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Subject: Additional Departmental Audit Committee Papers
Date: 07 September 2010 11:52:43
Attachments: [Agenda Item 05 - Synopsis RTTCWG \(Management Letters\).DOC](#)
[Agenda Item 09 - Synopsis Valence PAC Action Plan.DOC](#)
[Agenda Item 09a - Valence PAC Recommendations Action Plan Updated 26 05 10 \(2\).DOC](#)
[Agenda Item 16 - Synopsis DETI HQ Risk Management OAS Paper.DOC](#)
[Agenda Item 16a - DETI HQ Risk Management OAS Report June 2010.DOC](#)
Importance: High

Dear all

Apologies - I forgot to send the attachments - here we go now!

Dear all

Please see attached outstanding papers for the forthcoming Departmental Audit Committee meeting which will take place on Thursday 9 September. These papers relate to the following agenda items:

Synopsis Paper for Agenda item 5 (NIAO Reports to Those Charged with Governance)
Synopsis Paper and Action Plan for Agenda item 9 (Valence Technology PAC Action Plan)
Synopsis Paper and DETI Risk Management/Quarterly Assurance Report for Agenda item 16 (Risk Management and Quarterly Assurance Reports)

Regards
Carol

Carol Donnelly
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**TITLE OF PAPER: NIAO REPORTS TO THOSE CHARGED WITH GOVERNANCE
2009-10**

Papers presented by: Trevor Cooper and NDPB Representatives

KEY ISSUES

DETI

- Two priority one, seven priority two and three priority three issues have been raised in the DETI Management Letter.
- One of the priority one issues related to the provision of a “closing” report to PAC on the Novatech company inspection. This has been actioned. The other priority one issue related to the assessment of the revenue implications caused by the delay in implementing the EU Hydrocarbons Directive. The NIAO recommendations in this area have also been actioned.
- DETI’s responses are contained in the attached “Report to those charged with Governance”

INVEST NI

- One priority one, fourteen priority two and three priority three issues were raised in the Invest NI Management Letter.
- The priority one issue relates to the Register of Interests which is maintained for Invest NI’s employees. NIAO has recommended that the Register of Interests should include landholdings. Invest NI is currently finalising revised guidance on this issue which will be finalised in the next few weeks.

NITB

- Four priority two and five priority three issues were raised in the NITB Management Letter.

HSENI

- One priority two and two priority three issues were raised in the HSENI Management Letter.

GCCNI

- The Management Letter has not yet issued as GCCNI’s accounts have not yet been finalised.

DECISION REQUIRED

- To note issues raised by NIAO.

ACTION REQUIRED

- Commitments given to NIAO to be actioned.

TIMESCALE

- Ongoing

DEPARTMENTAL AUDIT COMMITTEE: 9 SEPTEMBER 2010

TITLE OF PAPER: VALENCE PAC REPORT – ACTION PLAN

Paper presented by: Mel Chittock

BACKGROUND

PAC held an evidence session on 18th June 2009 to consider the case of Valence Technology, an inward investment project offered support by IDB in 1993.

A detailed Memorandum of Reply was completed in response to the 20 recommendations from PAC. A corresponding action plan, see attached, addresses responses to the 20 recommendations.

KEY ISSUES

- The Action Plan included in the papers contains details of the twenty recommendations and subsequent actions as a result of the PAC hearing.
- Invest NI's Board Audit Committee will monitor progress on points 1 to 19.
- Proposed actions to implement the recommendations have been categorised across a number of categories of policy/guidance, training and process
- Action point 20 relates to ensuring jobs from inward investment projects provide opportunities for people from areas of economic and social disadvantage. This is a policy matter that should be considered by the Dept given that the Committee recommended that targets be set.

