

# Public Finance Scrutiny Workshop Series

## Module 5:

### Resource Accounts:

### supporting Assembly scrutiny during Audit stage of Budget cycle

Research and Information Service  
Finance and Economics Research Team  
Public Finance Scrutiny Unit

April 2024

# Public Finance Scrutiny Workshop Series

## Overall Aim:

To better equip Members of the Legislative Assembly (MLAs) and those who support them (staffers, political party researchers, Assembly officials and others) in Northern Ireland Assembly plenaries and committees

## Related Objectives:

Through accessible explanation, reducing complexity and confusion, the themed modules seek to:

1. Increase knowledge and understanding of public finance
2. Raise awareness of good practice in public finance
3. Nurture applied learning amongst MLAs and those who support them
4. Strengthen Assembly scrutiny in plenary and committees
5. Support delivery of efficient, transparent and accountable governance in Northern Ireland through informed scrutiny and oversight

## “Five-stop” online reference guide - themed modules: (updated as needed)

1. Northern Ireland Executive Budget cycle:  
explaining key concepts to support Assembly scrutiny
2. Northern Ireland Public Finances:  
demystifying and supporting Assembly scrutiny throughout Budget cycle
3. Spending Plans and Supply Estimates Process:  
supporting Assembly scrutiny during Formulation and Approval stages of Budget cycle
4. In-Year Monitoring:  
supporting Assembly scrutiny during Execution stage of Budget cycle
5. **Resource Accounts:**  
**supporting Assembly scrutiny during Audit stage of Budget cycle**

## Themes for today:

### ❖ Northern Ireland Executive Budget Cycle:

- Recap from Module 1
- Recap from Module 2
- Recap from Module 3
- Recap from Module 4
- Refresher

### ❖ Resource Accounts:

- Recent Developments
- What are Resource Accounts?
- Analysing Expenditure
- Further Analysis

# Northern Ireland Executive Budget Cycle:

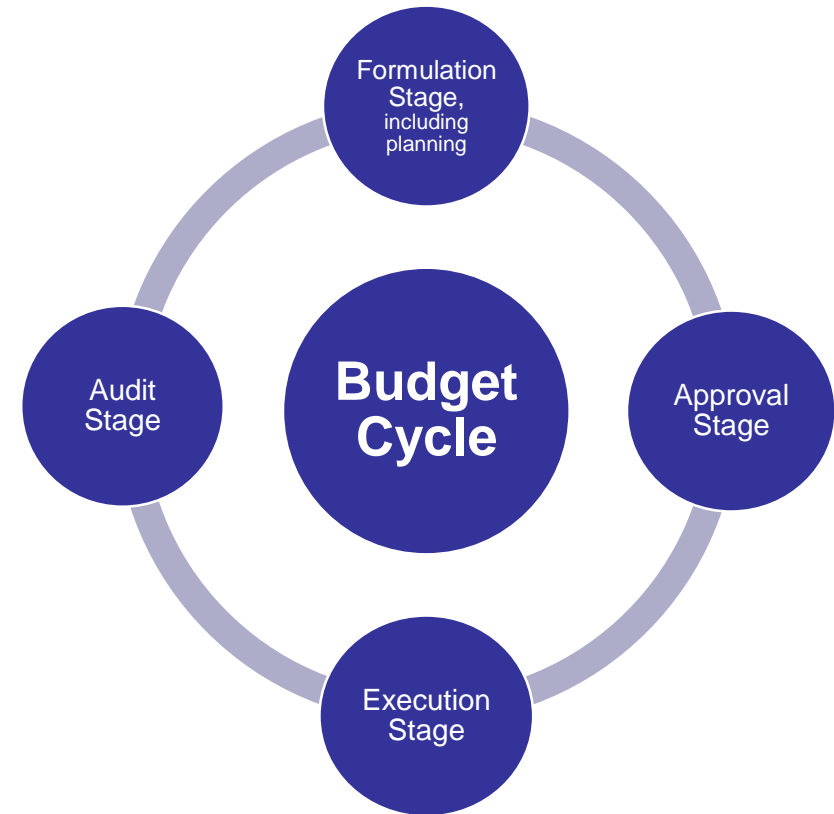
- **Recap from Module 1**
- **Recap from Module 2**
- **Recap from Module 3**
- **Recap from Module 4**
- **Refresher**

# Recap from Module 1:

## “Northern Ireland Public Finance Framework” (“PFF”) -

1. PFF sets out “rules” and related boundaries for the Executive and the Assembly, when exercising their powers and taking decisions relating to Northern Ireland public finance
  - Both flexibilities and constraints arise for the Executive and the Assembly, given those rules and related boundaries
2. Budget cycle and its 4 stages are part of the PFF
3. Northern Ireland Executive Budget cycle is a sub-cycle of United Kingdom Government’s Budget cycle
  - They inter-relate, with United Kingdom Government first taking action
4. Northern Ireland Executive Budget runs on “twin tracks”
  - Budget policy and Budget legislation

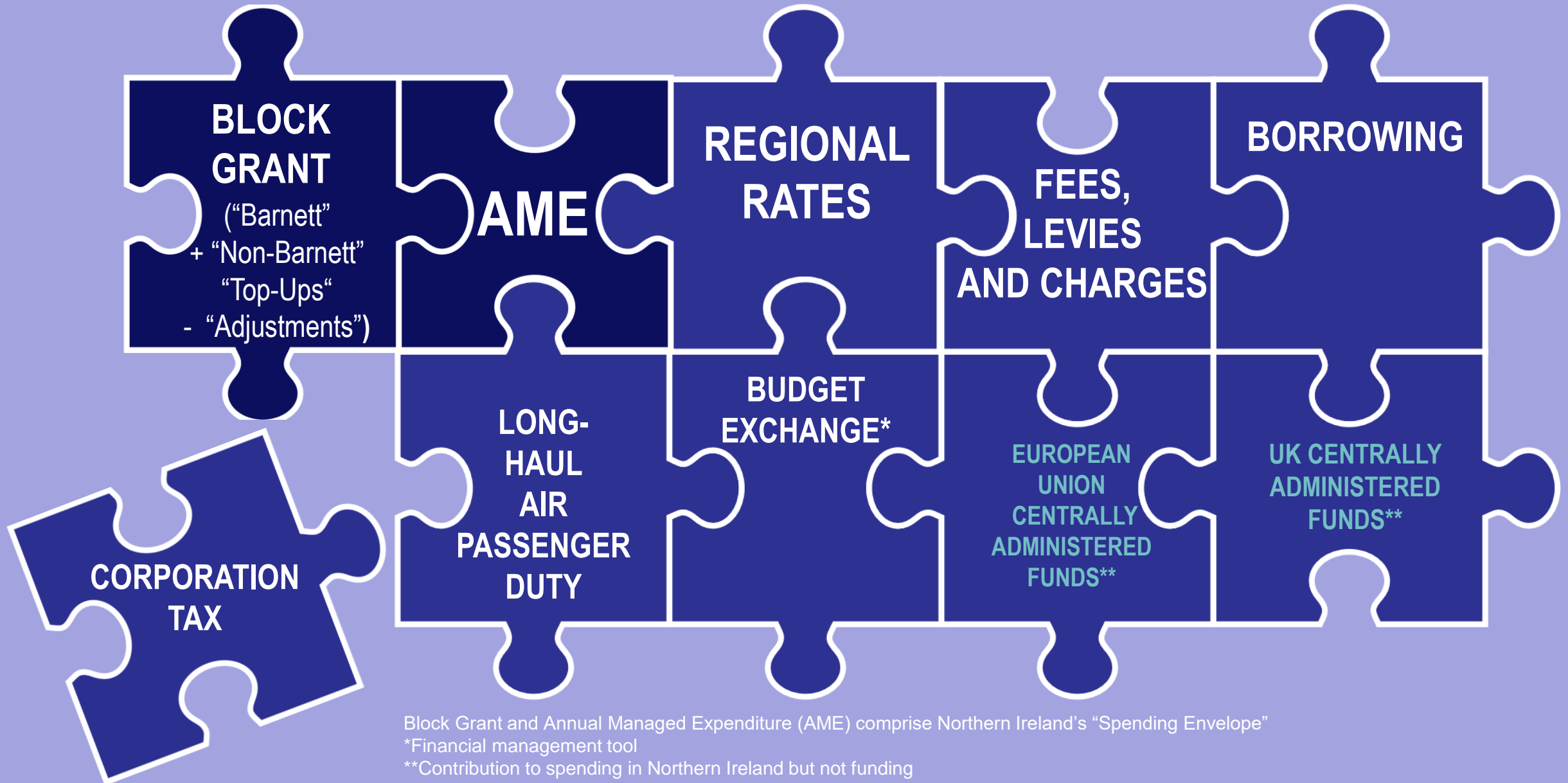
## OECD International good practice: 4 stages of government budget cycle -



