

DPE 022/37/2015

21<sup>st</sup> April 2016

**Circular: 10 /2016**

To: Accounting Officers

**Minute of the Minister for Public Expenditure and Reform in response to the  
Committee of Public Accounts Report on the Review of Costs Associated with Undelivered  
Capital Projects**

**A Dhuine Uasail,**

1. I am directed by the Minister for Public Expenditure and Reform to enclose, for your information and guidance, a copy of the Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Review of costs associated with undelivered capital projects


**Issues raised**

2. The Minute addresses a number of issues, including;
  - Risk Management Issues;
  - Project Management and Oversight; and
  - Accounting for Unintended Outcomes.

**Enquiries**

3. Enquiries in regard to this circular can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.

Mise le meas,



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Robert Watt  
Secretary General

**Minute of the Minister for Public Expenditure and Reform in response to the Committee  
of Public Accounts Report on the Review of Costs Associated  
With Undelivered Capital Projects**

The Minister for Public Expenditure and Reform has examined the Committee's Report and has taken account of its conclusions. In relation to the Committees recommendations, his response is as follows:

## **Chapter 1 – The National Paediatric Hospital**

### **Recommendation 1**

**A review of the project to build the National Paediatric Hospital should now be undertaken in accordance with the provisions of the Public Spending Code.**

The Minister for Public Expenditure and Reform notes this recommendation and would point out that all Government Departments, Local Authorities, the Health Service Executive, Public Bodies and all Bodies in receipt of public funding must comply, as appropriate, with the relevant requirements of the Public Spending Code.

The Minister understands that the Department of Health is conducting a post project review of the undelivered development of a new children's hospital at the Mater Hospital, with input from the HSE and the National Paediatric Hospital Development Board and external support from the Department of Public Expenditure and Reform (DPER) as required. The timescale for completion of this work is end June 2016.

## **Chapter 2 – Proposed New Prison at Thornton Hall**

### **Recommendation 1**

**A review of the Thornton project should now be undertaken in accordance with the provisions of the Public Spending Code, given the fact that solutions to the problems facing the system were delivered without the need for a new prison.**

The Minister for Public Expenditure and Reform notes this recommendation and would point out as per Recommendation 1 above, all Government Departments, Local Authorities, the Health Service Executive, Public Bodies and all Bodies in receipt of public funding must comply, as appropriate, with the relevant requirements of the Public Spending Code.

The Minister understands that in January 2015 a working group was established by the Secretary General of the Department of Justice and Equality to examine the options for the future use of the house and lands at Thornton Hall which would deliver best value for the State on its investment. As of April 2016, the work of the group is ongoing and its report is close to completion.

## **Chapter 3 – Review of Public Spending Code**

### **Recommendation 1**

The Department of public Expenditure and Reform should review the provisions of the Spending Code so as to ensure that reviews are mandatory in cases where a project is abandoned or where a significant lapse of time has occurred without the predicted outcome being delivered.

The Minister for Public Expenditure and Reform notes the recommendations of the Committee and will ensure that the issue of abandoned or lapsed projects will be examined in the next update of the Public Spending Code.

The Department of Public Expenditure is committed to updating the Public Spending Code from time to time where improvements can be made to ensure that it continues to reflect current best practice and remains relevant. In this context, it will consider how best to reflect the recommendation of the Committee in relation to abandoned projects.

The Public Spending Code currently includes specific guidance on how value for money should be considered during the implementation stage of a project, an important element of which is that spending Departments should monitor and assess changes in the broader environment that may impact on the project. It also highlights the need for updated evidence-based appraisal and evaluation at each stage of the project life cycle, and where particular issues arise, reviews should be carried out which translate lessons learned into changes in practice.

The Public Spending Code also indicates that termination of a project may be appropriate in some circumstances.



## Chapter 4 – Accounting for Unintended Outcomes

### Recommendation 1

A review of the Government Financial Procedures should be undertaken so as to ensure that decisions that give rise to impairments are fully reflected in the appropriation account of a public body. In addition, a review of the value of the lands at Thornton should take place and the outcome of that review should be reported to Dáil Éireann in the appropriation account of the Irish Prison Service.

The Minister for Public Expenditure and Reform notes the recommendations of the Committee and will ensure that the accounting treatment of fixed assets in circumstances where an asset impairment arises will be examined in the context of the next update of Public Financial Procedures.

Accounting in central Government Departments and Offices is operated on a cash based receipts and payments system. The existing basis for the presentation of the Appropriation Accounts showing the financial transactions of central Government Departments and Offices is conformity with the accounting rules and procedures laid down by the Minister for Public Expenditure and Reform.

Accounting rules for Government Departments and Offices are set out in Public Financial Procedures and relevant circulars issued by the Department of Public Expenditure and Reform. These rules require that departments disclose in a note to the Appropriation Account certain assets and liabilities including their value at the end of the financial year.

In the case of capital assets including land and buildings, the stated accounting policy is that the asset is valued at either:

- historical cost less the accumulated depreciation from the date of acquisition, or
- current value which is defined as the lower of replacement cost or recoverable amount.

The accounting treatment adopted by the Prison Service in this instance is in accordance with Public Financial Procedures.

The Minister understands that in January 2015 a working group was established by the Secretary General of the Department of Justice and Equality to examine the options for the future use of the house and lands at Thornton Hall which would deliver best value for the State on its investment. As of April 2016 the work of the group is ongoing and its report is close to completion.

Given under the Official Seal of the Minister for Public  
Expenditure and Reform on this the 21<sup>st</sup> day of April,  
2016.



L.S.

A handwritten signature in black ink that reads "Robert Watt". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Robert Watt

Secretary General

Department of Public Expenditure and Reform