Valence PAC Recommendations Action Plan

Valence PAC Recommendations Action Plan

Received from DFE on 05.05.2017
Annotated by RHI Inquiry

Valence PAC Recommendations Action Plan

Sections

1. [The Project Appraisal Recommendations 1 – 10](#)
2. [The Provision of Factory Accommodation Recommendations 11 – 12](#)
3. [The Monitoring and Management of the Project, Recommendations 13 – 17](#)
4. [The Costs and Benefits of the Project, Recommendations 18 – 20](#)

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The Project Appraisal Recommendations 1 – 10

Key to Action Classification

Red – Policy
Blue – Training
Green - Process

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No.	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Project Appraisal				
1	<p>One of the recurring lessons of past industrial development failures is that weak project proposals may well be accompanied by demands for quick decisions. It is a particular responsibility of senior management, therefore, to ensure that previous experience is not overlooked under the pressure to secure a project. The Committee recommends that Invest NI re-examines its control procedures to ensure that sufficient time is always devoted to project appraisals and that all aspects are thoroughly assessed, with any weakness properly addressed</p>	<p>DETI accepts this recommendation and concurs with the Committees view that it is the responsibility of senior management to ensure that previous experience is not overlooked under the pressure to secure a project, Invest NI's comprehensive review of the shortcomings identified in the Valence case will be reinforced by a series of training seminars at which Invest NI's Senior Management Team and other key personnel will be reminded of the importance of following internal procedures when considering the provision of financial assistance. In addition Invest NI has re-examined its control procedures and is content that application of the procedures set out in its operating manual will ensure that sufficient time and resources are devoted to project appraisals with all aspects of a project being thoroughly assessed and weaknesses properly addressed</p>	<ul style="list-style-type: none"> • Risk Assessment • RAM- introduce early stage risk assessment • Training/Communication <ul style="list-style-type: none"> • Staff Induction (including New Board Members) • PAC/Board Lessons - introduce annual or bi-annual session 	<p>By end of Quarter Two 2010-05-26</p> <p>Owner Brian Dolaghan & Damian McAuley</p>

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No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Project Appraisal				
2	The Committee recommends that when selective financial assistance projects are appraised in future, Invest NI insists on the provision of a credible Business Plans as an absolute requirement for manufacturing projects. The Committee also recommends that Invest NI reviews it procedures to ensure that in future, no selective financial assistance application will be recommended for support until the financial viability of the project can be satisfactorily demonstrated.	DETI accepts the Committee's recommendation. Invest NI has reviewed its procedures and is satisfied that they require the submission of appropriate Business Plans to support the appraisal of all manufacturing projects. Invest NI's procedures also require the financial viability of a project to be satisfactorily demonstrated before a selective financial assistance application will be recommended for support.	<ul style="list-style-type: none"> • Training – Client Executives • Review Business Plan Guidance 	<p>Owners Liam Hagan & Damian McAuley</p> <p>By June 2010</p>
The Project Appraisal				
3	In cases where the departmental economist expresses reservations about the test, these must be addressed and satisfactorily resolved by Invest NI. The Committee recommends that Invest NI reviews its appraisal procedures to ensure that assumptions used in RCA tests are realistic and that all factors are included	DETI accepts the Committee's recommendation. Invest NI has reviewed its appraisal procedures and can confirm they provide for the inclusion of all known factors that make up the Economic Efficiency Test, include the Resource Cost Analysis (RCA), and that assumptions and arguments put forward in making the economic case are adequately challenged. This is reinforced by following DFP guidance on economic appraisal and by the use of the Invest NI in-house economic expertise. Where appropriate, DETI, economists will also be involved in the process. Caseworks now include a substantially enhanced assessment of Economic Efficiency, including considerable narrative on the assessment of wider, non quantifiable benefits, as well as the standard RCA test that quantified the net financial return to the NI Economy	<ul style="list-style-type: none"> • Appropriateness of Economic RCA methodologies – I • Economists to attend casework over £1m 	<p>Owners SMP</p> <p>Target date to be agreed</p>