Source: RaISe–PFSU (2024), relying on OECD (2018)

# Recap from Module 2:

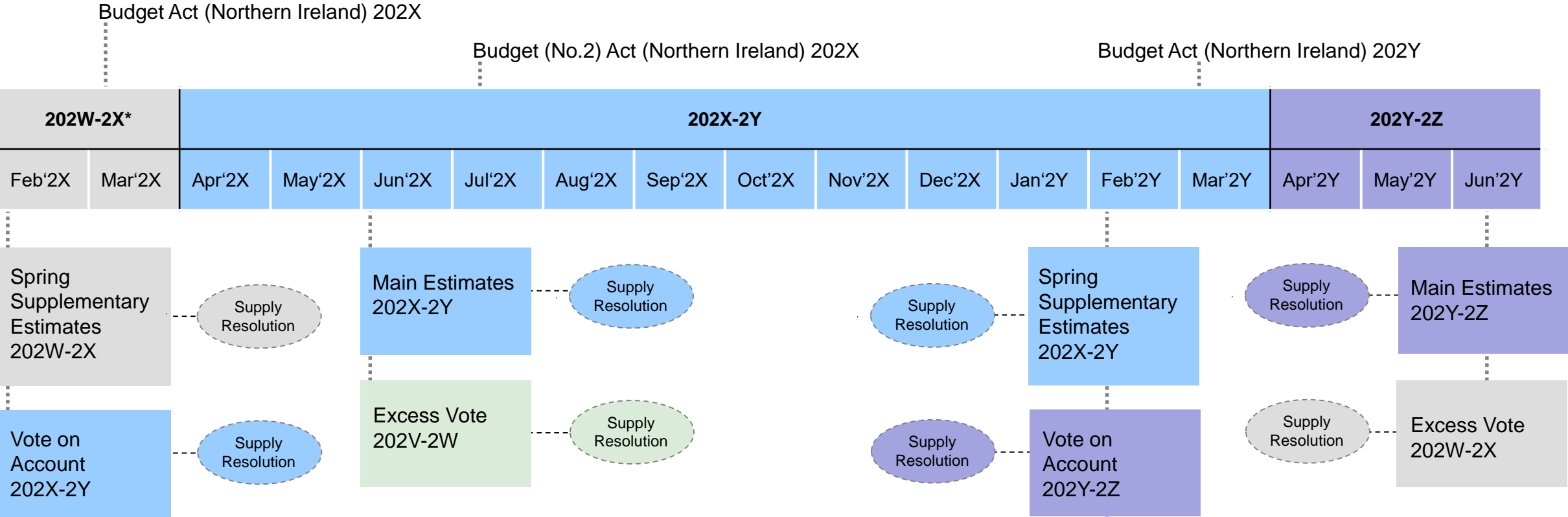
## Northern Ireland Public Finances – critical elements:



# Recap from Module 3:

## Approval stage of the Budget cycle – typical financial year

202V-2W
202W-2X
202X-2Y
202Y-2Z



\* Years presented in the format of 202X, 202Y etc. for illustrative purposes – showing how the Approval stage of Northern Ireland’s Budget cycle would work in a “typical” year. Actual years have therefore not been used



# Recap from Module 4:

## Northern Ireland Assembly

### Audit Committee:

- Considers IYM returns made by the following three non-ministerial departments (NMDs), in line with relevant provisions specified in individual Memorandum of Understanding (MoU) between the Audit Committee and:
  - [Northern Ireland Assembly Commission](#) (NIAC)
  - [Northern Ireland Audit Office](#) (NIAO)
  - [Northern Ireland Public Sector Ombudsman](#) (NIPSO)

### Statutory Committees:

- Consider departmental monitoring round returns **within seven days after submitting their returns** to DoF
- Receive briefings from their respective departments about departmental:
  - Reduced Requirements (RR)
  - Reallocations transferring budget from one category to another (within the specified rules)
  - Bids for Additional Resources
  - Amongst other budgetary information, if provided
- Scrutinise the above-noted departmental financial monitoring information, alongside other available information sources – for example: evidence sessions with the Committee, such as those with departmental/other public officials and key stakeholders; written briefings compiled by RalSe-PFSU, Northern Ireland Fiscal Council and other

### United Kingdom Government:

- The Secretary of State confirms “Spending Envelope” for Northern Ireland for the given budget year
- That is to follow on from precursor events at the United Kingdom central government level – those are, the Spending Review led by His Majesty’s Treasury and the Budget Statement made by the Chancellor
- The United Kingdom Government may provide other sources of funding to the Executive, in addition to the above – called “Non-Barnett funding”
- Thereafter, the United Kingdom Government may announce changes in Whitehall departmental programmes during the budget year, resulting in additional allocations to the Executive – called “Barnett consequentials”

## Northern Ireland Executive/Departments

### DOF:

- Issues IYM Guidance and related templates at the start of each IYM process (before the June Monitoring Round) to all statutory Departments

### Individual Statutory Departments:

- Complete IYM templates – issued by DoF - at each monitoring round, to explain the department’s:
  - Reduced Requirements (RR)
  - Reclassifications transferring budget from one category to another (within the specified rules)
  - Bids for Additional Resources
  - Amongst other relevant budgetary information, if provided
- Informed – in part – (the department’s IYM template return) by the department’s monthly returns made to DoF for the given financial year, detailing the department’s actual DEL, AME and other AME spend for the preceding month(s) in the financial year, along with forecast spend for the remaining months of that year
- Return completed templates to DoF by the specified deadline, and forward to statutory committee within seven days of submission to DoF, as specified under [The Functioning of Government \(Miscellaneous Provisions\) Act \(Northern Ireland\) 2021](#)

