



Northern Ireland  
Assembly

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**COMMITTEE  
FOR THE OFFICE OF THE  
FIRST MINISTER AND DEPUTY  
FIRST MINISTER**

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**OFFICIAL REPORT  
(Hansard)**

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**Qualification of OFMDFM  
Resource Accounts**

6 July 2011

**NORTHERN IRELAND ASSEMBLY**

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FOR THE OFFICE OF THE FIRST MINISTER AND  
DEPUTY FIRST MINISTER**

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**Qualification of OFMDFM Resource Accounts**

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**Members present for all or part of the proceedings:**

Mr Tom Elliott (Chairperson)  
Mr Chris Lyttle (Deputy Chairperson)  
Mr Trevor Clarke  
Mr Colum Eastwood  
Mr Alex Maskey  
Mr Francie Molloy

**Witnesses:**

Mr Kieran Donnelly	)	Northern Ireland Audit Office
Ms Collette Kane	)	
Mr Noel Lavery	)	Office of the First Minister and deputy First Minister
Ms Alison Stafford	)	

**The Chairperson:**

I welcome Mr Kieran Donnelly and Ms Colette Kane. Thank you for your attendance. Will you set out the context of your report?

**Mr Kieran Donnelly (Northern Ireland Audit Office):**

Thank you very much. I will say a few words about qualifications and put this particular qualification in context.

In Northern Ireland, we have 19 departmental resource accounts. I have signed off on 16 of

those this year. Of those 16, four have qualifications, of which the Office of the First Minister and deputy First Minister (OFMDFM) is one. Qualifications are always serious, but this one is not unique. That is the first point.

My opinion on accounts is divided into two parts. The first part relates to the truth and fairness of the financial position. We have no issue with the accounts in that regard: they are true and fair in their presentation of the figures.

The second part relates to regularity. A regularity opinion is unique to the public sector. In essence, I am giving an opinion to the Assembly that the expenditure is in conformity with its wishes at the highest level. In that regard, the OFMDFM account is qualified on three sub-points, the detail of which Colette will provide you with.

I want to make a couple of other points before we get into that. It has been asked why this issue has come out on the cusp of the summer recess. There is a target set by the Department of Finance and Personnel (DFP) for all the resource accounts to be laid before the Assembly by the summer recess. So, there is an administrative target there. As I mentioned, 16 of the 19 resource accounts have met that target, and some are just slightly beyond it. Between Tuesday and Friday last week, I signed off on 16 of those accounts. However, that is not the end of the story. Over the summer, I will be pulling together the various strands of my work on financial audit, and, in the autumn, I will produce a general report on public sector accounts. That is something that the Public Accounts Committee (PAC) will have an interest in in due course.

My report on the OFMDFM account is quite short and runs only to a few pages. Chairman, you mentioned the statement of internal control, which the accounting officer signs off on. It is important to look at my report and the statement of internal control in tandem. In recent years, we have encouraged Departments to have fulsome disclosure of internal control issues in the statement. I am pleased to say that, in this case, there has been fulsome disclosure. The outworking of that is that the more that Departments disclose internal control issues, the less need there is for me to go into detail in my reports. That is the philosophy of self-disclosure, and it is something that we encourage.

I pass over to Colette Kane, who will give you a more detailed briefing on the three specific qualification issues.

**Ms Colette Kane (Northern Ireland Audit Office):**

Thank you. I will deal with each issue in the order that it appears in the report.

The first issue is the weaknesses in the sponsor control arrangements for directly funded bodies. It might be useful to outline why we focused on testing in this area and in this year in particular.

Our approach to audit testing starts off with an analysis of the risks to the Comptroller and Auditor General's (C&AG) opinion. When we carry out an assessment of risks, we look at all of the information that we have and our understanding of the Department and any developments in the area during the year. We also use our experience of particular transactions from other audits. During the year, we were aware that the Department had had a number of whistle-blowing investigations. The statement of internal control analyses those. There were 19 managed by the Department during the year.

Those investigations were in the area of directly or indirectly funded grants. We also know from past experience that grants transactions are particularly high risk. That is because of the wide variety of voluntary and community bodies that receive money through grants. Some of those groups will not have formal governance or control structures. Therefore, money could be at risk. For that reason, a higher level of control is required by the funding body. That was why we went down the route of focusing our testing in that area.

We selected a sample of directly funded groups. Our testing of those groups found a number of weaknesses in control over awarding and monitoring of grants. Specifically, in some cases, we found that there was an absence of formal criteria, at the very outset, for selection of groups to fund. In other, more widespread, cases, we found that insufficient verification was carried out to ensure that grants were actually used for the purposes for which they were given.

In addition, we noted that the Department had carried out some restructuring. There seemed to be a lack of clarity between staff in various areas in respect of the grant process. Therefore, we were really alerting the Department to try to rectify that so that it would be good going forward. The C&AG's report also notes that the Department commissioned an internal audit review of the area to establish in some detail what the weaknesses were. The internal audit found a number of issues that were exactly the same as ones that we had found. It also found that there were

weaknesses in the approval process. The contents of letters of offer to those groups were, sometimes, not as precise as they could have been. Again, there was a lack of checking when grants had actually been paid. The internal audit made several recommendations, the majority of which were accepted by the Department. Indeed, remedial actions have taken place already.

I want to point out that the Department has kept us very well informed throughout the entire year about the procedures that it has put in place to strengthen controls in that area. I attend the Department's audit committee. At every meeting, we are briefed on what it is doing to improve the process. We are encouraged by the efforts that are being made. However, we will revisit the area in the current financial year.

In summary, it is important to note that the C&AG has qualified his opinion in respect of direct funding of groups by the Department, as he considered that controls in that area were deficient. He was unable to verify whether expenditure had actually been spent for the purposes for which it was intended. I should point out that we did not find any evidence that expenditure had been used inappropriately. The issue was more about the lack of controls over expenditure in the first place.

I will move on to the second element of the qualification, which is to do with the irregular consultancy spend. The C&AG qualified his opinion in respect of three cases in which DFP approval for expenditure was required but was not granted. In all three cases, the Department was required to prepare business cases and submit those to DFP for approval. That was not done. When the Department applied for retrospective approval, DFP did not award that approval. The C&AG's report actually goes into the detail of those three cases. You will note that, at that time, DFP approval was required for consultancy spend above £75,000. Since then, DFP has reduced that figure for the Department to £10,000. In the financial year of audit, 2010-11, of the three cases, £142,000-odd was spent. Therefore, not all of the money had been spent.