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The Project Appraisal				
4	The Committee recommends that where Invest NI is assessing the technical viability of a new product for a manufacturing project (as distinct from an R&D project), it insists on testing the proposed commercial product, not the prototype. The Committee further recommends that, in a situation where it proves impossible for Invest NI to objectively confirm the technical viability of the proposed commercial product, for example, through direct testing or via independent corroboration no offer of financial assistance be made.	DETI notes the Committee's recommendations. In the Valence case, an entity without previous volume manufacturing experience was attempting to bring a prototype tested in a laboratory into commercial mass production. DETI undertakes, in keeping with the Committee's findings on the Valence case, to apply the above approach in circumstances where the entity applying for financial assistance cannot demonstrate a track record of successful volume manufacturing. However, there are instances where established manufacturing entities, will as part of their normal new product process, incur significant expenditure in bringing a prototype to commercial fruition and decisions to offer financial assistance in these instances will be taken based on a risk return assessment. In DETI's view, the type of total restriction envisaged in recommendation 4 could prevent investment in development projects with entities demonstrating a strong manufacturing track record and thus would unduly restrict Invest NI's ability to secure internationally mobile manufacturing development projects from many of NI's leading industrial entities.	<ul style="list-style-type: none"> Risk assessment must weight the company track record and nature of the new product being brought forward. Utilisation of appropriate technical skills etc. in performing appraisals. 	<p>Note to be issued to CFAAD regarding technical availability</p> <p>Owners SMP</p>
The Project Appraisal				
5	The Committee recommends that, in future, the existence of the proposed commercial product be confirmed, as a necessary prerequisite to undertaking a production capability review	DETI notes the Committee's recommendation. As outlined in the response to Recommendation 4, the Valence case involved an entity without previous volume manufacturing experience attempting to bring a prototype tested in a laboratory into commercial mass production. Where the entity applying for financial assistance cannot demonstrate a track record of successful volume manufacturing, DETI undertakes to apply the Committee's recommendation. However, there are instances where established manufacturing entities will be engaged in bringing a prototype to commercial fruition and in such cases a production capability review may be undertaken in advance of a commercial product being in existence.	<ul style="list-style-type: none"> Recognise the appropriate intervention form for type of project. 	

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The Project Appraisal				
6	The Committee recommends that in cases where Invest NI negotiates a package of financial assistance with promoters who substantially dilute the ownership of the project, it carefully considers, and closely monitors, the effects of the change in structure on the management of the project.	DETI accepts the Committee's recommendation. Financial and project monitoring are integral parts of Invest NI's procedures. Such monitoring includes consideration of changes of company ownership and structure on the management of a project, insofar as they are likely to have a direct impact on project delivery.	<ul style="list-style-type: none"> • Specific question to be included in template monitoring forms. • Consideration of/inclusion of specific dilution clauses in the letter of offer 	<p>Complete</p> <p>Meeting to be set up by end of June 2010</p>
The Project Appraisal				
7	The Committee is most disturbed by the pattern of repeated failure to observe lessons agreed with PAC in the wake of previous industrial development disasters. We recommend Invest NI, ensures that, unlike IDB, commitments to previous PAC recommendations are implemented. PAC's role in holding government departments and agencies to account is an important element in the stewardship of public funds and undertakings given in response to PAC reports must be taken seriously and acted upon.	DETI notes the Committee's recommendation. Following Invest NI's review of this case, its senior management team has been reminded of issues arising from previous PAC hearings involving industrial development cases and asked to ensure that they are implemented where appropriated. DETI would wish to assure the Committee that both it and Invest NI recognise fully the important role played by PAC in relation to stewardship of public funds and are fully seized with the importance of ensuring that commitments given to PAC are acted upon. Within DETI, following each PAC hearing an action plan is drawn up to ensure that undertakings given in MOR are implemented effectively. Both the Departmental, and where appropriate, the relevant NDPB Accounting Officers, take a personal interest in monitoring progress against these action plans which are also monitored by relevant Departmental and NDPB audit committees.	<ul style="list-style-type: none"> • Introduce regular programmed training sessions specifically highlighting findings of PAC and Audit Office Reports with: <ul style="list-style-type: none"> - Board Members - SMT / TMT - CMs / CEs • Undertake review of guidance notes / operating policy against any PAC report findings on an annual basis 	<p>Content to be developed by June 2010.</p> <p>Training to be rolled out in September and going forward to be included in the annual training plan</p> <p>Owner Charles Hamilton Target Date September 2010</p>

