

**PUBLIC ACCOUNTS COMMITTEE
END OF SESSION REPORT 2013 – 2014**

REMIT AND POWERS

The Public Accounts Committee (PAC) is a Standing Committee established in accordance with Section 60(3) of the Northern Ireland Act 1998 and under Assembly Standing Order 56.

“to consider accounts, and reports on accounts laid before the Assembly”.

The Committee has the power to:

- consider accounts and reports on accounts laid before the Assembly;
- call for persons and papers;
- initiate inquiries and issue reports.

MEMBERSHIP

- The Committee has 11 members, including a Chairperson and Deputy Chairperson, with a quorum of 5 members.
- The membership of the Committee since 23 May 2011 has been as follows:

Democratic Unionist Party	Mr Trevor Clarke ⁸
	Mr Alex Easton ¹²
	Mr Paul Girvan
	Mr Adrian McQuillan ¹
Sinn Féin	Ms Michaela Boyle ³ (Chairperson)
	Mr Chris Hazzard ¹⁰
	Mr Daithí McKay ⁷
Social Democratic and Labour Party	Mr John Dallat ⁵ (Deputy Chairperson)
	Mr Seán Rogers ⁶
Ulster Unionist Party	Mr Michael Copeland
	Mr Ross Hussey

- ¹ With effect from 24 October 2011 Mr Adrian McQuillan replaced Mr Paul Frew
- ² With effect from 23 January 2012 Mr Conor Murphy replaced Ms Jennifer McCann
- ³ With effect from 02 July 2012 Ms Michaela Boyle replaced Mr Paul Maskey as Chairperson
- ⁴ With effect from 02 July 2012 Mr Conor Murphy is no longer a Member of the Committee
- ⁵ With effect from 07 September 2012 Mr John Dallat replaced Mr Joe Byrne as Deputy Chairperson
- ⁶ With effect from 10 September 2012 Mr Seán Rogers was appointed as a Member
- ⁷ With effect from 10 September 2012 Mr Daithí McKay was appointed as a Member
- ⁸ With effect from 01 October 2012 Mr Trevor Clarke replaced Mr Alex Easton
- ⁹ With effect from 11 February 2013 Mr Sammy Douglas replaced Mr Sydney Anderson
- ¹⁰ With effect from 15 April 2013 Mr Chris Hazzard replaced Mr Mitchel McLaughlin
- ¹¹ With effect from 07 May 2013 Mr David McIlveen replaced Mr Sammy Douglas
- ¹² With effect from 16 September 2013 Mr Alex Easton replaced Mr David McIlveen

THE PAC PROCESS

The Committee's work focuses primarily on the consideration of reports produced by the Comptroller and Auditor General (C&AG) and his organisation, the Northern Ireland Audit Office. These can be annual financial reports on public accounts or reports on the economy, efficiency and effectiveness of public spending.

The Committee selects and examines Audit Office reports that are material to its remit, and can assist in developing lessons to improve accountability and financial governance mechanisms in the public sector.

It calls the Accounting Officers responsible for expenditure examined in each report to give oral evidence. Members scrutinise the report and the evidence, and produce recommendations, in a Committee report, for improved financial systems and controls.

The Treasury Officer of Accounts (TOA) attends all evidence sessions on behalf of the Department of Finance and Personnel (DFP), answering Members' questions and supporting Accounting Officers.

Through the Minister for Finance and Personnel, the Executive member with central authority for financial matters, the relevant Department responds to the Committee's recommendations two months after publication of the report. This is called a memorandum of reply (MOR) which PAC regards as an integral part of the accountability cycle. The TOA co-ordinates this response and promotes good practice across Departments.