I will deal with the Maze/Long Kesh case, and then I will return to the basis of our opinion. In respect of capital projects, the Department is required to seek approval from DFP if spend is likely to exceed to £150,000. Indeed, when the business case for the Maze/Long Kesh remediation phase 2 project was prepared, the Department sought that approval, up to a level of £3.5 million. Unfortunately, the Department was unable to tender at that amount and it awarded the contract for £4.9 million. The Department was then advised that it should seek the uplift

approval retrospectively, but DFP rejected that approval. In doing that, it meant that the whole amount, £4.9 million, was deemed irregular.

The C&AG's report goes into the detail of why DFP formed that view. There were two reasons: DFP said that the Department had waited almost 18 months before seeking approval for the uplift and highlighted that it felt that the phase 1 project had had the same type of issues and that the Department should have taken those into consideration.

It is important to note that, when the C&AG is advised of amounts from DFP that have not received approvals, that is what we call an automatic qualification, because, straight away, the expenditure is deemed irregular. As the C&AG told you, part of his opinion is on regularity. In these instances — the three consultancy cases and the one on capital expenditure — it is an automatic qualification, and it will continue to be so until the expenditure is deemed regular.

**The Chairperson:**

Thank you very much. I have a couple of quick points to make on your process. Kieran, you said that you are under some pressure to carry out your reports before the end of the Assembly term. Is there any reason why the report could not have come out a week or 10 days earlier?

**Mr Donnelly:**

The target is unbelievably tight, and one which we inherited from Westminster. At Westminster, there is also a summer recess target, but its summer recess starts at the end of July. We are talking about a 31 March financial year end. So, there are three months in which to get the accounts prepared and audited. That is quite a challenge for all concerned, not just for us but for the Departments preparing the accounts.

In one sense, there has been quite a dramatic improvement over the past decade. Turning the clock back, it was not unknown for accounts to be certified six to 12 months after the year end. In the round, it is a good thing to get them certified as early as possible. However, to go beyond that, even to knock a week off, is quite difficult. I signed the first one off last Tuesday and the last one on Friday. Even a day is quite significant.

There is a general issue around how the Assembly is kept informed of the process. That is something that we should look at.

**The Chairperson:**

You indicated that four of the 16 had qualifications. In light of everything, how serious are your findings in the case of OFMDFM?

**Mr Donnelly:**

Colette mentioned that part of this qualification is automatic because of failure to comply with approvals and the fact that DFP did not grant retrospective approval. Turning the clock back to four or five years ago, retrospective approval was probably the norm. DFP has, quite rightly, taken a tougher line on approvals and is much more reluctant to give retrospective approval. So, how do I assess that? It would be wrong to say that the standards of public administration with regard to approvals are slipping; it is more that public bodies have not raised their game to meet the new higher standards that are required. For example, there was a £75,000 threshold for approval on consultancy, which is a good thing. That threshold was introduced a few years ago following a Public Accounts Committee hearing on the use of consultants, when consultancy expenditure was more out of control. Some public bodies have found it difficult to comply with that. In this case, you will see that the threshold has been further reduced; I think that it is down to £10,000. Obviously, the lower the threshold, the higher the risk of non-compliance. In a sense, some of this is positive because DFP is, quite rightly, taking a more robust line on approvals, and we have more of what I call automatic qualifications.

There are serious issues about controls over grants. Although there is no evidence of impropriety or fraud in that £7 million area of expenditure, I had a lack of positive assurance that everything was right. When I try to arrive at an opinion on the regularity of expenditure, I look for evidence that that expenditure has been used for the intended purpose. The lack of verification visits and other controls meant that I did not have that evidence at my disposal. The Department is now taking steps to tighten all that up. That area of the qualification is serious enough, but it is not unique; it is the type of issue that has come up before in other areas of public expenditure.

**The Chairperson:**

DFP has, in your words, tightened up on its retrospective approvals. The example of Maze/Long Kesh, however, shows that it accepted a contract for £4.9 million even though its budget, from memory, could go to only £3.5 million. Surely that is pretty serious, irrespective of your issue

around the retrospective approvals being tightened up by DFP. Has the Department given you any reason as to why that was accepted on those terms?

**Mr Donnelly:**

I agree with you on the Maze/Long Kesh issue as distinct from the other overruns on consultancy. The key issue is a budgetary one. There was an 18-month time lag before the Department of Finance and Personnel was made aware of the additional cost. There was a lack of control, and I agree that that is an important issue. Perhaps Colette wants to say a word on the assurances that she has been given about how that has been addressed.

**Ms Kane:**

We examined the case as well as it is quite a large piece of expenditure for the Department. The C&AG's report shows that the Department sought advice from Central Procurement Directorate (CPD). The accounting officer might want to expand on that. It sought advice from DFP on how to go forward with that. It used that in its defence because that advice was taken and yet it still ended up in that position.

As I understand it, the contract was competitively tendered, but it was not able to get a contract for the original price of £3.5 million.

**The Chairperson:**

Are you saying that its reasoning is that DFP gave it the go-ahead or the approval to accept the contract at £4.9 million?

**Ms Kane:**

No. A different part of DFP advised OFMDFM on procurement and to go back to seek approval from the supply division after the contract was awarded.

**The Chairperson:**

Was that not done?

**Ms Kane:**

It was, but 18 months after the contract was awarded.



**The Chairperson:**

Eighteen months after the award? Do you see that as a pretty serious issue?

**Ms Kane:**

I suppose that the time lag would be deemed an issue, yes, and DFP thought so, of course.

**The Chairperson:**

Yes. Do you regard the fact that the contract was accepted at 40% above the originally envisioned cost as a serious issue?

**Mr Donnelly:**

That takes us into a different area about how a preliminary budgetary estimate is made before calls for tender. We are probably less equipped to comment on the detail of that.

**The Chairperson:**

We do not expect you to comment on an area that is not in your remit. However, your remit includes assessing how seriously you regard what happened, and I am trying to get your view on that. You are bound to have an opinion on how serious it is that OFMDFM accepted a contract tender that was 40% above the costs allowed for in its budget?

**Mr Donnelly:**

We understand that the tendering was a competitive process and that, therefore, there was element of competitive tension. Given that the process was competitive, the question then arises as to how the initial budgetary estimate was arrived at.

**The Chairperson:**

I am still failing to get to the crux of how seriously you view that acceptance.

**Mr Donnelly:**

Obviously, that is important, but the main issue in our report is the lack of timely dialogue with DFP about the increase in the budget and the lack of control over that. That was our primary focus in this case. That said, any tendering exercise in which bids come in at 40% above an initial estimate is a matter of concern.