### Minister of Finance:

- Analyses responses and proposes allocations – that is, DoF officials to the Minister
- Followed by the Minister bringing a paper to the Executive for approval, based on the above and other
- Informs the Northern Ireland Assembly of the outcome of the IYM round:
  - Written Statement provided to the Assembly; usually accompanied by an Oral Statement in an Assembly plenary; on occasion a Written Statement only
  - Statement published on [DoF website](#), alongside the IYM



### HM Treasury:

- Throughout the financial year, DoF provides monthly departmental forecast/outturn data to HM Treasury, as required, to facilitate Treasury’s role in monitoring the performance of Whitehall Departments and DAs against agreed expenditure limits for each, as specified by the United Kingdom Government



Northern Ireland  
Assembly

Source: RalSe-PFSU (2024)

# Refresher

## ❖ Key Concepts

- **Spending Reviews and the Chancellors Budget or Statement:**
  - Determine Whitehall departmental funding and expenditure plans for the forward looking financial year(s), as well as the “Spending Envelope” or changes to the “Spending Envelope” for the Devolved Administrations
  - Published by His Majesty’s Treasury (HMT)
- **Northern Ireland Executive Budgets:**
  - Determine Northern Ireland departmental funding and expenditure plans for the forward looking financial year(s)
  - Published by the Department of Finance (DoF)
- **Supply Estimates:**
  - Seek Northern Ireland Assembly authority to incur departmental expenditure through legislation
- **Best Practice Guidelines:**
  - Include the Organisation for Economic Co-operation and Development’s (OECD) studies outlining international good practice in government budgeting, and in particular OECD’s Ten Principles of Good Budgetary Governance

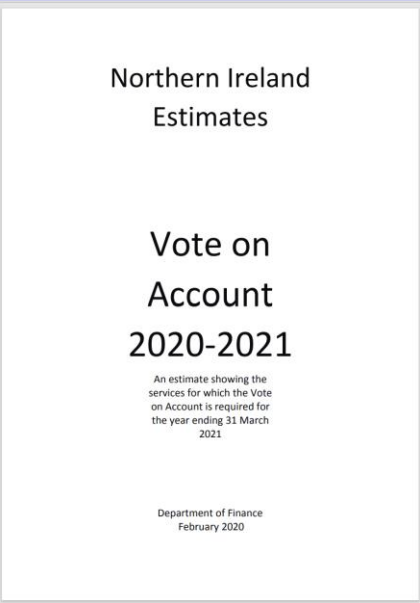
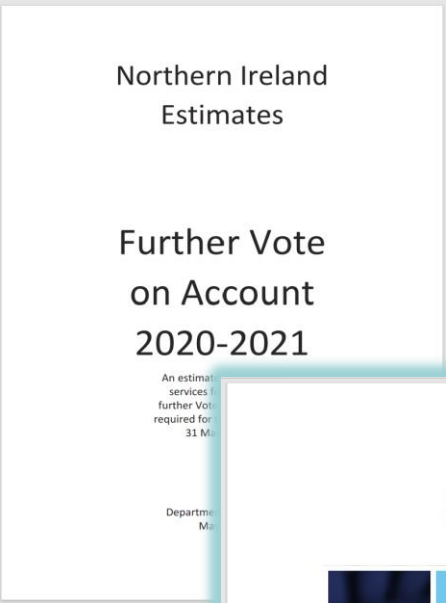
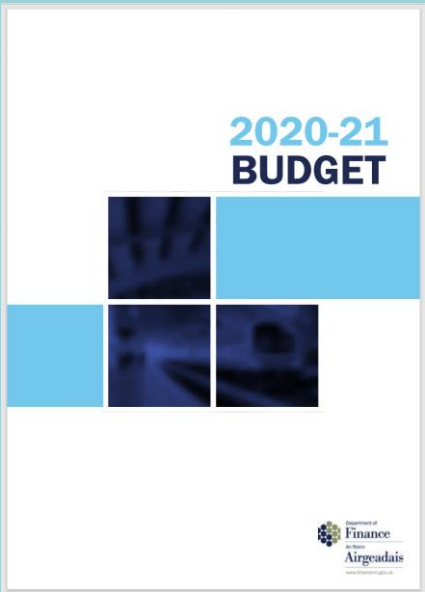
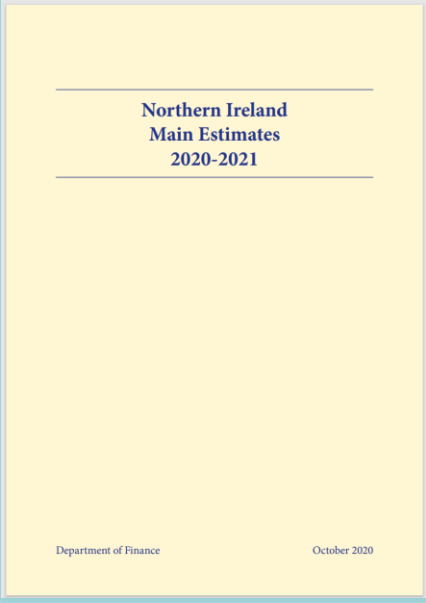
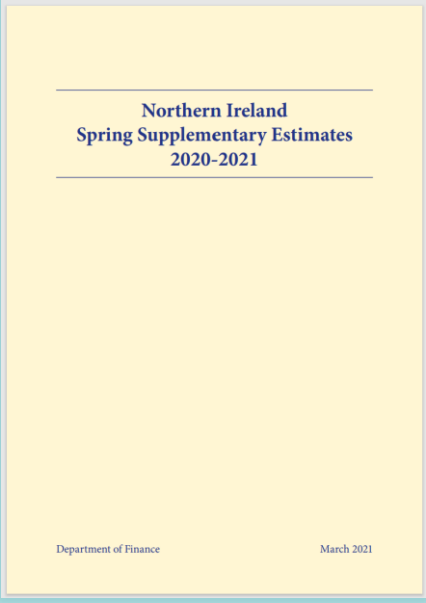
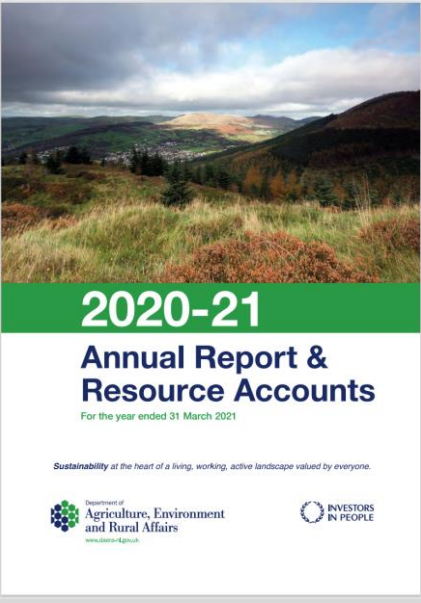
# Financial year 2020-21 Key Publications and Associated Legislation


