



Northern Ireland
Assembly

**COMMITTEE FOR
CULTURE, ARTS AND LEISURE**

**OFFICIAL REPORT
(Hansard)**

**Committee Review of DCAL's
management of Northern Ireland Events
Company and other arm's-length bodies**

5 November 2009

NORTHERN IRELAND ASSEMBLY

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Events Company and other arm's-length bodies**

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Members present for all or part of the proceedings:

Mr Barry McElduff (Chairperson)
Mr David McNarry (Deputy Chairperson)
Mr P J Bradley
Mr Dominic Bradley
Mr Francie Brolly
Mr Raymond McCartney
Miss Michelle McIlveen
Mr Ken Robinson

Witnesses:

Mr Mick Cory) Department of Culture, Arts and Leisure
Mr Gavin Patrick)

The Chairperson of the Committee for Culture, Arts and Leisure (Mr McElduff):

I formally welcome Mr Mick Cory, who is director of the sport, museums and recreation division of the Department of Culture, Arts and Leisure (DCAL), and his colleague Mr Gavin Patrick, who is head of the governance support unit. I ask you to make an opening presentation.

Mr McNarry:

Before that, Chairman, I want to ask the officials, with no disrespect to their seniority, where the permanent secretary and deputy secretary sit on the issue. The Committee has dealt with them,

particularly the permanent secretary, and the PSNI. Can we be given an indication of their position in relation to the response that we will consider?

The Chairperson:

Mick, I ask you to incorporate a response to David's question in your opening presentation. It is over to you.

Mr Mick Cory (Department of Culture, Arts and Leisure):

We thank the Committee for the opportunity to update it on the various issues on which it sought information. Our presentation is a game of two halves, if I may put it that way. The first part is a response to specific questions about the arm's-length body relationship and governance. My colleague Gavin Patrick will cover that part. The second part is an update on the Northern Ireland Events Company.

Do you wish us to play the two halves in a particular order? I am open to suggestions. Perhaps Gavin should start by saying a few words about arm's-length bodies or is it more appropriate that I start with an update on the Events Company?

The Chairperson:

Please, start with an update on the Events Company.

Mr Cory:

The Committee requested an update on the company inspection into the Northern Ireland Events Company, particularly with regard to progress that has been made and the expected completion dates.

The request for a company inspection and the appointment of company inspectors was based on the findings of the KPMG review into the circumstances that gave rise to the deficit in the Northern Ireland Events Company. The KPMG review had limited powers. The company's officials, its agents and those associated with it could not be formally interviewed. The production of books, records, papers etc could not be demanded. The police and criminal evidence procedure could not be used to conduct any interviews, nor could the assistance of the court be sought.

Having liaised with the Police Service, DCAL decided that more investigative work was needed. That could be done only through a company inspection, which would possess the necessary statutory powers. Further discussions took place with the PSNI, the Comptroller and Auditor General, the Department of Finance and Personnel (DFP) and the Departmental Solicitor's Office. The circumstance that gave rise to the financial deficit was referred to the Department of Enterprise, Trade and Investment (DETI) with the request that a company inspection be undertaken under article 425(2) of the Companies (Northern Ireland) Order 1986.

The Committee asked specifically about the cost and timescale of the company inspection. I will deal with cost first.

DETI has advised that the cost of the company inspection will depend on a number of factors. Although we asked that specific areas be looked at, DETI's concern was that there should be no fettering of the inspectors' powers over the way in which they carried out their work. Therefore, we are not in a position to offer any estimate of the cost, should it subsequently be found to be inaccurate. With regard to timescale, DETI had a similar concern about fettering the powers of the inspectors. Although the specific areas of complaint that DCAL raised with DETI would be regarded as a priority by the inspectors, the outside time limit was expected to be about two years from the date of appointment, which was November 2008.

We have sought information on the current status of the company inspection and have been advised that, following an extensive review of the company's records, work to identify the key issues is ongoing. Company inspectors have yet to conduct interviews with the parties involved. At this stage, they are not able to highlight any matters of concern publicly or to disclose further details on how their work will progress.

I can take further questions, but do you wish that I address David's question now, Chair?