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The Project Appraisal				
8	It is important that submissions to the Casework Committee are properly balanced, free from bias and that all relevant facts are included and given an appropriate level of prominence. The Committee recommends that senior management take a personal responsibility for ensuring that casework submissions meet these important requirements. We call on the Department to state clearly how this recommendation can be implemented.	DETI accepts this recommendation and shares the Committee's views on submissions to the Casework Committee. While already embedded in operating guidance and staff induction training, Invest NI's senior management team has been reminded of the importance of ensuring that submissions to the Casework Committee are properly balanced, free from bias and that all relevant facts are included and given an appropriate level of prominence. This message will further be reinforced through a series of training seminars currently being arranged for Invest NI's senior management and key staff. In addition, within Invest NI, submissions to the Board Casework Committee must now be reviewed and signed by a member of the senior management team.	<ul style="list-style-type: none"> • Training • SMT lessons of recent case study • Clarify guidance and ensure compliance with Director sign-off of case papers 	Implemented Board Casework are checked for signature
No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Project Appraisal				
9	It is a matter of deep concern that the Valence project exposed what appears to have been a management culture within IDB that acquiesced in ignoring and circumventing its own controls. No organisation can function effectively on that basis. The Committee recommends that Invest NI's Board reviews this case study and satisfies itself that there is an appropriate management ethos within the current organisation.	DETI notes the Committee's comments and assures the Committee that Invest NI is fully committed to the highest standards of management. The Invest NI Board has been provided with both the NIAO Report and the PAC report to consider the issues raised. The Board, working through its Audit Committee, has established a system of internal control which includes: an annual programme of Internal Audit Reviews; regular assurance reporting; a comprehensive system of risk management; and monitoring the implementation of recommendations contained in NIAO reports of those Charged with Governance. Regular assurance reporting within Invest NI now discloses details of significant internal control failures and these are, in turn, reported by the Invest NI Chief Executive to the DETI Accounting Officer. DETI & Invest NI are satisfied that there is a sound system of internal control and an	<ul style="list-style-type: none"> • Induction training new Board Members • Internal audit perform regular reviews of procedures – • Include a separate reference in the risk register to management of documentation of PAC lessons. 	<p>Training materials to be updated. Owner SMP. Target Date June 2010</p> <p>Specific action included in 10-11 IA work programme To be included in June 2010 Risk Register</p>

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The Project Appraisal				
10	The Valence project highlights a startling catalogue of shortcomings in the handling of a major inward investment project. The Committee recommends that Invest NI reviews each of the shortcomings highlighted in the case to consider how they might best be avoided in future cases. Its review should encompass not only the appraisal function , but also the various elements of project monitoring and management	DETI accepts the Committee’s recommendation. Invest NI has conducted a comprehensive review of each of the shortcomings highlighted in this case and believes that current guidance has evolved significantly in the key areas highlighted by the report. To further re-enforce the key lessons Invest NI is organising a number of training seminars for Invest NI’s senior management team and other key staff, where all the significant issues, including the importance of following internal procedures in relation to appraisal and the monitoring and management of projects will be highlighted. Invest NI has also requested DETI’s Internal Audit Service review the key control aspects of the appraisal and project monitoring procedures to ensure that lessons identified from the PAC hearing are adequately addressed.	<ul style="list-style-type: none"> • Training • Monitoring procedures policing SMT report • IAS review of monitoring system 	<p>Training to be developed by end of June</p> <p>SMT review to be implemented, compliance. Owner Damian McAuley</p> <p>Owner Brian Dolaghan. Ensure it is included in 11/12 work plan</p>

