



Northern Ireland Department
of Finance and Personnel
Memorandum on the 46th
Report from the Public
Accounts Committee Session
2005-2006

Presented to The House of Commons by the Secretary of State
for Northern Ireland by Command of Her Majesty

July 2006

© Crown Copyright 2006

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquires relating to the copyright in this document should be addressed to
The Licencing Division, HMSO, St Clements House,
2-16 Colegate, Norwich, NR3 1BQ.
Fax 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk

Contents

| | | |
|--------------|-------|--|
| <i>Pages</i> | 5- 15 | Department of Enterprise, Trade and Investment: Governance issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit |
|--------------|-------|--|

Glossary of Abbreviations

| | |
|------------------|---|
| C&AG | Comptroller and Auditor General |
| CPD | Central Procurement Directorate |
| DETI | Department of Enterprise, Trade and Investment |
| DFP | Department of Finance and Personnel |
| DTI | Department of Trade and Industry |
| EBT | Emerging Business Trust |
| Invest NI | Invest Northern Ireland |
| LEDU | Local Enterprise Development Unit |
| NIAO | Northern Ireland Audit Office |
| NDPB | Non-Departmental Public Body |
| OCPANI | Office of the Commissioner for Public Appointments for Northern Ireland |
| OFMDFM | Office of the First Minister and Deputy First Minister |
| PAC | Public Accounts Committee |
| TPO | Third Party Organisation |

Forty-Sixth Report

Department of Enterprise, Trade and Investment

Governance issues in the Department of Enterprise, Trade and Investment's former Local Enterprise Development Unit

Introduction

The Committee's report contains a number of references to "Third Party Organisations" (TPOs). Government uses a wide range of such organisations which are not in the public sector but many are in the voluntary and community sector. For the purposes of this response, TPOs have been taken to cover organisations which have been set up, and significantly funded, by a public body to deliver public services, or organisations being used as a vehicle for disbursing public funds to other recipients.

PAC Conclusion 1

One of the most depressing features of this case is that the taxpayer was let down by everyone in the chain of responsibility for ensuring proper conduct in relation to EBT. Departments must ensure that their NDPBs and any third party organisation funded by them observe the basic controls and procedures on which confidence in public administration depends. The Department allowed LEDU to operate year after year outside acceptable standards of public administration. This was a dereliction of its responsibility to ensure that the financial and other management controls being applied by LEDU conformed to the requirements both of propriety and good management.

The Department of Enterprise, Trade and Investment (DETI) accepts fully that there were serious shortcomings in the application of controls and procedures in relation to the role of the Local Enterprise Development Unit (LEDU) in the establishment and oversight of Emerging Business Trust (EBT), up to LEDU's abolition in March 2002. This led to EBT operating in a manner which fell far short of acceptable standards of public administration. DETI can assure the Committee that it takes very seriously its responsibility to ensure that the financial and other management controls applied to and by Non Departmental Public Bodies (NDPBs) and TPOs conform to the requirements both of propriety and good management.

Lessons have been learned from this and from previous Public Accounts Committee (PAC) reports involving NDPBs sponsored by DETI. As listed in paragraph 17 of the

C&AG's report, an extensive range of remedial action had already been undertaken. In addition to these actions, the following measures have been or are being implemented:

- The Departmental Accounting Officer's personal approval is now required before a new TPO can be established;
- A risk-based inspection regime of TPOs in DETI and its NDPBs, over and above that already undertaken by Invest NI, has been initiated;
- Corporate governance training is now mandatory for Board members of NDPBs;
- Internal Audit Service has undertaken a risk-based review of DETI's control arrangements for its sponsored bodies; and
- All DETI's NDPBs have Departmental representation on their Audit Committees.

DETI has drawn up an Action Plan to ensure that these measures and other undertakings given in this Memorandum are implemented effectively. The Departmental Accounting Officer will take a personal interest in monitoring progress against the Action Plan.