The Chairperson:

Yes, address David's concern.

Mr Cory:

The permanent secretary and the deputy secretary take a very keen, active and ongoing interest in the progress on this matter. Our response was cleared by the permanent secretary and the

Minister. The Committee should not read anything into the fact that the permanent secretary is not here today. I assure the Committee that he takes the matter very seriously.

Mr McNarry:

I am grateful for that assurance. Members will recall the cloak-and-dagger approach that was taken, when we had to have meetings behind closed doors. The permanent secretary was very hands-on and persistent that we should be very careful because the matter was so sensitive. It has gone beyond that now, and, to put it mildly, it is disappointing that the permanent secretary is not here himself. You said that —

The Chairperson:

I appreciate that you are making a strong point, David, but I ask that —

Mr McNarry:

I am addressing Mr Cory's response. Are you going to deal with the session in two stages?

The Chairperson:

I will ask Gavin to complete the presentation and then invite questions on both aspects of it.

Mr McNarry:

I would rather that we do not lose the train of thought on the Events Company.

The Chairperson:

We are in danger of losing the entire shape of the presentation. The plan was that Mick and Gavin would make a 10-minute presentation. That presentation has been only half completed; I will open the session to wider questioning when it is finished. I appreciate your point about the permanent secretary, but I ask Gavin to conclude the presentation.

Mr McNarry:

Mr Patrick will not be talking about the Events Company.

The Chairperson:

I know that, but it was agreed that what he will talk about would be part of today's meeting. Gavin, please complete the presentation.

Mr Gavin Patrick (Department of Culture, Arts and Leisure):

Significant progress has been made on the sponsorship arrangements and there has been a significant investment of time and resource, which will reap benefits for the Department and its arm's-length bodies in the longer term, with the Department taking a "step up to step back" approach. Key to that is the establishment of the governance support unit, which I head. The governance support unit's remit and purpose is to work in partnership with the traditional sponsor branches, to assist them in discharging their sponsorship responsibilities, and to liaise directly with the arm's-length bodies on issues of governance and accountability.

The quarterly assurance statements are one of the improvements that my team has implemented already. Those have been in operation throughout the Department since the first quarter of the current financial year and in arm's-length bodies since the second quarter. The process has been widely welcomed by the arm's-length bodies, most of which had a process embedded in their internal procedures already. The quarterly assurance statements provide arm's-length bodies and the Department with the opportunity to celebrate successes, report against business-plan targets, and highlight risks and exceptions and the ways in which those are being managed. As the name suggests, they also provide assurance about the action being taken.

The governance support unit has followed on from the work that the arm's-length body review team put into producing the draft sponsorship manual on the internal processes and procedures of the governance arrangements for arm's-length bodies. That is now at the testing phase in the Department.

The business planning review is underway. It will streamline the business planning process across the Department and its arm's-length bodies and will ensure that the business plans of arm's-length bodies deliver on the Department's key strategic objectives and its obligations in the Programme for Government. Therefore, all business plans will be fully aligned with that of the Department.

Training workshops have been held in the Department and its arm's-length bodies to ensure that there is a consistent approach to risk management. The drawdown process has been reviewed and revised to ensure a consistency of approach. That approach has been systematic to make the process more streamlined, efficient and effective, which will improve cash-flow

management. We are also about to roll out the risk-assessment tool of arm's-length bodies, which will allow the Department to assign a level of risk to each arm's-length body and, therefore, to determine the governance arrangements that will be put in place.

Mr McNarry:

Do we have any protection from legal action due to our line of questioning? I got the impression from the Committee's meeting with the permanent secretary that we are gagged and are not allowed to ask questions on the matter.

The Chairperson:

Would you like advice from the Committee Clerk?

Mr McNarry:

Yes, please.

The Committee Clerk:

The restrictions relate to questions about the Northern Ireland Events Company. Legal Services advised us that it would not be a good idea to mention in open session anything in the KPMG report, because it contains sensitive information that has never been discussed in open session.

Mr McNarry:

I am grateful for the Committee Clerk's advice, and Committee members will make up their own minds. I am frustrated at being told that there is at least another year to go until we see something, and we do not know what we will see.