Valence PAC Recommendations Action Plan

The Provision of Factory Accommodation Recommendations 11 – 12

Valence PAC Recommendations Action Plan

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The Provision of Factory Accommodation				
11	The Committee wants both the Department and Invest NI to be in no doubt that it considers the lack of transparency in IDB's handling of the acquisition and adaption of the factory accommodation to be wholly unacceptable. The Committee recommends that Invest NI ensures the shortcomings in this case, together with the procedures that should have been followed, are fully understood by the staff currently serving in its property services unit.	DETI accepts this recommendation. Both DETI & Invest NI share the Committee's concerns regarding the acquisition and adaption of the factory accommodation in this particular case. Invest NI assures the Committee that staff currently serving in the property team fully understand the shortcomings identified in this case and are fully cognisant of the procedures that should have been followed. Invest NI always now takes the advice if DFP's Land and Property Services in relation to all land and property acquisitions and disposals.	<ul style="list-style-type: none"> Specific training of PSU re Lessons Learned 	Owner Steve Chambers Lessons learned session to be completed by September 2010
The Provision of Factory Accommodation				
12	The absence for explanations for the serious lapses in control surrounding the provision of the main factory is unsatisfactory. The Committee recommends that, in future, Invest NI maintains a record of all control failures. The Committee further recommends that where these failures are caused by negligence and result in significant additional costs or loss to public funds, disciplinary action is taken.	DETI shares the Committee's views regarding the absence of explanations for serious lapses of control surrounding the provision of the main factory. Regular assurance reporting within Invest NI now discloses details of any significant internal control failures and these are, in turn, reported by Invest NI Chief Executive to the DETI Accounting Officer. DETI notes the Committee's comments regarding disciplinary action and agrees that, in cases of proven negligence, appropriate disciplinary action will be taken and any instances will be considered on a case by case basis as appropriate.	<ul style="list-style-type: none"> Quarterly assurance statement to reference control failures and action taken – if appropriate 	In place

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The Monitoring and Management of the Project Recommendations 13 – 17

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No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Monitoring & Management of the Project				
13	The Committee recommends that Invest NI ensures its arrangements for releasing grants to projects are sufficiently rigorous to prevent payments being made until all pre-conditions of the assistance offer have been met.	DETI notes the Committee's recommendation. Invest NI's current procedures provide that pre-conditions must be met before grant is released. However, in exceptional circumstances and in recognition that entities operate in dynamic environments, it may become necessary to review or revise the conditions in light of changed circumstances. In recognition of situations like this, Invest NI has an authorisation procedure that requires any material change in conditions, including pre-conditions, to be resubmitted to the appropriate approval authority, including DFP and the Minister, before such an amendment can be made. Review of adherence to conditions is also an element of the programme of Internal Audit activity undertaken by the Department's internal audit function.	<ul style="list-style-type: none"> Include review of pre-conditions adherence through use of IAS 	Included in IAS 10-11 audit programme
The Monitoring & Management of the Project				
14	The Committee recommends that Invest NI reviews its monitoring arrangements for high risk projects to ensure that roles and responsibilities are always clearly stated; that they are allocated to an appropriate level; and that monitoring meetings take place regularly, are formally minuted and outcomes reported promptly to senior management.	DETI accepts the Committee's recommendation. Invest NI had reviewed its monitoring arrangements and a comprehensive system of monitoring, based on the overall level of financial exposure of public monies to any given organisation, is in place. This approach determines the frequency of monitoring activities unless there is a specific frequency or approach to monitoring stipulated by the Authorising Casework Committee. Details of all formal monitoring activities are recorded and entered on the Client Contact Management System which enables management to regularly review any slippage from agreed monitoring profiles. The monitoring approach is also subject to the programme of Internal Audit Review conducted by the Departmental Audit Function and Invest NI can confirm it is content with its current monitoring system.	<ul style="list-style-type: none"> Consider introduction of audit report re status of monitoring activities Consider introduction of MD sign-off of monitoring review for new FDI projects 	As per recommendation 10 SMP to introduce system