[Budget Act \(Northern Ireland\) 2020](#)

[Budget \(No.2\) Act \(Northern Ireland\) 2020](#)

[Budget \(No.3\) Act \(Northern Ireland\) 2020](#)

[Budget Act \(Northern Ireland\) 2021](#)

2019-20		2020-21												2021-22			
Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21
																	



❖ Click on each image to access publication

www.niassembly.gov.uk

# Resource Accounts:

- **Recent Developments**
- **What are Resource Accounts?**
- **Analysing Expenditure**
- **Further Analysis**

# Recent Developments



House of Commons  
Public Administration  
and Constitutional Affairs  
Committee

**Accounting for democracy:  
making sure Parliament,  
the people and ministers  
know how and why public  
money is spent**

Fourteenth Report of Session 2016–17

HC 95



House of Commons  
Public Administration  
and Constitutional Affairs  
Committee

**Accounting for  
Democracy Revisited:  
The Government  
Response and Proposed  
Review**

Sixth Report of Session 2017–19

Ordered by the House of Commons  
to be printed 20 June 2018

HC 1197  
Published on 27 June 2018  
by authority of the House of Commons

❖ In June 2016, the United Kingdom [Public Administration and Constitutional Affairs Committee](#) (PACAC) found government accounts:

- Can be “...dense and difficult to follow for non-accountants...”
- Are not as widely used for the purpose of Parliamentary accountability as they should be



Northern Ireland  
Assembly

- ❖ The Northern Ireland Committee for Finance and Personnel (now called the Committee for Finance) [Inquiry into the Scrutiny of the Northern Ireland Executive's Budget and Expenditure](#) (2008-2011) made a number of recommendations to enhance openness and transparency, including:

*...alignment of the relevant financial documents, including budgets, estimates and resource accounts...*

And,

*...for such documents to be simplified and harmonised to increase transparency and enhance the relationship between allocations and performance and also to ensure that they are more readily scrutinised by Assembly committees and accessible to the wider public...*



- ❖ In February 2011, the Northern Ireland Executive agreed a [Terms of Reference \(Annex A\)](#) for its **Review of Financial Process** (RoFP) in Northern Ireland, to be taken forward by the Department of Finance and Personnel (DFP, now called DoF)
  - At paragraph 7 of the Terms of Reference, DFP stated:

*...the **overall aim** of the review is to examine and make recommendations on the options to create a single coherent financial framework that is effective, efficient and transparent and enhances scrutiny by and accountability to the Assembly, taking into account the needs of the Assembly.*
  - It further stated the **strategic aims** of the Review were:
    - *To align the Budget, the Estimates and the Accounts as far as practicable to improve transparency; and*
    - *To synchronise the presentation of the Budget, the Estimates/departmental expenditure plans, the Budget Bills, the Rates legislation and the Accounts in order to create a single co-ordinated public revenue and expenditure process.*

- [The Financial Reporting \(Departments and Public Bodies\) Act \(Northern Ireland\) 2022](#) (commenced in March 2022) transposed and implemented RoFP recommendations, which the Executive had approved in December 2016
  - For example: [Illustrative departmental accounts proforma for 2022-23](#), as issued by DoF, states:  
*The most significant changes to the Annual Report and Accounts as a result of RoFP are as follows:*
    - *The Departmental boundary (incorporating both Estimates and Accounts boundaries) has been extended to incorporate Executive NDPBs. These bodies were not previously consolidated within these Accounts and were financed via grant-in-aid. Therefore, the Departmental Group now includes the Core Department, supply financed Agencies and Executive NDPBs;*
    - *The primary statements (including the SoAS) and the Notes to the Accounts (including Net Outturn, Reconciliation of outturn to net operating expenditure, Reconciliation of Net Cash Requirement and Income payable to the Consolidated Fund) have been revised to incorporate the alignment requirements; and*
    - *The Assembly control totals have been revised to reflect the alignment of the Estimates and Budgeting boundaries*



# Resource Accounts:

- Recent Developments
- **What are Resource Accounts?**
- Analysing Expenditure
- Further Analysis

# What are Resource Accounts?

- ❖ “Resource Accounts” are defined under section 9(1) of the [Government Resources and Accounts Act \(Northern Ireland\) 2001](#) (“GRAANI”) as:

*A Northern Ireland department for which an estimate is approved by the Assembly in respect of a financial year shall prepare accounts (**to be known as resource accounts**) for that year detailing –*

- (a) resources acquired, held or disposed of during the year by –
  - (i) the department, or*
  - (ii) any body that is a designated body...in relation to the department for the year, and**
- (b) the use of resources during the year by the department or any such body. [emphasis added]*

- ❖ Under section [9 of GRAANI](#), the accounts must be prepared in accordance with directions issued by DoF
  - DoF requires the accounts to be:
    - Prepared by each department on an “accruals” basis, in line with [International Financial Reporting Standards](#) (IFRS), as interpreted by HMT for the public sector and outlined within [The Government Financial Reporting Manual](#) (FReM), typically updated annually, and
    - Illustrated through Northern Ireland’s DoF [accounts proformas](#)
    - Published alongside that department’s Annual Report – in line with annually issued DoF [financial reporting guidance](#) - to form the department’s **Annual Report and Accounts (ARAs)**

- ❖ Under section [10\(4\) of GRAANI](#), the Resource Accounts must be:
  - Independently examined by Northern Ireland's Comptroller and Auditor General (C&AG)
  - Laid by DoF, alongside the C&AG's Report, in the Northern Ireland Assembly, by the [15 November](#) of the next financial year
    - For example, Resource Accounts for the 2022-23 financial year were laid before 15 November 2023
- ❖ [Section 4 of the Northern Ireland \(Interim Arrangements\) Act 2023](#) introduced a requirement for the Secretary of State to lay a copy of the accounts of Northern Ireland departments (and certain other Northern Ireland bodies) before the House of Commons during a period in which the Northern Ireland Assembly is not functioning
- ❖ [Standing Order 23 of the Northern Ireland Assembly Standing Orders](#) specifies Assembly procedure to govern the above

# ARAs follow a common structure

❖ ARAs provide an overview of what a department has spent, received, owns and owes, providing:

- **Performance Report** - setting out the structure, aims and objectives of the department and a review of how it has performed against them during the year
- **Accountability Report** - outlining how the department ensures good governance, including the systems and controls in place to manage risks
- **Financial Statements** - covering the department's financial performance and position for the financial year

## DAERA 2023-24 ARAs - Contents Page

Department of Agriculture, Environment and Rural Affairs  
Annual Report and Accounts for the year ended 31 March 2024

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Source: [DAERA](#) (2024)

# Resource Accounts:

- Recent Developments
- What are Resource Accounts?
- **Analysing Expenditure**
- Further Analysis

# Analysing Expenditure

- ❖ Analysing expenditure revolves around two key questions:
  - **How much has a department spent?**
  - **What has a department spent on?**
  
- ❖ The four **Primary Financial Statements** are:
  - Consolidated Statement of Comprehensive Net Expenditure (CSoCNE)
  - Consolidated Statement of Financial Position (CSoFP)
  - Consolidated Statement of Cash Flows (CSoCF)
  - Consolidated Statement of Changes in Taxpayers' Equity (CSoCTE)
  