I am very concerned about the cost, because financial matters and expenditure are crucial to the Assembly. Correct me if I am wrong, but it appears that a blank cheque has been written. The Department does not know what the cost will be, yet it has agreed to pay the bill regardless. I hope that the Committee will get some estimated costs — even costs for a year's work — as an outcome of this meeting.

I am concerned about the two-year timescale, because the Committee was told that there was an urgency to put right what might be happening in other places. I do not know what is happening in other places. I accept that risk levels are higher, because of what happened with the

Events Company. I believe that the Committee would acknowledge, and I hope that it would be acknowledged elsewhere, that with its ingenuity, and that of one or two enduring investigative journalists, we got to the bottom of a problem that might be ongoing. We remain none the wiser on that, and we are hamstrung due to restrictions on what we can say. We are still being told that the police have no involvement, which is totally unacceptable. I will not accept a whitewash; it appears that we are heading in that direction.

With all that is going on, and with Gavin's support unit and other measures being put in place, can I be told categorically that the risk of what happened with the Events Company happening in any other arm's-length body is now zero?

Mr Cory:

There is always a level of risk associated with any arm's-length body. The degree to which we can assure you that there is zero risk depends on the systems and processes that we have put in place. Gavin is better placed to explain that in more detail. However, as a senior official from the Department, which sponsors many arm's-length bodies, I assure the Committee that the level of scrutiny, governance and accountability that we apply to those arm's-length bodies are significantly higher and improved to the point that some of the bodies are complaining about the level of scrutiny. That heightened scrutiny is a sign of the seriousness with which the Department has taken the lessons that it has learned from what happened with the Events Company.

Mr McNarry:

I understand that. Mud sticks here, as it does everywhere else. I am aware of many good arm's-length bodies, and I understand why they might resent the scrutiny. Nevertheless, all arm's-length bodies are susceptible to the smear that the issue of the Events Company has brought upon them. Therefore, until the report is completed and you can answer these questions, and until elected members are free to speak their minds and not be restricted because of the KPMG report, there will be a shadow hanging over arm's-length bodies. I want to see many of those bodies released from that shadow.

Mr Patrick:

The Department will be taking a zero-tolerance approach to such issues, but it is difficult to say that there will ever be zero risk. We can say that the controls that I have outlined exist to mitigate that risk. Other arm's-length bodies, which have controls in place already, are feeling pressure

from the fact that the Department has stepped up to step back. The risk assessment, which my team is due to start this month, will ensure that the governance arrangements that we put in place are specific for each arm's-length body. That will mitigate the risk of a repeat of what happened at the Events Company.

Mr McCartney:

I agree with David that aspects of the situation are bound by confidentiality, and we will not know exactly what went wrong in the Events Company until the final report comes in. Under the old regime, no other arm's-length body would have got away with aspects of what went on in the Events Company. Some of the goings-on in the Events Company would have been spotted in any other arm's-length body and brought to an end. The Department's work has been good and impressive, but we are handcuffed until we receive the full explanation.

Mr McNarry:

Part of our frustration is that we do know what went wrong. We cannot say, but we know what went wrong; that is why there is an investigation.

Mr McCartney:

Absolutely; I agree. We cannot say anything until the explanation is confirmed is, perhaps, the best way of putting of it.

Is the company inspection timeline fixed or are the two years an estimate that might be extended by a year? It was stated in the presentation that the Department has yet to conduct interviews with key officials. Can you give any indication of how many officials have been interviewed to date, or, are all officials considered to be "key officials"?

Mr Cory:

I have been informed that the timescale is an estimate. I understand that there are many different circumstances into which inspectors must look during a typical company inspection. They cannot guarantee whether one company inspection will take one, two or three years. DETI has indicated that it expects this inspection to take two years. However, it is unable to commit to whether it will take more or less time. I cannot second-guess DETI or the inspectors on that matter, because the inspectors have been appointed and their activities are not controlled by DCAL. They have a degree of autonomy in law to carry out their investigation in order to ensure that they are

unfettered to pursue the matters that they need to.

