Public Accounts Committee

Report on Creating Effective Partnerships between Government and the Voluntary and Community Sector

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

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REPORT EMBARGOED UNTIL
00:01 am on 18 January 2012

Mandate 2011/15

Third Report

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
Ms Jennifer McCann
Mr Mitchel McLaughlin
Mr Adrian McQuillan[1]

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

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List of Abbreviations used in the Report

C&AG	Comptroller and Auditor General
the Committee	Public Accounts Committee
DFP	Department of Finance and Personnel
DSD/the Department	Department for Social Development
the Database	Government Funders' Database
NICVA	Northern Ireland Council for Voluntary Action
the Sector	Voluntary and Community Sector
SROI	Social Return on Investment

Executive Summary

1. The Voluntary and Community Sector (the Sector) makes a significant and valuable contribution to improving society and delivering public services through its dedicated workforce and volunteers.

2. An effective relationship between the Sector and public bodies, built around partnership and mutual trust and respect, is essential. However, this has not always been the case. A wide range of Government departments, agencies and other public bodies form working relationships with, and provide funding to, voluntary and community organisations. As a consequence the public sector's relationship with the Sector is complex. This has contributed to over-bureaucratic, disproportionate and risk-averse approaches to monitoring of funding and lack of focus on what is actually being delivered.

3. The need to change this has been clear for years; many good practice guides and statements of principles have been in place over the years but have not been applied consistently by public bodies and the Sector.

4. The Concordat between Government and the Sector offers another opportunity for a fresh start. However, it must go beyond fine words; there needs to be a concerted effort by all public bodies and Sector organisations to actively implement and live by its values and principles.

5. The Committee expects to see tangible evidence of improvements. These need to be based on practical actions aimed at reducing the level of bureaucracy through the adoption of proportionate monitoring and audit; focus on outcomes; and ensuring funding is agreed and payments released to organisations on a timely basis.

6. The Department for Social Development (DSD) has an important role to play in this context. However, the recommendations from this report are not only for DSD; they are for all departments and public bodies. It is evident to the Committee that there is an urgent need for a joined-up approach, particularly in relation to funding. This will require new ways of thinking. For example, while a body such as MENCAP provides a very important and valuable service across NI, Government must look closely at how funding is provided to it – continuing with multiple funding streams to one organisation is inefficient and untenable.

7. The Committee welcomes the proposed arrangement to report annually on the working of the Concordat and sees this as an opportunity to drive forward change and improve accountability.

Summary of Recommendations

Recommendation 1

1. The Committee recommends that the Department presses for a resolution of the legal issues surrounding the Charities Commission legislation as a matter of priority. If any amendments are required to legislation, these need to be brought forward without delay so that the important work of compiling a register of charities can be completed quickly and the Commission can begin exercising its regulatory functions.

Recommendation 2

2. The Committee recommends that, with immediate effect, all public bodies should be required to record details of funding on the Funders' Database. In addition, they should review the data held on the Funders' Database and reports on its completeness and accuracy to their respective Accounting Officers/Chief Executives, who have specific and regulated responsibility to do this, on an annual basis.

Recommendation 3

3. The Committee welcomes the plans to present an annual report to the Assembly on the working of the Concordat. The Committee recommends that this report includes:

- information on concerns raised by funders and funded bodies and on the actions taken to address these:
- an annual assurance statement on the operation of the Funders' Database;
- the progress being made by the working groups established under the Concordat; and
- assurances that good practice guidance is being applied by all public sector bodies, in particular in relation to prompt payments, appointment of lead funders, proportionate monitoring and audit and focus on outcomes.

Recommendation 4

4. The Committee recommends that the Department completes its Working Smarter pilot quickly and shares the lessons widely across the public sector and with the Committee. The Committee recognises that the Department has taken steps to adopt a lead funder role in capital projects. However, the Committee also expects the Department to lead by example and recommends that it extends this principle more widely. In addition the Committee recommends that the Department takes the lead in reviewing and streamlining the issue of cocktail funding.

Recommendation 5

5. The Committee recommends that greater emphasis is given to evaluating and demonstrating the outcomes being delivered by the Sector and the sustainability of sector organisations providing services. This will assist funders and the Sector itself to assess the quality and value of the work being done and ensure that scarce resources are properly targeted and

used effectively. It is important that Government and the Sector work collaboratively to develop output and outcome measures.

Recommendation 6

6. The Committee recommends that all public sector bodies move towards the adoption of long-term funding arrangements. Where funding is dependent on the outcome of an evaluation, this must be planned for, completed and decisions communicated to the organisations three months before existing funding contracts end.

Recommendation 7

7. Payments to Sector organisations must be made in a timely manner, whether these are for the provision of contracted services or in respect of grant or grant-in-aid. The Committee recommends that all public bodies contracting services from Sector Organisations should confirm, through their annual report and accounts, that they have applied the principles of the prompt payment policy. In addition, public bodies making grant or grant-in-aid payments, should establish a target for such payments and monitor and publish performance in their annual report and accounts.

Recommendation 8

8. The Committee recommends that the Department of Finance and Personnel, in conjunction with the Department for Social Development, ensures that the principles and good practice guidelines that have been established, including the commissioning of services from the voluntary and community sector and social enterprises, are embedded in all departments and public bodies. This includes ensuring their incorporation and application by EU funded programmes.

Recommendation 9

9. The Committee recommends that the Department develops and publishes revised guidance on the application of full cost recovery. This guidance should be discussed with the Sector to ensure there is agreed understanding on full cost recovery.

Recommendation 10

10. The Committee recommends that an interim evaluation of the Modernisation Fund is completed by April 2013 and communicated to the Committee. The Department must also complete the review of support structures within the Sector to ensure that they are cost-effective and delivering the required quality of service to the Sector.

Recommendation 11

11. The Committee recommends that DSD reports, through the Joint Forum's Annual Report to the Assembly, on the implementation of the priority functions contained in the Regional Infrastructure Support Programme.

Introduction

1. The Public Accounts Committee (the Committee) met on 12 October 2011 to consider the Comptroller and Auditor General's report on 'Creating Effective Partnerships between Government and the Voluntary and Community Sector'. The witnesses were:

   - Mr Will Haire, Permanent Secretary, Department for Social Development (the Department);
   - Mr Seamus McAleavey, Chief Executive, Northern Ireland Council for Voluntary Action;
   - Ms Maeve Walls, Director of the Voluntary and Community Unit, DSD;
   - Mr Gordon Bell, Voluntary and Community Unit, DSD;
   - Mr Kieran Donnelly, Comptroller and Auditor General (C&AG); and
   - Ms Fiona Hamill, Treasury Officer of Accounts, Department of Finance and Personnel (DFP).

   The Committee wrote to Mr Haire on 18 October 2011 with further queries following the evidence session. Mr Haire replied on 28 October 2011.

2. The voluntary and community sector (the Sector) is involved in a wide variety of roles including providing advice, advocacy, campaigning and the delivery of goods and services. The Committee recognises that the Sector makes a significant and valuable contribution to improving society and delivering public services through its dedicated workforce and volunteers[1].

3. The Department for Social Development (the Department) is the lead Government department with responsibility for policy development and relationships with the Sector. However, a wide range of other Government departments, agencies and public bodies form working relationships with, and provide funding to, voluntary and community organisations[2]. As a consequence the public sector's relationship with the Sector is complex. This has contributed to over-bureaucratic, disproportionate and risk-averse approaches to monitoring of funding and lack of focus on what is actually being delivered.

4. The Sector is made up of a wide range of organisations, from small community-based and individual organisations to the very large housing associations and national and international charities. It is therefore essential that public bodies adopt a flexible and proportionate approach to dealing with the different needs of such a diverse range of organisations[3].

5. The focus of this report is on the relationship between Government and the voluntary and community sector. However, there is also important work to be done to ensure that effective partnerships are built across the range of organisations within the sector itself.

6. While there are many good practice guides and statements of principles for the relationship between Government and the Sector, these have not been applied as fully as they should by public bodies. However, the introduction of the new Concordat and the challenges of the current economic climate, provide the impetus to deliver improved value for money and better working relationships both between and within Government and the Sector.

7. The Committee is encouraged by the commitment from the Department and representatives from the sector to take this forward. With this in mind the Committee expects to see

1 In 2009 (most recent statistics available), there were around 4,700 active organisations, employing a paid workforce of almost 27,000 people with support from some 88,000 volunteers.

2 In the four year period to March 2010, some 6,400 organisations received over 14,500 letters of offer totalling £1.3 billion.

3 Research by NICVA has shown that more than 50% of the Sector's income goes to less than 4% of organisations; there are also a large number of organisations which receive little or no money from the public sector and have no connection with public bodies.

tangible evidence of improvements based on practical actions aimed at: reducing the level of bureaucracy; the adoption of proportionate monitoring and audit; a focus on outcomes; and ensuring funding is agreed and payments released to organisations on a timely basis. It is also important for the Sector to demonstrate that it too is playing its part and delivering value for money for the significant public funding it receives.

8. The Committee welcomes the introduction of an annual report to the Assembly on how well the Concordat is working in practice and sees this as an opportunity to drive forward change and improve accountability.

9. In taking evidence, the Committee focused on three main areas:

- the framework for the relationship between government and the voluntary and community sector (governance structures, the Concordat);
- the availability and application of good practice guidelines (the working relationship between the sectors, reducing bureaucracy, focusing on outcomes); and.
- enhancing the capabilities in both the public and the voluntary and community sectors to build more effective relationships.

Governance structures

The Charities Commission for Northern Ireland

10. The Committee recognises the important role the Charities Commission for Northern Ireland has in regulating and ensuring public confidence in the work of charities. Although the Charities Commission was set up in June 2009 and was to start work on compiling a register of charities in June 2010, the Committee is seriously concerned that it may be 2016 before the registration process is complete. This delay has also impacted on the Commission's ability to begin exercising its regulatory functions.

11. While the Committee acknowledges that there are legal issues to be addressed, mainly in relation to the application of a "public benefit test", these are taking too long to resolve. The Committee would also question why these issues were not identified earlier.

Recommendation 1

12. **The Committee recommends that the Department presses for a resolution of the legal issues surrounding the Charities Commission legislation as a matter of priority. If any amendments are required to legislation, these need to be brought forward without delay so that the important work of compiling a register of charities can be completed quickly and the Commission can begin exercising its regulatory functions**.

The Government Funders' Database

13. Funders are not working in a joined-up way. One of the key purposes of the Government Funders' Database (the Database), which was set up in 2004, was to help prevent fraud through a more co-ordinated, strategic approach to funding the Sector. It has not delivered its intended objectives.

14. The Department is taking steps to ensure that funding data is recorded by all public bodies; it is working with local councils and will also be engaging with the health and education sectors. However, it is unacceptable that this important resource, which public bodies are required to keep up to date, remains largely incomplete and therefore of limited use.

15. The Committee expects the work to improve the Database to be completed by the end of the next financial year. Public bodies, including the health and education sectors, local councils and European funding bodies must ensure that their respective data is recorded on the Database and that it is accurate. This is vital to ensure that the Database is an effective tool for funders and funded bodies.

16. The Database has the potential to provide comprehensive information on the organisations being funded by the public sector and the nature and value of that funding. Such information provides transparency and creates public confidence. It is also an important tool in helping funders to avoid the duplicate funding of organisations.

Recommendation 2

17. **The Committee recommends that, with immediate effect, all public bodies should be required to record details of funding on the Funders' Database. In addition, they should review the data held on the Funders' Database and reports on its completeness and accuracy to their respective Accounting Officers/Chief Executives, who have specific and regulated responsibility to do this, on an annual basis**.

The Concordat between Government and the Voluntary and Community Sector

18. The new Concordat presents another opportunity to improve the relationship between government and the Sector. However, the commitment to have effective relationships needs to go beyond fine words; it must be translated into good practice on the ground where public bodies interface with the Sector.

19. The Committee acknowledges that in many cases, there are good working relationships between public bodies and the Sector, particularly at the higher levels. However, many of the problems between funders and funded bodies which the Committee heard about occur at the front-line. It is here, where it matters most that the agreed principles and good practice are not working as they should. For example, the Focus on the Family case study in the Comptroller and Auditor General's report highlighted the contrasting experience of one organisation in applying for funding. Similarly the NOW case study highlights the importance of proportionate auditing and monitoring and the development of outcome measures. Good working relationships and practices need to be championed and pushed down through, what is a large and complex system.

20. A key commitment in the new Concordat is that the Joint Forum[4], through the Minister for Social Development, will present a yearly report to the NI Executive and Assembly on issues impacting on the Sector. This is an important difference between the Concordat and the previous Compact and it is a significant step forward in the accountability structure for creating effective partnerships. The Committee welcomes this development. The increased transparency and accountability should ensure that the new Concordat has more teeth and should help drive forward change, improve accountability and lead to improvements in the quality of service provided and value for money.

21. However, it is important that the report to the Executive and the Assembly provides a comprehensive and objective assessment of the working relationship and sets out the steps being taken, and those that need to be taken, to ensure that the partnership is effective. The Committee expects the report to include and highlight concerns raised by funders and funded bodies.

22. It is also important that arrangements are put in place so that alleged breaches of the Concordat principles can be reported and dealt with – arrangements which have the confidence of both funders and funded bodies. The Joint Forum or a sub-committee of it would appear to be an appropriate body to exercise this function. This would also allow the Joint Forum to include within its annual report information on:

- the nature of the issues raised in complaints, including lateness in making payments, lateness in agreeing funding, unreasonable requests for information (for application/ monitoring;
- the number of complaints received; and
- the number of complaints resolved.

23. The Committee also welcomes the establishment of four action groups to look at the critical issues of: reducing bureaucracy in funding arrangements; an outcome-focused approach to funding; involving the Sector in the policy process; and structures and governance, including the structure of the Joint Forum. It is vital that these groups deliver outcomes so that the Concordat will be more effective than its predecessor. Their progress should form part of the annual report on the Concordat to the Executive and the Assembly.

4 The Joint Government Voluntary and Community Sector Forum was established in 1998 to promote issues of common concern between the sectors.

Recommendation 3

24. **The Committee welcomes the plans to present an annual report to the Assembly on the working of the Concordat. The Committee recommends that this report includes:**

- **information on concerns raised by funders and funded bodies and on the actions taken to address these;**
- **an annual assurance statement on the operation of the Funders' Database;**
- **the progress being made by the working groups established under the Concordat; and**
- **assurances that good practice guidance is being applied by all public sector bodies, in particular in relation to prompt payments, appointment of lead funders, proportionate monitoring and audit and focus on outcomes**.

Reducing bureaucracy

Accountability for public funds and proportionality of administration and monitoring

25. Accountability for the use of public funds is vital and monitoring and audit of expenditure is an essential part of this, particularly in countering fraud. However, a one size fits all approach is not the answer. There needs to be a much more thoughtful approach with the extent of monitoring and auditing reflecting not only the level of funding provided but also the assessed risk in each organisation. Funders need to carefully examine and assess whether the type and level of checking strikes the right balance and is justified and cost-effective. Excessive levels of bureaucracy leads to unnecessary costs for both the funder and the funded organisations which can reduce the impact of the funding provided; it may even discourage organisations from accessing funding.

26. The Department has introduced a system of risk assessing funded organisations which is used to inform the level of checking and monitoring. This is a welcome development.

27. The Committee is aware that many voluntary and community groups receive a cocktail of funding from, in some cases, up to a dozen public bodies. This needs to be streamlined.

28. The appointment of a lead funder was a key commitment of Positive Steps. It is also consistent with the principles of proportionate monitoring and is a practical step to improving monitoring and reducing the risk of the misuse of public money as well as helping reduce bureaucracy. However, efforts to put such arrangements in place have been limited. This is unacceptable.

29. The Committee welcomes the work being undertaken by DSD on its Working Smarter pilot project. This is aimed at identifying how the burden of bureaucracy can be reduced through streamlining the monitoring and audit process and the appointment of a lead funder. The Committee expects DSD to lead by example and encourages it to progress this pilot quickly and share the lessons widely across the public sector and with the Committee.

30. The Committee is encouraged that DSD is working with the sector, DFP and NIAO to address the issue of proportionality in monitoring and audit. The Committee expects this to be built on and looks forward to receiving information on the outcome in due course.

31. The Department has suggested that its monitoring regime has been tightened in the past because of audit criticism. However, the Committee wishes to make clear that it is supportive of well thought through risk taking and innovation. Indeed the Committee sees risk management and innovation playing a vital role in promoting and securing value for money.

Recommendation 4

32. **The Committee recommends that the Department completes its Working Smarter pilot quickly and shares the lessons widely across the public sector and with the Committee. The Committee recognises that the Department has taken steps to adopt a lead funder role in capital projects. However, the Committee also expects the Department to lead by example and recommends that it extends this principle more widely. In addition the Committee recommends that the Department takes the lead in reviewing and streamlining the issue of cocktail funding**.

Communication and co-ordination between public bodies funding voluntary and community sector organisations

33. Where there are a number of public sector bodies funding the same organisation, communication and co-ordination between these bodies is often limited or absent. This can result in duplication of effort in monitoring and increased administration costs for funders and funded bodies. It also increases the risk of the possibility of double funding.

34. In the Committee's view communication needs to be enhanced through improved liaison and contact between public sector funders and the Sector. In particular there needs to be greater clarity about the funders' monitoring and reporting requirements; and greater sharing of information and assessments of organisations between public sector funders. The appointment of a lead funder and proper operation of the Funders' Database are also important in this respect.

Focusing on outcomes

Funders and funded bodies need to deliver and demonstrate outcomes

35. The Committee commends the work being undertaken by the NOW organisation to develop outcome measures through the use of a Social Return on Investment (SROI) report. NOW produces this report annually which it submits to its funders, detailing its objectives, outputs, outcomes and SROI ratio.

36. In the Committee's view, Government and the Sector need to do more to focus on delivering and demonstrating the Sector's value through outcomes. Some work is being carried out to develop relevant and appropriate methods for measuring outcomes. However, this requires greater urgency; financial resources are limited and it is vitally important, if arbitrary and crude cuts aimed at delivering savings are to be avoided, that decisions on funding are made on an objective basis.

37. Both the Department and NICVA have stated that organisations within the Sector need to be measured on the basis of their outputs and outcomes. It will be important that both Government and the Sector continue to work on this together so that there is a shared understanding of the purpose and methods for measuring outcomes. The working group set up under the terms of the new Concordat should help to achieve this.

38. In tight financial and economic circumstances, Government needs to take difficult decisions about funding priorities and where limited financial resources will be spent. Good work is being done by many voluntary and community organisations, delivering valuable public services and in some cases making important preventative interventions. It is evident, therefore that both Government and the Sector need to be able to demonstrate and evaluate the quality of work being delivered, to ensure resources are targeted at those services and organisations which deliver the best value for money and social return on investment.

Recommendation 5

39. **The Committee recommends that greater emphasis is given to evaluating and demonstrating the outcomes being delivered by the Sector and the sustainability of sector organisations providing services. This will assist funders and the Sector itself to assess the quality and value of the work being done and ensure that scarce resources are properly targeted and used effectively. It is important that Government and the Sector work collaboratively to develop output and outcome measures**.

Intelligent commissioning and clarity of funding relationship

40. Intelligent commissioning is vital if funders are to engage the right service provider at the right cost and put in place the appropriate funding and monitoring arrangements to achieve their objectives and demonstrate outcomes. In practical terms this means the funder knowing what services are needed; knowing who can provide the services and getting the right organisations to deliver them; putting the right funding arrangements in place; and having the evidence base to demonstrate value for money. This also requires better communication between funders and funded bodies to ensure a clear understanding of what is required from both parties. These requirements must be clearly stipulated in funding agreements. Good practice guidance on commissioning intelligently and monitoring effectively also needs to be promoted.

41. It is important that the voluntary and community sector and social enterprises are treated fairly in the commissioning process. The Committee is encouraged that work is being taken forward to help organisations describe and measure their benefit and to help commissioners better understand the value that voluntary and community organisations can deliver. However, more work also needs to be done to develop the use of social clauses in Government contracts.

The working relationships between public bodies and the voluntary and community sector

Involvement of the voluntary and community sector in the policy process

42. The Committee acknowledges that the Sector has a valuable role to play both in the formulation and evaluation of policy. The Committee welcomes, as part of the outworking of the Concordat, the establishment of a working group to examine how this can be done more effectively. This is particularly important in relation to small, local organisations that might not have the skill, time or resource to have their voice heard. Organisations are less likely to become engaged in the policy process if it is perceived, for example, that their input to consultation is not given adequate consideration.

43. For those support organisations that have a role to encourage collaboration and represent the views of smaller organisations, it is incumbent on them to deliver an effective service on behalf of the Sector. The work for example, of those bodies to be funded through the regional infrastructure support programme will need to be regularly reviewed to ensure that they continue to deliver value for money and effective support to other voluntary and community organisations. That needs to be clearly stipulated in their objectives and any evaluation must assess how well they perform this service on behalf of others.

The principles and good practice guidelines which have been established need to be put into practice in all departments and public bodies

44. The Committee is deeply concerned at the examples of poor practice in the relationship with the Sector covering issues such as: timeliness of agreeing funding and releasing payments; short-term funding; and disproportionate monitoring.

Delays in putting funding in place

45. Delays in putting funding in place or releasing payments, as demonstrated in the Comptroller and Auditor General's report and by members' own knowledge, has had a significant and detrimental impact on funded organisations. In some cases the strain put on the organisations has resulted in good staff being lost from the Sector. This is not acceptable.

46. In addition, it is unacceptable that an organisation such as Youthlife, which works with young people at risk of suicide and self-harm and which receives many referrals from the statutory sector, has found itself depending on in-year slippage money for the past nineteen years.

47. Where future funding of an organisation is dependent on the outcome of an evaluation, this must be completed well before the end of the existing funding period. This also requires co-operation and better communication between both parties during the renewal process. In the Committee's view the new funding must be agreed and in place before the existing funding agreement runs out. No organisation should find itself in the position of having to put staff on protective notice.

48. If funding is not to be renewed this too must be communicated in a timely manner to give the organisation time to plan and prepare for the impact of that decision. Instances where this is not happening should be reported through the annual review of the operation of the Concordat.

49. The Committee welcomes the Department's assurances that it intends to move towards three-year or four-year funding packages. This longer-term engagement with, and commitment to, providers is crucial where services and programmes need to be delivered over a number of years.

Recommendation 6

50. **The Committee recommends that all public sector bodies move towards the adoption of long-term funding arrangements. Where funding is dependent on the outcome of an evaluation, this must be planned for, completed and decisions communicated to the organisations three months before existing funding contracts end**.

The need for prompt payment

51. The Committee welcomes the confirmation from both the Department for Social Development and Department of Finance and Personnel that the principles of prompt payment policy apply to the voluntary and community sector where public services are being provided. The Committee expects to see these principles applied by all public sector bodies; this should be confirmed and disclosed in their annual accounts.

52. Payment of grant or grant-in-aid should also be made on a timely basis. Outstanding queries on claims should not prevent public bodies making part-payments to Sector organisations. This is important as many smaller organisations are dependent on funding to operate. Although such payments are not covered by the principles of the prompt payment policy, the Committee commends DSD for setting an informal target of 30 calendar days.

Recommendation 7

53. **Payments to Sector organisations must be made in a timely manner, whether these are for the provision of contracted services or in respect of grant or grant-in-aid. The Committee recommends that all public bodies contracting services from Sector Organisations should confirm, through their annual report and accounts, that they have applied the principles of the prompt payment policy. In addition, public bodies making grant or grant-in-aid payments, should establish a target for such payments and monitor and publish performance in their annual report and accounts**.

EU funded programmes

54. The Committee acknowledges that there are special rules in relation to EU funding. Members' own knowledge and evidence presented to the Committee highlighted concerns about an over-bureaucratic approach to monitoring and checking. In one particular example an organisation was required, unreasonably and retrospectively, to meet specific procurement rules. Where there are several tiers of administration and verification, this has also led to additional bureaucracy and costs. Departments and SEUPB in particular, needs to look at how these rules can be applied in a more proportionate way.

55. Managing Public Money states that it is important that public resources are not misused and that good value for money is delivered. Equally, it recognises that restrictive terms can frustrate the ability of funded bodies to deliver objectives in the round. DFP has provided guidance on best practice to underpin the principles of accountability, proportionality and flexibility in the working relationships with Sector organisations. This applies equally where public bodies are acting as agents for EU funding.

56. Guidance for EU funded programmes also says that for practical purposes, levels of verification may be adjusted to take account of risk factors such as the value of items, types of beneficiaries and past experience. This appears to give scope for proportionate and streamlined approaches to monitoring and administration to be put in place.

57. It is important that the principles and good practice guidelines which have been established are embedded in all departments and public bodies. Funding arrangements for EU programmes should also incorporate these principles. There is a role for the Department of Finance and Personnel in conjunction with the Department for Social Development to see that this happens.

Recommendation 8

58. **The Committee recommends that the Department of Finance and Personnel, in conjunction with the Department for Social Development, ensures that the principles and good practice guidelines that have been established, including the commissioning of services from the voluntary and community sector and social enterprises, are embedded in all departments and public bodies. This includes ensuring their incorporation and application by EU funded programmes**.

Full cost recovery

59. It is a long recognised principle that where a Sector organisation provides services it is legitimate to include relevant elements of overheads in its costings – this is known as full cost recovery. The Committee welcomes the Department's commitment to the principle of full cost recovery and recognition that it needs to review and clarify its guidance on how and when full cost recovery will apply. In the Committee's opinion it is important that changes to the guidance are discussed with the Sector to establish agreed and mutual expectations on full cost recovery[5].