The Department of Finance and Personnel (DFP) agrees with the Committee that confidence in public administration depends on the implementation of basic controls and procedures and that departments must ensure that NDPBs and TPOs observe these controls. DFP has written to the Accounting Officers of Northern Ireland departments to highlight this and all other issues of general application raised by the Committee in its report.

PAC Conclusions 2 and 3

LEDU's problems resulted from a culture which seems to have had no respect for the proper conduct of public business. The new Accounting Officer referred to the 'arms length relationship' between the Department and its non-departmental public bodies (NDPBs) as an explanation for the problems encountered in LEDU. Although this relationship was seriously flawed, the Committee agree with the Assembly's PAC that the problems went beyond the structural framework to the very culture and ethos of these bodies. In another of the Department's NDPBs the Assembly PAC found "a culture of apathy, incompetence and lack of respect for proper procedures at the top of the organisation. Aspects of this culture appear to extend right to the heart of the Department itself." This judgement applies equally to LEDU. The Department and its NDPBs need to recognise the scale of the culture change that is necessary.

The Department now faces an enormous challenge to restore parliamentary and public confidence in its governance arrangements. Against this background it is not sufficient to try to do better, the Department and its NDPBs must aim to be beyond reproach. Northern Ireland is a relatively small society where close connections between senior civil servants and those who serve on Boards of public bodies is inevitable. In these circumstances it is particularly important to be sensitive to the need to avoid any perception of conflict of interest or impropriety. The Department must ensure that only the highest standards of ethics and propriety operate in bodies under its control.

DETI assures the Committee that it is firmly committed to the maintenance of the highest standards of ethics and propriety in the Department and in its NDPBs. The response to Conclusion 1 refers to the extensive range of remedial actions which have already been undertaken (a number following the December 2002 Memorandum of Reply to the Northern Ireland Assembly PAC) and the additional measures that are currently being implemented in pursuit of that objective. These are designed to place probity at the heart of the culture of the Department and its NDPBs. They are also aimed at avoiding a repetition of the serious shortcomings apparent in this case.

DFP and DETI agree with the Committee that it is particularly important to be sensitive to the need to manage effectively or, if necessary, avoid any perception of conflict of interest or impropriety. DFP has written to Accounting Officers to remind them of the guidance issued by the Office of the Commissioner for Public Appointments for Northern Ireland (OCPANI) and the need to identify and manage real or perceived conflicts of interest.

PAC Conclusion 4

We are in no doubt that the mishandling of this case could have been prevented if the advice in our report on the Proper Conduct of Public Business had been taken seriously by the Department of Enterprise, Trade and Investment. Departments need to ensure that PAC recommendations are fully communicated to those on the front line and are put into effect.

DETI assures the Committee that it attaches great weight to the Committee's 1994 report on the Proper Conduct of Public Business. DETI agrees with the Committee that the deficiencies identified in this case could have been avoided if the advice in the Committee's report had been followed. In June 2003, the Committee's report was re-circulated to senior DETI officials and to NDPBs and the report was circulated again in February 2006 with an instruction that officials bring it to the attention of TPOs for which they are responsible.

DFP circulates all the Committee's reports and Treasury Minutes to all NI departments and makes it clear that they, in turn, should ensure that the reports are given appropriate circulation within their own organisations and their sponsored bodies. DETI, in turn, ensures that appropriate reports and Treasury Minutes are circulated widely. In addition, findings and recommendations with specific application to DETI and its NDPBs are highlighted and brought to the attention of appropriate officials.