COMMITTEE ACTIVITIES, OUTPUTS AND ACHIEVEMENTS

Reports

This report covers the work of the Committee from 1 September 2013 to 31 August 2014 (Assembly year 2013-14). The Committee concluded eight inquiries during this period. In chronological order, they were reported on as follows:

<u>Report Number</u>	<u>Issue Date</u>	<u>Report Title</u>
131/11-15	25/09/2013	<u>Report on the NIFRS: An Organisational Assessment and Review of Departmental Oversight and Report on Accounts 2011-2012</u>
136/11-15	09/10/2013	<u>Report on DCAL: Management of Major Capital Projects</u>
153/11-15	11/12/2013	<u>Report on Department of Finance and Personnel – Collaborative Procurement and Aggregated Demand</u>
162/11-15	26/02/2014	<u>Report on The Agri-Food and Biosciences Institute (AFBI)</u>
163/11-15	26/03/2014	<u>Report on PSNI: Use of Agency Staff</u>
172/11-15	09/04/2014	<u>Report on NI Water's Response to a Suspected Fraud & DRD: Review of an Investigation of a Whistleblower Complaint</u>
173/11-15	09/04/2014	<u>Report on Account NI: Review of a Public Sector Financial Shared Service Centre</u>
181/11-15	14/05/2014	<u>Report on Improving Pupil Attendance: Follow-Up Report</u>

There are two inquiries, still under consideration by the Committee which will be reported on in due course, these are:

- Tackling Social Housing Tenancy Fraud in Northern Ireland; and
- The Future Impact of Borrowing and Private Finance Commitments and Belfast Metropolitan College's Titanic Quarter PPP Project.

Meetings held

Throughout 2013-14, the Committee met on 32 occasions with sixty-one per cent of its time being spent in closed session due to the sensitive nature of the issues being considered.

The purpose of most closed sessions was to consider the approach to specific inquiries, enabling members to explore the facts and increase their understanding of the more complex findings in the reports. Considerable time was also spent considering and agreeing the draft reports of the Committee.

Summary of Inquiries

PAC selects the reports it covers on the basis of public interest, the order of expenditure involved and the lessons that can be learned from the report.

Report on the NIFRS: An Organisational Assessment and Review of Departmental Oversight and Report on Accounts 2011-2012

In this report, the Committee applauded the commitment and professionalism of our fire-fighters but condemned the poor leadership provided by the senior management in the Northern Ireland Fire and Rescue Service (NIFRS). It is the fire fighters and NIFRS's support staff who have suffered most from the extremely poor leadership provided by senior management and the Board in the past.

The Committee's inquiry examined a series of investigations by the Department of Health, Social Services and Public Safety into whistleblower allegations of financial irregularities in the NIFRS. The whistleblower, who was first suspended by the NIFRS, received both an apology from the Department and financial compensation after taking a case through the Industrial Tribunal. The Committee concluded that the decision to suspend the whistleblower caused both reputational damage and financial loss to NIFRS, as well as injury to an individual who had properly raised her concerns.

The Committee commended the whistleblower for bringing serious failings in the NIFRS to light, at great personal cost and was left in no doubt that her suspension from the NIFRS was directly related to her whistleblowing, and that it was clearly wrong.

The report found that the Department's oversight of the NIFRS was deficient and concluded that the dysfunctional culture in NIFRS needed to be addressed.

The Committee was particularly critical of the then Assistant Chief Fire Officer for accepting a sponsored vehicle which contravened guidance on sponsorship issued by the Department of Finance and Personnel. The vehicle was not returned as instructed and was only brought back to the NIFRS when he subsequently took up the post of Chief Fire Officer. This behaviour, the Committee believed, demonstrated a lack of understanding of the responsibilities of an Accounting Officer and the standard of conduct expected of someone in that role.

Of a total of 11 recommendations, 9 were accepted.

Report on DCAL: Management of Major Capital Projects

In the period 2008-11 the Department of Culture Arts and Leisure (the Department) had an unprecedented target to deliver £229 million capital investment in the Northern Ireland culture, arts and leisure infrastructure and this resulted in the delivery of a number of capital projects. In this report, PAC found that DCAL's major capital projects had undoubtedly enhanced culture and arts provision in Belfast but at a significant cost to the public purse. If delivered well, it concluded that arts and leisure infrastructure can enhance the lives of, and services provided to, the public and improve the productivity of the region. If delivered poorly, potential benefits are not fully realised and significant additional cost can accrue to the taxpayer. These major capital projects had cost some 32% more than the original estimated cost of £78.5 million (84% of which was provided by the public purse). The projects also encountered significant delays, the most substantial of which was a delay of 31 months in the delivery of the Crescent Arts Centre.

