for Department of the Transport.

Between May 2004 and the end March 2007 over 300 surplus staff have been successfully redeployed from local offices and Castlebar as a result of the initiatives referred to above. Efforts are continuing to redeploy the remaining surplus staff as soon as possible. The Minister for Finance has been assured by the Department of Agriculture & Food that while awaiting redeployment, remaining surplus staff are being gainfully employed on essential work in the area of Cattle Movement Monitoring, dealing with outstanding issues in relation to old livestock schemes and certain measures relating to the continuing implementation of the Single Payments Scheme.

**3. Department of Community, Rural and Gaeltacht Affairs
-Vote 27; and Chapter 3**

i. The objectives, targeted results and funding priority for the RAPID programme should be more precisely documented.

The Minister for Finance accepts this recommendation.

The Minister for Finance is advised by the Department of Community, Rural and Gaeltacht Affairs that a formal evaluation of the RAPID Programme was published in June 2006. The report indicates that, in general, the experience of the RAPID programme has been positive. The report found that the programme has made substantial progress in identifying the needs of disadvantaged communities and in implementing important local projects in response to locally identified needs. A number of weaknesses, consistent with the concerns expressed by the Committee, in the delivery of the programme were identified, pertaining to strategic planning, limited implementation of the programme in a small number of areas, the interaction of some State agencies in some areas and difficulties in identifying sources of funding for some projects.

The report recommends enhanced monitoring structures, the adoption of annual work programmes and improved corporate and business planning in agencies to prioritise RAPID areas for investment. As co-ordinator of the programme, the Department of Community, Rural and Gaeltacht Affairs has initiated a process with the various stakeholders to implement these recommendations.

In addition, the Minister for Finance is advised by the Minister for Community, Rural and Gaeltacht Affairs that a new funding mechanism, the RAPID Leverage Fund, was introduced in 2004, which supports small-scale local actions through co-funding with other Departments/Local Agencies. This fund, which is administered by the Department of Community, Rural and Gaeltacht Affairs, allows many small-scale actions to be dealt with more effectively at local rather than at central level.

ii. A proper control and accountability framework should be developed for the administration of community grants above a specific level.

The Minister for Finance accepts this recommendation.

The Minister for Finance is advised by the Department of Community, Rural and Gaeltacht Affairs that once-off community grants were listed in the 2004 Appropriation Accounts of the Department of Community, Rural and Gaeltacht Affairs along with payments to groups providing ongoing programme services under contract to the Department. The latter programme payments, which are substantial, have and will continue to be subject to regular audit and control and inspection arrangements, as specified under contract and proper to the Community and Local

Development Programmes. However, the listing of programme payments alongside the once-off grants did not adequately reflect the underlying differences in the scale of funding and controls between the two programmes. In the interests of greater transparency, programme payments have been listed separately to once-off grants since 2005 onwards.

With regard to the once-off community grants themselves, it should be noted that the great majority of these (70 per cent) were less than €5,000, with some as low as €100 in 2004. Up to and including that year, payments of such grants were made in full and in advance, on the basis of subsequent provision of vouched expenditure. In response to concerns raised by the Committee, the Minister for Finance is informed, that the Department of Community, Rural and Gaeltacht Affairs now pays such grants, following a public applications and competitive process, as follows:

- For grants of up to €10,000, 90 per cent is paid on receipt of a signed contract/letter of offer, with the balance of 10 per cent paid retrospectively on the basis of full vouched expenditure.
- Grants of over €10,000 are paid in three instalments of 50 per cent on receipt of a signed contract/letter of offer, a further 40 per cent on receipt of an expenditure report for the first instalment and 10 per cent retrospectively on the basis of full vouched expenditure.

Eligibility for grants in future years is also contingent on compliance in this regard.

iii. Consideration should be given, on a local authority by local authority basis, to having a single group managing both Leader and Partnership programmes.

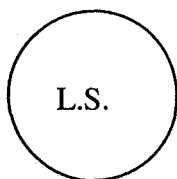
The Minister for Finance is advised by the Department of Community, Rural and Gaeltacht Affairs that this recommendation is accepted.

The Minister for Finance is also advised by the Department of Community, Rural and Gaeltacht Affairs that, arising from the review process conducted by the Minister for Community, Rural and Gaeltacht Affairs in conjunction with his colleagues, the Ministers for Environment, Heritage and Local Government and Justice, Equality and Law Reform, the Government agreed a series of measures in January 2004 designed to improve delivery of services on the ground, improve arrangements under which community and local development initiatives are delivered, and improve cohesion and focus across various measures. Following from the Government decision, the development of integrated LEADER/Partnership structures that achieve full county and city coverage and eliminate the possibility of overlap and duplication of service delivery has been a key priority.

The Minister for Finance is advised by the Department of Community, Rural and Gaeltacht Affairs that as of March 2007, 72 LEADER and Partnership groups across 25 local authority areas and in the Gaeltacht have agreed cohesion plans and steering committees have been established to oversee the transition to the new arrangements. The Minister for Community, Rural and Gaeltacht Affairs expects that the remaining

local authority areas will follow suit in the immediate future. When the alignment process has been completed, it is expected that there will be less than 60 groups delivering integrated local development programmes (including rural development, where relevant). This compares with the situation as of January 2004, where there were 106 groups operating, of which only 12 were providing local and rural development programmes on an integrated basis.

Given under the Official Seal of
the Minister for Finance on this
the 18th day of April, 2007.



David Doyle
Secretary General
Department of Finance