



Northern Ireland  
Assembly

---

**PUBLIC ACCOUNTS  
COMMITTEE**

---

**OFFICIAL REPORT**  
(Hansard)

---

**‘Report on Excess Votes  
(Northern Ireland) 2009-2010’**

15 June 2011

**NORTHERN IRELAND ASSEMBLY**

---

**PUBLIC ACCOUNTS COMMITTEE**

---

**‘Report on Excess Votes (Northern Ireland) 2009-2010’**

---

15 June 2011

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

Mr Paul Maskey (Chairperson)  
Mr Joe Byrne (Deputy Chairperson)  
Mr Sydney Anderson  
Mr Michael Copeland  
Mr John Dallat  
Mr Paul Frew  
Mr Paul Girvan  
Mr Ross Hussey  
Ms Jennifer McCann  
Mr Mitchel McLaughlin

**Witnesses:**

Mr Michael Brennan )  
Mr Gerry Lavery ) Department of Agriculture and Rural Development  
Mr John Smith )

**Also in attendance:**

Mr Kieran Donnelly ) Comptroller and Auditor General  
Mr Richard Pengelly ) Acting Treasury Officer of Accounts

**The Chairperson:**

We move on to the Public Accounts Committee ‘Report on Excess Votes 2009-2010’. Members will recall that we agreed to follow up on the issue following the publication of the report. Mr Lavery will give details, and members can then ask questions in order. The previous Committee met the Department and discussed the issue of running out of money. It was considered to be one of the most serious cases of an Excess Vote the Committee had seen since devolution. Mr

Lavery, can you tell us why it happened and what the Department learned from it?

**Mr Lavery (Department of Agriculture and Rural Development):**

Certainly. I have read the previous report. At the outset, I apologise to the Committee. I am sorry that we have had to ask the Assembly and the Committee to rectify an error that should never have occurred. I am personally embarrassed, because I have been responsible for the Department's finances at Senior Civil Service level since 2000. It is the first time that we have had an Excess Vote. I have aimed to operate a tight ship, so it was an occasion on which our standards slipped.

In 2009-2010, the Department spent more cash than the Assembly had authorised. In so doing, we breached the Assembly control over our cash limits and received an Excess Vote. That embarrassing situation arose straightforwardly because in the spring Supplementary Estimates we underestimated our cash requirements and were obliged to request a refundable cash advance, which is being authorised by the Assembly this week. It arose out of a clerical error. To be fair, the primary mistake was due to weaknesses in our checking and quality control. A person can make an error, but our checking and quality control should have picked it up. I do not blame the individual for making the error. I take responsibility for the weaknesses in our checking and quality-control processes.

As you know, we rectified the error very quickly. We worked to get the repayable cash advance from the Consolidated Fund. Our Department and the Department of Finance and Personnel (DFP) completed that within two working days. It did not impact on our payments, our budget or the external world, but that is not to deny the seriousness of what occurred.

**The Chairperson:**

I appreciate your frankness. Were the people who worked on it qualified in finance?

**Mr Lavery:**

Yes. Since then, we have ensured that all our relevant finance staff have had additional training. That has been done to labour the point that these are very sensitive issues. There are very important tables to be completed, and they require absolute accuracy. Checking has to be carried out scrupulously and quality control exercised rigorously.

**The Chairperson:**

Were there other senior staff, below you, looking at this? Could they have spotted the mistake? I know that you are being very open with us today by saying that you take responsibility, but were there other senior staff working on it?

**Mr Lavery:**

It could have been spotted. It should have been spotted. It was a very major error. We always had a check on how much cash we were spending. We have now introduced an additional requirement to keep a check on the cash in hand, and that will improve quality control. We have also introduced board monitoring at departmental board level. Every month, we look at our cash spend and cash in hand. In future, the board will be able to spot anything like this and take early cognisance of it. At the time, our suite of data was not as comprehensive as it is today.

**The Chairperson:**

Lessons learnt?

**Mr Lavery:**

Lessons learnt, sir.

**The Chairperson:**

Good stuff.