PAC Conclusion 5

This is a case where every one of Lord Nolan's seven principles of public life have been breached – Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. Mrs Townsley had accepted a number of positions of responsibility where a commitment to the principles of public service was essential. She is a Chartered Accountant and, therefore, required to operate within a framework of ethical standards laid down by her Accountancy Institute. Mrs Townsley's detailed comments, which were appended to the NIAO Report, fall far short of an adequate explanation for what was a disgraceful conflict of public and private interests. Where there is a perception of serious conflicts, it is not sufficient to declare them, they must be effectively dealt with or avoided altogether. Moreover, the timing and pricing of Mr Townsley's share purchase is profoundly disturbing and amounts to 'insider dealing'. The Department has referred these matters to the Department of Finance and Personnel to consider what action would be

appropriate. We thought it extraordinary that a view had not already been taken on this. In view of the serious nature of the issues involved we are sending a copy of our report to the Institute of Chartered Accountants in Ireland.

DETI understands the Committee's concerns and agrees that, where there is a perception of serious conflicts, it is not sufficient to declare them, they must be effectively dealt with or avoided altogether. DETI officials are fully cognisant of the issues raised in the Committee's report. DETI does not expect, in light of the report, to see a repetition of the breaches of Lord Nolan's seven principles of public life to which the Committee has referred. The public appointments process is designed to ensure that candidates for board membership are committed to the principles and values of public service and perform their duties with integrity. DETI's annual performance appraisals of Chairmen and Board Members specifically take into account probity and conflicts of interest, and the annual appraisal contains a declaration by the individual that they are committed to the principles of public life.

DETI shares the Committee's concerns about the serious conflicts between public and private interests that occurred in this case. It was in recognition of the serious nature of these issues that Invest NI engaged with the police, who ultimately considered that there was no basis for criminal proceedings.

In light of the seriousness of this case, DFP spoke to the Institute of Chartered Accountants in Ireland (the Institute), prior to the Committee's hearing, to make it aware of the C&AG's report and the forthcoming hearing. Immediately following the Committee's hearing, DFP formally wrote to the Institute to draw its attention to relevant issues raised during the evidence session and to provide it with a copy of the Northern Ireland Audit Office (NIAO) report. DETI and DFP note the decision by the Committee to send a copy of its report to the Institute.

PAC Conclusion 6

Departments have a duty to make certain that individuals appointed or re-appointed to Boards can demonstrate that they meet the probity principle, that is they are committed to the principles and values of public service and perform their duties with integrity. Departments must have a rigorous process to ensure that candidates for appointments to the Board of public bodies meet the high standards expected of them.

The Code of Practice issued by the Commissioner for Public Appointments in Northern Ireland requires departments 'to ensure that all candidates put to the Minister for approval meet the criteria and the standards required by the principle of probity'. The Code is itself underpinned by the Commissioner's seven principles of public life, one of which is probity: the Code states 'Board Members.... must be committed to the principles and values of public service and perform their duties with integrity'.

DETI assures the Committee that it applies the Code issued by the Commissioner for Public Appointments for Northern Ireland. This ensures that the potential for real or perceived conflicts of interest is rigorously probed at application, interview and, where appropriate, pre-appointment stages. OCPANI undertakes triennial audits of DETI's public appointments processes. The last audit report received in May 2003 found DETI to be in full compliance with the Commissioner's guidelines and commended DETI for the thoroughness of its public appointments procedures and adherence to the Code of Practice.

DFP agrees with the need for a rigorous process for appointments to the Boards of public bodies and with the need for departments to have robust processes in place to ensure that those appointed or re-appointed to Boards can clearly demonstrate that they meet the probity principle.

Although the Code is restricted to executive NDPBs and health and personal social services bodies, departments have agreed, as far as is practicable (and with due regard to proportionality), to apply the Code to all public appointments.

PAC Conclusion 7

It is unsatisfactory that files relating to Mrs Townsley's appointments to LEDU were destroyed while she was still active in public life. This case illustrates the importance of retaining these files well beyond the term of appointment. The Department of Finance and Personnel should take the lead in reviewing the retention policy in relation to appointment papers.

