

Public Accounts Committee

Report on Excess Votes (Northern Ireland) 2010 -2011

**Together with the Minutes of Proceedings of the Committee
Relating to the Report and the Minutes of Evidence**

**Ordered by The Public Accounts Committee to be printed 2 May 2012
Report: NIA 47/11-15 Public Accounts Committee**

Membership and Powers

The Public Accounts Committee is a Standing Committee established in accordance with Standing Orders under Section 60(3) of the Northern Ireland Act 1998. It is the statutory function of the Public Accounts Committee to consider the accounts, and reports on accounts laid before the Assembly.

The Public Accounts Committee is appointed under Assembly Standing Order No. 56 of the Standing Orders for the Northern Ireland Assembly. It has the power to send for persons, papers and records and to report from time to time. Neither the Chairperson nor Deputy Chairperson of the Committee shall be a member of the same political party as the Minister of Finance and Personnel or of any junior Minister appointed to the Department of Finance and Personnel.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Mr Paul Maskey (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan¹
Mr Conor Murphy²

1 With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew

2 With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann

Table of Contents

List of abbreviations used in the Report	iv
Report	
Summary	1
Conclusions and Recommendations	2
Excess Votes in 2010-11	3
Appendix 1:	
Minutes of Proceedings	9
Appendix 2:	
Correspondence	13
Appendix 3:	
List of Witnesses	19

List of Abbreviations used in the Report

AME	Annually Managed Expenditure
the Assembly	Northern Ireland Assembly
the Committee	Public Accounts Committee
DFP	Department of Finance and Personnel
DCAL	Department of Culture, Arts and Leisure
DSD	Department for Social Development
PRONI	Public Records Office of Northern Ireland
RfR	Request for Resources

Summary

This report by the Public Accounts Committee (PAC) on Excess Votes is part of the Northern Ireland Assembly's control framework over Government spending. The Committee considers the reports by the Comptroller and Auditor General on resource accounts of departments that have exceeded the limits of expenditure authorised by the Assembly.

The Committee recommends whether the Northern Ireland Assembly (the Assembly) should approve further resources to the departments concerned in order to regularise the excess expenditure. Where the excesses are the results of failures in control within departments, the Committee may make recommendations for improvements.

The system of resource-based supply requires departments to estimate and manage the resources they will need during a financial year on an accruals basis, as well as the cash they will need as commitments mature. The Assembly authorises both cash spending and the use of resources.

In 2010-11 two departments incurred excess expenditure. The specific cases were:

- the Department for Social Development (DSD) incurred a resource excess of £10.2 million; and
- the Department of Culture, Arts and Leisure (DCAL) incurred a resource excess of £2.8 million.

On the basis of our examination, the Committee recommends that the Northern Ireland Assembly provides the necessary amounts by means of an Excess Vote.

Conclusions and recommendations

1. Resource excesses in two departments in 2010-11 totalled £13·0 million. There were no cash excesses. In 2009-2010 there had been resource excesses of £17·8 million in two departments and cash excesses of £23·3 million in one department.
2. The causes for the excesses in 2010-11 were:
 - the Department for Social Development breached its Net Resource Outturn limit by £10·2 million following Executive approval to spend additional moneys which had not been included in the Spring Supplementary Estimates; and
 - the Department of Culture, Arts and Leisure breached its Net Resource Outturn limit by £2·8 million owing to its failure to identify a significant asset impairment.
3. We recognise that the Department for Social Development incurred an excess following Executive approval to spend the additional moneys which would otherwise have been lost to the Northern Ireland block. The Department of Culture, Arts and Leisure has taken action to address the issue that caused its excess. However, the Committee is surprised that the full impact on the departmental Supply Estimate of the new Public Records Office building, a significant and high profile asset, was not established and the potential for an impairment was overlooked.
4. The Committee expects that all Northern Ireland departments should have robust procedures in place to estimate and monitor their use of cash and resources. It is important that when a department identifies either significant spending pressures or additional resources which are not required, it should immediately approach DFP rather than waiting for the next monitoring round.
5. The Committee recommends that the Northern Ireland Assembly provides the necessary amounts by means of an Excess Vote, as set out in Figure 1.