**The Chairperson:**

Your report states:

“Following a major restructuring within the Department we also noted a lack of clarity and communication between relevant staff involved in the grants process.”

Have you been reassured by the Department that that has been resolved?

**Ms Kane:**

Yes, we have. A very detailed grants manual is now being produced that sets out all the roles and responsibilities for everyone involved in the grants process. We are assured that, once that is implemented and monitored, that issue will be resolved.

**Mr Eastwood:**

You are both welcome. Many of these issues will be dealt with by the Public Accounts Committee, but it is important that this Committee looks at them. Your report mentions around £7.5 million in grants going to directly funded bodies; about £140,000 going to a consultant; and over £3 million to the Long Kesh project. You state that you “could not be assured” that those moneys:

“had been applied to the purposes intended or that the financial transactions conformed to the authorities which govern them.”

I am no expert in this area, but that strikes me as quite serious. You said earlier that the situation was not unique: a fact that strikes me as even more serious. Does that lead you to believe that there are systemic failures or weak structures in the Department? If so, have you any evidence that such issues are being turned around?

**Mr Donnelly:**

I will take your latter point first. We have received a positive response, as evidenced not just from the report but from the response on more detailed points that we raised with the management of OFMDFM. We are pretty satisfied on that score. However, if that does not work its way through in reality, we will be back this time next year. If, for example, there were a repeat qualification, that would be much more serious.

**Mr Eastwood:**

We are still talking about £10.5 million of public money.

**Mr Donnelly:**

Yes we are, and the acid test will be whether we are sitting here this time next year and whether the Department can move to a clean opinion.

**The Chairperson:**

Is that OK, Colum?

**Mr Eastwood:**

Yes, for now.

**The Chairperson:**

You indicated in the first section of your report that there were:

“weaknesses in the Letters of Offer issued to them, the absence of documentation to support requests for the drawdown of funding, and weaknesses in its verification and vouching of claims for funding.”

That is quite a plethora or contamination of issues. Has the Department now addressed all those issues in its reasoning to you?

**Ms Kane:**

I mentioned the grants manual, and the process in that is end to end, meaning that it starts from the minute an application form comes through the door — in fact, it starts before that, through the establishment of the award criteria that we mentioned — through to the final verification visits. All that is outlined in the grants manual.

**The Chairperson:**

Is that an all-encompassing document?

**Ms Kane:**

It is.

**The Chairperson:**

Am I right in saying that we will get sight of it at some stage?

**Ms Kane:**

You will have to ask the accounting officer about that.

**The Chairperson:**

Yes, we will have to ask the Department.

**Ms Kane:**

It is quite a tome. One of the issues for the Department was that various pockets of money were distributed differently across the Department in different ways. The new grants process will aim to rectify that so that there is consistency. That is key.

**The Chairperson:**

In your report you also state that:

“DFP has now reduced OFMDFM’s consultancy delegations from £75,000 to £10,000.”

Was that one of your recommendations, or was it automatically an issue for DFP?

**Mr Donnelly:**

As far as I know, DFP took that decision itself, and there was no consultation with us.

**Mr T Clarke:**

We are all aware that there are 11 Departments, yet, in your opening remarks, you referred to 19 resource accounts.

**Mr Donnelly:**

Some Departments have more than one resource account. For example, there are three pension resource accounts: the Department of Education (DE) has its main resource account and a pension account for teachers; there is a pensions account for the Health Service; and DFP has a pensions account for civil servants.

**Mr T Clarke:**

You signed off on 16 resource accounts. What three resource accounts did you not sign off? Is that not as serious as the accounts that were signed off with qualifications?

**Mr Donnelly:**

There is an issue of timeliness as well. The three resource accounts that we were unable to sign off were for the Departments of Education and Rural Development, and the Public Prosecution

Service, which was a small one.

**Mr T Clarke:**

Chair, although we are talking about one specific account, there are others to consider. We have no remit to discuss those, but we should be concerned that some people may not have done what they should.

**The Chairperson:**

Trevor, to be fair that is a matter for other Committees.

**Mr T Clarke:**

It may be. We have been called here today to talk about this set of accounts, but it is equally important that, whenever we talk about public money, our discussions should be in general terms. We should all be concerned that three other Departments have not had their accounts signed off. If we are thinking again of the 16 that have been signed off, out of curiosity, can you tell me which Departments were given qualifications?

**Mr Donnelly:**

Culture, Arts and Leisure; Social Development; and Agriculture and Rural Development.

**Mr A Maskey:**

I apologise for not hearing the start of your presentation, but I want to deal with some of your later comments and to follow on from Colum's point. Obviously, our responsibility is to make sure that the Department is functioning properly and that there is no suggestion of any malpractice. Thankfully, in this environment of increasingly greater scrutiny, everyone will have to tighten up their acts. I do not wish to minimise in any way a failure to comply fully with accounting procedures, and you made it clear that you take every failure seriously.

In the breakdown of your figures you say that some portion of a payment might have been retrospective, which puts the total sum of money under qualification. Therefore what you qualify may be less than the headline figure.

My main concern is to establish that you have identified failures in processes that have resulted in several qualifications. I thought that I heard you say as I came in that you got a good

response from the Department, with a series of remedies to rectify any failures. That is a good thing. In some of those cases, the Department, perhaps like other Departments, did not reach the standard that DFP set recently.

I am trying to establish that there is no suggestion of malpractice per se or misappropriation of funds and that you do not suggest that any money paid out was misappropriated by the receiver. You are just saying that you are not satisfied, although I do not mean to minimise that.

**Mr Donnelly:**

That is a fair summary. The only other thing is the relatively large number of cases of suspected fraud, some of which have arisen as a result of whistle-blowing activity.

**Mr A Maskey:**

Is this about the victims' programme?

**Mr Donnelly:**

Yes. Sometimes, a high-profile whistle-blower case spawns even more whistle-blowers to come out of the woodwork. A whistle-blowing culture is a positive thing. It is difficult to make a value judgement: does it mean that things are getting worse or that people are picking things up and reporting them through whistle-blowing? It is healthy to have a high level of whistle-blowing.

**Mr A Maskey:**

Various qualifications have been levelled at the accounts. However, what I hear from you is that that money has not been misappropriated; you are saying that you are not satisfied and that you do not have enough positive proof.

**Mr Donnelly:**

We do not have enough positive proof or positive assurance. The Chairperson mentioned the various parts of the process: controls on the awarding of grants through letters of offer need to be tightened, as do payments when cash is paid out, and, afterwards, to check that the money has been used for the purpose intended. At all three stages the process must be tightened.

