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**Circular 9/2008**

**Minute of the Minister for Finance  
on the Committee of Public Accounts - Ninth Interim Report on the 2003 Report  
of the Comptroller and Auditor General - Department of Communications,  
Marine and Natural Resources; and Office of Public Works**

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 - Ninth Interim Report on the 2003 Report of the Comptroller and Auditor General - Department of Communications, Marine and Natural Resources; and Office of Public Works.

Your attention is drawn, in particular, to the Committee's third and fourth recommendations in the first part of the Minute and its second recommendation in the second part of the Minute.

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David Doyle  
Secretary General

**To: All Accounting Officers**

**Minute of the Minister for Finance**  
**on the Committee of Public Accounts - Ninth Interim Report on the 2003 Report**  
**of the Comptroller and Auditor General - Department of Communication,**  
**Marine and Natural Resources; and Office of Public Works**

The Minister for Finance has examined the Committee's 2003 Ninth Interim Report and has taken account of its findings. In relation to the Committee's recommendations, his response is as follows:

**1. Marine Tourism Grant Aided Projects**

- i. Ministers and Accounting officers should ensure that the principles underlying the Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector are applied to all capital projects undertaken by the State.**
- ii. As the guidelines represent best practice they should only be set aside for formally stated reasons, for example, for social or public good.**

The Minister for Finance agrees with and welcomes these recommendations, which emphasise the importance of the full application of his Department's Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector ('Capital Appraisal Guidelines') of February 2005. These guidelines apply to all Sponsoring Agencies in the public sector. A Sponsoring Agency may be a government department, local authority, health board or other state body or agency. It is the responsibility of each sanctioning authority to draw up its own procedures, applicable to its area of control, and to ensure that bodies under its aegis follow the procedures laid down by it.

The Minister for Finance has taken steps to underpin the application of the Capital Appraisal Guidelines. Adherence to the Guidelines is a condition of the annual sanction from the Department of Finance for capital expenditure by departments under the multi-annual capital investment framework introduced in 2004. In addition the Minister for Finance established a Central Expenditure Evaluation Unit in 2006 with responsibility, inter alia, of checking on compliance by departments with the Guidelines.

The preface to the Guidelines does contain provision for exemption to their application on social or public good grounds. Specifically:

"In arriving at policy decisions on either investment programmes or individual projects, Ministers have to take all relevant factors into account – the economic costs and benefits associated with programmes or projects are not the only relevant factors. For example, some social or public good expenditure may have little or no economic impact e.g. the purchase of a national heritage site.

Nothing in these guidelines should therefore be taken as precluding Government or Ministers under the delegated sanction arrangements set down by the Minister for Finance from deciding to approve projects independent of the detailed application of

these guidelines. Such decisions still require Departments to ensure that best practice as regards public financial procedures generally in terms of ensuring that necessary terms and conditions are applied to secure full accountability and transparency for the funds concerned.”

While many of the principles in the 2005 Capital Appraisal Guidelines would be relevant in the case of grants to private bodies and community groups, the Minister for Finance asks the Committee to note that he intends to issue consolidated guidance to Sponsoring Agencies and sanctioning authorities in relation to capital grants to non-governmental bodies and would intend that these guidelines should encompass issues raised in the case of these projects.

The Department of Communications, Energy and Natural Resources informs the Minister for Finance that it fully accepts the above recommendation, the Department of Communications, Energy and Natural Resources has introduced additional measures in relation to capital projects to ensure that the principles underlying the 2005 Department of Finance Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector, are applied or that the reasons for non-application, as referred to in the Foreword to the Guidelines, for example, for social or public good, are clearly documented and approved.

**iii. Independent certification that planning conditions have been complied with should be obtained before grant aid is paid.**

The Minister agrees that financial control systems should not rely on certification by grant applicants that expenditure has been incurred in accordance with the relevant planning permissions. The Minister will bring the Committee’s recommendation to the attention of Accounting Officers.

The Department of Communications, Energy and Natural Resources informs the Minister for Finance that it fully accepts the above recommendation in respect of all capital projects.

**iv. Conditions set out in scheme approvals need to be followed up to ensure compliance.**

The Minister for Finance agrees with the Committee’s recommendation and will bring it to the attention of Accounting Officers. Ensuring compliance with the conditions under which grants are given is an important element of Departments’ financial control systems.

The Minister for Finance is informed by the Department of Communications, Energy and Natural Resources that it fully accepts the above recommendation. The Department would add that there are no plans for any further scheme for grant aid for marinas to be operated by the Department.

The subhead on Marine Tourism was retained as a nominal subhead in the 2007 Revised Estimates Volume produced by the Department of Finance.