Mr McCartney asked about interviews. I understand that they have spent a lot of time scanning, compiling and analysing records. I am not aware — I have not been told — whether any interviews have taken place. I understand that they have not and that they have still to take place. The investigation is at the stage of analysing and preparing for when those interviews will take place.

Mr McCartney:

Does the inspectorate have power to initiate a prosecution?

Mr Cory:

It can refer matters to the Director of Public Prosecutions.

Mr McCartney:

Can it do so directly and without PSNI involvement?

Mr Cory:

I understand that it can refer those matters.

Mr K Robinson:

Thank you for your two presentations this morning. I want to discuss the Department's response to the Committee's thoughts on the issue of the audit committee, in particular. The Committee was strongly of the mind that the quorum for an audit committee should be a minimum of three members. My reading of the Department's response is that it will keep that recommendation under review. Given some of the events that may have happened, that is a woolly response.

Mick said that there has always been a level of risk in any arm's-length body, and Gavin talked about zero tolerance. The Committee has been brought into a situation that is not of its making. We considered several problems that appear to have arisen and made recommendations that we think could prevent such a situation arising in the future. Why is it not always appropriate or feasible to have a quorum that consists of at least three people?

I am a member of a school board of governors — others around the table are in a similar

circumstance — that consists of nine or 10 members. We allow a minimum of three members on our finance committee. If a board of governors that has nine or 10 members can manage a quorum of three in its audit committee, why on earth can an arm's-length body, which often has many more than nine or 10 members, not do that? Why is the Department shilly-shallying?

The research paper shows that good practice in a variety of places suggests that a quorum should be a minimum of three members. Of a list of Northern Ireland council audit committees, all, but one, require three or more members. The one council that accepts a quorum of two members requires two councillors; I presume that other officers make up that subcommittee. Why is the Department digging in its heels about an obvious and simple method of preventing the cosiness that occurs in a committee of two members? As the Chairman will agree, a committee of one member is wonderful. It is the best committee in the world. A committee of two members is not much worse. Why is it not appropriate or feasible to have an audit committee of three members?

Mr Patrick:

Treasury guidance recommends three as the minimum membership of an audit committee. That is the case in arm's-length bodies, which abide by the corporate governance code of best practice. Therefore, if the Department issues guidance that the quorum must also be three members and one person is ill on a day on which a meeting is arranged, the meeting would have to be cancelled. It is the Department's view that, in such cases, it is better for the meeting to go ahead than for it to be cancelled and rearranged because a number of those people give up their time unpaid.

Mr McNarry:

That is good practice. We should do that here because we get nothing done.

Mr Patrick:

The Department's view is that it is better for a meeting to go ahead. I take your point about the same two members meeting continually. The Department would not want that to happen. That is part of the risk assessment process that the Department is implementing; one of the questions asked and one of the areas looked at specifically is how the audit committee operates on paper and in practice.

There are other key controls. The Department now attends audit committee meetings, as does the Audit Office, which, as part of its annual accounts, reports on the effectiveness of the controls. The Audit Office has not stated that the audit committees do not work effectively.

Mr K Robinson:

If a wide range of bodies feel that a minimum of three people is desirable, and this Committee, if I remember rightly, strongly recommended that there should be a minimum of three, is it not better for a meeting to be delayed and conducted properly than for a meeting not to take place at all?

Mr Patrick:

DFP's view is that it is better that a meeting takes place, with issues picked up at the following meeting.

Mr K Robinson:

According to our research paper, DFP has issued guidelines. Those guidelines re-emphasise the point about membership with the statement that:

“In summary, DFP considers that in all cases membership should consist of a minimum of three members”.

Mr Patrick:

I agree fully on the membership of the committee. The difference is the quorum.

Mr K Robinson:

There are obvious problems if two people sit down, on a regular basis, as a quorum, as opposed to three people. You two guys would get on wonderfully well: I am sure that you would solve all Northern Ireland's problems in an instant if just the two of you met on a regular basis.

Mr McCartney:

It gets complicated when there are three people.

Mr K Robinson:

What happens if I want to attack the guy who sits at the far side of the table; to ask whether he has thought about or looked at something or to highlight something about which I am not happy? That is what we are pushing for.