The Committee was concerned that despite the availability of extensive guidance, public bodies continued to make the same mistakes around planning, governance, project management and procurement, an occurrence that this Committee has observed and reported repeatedly on over many years. The Committee found that approval for the projects was based upon business cases which were not robust and which were overly optimistic about what could be delivered. The Department acknowledged that projects were based on completely unrealistic cost estimates that resulted in projects being re-scoped, which contributed to the significant cost increases and time delays.

Despite a lack of experience and expertise in delivering capital projects of this scale, the Department and the Arts Council NI failed to seek technical advice at the appropriate time and provide grant recipients with too much autonomy in making key decisions. The Committee found this to be clearly unacceptable and recommended that all key decisions on projects of this scale should be authorised by the public body in consultation with technical advisors.

Specifically a number of completely unacceptable departures from long-established principles of good practice were made in awarding the Lyric Theatre rebuild contract and this caused considerable concern to the Committee.

Of a total of 8 recommendations: 4 related to DCAL and were accepted; 2 related to DFP, 1 of which was accepted, the other partially accepted; 2 related to both departments and were both accepted by DCAL, whilst 1 was accepted by DFP and the other only partially accepted by DFP.

As with all of its reports, PAC will be monitoring the implementation of the recommendations and will be requesting a twelve month update from the date it considered the Memorandum of Reply (MOR).

Report on Department of Finance and Personnel – Collaborative Procurement and Aggregated Demand

Local public procurement accounts for around £2,700,000,000 (£2.7 billion) of expenditure each year. This report called for a review of the current procurement structures.

Currently, procurement is governed by the Procurement Board, which was created in 2002 and is responsible to the Executive and accountable to the Assembly. The Central Procurement Directorate (CPD) within the Department of Finance and Personnel (DFP) and seven Centres of Procurement Expertise (CoPEs) undertake procurements and report to this Board.

The Committee found that the current structures are not creating enough opportunities for more efficient procurement, particularly in the absence of a joined up collaborative strategy. The current procurement arrangements have been in place for over a decade and the Committee highlighted a number of problems.

The Committee found it unacceptable that DFP and the wider public sector do not have ready access to or share the basic management information necessary to facilitate effective collaboration. It also found that CPD is not recording sufficient information that would allow for more robust collaboration between different CoPEs. The Committee was also concerned that different CoPEs are paying varying prices for common goods and services and there is little price benchmarking or standardisation of specifications. In light of this, the Committee believes that it would be beneficial to review the current procurement structures to improve both procedures and outcomes.

Of a total of 10 recommendations: 7 were accepted; 2 partially accepted; and 1 not accepted.

Report on the Agri-Food and Biosciences Institute (AFBI)

The PAC concluded that management and oversight at AFBI has been unacceptably poor. This report looked at the way the Institute was governed and also criticised the Department of Agriculture and Rural Development (DARD), which has responsibility for overseeing its operations.

The Committee acknowledged the importance of AFBI's work to the local agri-food industry. AFBI is in the front line of the fight against animal and plant disease, and in assisting the development of a key local industry. The Committee fully supports its efforts in this regard. However, the Committee is very disappointed that the delivery of AFBI's operations has been undermined by poor internal management and by inadequate oversight by its parent Department. DARD has provided over £250 million funding to AFBI since it was established in 2006 but the Committee's findings lead it to believe that this significant investment has not provided good value for money.

Members were also alarmed at the extent of weaknesses and shortcomings of AFBI's financial and project management but were pleased that AFBI recently introduced new procedures that have the potential to significantly improve the management and efficiency of its operations.

There has been a significant increase in non-DARD income achieved by AFBI since its establishment. Between 2008-09 and 2012-13, the Institute received over £20 million income from royalties from patents filed following scientific discoveries by Science Service (AFBI's predecessor organisation). However, the report highlights the Committee's "deep concern" that a small number of staff have received very significant shares of these royalty payments; which is, in effect, further substantial awards for "doing their jobs". All in all, the Committee believes that it is important that its recommendations are fully implemented to drive out inefficiencies and improve performance and it will be monitoring this closely.

Of a total of 6 recommendations, all 6 were accepted.