- ❖ A series of “**Notes**” provide extra information and breakdowns of lines in the Primary Financial Statements

# Financial Concepts

❖ Five financial elements referred to in departmental **Primary Financial Statements**, per IFRS definitions:

- Asset: “a present **economic resource** controlled by the entity [such as department] as a result of past events”
  - An economic resource is “a right that has the **potential to produce economic benefits**”
- Liability: “a present **obligation** of the entity [such as department] to transfer an **economic resource** as a result of past events”
- Equity: “the **residual interest in the assets** of the entity [such as department] after deducting all its **liabilities**”
- Income: “**increases in assets** or **decreases in liabilities**, that result in **increases in equity**, other than those relating to contributions from holders of equity claims [for example: supply]”
- Expenditure: “**decreases in assets** or **increases in liabilities**, that result in **decreases in equity**, other than those relating to distributions to holders of equity claims”
  - Assets, Liabilities and Equity relate to **departmental financial position**
  - Income and Expenditure relate to **departmental performance**



- ❖ Income and expenditure are recorded in the accounts when the underlying activity takes place, **not** when the cash is transferred (the accruals basis)
- ❖ This enables balances within the Primary Financial Statements, such as:
  - **Trade payables** – the department has been invoiced, but has not yet paid
  - **Trade receivables** – the department has issued an invoice, but has not received money
  - **Accruals** – the department has incurred the expenditure, but has not yet been invoiced and has not yet paid
- ❖ Some income and expenditure does not involve the transfer of cash: this is typically referred to as “non-cash”- for example: adjustments; and, depreciation

# Consolidated Statement of Comprehensive Net Expenditure (CSoCNE)

## ❖ Includes:

- Totals of all income and expenditure transactions
- Net expenditure for the year
- References to notes with further breakdown
- Key rows on staff costs and grant expenditure, amongst other things

## **CHECKLIST:**

- **Are there any significant movements over time?**
  - **Have any such movements been detailed?**
  - **Do the explanations sound reasonable in the given circumstances?**
- **Does the profile of expenditure align with the department's stated priorities?**
- **If the prior year columns are headed with "Restated" or "Revised", those have been adjusted since the previous accounts.**
  - **Are any such changes fully explained?**
  - **Do the explanations sound reasonable in the given circumstances?**

❖ See worked example on next slide

CSoCNE - extract from the [DAERA 2020-21 Financial Statements](#)**Consolidated Statement of Comprehensive Net Expenditure  
for the Year ended 31 March 2021**

		2020-21	2019-20
	Notes	Core Dept & Agency £'000	Core Dept & Agencies £'000
Revenue from contracts with customers	6	(34,266)	(50,116)
Other Operating Income	6	(39,776)	(320,652)
<b>Total Operating Income</b>		<b>(74,042)</b>	<b>(370,768)</b>
Staff costs	3	142,145	137,925
EU expenditure	4,5	37,159	319,034
National grant expenditure and disallowance	4,5	433,954	92,227
Funding to Public Corporation	4,5	11,739	-
Purchase of goods and services	4,5	30,951	33,978
Depreciation and impairment charges	4,5	16,521	24,522
Provision expense	4,5	518	4,186
Other operating expenditure	4,5	59,533	56,618
Growing Timber Revaluation	4,5	-	(18,553)
<b>Total Operating Expenditure</b>		<b>732,520</b>	<b>649,937</b>
<b>Net Operating Expenditure</b>		<b>658,478</b>	<b>279,169</b>
<b>Net Expenditure for the year</b>		<b>658,478</b>	<b>279,169</b>
<b>Other Comprehensive Net Expenditure Items that will not be reclassified to net operating costs:</b>			
Net (gain)/loss on revaluation of Property, Plant and Equipment	7	(1,996)	23,534
Net (gain)/loss on revaluation of Intangible Assets	8	(161)	(963)
<b>Comprehensive Net Expenditure for the year ended 31 March 2021</b>		<b>656,321</b>	<b>301,740</b>

Significant movement between 2019-20 and 2020-21: Review [Note 6](#) for additional information

Significant movement between 2019-20 and 2020-21: Change of funding from European Union Income to United Kingdom Government funding, resulting in decreased European Union expenditure and increased grant expenditure

Significant movement between 2019-20 and 2020-21: Review [Note 1.2](#) of ARA for additional information

## Note 6: Income - from the DAERA 2020-21 Financial Statements

	2020-21	2019-20
	Core Dept & Agency £'000	Core Dept & Agencies £'000
<b>Income from contracts with customers</b>		
Timber and other forest produce	-	10,887
Inspection & testing	8,400	8,328
Rent & recreation income	6,662	8,976
Resource efficiency pollution costs recovered	8,156	8,541
Diseased animal salvage	5,158	4,193
Carrier bag levy	2,077	4,403
Education	1,396	1,860
Farm sales	1,040	1,029
Other	1,377	1,899
<b>Total</b>	<b>34,266</b>	<b>50,116</b>
<b>Other Operating income</b>		
Area Aids and Basic Payment Scheme	-	287,360
Other EU programme income	38,491	31,678
Veterinary fund receipts	1,285	1,614
	<b>39,776</b>	<b>320,652</b>
<b>Total Income</b>	<b>74,042</b>	<b>370,768</b>

Income stream removed between 2019-20 and 2020-21- loss of income explained in [Note 1.2](#) of ARA

Income reduction between 2019-20 and 2020-21 – no explanation given in ARA – if of particular interest, could contact the department for clarification

Income stream removed between 2019-20 and 2020-21 – European Union funding has been replaced by United Kingdom Government funding (more information available on following slides)

## Note 1.2: Basis of consolidation – extract from the DAERA 2020-21 Notes to the Departmental Resource Accounts

### 1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency part of the Department (the core department), and those entities which fall within the departmental boundary as defined in the *FReM*, interpreted for NI.

From April 2020 the Forest Service, an executive agency of DAERA has been reclassified as a Non Financial Public Corporation. As a public corporation the assets, liabilities, income and expenditure of the Forest Service Agency are not consolidated in the accounts of DAERA. The 2019-20 comparatives have not been adjusted for this and the notes supporting the Forest Service assets, liabilities, income and expenditure are retained to explain the comparatives.

Forest Service Agency produces its own Annual Report and Accounts which can be found on its website.

