



**An Roinn Airgeadais  
Department of Finance**

Sráid Mhuirfean Uacht,  
Baile Átha Cliath 2,  
Éire.

Upper Merrion Street,  
Dublin 2,  
Ireland.

Teileafón / Telephone: 353-1 676 7571  
Facsimhler / Facsimile: 353-1 678 9936  
Glao Áitiúil / LoCall: 1890 66 10 10  
<http://www.irigov.ie/finance>

F7/03/07

25 April 2007

**Circular 16/2007**

**Minute of the Minister for Finance  
on the Committee of Public Accounts - First Interim Report for 2004 -**

**MediaLab Europe**

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 on the Committee of Public Accounts' First Interim Report for 2004 - MediaLab Europe.

Your attention is drawn, in particular, to the response to the Committee's sixth and seventh recommendations, which states that Departments should determine, on the basis of the particulars in each individual case, the appropriate level of access to the accounts and records of non-governmental bodies in receipt of significant state funding.

Mise le Meas

---

David Doyle  
Secretary General

**To: All Accounting Officers**

**Minute of the Minister for Finance**  
**on the Committee of Public Accounts - First Interim Report for 2004 -**

**MediaLab Europe**

- i. While acknowledging that new forms of arrangements may be necessary to enable the State to facilitate the development of research capabilities, those arrangements should be based on full risk assessment, appropriate corporate governance, detailed monitoring procedures and the supply of information.**

The Minister for Finance fully accepts this recommendation. In the specific case of ICT research, the Department of Communications, Marine and Natural Resources has indicated to the Minister for Finance that valuable lessons have been learned from the MediaLab Europe experience, including as detailed by the Committee's findings, and that these considerations have been factored into the contractual agreement surrounding the newly established National Digital Research Centre (NDRC). In establishing the NDRC, best practice in terms of corporate governance, monitoring and evaluation procedures, risk assessment as well as ensuring adequate information access and flow have all been carefully incorporated. Similarly appropriate measures of control have been factored into legal agreements surrounding the NDRC in order to enable the State to strategically adjust the project if needed and ultimately cease financing in the event of underperformance. Payments to the NDRC will also be dependent on satisfactory performance in line with pre-defined targets and deliverables.

The Minister has also been informed by the Department of Enterprise, Trade and Employment that it fully endorses this recommendation, insofar as it is relevant to its role in promoting R&D investment. The relevant agencies under the aegis of that Department i.e. Science Foundation Ireland, Enterprise Ireland and IDA Ireland have vigorous and extensive appraisal, monitoring and evaluation processes in place for the awarding of grants. All research programmes are developed and operated in compliance with best principles in relation to the appraisal and management of capital expenditure.

The monitoring and oversight of the development of research initiatives by the relevant agencies is further facilitated through the work of Technology Ireland (TI). In line with the recommendation of the Strategy for Science, Technology and Innovation 2006-2013 (SSTI), TI was established with participation from Enterprise Ireland, IDA Ireland, Science Foundation Ireland and Forfás to drive the enterprise recommendations and bring coherence to the enterprise dimension of the Strategy.

Ensuring that appropriate governance structures are put in place for new research centres will be further informed by recent research undertaken by Forfás (due to be published in Q2 2007), outlining appropriate options and models for the governance of collaborative research initiatives in Ireland.

The Minister for Finance has also been informed by the Department of Education and Science that it also accepts this recommendation and that all new arrangements, including the elements of the Strategy for Science, Technology and Innovation, which fall under the responsibility of the Department of Education and Science, will comply with the recommendation. The most recent new arrangement for facilitating the development of research capabilities under the Department of Education and Science is the Programme for Research in Third Level Institutions (PRTLTI). This programme is subject to very strict assessment, including risk assessment, and applicants are required to outline the governance, management and administrative structures used for the proposed projects/programmes. Detailed monitoring procedures and information requirements also apply in the case of that Programme.

***Recommendations (ii) to (v)***

- ii. In major projects financed by State grants, payments should be linked to the achievement of performance targets.**
- iii. The State's partners in high risk ventures should underpin their participation with appropriate financial contributions.**
- iv. In the case of substantial State investment, a robust structure for protecting the State's interest and securing public accountability should be developed and should not be compromised in the course of negotiation. Expressing the State's contribution merely as an inducement is inappropriate.**
- v. Contractual arrangements should ensure that the State is in a position where it can have a measure of control to enable it to reshape the project and, if necessary, stop the financing in the event of serious underperformance.**

As these recommendations are of a general nature, the following is a composite response.

The Minister for Finance accepts the above recommendations. He would point out that the general conditions of Department of Finance's annual sanction to expenditure by Departments under the multi-annual capital investment framework, as set out in the Department of Finance's 2005 Capital Appraisal Guidelines, provide general protection in regard to the State's interest in the grant-aided funding of non-governmental bodies.

The Guidelines require *inter alia* that an appropriate contractual arrangement be put in place by Departments or their agencies, as appropriate, for all significant grants of public funding to private companies and individuals or community groups relating to the State's interest in the asset. In such cases they should, in particular, have in place a written contract to safeguard the Exchequer's interest in the event of a change of ownership. The contractual provisions should also provide for the repayment of such grants where the terms are not adhered to and in the event of sale of the asset. Finally the Minister for Finance intends to issue consolidated guidance to Departments and

Agencies in relation to capital grants to non-Governmental bodies and would intend that these guidelines should encompass the specific issues raised in the Committee's recommendations.

**vi. Where significant State funding is being made available, the terms of agreement should provide for access by the supervising Department and the C&AG.**

**vii. The existing inspection provisions in the legislation governing the C&AG should be reviewed with a view to overcoming the access problems encountered in this case.**

As these recommendations raise similar issues, the Minister for Finance has addressed them together.

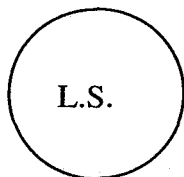
The Minister is aware of the difficulties encountered by the Comptroller and Auditor General in accessing the 2004 accounts and records of MediaLab Europe and appreciates the concerns raised by the Committee.

In relation to access by supervising Departments, the Minister would point out that under existing procedures, Departments entering into agreements with private sector contractors involving State funding are obliged to apply Public Financial Procedures and adhere to his Department's Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector. Departments must be satisfied that the costs and benefits of projects are fully appraised before agreements are concluded. The issue of the appropriate level of access which Departments may have to the accounts and records of the private sector partner should be determined by the supervising Department on the basis of the particulars of each individual case.

In relation to access by the Comptroller and Auditor General to information held by private persons, the Minister would point out that Section 8.1(b) of the Comptroller and Auditor General (Amendment) Act, 1993, already gives the Comptroller and Auditor General access, under certain conditions, to the accounts and records for a financial year of persons in receipt of state funding that amounts to not less than fifty per cent of their gross receipts in that year.

In addition, as part of the DIRT enquiry, the Comptroller and Auditor General was empowered through the Comptroller and Auditor General and Committees of the Houses of the Oireachtas Act (Special Provisions) Act, 1998 and by resolution of Dáil Éireann to appoint an independent auditor to access information about the accounts of private individuals held by financial institutions.

Given under the Official Seal of  
the Minister for Finance on this  
the 25<sup>th</sup> day of April, 2007.



David Doyle  
Secretary General  
Department of Finance