Report on PSNI: Use of Agency Staff

This report examined the use of agency staff in the Police Service of Northern Ireland (PSNI), a practice which has cost £106 million since 2004. It examines the procurement of agency workers and highlights a number of concerns about the way that the procurement was carried out and whether the PSNI can ensure that value for money objectives were met.

The report identified a number of issues that concerned the Committee. Proper competitive arrangements, which would have ensured value for money, were not put in place until 2008. The current supplier has been in place since 2002, establishing a virtual monopoly in the supply of temporary staff to the PSNI. Moving forward, any new contracts awarded by the PSNI must be subject to proper options appraisal and business cases and have the approval and authority of the Policing Board.

The Committee's report found that the PSNI's oversight of the use of agency workers was not robust and that excessive numbers of agency staff were employed for lengthy periods of time. The PSNI has spent considerably more than was necessary on agency workers. The Committee received the PSNI's assurance that there is now a "robust, centrally monitored process" for appointing temporary staff. It expects an update report from the Department of Justice to demonstrate that improvements in governance have been delivered, as a result of the processes put into place in 2011.

The Committee agreed that there are sound operational reasons for employing temporary staff in the PSNI. Some roles undoubtedly require policing skills: many others do not. However, the Committee criticised the lack of accountability of agency workers filling policing roles, with no power for the Police Ombudsman to regulate their conduct.

The Committee also acknowledged that there were concerns over equality issues arising from the PSNI's employment of its former officers.

The Committee does not underestimate the difficulties faced by the PSNI but stresses that the use of agency staff must be well managed and appropriate. The Committee welcomes the PSNI's assurance that it has plans to both reduce the use of agency staff and manage all temporary contracts more rigorously.

Of a total of 10 recommendations, 9 were accepted and 1 partially accepted.

Report on NI Water's Response to a Suspected Fraud & DRD: Review of an Investigation of a Whistleblower Complaint

This PAC report looked at the way investigations into the Roads Service and Northern Ireland Water were carried out. The Committee found that there were serious failings in both the investigations, which were carried out internally by the Department for Regional Development and Northern Ireland Water.

The Committee examined whistleblower allegations that favouritism had been shown to another contractor over the purchase of road signs and that the way the tenders were evaluated left the Department open to perceptions of partiality. It was concerned that there was an intolerable delay in investigating the allegations. It was also shocked that over a period of several years, some orders which should have been given to the whistleblower's firm were given to his main competitor.

The second part of this report concerns a suspected fraud in NI Water in respect of the way invoices for services were charged and paid for. The Committee found that the investigation was seriously flawed. It found that the investigation did not dig deeply enough and senior management were too quick to close down the investigation based on inadequate and incomplete evidence.

The Committee concluded that both of these cases point to fundamental weaknesses in fraud investigation practice. These deficiencies can only be addressed by ensuring investigations are led by professional investigators with an understanding of relevant laws. The poor quality of these investigations supports the case for establishing a single public sector fraud investigation service.

Of a total of 10 recommendations, 8 were accepted and 2 partially accepted.

Report on Account NI: Review of a Public Sector Financial Shared Service Centre

The PAC investigated the performance of Account NI, which makes payments on behalf of all local Government departments as well as 18 other public bodies. The Committee noted that, on average, Account NI pays government suppliers in just seven days. Given that the Executive's target is to pay companies supplying the public sector within ten days, this was regarded as a notable achievement.

However the Committee also found that the transaction costs to make a payment to a supplier were extraordinarily high. During the inquiry, it was clear to the Committee that, although the Department did not accept the extent to which Account NI is a very high cost operation, it acknowledged that more needs to be done in this area.

The Committee was particularly critical of the lack of clear evidence that Account NI has delivered value for money and it was not clear if it had made the projected savings of £43 million of public funds which were featured in its business case.

The Committee concluded that Account NI's performance against the prompt payment target is world class, however it has much more to do to ensure it represents the best and most cost effective option for potential new customers and that it maximises the benefits from the public's considerable financial investment in the project.

Of a total of 6 recommendations, all 6 were accepted.

Report on Improving Pupil Attendance: Follow-Up Report

This report looked at the issue of pupil attendance and the extent of non-attendance in schools across Northern Ireland.