The removal of the Forest Service from DAERA accounts results in significant movement between 2019-20 and 2020-21 for assets, liabilities, income and expenditure

## Note 4: Other Administration Costs - from the DAERA 2020-21 Financial Statements

2020-21			
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	37,703	104,442	142,145
EU expenditure	-	37,159	37,159
National grant expenditure and disallowance	-	433,954	433,954
Forest Service Public Corp Funding	-	11,739	11,739
Purchase of goods & services	6,892	24,059	30,951
Depreciation & impairment	9,778	6,743	16,521
Provision expenses	-	518	518
Other operating expenditure	18,290	41,243	59,533
<b>Total</b>	<b>72,663</b>	<b>659,857</b>	<b>732,520</b>

2019-20			
	Administration Expenditure £'000	Programme Expenditure £'000	Total £'000
Staff costs	35,980	101,945	137,925
EU expenditure	-	319,034	319,034
National grant expenditure and disallowance	-	92,227	92,227
Purchase of goods & services	6,834	27,144	33,978
Depreciation & impairment	9,378	15,144	24,522
Provision expenses	-	4,186	4,186
Other operating expenditure	20,839	35,779	56,618
Growing timber revaluation	-	(18,553)	(18,553)
<b>Total</b>	<b>73,031</b>	<b>576,906</b>	<b>649,937</b>

EU funding has been replaced by United Kingdom Government funding

## Note 5 Programme Costs - from the DAERA 2020-21 Financial Statements

	2020-21	2019-20
	Core Dept & Agency £'000	Core Dept & Agencies £'000
<b>Grant Expenditure</b>		
<b>EU Grants &amp; Subsidies:</b>		
Capital grants & subsidies	24,229	22,923
Area Aids Basic Payment Scheme	-	287,360
COVID19 Grant	1,209	-
Current grants & subsidies - other	11,721	8,751
<b>Total</b>	<b>37,159</b>	<b>319,034</b>
<b>National Grants &amp; Subsidies:</b>		
Grant in aid	50,357	48,713
COVID19 market support	27,445	-
COVID19 other support	15,500	-
Capital grants & subsidies	27,004	30,543
Current grants & subsidies inc Areas Aids and Basic Payment Scheme	315,072	12,876
<b>Total</b>	<b>435,378</b>	<b>92,132</b>
CAP Disallowance	(1,424)	95
<b>Total</b>	<b>471,113</b>	<b>411,261</b>
<b>Funding to Public Corporation*</b>		
Resource subsidy to Forest Service	1,185	-
Capital subsidy to Forest Service	1,054	-
Other subsidy to Forest Service	9,500	-
<b>Total</b>	<b>11,739</b>	<b>-</b>
<b>Purchase of Goods &amp; Services</b>		
Office services	1,727	1,959
Contracted out services	3,196	5,531
Private veterinary practitioners fees & expenses	8,410	8,439
Professional & legal costs	5,699	4,988
Consultancy costs	38	12
Consumables & materials	1,641	2,787

Significant movement between  
2019-20 and 2020-21 – reduced  
EU income

Non-recurrent Covid-19 funding

# Consolidated Statement of Financial Position (CSoFP)

## ❖ Includes:

- Totals of assets, liabilities and equity at the end of the year
- Split between current (within 1 year) and non-current (after 1 year)
- Overall net assets or liabilities position

## **CHECKLIST:**

- **Are there any significant movements over time?**
  - Have any such movements been detailed?
  - Do the explanations sound reasonable in the given circumstances?
- **Have significant liabilities (including provisions) been mentioned in the Annual Report?**
  - Do they represent future risks to the department which should be included in the Risk Register?
- **If the prior year columns are headed with “Restated” or “Revised”, they have been adjusted since the previous accounts.**
  - Are any such changes explained?
  - Do the explanations sound reasonable in the given circumstances?

## ❖ See worked example on next slide



## CSoFP - extract from the DAERA 2020-21 Financial Statements

**Consolidated Statement of Financial Position as at 31 March 2021**

		2020-21	2019-20
	Notes	Core Dept & Agency £'000	Core Dept & Agencies £'000
<b>Non-current assets</b>			
Property, plant and equipment	7.1	236,652	320,509
Biological assets	7.2	1,502	232,990
Heritage assets	7.3	1,568	2,735
Intangible assets	8	64,421	50,902
Financial assets		26	26
<b>Total non-current assets</b>		<b>304,169</b>	<b>607,162</b>
<b>Current assets</b>			
Assets classified as held for sale	13	-	1,535
Inventories	14	920	950
Trade and other receivables	16	49,725	36,959
Cash and cash equivalents	15	12,569	821
<b>Total current assets</b>		<b>63,214</b>	<b>40,265</b>
<b>Total assets</b>		<b>367,383</b>	<b>647,427</b>

**Remember:** Removal of Forest Service balance explained in [Note 1.2](#) of ARA

Significant movement between 2019-20 and 2020-21: Review [Note 7.1](#) for additional information

Significant movement between 2019-20 and 2020-21: Review [Note 7.2](#) for additional information

## Note 7.1 Property, Plant and Equipment 2020-21 - from the DAERA 2020-21 Financial Statements

	Land & Buildings	Plant & Machinery	Transport & Equipment	Information Technology	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
<b>At 1 April 2020</b>	<b>330,569</b>	<b>28,516</b>	<b>12,277</b>	<b>5,479</b>	<b>9,011</b>	<b>385,852</b>
Removal of Forest Service balance	(91,100)	(6,120)	(1,427)	(809)	(94)	(99,550)
Additions	34	1,548	489	891	13,405	16,367
Disposals	(1,290)	(260)	(96)	(757)	-	(2,403)
Reclassifications	452	202	(86)	89	(479)	178
Revaluations to CSocNE	(1,383)	1	-	1	(16)	(1,397)
Revaluations through revaluation reserve	(24,488)	272	45	(4)	74	(24,101)
<b>At 31 March 2021</b>	<b>212,794</b>	<b>24,159</b>	<b>11,202</b>	<b>4,890</b>	<b>21,901</b>	<b>274,946</b>
<b>Depreciation</b>						
<b>At 1 April 2020</b>	<b>37,121</b>	<b>17,045</b>	<b>7,999</b>	<b>3,178</b>	<b>-</b>	<b>65,343</b>
Removal of Forest Service balance	(1,877)	(3,389)	(949)	(461)	-	(6,676)
Charged in year	6,052	1,301	771	641	-	8,765
Disposals	(1,290)	(255)	(156)	(672)	-	(2,373)
Reclassification	-	65	(65)	-	-	-
Transfers	-	-	-	-	-	-
Impairment	355	-	-	-	-	355
Revaluations to CSocNE	(1,028)	4	-	1	-	(1,023)
Revaluations through revaluation reserve	(26,101)	109	26	(131)	-	(26,097)
<b>At 31 March 2021</b>	<b>13,232</b>	<b>14,880</b>	<b>7,626</b>	<b>2,556</b>	<b>-</b>	<b>38,294</b>
<b>Carrying amount at 31 March 2020</b>	<b>293,448</b>	<b>11,471</b>	<b>4,278</b>	<b>2,301</b>	<b>9,011</b>	<b>320,509</b>
<b>Carrying amount at 31 March 2021</b>	<b>199,562</b>	<b>9,279</b>	<b>3,576</b>	<b>2,334</b>	<b>21,901</b>	<b>236,652</b>
<b>Asset financing:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Owned	199,562	9,279	3,576	2,334	21,901	236,652
<b>Carrying amount at 31 March 2021</b>	<b>199,562</b>	<b>9,279</b>	<b>3,576</b>	<b>2,334</b>	<b>21,901</b>	<b>236,652</b>

## Note 7.2 Biological Assets- from the DAERA 2020-21 Financial Statements

		2020-21	2019-20
Growing Timber	Note	Core Dept & Agency £'000	Core Dept & Agencies £'000
Value at 1 April		232,990	213,420
Revaluation adjustment			
Removal of Forest Service balance		(231,637)	-
Increase in stocks		149	
Transfer to assets held for sale	13	-	(1,535)
Timber removals		-	(9,537)
Timber lost to fire		-	(28)
Price/growth increment		-	29,317
<b>Value at 31 March</b>		<b>-</b>	<b>231,637</b>
Livestock & Fish Stock		-	1,353
<b>Total Biological Assets</b>		<b>1,502</b>	<b>232,990</b>
<b>Revaluation adjustment:</b>			
Credit to CSoCNE		-	18,553
In year movement in assets held for sale		-	(337)
<b>Movement in timber valuation</b>		<b>-</b>	<b>18,216</b>

Growing timber is valued in line with the accounting policy (see note 1.3). Timber lost to fire and disease is also valued on the same basis.