Mr Patrick:

The Department does not support a continual position in which the same two members turn up and one member does not. Again, that is where I emphasise —

Mr K Robinson:

That could happen if a quorum of two is allowed and someone is ill over an extended period. Is it not then up to the august body to substitute that person for another?

The Chairperson:

In relation to correcting the problems of the past, what Ken is articulating reflects the strong view of this Committee. We looked at the issue over a period of months, and Ken is articulating what we consider to be the correct position.

Mr Patrick:

I have not had sight of the research paper. I would welcome the opportunity to see the research that was provided to the Committee. The Department will take that on board, along with the risk assessment process that we are implementing.

Mr K Robinson:

You should take the message very strongly from the Chairman and me on behalf of the members. We are concerned enough to recommend that strongly to you.

Mr D Bradley:

Does the Department of Culture, Arts and Leisure pay for the DETI inspectorate investigation?

Mr Cory:

No, I do not think that we do.

Mr D Bradley:

Have you received any estimate of the possible costs involved?

Mr Cory:

I have not.

Mr D Bradley:

Have you sought any?

Mr Cory:

No. We had a discussion about how it would be paid for, but the appointment of the inspectors and the funding of the activity is entirely a matter for DETI.

Mr D Bradley:

Does it pay for that?

Mr Cory:

As I understand it, yes.

Mr D Bradley:

That investigation has been ongoing for a year. It is surprising that, after the initial work that the company inspectorate has done, you report back to us that, following an extensive scanning exercise, the company inspectors are not able to highlight any matters of concern at this stage. Does that surprise you?

Mr Cory:

The investigation is an ongoing process. I have been told that the inspectors are not able to highlight any concerns in the public domain.

Mr D Bradley:

Do you mean that they may have concerns?

Mr Cory:

I read into it that there may be concerns that they are investigating, but, to be honest, I do not know.

Mr D Bradley:

What you are saying is that they are not in a position to publicise any concerns.

Mr Cory:

That is right.

Mr D Bradley:

Do you have any confidential discussions with them regarding progress?

Mr Cory:

Not directly; I deal with DETI on the matter. I had some dealings with the inspectors in the early days; ensuring that they had access to the Events Company's filing systems and that the way in which those files and that information was being handled was entirely to their satisfaction. Beyond that, I have not had regular meetings with the inspectors. I had two meetings with them some months ago.

Mr D Bradley:

Is there any system in place whereby DCAL receives regular updates on the progress of the investigation?

Mr Cory:

I have not been directly involved for a period of about three months. However, I understand that, while I was out of the country, there was a meeting to discuss progress. In preparation for this Committee meeting, I met DETI officials to get an update on the position. Those are essentially the only progress meetings that I have had.

Mr D Bradley:

Will you undertake to stay in regular contact with DETI and to report back to the Committee?

Mr Cory:

I will.

Mr D Bradley:

The letter from DCAL states that the inspectorate is not, at this stage, able to highlight any matters of concern. Was that the answer to a question that was put to the inspectorate?

Mr Cory:

It was a conversation that I had with DETI officials. I assume that DETI was relaying to me the position of the inspectors. I had not asked a direct question.

Mr D Bradley:

I would be surprised if they had not found any matters of concern, considering that the KPMG report listed numerous matters of concern.

Mr Brolly:

I am a bit concerned that this exercise seems to be between the Department and an inspectorate dealing with members and officers, whereas I am concerned about those on the ground who suffered as a result of what happened with the Events Company. I have one particular company in mind. The reason I am most concerned is that an adverse decision was taken by the Department about that particular company — I will write to you, Mick, to give you some new details on the case — before the investigation began. That seems to be putting the cart before the horse.

That particular case involves a large promoter of equine events, up to international level, which was badly hurt financially and professionally and had its reputation as a promoter damaged. In fact, I think that the company was ruined as a result of not receiving funding that had been promised but was not then available because of what happened. Unlike many other companies that I am aware of that were compensated for materials and services provided, when the lady who runs that company brought her case to the Department, there were protracted negotiations and an adverse decision was taken. Decisions like that should not have been made prior to an investigation of the company to discover the facts. Have the people who suffered as a result of the collapse of the Events Company been given an opportunity to speak to the inspectorate?