Recommendation 9

60. **The Committee recommends that the Department develops and publishes revised guidance on the application of full cost recovery. This guidance should be discussed with the Sector to ensure there is agreed understanding on full cost recovery**.

5 Full cost recovery mean securing funding for all of the costs involved in running a project

Enhancing capability

The modernisation fund

61. The Department's Modernisation Fund aimed to support change within the Sector, creating rationalisation and better joint working within the Sector and better use of support services. There have been some significant amalgamations, for example in relation to volunteering, but the need for larger organisations to perform consistently must also be balanced with local community involvement in the process of service delivery. However, the impact of the Fund has yet to be determined and there are concerns that this funding could have been more strategically targeted at bringing about change.

62. In addition, there are a significant number of support organisations in the Sector and a balance needs to be struck between funding them and front-line service delivery organisations. The support structures currently in place need to be reviewed to ensure that they are sustainable and that limited resources are used effectively.

Recommendation 10

63. **The Committee recommends that an interim evaluation of the Modernisation Fund is completed by April 2013 and communicated to the Committee. The Department must also complete the review of support structures within the Sector to ensure that they are cost-effective and delivering the required quality of service to the Sector**.

Developing the voluntary and community sector

64. There is also a responsibility on the Sector itself to modernise. While the Department is reassured that the resources provided to organisations such as NICVA to support training and development in the Sector is well directed, there is no room for complacency. Given the diversity of the Sector and broad range of skills required, organisations within the Sector and bodies such as NICVA must ensure that the right people with the right skills are available to take forward the modernisation programme and to deliver quality services to their respective communities and beneficiaries.

65. NICVA has engaged with the Sector Skills Councils to discuss how skills gaps in the Sector can be dealt with. This has not yet led to any concrete action. However, the Committee notes that a number of the priority functions of the Regional Infrastructure Support Programme are related to leadership, supporting training and workforce management for all staff and Board/ Committee members and support for organisational development. In addition, other priority functions are related to sustainability and change management within the Sector.

66. These are laudable priorities and it is important that the Department monitors progress in implementing them. The Joint Forum's Annual Report would appear to be an appropriate vehicle through which progress could be reported annually to the Assembly.

Recommendation 11

67. **The Committee recommends that DSD reports, through the Joint Forum's Annual Report to the Assembly, on the implementation of the priority functions contained in the Regional Infrastructure Support Programme**.

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings

Wednesday, 5 October 2011
Room 29, 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
Ms Jennifer McCann
Mr Mitchel McLaughlin

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

Apologies: Mr Paul Frew

2:00 pm The meeting commenced in open session.

6. Briefing on NIAO Report on 'Creating Effective Partnerships between Government and Voluntary and Community Sector'

2:52 pm The meeting went into closed session after the C&AG's initial remarks.

Mr Kieran Donnelly, Comptroller and Auditor General; Mr Brandon McMaster, Director; and Mr David Murdie, Audit Manager; briefed the Committee on the report.

The witnesses answered a number of questions put by members.

[EXTRACT]

Wednesday, 12 October 2011
Main Conference Room, NICVA, Belfast

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 Frew
Mr Paul Girvan
Mr Ross Hussey
Ms Jennifer McCann

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

Apologies: Mr Mitchel McLaughlin

2:00 pm The meeting opened in public session.

4. Evidence on the Northern Ireland Audit Office Report 'Creating Effective Relationships between Government and the Voluntary and Community Sector'.

The Committee took oral evidence on the above report from:

- Mr Will Haire, Accounting Officer, Department for Social Development (DSD);
- Ms Maeve Walls, Director of Voluntary and Community Unit, Department for Social Development (DSD); and
- Mr Gordon Bell, Deputy Principal, Department for Social Development (DSD); and
- Mr Seamus McAleavey, Chief Executive, Northern Ireland Council for Voluntary Action (NICVA).

2:03 pm Mr Hussey entered the meeting.

The Chairperson declared an interest stating that he is a member of Fáilte Feirste Thiar, the Greater Andersonstown Neighbourhood Renewal Partnership and the Upper Andersonstown Community Forum.

Ms McCann declared an interest stating that she is a member of the Colin Neighbourhood Partnership.

Mr Copeland declared an interest stating that he is a member of the East Belfast Partnership Board, Mencap and a number of other groups in the Castlereagh and East Belfast areas.

Mr Girvan declared an interest stating that he is a Director of Ballyclare Community Concerns.

Mr Hussey declared an interest stating that he is the secretary of the Kevlin Community and Development Association.

Mr Byrne declared an interest stating that he is a member of the Omagh Boys and Girls Youth Club.

3:26 pm Mr Easton left the meeting.

3:29 pm Mr Hussey left the meeting.

3:34 pm Mr Easton entered the meeting.

3:35 pm Mr Copeland left the meeting.

3:46 pm Mr Copeland entered the meeting.

3:53 pm Ms McCann left the meeting.

3:57 pm Ms McCann entered the meeting.

4:10 pm Mr Byrne left the meeting.

4:17 pm Mr Byrne entered the meeting.

4:28 pm Mr Frew and McCann left the meeting.

4:29 pm Mr Anderson left the meeting.

4:45 pm Mr Dallat left the meeting.

4:46 pm Mr Copeland left the meeting.

4:48 pm Mr Copeland entered the meeting.

The witnesses answered a number of questions put by the Committee.

Agreed: The Committee agreed to request further information from the witnesses.

[EXTRACT]

Wednesday, 19 October 2011
Room 29, Parliament Buildings

Present: Mr Paul Maskey MP (Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Girvan
Mr Mitchel McLaughlin

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

Apologies: Mr Joe Byrne (Deputy Chairperson)
Mr Paul Frew
Mr Ross Hussey
Ms Jennifer McCann

2:05 pm The meeting opened in public session.

6. PAC Report on 'Creating Effective Relationships between Government and the Voluntary and Community Sector'

The Committee considered an issues paper on this evidence session.

[EXTRACT]

Wednesday, 23 November October 2011
Room 29, 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

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

Apologies: Ms Jennifer McCann

2:00 pm The meeting opened in public session.

5. Consideration of Draft Committee Report on 'Creating Effective Partnerships between Government and the Voluntary and Community Sector'

The Committee considered its draft report on 'Creating Effective Partnerships between Government and the Voluntary and Community Sector'.

Paragraphs 1 - 11 read and agreed.

Recommendation 1 read and agreed.

Paragraphs 12 -15 read and agreed.

Recommendation 2 read, amended and agreed.

Paragraphs 16 – 19 read and agreed.

Paragraph 20 read, amended and agreed.

Paragraph 21 – 28 read and agreed.

Recommendation 4 read and agreed.

Paragraphs 29 – 34 read and agreed.

Recommendation 5 read, amended and agreed.

Paragraphs 35 – 43 read and agreed.

Paragraph 44 read and agreed.

Recommendation 6 read, amended and agreed.

Paragraph 45 – 46 read and agreed.

Recommendation 7 read and agreed.

Paragraph 47 read, amended and agreed.

Paragraph 48 read and agreed.

Paragraph 49 read, amended and agreed.

Paragraph 50 read and agreed.

Recommendation 8 read and agreed.

Paragraph 51 read, amended and agreed.

Recommendation 9 read and agreed.

Paragraph 52 read, amended and agreed.

Paragraph 53 read and agreed.

Recommendation 10 read, amended and agreed.

Paragraphs 54 – 56 read and agreed.

Recommendation 11 read and agreed.

Consideration of the Executive Summary

Paragraph 1 – 7 read and agreed.

Agreed: The Committee agreed the correspondence to be included within the report.

Agreed: The Committee ordered the report to be printed.

3:48 pm Mr Hussey left the meeting.

[EXTRACT]

Appendix 2

Minutes of Evidence

12 October 2011

Members present for all or part of the proceedings:

Mr Paul Maskey (Chairperson)
Mr Joe Byrne (Deputy Chairperson)
Mr Sydney Anderson
Mr Michael Copeland
Mr John Dallat
Mr Alex Easton
Mr Paul Frew
Mr Paul Girvan
Ms Jennifer McCann

Witnesses:

Mr Gordon Bell Mr Will Haire Ms Maeve Walls	*Department for Social Development*
Mr Seamus McAleavey	*Northern Ireland Community and Voluntary Association*

Also in attendance:

Mr Kieran Donnelly	*Comptroller and Auditor General*
Ms Fiona Hamill	*Treasury Officer of Accounts*

1. **The Chairperson**: We are joined today by Mr Will Haire, accounting officer for the Department for Social Development (DSD); Ms Maeve Walls, the director of the voluntary and community unit in DSD; and Gordon Bell. We are also joined by Mr Seamus McAleavey, the chief executive of NICVA. You are all very welcome.

2. Hansard will be reporting today's meeting. I ask everybody to switch off their mobile phones and electronic devices because they interfere with the recording system. Hansard have a hard enough job to report accurately what we are saying, and interference makes their job even more difficult.

3. We are in NICVA, and I am delighted to be here in north Belfast. I was born and bred two streets away from this building, so I am delighted to be back on my old turf. We are looking forward to today's evidence session, which is crucial to progress for our society, both in the city and all over the North. I hope this will be a constructive session, as we all want to celebrate the undoubted achievements of the community and voluntary sectors and enhance their valued relationship with Government.

4. We are also joined by Mr Kieran Donnelly, the Comptroller and Auditor General, with his Audit Office team. You are very welcome here. I also welcome Ms Fiona Hamill, who, I am glad to say, is back as the Treasury Officer of Accounts. I give a warm welcome to everyone who has taken time to come here today, and a special warm welcome for an ex-member of this Committee, Dawn Purvis. It is great that you are all here.

5. This is a session in which a number of us will have to declare an interest. I declare an interest as a member of three community organisations: Fáilte Feirste Thiar, which I chair; the Andersonstown Neighbourhood Renewal Partnership; and the Upper Andersonstown Community Forum, which I am on the board of.

6. **Ms J McCann**: I am a member of the Colin Neighbourhood Partnership.

7. **Mr Copeland**: I am a member of the East Belfast Partnership board and a number of other community groups in the Castlereagh and east Belfast areas.

8. **Mr Girvan**: I am a director of Ballyclare Community Concerns.

9. **Mr Hussey**: I am secretary of the Kevlin Community and Development Association, Omagh.

10. **Mr Byrne**: I am a trustee of Omagh Boys and Girls Youth Club.

11. **The Chairperson**: I am going to pass it over to Mr Haire at this stage, to introduce himself and his colleagues.

12. **Mr Will Haire (Department for Social Development)**: Thank you very much, Chairman. I am delighted that, in line with the theme of partnership, Seamus McAleavey, chief executive of NICVA, is joining us in the discussion, because it is such a central part of this process. Maeve Walls, director of the voluntary and community unit, and Gordon Bell, also of that unit, are also here to answer your questions.

13. **The Chairperson**: Seamus, is there anything that you want to add as an opening remark?

14. **Mr Seamus McAleavey (Northern Ireland Community and Voluntary Association)**: I am delighted to be here; we in the voluntary and community sector are delighted to be working in partnership on this report.

15. **The Chairperson**: Thank you, Seamus. Will, you tabled a paper today. Can you give a quick introduction to it?

16. **Mr Haire**: I apologise, Chair; that paper should have come out of my office more quickly. It is just a small update; it is a copy of the concordat commitments that are set out in the concordat agreed last March by the Executive.

17. Minister Nelson McCausland launched the concordat last week. The concordat will be a central part of our discussion. It sets out the very practical areas of work that need to be worked through in the next year. We have already set up four action teams that will look at that, and we will, undoubtedly, explore some of those issues as we go through that.

18. The letter gives the most recent figures for the amount of government funding for the sector. For 2010-11, the figure in the funders' database is £277 million. That indicates that the figures are holding up; the level of funding seems to be at about the same level as we detected before. Those are the main issues in the letter.

19. **The Chairperson**: Thank you for that, Will. You have been in front of us before representing other Departments, so you will know the format of the meeting. I normally start off by asking some questions by way of background, and then other members are invited to ask questions.

20. **Mr Haire**: Since the report was launched last September, a fair amount of work has been developed that fits very closely with the recommendations that our Audit Office colleagues brought to us and you. As I stressed, a new concordat was signed between the Executive and the voluntary and community sector last March, after some detailed discussion. They key difference is that we have moved from the compact, which we used in the past and which was a rather general statement, to a very practical concordat. The key aspect of the concordat is that, each year, we have to produce a report to the Minister and the Executive on how the voluntary and community sector and the Departments, led by DSD, have worked together, and, in particular, how we have resolved some of the key issues that need to be sorted out to make sure that our partnership is effective. We heard today that unemployment is at its worst level in 17 years. We look at the pressures that will be around here. We recognise that, unless the partnership is effective, we cannot deliver the quality of services to the public that is essential.

21. Four action teams have been set up and are working on the area. The first looks at reducing bureaucracy in funding arrangements; the second looks at how we can implement an outcome-focused approach to funding; the third looks at how the voluntary and community sector can be better involved in the policy process; and the fourth looks at the structures and governance underpinning the arrangements. We are working through those issues. We have also been working closely with the Audit Office and our Department of Finance and Personnel (DFP) colleagues on an initiative called Working Smarter, where we have looked at our joint funding in relation to one organisation, the Law Centre, to see whether we can improve collaborative funding. That will be a key part of our work to reduce bureaucracy.

22. The past year has seen the Charity Commission for Northern Ireland moving forward. Although there is still some work to be dealt with in legislation — the Minister has to resolve certain issues — the Charity Commission has been able to start to operate effectively. It will start its regulatory work in relation to 6,000 charities that are registered with HM Revenue and Customs (HMRC). The volunteering strategy is out. We have been carefully working on a consultation on the regional infrastructure support programmes, which you will see referred to, and work is going on in that regard. We have had a very significant consultation, with over 300 responses, and we are looking at how we take that forward.

23. We have been evaluating areas at risk and trying to make sure that that is working well. In the area of support for the sector, we have worked collaboratively with a number of councils, such as Armagh, Banbridge and Craigavon. We have also worked with Belfast City Council and, likewise, around Coleraine, to see how we can have better joined-up services to support the sectors. Likewise, our framework for advice services is being finalised at the moment.

24. Since I came into the job, one of the key areas on which Seamus and I have worked closely in the past year was making sure that the needs of the sector were understood during the comprehensive spending review (CSR) process. Seamus and I organised a meeting of all the senior finance officers of all Departments. Our key concern was that it might be easy to cut into the voluntary and community sector in the process of the reductions that we are facing. The point was that that was not the approach that anyone should take. We had a very good engagement with those Departments and, subsequently, Seamus had a very strong engagement with all Departments to make that message clear. I hope that that message was taken well and that it has influenced departmental thinking; my feeling is that it has.

25. Finally, we have a project team working on the database. A number of other agencies have started to put their work in place on that. We are working with a number of councils, which are bringing their projects on to that. I hope that we will get all councils involved in the next year. We are working much more to make sure that the database is fuller. It has been a very busy year. I think that we have been able to make some progress across a range of issues. It is a very complex piece of work, and we are very keen to see how, with your help, we can push it forward.

26. **The Chairperson**: Thank you, Will. You mentioned the charity legislation. I turn your attention to paragraph 3 of the Audit Office report. It states that work to compile a register for charities was to commence at the end of June 2010. What advantage do you think that register would have?

27. **Mr Haire**: I will ask Maeve to come in on this as well. Once we have concluded that process, it will, undoubtedly, give us a much clearer picture and a definitive set of data on the charities in Northern Ireland and the background to that whole process. From hearing of the experiences of other charity commissions, I think that having a commission will give us clarity on the charitable position and the data that will, naturally, come from that documentation. It will also give charities an ability to look at their own governance and structures to make sure that they are effective. There is an entire aspect of very useful regulation, which, I know from talking to the Charity Commission, it will implement sensitively and carefully, realising that for many —

[Interruption.]

28. **The Chairperson**: Bear with me for one second, Will. Someone's mobile phone has just gone off, and it is interfering with the sound system. I want to reiterate the point that I made earlier: please make sure that mobile phones are switched off entirely.

29. **Mr Haire**: The Charity Commission will, undoubtedly, implement its work carefully and gradually to make sure that charities, especially small organisations, can adapt. They will benefit very much from having clarity on what they should be producing and how they should organise and register.

30. **Ms Maeve Walls (Department for Social Development)**: There is a public confidence dimension to what a Northern Ireland charity register will do. When it is fully established, organisations that are on that register will have been screened by the Charity Commission for Northern Ireland against a public benefit test, and the public will be able to take confidence and reassurance from the fact that the organisations that they are giving to, at a time when we are going to be encouraging voluntary giving to organisations, are bona fide.

31. **The Chairperson**: Did the work to compile the register start when it was supposed to?

32. **Mr Haire**: As you know, we have had a problem because there is an aspect of legislation on the public benefit test on which the Executive still has to conclude. Legal advice to get a resolution of that issue is still being sought. In the interim we have, by transitional legislation, allowed the commission to do regulation in relation to the list of 6,000 charities that HMRC has for tax purposes. We have been able to get that process in place. So we have a basic register, but that will be refined in due course, and we will get down to a correct figure after about a year of work by the commission. It should take about a year to set up a full register.

33. **The Chairperson**: Did it start in June 2010?

34. **Mr Haire**: We were not able to start the Charity Commission's register because of the legal problem. However, we have the transitional register, which is effective. So, the Charity Commission is doing its work for the sector.

35. **The Chairperson**: When did that start?

36. **Ms Walls**: I cannot give you an exact date. Around six to eight months ago we introduced transitional regulations to give the Charity Commission for Northern Ireland the power to use its regulatory powers on what, as Will says, was the HM Revenue and Customs list of Northern Ireland charities that had registered with it for tax purposes.

37. **The Chairperson**: The report states that it was to commence in June, but it did not. That is in the agreed report.

38. **Mr Haire**: That was the aim at the time of the report. The problem came subsequently. We had to pass the legislation, but queries about how various powers would be used arose. The Executive have spent some time looking at that issue.

39. **The Chairperson**: Do you have an estimate of when it will be completed?

40. **Ms Walls**: We cannot tell you that. We can tell you that the Minister is in discussion with the Attorney General and his office at the moment, and the matter has been to the Executive on three occasions. The intention is to look for as swift a resolution as we can find.

41. **The Chairperson**: If you could forward the estimated start date and date for completion to us in writing, that would be useful.

42. **Mr Hussey**: I have two very quick questions. You said that you want to reduce bureaucracy. I know that in another part of the voluntary sector bureaucracy has increased. I look forward to an assurance that there will be a reduction in bureaucracy, because anybody who is involved in the voluntary and community sector realises the amount of paperwork that they have to fill in. The paper trail is getting longer in another section of the voluntary and community sector, and I want an assurance that every step will be taken to reduce bureaucracy because, clearly, every time it is looked at, it seems to increase. Do you have any comment on that?

43. **Mr Haire**: That will be a core issue arising from the report. We have done

various exercises on how to reduce some of the paperwork. A lot of that comes back to the issue of public accountability and comes back to this Committee and our colleagues in the Audit Office. We have lead partners in relation to capital projects, which have a start date, a clear, agreed objective and an end date. In those areas, we have been able to have a reasonably streamlined system. The bureaucracy that Seamus and I have been talking about are the complexities that exist when organisations apply to a variety of different organisations that have different projects with different outcomes that need to be achieved in different timescales and, maybe, in different areas. It has proven extremely difficult for us to have one system of accountability, hence we are trying to work with the Law Centre as a reasonably easy example of where we might be able to see whether there are ways to share information or to develop and process it. However, those issues come back to this Committee and to public accountability. How can we give you the reassurance that you rightly seek that public money is being spent correctly?

44. There is a wide range of activities, lots of projects and lots of ways of people claiming for money and so on. There is work through which we can get best practice. We should be spreading that best practice across the system, and my Department, as a lead Department, has a role, working with Seamus, to try to encourage that. We are very committed to working hard on this issue, but there are often very complex issues. I am not sure that I can give you any easy reassurance that, in complex cases, there is a simple solution that will give you the answer.

45. **Mr Hussey**: I am not dealing with complex cases. In a specific, fairly easy project, the paperwork is getting more complicated. However, I will leave that one for the moment. You said that you are working with a number of councils. How many councils is that?

46. **Mr Haire**: In relation to the database, we have used the north east cluster and Derry. They have come forward to try to make sure that the software and the system work effectively there. Next year, our aim is to try to push this right across the council system.

47. **Mr Dallat**: Chairperson, I want to go over something you said. The register of charities was to be in operation by June 2010 but it is now October 2011.

48. **The Chairperson**: It was to commence in June 2010.

49. **Mr Dallat**: Yes. From the evidence I have heard, no one seems to be absolutely certain where it is. Is anyone demanding weekly reports on this so that we get to a conclusion? Or is it just something that drifts?

50. **Mr Haire**: I assure you that this is a very significant issue, as Maeve has indicated. This has come back from a legal problem, when lawyers, looking at the legislation at a late stage, said that there was a particular issue about the public interest test. Lawyers said that there is a question of interpretation that needed to be resolved. We have gone to the Executive on this issue three times. Mr Attwood took this issue to them, and there have been detailed discussions and a wide range of meetings with the Attorney General and others to try to get a resolution.

51. The new Minister, Nelson McCausland, has taken this seriously and has, likewise, met the Attorney General. Further legal advice has been sought by the Attorney General in relation to a particular aspect. We are awaiting the return from the Attorney General and, the moment that is cleared, my Minister is keen to bring this issue to the Executive to get a conclusion. I think that the solution will be a fairly short piece of legislation that should resolve this fairly quickly. We wish to work with the Social Development Committee to get rapid transition on that. The situation has been monitored very carefully but, in the interim, facing this problem, we set in place a transitional

arrangement to make sure that the Charity Commission could use HMRC's database, so that the great majority of charities can have cover and be regulated by the commission. That has been covered very carefully.

52. **Mr Dallat**: I only ask the question because it is no secret that the Assembly has not been particularly good about bringing forward legislation. Certainly, I would like to be reassured that the voluntary sector is not yet another victim of its inability to bring forward legislation that seems to me very simple and straightforward. Who is to blame? The Attorney General or somebody must be holding things up.

53. **Mr Haire**: There are complex issues of legal interpretation.

54. **Mr Dallat**: There always are.

55. **Mr Haire**: Where there are complex legal issues, that often happens.

56. **Mr Byrne**: Can I take it that charities and organisations that enjoy charitable status have applied directly to HMRC to determine their tax status? Is that still a difficulty? Is it because HMRC's functions are not devolved that there is a delay in getting a complete list of charities?

57. **Ms Walls**: The simple answer is no. When the public register for charities for Northern Ireland is fully established, charitable organisations or those seeking recognition for those purposes will apply to the Northern Ireland Charity Commission and, by agreement between the commission and HMRC, HMRC will accept the determination of the commission when the system is fully operational.

58. **Mr Byrne**: Furthermore, am I right in saying that a growing number of organisations are being registered as charities, some of which are semi-private? They are doing it to get rates relief for their premises.

59. **Mr Haire**: Sorry, I am not sure that I am well-placed to answer that question. I have no detailed knowledge of that. However, that is clearly a key reason for having a Charity Commission, as it can apply a public interest test and give us reassurance that the status is appropriate.

60. **Mr Byrne**: That begs the question: what is the relationship between DSD and the Charity Commission?

61. **Mr Haire**: DSD is the sponsoring Department for the Charity Commission but, clearly, it is a regulatory commission and is, therefore, independent of the Department. The Assembly has given it independent powers, and that is a key element of it.

62. **The Chairperson**: Will, I draw your attention to paragraphs 1.13 to 1.17. The conclusion reached by the Audit Office is that:

"The Sector's involvement in government's policy processes has been limited".

That is despite that involvement being a key theme in DSD's 'Partners for Change (2006-2008)' and 'Positive Steps' strategies. In view of DSD's lead role in promoting the sector across government, the Committee expects it to lead by example.

63. Could you explain to us how the sector has been consulted and involved in the decisions on the nature of the changes and the new policy that is emerging in relation to the Department's regional infrastructure programme?

64. **Mr Haire**: I will ask Maeve to speak about the regional infrastructure programme, because she has been heavily involved in that.

65. In a wider sense, we are creating an action group to try to explore the policy process more fully. The report is saying that the systems on policy involvement have been more focused at the early stage of policy development, but there may be questions around policy evaluation and monitoring and later stages of policy. I must admit that, from my experience as permanent secretary in spending Departments such as the Department of Education, in areas

such as youth policy and early years I felt that there was a reasonably strong involvement of the sector later in the process. However, like everybody else, I faced a complex issue when I started to do formal evaluations of the sector because I had to do so independently of the sector itself. That is because you are often evaluating work around that. However, we want to work closely to get the best answer and the best system that works for the improvement of policy.

66. Maeve, did you want to talk a bit about the regional infrastructure programme?

67. **Ms Walls**: We in the unit aspire to lead by example. I am thinking about the work that we were engaged in with the areas at risk programme. From the very outset, community organisations and voluntary groups in local areas worked hand-in-hand with us in shaping that programme. When it came to delivering that programme, they were absolutely critical to the delivery process. Those same organisations worked very closely with the evaluators when it came to the evaluation of that programme last year in reaching a view about the benefits of it.

68. We have adopted the same approach on the review of the regional infrastructure programme that was mentioned. Our consultation extended to something like 300 organisations and not just those that we were funding. Although we recognised that they had an important voice in it, organisations beyond that, who used the services of those that we funded, were also included. Again, in preparing the new framework and priorities for that programme, the organisations that we worked with in that consultation have been critical in helping us to shape it.