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No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Monitoring & Management of the Project				
15	The Committee recommends that where a matter arises in the course of a project, which reflects negatively on the integrity of an assisted company or its principals, a formal review is carried out by Invest NI and its deliberations recorded on file. The Committee also expects the points at issue to be formally raised with the parties concerned. As well as providing them with an opportunity to respond, it will send a clear signal that Invest NI is not prepared to ignore such matters and is monitoring the situation.	DETI accepts the Committee's recommendation. Litigation is now a regular feature of commercial life and the fact that a company is engaged in proceedings will not necessarily call its integrity, or that of its principal investors, into account. However, where Invest NI becomes aware of significant issues which reflect negatively on the integrity of an assisted company or its principals, it will carry out a formal documented review, raising issues with the parties concerned as appropriate. Invest NI has also amended its monitoring template to include a question specifically relating to this issue.	<ul style="list-style-type: none"> • Include question in monitoring template regarding whether any legal action has been taken or significant judgements made against the entity – if so consider and record actions taken • Update procedures accordingly 	Completed
The Monitoring & Management of the Project				
16	The Committee recommends that Invest NI takes a much firmer line than IDB in projects where there is a significant shortfall in performance. The Committee recognises that careful judgement has to be exercised on whether or not to continue supporting such a project. But where, for example, it departs significantly from the agreed plan, or is likely to fall short of its targets, Invest NI must reappraise the project and be prepared to renegotiate the offer including, where necessary, initiating claw-back	DETI accepts this recommendation. Invest NI's procedures currently include project monitoring to assess progress against targets. Where project monitoring reveals shortcomings in progress, remedial action will be detailed and taken forward by Invest NI taking all relevant economic circumstances into consideration. Invest NI accepts that this may require a range of actions including project reappraisal, renegotiation and, in some cases, the initiation of claw-back proceedings.	<ul style="list-style-type: none"> • Consider introduction of CCMS "RAG" status (red, amber, green) for project monitoring and run regular audit report on "red" and "amber" projects to enable review of appropriate remedial actions • Include key project (PSA) deliverables section under casework template within monitoring section 	Owner SMP/Damian McAuley Target Date 01 st April 2011

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The Monitoring & Management of the Project				
17	While every reasonable attempt should be made to save a project that is in trouble, this should not involve throwing good money after bad. The Committee recommends that when using caps on offers of financial assistance in future, decisions to raise the cap are taken only on the basis of a positive appraisal of a proper Business Plan	DETI accepts the Committee's recommendation. In future cases, where a cap has been placed on an offer of financial assistance, decisions to raise the cap will be taken on the basis of a positive appraisal of a properly formulated Business Plan or, in recognition that a cap may not directly relate to an issue of viability, on the basis if the meeting of conditions relating to the cap.	<ul style="list-style-type: none"> • Feed in from Transform working group on delegations. 	Target date Mid 2010