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2020-21 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved. The revaluation movement, except for the movement in the asset held for sale is taken directly to the CSoCNE. Timber felled and contracted for sale is removed from the valuation model and transferred to Assets Held for Sale.

Note 1.3 states:

*The value of trees grown for commercial purposes is included in **non-current assets** at a fair value basis less estimated selling costs. The fair value is determined by applying the present value of expected net cash flows from the asset (future revenues based on the sale of mature timber), discounted at a current market determined pre-tax rate to calculate the fair value of the timber asset at any point in time...*[emphasis added]

# Statements of Cash Flows and Changes in Equity

- ❖ Includes:
  - Movements in the balances of cash and equity between the start of the financial year and the end of that year
- ❖ **KEY POINT:** Less useful for scrutiny undertaken by non-accountants
- ❖ See example on next slide

## Consolidated Statement of Cash Flows and Changes in Taxpayers' Equity - extracts from the DAERA 2020-21 Financial Statements

### Consolidated Statement of Cash Flows for the year ended 31 March 2021

		2020-21	2019-20
	Notes	Core Dept & Agency £'000	Core Dept & Agencies £'000
<b>Cash flows from operating activities</b>			
Net operating cost	CSOCNE	(658,478)	(279,169)
Adjustments for non-cash transactions		33,092	28,290
Adjustment for Forest Service opening cash		93	-
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure</i>	16	(12,766)	(1,330)
		(1,333)	482
(Increase)/Decrease in inventories	14	30	62
Increase/(Decrease) in trade and other payables <i>less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure</i>	17	51,560	(968)
		(11,978)	(1,053)
Use of Provisions	18	(1)	(107)
<b>Net cash outflow from operating activities</b>		<b>(599,781)</b>	<b>(253,793)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(15,233)	(9,774)
Purchase of intangible assets	8.1	(21,209)	(17,680)
Proceeds of disposal of property, plant and equipment		68	114
<b>Net cash outflow from investing activities</b>		<b>(36,374)</b>	<b>(27,340)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) - current year	CSOCITE	646,999	279,800
From the Consolidated Fund (Supply) - prior year	CSOCITE	1,333	851
<b>Net financing</b>		<b>648,332</b>	<b>280,651</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>	<b>15</b>	<b>12,177</b>	<b>(482)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>15</b>	<b>(1,333)</b>	<b>(851)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>10,844</b>	<b>(1,333)</b>

### Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021

	Notes	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
<b>Balance at 31 March 2019</b>		<b>410,874</b>	<b>160,344</b>	<b>571,218</b>
Net Assembly Funding - drawn down		279,800	-	279,800
Supply receivable adjustment		1,333	-	1,333
Comprehensive Net Expenditure for the year		(279,169)	(22,571)	(301,740)
<b>Non-Cash Adjustments</b>				
Accommodation and other charges		18,151	-	18,151
Auditor's remuneration		131	-	131
<b>Movements in Reserves</b>				
Transfers between reserves		3,940	(3,940)	-
<b>Balance at 31 March 2020</b>		<b>435,060</b>	<b>133,833</b>	<b>568,893</b>
Net Assembly Funding - drawn down		646,999	-	646,999
To Remove Forest Service Opening Balance		(291,985)	(36,821)	(328,806)
Supply payable adjustment	17	(10,844)	-	(10,844)
Comprehensive Net Expenditure for the year		(658,478)	2,157	(656,321)
<b>Non-Cash Adjustments</b>				
Accommodation and other charges	4,5b	16,413	-	16,413
Auditor's remuneration	4	140	-	140
<b>Movements in Reserves</b>				
Transfers between reserves		3,730	(3,730)	-
<b>Balance at 31 March 2021</b>		<b>141,035</b>	<b>95,439</b>	<b>236,474</b>

# Resource Accounts:

- Recent Developments
- What are Resource Accounts?
- Analysing Expenditure
- **Further Analysis**

# Statement of Outturn against Assembly Supply (SOAS)

- ❖ Shows how a department has spent against its Supply Estimate
- ❖ Compares Outturn (actual expenditure) with the Supply Estimate, for both voted and non-voted expenditure
- ❖ Audited by the C&AG and forms part of the Accountability Report

## **CHECKLIST:**

- **Are there any significant underspends or overspends?**
  - **Have they been explained?**
  - **Do the explanations sound reasonable in the given circumstances?**
- **Any comments provided by the C&AG in relation to any significant underspends or overspends?**

- ❖ See example on next slide

Statement of Outturn against Assembly Supply – extracts from [Dfl 2022-23 Accountability Report](#)

Summary Table 2022-23

2022-23 £000										2021-22 £000
Type of Spend	Note	Outturn			Estimate			Outturn vs Estimate, saving/ (excess) Total		Prior Year Outturn Total
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental Expenditure Limit										
Resource	SOAS1.1	382,028	262,989	645,017	404,013	246,106	650,119	21,985	5,102	690,267
Capital	SOAS1.2	497,689	298,734	796,423	498,472	298,551	797,023	783	600	752,734
Total		879,717	561,723	1,441,440	902,485	544,657	1,447,142	21,714	5,702	1,443,001
Annual Managed Expenditure										
Resource	SOAS1.1	135,072	13,675	148,747	174,500	14,997	189,497	39,428	40,750	87,446
Capital	SOAS1.2	(8,794)	-	(8,794)	1,161	-	1,161	9,955	9,955	(2,552)
Total		126,278	13,675	139,953	175,661	14,997	190,658	49,383	50,705	84,894
Total Budget										
Resource	SOAS1.1	517,100	276,664	793,764	578,513	261,103	839,616	61,413	45,852	777,713
Capital	SOAS1.2	488,895	298,734	787,629	499,633	298,551	798,184	10,738	10,555	750,182
Total		1,005,995	575,398	1,581,393	1,078,146	559,654	1,637,800	72,151	56,407	1,527,895
Non-Budget										
Resource	SOAS1.1	268,343	-	268,343	288,620	-	288,620	20,277	20,277	233,863
Capital	SOAS1.2	155,000	-	155,000	170,000	-	170,000	15,000	15,000	170,000
Total		423,343	-	423,343	458,620	-	458,620	35,277	35,277	403,863
Total Budget and Non-Budget		1,429,338	575,398	2,004,736	1,536,766	559,654	2,096,420	107,428	91,684	1,931,758