69. **The Chairperson**: Was the overview group — *[Interruption.]*

70. Someone will run the risk of being asked to leave the meeting if they do not turn their phone off. Please double check that your phones are switched off.

71. **Ms Walls**: The overview group that is mentioned in the report is an interesting model. Will has mentioned the new arrangements that we are putting in place to drive forward implementation of this concordat. They are going to be scrutinising from the outset, and I have no doubt that Seamus and his colleagues will keep the pressure on us to make sure that the implementation arrangements here are really robust. I am confident that the scrutiny function of that group will help us to know whether there is need for another oversight group, or whether something in the mechanics that we have in place already will be sufficient. Time will tell.

72. **The Chairperson**: Again, the same paragraphs refer to people and organisations that do not always have enough personnel. They may not be able to afford it on many occasions because their staff are out doing many different initiatives. How does that tie in? I declared an interest earlier because I am involved in a number of groups, and I know that sometimes it is hard to release a staff member when something else crops up. Sometimes there can be one or two groups or lead groups; how do you think that is working?

73. **Ms Walls**: The point you raise is a really important one for us. We are very conscious of that because we work not just with big organisations but with many small local organisations that might not have the skill, time or resource to have their voice heard. That is why we fund the support organisations that we do, organisations such as NICVA, the Association of Chief Officers of Voluntary Organisations and Community Change, so that there is a machinery of support in place for very local organisations. We encourage them to come together and collaborate so that their voices can influence policy. We also tell organisations — although they know this themselves — to be cautious about where they spend their energy in responding and not to feel the need to respond to absolutely everything, because others may do that on their behalf.

74. As I say, our approach is to encourage the voices of small organisations.

75. **The Chairperson**: Are you satisfied that the Department's proposals for the regional infrastructure programme guard against unintentional and unwelcome alterations to the roles of voluntary and community organisations?

76. **Ms Walls**: That is the intention, Chair. It is early days, and the programme will become operational in April. It is certainly the intention behind the reform of the programme. I think that it is something that we will want to be very careful about when we come to look at the success of the new arrangements this time next year, and when we ask the organisations that are delivering and those they rely on for support what kind of service they are getting.

77. **The Chairperson**: Have you thought about the potential risks involved in rolling this out? Do you have any papers or documents?

78. **Ms Walls**: We have consulted widely, and the consultation responses have given us a very good body of evidence about what organisations are telling us about their support needs: 300 responded. I think that that is very useful information for us. I will be honest: there is another risk at the moment given that funding has become scarce. Front line organisations are sending us messages saying that their work is more important than that of some of the infrastructure organisations that are supporting them. The risk for us, therefore, will be in trying to get the balance right between supporting front line organisations and those that enable their work to take place. We will be vigilant on that risk.

79. **The Chairperson**: Have you any completed papers on how that matter can be moved forward?

80. **Ms Walls**: We have the new policy framework for the programme. We have not put it into the public domain yet, because we have a piece of work to finish with the Department of Agriculture and Rural Development. We have partnered with that Department to make sure that we have a new collaboration for the programme. We are a short number of weeks away from putting the document into the public domain.

81. **The Chairperson**: Will you share it with the Committee in the meantime?

82. **Ms Walls**: Absolutely.

83. **Mr Copeland**: With your permission, Chair, it is my intention to make one point and put three questions. My point is largely predicated and inspired, to a degree, by Mr Haire's reference to the voluntary and community sectors as opposed to the voluntary and community sector in his opening remarks. By using the terminology "voluntary and community sector", are we not in danger of putting whales and minnows in the one tank?

84. **Mr Haire**: When we use the language, I think we recognise that that is a rather general statement of the process. We also recognise that there is a wide variety in the sector. One of the big challenges for us as a lead Department is to deal with the sheer variety of activity that is delivered by the sector, which covers very large housing associations and very small community groups and individual groups. It would be very foolish of us if we did not use an approach that deals with all the different needs and that we act proportionately to those needs. A key element for Seamus and his team and for other groups is to make sure that we act appropriately and, likewise, that their support is given appropriately.

85. **Mr McAleavey**: I will comment on that. Sometimes people ask: "Is there a voluntary sector and a community sector?" When you begin to divide out the organisations, you find that deciding who falls where is not just as clear cut as you thought. I tend to describe our sector as a continuum, from the very small organisations that Michael referred to through to very large organisations, some of which are multinationals. So, our sector looks a bit like the private sector. It ranges from the corner shop, where maybe one person or a family is involved, right through to

organisations such as Oxfam and Save the Children, which are working on three or four continents and are basically multinational organisations. I think that one of the things that we will talk about quite a lot today is bureaucracy. The key is proportionality. How are the organisations treated? Small organisations should not be treated like big Departments or even big voluntary organisations.

86. There is also a lot of work for us in our sector. We talk a lot about partnership. We have to consider how our bigger voluntary organisations, which are big service deliverers, partner much better with community organisations. Some of them do that well.

87. We have to recognise there is a huge difference in scale. The report picks up on some of NICVA's research. It looks at 4,700 organisations. When we looked at where the money was, we found that more than 50% of all of our sector's income — the whole range of money coming from the public purse, the public and independent charitable trusts — goes to less than 4% of organisations. That is because the vast majority of money tends to be in big service delivery areas such as mental health and children's services.

88. A very large number of organisations survive on little or no money or have no connection with government, any other agencies or financing. They are incredibly important in what they do. We must not see the voluntary and community sector in a one-dimensional way; in other words, that the "bit I know is what the rest looks like", because that is not the case. Your point is important. I tend to describe it as a continuum and we have to recognise that we have to engage with it in a proportionate way. A lot of the stuff that comes up in the report is important and key to that.

89. **Mr Copeland**: Thank you. I personally think that the investment of an "S" might bring considerable return for that investment, as well as kudos with the smallest groups that operate at the very bottom of the pile. Figure 2 on page 13 of the NIAO report sets out the key themes of Positive Steps. If I may use an analogy from school, a place I left many years ago; if Positive Steps represents your Department's homework, how well do you think you have done?

90. **Mr Haire**: To mark my own work is very creative. The Positive Steps report was published in 2005. In preparing for this meeting, I looked at each of those areas and thought about how we did against that process. I can see movement in significant parts of those areas. We can look at regulation, lead Ministers, community investment funds and departmental leads. I can go through the list and give you a detailed, blow-by-blow account. Through the various reports and systems, we have been able to implement a fair proportion of it.

91. However, what we have not done, perhaps, is to find a resolution on the complex issue of bureaucracy. That is the question Mr Hussey asked. Do we have a streamlined system that avoids undue pressure? Although we have not achieved that, I would say that it is a very difficult area and we did try to do so. In 2007, we issued all the information, advice and very good documentation that we had. We had a "Dear Accounting Officer" letter that set out, with the agreement of the Audit Office, how best to practice in this area. We did all those things, but clearly it is not necessarily the system as a whole that is not implementing well.

92. We did work on policy and sector involvement, yet we hear that the sector is not happy about that process. So, there is more to be done on that. With regard to outcomes and getting an outcome process, the report emphasises that we have done some very good initial work. We have developed that work, but there is still more to be done before we move towards the use of outputs and outcomes as a measurement in the process.

93. We achieved a lot, but a lot more is to be done. Therefore, I would hope to give ourselves at least a seven out of 10.

94. **Mr Copeland**: Will you comment on dormant bank accounts in the table in "Note 1", whereby the money in an account on which there have been no transactions for 15 years will go to social and environmental purposes, commencing in 2010? What activity has there been on that front?

95. **Mr Haire**: I may ask Maeve or Gordon to give details of the process, but my understanding is that it has been a much wider issue. Obviously, the Treasury is lying behind the issue of access to dormant accounts. The situation has not been resolved yet, but the Finance Minister has been taking a strong personal interest in the area and is working to try to get a resolution. The issue is how the money can be accessed and where it can be used. My understanding is that the forecast of how much money will be available is, perhaps, significantly lower than what was hoped for in the early, rather optimistic, phase.

96. **Ms Fiona Hamill (Treasury Officer of Accounts)**: Northern Ireland received its first tranche of funding in August. It received £800,000. The Minister of Finance is currently considering proposals for using that money in Northern Ireland. Following that, he will, first, consult with the Committee for Finance and Personnel, and then, through the First Minister and deputy First Minister, take it to the Executive. It is not the very large sums of money that we had hoped for initially.

97. **Mr Copeland**: I thank you for that clarification. By the way Will was talking; I thought for a moment that the Finance Minister maybe had a dormant bank account. *[Laughter.]*

98. I move now to paragraph 1.11 of the report. What is the difference between the compact and the concordat?

99. **Mr Haire**: Perhaps Maeve will give you the detail on that. The compact was a rather general statement about working together. It was a general approach and process, which came from the direct rule period. It was an issue that Departments took into account. The Committee has copies of the concordat in the papers that were circulated today. It sets out a process whereby, every year, my Minister has to go to the Executive to give a report on how well the sector, the Department, as the lead Department, and all the other Departments are working to resolve some of the key issues and how well that has been achieved. If you look at the document, you will see some of the commitments in areas in which we agree we have to work through and get agreement on. We have moved down to 12 commitments. In early discussions, we identified four or five commitments, which we see as key for the first year's work.

100. The key difference is in the public accountability for the relationship and the fact that there are going to be annual reports, rather than the more generalised process there has been up to now. I think that the concordat is more likely to get traction than the compact.

101. **Mr McAleavey**: I will add to that, having been involved from the voluntary and community sector side. The compact was discussed and put in place by the direct rule Administration and brought forward by the Labour Government. When the word "compact" was used, we rushed to the dictionary to be clear on what it was. It is another word for "contract", and it was between the two parties — government and our sector. We were involved in a working group that drafted the compact. As Will says, it was a high level document. It was very aspirational, and it said very good things about the relationship between government and our sector.

102. Generally, such items should be revisited within four or five years and updated as things go along. Under devolution, there was discussion about doing that. The voluntary and community sector side was very clear in talking to colleagues in DSD that we wanted to see something that would take us beyond the fine words. Fine words are very important and very good, but we wanted to see that you could make a better relationship between that and the

daily actions between government, in all its forms, and voluntary and community organisations. Interestingly, a lot of that centred on the bureaucracy and the overburden of bureaucracy. We wanted to see something that had more teeth. I think that that is beginning to emerge in the concordat and, in particular, the work programme and the things that Will has set out, the idea that we will look at bureaucracy, funding arrangements and how those are dealt with. Ultimately, that is where the rubber hits the road; that is where people whom you are talking about, Michael, those on the ground, find out whether it makes a difference.

103. **Ms Walls**: I return to the question that was asked earlier about the impact of the sector on policy development. It was the view of officials that we needed to refresh the original compact. Pressure from the sector and from the Assembly debate led to the view that something quite different was needed this time around. That process led to the development of the concordat that was agreed by the Executive earlier this year.

104. **Mr Copeland**: Did Seamus apply the dictionary test to the word "concordat"? If so, did the answer give him grounds for optimism?

105. **Mr McAleavey**: I am always optimistic; you have to be optimistic in this world. Our sector is like that. Things can always get better. Obviously, the word "concordat" is another term that is very close to "compact". However, the proof of the pudding is always in the eating; it is about what we do about these things. The important bit is how we translate them into real action.

106. **Mr Byrne**: As Seamus said earlier, the compact was obviously an aspiration, but it did not have any great functional mechanism. Will the concordat have a functional mechanism? Who will put it in place?

107. **Mr Haire**: We have four action groups under the concordat. They have already started to meet to go through the particular issues with which they have been tasked. Every year, they have to report to the Minister for Social Development, who will have to report to the Executive. We have to publish that report. There is a very clear mechanism, and there are various structures and meetings underneath that. Those are set out in the document. There is a very clear mechanism in place that should make a difference.

108. **Mr Dallat**: The jargon irritates me a wee bit. Up to now, a compact was a portable device that was carried by women and men to cover up blemishes. *[Laughter.]* I understand that we have abandoned that and now have a concordat.

109. **The Chairperson**: What does that cover up?

110. **Mr Dallat**: Exactly. Are we sure that the change of jargon means that all the shady figures who had their fingers in the pie are all gone and the whole thing is squeaky clean?

111. **Mr Haire**: I am not going to comment on the past. The point about language is that we all use different words.

112. **Mr Dallat**: Jargon.

113. **Mr Haire**: Jargon, or whatever you wish to call it; however, the key point for me is that there will be an annual report, which has to go to the Executive and which has to be agreed by Seamus and his colleagues. The sector can use that process very sensibly, as it already does, to make sure that its voice is heard. There often has to be quite robust debate between the public sector and the community and voluntary sector. It is about a robust, effective partnership; it is not about sweetness and light. There are some really tough issues that we have to hammer out; not all of them are easy. The sector often has to raise its game in different areas to deliver for the public. These are the issues that we have to deal with. In truth, it will depend on how well we use the mechanisms. I think that they are effective, but they are only as good as the effort we put in. I readily admit that.

114. **Mr Dallat**: That is a fair answer.

115. **Mr McAleavey**: The key bit about the concordat is its implementation. It is about the points that Will referred to, such as the working groups that will deal with bureaucracy, policy influence, outcome-focused funding and reviewing the structure of the joint forum. The big thing that comes out of the report the need to streamline bureaucracy. NICVA says that accounting for public money is absolutely important. We are not looking for a light touch in this regard. We are looking for something sensible and streamlined and that does not interfere with the delivery of key outcomes and services.

116. I have been clear to Will in our discussions that, to try to crack bureaucracy, we need to have the involvement of officials from the Department of Finance and Personnel, the Northern Ireland Audit Office and others. The issues that are going round — lead funder was mentioned — are very important to me. We know of organisations that have had five different teams in a week coming to check. That needs to be sorted out.

117. I am forever quoting the Treasury document, 'Improving financial relationships with the third sector: Guidance to funders and purchasers', which states:

"Where organisations are multi-funded it is good practice to appoint a lead funder to streamline application processes, co-ordinate monitoring and inspection arrangements and to minimise the number of evaluation systems and visits."

118. We talked to the Audit Office and a lot of other people at the time of the task force that looked at the voluntary sector. I remember engaging in those meetings with the Audit Office, and its view was that a lead funder was a good thing because it took an overview and could give assurance to Departments and agencies. As Will says, this is incredibly difficult to crack. I have sympathy with the Department in trying to gain authority across all the others in the arrangements. It is not about the DSD; it is about every Department and all their agencies. So, it is incredibly important for us to begin to crack that issue, and this will help to deliver for people on the ground.

119. We are not trying to duck responsibilities. We are just trying to make sure that they are streamlined and that we spend the majority of the money on the activity. It is about value for money. You do not want a huge amount to be wasted. People tell me that the goalposts change all the time. Three years into a project, someone will come along and say that they are now looking for a certain sort of reporting and information. That is not fair; it is mad, and it is maddening for people. If we know what we are supposed to do, we will conform with that. We are not looking to duck the issue. We are just looking for something sensible. Those are the teeth that Will talked about.

120. **Mr Copeland**: You will be glad to hear, Seamus, that this is my final question. Are the sectors that make up the sector — if I can put it like that — signed up to the concordat? In your view, what more needs to be done to create effective partnerships between government and the sectors involved?

121. **Mr McAleavey**: At the high level, partnership between government and the voluntary and community sector in Northern Ireland is very good, and it has been progressing, particularly under devolution. Our sector recognises that the Executive and the Departments have listened, particularly during past couple of years, when we have been talking about the difficult issues of public expenditure and where that is going. We think that we have been treated fairly and that they have listened. For instance, I asked Will to organise a meeting with the chief finance officers of all the Departments, and he did so. Such a meeting has probably never taken place before in which all of the principal finance officers have met a group of people outside the Departments to discuss issues. So, at the highest level across Departments, things are quite good. We need to try to push that down through what is a massive system.

122. In our sector, for example, ordinary groups and organisations in east Belfast might say to me that the concordat is very good but that, if it does not deliver for them, it will mean nothing. They want to see change and that the daily relationship is constructive. Things often fail on the reporting and audit side, not at the level at which you are trying to negotiate arrangements for the sector as a whole.

123. **Mr Hussey**: To be perfectly honest, a lot of community groups would not know what a concordat was if it landed in front of them, and they would not be interested. Paragraph 1.26 of the NIAO report alludes to the funding pressures being placed on the sector and government. What is the sector's response to that? Are amalgamations and downsizing ways of ensuring the sustainability of the sector and improving its effectiveness?

124. **Mr McAleavey**: Our sector and NICVA has done quite a lot given the funding environment and economic situation in which we find ourselves. Since 2008, we have been setting out the environment that we are in. We recognise the squeeze on public expenditure, and we have been making the point to government that we want to ensure that organisations are not treated unfairly. We want them to be measured on the basis of their outputs and outcomes. Quite a lot of organisations are often involved in prevention rather than cure, and, ultimately, help to save the state quite a lot of money. We should focus on that. The danger to our sector is that many funders might deem the activity to be peripheral; so, there will be a lot of threats to organisations before opportunities come along. Many organisations in our sector can do a lot to help government achieve their objectives in very tight financial circumstances, but they need to be treated fairly. That is a key issue.

125. We worry that opportunities are just taken, and that the opportunity of a crisis allows people to make crude cuts. One thing that NICVA is trying to do is to monitor that situation. We have asked government to ensure that we are treated fairly. We will try to monitor government's treatment of the sector, and if we see that it is not fair we will say something about that and put it into the public domain.

126. **Mr Hussey**: Following on from that and moving on to Mr Haire; how is the public sector responding to those pressures and how is it supporting change in the sector?

127. **Mr Haire**: One of the key processes that we put in place in the past while was the modernisation fund, into which we put £18 million. It was for a range of initiatives that sought to help create a rationalisation, or better working together, of the sector, and a better use of support activities across the sector. We have a wide range of projects, and I will ask Maeve to give you some examples of those.

128. There have been some significant moves, and some organisations in the sector have improved their own processes. For example, work has been done by the advice sector, and there have been significant amalgamations and developments in the volunteering sector. It is a very difficult thing for organisations to go through, but people have seen that it is the right way to go, as it is a way of driving out certain costs and improving service quality. We have supported that process and we will continue to see how we can give the best advice to people on how they can deal with that issue.

129. There is a big challenge coming. The NIAO report has correctly told us that a very significant part of the sector — in its broadest sense, going back to Mr Copeland's point — is being funded with public money in return for public services. In what will be a much more competitive environment, and one in which quality will be important, there will be pressure on the sector to demonstrate the quality of its work, and that will require larger organisations to perform consistently. There is a major challenge in balancing this with local community involvement in the process.

We are facing quite a significant time, and the pressures on budgets will make that worse. Maeve, do you want to talk a bit about the modernisation work that we have supported?

130. **Ms Walls**: Will mentioned the capital modernisation fund. The aim behind that fund was to provide capital funding for organisations across Northern Ireland to secure premises that would allow them to co-exist with others. The Omagh Community House is an example of organisations having been able to come together in a shared space to drive down their cost structures. We evaluated that programme from the beginning and we have some very positive indications from it. We must bear in mind that we are not at the end of the process yet and that the evaluation is being running in tandem as the projects develop. However, the figures indicate that 87% of the projects that we supported indicated that the grant had enabled them to increase their range of services, and 87% felt that they were better able to share a resource and organisational space as a result of their grant they received. Therefore, there are encouraging signs about how that money is being put to good use.

131. In addition, and as Will mentioned, we have supported some collaboration and merger work. We invested a small amount of money in the Building Change Trust, which is an important initiative that helps organisations to come together and to work together differently, again to drive down costs or to identify new sources of money. We supported the merger operation in the former Volunteer Development Agency and we did some work for Citizens Advice. Beyond that, an important strand of our work is helping organisations that are doing good work to prove the worth of that work. That work is referenced in the social return on investment document as a technique to help organisations large and small to demonstrate the impact and the public value that their work has giving rise to, and to leave them in a stronger position to bid for money in the future.

132. **Mr Hussey**: I think you referred to Volunteer Now. I want to put a wee spoke in for them. It is an excellent organisation. I am not sure whether anybody is here from that organisation, but I did a course with them and there is more than a tick in the box for them.

133. **Mr Girvan**: The document throws up a number of areas of concern. Paragraphs 2.2 to 2.8 deal with the funders' database and highlight its importance in strategically managing and co-ordinating the funding of the sector. Your Department has been responsible for developing and managing that, so why, after seven years, is it so limited that it does not even hold complete records of basic information such as who paid what to whom and for what? That is a glaring breach that needs to be closed.

134. **Mr Haire**: We worked on the basis of trying to win people's hearts and minds to use that database. That has worked in central government. We got all Departments signed up to use that process. We also got a fair amount of agencies on board, but there has been an issue for the health trusts and the education and library boards because they argued that they have their own systems, knew what they were funding and did not see a particular value for them in putting the resource into that new system. At a time when both organisations were setting changes, the message came that it was not a priority for them. I have written again to my health colleague to ask him to look into that issue.

135. We are unique in the British Isles. No other Administration has anything like this. We have a much fuller database than anybody else because of that process. So, we have worked through that and we have been able to get a database that is now being used around the system. It is particularly valuable for Departments, organisations and funders to check what other organisations are being funded and given resources for, so they get a better sense of those organisations.

136. That transparency creates more public confidence about whether there is any question of double funding, etc. The database has been useful in that sense, but you are right: we need to push it further. We are working with the five councils coming on this year and will then push it to the rest of the councils. The question of the health trusts is one that we are trying to resolve.

137. We improved the functionality of the software, so people can interrogate it more. We worked with focus groups to help us to improve that and we have a team pushing that forward. The amount of data on the database is quite sophisticated. The database does answer a fair amount of what is set out in paragraph 2.4. We have some ability to give a reasonable level of answers about a number of those areas.

138. The database gives the objective of each grant, the type and nature of the funding and the target groups. I think that the related letters of offer are also available through the database. That is at a lower level but people can get all the letters of offer, and a good letter of offer will answer all the points made. So, it is quite an extensive database. It is just a matter of trying to make sure that everybody signs up to that process, and we have not achieved that yet.

139. **Mr Girvan**: What mechanism is in place to ensure that there is no double or even treble funding? We appreciate that the sector deals with hundreds of millions of pounds as well as some European funding, which may not necessarily always be accounted through the same sector because it could be looked at by the Special EU Programmes Body (SEUPB) or whatever. We are aware of examples of double or treble funding, although this is perhaps not the right forum to discuss them. However, there have been glaring irregularities in the past. I am not going back into history; I am talking about the recent past. I want to know what mechanism is there to ensure the accuracy of the database and its overall usefulness.

140. **Mr Haire**: It is a requirement under the dear accounting officer letters that went out, which form the background to this, that the internal audit of Departments should check that the funds that they give are entered appropriately in the database. For example, in my Department and others, we have checked that out and we are happy with it. We drill down and check out the database and our stuff appears to be accurate.

141. However, you touch on a key wider issue. The database is a useful tool, but it is just a tool in a process. It requires, and the Committee often requires us, to do spot checks and send people into those organisations to do that. Often, when a group has three or four funders, it inevitably means that a number of different internal auditors have to go into that organisation. Yet, understandably, Seamus and the team say that they are being audited to death. There is a big issue about bureaucracy and how we go about it. It is a question of balance and risk management; that is one of the key issues. How do we manage the risk?

142. My Department funds a large number of organisations because we are in the wide area of community development. In the last couple of years, we have pioneered a system whereby we risk assess organisations. We use all the knowledge we have and ask ourselves whether the organisation has a reasonable track record or whether it has still to prove itself. We are reasonably happy with 91% of the organisations we fund. Because of that, we go in and check all the expenditure of such organisations in one quarter of the year. We randomly select that quarter, of course. We test drill such organisations in that way; we are not going to check everything. That still requires a lot of work, from their point of view.

143. For the 9% of organisations that have still has not proven themselves, we have to go in and ask lots of detailed questions. That is frustrating for the organisation, but it is the only way that we can look you in the face and say that we have done our job to ensure that public money is protected. The difficulty

that Seamus, Maeve and I have is to find mechanisms that work appropriately for all these organisations.

144. **Mr Girvan**: Our difficulty is that, perhaps historically, one or two bad eggs have made it very difficult for everyone, and we have now had to audit to death this whole Department, to ensure that public money is not wrongfully used. It takes only one or two organisations to create a major problem for the whole industry, and that is exactly what has happened here. On that basis, we now have to be totally accountable, open and transparent in every single transaction. I appreciate that we are dealing with multiple organisations. I use the example of SEUPB because it dispenses somewhere in the region of £90 million throughout this sector. If that £90 million is not accounted for on your database, how can we be sure that there is not a dual-funding approach? It could be dealt with through one area, yet SEUPB could be delivering it but not adding it to the database.

145. **Mr Haire**: No database will give you the protection that you want. It cannot work that way; you cannot have an absolute check. However, the database is at least a useful guide to those doing the audit. It helps them check those things out. Ultimately, you have to have checks and go into the organisations in quite a bit of detail to give you that confidence.

146. **Mr McAleavey**: To follow up on that, your second question was about double funding. The idea of a lead funder is that there is a single audit and then assurance is given to the multiplicity of the public funders that might be involved. I discussed that issue with the previous Comptroller and Auditor General, John Dowdall. He said that, in respect of double funding, the presence of a lead funder gave him assurance, because someone or some body was taking an overview. They were not checking on their portion of the funding in an organisation, but taking an overview. I am inclined to agree with that. I think that a lead funder gives you that type of assurance.

