



Northern Ireland
Assembly

Committee for the Office of the First Minister
and deputy First Minister

OFFICIAL REPORT (Hansard)

Departmental Accounting/Governance:
OFMDFM Briefing

12 December 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey
Mr John McCallister
Ms Bronwyn McGahan
Mr Stephen Moutray
Mr George Robinson

Witnesses:

Mr Stephen Boyd	Office of the First Minister and deputy First Minister
Mr Noel Lavery	Office of the First Minister and deputy First Minister
Mr Gavin Patrick	Office of the First Minister and deputy First Minister

(The Acting Chairperson [Mr Maskey] in the Chair)

The Acting Chairperson: I welcome Noel Lavery, Stephen Boyd and Gavin Patrick from the Office of the First Minister and deputy First Minister (OFMDFM).

Mr Noel Lavery (Office of the First Minister and deputy First Minister): I will make a couple of points at the start. The Department's accounts for the year ending 31 March 2011 were qualified by the Comptroller and Auditor General. Please bear with me in going back to that period. The accounts were qualified on three issues: weaknesses in sponsor control arrangements for directly funded bodies; consultancy expenditure not approved by the Department of Finance and Personnel (DFP), and there was a breach of DFP approvals at Maze/Long Kesh.

I appeared before the Committee on 4 July regarding the Department's accounts to 31 March 2012. At that point, two of the qualifications had gone. Basically, the Comptroller and Auditor General was content that the weaknesses had been dealt with. However, the accounts were qualified on two issues. The first was regarding expenditure at the Maze, which related to the previous year, but expenditure carries forward; and the second concerned expenditure at Ebrington barracks, which had not got proper approvals. Those qualifications for 2011-12 are on capital projects relating to previous years and did not get DFP approval. There were no new areas, apart from the Ebrington one.

Since July, we have made further progress on improving control in the organisation. I will just outline that to the Committee. We had an independent review of our internal audit service; we have completed the governance action plan dealing with concerns in relation to money to third parties; we have new and updated governance manuals and sponsorship manuals; we now hold regular

accountability meetings with our arm's-length bodies; and all business cases going to DFP are scrutinised by a finance subcommittee, chaired by me.

In the first half of this year, our head of internal audit gave us a satisfactory assurance — basically saying that there are no new governance issues this year. There will be no new breaches of delegations. One point I will make is that the Committee will be aware of the governance concerns at Ilex, which were a matter for a Public Accounts Committee hearing on 25 April. The Department for Social Development accounting officer and I have formal accountability meetings with Ilex on a monthly basis. There is an action plan to address issues there, and, again, there have been no new governance concerns raised. In fact, we are pleased with the progress that has been made there, and I commend Ilex for the work it has done.

New areas of spend for the Department include the inquiry into historical institutional abuse and the social investment fund. In approving those new areas of spend, I have insisted that specific governance procedures and manuals are put in place for those because they are new to the Department.

There is one point that I will make, which is a slightly technical one. If there is a breach of an approval on a capital project, until that capital project runs out, the breach carries forward each year, so the accounts will be qualified each year because of something that happened — in our case, at the Maze/Long Kesh in 2010-11. That is just the nature of it. That project was deemed to be all irregular. You had the breach. It does not mean that you cannot continue with the project, but your accounts will be qualified. We will get our qualified opinion this year in relation to the irregular spend at Ilex for something that happened previously. That is just in the nature of it.

There are a couple of other points. There are a number of areas in which we may be seeking clawback of grant where there has been a breach of a letter of offer. That is an ongoing process. If the Department has to write off any grant clawback having been unable to recover it for whatever reason — is it the write-off or the fact that it is European money that makes it irregular?

Mr Gavin Patrick (Office of the First Minister and deputy First Minister): It is because it is European money.

Mr Lavery: If that were European money, it would be deemed irregular. There is a slight technical point here. If you write off European money, it is deemed that you are using mainstream money to sort out that debt. I just want to highlight the point that if we are ever writing off European money — and there a couple of cases in which we are looking at clawback grant — that is a potential write-off.

I just want the Committee to understand that I take these responsibilities very seriously. The governance situation in the Department is completely transformed from where it was two years ago, and we continue to work at it.

The Acting Chairperson: Again, that is very encouraging, Noel. There are a couple of wee points flowing from that. You outlined that you have no new governance concerns and that you are very satisfied with Ilex. If all those accounts are to be qualified again, can it be done in a way that does not indicate a recurring problem when, in fact, there is not?

Mr Lavery: If that were the only issue in the year-end accounts, the Comptroller and Auditor General will specifically state that that is the issue and that it relates to prior years.

The Acting Chairperson: Secondly, I know that the strategic investment fund (SIF) and the way in which that money is mentioned is not your direct responsibility. However, members raised issues about it. Some of the programmes are quite complex, and some of them may be more ready to go than others. Are you satisfied that the manuals and procedures you are putting in place with the Department will not become debilitating?

Mr Lavery: I fully recognise the point you are making. In fact, we had a meeting with the Department of Finance about that issue this morning. First, you would expect the processes to be as robust as possible, and we are working with the people operating the SIF programme to make sure that they are able to progress the plans put forward through the system as quickly as possible. However, there is obviously a trade-off involved. We have to ensure that there is proper governance and that people understand what is required, and we are making some progress on that. Draft area plans are due at the end of January 2013, and the final plans are due in February, or something like that.

Mr Boyd: Yes; we will get the plans in February. There was a training session this morning. The economists are running a training session to help people with their business cases. People need to know what is required in the business case so that they do not do too much. The economists are talking them through the important points. The area support officers will also be advising the groups about governance and how to make claims, and will be holding their hands through the process.

Mr Lavery: We are trying to make sure that the process is robust, but we are also trying to help people through it.

The Acting Chairperson: I have met people recently who are worried that procedure is coming at them left, right and centre. They are saying that that it will stop them. In some cases, people are saying that the process is too complicated to go through. As you say, you need to strike a balance; you need to have probity in all of this. By the same token, people have concerns. Some groups may be fairly well-advanced in how they do these things. Others will be less so. It is a matter of trying to strike a balance and ensure that the end result is that we deliver the intention of the SIF.

Mr Lavery: That is all our objectives, Chair.

The Acting Chairperson: My last point is about the Ilex. Are there any risks associated with the delay in appointing the chair and chief executive? That may not be your direct responsibility.

Mr Lavery: It is. I would like to get those appointments through as soon as possible. We are getting closer to that. We have been meeting with the interim CEO and the acting chair. From the Department's point of view, we are very content with the progress that is being made. Obviously, having an interim CEO and acting chair is not a great position to be in. However, progress is being made on the ground. There have been no new governance concerns. We are meeting them again tomorrow.

The Acting Chairperson: Excellent.

Mr G Robinson: Is it premature to ask about the Department of Agriculture and Rural Development's (DARD) relocation to Shackleton barracks in Ballykelly? Who will pick that up? Will it be handled by DARD?

Mr Lavery: I have had one meeting with DARD about that. DARD needs to set out its requirement —

Mr G Robinson: In a business case?

Mr Lavery: Yes; there will be a business case. It will set out DARD's requirement, how much land it needs and whatever. My Ministers have asked that we facilitate DARD in every possible way. However, it is still early days in respect of what the cost will be.

Mr G Robinson: Still early days.

The Acting Chairperson: OK. Thank you, Noel, Stephen and Gavin for being here to help us through this. Yet again, you have produced what seems to be a very encouraging report, so thank you for that.

Mr Lavery: Thanks, Chair.

The Acting Chairperson: Happy Christmas, and happy new year.