# Note to the Statement of Assembly Supply – extract from the [Dfl 2022-23 Accountability Report](#)

## Notes to the Statement of Outturn against Assembly Supply 2022-23

### SOAS 1 Outturn detail, by Estimate line

#### SOAS 1.1 Analysis of resource outturn by Estimate line

												2022-23 £000	2021-22 £000
Type of Spend (Resource)		Resource Outturn						Estimate			Outturn v Estimate (Inc virements), saving / (excess)	Prior Year Outturn Total	
		Administration			Programme			Total	Total	Virements*			Total Inc virements
		Gross	Income	Net	Gross	Income	Net						
Spending In Departmental Expenditure Limits (DEL)													
Voted Expenditure													
1. Roads, Rivers and Waterways		74,508	(3)	74,505	200,580	(17,457)	183,123	257,628	271,960	-	271,960	14,332	244,832
Of which:	Roads	71,297	-	71,297	182,688	(16,001)	166,687	237,984	249,337	-	249,337	11,353	224,668
	Rivers	-	(3)	(3)	16,365	(227)	16,138	16,135	16,928	-	16,928	793	15,638
	Ferry Services	-	-	-	1,118	(1,229)	(111)	(111)	(91)	-	(91)	20	(312)
	Inland Waterways	-	-	-	255	-	255	255	748	-	748	493	260
	Central Policy and Other Services	3,211	-	3,211	154	-	154	3,365	5,038	-	5,038	1,673	4,578
2. Waterways Ireland (ALB – Net)		1,699	-	1,699	3,032	(172)	2,860	4,559	5,263	-	5,263	704	5,706
Of which:	Waterways Ireland	1,699	-	1,699	3,032	(172)	2,860	4,559	5,263	-	5,263	704	5,706
3. Bus, Rail and Ports		4,904	-	4,904	98,585	(205)	98,380	103,284	106,146	-	106,146	2,862	173,975
Of which:	Ferry Services, Air and Sea Ports	-	-	-	4,023	-	4,023	4,023	4,095	-	4,095	72	917
	Railway Services	-	-	-	30,991	-	30,991	30,991	42,347	-	42,347	11,356	88,296
	Road Passenger Services	4,904	-	4,904	64,353	(205)	64,148	69,052	60,480	-	60,480	(8,572)	81,047
	EU Interreg	-	-	-	-	-	-	-	-	-	-	-	-
	Support for Taxi and Coach Industries	-	-	-	(782)	-	(782)	(782)	(776)	-	(776)	6	3,715
4. Road Safety Services Including DVA		4,192	(1,295)	2,897	8,598	(3,360)	5,238	8,135	10,884	-	10,884	2,749	25,776
Of which:	Road Safety Services	4,192	(1,295)	2,897	3,151	(687)	2,464	5,361	7,083	-	7,083	1,722	9,817
	Driver and Vehicle Agency	-	-	-	5,447	(2,673)	2,774	2,774	3,801	-	3,801	1,027	15,959

# Note to the Statement of Assembly Supply – extract from the [Dfl 2022-23 Accountability Report](#)

## SOAS 1.2 Analysis of capital outturn by Estimate line

2022-23 £000								2021-22 £000	
Type of Spend (Capital)		Outturn			Estimate			Outturn v Estimate (Inc virements), saving / (excess)	Prior Year Outturn Total
		Gross	Income	Net	Total	Virements*	Total Inc virements		
Spending In Departmental Expenditure Limits (DEL)									
Voted Expenditure									
1. Roads, Rivers and Waterways		234,091	(22,721)	211,370	206,891	4,479	211,370	-	262,598
Of which:	Roads	210,057	(22,713)	187,344	182,460	4,479	186,939	(405)	242,876
	Rivers	24,034	(8)	24,026	24,081	-	24,081	55	19,722
	Ferry Services	-	-	-	-	-	-	-	-
	Inland Waterways	-	-	-	350	-	350	350	-
	Central Policy and Other Services	-	-	-	-	-	-	-	-
2. Waterways Ireland (ALB – Net)		1,205	-	1,205	1,575	-	1,575	370	1,087
Of which:	Waterways Ireland	1,205	-	1,205	1,575	-	1,575	370	1,087
3. Bus, Rail and Ports		266,111	(739)	265,372	268,917	(3,237)	265,680	308	245,228
Of which:	Ferry Services, Air and Sea Ports	(3)	-	(3)	-	-	-	3	(28)
	Railway Services	192,386	(36)	192,350	185,241	-	185,241	(7,109)	151,228
	Road Passenger Services	72,901	-	72,901	83,536	3,237	80,299	7,398	93,920
	EU Interreg	827	(703)	124	140	-	140	16	108
	Support for Taxi and Coach Industries	-	-	-	-	-	-	-	-
4. Road Safety Services Including DVA		21,252	(3,865)	17,387	17,092	295	17,387	-	11,592
Of which:	Road Safety Services	248	-	248	224	24	248	-	660
	Driver and Vehicle Agency	21,004	(3,865)	17,139	16,868	271	17,139	-	10,932

## Statement of Outturn against Assembly Supply – extracts from [DfI 2022-23 Accountability Report](#)

### Variances between Outturn and Estimate

A detailed analysis of Outturn against Estimate by function can be found in the Statement of Outturn against Assembly Supply (SOAS) within the Accountability Report. The table below summarises Outturn against Estimate and links directly to the SOAS, a key accountability statement which is audited.

	Outturn (£000)	Estimate (£000)	Variance (£000)
Voted Resource	785,443	867,133	81,690
Voted Capital	643,895	669,633	25,738
Net Cash Requirement	1,325,497	1,417,677	92,180

#### Voted Resource

Outturn for the year was 9.4% (£81.7m) less than the Estimate for the year. This was primarily due to depreciation / impairment of the non-trunk road network being less than anticipated. Depreciation is based upon an annual assessment of the condition of the road network along with the capital expenditure on structural maintenance, this can create unpredictable fluctuations in the depreciation charge year on year.

Also, NI Water subsidy required was lower than anticipated by the Department.

#### Voted Capital

Outturn for the year was 3.8% (£25.7m) less than the Estimate for the year. This was primarily due to revaluation and release of capital provisions being lower than anticipated.

Also, loan notes to NI Water were lower than anticipated by the Department.

#### Net Cash Requirement

The Net Cash Requirement shows a variance of 6.5% (£92.2m) against the Estimate for the year. This was mainly due to the movement in working capital with creditors being more than anticipated resulting in less payments. This was also combined with the loans and subsidies to NI Water being lower than anticipated by the Department.

# Certificate and Report of the C&AG

- ❖ ARAs are independently verified by Northern Ireland's C&AG
- ❖ Financial audits check:
  - Is it what happened? (“true and fair”)
  - Is it what was intended? (“regular”)
  - Is it consistent?
- ❖ **KEY POINT:** The C&AG can hold a “qualified opinion” if they believe there is either a lack of sufficient appropriate audit evidence or material misstatements in a set of financial statements
  - **Example:** The C&AG held a “qualified opinion” on both the financial statements and regularity in [DoF's 2020-21 Annual Report and Accounts](#) – these opinions are explained fully in the “Basis of opinions” subsection

# Any Questions