147. The second issue is the database and the importance of that. We have to realise the context. Under British law, what is not proscribed is legal. We can form organisations and we do not have to tell anyone. In the early part of the meeting, we talked about the Charity Commission. As Will said, regulation of the bodies that have been given charitable status by the tax authorities in Bootle is being transferred to the Charity Commission. All we know about those bodies is that they were given tax exemption, based on their charitable purposes. We will have to find out how many of those organisations are still active. Not all voluntary and community organisations will be charitable. Therefore, once that register is in absolutely tip-top shape, it will not take care of absolutely everyone. There will always be difficulties.

148. In continental Europe, the opposite is the case: what is not legal is prescribed. In France, you can be told exactly how many organisations exist and what they do, because, in law, they must have statutes, and they must reply. The British system is the opposite of that and allows freedom of association. That is very important.

149. A database like this is a big help and offers some added value. The report also says that we in NICVA have some of the best information in the sector from the research that we have carried out. We would like to depend on the database too, because we would like to be able to check everything. We look at voluntary organisations' accounts, and we gather that information and report on it. We would like to check it against the database, and we would like to know who has a grant, who has grant and aid, and who is in receipt of a contract, for instance. That would allow us to comment on that.

150. One of the difficulties that we have to recognise is that if there is not absolute authority behind something like this, the Department, at times, has difficulty delivering on it. However, others who have no responsibility to the Department for Social Development can say that it is

not a priority for them. I am wondering whether there is an authority issue, although I accept Will's point. NICVA has a fairly big database too, and I accept that once you have a database, it will never be absolutely accurate, but you always strive to make it accurate. I wonder whether it is the authority behind the Department that ensures that all the other public bodies play a part and see it as a priority issue. *[Interruption.]*

151. **The Chairperson**: I want to bring in Paul Frew for a supplementary question. I remind everyone to switch off their mobile phones. Unfortunately, we cannot tell what area the noise is coming from.

152. **Mr Frew**: Paul asked his question in respect of double funding. I want to ask the same question with regard to the different levels of accounting and auditing. Take, for instance, a voluntary body that goes to receive funding, and there are at least three levels of funding from various sources, but usually from the same block. Usually, the different levels are asking the same questions in a different way, which produces a different answer. How stifling is that to the organisations that you represent?

153. **Mr McAleavey**: It can be horrendous. We have an organisation in east Belfast that was carrying out a project. It did a check on the amount of time, effort and money that was put into the reporting and believed it to be 30%. People have to realise that there is a cost associated with excessive reporting, and, ultimately, that cost comes out of the resource that is being spent on whatever the activity is. Therefore, it can be horrendous.

154. It is mentioned regularly in the Treasury document. Treasury talks about being proportionate. We hear horror stories of very small organisations with small amounts of money being asked to report almost as if they were a Department. Treasury has commented on that as well. It has also pointed out that government finds voluntary and community organisations useful in getting to places that they cannot. They have to realise that the last thing that you want to do is turn those organisations into an extension of the Department.

155. Everyone agrees that that needs to be tackled: the Audit Office agrees, Treasury agrees, and the Treasury document is backed by the National Audit Office in England. The key point is how we translate that into real action. That is why I am hopeful that we will get some action this time and crack it through the proposals that Will is putting forward. Otherwise, we waste public money.

156. **Ms Walls**: I will say something about the horns of our dilemma with this. A short number of years ago, the Department invited external scrutiny of its funding arrangements with this question in mind: were the arrangements proportionate and appropriate? The view that was returned was that they were. Those staff were not exercising discretion that may have been available to them. The staff who work with me in the administration of grants place huge importance on ensuring that we are fully compliant and that we return satisfactory assurance ratings on audits. So, that group of people are doing their job and following procedures. However, Seamus pointed to something more fundamental and more systemic about how grant making works at the minute. As Will said, the concordat now needs to look at, in practical terms, what we might do to resolve some of this.

157. **Mr Haire**: My Department's accounts were qualified for several years for exactly that reason. Several years ago, we had a long, bad period for grant giving. Therefore, we worked with our Audit Office colleagues over many years and got to a good system. Our accounts are clear on that issue. In those areas, we are often implementing requirements that, ultimately, flow from this Committee and from the authority of the Assembly. It all points to the need to approach all Departments to see whether we can have dialogue about how to learn from best practice and align our processes and systems appropriately. However, we need to go to the Department of Finance and Personnel and, ultimately, to the Audit

Office to sign off any agreement on that issue, because staff involved in that area are genuinely trying to do their job effectively.

158. Ultimately, if we are to get a solution, this Committee has to be involved in the compact or concordat. It will be difficult. Our Scottish colleagues have tried this for some time and have not succeeded. I often feel that they have nearly given up on the idea. I do not know what Dublin has done in that area, but I know that London has talked about it for a long time and I am not too sure whether any easy solutions have been found there. So, let us focus on this issue, but let us be realistic: there are some very complex issues to be addressed.

159. **Mr Frew**: I am not sure whether Paul is finished, but I would like to ask one question to the Treasury Officer of Accounts. There is no point in any Department, whether it is DSD or another Department, showing discretion if it will be hammered by DFP, the Audit Office or another body. Is there guidance on best practice here? Is it possible to achieve uniformity right across the Departments?

160. **Ms Hamill**: We need to look at that as part of the work that Will and Maeve referred to under the four work streams under the concordat. We now need to see what good practice we can develop because, as we have seen in other areas and other jurisdictions, it is complex. However, at this stage, our intent is to see what we can do to streamline things and develop. Also, particularly if we take a more risk-based approach, we will have to discuss it with the Audit Office to make sure that it will hold up to external as well as internal audit scrutiny.

161. **Mr Frew**: That leads me on to another point. How much input do you have into the European funding sources?

162. **Ms Hamill**: European funding is under the jurisdiction of the EU.

163. **Mr Frew**: Can you not have any impact whatsoever on good practice in that regard?

164. **Ms Hamill**: With regard to scrutiny?

165. **Mr Frew**: No; with regard to good practice and trying to show a level of discretion there. The European funding side is probably worse than our internal funding, and we can see the level of auditing around the rural development programme. Is there any way that we can influence that process to make it easier and to show a wee bit of discretion?

166. **Ms Hamill**: We will certainly review our practices and responsibilities. Our experience of European funding is that we are expected to meet the standards and that we will be penalised if we do not. Everything has to be constantly reviewed, and this is an appropriate time to review practice across the board. If we look at how we work with our local community and voluntary sector, we can check things with the European side as well.

167. **Mr McAleavey**: We should not abdicate any of our responsibilities with regard to European programmes. A lot of things are open to interpretation. We get more horror stories associated with European funding than anything else. For example, a women's organisation bought stationery over the period of a project on a quarterly or six-monthly basis, and the amounts were relatively small. That spending was approved and vouched for by the relevant organisation and was passed by its finance officer. When a final audit was done after three years, it was decided that the organisation had broken procurement rules because the cost of stationery had reached the sum of about £5,000 over the life of the project. The organisation was told that it should have procured for the lifetime of the project. The organisation was disallowed that money, having had it approved and vouched for. The largest amount of money that it spent during the time was £258. Therefore, over £5,000 was taken from a very small organisation, which will have to find that from other charitable funds. People just cannot understand the fairness of that; they think that it is about interpretation.

168. I sat on monitoring committees for years, and I gave up on some of

the stuff that I tried to deal with regarding logos and things like that for communications. As far as I was concerned, the instructions were that the logos would go on things that were published. However, it just ran out to everything. There is a lot that we can do in that regard. I would certainly like to see it being within the ambit of the groups that Will is talking about.

169. **The Chairperson**: Maeve, you said that an external scrutiny process was undertaken. Who were the external consultants?

170. **Ms Walls**: PricewaterhouseCoopers.

171. **The Chairperson**: Are there copies of the consultation that could be shared with us?

172. **Ms Walls**: Yes.

173. **The Chairperson**: Thank you.

174. **Ms J McCann**: You touched earlier on the modernisation fund. I have a couple of questions about that. Figure 6 on page 26 of the report provides the details of the fund. It states that the revenue and capital elements were both oversubscribed when the applications closed back in 2007. It also states that neither of the budgets were fully allocated in 2010. Maeve, you touched on the evaluation. The objectives of the fund are set out in paragraph 2.20. Which of those did the fund achieve?

175. **Ms Walls**: I have touched on some of the evaluation evidence that has come forward on the modernisation fund capital. Returning to your first point, the fund was oversubscribed by a factor of something like five-fold. We thought about that afterwards, because part of the learning for us is that we sought to publicise the fund very widely when it was first announced. We engaged across the piece with voluntary and community organisations to provide them with details of the fund.

176. It is too early to give an end-of-term account on the modernisation fund capital. As regards spend, we expect to commit the programme fully. There are two outstanding projects for which we have not yet issued contracts for funding because they need to assemble their piece of other funding sources. When that happens, we will be in a position to release contracts for funding. We are one partner in that regard.

177. Some comments were made about bureaucracy. We have adopted a lead funder role where we are the largest funder in the capital projects. There is reason to be positive about that. We are gathering information about those who use the facilities that we funded under that capital programme. Like I said, it will probably be two or three years before the end of term report can be written, simply because of the way in which the fund developed. We released it in tranches. The first tranche was smaller grants. The most recent tranche has been the larger grant funding to organisations like Cultúrlann and the East Belfast Community Development Agency. It will be some time before we are in a position to make definitive statements about the impact of that funding.

178. **Ms J McCann**: Seamus, from NICVA's perspective, how well do you feel that fund was implemented and administered? How useful do you think it has been in bringing about change in the sector?

179. **Mr McAleavey**: Clearly, the fund will have done good work. It has aided organisations such as Age Concern and Help the Aged with merger processes and things like that. The capital side was very late to get running, considering when it was originally allocated by the Minister of Finance and Personnel. When you look back at the number of applications, the fund was thrown very wide. It probably could have been more strategic and targeted at change. Maeve referred earlier to some of the work with the Building Change Trust. NICVA is doing some of that work, and we are helping organisations. Five are in merger processes at the moment. We have 180 organisations that are keen to engage. There is probably more that could have been done.

180. **Ms J McCann**: Will, paragraph 2.24 of the report states that there are 240 support organisations in the sector, which is quite a high number. It states that those groups had no real strategic oversight or co-ordination. How many of those organisations are still there today? Who funds them, and at what cost? Will the work of those organisations be sustainable in the future?

181. **Mr Haire**: On the support level, my understanding is that a significant number of organisations right across Northern Ireland are still involved in that process. One of the issues that the report highlighted is that we have not been able to rationalise the support structures as well. As the report makes clear, one of the big issues was that the review of public administration (RPA) is key. Until you have a sense of the local government structure, it is logical to relate local support to local government structure. The delay in the RPA has caused problems.

182. The work that we did with the previous Ministers indicated that, if you are going to do it, you probably have to be willing to put some quite significant transitional funds up front. If you do not do that, some of the smaller organisations may go to the wall in the process. The issue of how we take that forward is one that still stands out. As we have described in relation to the modernisation fund, people in places such as Coleraine, Omagh and various other areas are already carefully manoeuvring themselves into that co-ordinated, more local system here even though the RPA has not gone ahead. There is important learning to be taken forward in that process.

183. The area of support structures is unresolved. The modernisation fund had the advantage of giving us some learning about what works and what does not. It is a major challenge as we go forward because we will have to find more sustainable structures for the future.

184. **Ms Walls**: The 240 organisations that are quoted were self-reporting. They saw themselves as support organisations when the Department said that we would develop a support strategy. It was in the interests of the organisations to identify themselves in that way. I suspect that the number is much smaller. In parallel with this, we support 34 organisations under the community investment fund, 13 of which are women's centres and the others are multi-functional community development organisations like the Confederation of Community Groups in Newry or the Ards Community Network. Thirty-four organisations across Northern Ireland are in place and have been developed and supported by that fund, and they are providing a dual role in many instances; a community development function and a support function for other organisations. Therefore, the nucleus is much smaller than the 240 that are there.

185. **Ms J McCann**: Going back to the report and reading paragraphs 2.24 to 2.30, the Department seems to be falling down a lot on delivery. For instance, it is six years since a support services strategy and an ICT strategy were promised, and those have not been delivered. Why is that? Why is taking so long to produce them? Would it not have been better if the modernisation fund had been used to support positive change in the sector? Why did that not happen?

186. **Ms Walls**: The short answer is that it would have taken less time had the timetable for the review of public administration come on board at an earlier point. The two programmes in our unit, the community investment fund and the community support fund that we administer across all 26 councils, were earmarked for transfer to local government, which is key to the notion of what a local support services strategy would look like. That is one reason. The second reason is connected to the point that Will made earlier. When we looked at this in 2008-09, unlike in England, where a substantial amount of public money was invested in capacity builders and in creating the framework that you are talking about for support, there was not that budget here. Therefore, there were two options. One of those was to advance the support services strategy

and reduce the number of organisations being supported. However, the consequences of us trying to effect that transition within our existing budget would have been very detrimental to community development support across Northern Ireland. The likely consequence, as we anticipated it, was that funding would have been reduced or ended to almost half of the organisations that we supported at that time.

187. **Ms J McCann**: Seamus, what has been the impact on the sector of those programmes not being implemented?

188. **Mr McAleavey**: It means that things move very slowly. We engaged on this issue; and one of the things we looked at through the task force on resourcing the community and voluntary sector was supporting organisations at a Northern Ireland level, perhaps through a generic body like NICVA. However, there would also be bodies such as Disability Action or the Rural Community Network that might provide particular support to organisations locally.

189. On Maeve's point about RPA, I talked to organisations locally in different district council areas. One of those, the Confederation of Community Groups in Newry has been mentioned, and there was also a Confederation of Voluntary Groups in Armagh. What we said to those groups then was that it was clear that we were moving towards a scenario in which we would provide one support organisation in what would have been 11 district council areas. That slowed and then stopped, with the result that an organisation such as the Confederation of Voluntary Groups in Armagh is not there anymore; it is gone. Therefore, this does have an impact and change takes longer than we would all like.

190. Our thinking has also moved on about this, and we are looking at a lot more vertical and horizontal integration. What I know from NICVA member organisations, whether they are community groups or voluntary organisations, is that, at the end of the day, they will look to those who give them the service support that helps them and their work. They are becoming increasingly clear about that.

191. Things take an awful lot longer than we sometimes expect. They get held up by different processes, such as RPA, but we really need to begin to focus on such things and streamline them to the help and betterment of all existing groups or new organisations that emerge.

192. **Ms J McCann**: Paragraph 2.28 refers to a skills survey that was carried out in 2008. It states that that survey identified a significant skills gap in management and leadership. Has anything been done to address that?

193. **Mr McAleavey**: We in NICVA did some work on management and leadership. Using trust fund money, we invested in providing support to organisations, and 650 people went through our management development programme at different levels from postgraduate right down to introductory management. In our sector, educational qualification levels are high. We have a lot of people at degree level and higher, but they have only basic management skills, so it is a big area.

194. We have engaged with the sector skills councils, but all we really see there is talk and a discussion about how skills gaps can be dealt with. Not a lot has actually happened. We have found that voluntary and community organisations are left to their own devices in the sense that it is about what they can do for themselves. We have always had that ongoing skills problem. Our sector is diverse, and we have a broad range of the required skills.

195. **Ms Walls**: We were encouraged by the findings that seven in eight people in the sector have the necessary skills, and that is not being complacent for a second. We treat the issue seriously, and that is why we are giving the amount of resource that we are giving to organisations such as NICVA so that the sector is supported in its skills base. At a time of change in the sector, seven out of eight people are saying that they have the skills that they need to do the job. We are not complacent, but we take

reassurance that our support budget is being well directed on training activity.

196. **Ms J McCann**: The sector's ability to deliver public services has been touched. Paragraphs 2.11 to 2.13 deal with the commissioning of services from the sector. How could more be done to promote that? A lot of people, particularly from the social economy sector and those who work in the voluntary and community sector, do not think that there is an even playing field, particularly where government procurement is concerned. Is there a way that that could be promoted better?

197. **Mr Haire**: Last year, our colleagues in the Central Procurement Directorate of the Department of Finance and Personnel issued advice and guidance on commissioning in relation to social economy enterprises. They are taking very seriously the point about how we get advice to Departments and how to deal with that area. We find it encouraging that they seem to be focused on that process. We see the intelligent commissioning concept as one of the areas on which we need to work.

198. Seamus and Maeve might be aware that one of the working groups that we are setting up is about outcomes and outputs. Intelligent commissioning is in the area of how you work that all together and how you get alignment in the process. We need to get a better sense of how that is working and a spread of best practice to ensure that we genuinely use the real expertise that is in the social enterprise sector.

199. **Ms Walls**: In England, an intelligent commissioning programme was developed by what was then called the Office of the Third Sector in the Cabinet Office, which is the equivalent of our unit there. That involved collaborative work with the New Economics Foundation and what was then called the Improvement and Development Agency (IDeA), a local government think tank organisation. We can learn lessons as the concordat implementation develops from that.

200. Some very interesting work was done in two areas: helping organisations describe and measure their benefit; and helping commissioners better understand the value that voluntary and community organisations can deliver. So, there is great scope for some really positive work on that over the next year.

201. **Ms J McCann**: You touched briefly on the social return on investment earlier. That is crucial, and we could maybe look at the social clauses. The social outcomes of a government contract could be looked at just as much as the value for money and environmental sides of it. It is a hobby horse of mine, but that could maybe be looked at.

202. **Mr McAleavey**: You mentioned the social return on investment. On page 44 of the report, there is a case study on the NOW project, which is very good at showing how it has helped people. It is about distance travelled and being able to recognise the cost savings elsewhere. In this case, savings were made in the Department of Health, Social Services and Public Safety through transport costs and all that. That needs to be able to be counted.

203. **Ms Walls**: We have trained six of our staff to understand social return on investment so that, when organisations want to articulate their work in that way, we know and understand what is being described and are sensitive to it.

204. **Mr Frew**: You mentioned the case study on the NOW organisation and the way that it has used resource with regard to the social return on investment, the pilot that it did and the report that it produces annually. Seamus, do you see groups going down that line in the future? Do you get the sense that public funders are using that as a tool to measure? How much value do they put on it?

205. **Mr McAleavey**: It is very good case study and a very good organisation, and it has been trying to focus on the outcomes that it is trying to achieve. It is trying to help people who have been dependent and have been going to day centres to get into real jobs, hold those

jobs down and live independently. A lot of those people get picked up by bus and taken to a day centre, and they now become independent travellers to and from work. So, they have used the social return on investment model to focus on the outcomes. I believe that government has a real difficulty in focusing on the outcomes that we are trying to achieve.

206. The Treasury report says that if you focus on the application process, the economic appraisal and the evaluation but not on the outcomes that you are trying to buy, you will have lost everything. However, our systems of accounting — and I am not talking about high level audits but about how things are vouched for as they go on along — tend to focus on the paper trail. I have been saying that it can be difficult to use those systems to tell the difference between a good organisation and a bad one. This sort of thing will start to tell you that you have a good organisation that is achieving something, and the system needs to be able to embrace that. There are probably a lot of other models as well as the SROI one, but we need to focus on the outcomes.

207. **Mr Frew**: So, as an organisation, will you try to advance the model that was used in that case study by the NOW organisation?

208. **Mr McAleavey**: Yes.

209. **Mr Frew**: It is a tool that you support. That is certainly a good tool to measure the worth and outcomes. However, some groups in the community and voluntary sector do not know their worth and might not have the capacity to do something like this. How will they cope in the future if we go down a line of telling groups to follow models of best practice and that, although it will take time, it will measure their value and outcomes? That is what the government bodies want, but there will always be groups that do not have the capacity to do that.

210. **Mr McAleavey**: At the time of the task force, when we first started talking about trying to focus on outcome-related funding, organisations in our sector said to me, "Why are you doing that? You will just make things worse for us." We said that we were doing it because it was the right thing to do and that it was focusing on the right thing. We are supposed to be about outcomes; that is what voluntary and community organisations are trying to achieve. However, their fear was that they might have to report on the outcomes and all the other stuff. That would mean that another bureaucratic burden was being added; that was their fear.

211. Through the crisis of the economic downturn, we have been saying that organisations in our sector need to be better at producing data to back up what they do, and they need to be able to tell their story. If you are reporting on the outcomes, you are telling your story. You are reporting on the difference that you make to people's lives. You are right: lots of organisations, big and small, will need some help and support to get them into that mode. We can only meet government if government is also prepared to connect as regards making their funding decisions based on outcomes.

212. **Mr Frew**: Following on from that, what is the Department doing? How does it see the future?

213. **Mr Haire**: It is interesting. We have done a lot of work in trying to support people in getting a sense of outcomes in the process. My Minister has indicated a strong interest in social impact bonds as a concept, and there is a whole issue coming about in that process. We are seeing that it is about outcome issues in Whitehall and the work programmes for training and returning people to work. That means that certain payments under that condition will go to organisations two or three years after they have started investing in returning a person with low skills into employment. So there is a high risk. There is a good return to those organisations, but only large organisations are going into that business. Some of them are big multinationals, but there is also a further education college in the north of England getting involved in the area. They are also drawing into the

process the voluntary and community sector. If you are focusing on outcomes, it may be a process of transferring the risk to the voluntary and community sector. That may be a good thing to do, because it may help if we organise ourselves correctly. However, there are real risks there.

214. It is vitally important that we think about outcomes, because, if we do, it makes us focus on the sorts of programmes and activities that have real change impact, get early interventions that avoid crisis and which get to the core of the social problems we are dealing with. A focus on outcomes is important in making sure that we are doing the right things.

215. However, if we move to the situation of saying that we are going to pay for outcomes, it may be a very good thing, but understand that you are into very different business and one to which I am not sure whether a lot of our voluntary and community sector can afford to go. It is, therefore, probably best if we focus on reasonable intermediate outputs, where there are things that can, at least, give us an indication that we are doing the right things. It is an important area to look at, but there are a lot of complexities to be thought through. There are a lot of risks in outcome measurement and in outcome payment.

216. **Mr Frew**: There is not as much resource about now, so, of course, everything has to be tightened up. How does your Department determine its priorities now, when there is no uniformity? This might be controversial, but there is a high degree of importance placed on need and deprivation levels. There are organisations which, if given a pot of money, would have it spent in the morning. That money would immediately go directly to the ground. I am talking about the Broughshane Community Associations of this world. There is no doubt that they have the capacity, but they do not have the factors involved and the surrounding issues. Nor do they have the need or levels of deprivation in their area that could draw down a lot of money. Then there are the community associations, groups and organisations that are in areas of deep deprivation and need, but they do not have the capacity to spend. When you award or grant money to those organisations, you find that it could take years to see a worth or to get an outcome. Even if there were to be a quick outcome, it could all be gone within a few years. Do you take that into consideration? That would be a big bugbear for some organisations that do have the capacity but are, unfortunately, not in a deprived area.

217. **Mr Haire**: It clearly depends on how Ministers interpret the objectives of the Programme for Government. For example, our neighbourhood renewal programme says very clearly that we are targeting the 10% most deprived communities. We measure that carefully, and we recognise that that is where the funding is to go. The clear objective of the policy is to offer people in those communities an opportunity to have the same benefits as others because of the particular issues involved. That is the logic of the policy. However, there are lots of different types of policies in different areas.

218. Likewise, many organisations have the capacity not to use government funding. The major UK-wide funders and foundations knew that there was European funding in Northern Ireland, and the question was why they would be here. We need them here because we have major issues. Things are changing in that process. There are horses for courses. There are opportunities, but it depends entirely on the focus of a programme.

219. **Mr Frew**: I understand that, but there is a perception that there is a certain neglect of a certain calibre of association or organisation. That should not be forgotten about either. It comes down to programmes at the highest level, but this is worth mentioning.

220. **Mr Byrne**: Paragraph 3.2 indicates that public sector bodies do not lack the manuals, guidelines and access to good practice to be efficient and effective funders. This is the whole issue of funding arrangements. Mencap is a fairly reputable organisation that does a

lot of work for young people and adults with a disability. The document states that Mencap:

"experiences administrative inefficiencies, difficulties recovering all appropriate costs, and delays in cost recovery in some public sector and EU funded programmes."

Some of those difficulties are then listed. Why does the report contain so many examples of inappropriate and inefficient practices? Why do so many organisations feel that there has been very little improvement in the funding partnership or relationship? You made some references to that earlier, but who will take the lead and get that streamlined?

221. **Mr Haire**: As I suggested, the examples of those sorts of issues are useful. Quite a few of the examples recognise and demonstrate the good practice that has taken place and can come forward. The action group that Seamus, Maeve and I are setting up under the concordat concerning bureaucracy is very much focused on trying to see whether we can deal with those sorts of issues. The Mencap issue is very interesting: there are 30 different funders. My understanding is that it goes to many different trusts. The interesting point is whether it does exactly the same thing for each trust or different things and whether each trust has to ask different questions. It is really interesting, and it goes back to the point of intelligent commissioning. Perhaps there should be one type of commission that all the trusts could agree and implement, which would mean that they could get all the things aligned. That is exactly the sort of debate that we need to have with the health sector in this case. I am a lot less optimistic than Fiona when it comes to European money because European regulations are, in a sense, a legal nightmare and very complex. European money in the sector is getting smaller.

222. The question for us is whether we can get commonality in or across Departments. Forty-four per cent of funding in the database is for projects under £10,000. The issue is whether there is something through which projects could be taken forward in an aligned or slightly different process than, frankly, through the very generous money that we give to Seamus. *[Laughter.]* It is more than £10,000.

223. **Mr McAleavey**: It was £650,000 the last time.