**Mr A Maskey:**

Has the Department responded appropriately to remedy deficiencies?

**Mr Donnelly:**

Yes, it responded positively to all our points.

**Mr A Maskey:**

Has the Department refused to comply or respond on any issues?

**Ms Kane:**

Absolutely not.

**Mr A Maskey:**

If a failure has been rectified —

**Mr Donnelly:**

The Department is with us on this; there is some commonality between our findings and those of the Department's internal audit unit.

**The Chairperson:**

Page 94 of your report says:

"I also note that, as a part of a strategic review of sponsor controls within the Department, it commissioned its own internal audit service to conduct a study ... This means that Internal Audit concluded that there is a considerable risk the system will not meet its objectives."

**Ms Kane:**

Yes.

**The Chairperson:**

What are the outworkings of that?

**Ms Kane:**

When the internal audit unit completes a study, it gives different levels of assurance. "Unacceptable" is the lowest level of assurance, and its interpretation is in the sentence:

"there is a considerable risk the system will not meet its objectives."

The internal audit unit's report contained many recommendations, all of which the Department has accepted.

When I reviewed the report last night, I noted that most of the recommendations have been accepted and that the action had been taken by 31 May. The Department was ahead of the game because it knew the things that needed to be fixed anyway. The internal audit had looked back at a sample of payments that had been made, as we did. The Department was, effectively, on top of the things that were wrong.

**The Chairperson:**

So, that comment is prior to those measures being put in place.

**Ms Kane:**

That is right. Indeed, I understand that internal audit will review the process again and decide whether that has moved. Hopefully, it will have done.

**Mr Lyttle:**

Thank for the presentation and the report. The report identifies weaknesses and failures with regard to single action tenders and grant-making processes. I know that it is at only the early stages, but the OFMDFM budget has allocated £80 million for a social investment fund, a large part of which will involve grant-making procedures. Has there been any proactive engagement with you from OFMDFM to ensure that that type of failure and weakness is not carried into such a significant project as the social investment fund?

**Mr Donnelly:**

One of the reasons that we focused on that area this year was because we are quite conscious that, in future, bigger sums of money will be paid out. Therefore, it was all the more important to get the controls on a firm basis.

**The Chairperson:**

In other words, you went to town on them.

**Mr Lyttle:**

Are you confident that the type of scrutiny that is being applied and the feedback that you are getting will reassure us that the greater sums of money will be handled more appropriately?



**Ms Kane:**

Yes. The accounting officer will be able to tell you more, but from my attendance at the Department's audit committee, I know that there has been quite a bit of discussion about the social investment fund and the need to up the game. The Department has been talking to other major funders such as the Department for Social Development about the way in which they go about things. They are trying to identify the best practice.

**Mr Donnelly:**

That is an important point. There is a need to share good practice across the public service. A lot can be learned from Departments that have been in that type of business for years. Including good practice is crucial.

**Mr Molloy:**

Thank you for the presentation. Colette stated that she attends the Department's audit committee meetings. The internal audit seems to have thrown up quite a few issues, which is what you would expect. Are we to take it that, in dealing with the issue, it was it all open and transparent in what was happening and in how the processes were developing in the Department?

**Mr Donnelly:**

Do you mean the handling of the internal audit's findings?

**Mr Molloy:**

Yes.

**Mr Donnelly:**

We have no reason to doubt that the handling was in any way not proper.

**Mr Molloy:**

The internal audit raised the issues, and your findings consolidate that.

**Mr Donnelly:**

They consolidate and confirm that. There was a similar pattern in both. There was a positive response to the internal audit's recommendations.

**Mr Molloy:**

We are looking at how future funds will be handled. For instance, there was a lot of criticism that there was too much monitoring of European funding in the Department of Agriculture and Rural Development and too much delay in getting the money on the ground. How do we ensure that funding is monitored properly and still gets to its target in, at least, a reasonable period of time?

**Mr Donnelly:**

You have raised a really significant issue. It is about balance and proportionality. Sometimes, there is the extreme of too little verification, and, at other times, it can go over the top.

In this case, it was definitely too little, because there were no verification visits at all. It was at that end of the spectrum as opposed to over-elaborate checking, which we find in other parts of the public sector. Balance and proportionality are crucial in that area.

**The Chairperson:**

Did any of the funding come from Europe? Perhaps you are not aware of that; I may need to ask the accounting officer.

**Ms Kane:**

Some of it probably was European funding, but the accounting officer would be able to tell you that. We look at funding in its totality. As long as it goes through the accounts, we look at it together.

**The Chairperson:**

Thank you very much, Kieran and Colette.

We highlighted earlier the statement on internal control, which can be found at pages 53-59 of the accounts in the meeting folder. The statement was signed off by Noel Lavery, who is with us today. I invite Noel Lavery and Alison Stafford to join us.

The statement flags up issues that we have been discussing and highlights 19 special investigations arising from whistle-blower allegations, 16 of which relate to OFMDFM funding. Of the 19, three have been referred to the PSNI, with a further case being prepared for referral. Although I am not an expert on whistle-blowing, 19 seems to be quite a high number. Clearly, a

number of issues are coming out of the resource accounts. I will set out the issues and hear the Department's response. I reassure the Committee that this session is not about seeking a whipping boy for you, Noel, or Alison, and I indicated that last week. We are trying to resolve matters, and you have an opportunity to give an explanation to members.

**Mr Noel Lavery (Office of the First Minister and deputy First Minister):**

Mr Chairman, I appreciate the opportunity to brief the Committee, and I, personally, appreciate your flexibility on the timing given to me. The issue today is the Audit Office's qualification of the OFMDFM accounts. The Comptroller and Auditor General has already outlined the situation and the Committee has questioned him in some detail. However, I want to reiterate some important points.

The annual report and accounts were laid before the Assembly on 1 July by DFP, in line with the Government Resources and Accounts Act (Northern Ireland) 2001. The annual report and accounts were prepared by the Department and presented to the Audit Office on 23 May. The Audit Office completed its review on 28 June. The audit committee recommended that I sign the accounts on 23 June. The annual report and accounts were passed to DFP on 28 June.

Today's hearing provides me with an opportunity to assure the Committee of my personal commitment, as accounting officer, to robustly address the issues raised in the C&AG's report and in my statement of internal control. I have already taken action to deal with those issues. It is important to reassure members that I take the qualification of the Department's accounts very seriously. Breaches of approvals and the systems issues identified do not in any way reflect my approach to governance in the public sector, and I want to put that clearly on the record. Today also gives me an opportunity to explain how I have dealt with the issues raised by the C&AG. I believe that the robust action that I have taken has the full confidence of the Department's audit committee.