**The Costs and Benefits of the Project
Recommendations 18 – 20**

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No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Costs and Benefits of the Project				
18	The Committee recommends that Invest NI reviews the adequacy of its arrangements for taking security on funds provided to client companies. In particular, it must ensure that taking security is not overlooked and that the extent of a company's liability is adequately covered. The Committee further recommends that Invest NI examines the scope for greater use of "Minimum net worth covenants".	DETI notes the Committee's recommendation and can confirm that Invest NI has reviewed its arrangements for taking security on funds provided to client companies. While, in the vast majority of cases, Invest NI will take security which adequately covers the extent of a company's liability, there may be individual cases where the value of the security falls short. It may, however, be appropriate in exceptional circumstances to provide financial assistance in such cases as other factors, such as the earn out period and the financial history of the company will be taken into account. The approval of the Invest NI Chief Executive is required in these circumstances. Invest NI has examined the scope for greater use of "minimum net worth covenants" and agrees with the Committee that such an approach has merit in certain circumstances and Invest NI will consider this approach in the future if appropriate.	<ul style="list-style-type: none"> Formally review with CFAAD the use of minimum net worth covenants and, pending outcome, update policy etc on use of such techniques. Train staff, as appropriate, based on the above 	In progress. Owner William McCulla/CFAAD
The Costs and Benefits of the Project				
19	The Committee recommends that Invest NI takes a firm line with assisted companies to ensure that Northern Ireland assistance is not being used to support job creation opportunities elsewhere, to the detriment of job creation in Northern Ireland	DETI notes the Committee's recommendation. The value for money assessment of a project is based on the benefits that will accrue to NI. Benefits that may accrue to other jurisdictions do not necessarily undermine those benefits. In relation to research and development projects, it would be difficult to prevent a multinational, that operated in a global environment and which has been given money to assist in the research and development of a new idea, from taking the benefit of that investment in other countries. As is the case with other global bidders for internationally mobile research projects once a company has completed this research and development there are no restrictions on what it can do with the resultant knowledge. Further, to attempt to place any national restrictions of exploitations of R&D activity would of itself preclude the use of many European supported funding mechanisms which contribute significantly to the NI R&D support offerings	<ul style="list-style-type: none"> No specific action 	N/a

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No	Recommendation	Memorandum of Reply	Action Required	Completion Steps
The Costs and Benefits of the Project				
20	<p>In the Committee's view, Invest NI must do more to ensure that people from areas of economic and social disadvantage have an opportunity to benefit from inward investment. It is recommended that this become a qualified target for Invest NI, with performance publicly reported. The Committee also recommends that when prospective investors view potential investment locations, these always include a number in disadvantaged areas. The objective must be to increase the proportion of inward investment projects located in the areas of greatest unemployment which, on past performance, has not been high enough.</p>	<p>DETI notes the Committee's comments in relation to areas of economic and social disadvantage. Growing the economy is a top priority for the NI Executive in the current Programme for Government. The Executive has stated that economic growth and wealth creation must be taken forward in a manner that is fair and sustainable. In furtherance of these goals the Executive has set a number of targets in relation to productivity growth and employment. Invest NI has incorporated these targets within its 2008-11 Corporate Plan. These include clear, publicly reported targets relating to the location of FDI projects in areas of economic disadvantage. These are that (a) 75% of all land acquisitions (in terms of acres) will be in areas of economic disadvantage, and (b) 70% of new FDI projects secured will locate within 10 miles of an area of economic disadvantage. Potential investors are specifically offered a range of options for location, including areas of economic and social disadvantage, although the ultimate decision regarding location is one for the company.</p> <p>While sympathetic to the aim of the recommendation, Invest NI believes that specific geographical targets for recruitment are likely to prove counterproductive to the attraction of mobile FDI. From its experience of selling NI concludes that this would not be commercially acceptable to the vast majority of new companies wishing to establish a viable business in NI. Invest NI also considers that restrictive contractual covenants within its offers would deter many companies from considering NI as a viable investment option. Such companies recruit their workforce on the basis of skill requirements, and they tend to locate their businesses in areas where they can draw on a large pool of skilled labour and where they believe investment risk will be minimised. That said, Invest NI, will continue to work with representatives from areas of economic and social disadvantage to ensure the maximisation of the international selling proposition within such locations. Further the employment of staff is a matter for individual companies and if they were to recruit people on the basis of their areas of residency, our advice is that they would be in breach of current equality legislation.</p>	<ul style="list-style-type: none"> Refer back to Department – requires policy decision on how to address issues raised. 	<p>Target Date September 2010</p>

DFE-257099