224. **Mr Haire**: The group will look at those sorts of issues. We will try to take that forward. The report very usefully outlines the sorts of areas that should be addressed. We do not disagree with any of them. There are areas of progress. For example, the report recognises concern about one-year funding. In the past while, we have, generally, been able to move to three-year funding. In the past year, there have been difficulties due to CSR. Frankly, Departments did not know how much more money they would have after the end of the last CSR. Rightly, they had to say, "Sorry, we have to run contracts now". Now, however, we have our funding packages for four years. We are generally trying to move towards three-year or four-year packages for people. It is much better for us and for organisations if it can be done that way. It is difficult. However, those are the issues on which we can make progress.

225. **Mr McAleavey**: Mencap is an interesting example. I know that, at times, only for the fact that it is part of a huge UK organisation, which helps it with cash flow, Mencap could be £400,000 out while waiting for timely funding returns. Therefore, I hope that with the process that Will has put in place we will begin to start to crack some of those issues. The point that Maeve mentioned earlier is very important. I would like to see the Public Accounts Committee put its weight behind trying to crack that problem and seek a report at some time in the future on how progress is being made. At least, as far as I can see, the Public Accounts Committee has some authority across government. Perhaps, it can help to make things happen to try to crack some of those issues. Senior civil servants need support and cover from politicians to drive some change if we are to get value for money,

streamline those processes and help these organisations to focus on their front line duty.

226. **Mr Byrne**: Again, on cost recovery, there seems to be a lot of angst among many organisations about recovering only part of their costs. That seems to cause great difficulties, particularly for organisations' cash flow management. I noticed that in your concordat, you mention that you intend to develop proposals from DETI for full cost recovery within contractual arrangements between public sector and voluntary and community sector organisations. What does that mean?

227. **Mr Haire**: The report also indicates that the National Audit Office has done work on that issue. It also recognises that it is extremely difficult to get down to that.

228. **Mr Byrne**: It is so difficult that we will avoid it?

229. **Mr Haire**: No. We will not avoid it. The key issue is that we have competitive tendering. A set of charities actually bid slightly low to get the project.

230. **Mr Byrne**: Therefore, an evaluation has to be done on that.

231. **Mr Haire**: As long as they do it in full knowledge and they have committed themselves to that process; that is no problem. However, they cannot then turn round and say, "Sorry, we bid low, but it is not actually covering all of our costs." We have to get clarity about what is covered so that people understand the issue right from the beginning and there is no question about whether things are covered. At times, it is not necessarily that easy. The National Audit Office made the point that, sometimes, people see it too much as covering every cost. That is not what that process means. As with our concern about what the words "compact" and "concordat" mean, there is value in our being absolutely clear and blunt about what full cost recovery can mean and trying to use better language.

232. **Mr Byrne**: Do you accept that many small organisations are living hand to mouth and that getting full cost recovery based on invoicing or billing is crucial to their financial survival? They are screwed to the wall, and some are on the brink of going out of business.

233. **Mr Haire**: I recognise that people are operating in a tough environment. However, under the contracts through which government give money, it is absolutely clear that we can only give it for what we said we would give it. That is an important issue too.

234. **Mr Byrne**: To be honest, I think that you are dismissing it too lightly. You are not really appreciating the pain that some organisations go through. One of the concerns is that a sensible approach is not being taken to well-run organisations that are properly managed and that have a proper billing and invoicing system.

235. **Ms Walls**: We accepted and communicated to Departments that we support the principle of full cost recovery. The core of the principle is that organisations that deliver public services should not have to subsidise those services from their own fundraising efforts. The principle was established primarily for those organisations that deliver an aspect of public service under contract. In all likelihood, the small organisations that you are describing will not be engaged in the delivery of public services. If they are, full cost recovery would kick in because, when they tendered or competed to deliver the service, the onus was on them to cost that service delivery and cost it well. We have a responsibility to make sure that organisations in the sector are good at costing and understand how to construct their costs. They need to know that it is not only staff time but that overheads will be associated with that.

236. The National Audit Office described full cost recovery as a blunt instrument in cases where government are giving a grant to an organisation but it is not necessarily associated with a very clear service delivery. The terminology of a gift or an investment in the organisation comes in when it is more difficult to structure full cost recovery because we are simply contributing to the overall

running costs of an organisation, and there may well be other funders. So, it is not for a second that we are insensitive to it, and, as Will said, the working group will look at costs as part of the concordat. The guidance on that may need to be refreshed and reissued.

237. **Mr McAleavey**: Joe, it goes across many Departments and many agencies. The issue of full cost recovery came up as a UK one, and it was where funders only ever wanted to pay the marginal cost. They said, "I am funding you to do this, and I do not want to hear about the other costs". The Treasury said that there is no reason why service procurers should disallow the inclusion of relevant overhead costs in a bid, recognising that there are a lot more costs involved and that charities and other bodies should not have to subsidise the cost of the delivery from elsewhere.

238. Quite often, overhead costs can get down to the ridiculous, especially with some of the European programmes. For example, in NICVA, as Will said, about 30% of our finance comes from the Department in supporting a core grant and more than 30% comes from earned income, from hiring out these rooms to our member organisations and so on. If we book an event in a hotel, we pay the costs of the coffee. When SEUPB came to look at the issue of coffee charges, it did not accept our charge of 80p or whatever. It wanted to pay the specific costs of the teabag, the heating of the water and the use of the cups. It wanted to get absolutely marginal, and we said that we are not interested in that and will provide the tea and coffee for free. However, lots of small organisations have great difficulty dealing with that. Sometimes, it gets really crazy. Treasury tried to recognise that there are legitimate costs beyond the marginal costs, and everybody who runs a small business or organisation knows that. You know that, when you walk into a hotel and buy a cup of coffee, you do not just pay for what is in the cup; you pay for all the other things that go with it.

239. **Mr Byrne**: When peace moneys were allocated here way back in 1994, there was a whole war game between Departments, district councils and intermediary funding bodies over who would distribute the money. We still have intermediary funding bodies, Departments and other agencies of delivery. There does not seem to be a consistency in relation to full cost recovery. So, again, does that reflect a lack of co-ordination?

240. **Mr Haire**: There is an issue in Departments: we need to check out how we are handling it in different areas. You are talking about European regulations —

241. **Mr Byrne**: I was using European money as an example.

242. **Mr Haire**: I just do not know, once again, I am not —

243. **Mr Byrne**: You are well experienced, Mr Haire, in the black arts of government.

244. **Mr Haire**: I had the joy, 20 years ago, of sitting in on negotiations on EU regulations in Brussels. I did not understand them then, and I do not understand them now. They were monstrously confusing and complex, so I am afraid that I cannot enlighten you.

245. We can certainly do things within the Executive's expenditure. We need to try to get clarity on that issue. Maeve gave a very useful description of the nature of funding and the different types of areas. We have to try to be clear about the funding process, because in certain areas full cost recovery fits within certain types of relationships and contracts; it does not fit in all areas. We need to clarify that issue as best we can.

246. It is not simply a matter of us trying to clarify the language; we need to put in place a number of training programmes. There are teams in different branches that are good at funding and have good systems. We have to see whether we can get best practice. That is where our colleagues in the Audit Office probably excel; they know who is delivering well and they know the structures. The question is whether we get a situation where all Departments learn from that and benefit from the process.

247. **Mr Donnelly**: We would be very happy to participate in that process.

248. **Mr Copeland**: I declare an interest with regard to Mencap. That was included in the general declaration of interest that I made at the start, but, since Mencap has been mentioned, I should be specific.

249. **Mr Frew**: I thought you were going to declare an interest in the black arts. *[Laughter.]*

250. **Mr Copeland**: I thought that was what he said, but I did not dare ask.

251. **Mr S Anderson**: I thank everyone for coming along this afternoon.

252. From reading paragraph 3.12 of the report, there seems to be some misunderstanding about what is meant by the longer-term, outcome-focused approach. We are all well aware from our own communities that the sector is calling out for longer-term funding arrangements, but that is not happening. There is a great need to seriously address that issue. Why is that not happening?

253. **Mr Haire**: In past couple of years, and with the settlement of the CSR, we are seeing a move towards three-year funding and sometimes four-year funding. That is something that we stress as being important. In the Department, we have been able to move to three- to four-year funding.

254. The Treasury is very clear in its guidance and makes the point that the length of funding is entirely dependent on the objective. It says that short-term funding in certain cases is the right thing to do. We have a number of cases, and this document covers a number of cases, where we have provided one year of funding and then another year of funding. That is often because the project has not fully demonstrated its need or clarified its objectives. It is then quite appropriate, in order to protect public funding, to allow organisations a year or so to develop and refine their needs and objectives. In a number of cases, organisations receive short-term funding because Departments require that. That is the right thing to do in certain cases. However, we have clearly had an on/off situation. We have had budget issues. It has taken time for Ministers to settle budgets and for the Budget process to work. We all recognise that too many short-term, one-year processes have been expensive to organisations and to us. Our clear direction of travel is to move away from that.

255. **Mr S Anderson**: From your response, may I take it that you agree that the absence of that certainty clearly restricts groups in moving forward? Do you also accept that such a lack of clarity makes it difficult for groups to establish what they intend to do?

256. **Mr Haire**: That is the downside of short-term funding. It is not cost-effective for people to spend so much time going through the process of searching out funds. However, as I said, our aim is to move to longer-term, three to four-year funding because that is, generally, the CSR period and it is difficult for us to commit beyond that. Against that, however, there are times when short-term funding is needed. For example, at the moment the Minister has asked us to make sure that we get the budget so that there is more money for innovation in the sector. If we are to fund innovatory projects, that will probably be on a one- or two-year basis, because we will still be trying to search out the right programme and the right way to do it. So, there are times when short-term funding is the way to start new programmes. I do not want to give you the idea that all new programmes will be funded on a three-year basis.

257. **Mr S Anderson**: Case study eight in the report is on Focus on Family. That case study contrasts one organisation's experiences in securing funding from different funders. In that particular case, the staff had been put on protective notice before funding came through at the last minute. I think part of your comments earlier on neighbourhood renewal referred to that. The Department does not come out well in that case

study. What went wrong? Does your Department appreciate the stress and anxiety that goes along with such cases?

258. **Mr Haire**: I will ask Gordon to come in on that issue because there is an interesting story there.

259. **Mr Gordon Bell (Department for Social Development)**: That is, obviously, the sort of situation that we wish to avoid. There is an obvious need for good planning, good relationships and working together constructively to ensure that all the required processes are completed on time. Through the concordat action team on bureaucracy, we are working to produce good practice guidance and ensure its dissemination across public and voluntary sectors, because both have a part to play here.

260. In this particular case, I understand that the Department required an evaluation of year one outcomes before funding for years two and three could be released. There was a delay in that evaluation report being received by the Department. Hence, the organisation had to issue protective notice. In the second year, funding was only issued for a seven-month period between September 2008 and 31 March 2009 because the Department had not received a sustainability plan that it had requested.

261. **Mr S Anderson**: Was that not flagged up at the start so that any potential problems in this case could have been avoided?

262. **Ms Walls**: It is a reminder of the need for good communication between the Department or any funder and the organisation that they fund. I am not familiar with the project intimately, but in this instance it sounds like the onus was on the organisation to return information to the Department. That would not be the only example of the delay being attributable to the organisation itself not returning information that we need to process payments. The point at issue here is that good communication between the organisation and its funder is essential.

263. **Mr S Anderson**: That is the crux of the issue; there must be better co-operation. If that was the case, it may prevent something like this happening in the future. It was good that I was able to bring you in there, Gordon.

264. **The Chairperson**: You cannot say that that is a one-off. You may not use that term, but you cannot say that you are not sure about that particular case. This happens every year.

265. **Ms Walls**: I am not saying that it is a one-off.

266. **The Chairperson**: My point is that I work with groups and for a group that experienced that situation every year. Can it not improve? Why has it not improved?

267. **Mr Haire**: Was that under neighbourhood renewal?

268. **The Chairperson**: Yes.

269. **Mr Haire**: That is one of the issues. At the start of the recent neighbourhood renewal cycle, a number of projects were funded on a one-year basis. Some were because they were projects that we were looking for greater detail and clarity on, and some were just because of the nature of the budgets and the way that ministerial agreements on budgets emerged. Now that we have agreement with our Ministers, our aim is that we will move towards three-year funding. That is the process that we are trying to implement for the very reason that we were constantly being caught in a situation where we were not getting budget clearance for the system, and, therefore, people had to put themselves on protective notice. That was clearly damaging for morale and it was not a good way forward, hence we have changed that process.

270. **The Chairperson**: Some groups have heard for a number of years now that funding will be on a long-term, three-year basis. However, that is yet to happen. I will be surprised if it happens this time or if the next term is going to be for three years. I hope it is, because it certainly needs that wee bit of reality and sustainability brought into it. I know

of groups, including the one in the case study, that got their funding two or three days prior to the end of their contract period. Some groups have had their funding run out at the end of the financial year in March, yet they have not got a letter of offer until August or September. That is completely wrong, yet it has happened time and time again.

271. The Department needs to take a serious look at that, because it could lead to groups losing their best staff and losing people from that sector altogether. There are people who want to do an honest day's work for an honest day's pay, and then they become financially screwed because they have mortgages to pay and families to keep. I do not think Will, Maeve, Gordon or anybody else in this room would want to work like that: would you? That is the reality of it. If you would like to work like that, that is good enough, but do not expect others to.

272. **Mr McAleavey**: I have experience of this across Departments and agencies. In the past two weeks, I have met the director of an organisation, not related to DSD, that receives major funding from a Department. The director told me that, last year, their application had been in for the best part of a year before it was met in February. They then received a letter asking whether they would like an advance. There is an issue there, and I have discussed this with officials.

273. This year, that organisation is not prepared to take the same sort of risk, because of the financial climate that we are in. The director told me that they had put nine people on notice and they really needed to get a decision. However, their application has been in from the beginning of the financial year, and they feel that it has not progressed. That may be a case of bad practice or total inefficiency on somebody's part. I have talked to officials about how we begin to deal with that across Departments because, sometimes, it is down to people rather than procedures. Maeve and I have spoken about trying to include that.

274. **Ms Walls**: It is not good practice, and we would not support it. It is not in keeping with the principles and commitments of the concordat. We will be actively vigilant on that issue. If there is a concentration of this, I would expect to see that featured in a report through the Minister to the Executive and remedial action taken.

275. **The Chairperson**: It is a very serious issue, and I hope that this Committee makes a number of recommendations, because the community sector cannot sustain that haemorrhaging of good staff. Fair play to the people who have stayed in the community sector for years because they are committed to it and they are committed to making sure that the communities they are representing are better. They have to be commended for that.

276. I see from the case studies that some of the groups might have had a surplus of £90,000. Some groups are not allowed to have a surplus of money. How do they survive? How are they supposed to try to pay their staff?

277. **Mr McAleavey**: I can give you a very clear example. Youthlife works with young people at risk of suicide and self-harm. It received funding over the past 19 years through in-year slippage money. The person in charge of the organisation did not take her wages for 10 months last year because she did not have the money to cover them. I do not know how she does that but I assume she is relying on her husband being in work. Despite all that, the group had 36 referrals in June 2011, 34 of which came from the statutory sector. They were getting the referrals but not getting the help. A lot of that is happening across the board. That is an issue we have to try to tackle.

278. The Treasury report, which Will and I have quoted, talks about timeliness. If we were making payments to private sector organisations for work done they would be timely. The Government gives a commitment to a one-month return. If there are problems, I am happy that they be dealt with. I am not saying that people should get away with not holding up their end, but I have had to intervene many times and phone permanent

secretaries and say, "These people are going to close at the end of the week." Generally, you get action then.

279. **The Chairperson**: The main point is not about jobs but the services that those individuals provide. That is what is being affected.

280. **Ms J McCann**: You made a key point. Obviously, people's jobs are important. However, we have had this discussion for years. I remember going to a round table discussion in 2006 about neighbourhood renewal in west Belfast and they were talking about 10-year core funding for core posts. That has still not materialised. Core funding is the main issue, particularly for the community sector. Where there is a need for a service, you cannot keep delivering that service on a year-by-year basis. That just cannot be done. We are taking about outcomes and funding being outcome-based. How can it be that a project is funded for a year and then the funding is taken away and a different project is funded? That just does not make sense given the services being provided, particularly those focusing on early intervention. If you are going to make any long-term difference to people's quality of life, you have to give the core funding to those organisations and the people who are delivering that service. Otherwise, you are throwing good money after bad. Core funding for those services is a key issue.

281. **Mr Frew**: The long-term strategies of the voluntary sector are the crux of the matter. I am not talking about the jobs and the people in the jobs, although that is important; the key concern is the people they cater for. Probably the worst thing for someone in need or who is being serviced by the voluntary sector is to give them a service and then take it away. Sometimes, that can be more damaging than the initial problem.

282. There are two aspects to this issue. One is the short-term nature of the contract, the one-year funding. It would be great to get three- or four-year programme funding. However, when we get to the end of that process, whether it be three, two or four years, will the same thing happen again, with people left at the very end of contracts and programmes without future funding? Can you give us an assurance that if we have a three-year funding programme, renewal of that funding will be looked at sooner, within a year of it running out, so that there is continuity?

283. **Mr Haire**: There is no disagreement between what we, as officials, are saying and what you are saying. We totally agree. There is, therefore, a need to look at the question in the political process. For example, in the early 2002-04 period we had a lot of one-year Executive programme funds. I was in the Department of Education when Secretary of State Hain introduced the children's fund. As officials at that time, we said that we would be happy with that and commit to it as long as it was mainstreamed into our budget. However, we said that if it was to be two-year funding only, we would be doing exactly what you have described here: getting groups active and then having to put them down. We were assured at that time that it was long-term funding but, to be fair, a new Government came in and took a different view on that issue. They were totally right to take a different view on that process. However, if you are going to do this, you have to take a political view, being very careful about pilots, innovations and new processes, and you need to look very carefully and strategically at how you back some projects and get your funding right. We also have to make sure that our budget processes are right.

284. You are absolutely clear: we should be making evaluations of schemes well before the end of the funding period so that, if the scheme is coming to an end, we can give people the time to prepare for that or, if it is going on, we can give them that assurance. That is good governance, and we are totally with you on that. If the Committee includes that point in its recommendations, we would be very keen on it, because there is no disagreement between the sector and officials on that issue. It is about trying

to find the correct way but accepting that there will be times when people will want to innovate or that it is right to have one-year funding in certain areas. I would always keep those options open. However, we totally agree with the points that you make.

285. **The Chairperson**: Could you give a quick yes or no answer: has the Department failed in that up to now?

286. **Mr Haire**: The process is —

287. **The Chairperson**: It is a yes or no answer; we need to move on.

288. **Mr Haire**: The officials have done what they have been told to do.

289. **The Chairperson**: Never mind the officials, has the Department failed?

290. **Mr Haire**: Define Department. The answer is that I do not think that the system has always agreed —

291. **The Chairperson**: You are going down the line of giving a politician's answer. *[Laughter.]*

292. **Mr Haire**: You are asking me a political question.

293. **The Chairperson**: Could the Department have done better on delivering the outcomes and ensuring that organisations' funding does not run out? Seamus raised the point earlier, and I was trying to get at it as well: there are people who are ready, have filled in their applications and given to the Department everything that has been asked for, but a decision is sometimes not taken until months after their funding has run out at the end of the financial year. So, could the Department have done better?

294. **Mr Haire**: One can always do better. I am 18 months in the Department, and I stand up for the DSD systems because, as you know, we had a really tough time about 10 years ago. I think that the systems we have in place are robust. So, we have been applying the systems as well as we can in the context of our budgetary allocations.

295. **The Chairperson**: We will read the Hansard report and take whatever we can out of that.

296. **Mr Dallat**: I have a meeting with a voluntary group in Coleraine at 6.30 pm and, with an unspecified number of penalty points, I will have to leave after this. *[Laughter.]*

297. Somebody once told me that, in Eskimo language, the word "failure" does not exist. Perhaps we should adopt that attitude.

298. This has been a learning process for me, and I am very grateful for that. I am better informed now about the compact, but I am not so sure about the concordat. I am always suspicious when a document is planted in front of me a few minutes before a meeting of the Public Accounts Committee, and here I am being negative: did somebody type the document out on a word processor just to facilitate this meeting of the Public Accounts Committee? I am glad to see, Maeve, that you are denying that. I hope that is true because, if it was done for that purpose only, it is of no value.

299. The report that we are considering is concerned with creating effective partnerships. Partnership suggests equality. You and Seamus have dovetailed very well here today, but I was glad to see a little bit of division opening up, because that is important for our report. I have to conclude that the equality aspect of funding is absolutely critical.

300. The voluntary sector, by its nature, does not have phrases in its vocabulary such as "pension schemes", "superannuation", "increments", or "guaranteed employment". They are a wonderful bunch of people who take enormous risks with their whole family incomes and everything to sustain a service on behalf of the public, and our report must reflect that. One basic way of doing so is to ensure that the funding issue — the one issue that we have control over — is sustainable. Seamus, you mentioned the French model of compulsory registration. I will push you on that. Is it something that you would support?

301. **Mr McAleavey**: It has its benefits. It is great for researchers, because one can actually find out how many organisations there are and what they do; and they make an annual report. It came from the Napoleonic system, and you get it across most of continental Europe. The system under which we operate goes back, virtually, to Elizabethan times and it is not going to change easily. There is an awful lot of good in the idea that people have free association, so, unless you have been prescribed, any group can come together and can collaborate to do whatever it wants, as long as it complies with the law of the land. On balance, I tend to go for that system.

302. **Mr Dallat**: I was not aware of the French system, but as soon as I heard about it, it occurred to me that it would be a way in which we might have a database or register. My goodness; it does not seem to be to be an infringement of democratic rights if organisations that apply for funding are asked to register. The benefits that would flow from that would be enormous, not just for the Department but for lots of other people who want access to information on where such groups exist.

303. As I come next on the list I might as well get rid of this issue and then go on to my voluntary group. I think it may have been covered, but I refer to the Women's Resource and Development Agency, which was case study 9. It appears that the DSD has some problems with the lead funder. Will you elaborate on that and suggest recommendations to ensure that that kind of basic difficulty does not arise again?

304. **Mr Haire**: I might ask Gordon to provide some details. There are slightly different types of projects and relationships involved between the two Departments. That is the view of the Women's Resource and Development Agency itself. I do not think this is the Audit Office's view, it is just reporting what the agency felt. My analysis is that slightly different relationships were causing the problems.

305. **Ms Walls**: Before Gordon comments on the specifics of the case, the work that we have been doing with DFP — and the Northern Ireland Audit Office has been supporting us — has been to look at one organisation, the Law Centre Northern Ireland, which we have been supporting for some time. According to our risk assurance ratings, it was low risk. We wanted to look at the lead funder there to see if we could fix it in that organisation and then plant it more widely. The discovery from that piece of work is that it is difficult to establish it — indeed we are concluding that it is well nigh impossible, though we are not quite at the end of the process yet — for an organisation when different funders come on board at different times, for different lengths of time and with different objectives for their funding. As I said earlier, the lead funder is working on capital projects where the start and end dates are the same and where there is commonality of funding. It could potentially work more easily for a project or strand of work for the Law Centre, but for the totality of an organisation it is proving well nigh impossible. We needed to really understand that before we knew whether we had any chance of actually rolling it out in a way that was going to work across government. There is some more work that we need to try to do with DFP and the Audit Office on that. That is by way of the generality on lead funder. Perhaps Gordon will talk about the Women's Resource and Development Agency case.

306. **Mr Dallat**: Thanks, Maeve. Perhaps that would be a recommendation from the Committee. If we have general agreement, it could be included in our report. It would be helpful if less time were spent counting the postage stamps that the organisation used and more time trying to co-ordinate the whole process from capital investment to revenue and so on. You will be glad to know that I have only one more question. It is about basically the same theme: Departments not talking to one another. Politicians are not so bad now; they are talking to one another. However, Departments should be talking to one another about the projects in which they are involved.

307. **Mr Haire**: There are vast numbers of projects —

308. **Mr Dallat**: Mencap and the Women's Resource and Development Agency are the examples.

309. **Mr Haire**: My impression is that those ones are largely health related, so it would be a question of trusts talking to one another. Another issue in that regard is organisational structure. I do not doubt that communications among Departments is very important, and there are mechanisms that try to facilitate communication across Departments. The database has been a very useful one, because people can see which Departments are involved with an organisation. It encourages dialogue, but we have to keep pressing to make sure that people have dialogue at all levels.

310. **Mr McAleavey**: Can I pick up on the equality issue that you mentioned, John?

311. **Mr Dallat**: Please do.

312. **Mr McAleavey**: We have to recognise that the relationship between a funder and a fundee will always be unequal. They have different roles to perform, and we will accept a lot of that. We have to be very careful, because some funders can exploit their position and, at times, defend the indefensible. Lots of organisations come to me with complaints, but request that I do not use their names. They are afraid that, if the issue is legitimately raised, it might have a detrimental impact on them. Some issues are probably not about procedure at all; they may well be about the incompetence of an individual. Sometimes, people will construct ways of getting out of why they have not actioned something in 10 months and make a very plausable excuse. I have talked to officials about how we deal with that bureaucracy. The Audit Office has a whistle-blowers' charter with regard to bad things that can happen. Very few organisations do what I do. They think that that is what they want me to do for them. For them to be able to tell the truth in public, they need to be given some guarantee that they will not be unfairly penalised or put in the long grass or something like that. Quite often, as I said, it is not procedure or management responsibility; it may well be an individual who is not doing their job.

313. **Mr Dallat**: I am glad that Seamus mentioned that. I hope that it can be reflected somehow. I get loads of complaints from organisations but I am not allowed to use their names. Sometimes, agreement that is given initially is withdrawn within 24 hours. If you are a whistle-blower, and a colleague lives in the same housing estate, you have a real problem and you have to find a way to deal with that.