The Comptroller and Auditor General has qualified his opinion on the Department's accounts on the following basis: weaknesses in the sponsor controls; lack of DFP approval of consultancy assignments; and the expenditure on MLK remediation phase 2, which did not get DFP approval. I apologise for repeating some of what has been said, but that is due to the structuring.

I will turn first to the weaknesses in sponsor controls. As outlined in my statement of internal

control, the Audit Office found deficiencies and inconsistencies in our arrangements to fund certain directly funded groups, and the verification of that spending. I identified concerns when, as accounting officer, I commissioned my internal audit team to undertake a review of the effectiveness of sponsor controls over OFMDFM's directly funded bodies. That is a three-phase piece of work. Perhaps, Chair, we will touch on that later. Having completed the part of that review that related to bodies directly funded by the Department, internal audit concluded that an unacceptable level of assurance could be taken. That caused me significant concern, and those matters are being addressed. The team identified a lack of evidence to support the approval of funding of third party organisations; weaknesses in the letters of offer; absence of documentation to support requests for the drawdown of funding; and weaknesses in verification. The Department is taking a range of measures to address those issues.

There were three issues on the consultancy assignments. Following a review of expenditure in consultancy, two cases requiring DFP approval were identified. The first emerged from the 2008-09 DFP review of consultancy expenditure. It relates to a sustainable development training programme for which expenditure of £143,394 was incurred without DFP approval. That occurred when responsibility for the programme was transferred from the Department of the Environment. A consultancy assignment was progressed by OFMDFM on the assumption that all approvals were in place in advance of the transfer of responsibility. That was not the case. That assumption should not have been made, but it was. When it was subsequently investigated by DFP, the approvals were found to be absent. Given that the spend was above the delegated limit and DFP approval had not been sought, DFP deemed the expenditure irregular.

The second case emerged from the 2009-2010 DFP review of consultancy spend. A review of governance arrangements was commissioned by the Community Relations Council (CRC) on behalf of the Department, which cost £111,000. It appears that the Department asked CRC to do that. Chair, I have more detail on that than I had on Friday when I briefed you. Each party seems to have assumed that the other had completed the business case and sought the required approvals. The bottom line is that they had not. When it was investigated, that was found to be the case. Given that the spend of £111,000 was more than the departmental delegated limit of £75,000, and DFP approval had not been sought, DFP deemed the spend irregular.

The third case of irregular spend related to to the play and leisure implementation plan. This was identified as a direct result of action taken by the Department to improve procedures around

the approval of spend following the identification of the 2008-09 case that I referred to. Following the identification of the 2008 case by DFP, the Department sought to strengthen its internal control procedures around the approval requirements of business cases. In October 2010, I reissued guidance on approval levels and requirements to all business areas. As a direct result of that, the business areas responsible for the play and leisure implementation plan recognised that they did not have the necessary approvals in place and prepared a business case for submission to our finance department and to DFP in which they sought retrospective approval for the spend already incurred. That was £142,592 and was outside the departmental delegation of £75,000. That was passed to DFP for retrospective approval, which was not granted. DFP did not grant approval on the grounds that the case had been prepared retrospectively. A business case had not existed, and DFP did not approve it because it was prepared retrospectively.

I turn now to the MLK expenditure. In October 2008, DFP had granted approval for the remediation phase II work to the value of £3.5 million plus a 10% tolerance. Tenders were not returned until late 2009 due to delay in getting NIEA approval for remediation work at Maze/Long Kesh. The successful tender for the remediation was for a sum of £4 million, bringing the total project costs to £4.9 million. On CPD advice, the contract was signed for a higher value because it is not permitted to negotiate a tender prior to award. The contract was let on the understanding that it would be varied down to £2.7 million. It is important to say that it was at that stage that the breach of approval occurred. The contract was signed above the level of business case approval. Therefore, there was a commitment or a potential commitment to approval above the level of expenditure. It was let on the understanding that it would be varied down to £2.7 million, which was in line with the available capital funding at the time.

The only alternatives would have been to either reduce the scope and start the tender process again from scratch, which would take many months and incur further costs and the loss of available funding, or to accept the tender and vary out the work after the award. The latter course was preferred. It was agreed that the work would be varied to reduce the value of the contract to the available budget. The contractor was made aware on appointment that the works would be reduced if further funding were not secured. That approach was recommended by DFP and CPD and agreed by the Maze/Long Kesh programme director and OFMDFM officials. The reasoning was that the re-tender would not attract a lower price for that specialist work. During the intervening period between the initial estimate of £3.5 million and the estimate of £4.9 million, additional works costs were identified. That refers back to points that were raised earlier about

delay and the increase in cost.

I note that in the C&AG's report, he welcomes the action being taken by the Department, namely addressing as a matter of priority recommendations by my staff, Audit Office staff and the Department's internal audit service; reviewing structures and deployment of relevant staff with regard to skills, resourcing, segregation, controls, and roles and responsibilities; clearly delineating roles and responsibilities, including strengthening resource allocated to financial management and governance issues; and fully reviewing grant payment systems, procedures and guidance, with appropriate training for staff. Again, I want to reassure the Committee of how seriously I take my responsibilities and stress that I have taken various steps to ensure that this does not reoccur.

**The Chairperson:**

OK. Thank you very much, Noel and Alison. Given your background in accountancy and so on, how serious do you believe those breaches to be?

**Mr Lavery:**

Chair, I will start with the DFP approval issues, of which there are four cases. The system of delegations is built on your having only a certain level of delegated expenditure. Therefore, it causes me significant concern that we breached that. Hence, I have taken action. At some stage, I will give you a list of the actions that I am taking. I take those breaches very seriously.

The control systems issue is very serious. I think that, in answer to your questions, the C&AG raised that. The fact is that we are now putting in place new cradle-to-grave systems from assessment to letter of offer to grant payment to claims —

**The Chairperson:**

Is that this handbook?

**Mr Lavery:**

Handbook plus. The fact that we are putting in place new systems, as I say, from cradle to grave shows that there were serious system failures, and those are what we are seeking to address.

**The Chairperson:**

Perhaps we could have a look at that at some stage.

**Mr Lavery:**

I am happy to send that to you, Chairman. However, it is, as was indicated, a bit of a tome.

**The Chairperson:**

All right. Do you have anything further to say?

**Mr Lavery:**

There are two quite separate issues. The first is to do with financial control systems and the other is about approvals. They are linked, and I take them very seriously, hence the action that I have taken. In my opening statement, I stressed how seriously I take those matters.