Mr Cory:

I will come to that question in a moment. I cannot answer any specific questions about particular creditors or their cases, but the decision about dealing with liabilities was made by the Executive. Their statement of 22 November 2007 said that subject to verification by an independent financial adviser, the liabilities of the Events Company would be met by the Executive as informed to them at that stage.

On the back of that decision, we have instigated a process to first, verify that the claims that have been made are genuine and bona fide, and, secondly, to start a legal process that will allow those claims to be transferred to, and covered by, the Department. That is being done to avoid people suffering as a result, which is the point that you are making.

At this point, 149 creditors' claims have been settled, and £1.01 million of outstanding debt from the Events Company has been covered. If the Committee wishes, I can give an overview as to where we are with the remaining creditors. However, I cannot go into specific details.

One of the outstanding creditors' claims is in the process of being settled, and one is the subject of an ongoing court case. We are awaiting a signed novation agreement from one creditor, we are waiting for one to provide evidence that they have a genuine claim to the Department, and we are awaiting responses to solicitors' letters from four creditors, some of which date back over a year to when the Events Company's solicitors wrote letters that have not been responded to. There is one other creditor, who is unlikely to materialise, and a further claim has arisen in the past few months.

There are a number of contingent liabilities, and those come in two forms. First, there are quantified contingent liabilities, for which we know the amount but that are subject to other investigations. Secondly, there are some unquantified contingent liabilities that may arise from possible legal proceedings or that could be related to those other amounts.

Further to Mr Brolly's previous question, I am not aware of whether any specific creditors have been approached by the inspectors to answer questions or give information. I am not aware whether the inspectors have approached anyone at all. As far as I understand, they have not, but if there is something about the creditors that is of interest to the inspectors, I have no doubt that they will seek to speak to them.

Mr Brolly:

I am concerned that people should have to go down the legal route. Quite clearly, there is expense involved in doing so, and if someone gets an adverse decision, that will cost them a lot more money than that which they may have lost through their business's dealings with the Events Company.

Fundamentally, I wanted to hear Mick say that people who have suffered are entitled to go directly to the inspectorate and make their case.

Mr Cory:

If a particular person wishes to be referred to the inspectors, I can undertake to make that referral. However, I cannot say whether the inspectors will decide to speak to them.

The Chairperson:

When will the Events Company be transferred to the Department of Enterprise, Trade and Investment?

Mr Cory:

A paper that finalised the transfer was submitted to the Executive for approval. The company was due to transfer on 1 October 2009; however, the paper was not put on the agenda, and, therefore, the transfer was deferred. We have now sought to agree with DETI that we should aim to transfer at the end of the financial year, because that makes a lot more sense administratively. Of course, if the Executive make a decision sooner, and as far as any practical arrangements can be made, we are in a position to transfer sooner than that if need be.

Mr D Bradley:

Perhaps Mick can clarify a point that I mentioned earlier, which is that the company inspectors are not, at this stage, able to highlight any matters of concern. Does that mean that no matters of concern have been discovered, or does it mean that matters of concern have been discovered but that the inspectorate is not in a position to go public with them?

Mr Cory:

I cannot answer for the inspectors as to whether they —

Mr D Bradley:

I am asking whether Mr Cory can get clarification on that issue and come back to us with it.

Mr Cory:

Absolutely.

The Chairperson:

I will ask the Deputy Chairperson to make a final point.

Mr McNarry:

Thank you, Chairperson. Needless to say, we are grateful for Mr Cory's answers, and we understand the limitations within which he has to work. I would like to hear a clear statement saying whether a crime was or was not committed. The Committee deserves some assurances that finding that out is part of its remit.

I will return to the costs. Members will know that another Committee is conducting an inquiry into procurement procedures. That Committee will most certainly not tolerate anyone offering someone else work without knowing in advance the costs that are involved. Is it acknowledged that best value practice demands that a cost for this work should be known? Is there a contract with DETI for the inspectorate's work? How is that work being handled, and how is it being passed on to them?