The Committee found that the local unauthorised absence record is double that reported in England. It also found that there are also particular problems for the most vulnerable young people in society, including pupils from social deprived backgrounds, Traveller children and children in care. The Committee noted that there are complex reasons why a child might be absent from school but stressed the need for the education system to get to grips with tackling these issues in order to break the vicious cycle of underachievement of society's most vulnerable groups.

The Committee found that the Education Welfare Service (EWS) is not on top of the problem of non-attendance at school and appears to be too reactive to this problem. There is a lack of basic management information necessary to monitor attendance on a real time basis, which would allow pre-emptive action to be taken with regard to vulnerable children. The fact that 16,000 pupils a year miss almost six weeks of school, yet are not known to the Education Welfare Services, is extremely disconcerting and needs to be a priority for action. In view of this, the Committee recommends that the EWS puts into place a mechanism to identify pupils requiring help at the earliest possible opportunity.

While there is no simple solution to resolving these issues, the Committee noted examples of schools that have dealt with the issues through collaboration with parents and communities, despite very challenging circumstances. The Committee believes that more can be done through better collaboration and the development of a coherent attendance strategy. These mechanisms should be put into place urgently within the next 6 to 12 months.

Of a total of 6 recommendations, all 6 were accepted.

Recommendations

In total this year, the Committee has made 67 recommendations to improve financial accountability to the taxpayer. It continues to monitor departmental progress in implementing them and, as previously stated, will receive updates 12 months after consideration of the MOR relating to each report or earlier if it is deemed more urgent.

Ministerial Directions

When a Minister wishes to proceed with a course of expenditure against the advice of his or her Accounting Officer, a Ministerial Direction is notified to PAC. This means that the accountability line for this expenditure will be to the Minister rather than the Accounting Officer. For each of these Ministerial Directions, the Committee agreed that the Comptroller and Auditor General (C&AG) would monitor the expenditure in line with current audit practices, and report any significant issues as required. The Committee considered the following Ministerial Directions.

Financial support for the fishing industry

At its meeting on 13 November 2013 the Committee considered correspondence from the C&AG, detailing financial provisions for support for the fishing industry to help it adapt to new challenges arising from the introduction of the Common Fisheries Policy.

The direction was sought by the Accounting Officer of the Department of Agriculture and Rural Development as it had not been possible to prepare a business case in line with DFP guidance and therefore test value for money prior to offering financial assistance to the fishing industry.

Northern Ireland Hospice and Mencap

At its meeting on 27 November 2013 the Committee considered correspondence from the Comptroller and Auditor General relating to capital funding to support emerging projects by the Northern Ireland Hospice and Mencap.

The direction was sought by the Accounting Officer of the Department of Health, Social Services and Public Safety concerning the provision of funding in advance of the establishment of a capital grants scheme, and this is contrary to the course of action that the Accounting Officer would advocate because it is not possible to confirm that the proposal represents value for money or best use of public capital.

Delta Printing and Packaging Ltd.

At its meeting on 4 December 2013 the Committee considered correspondence from the Comptroller and Auditor General relating to the provision of grant assistance to Delta Print and Packaging Ltd.

The direction was sought by the Accounting Officer of the Department of Enterprise, Trade and Investment (DETI) on account of the Invest NI Board and DETI not being able to recommend the proposed assistance on the grounds of not demonstrating value for money; although it is supported on other grounds, such as protecting jobs in an area of economic disadvantage.

Financial support for the fishing industry

At its meeting on 9 April 2014 the Committee considered correspondence from the C&AG, detailing financial provisions to support the fishing industry following severe adverse weather conditions that prevented fishing.

The direction was sought by the Accounting Officer of the Department of Agriculture and Rural Development as the evidence of need in this instance was insufficiently robust to justify intervention and that it would not be possible to gather the evidence needed to demonstrate value for money in the time available.

Test and Vaccinate or Remove (TVR) Wildlife Intervention Research Project

At its meeting on 4 June 2014 the Committee considered correspondence from the C&AG, relating to the implementing a £7.5 million Wildlife Research Project to test live badgers for Bovine TB.