**The Chairperson:**

OK. The briefing that we have just received on Maze/Long Kesh states:

“At the time, it was perceived that there was not a risk of breaching the DFP approval.”

The last line, however, says:

“This was however a misperception since clearly approval was formally for £3.5 m.”

Are you saying there that the advice that DFP gave you at that time was wrong, or that it gave you advice at that time which you thought was right? Can you clarify that? It seems that there are some different views on that issue.

**Mr Lavery:**

The briefing note says:

“At the time, it was perceived that there was not a risk of breaching the DFP approval.”

That was a wrong perception. As I said in my statement, the breach occurred when the contract was signed for above the £3.5 million plus 10%. The Central Procurement Directorate’s (CPD) advice was that we could go ahead and do that. However, I assume that CPD was not aware that that breached the business case approval. My officials accepted CPD’s advice. Again, that was wrong, because signing the contract at that level was the breach. The perception was that there was not a risk of breaching approval. What is stated in the briefing paper means that we did not think that we were going to spend more than £3.5 million plus 10%. However, it was not about what we spent; it was about what we had committed to in the contract, which was £4.9 million, even though it was going to be varied down. The advice that officials took from CPD

was that we could do what we did. The business case that had been approved by DFP was for £3.5 million, so that answer was wrong.

**The Chairperson:**

Was CPD's advice wrong?

**Mr Lavery:**

I do not know whether CPD had sight of the business case approval.

**The Chairperson:**

One way or the other, then, your officials were wrong to accept that advice.

**Mr Lavery:**

Between CPD and our officials, we got it wrong. It should not have happened.

**The Chairperson:**

I am trying to establish exactly where the fault line was and who was to blame; let us be blunt about it.

**Mr Lavery:**

My officials, having taken CPD's advice, should not have agreed that. If all three parties — the people at MLK, my officials in the Department and CPD — were aware that the business case was for £3.5 million, we got it wrong.

**The Chairperson:**

OK. You are clearly saying that your officials were wrong.

**Mr Lavery:**

I am saying that, in accepting that advice, it was wrong.

**The Chairperson:**

I want to follow up on what Kieran and Colette said following Francie Molloy's question. Did any of that funding in that first issue — the funding of the sponsor groups or the control of the funded bodies — come from Europe?



**Mr Lavery:**

Not to my knowledge. I think that the answer is no, but I would like to check that and write to you.

**The Chairperson:**

I am curious to know whether some of that funding came from Europe and if any European controls came into play.

**Mr Lavery:**

I had previous bad experience of that. I know how difficult that is. I do not believe so, but I will check it and write to you.

**Mr Molloy:**

Thank you for your presentation. On the question of the Maze/Long Kesh contract and the overspend — the £4.9 million for the contract — was the Department open for a claim from the contractor for breach of contract? You said that there was an agreement, but a contract was signed for £4.9 million and reduced at a later stage. I have seen cases happening at council level where there have been opportunities for claims for breach of contract.

**Mr Lavery:**

I understand that, Mr Molloy. My understanding is that the work tendered for was a remeasurement contract, so it was not a fixed-price contract. There was an agreement between CPD and our advisers that the contract could be varied down. That was all agreed at the time and recognised by the contractor, so there was no sense that the contractor could ever claim against the Department.

**Mr Molloy:**

In the four groups in which there was irregular expenditure, am I right in thinking that the £110,000 was for the cost of commissioning the governance review and that the other costs were for commissioning pieces of work related to that?

**Mr Lavery:**

The £110,000 was for a governance review that the Department asked the Community Relations Council to undertake. It was to pay an organisation to carry out a governance review of victims' groups. Does that answer your question?

**Mr Molloy:**

Was that for consultants or similar to do that work?

**Mr Lavery:**

Yes.

**Mr Molloy:**

The other issue is the insurance for the Children's Commissioner. Was it not good practice to have insurance in place to cover that eventuality, or am I misinterpreting that? The issue —

**Mr Lavery:**

Which page are you referring to?

**Mr Molloy:**

The second paragraph from the bottom of page 58 refers to:

“an early payment made to an official on her departure from the organisation.”

**Mr Lavery:**

I am just reading it again; bear with me for a second. Sorry, Mr Molloy, what was your question?

**Mr Molloy:**

Did insurance cover not have to be in place automatically in such situations?

**Mr Lavery:**

I am not sure of the answer. Generally, insurance cover is not taken out in the public sector. In this case, it may have been.

**Ms Alison Stafford (Office of the First Minister and deputy First Minister):**

It looks as though insurance was bought without DFP approval. All purchases of insurance

require DFP approval because the Government self-insures.

**Mr T Clarke:**

I am a wee bit concerned about your officials and CPD. Somebody talked about over-regulation earlier. When should your officials believe information or advice from CPD? You said that they should not have followed CPD's advice, so when should they follow it and when should they not? Are you not leaving your officials at a weakness? "Weakness" seems to be the word for today.

**Mr Lavery:**

I do not want to be seen to be criticising CPD. We work hand in glove with CPD on all our capital contracts and, in fact, on all our procurement, and we work well with it.

**The Chairperson:**

To be fair, Trevor's point is that there was wrong information somewhere. That is certainly the perception.

**Mr Lavery:**

I was coming to that, Chair. My sense is that CPD's advice on procurement and the letting of that contract was taken and —

**Mr T Clarke:**

May I stop you? The bit that concerns me is that, in your answer to the Chair, you said that they should not have followed the advice. When should your officials follow advice, and when should they not? I have concerns about any future advice that they will be given. The event has taken place, so it is easy to say that they should not have followed that advice. If we are using that as an excuse, we need a clear line on when they should follow it and when they should not.

**Mr Lavery:**

What happened crossed procurement and business case issues.

CPD advice is taken on procurement and the planning of contracts. The advice would have been fine if there had been the appropriate level of approval and if that approval had gone up to the level of potential expenditure. Hence, retrospective approval was sought. So, I think that, on procurement, we can take CPD advice. Where we have procurement and a business case, officials must take both into account. That would be my answer. Does that answer your

question?

**Mr T Clarke:**

No.

**Mr Lavery:**

I am sorry.

**Mr T Clarke:**

Your statement leaves your officials vulnerable in the future.

**Mr Lavery:**

No, I think that officials will take CPD advice and that they will look at their knowledge of business cases and DFP approvals in the round in deciding what action should be taken. That is what we should do, and CPD advice is paramount in relation to procurement, which is why we are in a cleft stick on this one. However, officials must take both into account.