DFP accepts the Committee's recommendation and, in conjunction with the Public Record Office of Northern Ireland, has initiated a review of the retention of papers in relation to the appointment of Board Members with the aim of determining the appropriate period of retention. When this has been completed, DFP will write to NI departments to advise them of the outcome of the review and any actions required.

DETI recognises the Committee's concerns. The files relating to Mrs Townsley's appointments to LEDU were destroyed in accordance with the Department's file retention policy as approved by the Public Record Office of Northern Ireland. DETI assures the Committee that it will fully adhere to any new file retention policy that may be introduced, and will not destroy any files relating to public appointments pending the outcome of the review.

PAC Conclusion 8

Departments must also regularly assess the performance of Board or Audit Committee Members and put in place procedures which enable their prompt removal where there is, for example:

- a lack of competence;
- failure to observe the probity principle; or
- an unmanageable conflict of interest.

It is also important that departments share information in a joined-up way to ensure that where there are concerns about the performance or probity of any Board Member this is taken into account in relation to any other public positions which they hold or may apply for.

DFP agrees with the Committee's view on the need for a process of regular assessment of Board and Audit Committee Members and for clear procedures to be in place to address unsatisfactory performance.

DFP also agrees with the Committee on the importance of departments being made aware of concerns about the performance or probity of any Board Member. The Office of the First Minister and Deputy First Minister (OFMDFM) maintains a database of all public

appointees and this can provide useful information for departments who wish to confirm if an individual holds or has held other public appointments. DFP and OFMDFM are considering the most appropriate mechanism for allowing appointing departments to seek information, in the form of a reference or additional check, from bodies on which candidates hold, or have previously held, an appointment, whilst taking into account the implications of data protection legislation.

DETI has a process in place for annual performance appraisals of Chairmen and Board Members. All performance appraisals are fully recorded and documented. The documentation includes a section covering Probity/Conflict of Interest and a declaration by the individual that they are committed to the principles of public life. DETI welcomes the action taken by DFP in relation to the sharing of information, and assures the Committee that it will comply fully with any new procedures.

PAC Conclusion 9

The Department should make compliance with the Code of Practice, issued by the Commissioner for Public Appointments for Northern Ireland, a condition of funding of third party organisations. The Department told the C&AG that Northern Ireland departments are required to follow the guidance issued by the Office of the Commissioner for Public Appointments for Northern Ireland. This guidance extends to Executive NDPBs, Health and Personal Social Services Bodies and, by agreement, to advisory bodies and tribunals but does not apply to third party organisations such as EBT, which are entirely publicly funded. We are sending a copy of our report to the Commissioner for Public Appointments for Northern Ireland.

DFP notes that the Committee has sent a copy of its report to the Commissioner for Public Appointments in Northern Ireland. The Northern Ireland Treasury Officer of Accounts has met with the Commissioner to ensure that she is apprised of all the relevant facts and to discuss the implications of the Committee's recommendation for the wider public sector.

As noted in the response to Conclusion 6, the Code of Practice issued by the Commissioner does apply, as far as is practicable (and with due regard to proportionality), to all public appointments. Similarly, compliance with the Code will be a condition of future offers of funding to TPOs.

PAC Conclusion 10

There are some conflicts of interest that cannot be managed; they can only be dealt with by being avoided altogether. Avoiding unmanageable conflicts not only provides reassurance to the public that decisions taken in public bodies are entirely based on what is in the public interest but protects individuals from any suspicion of bias. Public money should not be committed to any project where an unmanageable conflict of interest exists. For example, when investing in loan or venture funds, Departments and NDPBs should ensure that it is a requirement of funding that consultants acting as managers of the funds should not hold shares or directorships in companies supported by the funds. There should also be a bar on managers undertaking any consultancy work or providing financial services in client companies. These points should have been self evident; it is disappointing that it is necessary to spell out these details for the Department of Enterprise, Trade and Investment.