I left the room earlier to read some material; that is why I asked those questions. Who is paying for the inspectorate? Mr Cory said that a figure of £1.1 million had been settled. How was that paid, and who paid for it? What funds did it come out of? Mr Cory also said that some other liabilities would be settled. Again, how are they to be paid, and who is going to pay for them? In anticipation of some of Mr Cory's answers, has a sum of money been set aside?

Mr Cory:

I am not in a position to say exactly how the appointment of the inspectors was made. That is a matter for DETI, and as I understand, it is done under statute. I will be happy to seek answers from DETI on your behalf to any questions that you wish to put to me, or I can do that more directly.

Mr McNarry:

That is fair enough, but I am asking those questions because the permanent secretary told us how it was going to be done. That, in part, is why we have gone along with him, in that the matter was handed to inspectorates that, it so happened, came from DETI. That is a contract; it has to be a contract.

Mr Cory:

Yes, I am sure that it is. I do not have the specifics about the nature of the contract or how the appointment process was conducted. I can provide that information if you wish.

Mr McNarry:

OK.

Mr Cory:

I will say upfront that the decision to make that appointment was carried out in the light of extensive consultations with a number of bodies, including the PSNI, the Comptroller and Auditor General, the Department of Finance and Personnel and in accordance with legal advice. The question about who is paying was asked while you were out of the room, but as I understand it, DETI is paying the inspectorate's fees.

Mr McNarry:

Is that money coming out of DETI's budget?

Mr Cory:

Yes; it is coming out of DETI's budget as part of that activity. DETI has policy responsibility for such inspections.

Your final question was about the money that is being paid to creditors. The principle behind that is based on an Executive decision that was made on 22 November 2007. The Executive decided that, in circumstances in which we had verified that a creditor had a genuine debt with the company, and having followed the due legal process of transferring the debt to DCAL, we would pay that creditor. A provision has been made in DCAL's budget in line with the information that was provided to the Executive in 2007. Part of that was, effectively, the money that was in the budget for the events that took place in that year. Provisions have been made for any future liabilities — as far as we know about them — that may occur. If some unknown contingent liabilities arise, we will have to look at the situation again, once we know the quantity.

Mr McNarry:

If we consider the winding-up process of the company in the light of company law, are you

saying that DCAL has made itself legally liable for the Northern Ireland Events Company?

Mr Cory:

No, I am not. I am not a solicitor, so I qualify what I say, which should be subject to legal advice. The process followed was that the creditor and the Department signed a novation agreement, which meant that the Department agreed to accept the transfer of the debt that the creditor had with the company. The Department has now become the creditor of the Events Company and replaced the 149 previous creditors.

Mr McNarry:

Let us be clear about this. What is the likelihood of the Department recouping any of the taxpayers' money that it has paid out and will pay out to creditors?

Mr Cory:

I assure the Committee that all 149 creditors have provided a genuine service.

Mr McNarry:

I understand that.

Mr Cory:

There is no doubt that those creditors —

Mr McNarry:

Do the Events Company's creditors that the Department has now taken on —

Mr Cory:

They are verified —

Mr McNarry:

What are the chances of the Department recouping any of that taxpayers' money?

Mr Cory:

As far as we can tell — this is the verification process — we have accepted that they have provided a genuine service and have been, therefore, paid appropriately.

Mr McNarry:

That is not my point. The Department has agreed to pay £1.1 million — and that amount is still growing — even though the Events Company should have paid it. What are the chances of the Department getting back any of that £1.1 million?

Mr Cory:

I understand your point, and I apologise for the confusion. I cannot answer that question at this point. It largely depends on the findings of the report.

Mr McNarry:

I am sorry; perhaps I confused you. I have one final question. I asked you whether, in your estimation, the final report will conclude that a crime was committed. That is probably a hard question.

Mr Cory:

I do not know; I cannot answer that question. I will have to leave that to the inspector's report.

The Chairperson:

I thank Dominic for asking the next question.

Mr D Bradley:

Mick, will you ask DETI for an estimated cost of the investigation? Given that that Department is continually conducting such investigations, it should be able to estimate the average cost of a two-year investigation. We understand that that will not be totally precise, so an average cost will suffice.

The Chairperson:

I thank Mick Cory and Gavin Patrick for their presentation.