**Mr T Clarke:**

You are really kicking everything back to CPD, because it should have assessed the business case as well as procurement.

**Mr Lavery:**

No, I am saying that officials should have taken CPD advice in conjunction with the business case and the levels of approvals. I think that the two need to be looked at together.

**The Chairperson:**

Was there any point in getting any advice from CPD if it was clear in the business case that it could not be accepted?

**Mr Lavery:**

CPD provides best procurement advice. That is what happened here, Chair. It was best procurement advice.

**The Chairperson:**

But, in this case, it was not.

**Mr Lavery:**

No, but it is in relation to procurement.

**Mr A Maskey:**

Does the issue here not follow on from that? What I hear from Noel is that officials took advice from CPD, but, on its own, that advice was not enough, so the officials had to take account of other matters. I am concerned about what followed that, and Noel indicated the actions that you have taken to remedy a number of those defects. Is that catered for in the actions that you have taken?

**Mr Lavery:**

Yes. The pre-eminent point was raised by the Chair when he asked me for my views, as an accountant, on the seriousness of these issues. I said that the system of approvals works on different delegations, and the DFP delegation is the paramount level of approval. Whatever happened and whatever advice was provided, we breached that. We are here today because of the breach of that level of approval. Hence, I reissued guidance on what must be done about DFP approval, about business cases and about consultancy. Those are the issues. Therefore, CPD advice needed to be taken as well as gathering all the facts on other levels of approval.

**The Chairperson:**

OK. All right, Trevor?

**Mr T Clarke:**

Yes.

**Mr Eastwood:**

Mr Lavery, it is telling that you have said that there have been serious systems failures in the Department. What do you think about the fact that there have been 19 whistle-blowing cases? It is important to say that we welcome people coming forward to whistle-blow. There are three cases with the PSNI and another is being prepared. How seriously do you take that?

**Mr Lavery:**

We take it very seriously. When a number of those cases appeared, I instituted a full investigation oversight group — which I chaired — in the Department to ensure a robust examination of each case. I identified a single departmental official and put additional resource into having one person managing and reporting directly to me on those cases. That group meets monthly. I review where we are with each whistle-blowing case and make sure that robust action has been taken.

This is not a good place to find ourselves in. I absolutely recognise that. It was because of those whistle-blowing cases and fraud investigations that I asked my internal audit to review funding in the areas of victims and community relations. I instituted a three-part review involving directly funded groups, funding to CRC and funding from CRC. That also demonstrates that I take it very seriously.

**Mr Eastwood:**

On page 58 of your report, in relation to Ilex, the urban regeneration company, you stated:

“a number of business cases...had not been completed and/or approved as required.”

Will you elaborate on that if you can? You may not have that information to hand.

**Mr Lavery:**

I do not have that detail to hand. DSD carries out the internal audit of Ilex, and we jointly sponsor that organisation. Internal audit completes an annual report on the basis of the work that it has done, and its auditors provided a limited assurance in relation to governance, procurement and the implementation of previous audit recommendations. Business cases were not completed as required, and there were a number of instances of retrospective approval. I wrote to the accounting officer of Ilex to express my concerns about those practices, and I was assured that they will not reoccur.

During the year, I enhanced the stewardship statements that all business areas and chief executives of arm's-length bodies are required to send to me on a quarterly basis. In those statements, they tell me that they have the proper approvals, that all their systems are robust and that everything is in place that should be. If that is not the case, they are required to set out the reasons why and what they are doing about it. That is meant to tighten everything up.

**Mr Eastwood:**

What system modifications were put in place in Ilex? Do you have that information to hand?

**Mr Lavery:**

I know that Ilex appointed a corporate services director, who is, I think, a qualified accountant, to address a number of the issues and to put new systems in place to deal with them. Again, a bit like what was said during the earlier part of the meeting, the proof of the pudding will be in the eating and in what additional assurances are given next year. As I said, I am looking for that assurance on a quarterly basis.

**Mr Eastwood:**

Is that connected with the BDO report?

**Mr Lavery:**

No, this was a separate piece of work that was carried out by Ilex's internal auditors.

**Mr Eastwood:**

It would be useful if the Committee could receive regular updates on Ilex and the other bodies that OFMDFM is responsible for. If there are issues, it would be useful for the Chair to see those being reported on regularly and for the Committee to know how they are getting on.

**Mr Lyttle:**

Noel and Alison, thank you for coming along today. I have a number of questions, and I will try to tie them together as quickly as I can.

First, the annual reports and accounts were laid before the Assembly on Friday 1 July. Is that an adequate date, and do we have an adequate mechanism in place to examine those properly?

Secondly, as was mentioned, serious systems failures were referenced in the report, and there is mention of a steering group that was set up to take forward improvements to those systems. That group is chaired by the head of the Civil Service. Who else is represented on it, and what was the significance of the independent board member not being present at the audit committee for the past year?

Thirdly, I am sure that it is difficult to give us details on the whistle-blowing allegations. However, is it possible to give us any generic examples of the types of issues in those cases?

Finally, I want to ask about the social investment fund project that is being taken forward. The pre-consultation paper on that fund allocates £8 million of funding for the financial year 2010-11, which has now passed. How confident are you about how those initial funds are being laid out?

**Mr Lavery:**

I will try to cover all of that. In relation to your first question about the accounts, the Comptroller and Auditor General referred to there being a tight timetable. Indeed, if I were to ask Alison to comment on just how tight it is, she would speak for a long time. The timetable is very challenging for accounts staff, and, as the Comptroller and Auditor General said, there is an issue about the opportunities for scrutiny it gives to Committees. I am not sure whether it is ideal, but it is certainly very tight.

Sorry, what was your second question? I have written down “independent board member”, “the nature of the whistle-blowing allegations” —

**Mr Lyttle:**

It was about the steering group.

**Mr Lavery:**

The steering group comprises as follows: it is chaired by the head of the Civil Service; me; the departmental finance director, Jackie Kerr; the heads of equality and strategy at the time, Tim Lusty and Colin Jack; and a grade 6 with overall responsibility for the systems. It also includes anyone else who needs to attend.

It is unfortunate that the Department has not had an independent board member since May 2010. I can assure the Committee that we have had two members external to the Department on the audit committee, on which the Audit Office also has representation. The process for the appointment of an independent board member is now under way.

As to the whistle-blowing allegations, a number of issues arise. Each whistle-blowing



allegation has to be taken seriously and investigated. Allegations that were in the public domain involved fraud in procurement and the use of fraudulent cheques. Other issues have been raised about the governance of certain organisations and conflicts of interest. It is a broad range, to be honest, Mr Lyttle, but those are the sorts of issues.