DETI agrees entirely with the Committee that some conflicts of interest are unmanageable and can only be dealt with by being avoided altogether. DETI accepts fully that public money should not be committed to a project where an unmanageable conflict of interest exists.

Other venture capital funds to which DETI and Invest NI have contributed funding are structured with strong supervisory boards. These boards have a remit which includes oversight of situations that might give rise to conflicts of interest, so that they may either be effectively managed or, if this is impossible, avoided altogether. To further emphasise the independence of the fund manager role, all future legal agreements establishing venture capital funds to which DETI and its NDPBs contribute funding, will contain an express prohibition on the fund manager, or any staff employed by the fund manager, holding shares in private investee companies. It will also be forbidden for a fund manager to charge fees for services provided to investee companies beyond those set out in the tender which resulted in the award of the contract to manage the fund. It is, however, standard practice in the venture capital industry for the fund manager to hold directorships in investee companies. Consequently, no change is proposed to this essential mechanism which protects the investors' interests and adds value to the companies concerned.

DFP agrees with the Committee's conclusion that certain conflicts of interests cannot be managed and therefore should be avoided altogether; this is in line with OCPANI guidelines. It furthermore agrees that public funds should not be committed to any project where an unmanageable conflict of interests exists. As noted in response to Conclusion 1, DFP has already taken action to bring these important issues to the attention of departments.

PAC Conclusion 11

We recognise the valuable voluntary contribution Board Members make to public life in Northern Ireland but their reputations, as well as the public interest, need to be protected through effective training in their public responsibilities. It is deeply disappointing that, in this case, LEDU did not provide guidance or training to EBT Board Members on conflicts of interest. The Department must take responsibility for ensuring that their own staff, Board Members of NDPBs and third party organisations understand the high ethical standards to which they are required to operate through guidance, education and training, particularly induction training. For Board Members this should include training on their role and responsibilities, including the level of engagement required and the need to exercise a challenge function. Moreover, we want to make it absolutely clear that public bodies have an obligation to safeguard the position of those appointed to public office by ensuring that proper controls and procedures are in place.

DETI shares the Committee's views regarding the valuable contribution made to public life in Northern Ireland by individuals who put themselves forward to sit on boards of public bodies. DETI regrets that the Board Members of EBT did not receive guidance or training which may have assisted them to recognise the conflicts of interest that arose during the period of LEDU oversight up to March 2002.

DETI completely accepts its responsibility for ensuring that its staff, and Board members of NDPBs and TPOs, understand the high ethical standards to which they are required to operate. Officials in DETI and its NDPBs that use TPOs constituted with Boards of Directors (or equivalents), have been asked to bring the Cabinet Office Code of Best

Practice for Board Members to their attention with a request that they draw up Codes of Practice based on the Cabinet Office model.

DFP agrees with the Committee on the need for Board Members to have appropriate training in order to enable them to undertake their role more effectively, as well as to offer them the protection to which the Committee refers. All new Board Members of public bodies in Northern Ireland are now expected, as a condition of their appointment, to undertake appropriate training within six months of taking up their position. DFP is considering how a requirement for TPO board members to receive training may best be met.

DETI agrees fully that Board Members require training in their public responsibilities. To this end DETI requires new Board Members of NDPBs to attend corporate governance training within six months of their appointment. This requirement also extends to existing Board Members who have not received corporate governance training. DETI welcomes the consideration that DFP is giving to the provision of training for board members of TPOs.

PAC Conclusion 12

The Department did not exercise an appropriate level of control over the NDPBs for which it was responsible and did not ensure effective oversight of third party organisations funded by its NDPBs. Three venture funds which received financial support from the Department and its NDPBs were investing in a single company, raising the concern that there may be an overlap and duplication of business activities among its other third party organisations. The Accounting Officer's decision to personally approve the setting-up of any new third party organisations by any of the NDPBs for which he is responsible is a welcome move. The Department of Finance and Personnel should ensure that all Northern Ireland departments follow suit. The Department should provide an assurance that each third party organisation meets a specific and continuing need, there is no wasteful duplication of effort and that the audit arrangements are robust.