Excess Votes in 2010-11

6. Resource-based Supply requires departments to estimate and manage the resources they will need in a financial year on an accruals basis¹, as well as the cash they will need as commitments mature. The Northern Ireland Assembly authorises spending on both a cash and accruals basis.
7. In 2010-11, the Assembly granted total net resources of £16,233,236 million and total cash of £15,345,417 million in Supply Estimates to 21 bodies including departments, pension schemes and other vote-funded bodies. The difference in the provision of cash and resources is primarily due to including non-cash charges in resources for items such as depreciation of assets and changes in the value of assets or liabilities.
8. In 2010-11 two departments incurred resource excesses totalling £13.0 million. Details of the excesses are summarised in Figure 1.

Figure 1: Summary of 2010-11 Excess Votes required

Department	Resources	
	£	Amount to be voted £
Department for Social Development		
Amount originally voted	447,807,000.00	
Amount expended	458,017,610.90	10,210,610.90
Department of Culture, Arts and Leisure		
Amount originally voted	152,113,000.00	
Amount expended	154,907,307.36	2,794,307.36
Total		13,004,918.26

Department for Social Development

9. The Committee has considered the Comptroller and Auditor General's report on the excess in the accounts of the Department for Social Development for 2010-11.
10. The reason for the resource excess of £10.2 million was that the Executive identified additional funding through easements, declared during its February monitoring round, which would have been lost to Northern Ireland had it not been spent before the end of the financial year. DFP therefore sought departments' co-operation in spending these additional resources.
11. The Department for Social Development was one of those departments that obtained additional resources, and the Executive gave its approval to an increase in expenditure of up to £11.15 million for the Housing Programme (RfR B²). The additional spending had been approved by the Executive through its budget procedures. However, the total spend on RfR B was greater than the amount voted in the Department's Estimate before the Assembly, and the Department therefore incurred an excess vote.

1 The accruals basis of accounting requires revenues and costs to be recognised as they are earned or incurred not as money is received or paid.

2 Request for Resources (RfR) is the functional level into which departmental Estimates may be split. RfRs contain a number of functions being carried out by the department in pursuit of one or more of the department's objectives. In 2010-11, RfR B for DSD was voted for 'Promoting measurable improvements to housing in Northern Ireland'.

12. The Department told the NIAO that it fully recognises its responsibility to live within the limits and restrictions set by the Assembly through the Supply Estimates process. It said the circumstances in which it incurred the excess were exceptional. The Department also stressed that when making its bid it highlighted the vital nature of ensuring that the Executive and Assembly were given full transparency on the situation to ensure that the Department was not deemed as deliberately flouting the intentions that the Assembly had set in statute.
13. The Committee wrote to the Department of Finance and Personnel (DFP) to ask why the additional spending could not have been reflected in the Budget Bill which was presented to the Assembly. DFP informed the Committee that the Spring Supplementary Estimates were written according to the December Monitoring position, and the additional DSD allocation was not a known pressure at that time and therefore could not be reflected in the draft Budget Bill. The Committee also asked DFP what could be done to prevent a recurrence of this situation. DFP has pointed out that there have been two key changes which should minimise the possibility of this situation reoccurring.
- First, in response to a proposal put forward by the DFP Minister, the Treasury has agreed a new Budget Exchange Scheme with the Devolved Administrations which provides access to a capped level of end-year flexibility. This provides the Executive with some flexibility in terms of carry forward of end of year underspends.
 - Secondly, the in-year monitoring process has now been aligned with the Spring Supplementary Estimates and associated Budget Bill process, and there are now three monitoring rounds with the last one concluding in January i.e. before the draft Budget Bill is finalised.

Department of Culture, Arts and Leisure

14. The Committee has considered the Comptroller and Auditor General's report on the excess in the accounts of the Department of Culture, Arts and Leisure for 2010-11. The reason for the excess was the Department's failure to identify a significant impairment in the value of an asset.
15. The Department incurred an impairment charge of £3,392,000 on Land and Buildings which had not been anticipated, following a year end valuation of the Public Record Office of Northern Ireland's (PRONI) new premises. This was classified as AME³ expenditure. The valuation recorded £25,288,000 as against the Department's figure of £28,680,000. An impairment review had been undertaken by the Department during the year; however, the Public Record Office of Northern Ireland's building was omitted, as at the time of the review it was classified as an asset under construction.
16. The Department's Supply Estimates included a provision for £270,000 of expenditure within AME. This provision, before taking account of the PRONI premises, was exceeded by £96,000 as a result of other, more minor asset impairments. Adding this excess to the PRONI impairment charge of £3,392,000 resulted in a total AME excess of £3,488,000. DFP advised the Department that it could not provide virement approval for this excess AME expenditure as to do so would infringe the Assembly's control over such expenditure.
17. The Department's Statement of Parliamentary Supply for 2010-11 shows a Net Resource Outturn of £154,907,000. However, the limit on resource expenditure set out in the Main Supply Estimates, as amended by the Spring Supplementary Estimates, for 2010-11 was £152,113,000. The excess AME expenditure of £3,488,000 is offset somewhat by cumulative underspends of £694,000 in other parts of the Estimate, as Assembly approval

3 Annually Managed Expenditure is a Treasury budgetary control. AME spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally less predictable and controllable than expenditure in Departmental Expenditure Limits (DEL).

is granted at the net resource expenditure level. As such, the Department has incurred an excess vote of £2,794,000.