OK. I turn now to the Acting Treasury Officer of Accounts. The Assembly voted through the excess expenditure for 2009-2010 on Monday. Maybe you can explain the procedures that DFP used to monitor expenditure with the aim of preventing Departments overspending.

**Mr Richard Pengelly (Acting Treasury Officer of Accounts):**

Just to be clear: the particular issue was a cash issue. Departments put requests for cash to us on a daily basis. We monitor the cumulative drawdown of cash as it has been authorised by the Assembly. Indeed, in this case, it was the DFP controls that spotted the mistake. On 15 March, when DARD requested funding of £1.4 million, we spotted that accessing £1.4 million would take that Department over the amount that had been authorised by the Assembly. That is where the process of corrective measures kicked in. The double check and monitoring is also done through the Comptroller and Auditor General looking to ensure that the appropriations from the

consolidated fund are in accordance with Assembly authority. There are two layers of checking.

**The Chairperson:**

Are you and the Department happy that procedures are in place so that, hopefully, this will not happen again?

**Mr Pengelly:**

As Mr Lavery said, it was a simple clerical error. If you are asking whether I have 100% confidence, the reality is that no system will catch every error. It was a clerical error. Certainly, systems in the Department have been tightened up since then. We have supplemented that through the addition of a robust manual, which sets out the Estimates procedures. That was done in October last year.

The DFP's Centre for Applied Learning runs courses on budgets and estimates, and they are available to staff in all Departments. There is a continuing uptake of those. Our perspective is that there are no residual concerns. As Gerry said, a mistake was made, lessons have been learned and corrective measures have been put in place.

**Mr Copeland:**

I think we have heard the term "clerical error" on four occasions. Was that error made by a clerk? I understand the term "clerical error", and that has implications. Was the error made by someone at a very low level?

**Mr Pengelly:**

I used the term "clerical error" because a question was asked about qualifications. This was not an issue around the interpretation of deeply complex accounting standards; a minus sign was used instead of a plus sign, or a plus instead of a minus. It was that sort of error.

**Mr Copeland:**

I know that anyone can make a mistake, but I am just curious as to whether this person earns £15,000 a year or £50,000?

**Mr Lavery:**

Let us be clear that it was not a member of the Senior Civil Service; it was a member of the

finance division.

**Mr Byrne:**

I appreciate that it is the end of a gruelling session, but I think that it is important that we examine further the circumstances surrounding these Excess Votes. The Treasury Officer of Accounts has indicated that the errors that led to the Department running out of money occurred as a result of the failings of some staff. I have used the term “some staff” advisedly. The report notes a number of concerns regarding the Department’s financial management systems, including its inability to produce quality accounts on time. We have heard today about the Crossnacreevy situation and members’ concerns about that. What kind of working culture exists in the Department in relation to financial management? Is it lazy, incompetent or simply unprofessional? I would not want the senior management to dump on a relatively junior person if they were the reason behind the Excess Vote. I want to know what senior management is going to do to ensure that these sorts of things do not happen again.

**Mr Lavery:**

Thank you for your question, Mr Byrne. It is absolutely not the case that I am attributing this to the individual concerned. I have said, and I recognise the seriousness of saying, that it was our quality control and our checking that let us down. Those are systems for which I am accountable.

We aspire to having a culture of effective financial management. Our finance division works very closely with business areas to ensure effective management of those areas’ budgets. Finance is a significant item that takes up the bulk of our dialogue in the departmental board. Monthly management accounts are tabled and expenditure is tightly monitored.

We are not only accountable for the resource expenditure voted for by the Assembly, we also manage European agriculture funds in excess of £300 million each year, and we have to exercise high standards of stewardship. I seek stewardship reports annually from all of my senior officers, I look at those and expect them to show me transparently any difficulty, failing or fraud that has occurred and that it has been dealt with.

Our finance branch is dedicated to promoting best practise in governance, risk, procurement and business cases. Our audit committee has for several years now been entirely non-executive, chaired by a non-executive from outside the Civil Service. Its members are non-executives from

outside the Civil Service and a senior civil servant from another Department. I look to that audit committee for assurance and I have a risk forum that reports to an independent board member and, through him, to the audit committee. We aim to be best in class, but we did not deliver on that occasion.