DETI acknowledges that the balance between operational delegation and Departmental control and oversight of NDPBs and TPOs was unsatisfactory. This was acknowledged in the December 2002 Memorandum of Reply to the Assembly PAC in respect of its report on the Tourist Board, following which arrangements were strengthened. Paragraph 17 of the C&AG's report and the response to Conclusion 1 sets out the remedial action that has already been undertaken and which is proposed to address the shortcomings that occurred during the period covered by the report.

Specifically in relation to TPOs, Invest NI has undertaken a risk based inspection programme of the books and records of 28 TPOs. DETI has initiated a risk based review of TPOs which are funded by it and by its other NDPBs. This review will also cover the effectiveness of the oversight arrangements which sponsor organisations have put in place, and the robustness of the audit arrangements. In addition, DETI will examine the continuing need for each TPO and whether there is any duplication of effort between TPOs.

DETI welcomes the Committee's acknowledgement of the Accounting Officer's decision that his personal approval is required to the setting-up of any new TPOs.

DFP agrees with the Committee's view that departmental Accounting Officers should personally approve the setting up of new TPOs.

PAC Conclusion 13

It is worrying that the blatant conflicts of interest and other major control weaknesses in this case were not detected by the auditors of LEDU (Deloitte and Touche) or EBT (McClure Watters). It is important that these matters are brought to the attention of the relevant professional body and this Committee informed of the outcome.

DFP has written to the Institute of Chartered Accountants of Ireland to bring these matters to its attention. In turn, the Institute has referred the matter to the Investigation and Discipline Board, part of the Financial Reporting Council. The Committee will be informed of the outcome of the Institute's deliberations once they have been finalised.

PAC Conclusion 14

It emerged in evidence that the unsatisfactory way in which EBT was established was somehow related to the fact that the project was initiated by the International Fund for Ireland and only partly funded by LEDU. The Committee want to make it absolutely clear that when a public body is involved in jointly funding a project, the fact that the funding is shared, in no way diminishes the Accounting Officer's absolute responsibility to ensure regularity, propriety and value for money.

DETI agrees that the Accounting Officer has an absolute responsibility to ensure regularity, propriety and value for money in relation to public funds that DETI and its NDPBs contribute to jointly funded projects.

PAC Conclusion 15

The Committee was astonished at the award of a three year rolling contract to MTF for the consulting services it provided to EBT. The use of rolling contracts for consultancy services in the public sector or publicly funded bodies is most unlikely to deliver value for money. The Department of Finance and Personnel should issue guidance on this.

DFP and DETI agree that it was inappropriate in this case to award a rolling contract. DFP and DETI also agree with the Committee's conclusion that the use of rolling contracts for consultancy services is unlikely to deliver value for money. DFP's Central Procurement Directorate (CPD) has circulated draft guidance which advises that the use of rolling contracts is not regarded as best practice. Formal guidance will issue in due course.

PAC Conclusion 16

EBT was engaged in high risk loan and share activities. There was no private sector money involved in this project to share the financial risks, yet it was structured as a limited company and placed outside the annual scrutiny of Parliament's auditors. We welcome the fact that legislation is in hand to provide for the C&AG to audit companies. In our view, it would be an important safeguard against the control failures we have seen if such companies were audited by the C&AG.

DETI fully recognises the Committee's concerns. The Audit and Accountability (Northern Ireland) Order 2003 provides the C&AG to have access to information for the purposes of audit and examinations. To reinforce this, DETI has ensured that Letters of Offer to TPOs contain an express right of access for the C&AG, and welcomes the

current legislative programme which will provide for the C&AG to audit limited companies which are NDPBs or subsidiaries of NDPBs. The legislation is scheduled to come into effect during 2007.