18. The Department advised the Comptroller and Auditor General that in future it will include assets under construction in all impairment reviews.



Northern Ireland
Assembly

Appendix 1

Minutes of Proceedings of the Committee Relating to the Report

Wednesday, 14 March 2012

The Senate Chamber, Parliament Buildings

Present: Mr Paul Maskey MP (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Conor Murphy MP

In Attendance: Miss Aoibhinn Treanor (Assembly Clerk)
Mr Phil Pateman (Assistant Assembly Clerk)
Mrs Danielle Saunders (Clerical Supervisor)
Mr Darren Weir (Clerical Officer)

Apologies: None

2:00 pm The meeting opened in public session.

6. **Excess Votes**

The Committee was briefed by the Comptroller and Auditor General on Excess Votes in 2010-11.

Agreed: The Committee agreed to write seeking further information from DFP on the background to this.

[EXTRACT]

Wednesday, 2 May 2012

The Senate Chamber, Parliament Buildings

Present: Mr Paul Maskey MP (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Ross Hussey
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Conor Murphy MP

In Attendance: Miss Aoibhinn Treanor (Assembly Clerk)
Mr Phil Pateman (Assistant Assembly Clerk)
Mr Gavin Ervine (Clerical Supervisor)
Mr Darren Weir (Clerical Officer)

2:04 pm The meeting opened in public session.

7. Consideration of draft Committee Report on Excess Votes

The Committee considered the draft Committee Report on Excess Votes (Northern Ireland) 2010 – 2011.

4:22 pm Mr Copeland left the meeting.

4:25 pm Mr Copeland entered the meeting.

4:29 pm Mr Girvan left the meeting

Paragraphs 1 – 18 read and agreed.

Agreed : The Committee agreed the summary of the report and ordered it to be printed.

[EXTRACT]



Northern Ireland
Assembly

Appendix 2

Correspondence

Chairperson's Letter of 23 March 2012 to Ms Fiona Hamill

Ms Fiona Hamill
Treasury Officer of Accounts
Department of Finance and Personnel
Rathgael House
Balloo Road
Bangor

Public Accounts Committee

Room 371
Parliament Buildings
Ballymiscaw
BELFAST
BT4 3XX
Tel: (028) 9052 1208
Fax: (028) 9052 0366
E: pac.committee@niassembly.gov.uk
aoibhinn.treanor@niassembly.gov.uk

23 March 2012

Dear Fiona,

Excess Votes 2010-11

At its meeting on 14th March 2012, the Committee discussed extracts from the C&AG's General Report on Financial Auditing and Reporting 2011 relating to the excess votes incurred by the Department for Social Development (DSD) and the Department of Culture, Arts and Leisure (DCAL).

Having considered these reports the Committee wishes to further explore the circumstances of the DSD excess vote, which appears to have been generated as the spring supplementary estimates and budget act went through the Assembly. Notwithstanding the importance to Northern Ireland of ensuring that these funds were not lost, the Committee is keen to understand from a process point of view why this bid was not factored in to the budgeting process for regularisation by the Assembly.

I would be grateful if you could outline the timetable and rationale for this, and advise whether the current review of financial processes you are undertaking will consider how to prevent recurrence of irregular expenditure arising in this way.

In addition, until the recommendations arising from the Review of the Financial Process are implemented, the Committee would like an assurance that DFP will ensure that the Assembly is given every opportunity to scrutinise and approve expenditure should such an issue arise again.

I would appreciate your reply by 13 April 2012.

Yours sincerely,



Paul Maskey
Chairperson
Public Accounts Committee

Correspondence of 3 April 2012 from Ms Fiona Hamill

Fiona Hamill
Treasury Officer of Accounts
Central Finance Group
Room P3
Rathgael House
Balloo Road
BANGOR BT19 7NA
Tel No: 028 91858128 (x 68128)
email: fiona.hamill@dfpni.gov.uk and
jill.downie@dfpni.gov.uk



Mr Paul Maskey
Chairperson
Northern Ireland Assembly
Public Accounts Committee
Room 371
Parliament Buildings
BELFAST
BT4 3XX

3 April 2012

Dear Paul

Excess Votes 2010-11

Thank you for your letter of 23 March seeking further information in relation to the excess vote incurred by the Department for Social Development (DSD), as reported in the Comptroller and Auditor General's Report on Financial Auditing and Reporting for 2011.