314. You said that funders and fundees are not equal. In respect of measuring the success of much of the work in which your organisations are involved, do you agree that the methods of measuring success are quite different from those of the Department? If you were funding projects in some socially deprived part of Belfast, you would not measure success by the fact that the number of children who pass the 11-plus has gone up from 8% to 11%; you would measure it by much more important things, such as confidence, improvements in the environment, the disappearance of paramilitaries, further education, literacy and numeracy and a whole lot of stuff like that.

315. We talked about that earlier. Again, I hope that it is mentioned in our report that we must have a fair system by which to monitor the success of the voluntary sector, which recognises much bigger issues than box ticking or statistics.

316. **Mr McAleavey**: When the current First Minister, Peter Robinson, was Minister of Finance, I went from NICVA to meet him. I asked him whether he would use DFP to carry out efficiency scrutiny of the voluntary sector where it was involved in delivery of services to the public or public services. He was very interested. I was saying that we were happy to be judged by the outcome and benefit of our service and to be compared to

anybody else. I was absolutely confident that the vast majority of organisations would perform very well. We will not defend those who do not. We are very clear about that. Interestingly, at the time of Mrs Thatcher, in 1990, efficiency scrutiny was carried out. Voluntary organisations were shown to come out of that very well. It was carried out across the UK. Therefore, we are not afraid of scrutiny. All that we look for is fairness and to be compared to others.

317. **Mr Haire**: Can I comment briefly on equality of partnership? I am conscious of how it works in different Department. What is interesting to me is that I often come across staff who feel really committed to the community and voluntary sector groups who deliver in their area. There is a strong relationship between staff. I do not doubt that there are cases when things are not processed properly. If people make mistakes, they should stop. We should spread best practice. It is about equality of relationship. Often, I have seen people bending over backwards when organisations have not given them information, kept to timetables, etc. They realise that service has to be delivered. They have ensured that the system works so that money is going out in the process. It is about equality of relationship. The question about having an open debate on the outcomes and value that we achieve is one about which none of us has any concern at all. In fact, we have made the point that for all of us around the table, the only judgement to be made is on the quality of the service to the public. That is what unites us entirely. It is about trying to get agreement on that and ensuring that we deliver that best in that process.

318. **Mr Dallat**: That is a fine statement on which for me to end my questioning.

319. **Mr Byrne**: Further to John's point, Seamus mentioned earlier that, sometimes, if an organisation is up against the wall and wants money, it has to get on to him and he, in turn, has to get on to the permanent secretary. A councillor or MLA can sometimes feel great because a voluntary organisation will contact you and say, "We are having difficulty getting our money", and you get on the phone and get an outcome. It is good for everybody to have a sense of achievement. However, I suggest that it is not good for the general administration and management of funding of those organisations that they have to resort to doing that. We hope that there will be greater consistency in how administration takes place in Departments and intermediary funding bodies in giving out money with regard to cost recovery, which I mentioned earlier.

320. **Mr Easton**: My question will be short and sweet. As regards the need for payments to the sector to be made within agreed timetables, are sector bodies covered by DFP's prompt payment guidance?

321. **Mr Haire**: It is our understanding that they are not. We are looking at that issue in the Department. From our own analysis, we are looking at over 90% achieved within 30 days. It is a very valid point. As long as all of the documentation is available — often, there are disputes about details not being provided or whatever — we should have something. These are small businesses, and if we are looking at a small business, why would we take a different view? We should, probably, take that back to our group and see if we get something sensible in that process.

322. **Mr Easton**: I would like to follow up on that at some stage. That would be great. You will be glad to hear that I have one last question. We have highlighted areas where the public sector needs to improve. However, that is about partnership. There is also a responsibility on organisations that receive public funds to be accountable. What steps are being taken to build confidence among funders and taxpayers by demonstrating high standards of governance and financial management in the sector?

323. **Mr Haire**: Having a charity commission here as an underlying base helps everyone in the process by ensuring that people are transparent in what they

do and have governance arrangements in place. It will take several years of detailed work by the commission to ensure that we get everyone there.

324. Very strong work is done already. NICVA itself does very good work on governance. We support that very much, and Seamus may want to talk about it. There needs to be a combination of good regulation and good support. As we do in our monitoring of funding, we often look for assurance around governance. As funders, we have a role to play in that.

325. **Ms Walls**: Many of the organisations that we fund take great pride in the external accreditation systems that they operate, whether it is Investors in People, Picasso or another of the many validation systems that exist to independently verify their work.

326. **Mr McAleavey**: That is right. NICVA places a strong emphasis on good governance. We have a number of staff who work in that area and help organisations to improve their governance. As Will said, the advent of the Charity Commission is really important. It is important to us because it is about public confidence, a term that Maeve used earlier.

327. In the past, if people had a doubt about an organisation, the only place that they could go to was the police. However, quite often, your doubt was not that a criminal act was taking place. People did not really know what to do. If people have doubts now, they can go to the Charity Commission. If there is something that needs to be looked at, the Charity Commission has the power and authority to investigate it. That protects us all. The public need to be confident that, when they make donations to charities or other organisations, the money will be put to the intended purpose.

328. I agree totally with what Will said about good regulation. On our side, it can be about helping organisations. Sometimes, we find that organisations' poor governance is not mal-intent. It may just be that an organisation is not alert to governance, does not review its governing documents, does not look at the powers that it has and so on. It can be important to help organisations to improve their practices.

329. **The Chairperson**: Fiona, do you want to come in on the question that Alex asked about paragraphs 3.24 and 3.27?

330. **Ms Hamill**: Will is correct. The prompt payment regulations apply to firms doing business with government. I am aware of the work that the DSD has done on the pilots to ensure the prompt release of funds to organisations. There is a difference between grant funding and paying for goods and services under an invoice. However, the principles are correct, and we can do more work on that as part of the group.

331. **The Chairperson**: Thank you. You will be glad to hear that that is your lot. There are no more questions. It has been a very interesting session. It has been an odd session in that it is the first time this term that we have held a meeting away from Stormont.

332. A number of issues have been raised. Seamus raised an issue about reports. We will make recommendations. The Department will respond, which we will go through to see how we take the matter forward. In some cases, we look for an update report within 12 months. That is part of the process that we embark on, and the accountability mechanisms will kick in. Following on from Seamus's point, how do you see this process looking four years from now?

333. **Mr Haire**: A long-term vision is needed to answer that. We will push forward on this one. I expect that it will take more than one year to crack all the funding issues. I hope that we will be able to streamline in some areas. The big challenge is the voluntary and community sector. There will be intriguing issues about public service delivery through the voluntary and community sector. We will have to move that issue forward.

334. There will be big challenges about the size, nature and governance of the sector and the way in which it delivers. Much of the voluntary and community sector does things without government money, which is fantastic. My Minister made a speech here about it. We are delighted that they do that; it is nothing to do with us. People do that of their own free will, and they are very creative. We should be encouraging that. There is a whole area where things will be done very effectively. As regards the broader process, there will be tough times, and having an effective partnership is the key issue. I am sure that there will be tough issues between us at times. That goes back to the point that you made, Chairperson, about the quality of delivery to the public. That is the only issue.

335. **The Chairperson**: Paul Girvan promises to be very brief.

336. **Mr Girvan**: I will be brief, Chairperson. Perhaps Fiona could answer my question. I want to ask about the emphasis on getting a balance between delivery and audit and to ensure that that is done. What engagement has gone on at your level, Fiona, to determine whether we can streamline that process and ensure that the balance is right between accountability and delivery and does not become too bureaucratic? We started by talking about bureaucracy, and I wanted to know whether DFP is doing any work about putting procedures in place to help the delivery to the voluntary sector.

337. **Ms Hamill**: In 2006, in its response to Positive Steps, DFP tried to streamline things. We put forward a proposal for a type of kite mark system whereby an organisation could obtain a rating which could dictate how it would be scrutinised. That proposal did not go anywhere at the time, but now that we are going back to it under the concordat, we want to determine what we can do about the core guidance for provider costs to the public sector and to try to standardise the approach and the levels of scrutiny, particularly for the smaller organisations to which we referred — the sub-£10,000 a year bodies — and make sure that, at least, there is proportionality. As Will said, very correctly, we are going to have to take it a bite at a time and, rather than fix it all in one go, we are going to have to take each group in each set and try to find a solution and some improvements. We are very committed to working with DSD and NICVA under the concordat to try to drive out some significant improvements.

338. **Mr Copeland**: I noticed that you said that a number of groups did things at no charge to government. I am sure that the more they do, the more they will get to do.

339. **The Chairperson**: Thank you very much, folks.

Appendix 3

Correspondence

Chairperson's letter of 18 October 2011 to Mr Will Haire

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

Mr Will Haire
Permanent Secretary
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST BT7 2JB

18 October 2011

Dear Will,

PAC Evidence Session on Creating Effective Partnerships between the Voluntary and Community Sector

Thank you for your participation in the Committee's evidence session on 12 October on this inquiry.

As agreed in the course of your evidence, I would be grateful if you could provide the following information to the Committee:

1) Confirmation of the start date and the indicative completion date of work on compilation of the register of charities.

2) A copy of the new policy framework for the regional infrastructure programme.

3) A copy of the report completed by PricewaterhouseCoopers after its scrutiny of the Department's funding arrangements.

4) Please liaise with the Treasury Officer of Accounts to give a progress report on DSD's pilot exercises and an indicative timeframe for completion of measures by DFP to extend arrangements for prompt payment to payments to the community and voluntary sector organisations.

I would appreciate receipt of this information by 31 October 2011.

Yours sincerely,

Paul Maskey
Chairperson
Public Accounts Committee

Correspondence of 28 October 2011 from Mr Will Haire

From: The Permanent Secretary
Mr Will Haire
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
BELFAST
BT7 2JB

Telephone: 028 90 829002
Facsimile: 028 90 829560
E-mail: perm.sec@dsdni.gov.uk

Mr Paul Maskey MLA
Chairperson
Public Accounts Committee
Room 371, Parliament Buildings
Stormont
BELFAST BT4 3XX

28 October 2011

Dear Paul

PAC Evidence Session on Creating Effective Partnerships between the Voluntary and Community Sector

Thank you for your letter of 18 October requesting further information following the Public Accounts Committee hearing on 12 October re the Northern Ireland Audit Office report on 'Creating Effective Partnerships between Government and the Voluntary and Community Sector'.

Please see the following information in response to your request:

1) Confirmation of the start date and the indicative completion date of work on compilation of the register of charities.

It is not possible at this time to commence registration of charities in Northern Ireland. This is due to a legal issue with section 3 of the Charities Act (NI) 2008 relating to the 'public benefit' test. The Minister for Social Development, Nelson McCausland MLA, has been liaising with the Attorney General to resolve this issue and intends to bring forward a Charities (Amendment) Bill to the Executive for approval by the end of 2011. If approved, this will be introduced to the NI Assembly and it is envisaged that the necessary amendments to the 2008 Act can be completed by summer 2012.

This will enable the Charity Commission for Northern Ireland (CCNI) to consult on its public benefit guidance before commencing the registration process. The Commission has undertaken significant preparatory work to develop an online charity register and this will be available for use once the legislative amendments have been completed. It is estimated that it will take up to 4 years to complete registration of the approximate 10,000 organisations in NI.

2) A copy of the new policy framework for the regional infrastructure programme.

An electronic copy of the new policy framework is enclosed.

3) **A copy of the report completed by PricewaterhouseCoopers after its scrutiny of the Department's funding arrangements.**

An electronic copy of the PWC report is enclosed with this letter.

4) **Please liaise with the Treasury Officer of Accounts to give a progress report on DSD's pilot exercises and an indicative timeframe for completion of measures by DFP to extend arrangements for prompt payment to payments to the community and voluntary sector organisations.**

The Executive's current prompt payment policy relates to the **payment of supplier invoices** and applies to those from the voluntary and community sector in exactly the same way as it applies to any other supplier. The NI Civil Service is committed to the Better Payments Practice Code, as noted in Managing Public Money and is subject to the Late Payment of Commercial Debt Regulations 2002.

The payment of grant/grant–in-aid to the voluntary and community sector is outside these arrangements and there is currently no common target across the NICS. Whilst there are material differences between the payment of grant and paying for goods and services under an invoice, the general principle, that payment should made promptly once all necessary conditions have been met, is the same.

In the absence of a common target DSD's Urban Regeneration and Community Development Group (URCDG) initiated a pilot to track progress against an initial informal target of thirty calendar days from the receipt of requests for payment. Initial results for 2010/11 indicate that in 98% of cases this target was met.

DFP is committed to working with DSD and other relevant stakeholders to agree arrangements for the timely payment of grant to voluntary and community sector organisations by the earliest time practicable.

Yours sincerely

Will Haire

Department for
Social
Development
www.dsdni.gov.uk

Department of
Agriculture and
Rural Development
www.dardni.gov.uk

Joint Policy Statement
Regional Infrastructure Support ProgrammE (RISP)

Contents

1. Introduction.

2. Strategic Context.

3. Vision & Aims of the programme.

4. Outcomes

5. Priority Functions

6. Eligibility Criteria

7. Programme monitoring and evaluation.

1. Introduction

1.1 The Department for Social Development (DSD) is the lead department taking responsibility for setting the direction for relationships between Government and the Voluntary and Community Sector (VCS). DSD's Public Service Agreement (PSA), actions and targets are set out in the Corporate Plan and are linked directly to the Northern Ireland Executive's Programme for Government (PFG).

1.2 This document constitutes a joint Policy Statement between DSD and the Department of Agriculture and Rural Development (DARD) on the Regional Infrastructure Support Programme (RISP). This policy details arrangements for the provision of generic infrastructure support, which enables the VCS to operate effectively and efficiently across Northern Ireland, in both urban and rural areas. Generic infrastructure support can include a combination of capacity, skills, physical resources and structures which help voluntary and community organisations function effectively in order to meet the needs of the communities they serve. This programme sits alongside (and is complimentary to) the range of programmes and activities, delivered and managed by DSD's Voluntary and Community Unit (VCU).

1.3 The Regional Infrastructure Support Programme, together with the development of a new policy framework to govern relationships between government and the VCS (Concordat), arrangements for increasing the number of volunteers (Volunteering Strategy) and the support of voluntary advice services (Advice Services Strategy), collectively create a programme of change designed to enhance support for the VCS.

1.4 This policy statement was developed following VCU's review of the previous Regional Infrastructure Programme (RIP) in 2010 and has been **developed to provide the generic support**[1] required by the VCS with thematic support[2] provided as appropriate via other programmes linked to strategies and policies in DSD and other Departments.

1 Key day to day support required by all VCS organisations

2 Support required by a specific type of organisation or concerned with a particular policy/strategy

2. RISP - Strategic Context

2.1 Government's longstanding commitment to working in partnership with the VCS is clearly identified through numerous policy and strategy documents such as "Positive Steps", "Partners for Change" "Opening Doors", and the "Concordat", framing relationships between Government and the VCS.

2.2 Working alongside a number of delivery partners, DSD contributes to a range of Public Service Agreements (PSAs) and takes the lead in the delivery of those relating to Housing and Urban Regeneration and Community Development. Developing communities, tackling disadvantage and social exclusion are at the heart of the work of DSD. Through the draft Rural White Paper Action Plan, DSD has also committed to developing an integrated regional and local community development structures which have a strong rural component.

2.3 The prevailing economic climate presents significant challenges for the sector and government, making it ever more important to ensure that appropriate support arrangements are in place to support the VCS

2.4 Government is committed to working with and supporting the VCS to help secure the delivery of efficient and effective public services, particularly to vulnerable and disadvantaged communities. This in turn, places an obligation on the VCS to ensure they provide cost effective, efficient services with clearly identifiable outcomes.

3. Vision & Aims of The Regional Infrastructure Support Programme (RISP)

3.1 The Vision for the programme is:-

> That voluntary and community sector organisations across Northern Ireland (urban and rural) are provided with the key generic infrastructure support which allows them to function effectively to deliver government objectives and maximise the impact of the work they do.

3.2 The aims of this programme are to help ensure that, in so far as is possible, the VCS operating in Northern Ireland is supported in order to operate effectively and efficiently. This support is known as *"Infrastructure Support"*. This "infrastructure" on which the VCS depends, can include a combination of capacity, skills, physical resources and structures which help voluntary and community organisations function effectively in order to meet the needs of the communities they serve.

> In other words, the programme aims to promote an;
>
> - Efficient
> - Effective
> - Economic; and,
> - Equitable
>
> Voluntary and community sector across Northern Ireland.

4. RISP Policy Outcomes

4.1 The "Positive Steps" Report published in 2005 and many recent reports and evaluations have highlighted the need for longer term "outcome/impact focused" funding, as well as the need to be able to measure the contribution of voluntary and community organisations to improving public services.

4.2 Outcomes/impact can be described as *"identifying the changes or other results which have happened as a result of the work that we do"*. An outcome/impact focused approach can:

- aid planning
- increase the likelihood that activities will achieve the intended outcomes (by "starting out with the end in mind")
- encourage people to think about outcomes rather than outputs and consider the difference actions and activities can make in people's lives; and
- aid and enable evaluation, learning and measurement of the effectiveness of the program.

4.3 The policy outcomes for this programme are designed to ensure that the programme is geared to deliver the key aims and vision for the programme, in turn contributing to the overall programme for Government across NI and assisting the voluntary and community sector across Northern Ireland in maximising the impact of the work they do.

The high level policy outcomes for this programme are identified as;

- VCS organisations across Northern Ireland, urban and rural, have access to key generic infrastructure support they need to function effectively and efficiently,
- VCS organisations are supported to achieve their objectives better than before and provide an improved quality of service to their customers,
- VCS organisations are fully supported to avail of the government programmes/ initiatives that are available to them,
- VCS organisations are supported in maintaining effective governance arrangements, obtain and better manage resources, and improve sustainability,
- The VCS is supported in making a valued and effective contribution to policy development across Government,
- There is increased VCS participation across NI and improved community development/engagement,
- There are improved working relationships, better collaboration and more effective partnerships across the VCS.

4.4 Funding arrangements under the RISP will reflect the high level policy outcomes identified for the programme, taking account of key challenges and priorities for the VCS. It is recognised that the priorities and challenges facing the VCS can change over a period of time, and therefore, this programme needs to remain flexible to respond to this. Accordingly, whilst the high level outcomes identified above will remain in place for the duration of this programme, lower level outcomes and targets will be negotiated as part of any funding arrangements, taking account of priorities and challenges in existence at a particular time. Such outcomes and targets should be:-

- Specific,
- Measurable,
- Achievable,
- Realistic, and;
- Timebound.

5. Priority Functions

5.1 Functions are described as those actions or activities which contribute to the delivery of the outcomes for the programme, in turn helping to make the vision a reality. For this programme priority "Functions" are described as those which are likely to be needed by all or most voluntary and community organisations (generic activities) provided on a Northern Ireland wide level, and which are key to achieving the desired outcomes for the programme.

5.2 Whilst it is recognised that some organisations may need specific support linked to a particular theme or delivery of a particular DSD policy or strategy, this support will not be provided for under the Regional Infrastructure Support Programme. The need for such specific "thematic" support will be considered separately as part of the arrangements for the delivery or implementation of a particular policy or strategy e.g. volunteering or voluntary advice. Functions that fall within the remit of other Government Departments will not be supported by this programme.

The priority functions for this programme, in no particular order, are identified as;

- Lead the development of an investment/sustainability strategy for the VCS,
- Leadership to and representation on behalf of the VCS,
- Promoting/disseminating best practice,
- Assisting the sector to maximise impact across the VCS
- Support for training and workforce management for staff at all levels and Board/ Committee members,
- Support for organisational development,
- Promote collaboration, mergers and networking,
- Support (but not provision) for Finance, Governance and Quality Assurance,
- Supporting service improvement,
- Supporting monitoring and evaluation,
- Advice on funding, income generation and sustainability, in particular the opportunities afforded by social economy and development trust approaches,
- Conducting research relevant to the needs of the Sector and Government priorities,
- Influencing the development of Government policy,
- Support for change management arising from impacts such as RPA and other governance changes.

6. Eligibility / Funding Criterion

6.1 To deliver the RISP, DSD will seek to engage a strategic partner or consortium capable of providing the identified support to the VCS across Northern Ireland. Where a number of organisations come together to work and provide services as part of a consortium, the Department may only accept a single application for funding on behalf of the consortium in order to promote collaboration, reduce gaps in and avoid duplication of provision.

6.2 The eligibility criteria for this programme are identified as:

DSD will seek to engage a strategic partner/consortium, who can provide equitable coverage across all of Northern Ireland (in both urban and rural areas) who can best demonstrate that they meet the following criterion, in no particular order of importance;

- Demonstrate that they have the capacity and expertise to deliver the identified functions across the whole of Northern Ireland,
- Demonstrate that they provide services that are value for money,
- Demonstrate they have the flexibility to provide services outside office hours and at weekends,
- A proven capacity for working in partnership/collaboration with others to avoid duplication,
- A proven ability to engage across the voluntary and community sector and with communities,
- Target activities to tackle disadvantage,
- Demonstrate that they meet section 75 obligations,
- Identify and target unmet need and potential,
- Specify and provide evidence of outcomes and impact,
- Demonstrate administrative efficiency,
- Show planning for continuous improvement in quality and reach,
- Demonstrate knowledge and understanding of the need for the wide range of services required by the VCS,
- A proven track record of working with local councils, and central government to support the delivery of local services.

7. Programme Review, Monitoring and Evaluation

7.1 At a strategic level, the RISP will be reviewed periodically to take account of changing;

- Programme For Government; and
- Comprehensive Spending Review.

7.2 At project level within the programme, review and evaluation will be completed in accordance with normal DSD procedures.

Department for Social Development
Urban Regeneration and Community Development Group (URCDG)

Review of Grant Administration Procedures

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The matters raised in this report are only those which have come to our attention arising from or relevant to our review as defined in section II to this report, and that we believe need to be brought to your attention. Our review, in this instance, did not incorporate a detailed audit of, or assessment of compliance with procedural guidance. Therefore, this report is not a comprehensive record of weaknesses within the Department's procedures or compliance therewith, and in particular we cannot be held responsible for reporting all risks in your business or all internal control/compliance weaknesses.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

I EXECUTIVE SUMMARY

1.1 The Department for Social Development (DSD) plays a significant role in resourcing voluntary and community sector organisations to deliver services. The objective of our review as set out in the tender document was to examine the funding procedures within the Urban Regeneration and Community Development Group to identify changes that can be made to the application and the assessment processes to ensure that they are customer orientated, user friendly and ensure sufficient control to protect public money.

1.2 The assignment therefore involved four key stages:

- **Changes to the application and assessment processes** - assess level of procedures and benchmark against best practice across other parts of government;
- **Customer orientated** - identify and understand the issues from the perspective of the grant recipients
- **User friendly** - identify areas for improvement based on effective risk management and effective service delivery rather than risk elimination; and
- **Ensuring sufficient control to protect public money** - provide revisions to the procedures where improvements have been recommended, on a basis that ensures adequate safeguards for the Accounting Officer.

Proposed changes to the procedures manual

1.3 The procedures manual in use within the Department is a robust document that is largely in line with best practice. There were no fundamental weaknesses within the guidance and we did not identify significant levels of bureaucracy within the issued procedures manual. However, the matters set out in 1.5 below, if adopted, would streamline the procedures and improve the practical use of the procedures manual.

1.4 The key issue identified from our review relates to the practical application of the procedures manual. The Procedures Manual issued by the Urban Regeneration and Community Development Group is in the form of **guidance** and it was not and is not anticipated that this will be mandatory and followed in every circumstance. Due to audit criticism, staff are reluctant to exercise discretion in utilising the procedural guidance, but strictly adhere to its requirements resulting in significant administrative inputs and delays in the process. This is a performance management issue which is addressed at 1.11 below.

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Correspondence

1.5 The key amendments to the procedures manual are set out in section III and summarised below:

i. The procedures manual should explicitly indicate that information about the promoter should only be obtained once and for subsequent projects with the same promoter, the requirement should be to confirm that the previously held details are up to date. This can be achieved by the use of central information files for each promoter.

ii. The procedures manual requires the applicant to obtain quotations, tenders etc based upon best practice procurement guidelines as part of the application process. The procedures manual should be revised to remove this requirement and replace it with a confirmation that the promoter will utilise best practice procurement if awarded grant (currently part of letter of offer). Staff should check amounts included in the application for reasonability (utilising appropriate expertise if required i.e. ITG, VLA etc.)

iii. The procedures manual should be updated to remove the requirement to obtain three months bank statements as part of the application process as it provides minimal useful evidence in support of an application and requires significant time and effort to obtain from applicants (S309.10 and S309.11)

iv. The procedures manual should be updated to remove the requirement for staff to check deductions from gross pay such as employee's NIC and tax. The procedure should require checking of gross salary, employers NIC and employers pension contributions (up to 8.5%) only.

v. The procedures manual and claim forms should be updated to allow agreed delegated officers to sign claims for payment. (We understand this was completed on 18 May)

vi. The procedures manual should be updated to amend the treatment of unsupported items included on claims for payment. The four stage follow up procedures should be removed. Payment should only be made on the supported items and a covering letter sent outlining the reason for the deduction and requiring the unsupported items to be included in the next claim together with the appropriate supporting documentation.

vii. The procedures manual should be amended to include the requirement that not only is the claim date stamped upon receipt but each invoice/receipt is stamped upon verification in order to prevent resubmission in a subsequent claim or use with other funders.

viii. The procedures manual should be amended to remove the requirement for a full letter of variance in the circumstances where the budget has been re-profiled (not increased or decreased) due to delay in expenditure for notified and accepted reasons. A short notification of budget re-profiling should be the requirement (and an example could be produced for inclusion in the Annex to the manual).

ix. The procedures manual should remove the requirement for a second 100% check by the administration/finance team line manager and be updated to a requirement to undertake a spot check of between 20% and 50% (depending upon the experience of the individual undertaking the original checking procedure). This will bring the procedures into line with current practice.

x. The procedures manual could be amended to facilitate ease of use by some administrative changes:

- The fraud risk register, while a critical document should be removed from the procedures manual and held separately as an independent document which is dynamic and can be continuously updated **(completed).**
- The procedures manual should have the pages numbered for ease of reference **(completed).**
- Procedures in the circumstances of disposal of land and buildings should be included in the manual.
- The post opening procedure should be removed from the manual and held as a stand alone document.
- The abbreviations, glossary, contacts listing and list of programmes should be moved from the introduction and made an Appendix.