PAC Conclusion 17

We found it surprising that the possibility of civil proceedings in relation to the fast-track Arcom loan, and other matters, including the payment of fees for managing loans which had already been written-off, had not been considered. The Department needs to ensure that this is addressed. We noted that the fast track loan was guaranteed by the Department of Trade and Industry's scheme. We would like to be informed whether all the relevant facts, including conflicts of interest were disclosed to the Department of Trade and Industry.

DETI notes the Committee's comments. Emerging Business Trust and Emerging Business Trust Venture Fund Ltd are now in insolvent liquidation and any civil proceedings will fall to the Liquidator. The Department has drawn the Committee's comments to the attention of the Liquidator.

MTF Chartered Accountants, on behalf of EBT, submitted both an EBT Application Form and a Small Firms Loan Guarantee Scheme Application form to the Department of Trade and Industry (DTI). The EBT Application Form referred to the shareholding of Michael Townsley and his directorship in Arcom. There is, however, no evidence on the face of the papers that DTI was informed of any link or potential conflict of interest relating to Michael Townsley.

In relation to the trading position of Arcom, the Small Firms Loan Guarantee Scheme Application Form contains confirmation that the lender (EBT) had evaluated the viability of the borrower's application which "...includes the information specified by the Secretary of State...". It is further indicated on the Application Form that relevant audited and management accounts were on file. This is in accordance with the agreement between the lender (EBT) and DTI relating to the operation of the scheme, which does not require the submission of accounts to DTI.

DTI was informed by Invest NI of all the circumstances surrounding the Arcom case prior to the PAC hearing on 13 February 2006.

PAC Conclusion 18

A clear message needs to be sent to senior public officials that any disregard for the proper conduct of public business is a serious disciplinary offence and will not be tolerated. The Department should provide details of the disciplinary action taken in the EBT case and inform the Committee of the outcome when the case is concluded.

DFP agrees with the Committee that it is important that senior public officials conduct public business in accordance with agreed procedures and protocols, that any disregard for these will not be tolerated, and that any breaches will be treated as a disciplinary offence.

The Northern Ireland Civil Service Staff Handbook which also incorporates the Northern Ireland Civil Service Code of Ethics, which apply to all civil service grades, sets out the accepted standards of conduct and values and professional standards which civil servants are expected to apply.

DFP has written to departments to remind them of the required standards of all senior public servants and to inform them of the consequences of a serious breach of these standards.

DETI has provided the Committee with a confidential note setting out details of the disciplinary action taken in the EBT case to date and will provide the Committee with an update when the case is concluded.

PAC Conclusion 19

The Department has taken a long time to deal with EBT and the other investigations. It is important that the three ongoing investigations are brought to a conclusion as soon as possible so that lessons can be learnt and applied throughout departments. The Committee do not wish to be in this situation ever again. The Department should provide a report of the outcome of each investigation as it is concluded together with the findings of the Liquidator's report into EBT. In order to be satisfied that incomplete investigations are being expedited, the Committee want to see a progress report in six months.

DETI notes the Committee's comments. The length of time required to deal with EBT, with the ongoing investigations and with company inspections reflects the complexity of the issues which require to be thoroughly investigated. DETI agrees that the ongoing investigations should be brought to the earliest possible conclusion so that lessons can be learnt and applied throughout departments. The Committee's comments have been brought to the attention of the EBT Liquidator, the police and DETI's Business Regulation Division which deals with company inspections.

DETI will provide the Committee with a note setting out the outcome of each investigation as it is concluded and will provide the Committee with the findings of the Liquidator's report into EBT.

DFP will ensure that any lessons of general application to the wider public sector that emanate from these investigations will be circulated to departments for appropriate action.



Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 702 3474

E-mail book.orders@tso.co.uk

Telephone: 0870 240 3701

TSO Bookshops

123 Kingsway, London, WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Square, Parliament Square,
London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-168792-3



9 780101 687928