You specifically asked for detail on why the DSD allocation that led to an excess vote was not included in the Spring Supplementary Estimates and associated Budget Bill for approval by the Assembly. In order to explain the order of events fully, I think it would be useful to explain the context for the Executive's decision to agree this allocation, before setting out the specific timeline.

Prior to 2010-11 the Executive could avail of End-Year Flexibility (EYF) arrangements whereby underspends could be carried forward into the next financial year. However, the withdrawal of EYF by HM Treasury in 2010-11, meant that any and all end of year underspends by NI departments could no longer be retained within Northern Ireland and would be lost to the Executive.

The February Monitoring round traditionally represented the last opportunity for the Executive to refine departmental spending allocations in any financial year. However, in 2010-11 the February Monitoring round concluded with a significant amount of unallocated resources (ie departmental surrenders exceeded new pressures identified), which in the context of the withdrawal of EYF would be lost to the Executive if it was not utilised within Northern Ireland. The Executive therefore asked departments to undertake a further review of their expenditure needs for the rest of the financial year. In response, a number of departments registered further bids and this led to the Executive endorsing further allocations to a number of departments, including DSD.

In terms of timing, the critical issue here is that this follow up to the February Monitoring round concluded after the draft Budget Bill was submitted to the Assembly. The table below sets out the specific timeline:

Spring Supplementary Estimates and February Monitoring Timetable

25 January 2011	Draft Budget Bill submitted to the Assembly Office of Legislative Council.
28 January 2011	Draft Budget Bill submitted to Speaker.
10 February 2011	Executive agree February Monitoring.
14 February 2011	Finance Minister's Statement to the Assembly on the outcome of February Monitoring.
15 February 2011 to 2 March 2011	Departments (including DSD) submit additional bids for resources to DFP as instructed by the Executive.
3 March 2011	Further Executive paper on additional allocations, including the DSD allocation.
8 March 2011	Assembly informed of additional allocations, including the DSD allocation, through a written AQ (ref. AQW 5155/11).

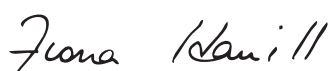
When the Budget Bill is prepared it is customary to build in headroom where there are known and specific pressures that will need to be addressed in the final few months of the financial year. The Spring Supplementary Estimates were written to the December Monitoring position and the additional DSD allocation was not a known pressure at this time and therefore could not be reflected in the draft Budget Bill. We recognise the importance of Assembly control and that the inclusion of general headroom would dilute this and thus this is not common practice.

In your letter, you also refer to The Review of Financial Processes. This Review is concerned with the alignment of budgets, estimates and accounts and will not impact on the specific issues raised in your letter. However, there have been two key changes which should minimise the possibility of this situation reoccurring:

- Firstly, in response to a proposal put forward by our Minister, the Treasury has agreed a new Budget Exchange Scheme with the Devolved Administrations which provides access to a capped level of EYF. This provides the Executive with some flexibility in terms of carry forward of end of year underspends.
- Secondly, the in-year monitoring process has now been aligned with the Spring Supplementary Estimates and associated Budget Bill process, and there are now three monitoring rounds with the last one concluding in January (ie before the draft Budget Bill is finalised).

I trust you will find this information helpful.

Yours sincerely



Fiona Hamill



Northern Ireland
Assembly

Appendix Number Goes Here

List of Witnesses who Gave Oral Evidence to the Committee

List of Witnesses who Gave Oral Evidence to the Committee

1. Mr Kieran Donnelly, Comptroller and Auditor General, Northern Ireland Audit Office;
2. Ms Louise Mason, Assistant Auditor General, Northern Ireland Audit Office; and
3. Mr Joe Campbell, Audit Manager, Northern Ireland Audit Office.



information & publishing solutions

Published by Authority of the Northern Ireland Assembly,
Belfast: The Stationery Office

and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone 0870 240 3701

TSO@Blackwell and other Accredited Agents

£4.50

Printed in Northern Ireland by The Stationery Office Limited
© Copyright Northern Ireland Assembly Commission 2012

ISBN 978-0-339-60424-7



9 780339 604247