Customer Orientated

1.6 In reviewing the procedures manual, it was important that any changes addressed the concerns of the Sector and did not exacerbate any of the existing problems. While approximately twenty different groups provided evidence of issues and the negative impact on the future of their organisation, these can be distilled into three key issues:

1. **Excessive Delays in the Process** - this is the most fundamental issue and relates principally to the delay between grant claim and receipt of payment. This causes undue hardship with examples of delays of nine months to a year for grant in respect of salary costs impacting on sustainability and viability of the organisation. However, delay in the process is not restricted to the payment cycle with concern over delays in the following areas:
   a) Announcement of programme and availability of application forms to submit proposals (9 months).
   b) Confirmation of application success and receipt of letter of offer (more than one year).
   c) Confirmation of extension funding for salaries after end of original funding ceasing (more than three months) requiring staff contracts to be terminated in the interim.
   d) Payment of funding for salaries in arrears impacted by delay in processing.

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Correspondence

2. **Duplication of information requested in application process** - many of the organisations have worked with DSD for many years and project applications are for extensions to existing agreements. The organisation is required to provide original documentation about the organisation with each application (rather than simply the proposed project) although this has been provided previously on a number of occasions. The information is then held for significant periods of time or misplaced preventing its availability for other funders.

3. **Lack of Proportionality in audit approach** - many of the organisations put in significant effort at the application stage to satisfy the Department's requirements and then put in place measures to ensure a positive risk assessment-low risk. However, there is still 100% vouching in place despite the positive assessment achieved. Further, original invoices are required for all audits but these are misplaced/lost by the Department which impacts both the claim and other funders (who also require to see original invoices). The use of verification visits has been received positively by the Sector and is preferred to sending original documentation to the Department. Further, the Sector believe that positive risk assessments, and absence of error in submissions should impact upon the verification process, for example, by reducing the level of checking, reducing the delay in processing (fast tracking payments) or not being subject to audit of the same information on more than one occasion.

1.7 The Sector has identified some improvement in the processes operated by the Department, recently, following the introduction of the risk based approach but the impact of delays remains the fundamental issue.

User friendly

1.8 The guidance is considered to be easy to follow and the use of the intranet makes it easily accessible. While bulletins are regularly issued to advise of key issues, staff understood that these were to be read in conjunction with the guidance in the procedures manual. However, we were advised that the bulletin information is updated to the manual and therefore this should be unnecessary. Timely update of the manual, as should be the case, will improve the efficient use of the procedures manual without the need for cross reference to bulletins.

Ensuring sufficient control to protect public money

1.9 Our review highlighted that the manual was sufficient to protect public money, however, its application by staff is also critical to the process. As previously identified, the procedures manual was developed as guidance for staff but because of its comprehensive and robust nature, has been slavishly followed to ensure there is sufficient control to protect public money and prevent audit criticism. This has led to the concerns raised by the Sector with regard to undue delay in the funding process and duplication of information demands and an excessive number of audit verification checks by the Department.

1.10 The assignment therefore focused on revising the guidance to address the Sector's concerns while ensuring the public purse continues to be adequately protected. However, our findings indicate the manual, if used as guidance and with the appropriate proportionality (the level of detail and effort should be proportional or commensurate with the risks relating to the project promoter, and project itself and the amount of financial assistance provided) then the two objectives of efficient processing and adequate control can be achieved.

1.11 The key areas to be addressed to improve the application of the guidance are set out in Section IV and summarised below:

i. The risk based approach is critical to the funding process and should result in a proportionate response to applications (as indicated in the procedures guidance). We recommend that training should emphasis the importance of only completing relevant sections (e.g. where funding provided) of the proforma checklists (included in the guidance) and not the entire checklist;
ii. The Department monitoring is focused upon ensuring resource inputs by funders are being properly made e.g. audit of expenditure claims. There is a need to evaluate the project outputs to ensure these meet Departmental objectives. Whilst the Department do carry out outcome focus monitoring, the balance is currently bias toward financial verification, we recommend that the Department seek to balance their emphasis (and hence recources) between project expenditure controls and evaluation of project outputs.
iii. The Department should introduce a short form economic appraisal proforma (as permitted under DFP guidance) which would be used as the default approach for all applications below £50,000 and assessed as low risk. This will reduce time required and minimise delay in the appraisal process while ensuring adequate control over public funds.

iv. The Department should continue to implement their recently piloted risk assessment to reduce the level of verification of claims for payment from 100%. This will reduce delays in the process and enable a better targeting of resource. The Department should also consider the use of site visits to minimise 'lost' documentation provided this is cost effective.

v. There are a number of areas within the procedural guidance where staff have interpreted the requirement differently or inappropriately. It is recommended that the Practitioner's Forum not only provide guidance on how to undertake verification but the implication for an application from the outcome of an assessment e.g., obtaining financial information to assess the financial state of an organisation is required but it is unclear how that will impact on the application if the organisation is considered financially strong or weak.

vi. Some Business units use checklists to support their verification of documentation and it was identified that these checklists duplicate the requirements to be undertaken by staff. It is recommended that the three checklists used by different levels of staff are amalgamated into one checklist which is signed by each staff level upon completion of their work. This will reduce the paperwork although not the checking process.

vii. A benchmarking exercise should be undertaken encompassing both accuracy and quality of work and the timescales to process each element of the funding process, across each Business Unit. This would identify those areas which have strong compliance controls and the processing timescale resulting from this approach to ensure an acceptable balance is achieved across the Department's Business Units

Other observations

1.12 In addition, to those matters identified which are directly related to revision of the procedural guidance (Section III) and the practical application of that guidance (Section IV), our review also identified a number of 'other observations' which relate to the wider environment within which both the Department and the voluntary and community Sector operates. Whilst not directly relating to the Department's guidance or application thereof, and not falling under the direct control of the Department, we would consider that these 'other observations' carry, in some cases, the potential to significantly streamline the process of the provision of financial assistance to the voluntary and community Sector. These observations are set out in Section V and summarised below.

(i) The use of a lead funder would significantly reduce administration for applicants, minimise the risk of double funding for projects and assist in achieving the objective of joined up government. This initiative is being

progressed by Department for Finance and Personnel (DFP) and the Department should seek to be part of the initiative in due course.

(ii) The policy on the level of reserves an organisation can accumulate needs to be clearly articulated to both staff and applicants. There is currently a draft reserve policy being considered by DFP and the Department should utilise the outcome of that review to inform its own policy in assessing applicants where an organisation wishes to establish reserves from a project.

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Correspondence

II BACKGROUND, SCOPE AND METHODOLOGY

Introduction and background

2.1 The Department for Social Development (DSD) delivers a significant level of funding to the voluntary and community sector through grant aid, contracts and service level agreements. The major Departmental programmes are administered by the Urban Regeneration and Community Development Group (URCDG) which, in totality, holds responsibility for the administration of approximately £80 million grant assistance per annum. This group includes the following business areas:

- The Belfast Regeneration Office (BRO);
- The Regional Development Office (RDO);
- The North West Development Office (NWDO);
- The Belfast City Centre Directorate (BCCD);
- The Voluntary and Community Unit (VCU);
- The Urban Regeneration Strategic Directorate; and
- The North Belfast Community Action Unit.

2.2 As a result of audit criticism in relation to a lack of robust procedures and management control governing funding provided to the voluntary and community sector, the Department established and implemented procedural guidance governing the administration of grant assistance, including procedures relating to application, assessment, award, payment, monitoring and evaluation. Subsequent to the introduction of this guidance, funding recipients have raised a number of concerns relating to the level of procedures, together with the negative impact that compliance with these procedures has on the delivery of programmes and services. Consequently, the Department are concerned that worthwhile projects may be discouraged from seeking assistance as a result of unnecessarily stringent processes.

2.3 In light of this, and broader concerns relating to over-regulation, arising from the National Audit Office Report "Working in the Third Sector" and Treasury guidance "Improving Financial Relationship with the Third Sector - Guidance to Funders and Purchasers", the Minister of State for Northern Ireland asked officials to consider what steps could be taken to simplify procedures for resourcing the voluntary and community sector which remain consistent with Government policy on good corporate governance and accountability.

Scope and objectives of assignment

2.4 The Department appointed PricewaterhouseCoopers LLP to carry out a review of grant administration procedures operating across the Urban Regeneration and Community Development Group (URCDG), to identify how funding processes governing the provision of funding to the voluntary and community sector should be streamlined and made more efficient and effective, whilst ensuring that the resourcing of voluntary and community sector organisations to deliver services is carried on through processes, which represent a fast and efficient customer service balanced against the need to ensure that public funds are protected.

2.5 The objectives of this report are to identify changes that could be made to application and assessment processes to ensure that they are customer orientated, user friendly and maintain sufficient levels of control to protect public money. Specifically the assignment focused on the following activities:

- Critical assessment of the current level of procedures and necessary compliance, balanced against risks surrounding grant administration;
- Examination of best practice in other parts of government across the UK and a benchmark of current procedures against other funders to the voluntary and community sector; and
- Identification of areas for improvement based on effective risk management and effective service delivery rather than risk elimination (taking account of the limited occurrence of known fraud within Grant Administration across URCDG).

2.6 Furthermore, where improvements to the current procedural guidance have been recommended, and if these are accepted by management, PricewaterhouseCoopers LLP will be responsible for the provision of revisions to the current procedural guidance. These provisions are required to adequately safeguard the Accounting Officer and remain consistent with GANI and NIAO guidance.

2.7 The outcomes of our work have been consolidated in this report which highlights, for management's information, details of the current procedure, suggested revisions or options to consider, the potential impact on the efficiency and effectiveness of the overall process and the consequences of implementing the proposed option (setting out any increased exposure to risk).

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2.8 These results have been summarised in section III to the report in tabular format in order that management can assess compliance with best practice, Treasury requirements, Department of Finance and Personnel and Northern Ireland Audit Office requirements.

Methodology and approach

2.9 Our approach focused on the achievement of the Department's core objectives, namely the identification of changes that could be made to the application and assessment processes, to ensure that they are customer orientated and user friendly whilst maintaining sufficient levels of control to protect public funding. We sought to identify any areas within the application and assessment processes, over which the balance of the requirement to protect public funding against the requirement for a customer orientated, user friendly and efficient process was weighted towards the protection of public funding without a clear rationale for that weighting. **Our review did not constitute a detailed audit of the processes or an assessment of compliance with processes**.

2.10 Our work, whilst considering the entire suite of processes, focused primarily on the current application and assessment processes aiming to ensure that, where possible, procedural guidance is aligned to the effective and efficient mitigation of risk and where not, to highlight those areas which were deemed to be overly bureaucratic without rationale and provide practical, common sense recommendations to redress the balance.

2.11 We used a three stage methodology underlined by continuous quality assurance throughout the course of the assignment. Our methodology incorporated specific stages related to (i) Engagement Planning, (ii) Detailed Planning and Execution and (iii) Reporting and Completion. Key activities under each stage included:

Engagement Planning

- Discussion with Departmental representatives to establish the specific objectives of the assignment;
- Discussion with members of the Group's Management Board, together with users as directed by your representatives in order to determine the extent of concerns, their complexity and staff's ability/willingness to comply;

- Discussion with representatives from key stakeholder groups, including funded organisations, Statutory Bodies and organisations who assist and support the voluntary and community sector; and

- Examination of appropriate documentation and discussions with representatives from Government Departments to more fully understand best practice as it relates to the provision of financial assistance.

Detailed Planning and Execution

- Critical assessment of the current procedural guidance in light of best practice through detailed examination, together with a walkthrough of the guidance in operation and supporting documentation across a number of URCDG business areas;

- Discussions with representatives from the Department, other Government Departments, other Funding Organisations and the Northern Ireland Audit Office;

- Consideration of the requirements of Treasury guidance (Government Accounting and GANI) against any suggested procedural revisions; and

- Identification of improvements to current procedural guidance to ensure that guidance is streamlined, efficient and effective whilst also maintaining appropriate levels of control to protect public monies.

Reporting and Completion

- Completion of the draft report for presentation to the Financial Controller;

- Drafting of procedural revisions after obtaining commentary from the Financial Controller, together with all applicable stakeholders;

- Preparation of the final report for communication to management; and

- Revision of procedural guidance in light of our findings and accepted recommendations.

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III DETAILED REVISIONS TO PROCEDURES MANUAL

Summary of Recommendations and Compliance with Best Practice

3.1 This section to the report provides our detailed findings and recommendations. We have also set out below, in tabular format, a summary of our findings and recommendations. The tabular format has been utilised to illustrate a short summary of the findings and suggested revisions, together with its level of compliance with central guidance (such as GANI) and best practice among other funding organisations (such as European Union guidance).

Summary of Suggested Efficiencies							
Item	Finding Summary	In compliance with:					
		GANI	EU	WC	BC	IA	NIAO
1	The procedures manual should explicitly indicate that information about the promoter should only be obtained once and for subsequent projects with the same promoter, the requirement should be to confirm that the previously held details are up to date. This can be achieved by the use of central information files for each promoter.	✓	✓	✓	✓		
2	The procedures manual requires the applicant to obtain quotations, tenders etc based upon best practise procurement guidelines as part of the application process. The procedures manual should be revised to remove this requirement and replace it with a confirmation that the promoter will utilise best practice procurement if awarded grant (currently part of letter of offer) and that staff should check amounts for reasonability (utilising appropriate expertise if required i.e. ITG, VLA etc.)	✓	✓	✓	✓		
3	The procedures manual should be updated to remove the requirement to obtain three months bank statements as part of the application process as it provides minimal useful evidence in support of an application and requires significant time and effort to obtain from applicants (S309.10 and S309.11).	✓	✓	✓	✓		
4	The procedures manual should be updated to remove the requirement for staff to check deductions from gross pay such as employee's NIC and tax. The procedure should require checking of gross salary, employers NIC and employers' pension contributions (up to 8.5%) only.	✓	✓	✓	✓		

Summary of Suggested Efficiencies							
Item	Finding Summary	In compliance with:					
		GANI	EU	WC	BC	IA	NIAO
5	The procedures manual and claim forms should be updated to allow agreed delegated officers to sign claims for payment. (We understand this was completed on 18 May).	✓	✓	✓	✓		
6	The procedures manual should be updated to amend the treatment of unsupported items included on claims for payment. The four stage follow up procedures should be removed. Payment should only be made on the supported items and a covering letter sent outlining the reason for the deduction and requiring the unsupported items to be included in the next claim together with appropriate supporting documentation.	✓	✓	✓	✓		
7	The procedures manual should be amended to include the requirement that not only is the claim date stamped upon receipt but each invoice/receipt is stamped upon verification in order to prevent resubmission in a subsequent claim or use with other funders.	✓	✓	✓	✓		
8	The procedures manual should be amended to remove the requirement for a full letter of variance in the circumstances where the budget has been re-profiled (not increased or decreased) due to delay in expenditure for notified and accepted reasons. A short notification of the budget re-profiling should be the requirement (and an example could be produced for inclusion in the Annex to the manual).	✓	✓	✓	✓		
9	The procedures manual should be updated to remove the requirement for a second 100% check by the administration/finance team line manager to a requirement to undertake a spot check of between 20% and 50% (depending upon the experience of the individual undertaking the original checking procedure). This will bring the procedures into line with current practice.	✓	✓	✓	✓		
10	The procedures manual could be amended to facilitate ease of use by some administrative changes.	✓	✓	✓	✓		

Key:

GANI: In compliance with Government Accounting Northern Ireland
EU: In compliance with European Union guidance

WC: In compliance with corresponding Welsh Commission guidance
NIAO: In compliance with Northern Ireland Audit Office requirements
IA: In compliance with Internal Audit requirements
BC: In compliance with corresponding Borough Council guidance

Detailed Recommendations

Item	Current Procedure and Comment	Proposed Revision (s)	Impact/ease of implementation	Recommendation
	Cumulative knowledge and experience (S308.2)			
1.	Within the application and assessment, appraisal and approval processes, Development Officers are required to obtain a significant amount of documentation in support of an assessment of both the promoter and the proposed project. Whilst the Department does provide funding to new project promoters, funding is also provided to recipients who are either applying for continuation funding or have established a funding history with the Department. As such the Department have already gained a sound understanding of the promoter/applicant. Section 308 requires information to be obtained or copied from previous applications into the current file. This is time consuming and unnecessary if a central file is maintained for each body and this is cross referenced as being up dated.	The Department should utilise a central file of promoter details which document the required information on funding recipients with the aim of utilising this 'Cumulative Knowledge and Experience' to reduce the level of information requested in support of the assessment of new projects by existing promoters. Some information identified during the course of our work which is frequently requested includes: • A list of registered office bearers, signed by two office bearers; • Up to date accounts; • Original bank statements for the three months preceding the application; • Constitution; and • Annual Report. In developing this central file of promoter details, management should make effective use of IT.	Obtaining this promoter documentation can cause significant delays to the process as some of it can be with other funding bodies for significant periods of time, thereby delaying the application process. This change should significantly speed up the application process Minimal consequences as the Department have the promoter's documentation which will be up to date as it should have been received at the most recent evaluation for the last project funded. The implementation of the central file of promoter's information could be on a basis as new projects are assessed.	The procedures manual should explicitly indicate that information about the promoter should only be obtained once and for subsequent projects with the same promoter, the requirement should be to confirm that the previously held details are up to date. This can be achieved by the use of central information files for each promoter.

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Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
	Requirement for quotations for goods and services (S309.13)			
2.	Section 309.13 to the procedural guidance requires that where the application includes a request for funding towards the cost of purchasing goods and services the procurement control limits provided in the specified table are recommended as the optimum level required to ensure that the transaction cost of procurement procedures is efficient, whilst maintaining a sufficient level of supplier sourcing to achieve value for money through competition. It is important that quotations provided are for similar specification goods and services so that you can compare like for like. Expert advice e.g. from ITG, VLA, Construction Service etc must be complied with; the Departmental Officer cannot select another option. The specified tables requires the following: - Estimated expenditure up to £1,000 – 1 or 2 quotations with fax or e-mail confirmation; - Estimated expenditure >£1,000 - £10,000 – 3 written quotations/tenders; - Estimated expenditure >£10,000 - £30,000 4 written quotations/tenders; and - Estimated expenditure >£30,000 – Publicly advertised open or restricted tender competition.	The Department should amend the guidance to: (i) accept verbal confirmation that the project promoter has researched the cost, (ii)ensure a reasonability check, perhaps using on-line verification, is undertaken by the Development Officer; and (iii) ensure a clause is included in the Contract For Funding to bind the project promoter, if successful to public procurement guidelines (as is currently the case). The reasonability check may utilise experts assistance such as ITG, VLA etc if necessary with their use being determined by the value and the specialist nature of the goods or services being procured.	Significant time is currently spent by project promoters in trying to obtain written and signed quotations for goods and services that may or may not be funded. This time would be significantly reduced for each project during the application and assessment phase (for example, it is perfectly reasonable for the majority of expenditure items to obtain on-line evidence of cost and for the Development Officer to verify this). This approach would result in change in the consideration of specialist goods and services by experts from that currently undertaken. Minimal consequences as the Development Officer will still be required to satisfy him/herself (and document the reasons) as to the costing of the application. Furthermore, the project promoter will be bound by the public procurement clause, with the level of grant reduced for any savings made i.e. payment will only be made for actual expenditure incurred.	The procedures manual requires the applicant to obtain quotations, tenders etc based upon best practise procurement guidelines as part of the application process. The procedures manual should be revised to remove this requirement and replace it with a confirmation that the promoter will utilise best practice procurement if awarded grant (currently part of letter of offer) and that staff should check amounts for reasonability (utilising appropriate expertise if required i.e. ITG, VLA etc.)

Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
	This guidance is required to be adhered to prior to a decision on funding being made and during the information gathering and assessment phase of the project. Discussions with staff highlighted that this is time consuming and can create significant and unnecessary work for the recipients.			
	Requirement for three months bank statements (S309.10)			
3.	Section 309.10 to the procedural guidance requires that bank statement(s) in relation to the specific project must be supplied and analysed (applicable to voluntary and community organisations but not statutory organisations). Guidance provides the following information: • Ideally original bank statements should be obtained for the three months preceding date of the application, however in some instances the Development section may accept copies of bank statements or earlier bank statements/internet copies until originals or recent statements can be obtained. • If original received, the statement should be copied and noted as a true copy and the original bank statement returned. The bank statement is in the	The current guidance does not specify the objectives for obtaining the bank statements. Discussions with officers suggested that statements are generally obtained to check for duplicate funding payments from other government organisations. Inspection of bank statements alone is unlikely to highlight any serious attempts at defrauding the Department through duplicate funding as, in these circumstances, other bank accounts that remain undisclosed could exist. We would suggest, at this stage, that three months bank statements should not be required as the funding applicants are requested to disclose the source of other	We understand that significant time and effort is incurred in chasing bank statements which results in delays to the process as original statements can often be with other funders, auditors or accountants and can be unavailable for significant periods of time. Furthermore, we are aware of some complaints against the Department in relation to lost supporting documentation. In not requesting bank statements, the Department will reduce the risk of complaints of this nature. There would be an increased risk that Development staff will not identify other undisclosed funders to the applicant, however this risk is managed through the application requirement for the recipient to	The procedures manual should be updated to remove the requirement to obtain three months bank statements as part of the application process as it provides minimal useful evidence in support of an application and requires significant time and effort to obtain from applicants (S309.10 and S309.11).

Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
	group's name. • If the bank statement is 'numbered' or the name on the statement suggests that there is another bank account, the group should be asked to supply all bank statements in relation to the specific project. Section 309.11 progresses to require that Development Officers should judge the information available to them to determine if they have sufficient evidence and this may entail accepting copies of bank statements or earlier bank statements/internet copies until originals or recent statement can be obtained.	funding within the application.	disclose all details of all other funders, together with inspection of the Funders Database and inspection of the financial statements. Furthermore, sufficient procedures exist within Departmental monitoring activities to allow the Department to fully consider the risk of duplicate funding.	
	Claims for salary assistance – claim form requirements (Annex 702) and (S713.2)			
4.	The claim form used to claim payment for salaries includes the following two items: (i) One section which requires details of anticipated expenditure over the course of the period claimed, together with a separate section which requires details of actual expenditure; and (ii) Details of the gross salary, employee NIC, employer NIC, tax, group pension scheme, net salary and the amount of grant claimed.	The level of detail included within the claim form for salary assistance is unnecessary. (i) The claim form should exclude a requirement for employee NIC, employee group pension scheme, tax for period and net salary details as these are not required to verify the claim.	The suggested revision will create efficiencies for both the recipient completing the claim forms, the Chairperson and Chief Executive responsible for signing each claim form and the Departmental Finance staff responsible for the processing of claim forms as they should not be checking salary deductions. Grant is paid on Gross Salary, employers NIC and up to 8.5% contribution to a pension scheme by the employer. The implementation of this recommendation will simplify the salary verification process for staff.	The procedures manual should be updated to remove the requirement for staff to check deductions from gross pay such as employee's NIC and tax. The procedure should require checking of gross salary, employers NIC and employers' pension contributions (up to 8.5%) only.

Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
	Claim form signatories (S704.4)			
5.	Both claim forms in existence, together with section 704.4 to the procedural guidance require that each claim form must be counter-signed by the Chairperson, Director or Chief Executive of the group being funded.	We suggest that appropriate delegated officers should be sufficient to authorise claims for payment. For example, the relevant financial controller. The Chairman and Chief Executive will already have signed the application and Contract for Funding.	The implementation of this revision will allow claims to be submitted more efficiently as the Chairperson, Chief Executive or Directors of voluntary organisations are not always readily available. There will be minimal adverse consequences to the implementation of the suggested revision as both the Chairperson and the Chief Executive will have signed the application, the Contract For Funding and a list of office bearers during the assessment phase.	The procedures manual and claim forms should be updated to allow agreed delegated officers to sign claims for payment. (We understand this was completed on 18 May).
	Unsupported items included on claims for payment (S710.2 and 712)			
6.	Discussion with staff across business areas highlighted that where individual items included in claims for payment have not been appropriately supported by documentation, three approaches are generally adopted to resolve the discrepancy: (i) Some business areas will hold the entire payment back until all discrepancies have been fully resolved; (ii) Other business areas will release the part payment that has been adequately supported, withholding only the element	Although the current procedural guidance allows the adoption of each approach, we recommend that all business units should, in the event of discrepancies with individual claim items allow the release of funding for the entire amount over which there are no discrepancies, withhold the amount to which a discrepancy relates and formally request that the queried amount be carried forward into subsequent claims, ensuring that appropriate	The suggested revision will ensure that recipients receive funding for cleared items of expenditure much more efficiently as the entire payment will not be held back for one individual item. Furthermore, requesting that queried items be included in future claims, with appropriate supporting documentation will reduce the level of correspondence and time incurred in trying to resolve the queries. There are no adverse consequences	The procedures manual should be updated to amend the treatment of unsupported items included on claims for payment. The four stage follow up procedures should be removed. Payment should only be made on the supported items and a covering letter sent outlining the reason for the deduction and requiring the unsupported items to be included in the next claim together with appropriate supporting documentation.