**General Recommendations:**

- v. **Every effort should be made by the Department to streamline the processes of issuing foreshore licences and obtaining planning permission so that the administration of issuing grants in respect of coastal developments is speeded up.**
- vi. **The efficiency of the process of issuing foreshore licences should be monitored on an ongoing basis and the performance of the operation of the scheme should be reviewed and reported on regularly to ensure that it is operating effectively.**

The Department of Communications, Energy and Natural Resources informed the Minister for Finance that it fully accepts the above recommendations. The Department is fully aware of the need to address the issue of Foreshore consents from a customer service perspective and to comply with its normal responsibilities under legislation. It is also conscious of the need for ongoing review and evaluation of the licensing process both to protect the Foreshore from an environmental perspective and to maximise its commercial potential in the public interest

It should be noted that consequent on the last year's transfer of functions between certain Government Departments, the Department of Communications, Energy and Natural Resources no longer has responsibility for matters relating to the issue of foreshore licences. (The Government decided on 9<sup>th</sup> October 2007 that the functions related to the Foreshore Acts would be transferred to the Department of Agriculture, Fisheries & Food pending the enactment of primary legislation to allocate some of these functions to the Department of Environment, Heritage and Local Government). The Minister for Finance understands that the Department of Agriculture, Fisheries and Food has been made aware of the issues involved.

Following the enactment of the primary legislation and in line with the Government Decision responsibility for foreshore licensing functions under the Foreshore Act 1933 in respect of port companies and harbour authorities governed by the Harbours Acts 1946, 1996 and 2000, and any other harbour or harbour related developments intended for commercial trade, and for energy developments (including oil, gas, wind and tidal energy), and aggregate and mineral extraction developments on the foreshore will transfer to the Department of the Environment, Heritage and Local Government.

Responsibility for all other foreshore licensing functions under the Foreshore Act 1933, including in respect of all aquaculture developments and piers and harbours, other than in respect of port companies and harbour authorities governed by the Harbour Acts 1946, 1996 and 2000 and any other harbour or harbour related developments intended for commercial trade, will transfer to the Department of Agriculture, Fisheries and Food.

## **2. Office of Public Works – Kilkenny Flood Relief**

- i. Procedures should be put in place whereby figures are not submitted to the Minister for Finance or the appropriate line Minister until sufficient work is carried out to produce a reasonable estimate of costs.**

The Minister for Finance fully accepts this recommendation and agrees that all project implementing departments and agencies should implement it. He has been advised by the Commissioners of Public Works that they accept the recommendation.

On a point of information, the Minister wishes to refer to the Department of Finance Capital Appraisal Guidelines of February 2005, which are applicable to all departments and agencies and which provide that a detailed appraisal must be carried out for all capital projects, including a full cost benefit analysis for major projects above €30 million. It is a requirement of the guidelines that the appraisal should, amongst other things, list and address all the constraints facing the project. These would include costs, environmental/archaeological factors and the in-house capacity of the public body to undertake the detailed appraisal.

The capital appraisal guidelines also require that a project should not proceed to planning and implementation and that no commitment to finance a project should be made until a full appraisal has been carried out. If, during planning and implementation stages, changes in circumstances such as in project costs and timescale emerge, the implementing agency is required to review the project in the light of the project appraisal and to consider appropriate corrective action, including in exceptional cases the option of abandoning the project.

The guidelines prescribe that it is the sponsoring department/agency which is responsible for completing the project appraisal and securing the approval of the sponsoring authority.

- ii. State bodies should ensure that they put in place mechanisms for consulting adequately with all of the relevant interested parties prior to the commencement of major projects and should consider appointing one individual to deal with the resolution of problems arising during the course of those projects.**

The Minister for Finance agrees with the Committee's recommendation and will bring it to the attention of Accounting Officers.

The Minister for Finance has been advised by the Commissioners of Public Works that they accept the recommendation.

In relation to flood relief schemes, the Minister is advised by the Commissioners that a Resident Engineer is appointed for each scheme. The Resident Engineer is based on site for the duration of the scheme works and his/her role includes liaison with third parties and answering any day-to-day concerns or routine queries. In major or complex flood relief projects, additional staff resources can be assigned as required to assist with external relations.

**iii. The Committee would like to be informed of OPW projects that did not proceed following preliminary cost benefit estimates.**

The Minister for Finance is advised that, while the Commissioners of Public Works advise departments on costs in respect of cost benefit studies carried out by those departments in the context of their policy responsibilities, direct involvement by the Commissioners in such studies has been confined to their role in relation to flood relief.

The Minister is informed by the Commissioners that there have been a number of flood relief schemes which did not proceed following cost benefit analysis. Some notable examples include the schemes put forward in the South Galway Flooding Study Report (produced following flooding in South Galway in 1995), none of which were proceeded with as they all failed to meet the necessary economic criteria by not being economically cost beneficial.

The Minister is also advised that one of the phases of the flood relief scheme for John's River in Waterford City was omitted from the scheme because the proposed works had a negative cost/benefit ratio. This phase related to works on the Tramore Road.

A scheme for the Williamstown area in Co. Galway was rejected on cost/benefit grounds in 1997.

Given under the Official Seal of  
the Minister for Finance on this  
the 20th day of February, 2008



L.S.

David Doyle  
Secretary General  
Department of Finance