Do you want to come back on anything?

**Mr Lyttle:**

No. That is OK.

**Mr Lavery:**

A strategic outline case setting out the structure of the social investment fund and how it will operate is with the Department of Finance and Personnel for consideration, and the business case is currently in preparation by or under consultation within the Department. As of today, I do not think that any funds have been pre-allocated.

**Mr Lyttle:**

In a pre-consultation paper, year 1 is listed as the financial year 2010-11, with the allocation of £8 million worth of funding. Is there any detail as to how that has been laid out?

**Mr Lavery:**

Is it not 2011-12?

**Mr Lyttle:**

That is what I would have expected. Maybe it is an error in the paper.

**Mr Lavery:**

The funds were allocated in the Budget agreed by the Executive in December, so it must run from 2011-12.

**Mr Lyttle:**

I will check that.

**Mr Molloy:**

Sorry to bring you back to the Commissioner for Children and Young People (NICCY) event. At the end of the penultimate paragraph of page 58, it states:

“No qualification was placed on NICCY’s accounts.”

It seems strange that no qualification was placed on the accounts despite the fact that the insurance had been taken without DFP approval. I missed that point last time.

**Mr Lavery:**

I am not sure. That is a decision for the Comptroller and Auditor General. Presumably, that was because, although DFP did not grant retrospective approval, it was content that it was the right thing to do because the insurance policies were in place. If you go back to the business case example, Mr Molloy, the reason why retrospective approval was not given was that, at the time, there was no business case in place. I presume that no qualification was placed on the accounts because, as it states:

“activation of the insurance was the correct thing to do”.

**Mr Molloy:**

This point is similar to that made earlier by Trevor Clarke. When is the direction a proper one, and when does it turn out to be proper in retrospect? In this case, as you said earlier, NICCY went against the agreed structure. However, in retrospect, you say that the right thing was done and, therefore, no qualification was placed on the account. It is bound to be hard for officials to judge when they should take proper direction from their governing body or when they should take decisions on their own, based on their experience.

**Mr Lavery:**

Generally, you are best to go with the DFP guidance. That is how the system operates. That is all that I can say on that, Mr Molloy, I am sorry.

**The Chairperson:**

I see the point though.

**Mr Lavery:**

I understand the point. I think it was because DFP was content that it was the right thing to do. It was in place, but the proper approvals had not been given.

**Mr Molloy:**

I am sorry to follow up on the point, but, had the proper approvals been sought, it would not have got them.

**Mr T Clarke:**

The retrospective approval was not granted when it was applied for, which makes you think that it was not the right thing to do.

**Ms Stafford:**

DFP will sometimes grant retrospective approval if the business case is there initially to allow it to do that. This could be of such an insignificant value that it did not require qualification of the accounts by the Comptroller and Auditor General. However, it has been raised in the issues arising from the audit of sponsored bodies. On that basis, we have to note it in our statement of internal control. However, it has not led to a qualification of NICCY's accounts.

**Mr T Clarke:**

The statement of internal control states:

“DFP did not grant retrospective approval for obtaining this insurance, but were content that the activation of the insurance was the correct thing to do”.

Who submitted the part of that sentence after the comma? Where did that come from?

**Mr Lavery:**

I signed off on it.

**Mr T Clarke:**

So, it was your Department?

**Mr Lavery:**

Yes.

**Mr T Clarke:**

DFP would not give the approval but a line has been included stating that it was content that it was the right thing to do. That flies in the face of getting retrospective approval.

**Mr Lavery:**

I will have to write to you to give a bit more detail on that.

**The Chairperson:**

I see the point that Francie and Trevor are making.

**Mr Lavery:**

I understand the point that is being made.

**Mr Molloy:**

It would be very hard for anyone who is managing a Department or an outside body like that, or any of their officials, to say that this is the right thing to do to protect it. DFP is saying, in retrospect, that it was the right thing to do but that that approval is not needed because public bodies have their own internal insurance.

**Mr Lavery:**

All that I am saying is that DFP did not give its approval but told us that it was content that it was the right thing to do. That is all that I can say.

**Mr T Clarke:**

Was that DFP saying that it was content?

**Mr Lavery:**

That is what I have written.

**Mr T Clarke:**

Yes; that is what you have written, but my problem is about whether that is what DFP was actually saying.

**The Chairperson:**

Obviously, we can take only what is written and what Noel has said.

**Mr Molloy:**

He can write to us to clarify it.

**Mr Lavery:**

I would not have put it down if I had not got it from DFP.

**The Chairperson:**

I accept that. It would do no harm to give us clarification on that, Noel. It is quite confusing for laypeople like us who are trying to get our heads around who is right and who is wrong, where the proper advice came from and, if there was advice in one direction from DFP, why it did not back that up.

**Mr Lyttle:**

I will personally check the paper that I have had access to that lists funds available to social investment in FY10-FY11. If that is the case, it should have been included in the process. Hopefully, it is my error but, if it is not, there is a significant factor to be considered. I will check that. I would be keen to have prompt access to you to check whether there is any discrepancy.

**The Chairperson:**

As a matter of interest, has anyone in the Department been made accountable for any of these failures?

**Mr Lavery:**

In relation to the areas in my spend, I have made it clear that I am extremely unhappy about being placed in a situation where my accounts have been qualified. I have also asked internal audit to review and give me reasons as to why each of these things happened, where the systems failures were and to give recommendations about what lessons can be learned.

**The Chairperson:**

OK, so no one has done that?

**Mr Lavery:**

As I said, Chair, that is the action that I am taking.

**The Chairperson:**

As Chair of the Committee, I am concerned that, even though, in the words of Kieran and Colette, some of this was self-disclosure, none of it was ever flagged up to this Committee at any stage, particularly through in-year monitoring rounds. Obviously, that will make me, and maybe even other members of the Committee, more suspicious whenever your finance officers come in front of us to present issues on accounting.

**Mr Lavery:**

I assure you there is no trying to hide anything from the Committee at all. It might be worthwhile scheduling a session with the Committee on governance issues generally half way through the year, on the basis of no surprises. That might be helpful and could maybe be tagged on to one of the meetings on monitoring rounds. That might be a helpful assurance to the Committee.

**The Chairperson:**

Are members content with that? I think it is a good idea.

*Members indicated assent.*

**The Chairperson:**

Thanks for that suggestion; it could be helpful. OK, thank you very much, and apologies again for having to bring you here.

**Mr Lavery:**

Thank you for your flexibility, Chair.

**The Chairperson:**

Not at all.