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Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
	under which there is an apparent discrepancy; or (iii) Other business areas will release the section of the claim which is query free (for example release the claim portion relating to salaries, but withhold the entire portion relating to running costs).	documentation is provided in their support. The recipient should be informed in writing of the reason for the reduced payment and the nature of the query.	relating to the implementation of the suggested revision.	
	Identification of each claim item (711.1)			
7.	When inspecting supporting documentation, officers are currently not required to stamp each item of supporting documentation as verified. The claim form itself will be date stamped upon receipt as part of the post opening procedures.	We suggest that officers should be required to stamp each item of supporting documentation as 'verified by DSD', together with the percentage funded and the date to help ensure that invoices are not included twice for payment.	The proposed revision should help ensure that invoices are not submitted for payment twice. There are no adverse consequences to the implementation of the suggested revision.	The procedures manual should be amended to include the requirement that not only is the claim date stamped upon receipt but each invoice/receipt is stamped upon verification in order to prevent resubmission in a subsequent claim or use with other funders.
	Letters of Variance (S637)			
8.	Discussion with staff highlighted that in instances where groups experience delays in incurring expenditure (sometimes due to the timing of the receipt of invoices), a letter of variance must be issued changing the budget and outputs.	We recommend that in instances where expenditure has been delayed for legitimate reasons, it should be sufficient to re-profile the agreed budget taking account of the delays and agree this with the recipient through discussion. The re-profiled budget should be formally notified to the recipient through a streamlined letter of variance which focuses solely on	This proposed revision should reduce the length of time spent by the finance and development teams in updating and processing letters of variance. There are no adverse consequences that will arise as a result of the implementation of the proposed revision.	The procedures manual should be amended to remove the requirement for a full letter of variance in the circumstances where the budget has been re-profiled (not increased or decreased) due to delay in expenditure for notified and accepted reasons. A short notification of the budget re-profiling should be the requirement (and an example could be produced for inclusion in the Annex to the manual).

Item	Current Procedure and Comment	Proposed Revision (s)	Impact/Case of Implementation	Recommendation
		the budget amendments. Where there is evidence to suggest that this may impact on the achievement of targets and outputs, then further consideration to the requirement for a full letter of variance should be given.		
	Duplication in the claims process (S718.1)			
9.	Paragraph 718.1 to the procedural guidance recommends that the administration/finance team line manager should carry out a 100% check on all supporting evidence already verified during the claims process. This is to ensure that receipts are in order and the payment is accurate as well as verifying that the terms of the CFF have been achieved.	This 100% check represents duplication in the claims administration process with the vouching of claims being carried out twice. Whilst we recognise that business areas reduce this level of checking to between 20% and 50% in practice, we suggest that the recommended 100% check should be reduced, commensurately with current practice, for officers who have an appropriate level of experience and who show little in the way of errors. This could be reduced to 20%, if deemed appropriate by management.	This will reduce the level of work to be performed by line management, allowing more beneficial use of their time. There is an increased risk that the claims administration process may not identify errors and that the Department may fund ineligible items as a result. However, if staff are appropriately trained, the initial 100% verification proposed with the 20% spot check should be sufficient to highlight any problem areas. It is important to ensure that the 20% check is performed across all staff over time.	The procedures manual should be updated to remove the requirement for a second 100% check by the administration/finance team line manager to a requirement to undertake a spot check of between 20% and 50% (depending upon the experience of the individual undertaking the original checking procedure). This will bring the procedures into line with current practice.

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Administrative amendments

Ref	Observation	Impact	Recommendation
	Inclusion of the Risk Register		
10a.	The Fraud Risk Register is included in the procedural manual with each risk being given a priority rating of high, low or medium, however there is no indication of the registers purpose / objectives, it does not assign responsibilities for controls, and it does not indicate how the priority rating was determined (ie. an assessment of the impact and likelihood of the risk). GANI issued guidance, *'Managing the Risk of Fraud – A Guide for Managers, 09/12/2003'*, states that, *"The fraud risk assessment should include, as a minimum, a basic register or log that identifies the risks. It should include a separate assessment of both the impact and the likelihood of each risk and should be a living document that is continuously updated to reflect changing circumstances.*	As part of the procedural guidance, there is a risk that the fraud risk register is not a dynamic document which is continuously subject to review or updating and therefore does not truly reflect the current risks to the Department.	Whilst the fraud risk register is an important document that should drive the procedures and controls established, we recommend that it should be removed from the procedural guidance and held separately as an independent document which is dynamic and can be continuously updated. Furthermore, we recommend that the risk register should be updated in accordance with GANI requirements. For example, the assessment of both the impact and likelihood of each risk arising. We understand this has now been completed.
	Document Navigation		
10b.	Inspection of the guidance highlighted that the pages are not numbered. In its Electronic format, the document is maintained as multiple (almost 100) separate documents, hyperlinks are used throughout.	Procedural guidance does not facilitate efficient navigation of the document to ensure that independent sections can be referred to easily and efficiently.	Management should consider numbering both the contents pages and document pages to facilitate efficient referencing of the guidance. We understand this has been completed.
	Land and buildings – capital appreciation		
10c.	Section 309.17 and 18 consider instances where	There is a risk, in the funding of capital assets such as	We recommend that management should

Ref	Observation	Impact	Recommendation
	funding may be provided to assist in the purchase of land and/or buildings. However, inspection of the manual highlighted that there is no consideration of the sale or disposal requirements (for example, capital appreciation realised on sale).	land or buildings, that appropriate measures are not taken in the event of sale or disposal.	incorporate additional guidance over the potential sale and/or disposal of land and buildings funded by the Department.
	Post Opening Procedure		
10d.	Whilst the post opening procedure is very robust, it adds to the content and size of the guidance manual.	There is a risk that the manual is too unwieldy for little in the way of benefits directly related to the funding process.	Management should consider removing the post opening process from the guidance manual and implementing this as a standalone document for the Departmental areas affected.
	Introduction to the Procedural Guidance		
10e.	The introduction to the procedural guidance is currently 76 pages long and includes 44 pages of abbreviations, together with 13 pages of programmes, a contacts listing and the fraud risk register.	The guidance appears to be unwieldy from the introduction and is difficult to concentrate on as a result.	We recommend that management should limit the content included within the introduction and abbreviations, the contacts listing and the list of programmes to an appendix for consultation, if and when required.

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IV APPLICATION OF PROCEDURES MANUAL

4.1 The following matters arose as a result of our review of the Department's procedural guidance, they directly relate to the guidance in issue, the application of that guidance in practice and fall under the direct control of the Department:

Application of proportionality to procedural guidance in practice

4.2 Procedural guidance in issue has been implemented by the Urban Regeneration and Community Development Group as 'guidance'. It encourages a common sense and proportional application of this guidance in practice, which should be relative to the particular risks arising from the recipient of assistance, the project to be assisted and the amount of assistance sought. Furthermore, proportionality is referred to throughout the procedural guidance, which includes a section which relates specifically to the 'principal of proportionate effort' relative to economic appraisals, section 312. This section includes the following statement

4.3 '...It is essential that staff use their own judgement in determining the level of input appropriate to any particular appraisal. The general principal is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives, the risk and resources involved. It would not make sense to do the same detailed appraisal in respect of an application for £1,000 and an application for £100,000 or for the same detail in respect of a highly risky project than a low risk project…'.

4.4 Our review of procedural guidance highlighted that staff often experience difficulties with the practical application of proportional effort. Discussions with management and staff highlighted that, in many cases the same amount of effort is applied across all projects regardless of their size, nature and relative risk. We understand that this is primarily due to historical, audit related criticism, but as such there is a resultant risk that the Department does not achieve Value for Money in the application of guidance and that unnecessary delay is caused in the provision of funding.

4.5 We noted the following examples, where the application of proportionality was found to be difficult:

- Project Monitoring. Under guidance related to the monitoring of projects provided with financial assistance, the Department have included a 'monitoring questionnaire'. This questionnaire incorporates a number of areas for inspection, including among others: invoices, payments, payroll, travel and subsistence, insurance and professional

services. Whilst we understand that guidance only requires completion of those parts of the questionnaire which directly relate to financial assistance provided (for example, if the Department have only assisted salary costs, then there is no requirement to include invoices and payments within the monitoring visit), we identified in one area, a local practice which included the completion of all sections of the questionnaire, regardless of whether or not assistance was provided for the relevant areas (for example, where financial assistance was provided in support of salary costs, the entire questionnaire is completed, including invoices, payments, travel and subsistence, insurance and professional services). This is clearly unnecessary and provides a real opportunity to reduce the level of effort commensurately with the project in receipt of assistance.

4.6 We recommend that management should continue to work with staff to ensure that guidance is applied proportionally in practice. This could be addressed not only through discussion and training around proportionality, but through the provision of practical examples of where proportionality could be applied.

Improvement in Monitoring and Evaluation of Outputs

4.7 The Urban Regeneration and Community Development Group (URCDG) holds responsibility for the provision of funding to the voluntary and community sector. Whilst some of this funding is made available to new funding recipients, recipients who already have an existing relationship with the Department also receive funding through continuation projects or previous projects delivered. In order for the Department to provide funding effectively and efficiently, it is necessary to adhere to a set of policies and procedures which ensure that applicants for financial assistance (new or existing) are assisted in the delivery of projects which will contribute towards the achievement of the Department's overall objectives, but which remain outcome focused (ie. focus on ensuring that the end result of a project was beneficial in its contribution to the Department's overall objectives, including projects where the end result did not achieve expectations, but which did provide valuable learning opportunities for future activities).

4.8 Throughout the course of our fieldwork and across all business areas visited, we noted that the Department's primary focus (in relation to the URCDG business areas responsible for the provision of grant assistance), is perceived to be audit related. In fact, we understand that Management and staff have enhanced procedures as a result of audit criticism, but also to facilitate a level of consistency in the provision of financial assistance across all business areas. However, 'audit' is currently perceived by staff to be the driving force behind the level of procedural guidance in place.

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4.9 Procedural guidance appears to have been established and applied in practice to best 'eliminate' all risk, rather than achieving that critical balance between the effective 'mitigation' of risk to an acceptable level and ensuring that the process flow is efficient, effective, customer focused and friendly. Whilst it is important to establish and adhere to procedures which do effectively mitigate risk, the focus on avoiding audit criticism appears to contribute to excessive timescales incurred throughout the funding process (for example, it is accepted that an average turnaround time from receipt of grant application to agreement of the Contract for Funding is between three to nine months, regardless of the size and nature of the project to be assisted). As a result, there is minimal focus on the monitoring and evaluation of project outputs, which could potentially be more beneficial and provide more comfort on the success or otherwise of the decision to provide funding.

4.10 We recommend that the Department seek to ensure that the investment or provision of assistance is appropriate by contributing to the achievement of the Department's objectives, or providing useful learning opportunities which can assist future projects and funding decisions. We understand the Department has commenced work to ensure proper monitoring and evaluation of outputs is undertaken to ensure the Departmental objectives are achieved.

Economic Appraisal and Proportionality

4.11 In accordance with Department of Finance and Personnel (DFP) 'Green Book' requirements, the current procedural guidance in place requires that an appraisal should be performed for all expenditure projects. Furthermore, the guidance provides five different appraisal pro forma (although we understand that one of these has now been withdrawn) which are required to be used in support of all projects. These appraisal forms reflect the nature of the funding being sought e.g. Revenue or capital. While it is beneficial to provide pro forma examples, there is no consideration or proportionality in the proformas available e.g. there is no significant reduction in work required for small awards with the different proformas addressing the nature of the award but not its size.

4.12 Whilst guidance does include detailed commentary on 'proportionality' and does require that the level and amount of effort should be proportional to the size, nature and risk of the proposed project, it does not currently offer practical suggestions on how the level of effort could be reduced proportionally. Therefore, four of the five pro forma are currently used for different types of project up to a maximum value of £500k, whilst the fifth pro forma is required to be utilised for projects with a value of over £500k (Note. We understand that the fifth pro forma is due to be superceded). As a result of the limited assistance in the

identification of methods with which to reduce the level of effort commensurately with the risk and size of the proposed project, staff appear to be more comfortable fully completing the relevant pro forma, with no difference in the level of effort expended between very small, less risky projects versus larger projects that would present a greater level of risk to the Department. The potential impact of this is two-fold: (i) the administration cost of the project can become un-balanced against the amount of funding proposed; and (ii) the level of work undertaken in support of an appraisal can cause delays in the approval or rejection of projects.

4.13 'DFP Green Book' and the 'NI Practical Guide to the Green Book' require that an appraisal is performed for all expenditure but they also provide very clear guidance on proportionality, especially for projects which amount to less than £250k. In these cases, the DFP guidance suggests that the appraisal of small grants or other assistance to the private, voluntary and community sectors can be **facilitated by the design of application forms so that they provide the required appraisal information, together with the existence of suitable procedures to appraise the information submitted by the applicants on the application forms**.

4.14 We recommend that for expenditure below £50,000 and assessed as low risk, a short form economic appraisal proforma should be used (not a requirement, but the default alternative given the size and risk rating of the proposed project). This pro forma would require minimal input and would largely refer to information provided within the application form (N.B. The application form will require minor enhancement to facilitate this), together with explanatory notes supporting the rationale behind the decision made and linking the rationale to the information provided on the application form.
This will reduce the time inputs required and reduce delays in the appraisal process with minimal risk to the controls to protect public money.

Financial verification of information in support of claims for payment

4.15 The current Departmental procedures require that 100% of expenditure items are vouched to appropriate supporting documentation in advance of the payment for each claim. Departmental staff currently perform this role remotely exchanging documentation through the postal service. Whilst we note that the Department has recently established a risk assessment process aimed at reducing the level of verification based on the outcome of a risk assessment exercise (we understand that 70% - 80% of recipients assessed have already been classed as low or medium risk), the current level of verification can create significant delays in the processing of grant payments due to difficulties in obtaining 'original' supporting documentation in respect of claims for payment. We understand that these difficulties do not normally result in many substantive errors and simply relate, in

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the majority of cases, to 'original' documentation becoming unavailable upon request as, for example, it may have been temporarily provided to other funders. We understand, through discussions with staff that this situation contributes to the most extensive delays throughout the claim for payments process, with often significant delays experienced.

4.16 In recognising and commending the Department's recently piloted risk assessment approach to the financial verification of claims for payment, we recommend that this approach is fully implemented across the Department as a matter of urgency. In addition verification of claims for payment could be enhanced by performing verification checks through site visits to avoid 'lost' documentation.

4.17 Whilst we understand the significant benefits that should be obtained from the implementation of the piloted risk assessment approach, we would highlight that alternative approaches are available that could be used to satisfy the requirements of all funders to the project, reduce significantly processing timescales currently experienced and will reduce the level of resource employed in these verification exercises in favour of additional resource to evaluate the progress and outcome of projects and their contribution to overall Departmental objectives. However, it is considered that these alternative approaches should not be implemented in the short term until the risk assessment approach is fully embedded. The alternative approaches include obtaining audit certificates from claimants thereby eliminating financial verification by the Department or utilising retention funding and undertaking end of project verification.

Interpretation of Procedural Guidance

4.18 Whilst the current level of procedural guidance provides robust documentation in support of the administration of financial assistance, it is susceptible to differences in interpretation. Differences in interpretation carry the potential consequence of further audit criticism and will render staff wary of applying judgement in light of these circumstances (ie. staff will tend toward full compliance with all guidance, rather than availing of judgment, especially in relation to smaller projects where proportionality should be a significant factor in considering the level of work performed in support of an application). Whilst we recognise the role adopted by the 'Central Advice and Guidance Unit' in providing advice and guidance on adherence to the procedural guidance, together with the 'Practitioners Forum' at which the application of guidance can be discussed, we also recommend that:

(1) Management should state within the guidance the **objectives** required to be met from the review by staff and potentially refer in the annexes to examples of how those objectives can be achieved. Some examples, identified during the course of our work, where such an approach may prove beneficial include:

- Validation of the financial state of the organisation applying for funding (the guidance currently prescribes, among other things, that staff should obtain bank statements, audited accounts and copies of the constitution, but provides very little guidance over the rationale and objectives behind obtaining this information);

- Establishing the organisation's representatives. The guidance currently requires that a list of office bearers is obtained which is signed by two office bearers and, for schools, a list of the Board of Governors. This is not applicable to all organisations and can prove time consuming to obtain, however providing the detailed objective of 'establish the organisation's representatives', together with a reference to example documentation in support of this will allow for the application of judgement;

- The requirement to obtain three months bank statements. Whilst this is stated in the procedural guidance, there is no explanation or rationale supporting the reason why three months bank statements are required. Furthermore, discussions with staff highlighted that in the majority of cases bank statements are obtained and filed, but are not actively used in the assessment of the application;

- The requirement to obtain annual audited accounts. Again this is required to verify the financial management of the company and its financial standing, however discussion with staff highlighted that the understanding behind this requirement was varied, with again audited accounts being obtained and filed, but not always used in the assessment of an application for assistance;

- The requirement for an annual report. This is required to provide information about the whole group and not just the project to be funded and ensure that the groups activities do not conflict with the aims of the Department. It may be better to establish a check to ensure that the groups activities do not conflict with those of the Department as annual reports may not be available in all circumstances;

- The requirement to take a screen print of the Funders Database to ascertain if any other funding is in place. This should be signed and dated and placed on file. If the database does show other funding for this project, the organisation would have

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to be contacted and where applicable, further information obtained. There is no reference in the guidance as to the impact that the identification of undisclosed funding will have on the assessment.

- Evidence required in support of the funding of salaries. Guidance currently requires that a significant amount of documentation is obtained in support of these applications, but does not explain why this information is required or what Development Officers should do with it.

(2) Management should identify, through discussion with key members of staff, those areas within the procedural guidance that are deemed to be complex and provide advice and assistance through the Practitioners' Forum. Some areas identified as a result of our work which could be included in this category are:

- VAT – Detailed narrative notes setting out exactly what checks to perform over the treatment of VAT by applicants and claimants. This might, for example, commence with a flow chart providing a step by step procedure on how to verify whether the client is capable of recovering VAT;

- Financial vouching/verification of claims for payment – There are currently detailed notes setting out what checks should be performed across all types of expenditure. It may be more efficient to translate these into a straightforward checklist to be completed by the individual responsible for verifying supporting documentation and remove them from the procedural guidance; and

- Verification / vouching of payments for statutory sick pay and maternity pay.

Duplication of Payment verification checklists

4.19 Upon successful completion of the verification of documentation in support of claim forms, finance staff in a number of business areas currently complete three separate checklists and a payments summary form.
The first checklist is a receipt reconciliation aide-memoire which is required to be signed by the AO level officer. The second checklist is a summary of the claim and the work performed and is required to be signed by both EOI/SO and EOII level officers. The third checklist is an approval of payment form which is completed and reviewed by both AO and EOII level officers respectively.

4.20 Inspection of each checklist highlighted that there is repetition across each form and whilst we recognise that this practice is not required by the procedural guidance, we recommend that the three checklists should be amalgamated onto one form, with the checking officers signatures being captured on the same form as the AO level officer. This would reduce the paper work although not the checking process.

Performance Benchmarking of Business Units

4.21 Whilst we understand that each business area is governed and operates in accordance with their own individual circumstances, together with the size and nature of the projects and organisations to which financial assistance is provided, discussions with management across all business areas highlighted significant differences in the processing timescales achieved.

4.22 Furthermore, we understand that the current management monitoring activity is largely based on the accuracy of documentation in support of awards and payments, with little monitoring of the throughput of awards and payments. It is therefore difficult to pinpoint the specific procedural requirements which cause delay and to examine whether there are similar issues contributing to delays across all business units.

4.23 We recommend that management should consider the implementation of performance benchmarking and measurement. This should be used to examine, together with the accuracy and quality of work performed, the timescales under which the specific elements of the procedural guidance are applied in order to identify 'blockages' which will facilitate the focus of managements attention. This could also be used to benchmark business areas against each other which may help to provide an indication of training requirements.

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V OTHER OBSERVATIONS

5.1 The following 'other observations' which arose as a result of our review of the Department's procedural guidance, carry the potential to significantly streamline the provision of financial assistance to the voluntary and community sector, however these do not fall directly under the control of the Department and as such the Department will need to continue to work with others to further progress these matters.

Observation 1: Lead Funder/Auditor Initiative

5.2 During the course of our discussions with Departmental representatives, together with representatives from a recipient of financial assistance, a recurring theme centred on the amount of activity duplicated across funding organisations and their agents (auditors/representatives). In many occasions, projects are not solely funded by the Department, rather through a 'cocktail' of funders that can vary in number. In instances where the project promoter is funded through a cocktail of funders, numerous funders generally seek very similar information in support of an application and claims for payment (in some cases this can be through site visits, desk checks or verification checks). This replicated activity presents the project promoters with significant problems, generally resulting in delay to the decision making and payments processes. Specific difficulties encountered by project promoters in this regard include;

- Availability of 'original' supporting documentation on a timely basis due to the fact that this is often forwarded to a number of funders for inspection;
- Loss of 'original' supporting documentation as it is often forwarded to a number of funders (this leads to payment and audit verification problems which increases significantly, the potential for 'irregularities';
- Reductions in time spent on the delivery of services with a significant portion of this instead spent on administration and queries, which often negatively impacts service delivery;
- Replicated audit and verification visits, again reducing the time spent by key members of staff on the delivery of services and increasing the time spent on administration and query resolution;

- Increased risk of duplicate funding and breach of Contracts For Funding due to the risk of unknown funders; and

- Requirements for different monitoring information, project closure reports and evaluation activities.

5.3 As a result there is a clear opportunity to progress further towards the idea of 'joined-up Government' in relation to the resourcing of the voluntary and community sector, that would provide the potential for significant savings in relation to the administration of grant funding across Government. Whilst we understand that a lead funder initiative is due to be progressed by the Department of Finance and Personnel, we recommend that the Department should fully support this initiative and continue dialogue with other identifiable (and interested) funders to further explore any opportunities for an 'integrated cross-Government' approach to the resourcing of the voluntary and community Sector. This may include the potential for efficiencies in the following areas;

- Establishment of a lead funder to be responsible for the verification of all required information in support of the initial application for funding;

- Development and use of a single business plan and economic appraisal that, if completed on behalf of the entire project (and all respective funders) could be relied upon by all funders; and

- Establishment of a lead auditor to be responsible for audit and verification activity to be performed across each project, satisfying the requirements of all funders. This could facilitate the production of clear, concise, professional and independent audit reports which again could be utilised by all funders supporting a project.

5.4 We note that the Lead Funder initiative has been previously highlighted in Treasury and National Audit Office reports, with the 2002 Treasury review recommending that '… government funders should work together to streamline their application processes, primarily by developing a common point of access for central government grant aid and strategic funding' and the 2005 National Audit Office report on 'Working with the third Sector' highlighting some success in a 'Passporting' initiative which involves the sharing of information on third sector organisation's between funders. Whilst highlighting the successes of the 'Pass porting' pilot, the report also highlighted some failures related to the validation of supporting information by one organisation on behalf of all funders. These failures were primarily due to funders' concerns that they would be held accountable for decisions made on the basis of information validated by other organisations.

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Observation 2: Policy on level of permitted reserves to be accumulated

5.5 Section 309.9 to the procedural guidance requires that the Development Officer should check the organisation's balance sheet to determine whether or not there are significant levels of unrestricted reserves and if so to consider whether this questions the need for URCDG funding. Furthermore, the guidance requires that the holding of unrestricted reserves should be justified through a reserves policy based on a realistic assessment of their reserves needs. Guidance requires, as a minimum, that the reserves policy should cover:

- The reason why the charity needs reserves (or does not need them);
- What level of reserves the Trustees believe the charity needs;
- What steps the charity is going to take to establish or maintain reserves at the agreed level (or range); and
- Arrangements for monitoring and reviewing the policy.

5.6 Guidance also stresses the requirement for proportionality in the preparation of such a policy. Discussions with staff highlighted that on some occasions, if charities have unrestricted reserves, then funding may not be provided. Whilst it is appropriate for the Department to consider the level of reserves and the reason for them, we would suggest that it is sufficient to discuss this with the organisation and document the details of the conversation in order to make a decision. Funding recipients should be allowed to build up a certain level of reserves in order to facilitate sustainability. We note that there is no specific guidance or objectives for Development Officers on the inspection of reserves ie how will reserves impact on the eligibility of the organisation or project. Whilst we understand that the department intends to review procedural guidance in light of a draft reserves policy agreed by the Department of Finance and Personnel (currently awaiting final approval), we would recommend that the Department clarify to staff their current policy on the impact of holding reserves to assist in making their assessment of applications.

Appendix 4

List of Witnessess

List of Witnesses Who Gave Oral Evidence to the Committee

1 Mr Will Haire, Accounting Officer, Department for Social Development (DSD);

2 Mr Seamus McAleavey, Chief Executive, Northern Ireland Council for Voluntary Action (NICVA);

3 Ms Maeve Walls, Director of the Voluntary and Community Unit, Department for Social Development (DSD);

4 Mr Gordon Bell, Voluntary and Community Unit, Department for Social Development (DSD);

5 Mr Kieran Donnelly, Comptroller and Auditor General; and

6 Ms Fiona Hamill, Treasury Officer of Accounts, Department of Finance and Personnel (DFP).

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