The direction was sought by the Accounting Officer of the Department of Agriculture and Rural Development as departmental officials had advised the Agriculture Minister that the project did not represent value for

money but the Minister concluded that the information that the project would provide on badgers, and on TB in badgers, outweighed the value for money concern.

Committee Motions

On 12th November 2013, the Committee's Take Note debate informed the Assembly of the recent work of the PAC since its previous debate a year earlier. The Hansard report can be accessed [here](#) and the reports debated can be accessed [here](#).

Additional work by the Committee

Continuous professional development

In October 2013, a number of Members of the Committee attended the International Centre for Parliamentary Studies (ICPS) 2nd Annual Public Accounts Symposium. The symposium focused on the theme "Value for Money and Scrutiny: The Work of PACs in Practice". Areas discussed included: perspectives from the department of Finance and Treasury views from the perspectives of accountancy and audit; the scope of PAC inquiries; case studies in scrutiny by PACs; the role of the Supreme Audit Institution; analysis of statutory accountability in practice; initiatives and likely future development; views from delegates' own perspectives from around the world; and holding inquiries effectively.

Strategic Plan 2014-2015

A number of Committee Members attended a Strategic Direction, Development and Effective Scrutiny Seminar at the Tullylagan Hotel, Cookstown in January 2014. The seminar's objective was to review the Committee's strategic direction to define objectives and optimise the effectiveness of its outcomes. The Committee subsequently agreed its strategic plan for 2014-2015 on 22 January 2014. The five strategic priorities are:

- Improving Committee processes
- Promoting best practice
- Building committee capability
- Enhancing community profile
- Seeking to influence

Committee Visit

In line with its strategic priorities of promoting best practice and enhancing community profile, the Committee visited Millburn Primary School, Coleraine. This was of relevance to the Committee's work on the Improving Pupil Attendance: Follow-Up Inquiry. A short summary report of the visit, that took place on 5th March 2014, can be accessed [here](#).

Future work of the Committee

In addition to concluding the inquiries into "Tackling Social Housing Tenancy Fraud in Northern Ireland" and "The Future Impact of Borrowing and Private Finance Commitments and Belfast Metropolitan College's Titanic Quarter PPP Project", the Committee will conduct an inquiry into the "Northern Ireland Courts and Tribunal Service Trust Statement", this will commence early in the new session. Schedule permitting, another 2 inquiries will commence prior to Christmas recess with a further 4 inquiries to be taken forward from January to June 2015.

In line with the Committee's Strategic Plan 2014-2015, the following actions have been agreed and shall be taken forward in the coming session:

- The Committee will schedule its annual Take Note debate for November.
- Further Strategic Direction, Development and Effective Scrutiny Seminars are proposed for early 2015 and possibly around the end of the next session;
- The Committee office is working to develop a thorough process plan with partners in NIAO and DFP for regularly and timely follow-up of the progress made by Departments in implementing the Committee's recommendations. This is at an advanced stage and will provide greater understanding of the impact of the work of the Committee that will improve how the Committee does its work in the future.
- A visit to a PAC in another jurisdiction is planned for the incoming session, aimed at sharing experiences and best practice.

ANNEX A

Public Accounts Committee
Expenditure for the period 1 September 2013 – 31 August 2014

Budget area	Details	Expenditure
Committee Travel -	Committee members and staff travel and subsistence in relation to visits and meetings outside Parliament Buildings	£3251.35
Printing of committee reports	Report on the NIFRS: An Organisational Assessment and Review of Departmental Oversight and Report on Accounts 2011-2012 Report on DCAL: Management of Major Capital Projects Report on Department of Finance and Personnel – Collaborative Procurement and Aggregated Demand Report on The Agri-Food and Biosciences Institute (AFBI) Report on PSNI: Use of Agency Staff Report on NI Water's Response to a Suspected Fraud & DRD: Review of an Investigation of a Whistleblower Complaint Report on Account NI: Review of a Public Sector Financial Shared Service Centre Report on Improving Pupil Attendance: Follow-Up Report	£5267.99
General expenses	Cost of refreshments for committee meetings, events, working lunches and seminars	£4529.89
TOTAL		£13,049.23