**Mr Byrne:**

I appreciate the answer. However, the public at large will be extremely concerned that the Civil Service or a Department, which has all the resources necessary to carry out financial and general management, could fail so miserably in such a situation. What sort of monitoring and reporting of cash drawdowns and checking and quality review of submissions to DFP by senior management and training of staff now exist in the budgeting and estimating process?

**Mr Lavery:**

We have implemented a system in which we have daily monitoring of cash expenditure and cash in hand, which then informs all of our cash accounting. It also informs our monthly management board meeting, at which cash expenditure is now a regular feature of the monthly account.

**Mr Byrne:**

If this had happened in a private practice, where accountants are under pressure at the end of the year to get accounts done for individuals or businesses, I could understand the stress and strains that are sometimes associated with mistakes. However, in a Department, where there is a fairly controlled programme of work, it is unacceptable that those sorts of practices ever should have existed.

**Mr Hussey:**

How long was it before the error was discovered?

**Mr Lavery:**

The error occurred in the spring Supplementary Estimates and was discovered within a number of weeks. As the Acting Treasury Officer of Accounts explained, it was discovered because we were running out of cash.

**Mr Hussey:**

Yes, but, at the same time, it took a number of weeks. Many years ago, I was a clerk, so I know

about clerical errors. We would not have left our books. If they were one penny out, we were not allowed to submit them. Our manager was that strict. That it took a matter of weeks to find out about this is scandalous. You say that you now have daily monitoring. I hope that that will resolve the issue, but it is scandalous.

I have a question for the Treasury Officer of Accounts. The DFP has a role in the processes where requests for changes to funding are made by Departments. We note references in the Committee report on the Excess Votes to DFP templates. As a result of the DARD experience, has DFP made any improvements to its processes and oversight arrangements to avoid such a situation arising again?

**Mr Pengelly:**

We have. We have a database that Departments populate with their data. We ran the templates through our database so that they were populated with some figures. That was a very understandable attempt to be helpful on our part. Part of the issue that we discovered from that is that, sometimes, if you offer somebody a set of figures from DFP, they are accepted as a statement of fact. Among my team, DFP and with some colleagues in DARD, there was not the same degree of checking on those figures. Just because they were in the database, they should not have been accepted as the exact truth. We now issue blank templates, which means that people have to develop the figures themselves to populate them. That involves more cross-checking. That is the main change.

**Mr Hussey:**

How long has that been in operation? How regularly does the cross-checking take place?

**Mr Pengelly:**

You made the point about balancing accounts to the penny. The error that we are talking about was not about processing cash or paying; it was in determining the figure for which Assembly approval was sought. That happened —

**Mr Hussey:**

An error was still made. Somebody made a mistake by putting in the wrong figures. It should have been identified a lot earlier. It took far too long for it to be identified. It was a clear error, so there must be some process whereby that can be identified quickly.



**Mr Pengelly:**

The point that I am making is that cash flows happen daily. Assembly authority for expenditure is sought twice a year, so that process happens twice a year. The improvements that have been made happen when that process takes place twice year at Main Estimates and spring Supplementary Estimates. There were no errors in the processes for handling cash, processing payments or authorising payments. The additional checks place take place on the two occasions a year on which that process happens.

**Mr Hussey:**

There is still a fundamental flaw if someone can make an error of that sort and it takes a long time for that error to come to light. That is something that we should be aware of more regularly. If I were running a Department, I would like to ensure that I was running a ship that would not run aground, as clearly happened here. I still have concerns that the security is insufficient to ensure that it does not happen again.

**The Chairperson:**

You will be glad to hear that there are no further questions. The session has been lengthy but worthwhile. We may write to you for further answers. It is about ensuring that you have the right people in the right jobs. The Committee will continue to participate on behalf of the Assembly on the reporting of excesses, and that is an important role. I hope that we will not see much of that in the future and that checks and balances are put in place. Thank you for your time and indulgence.

**Mr Lavery:**

Thank you.