

DEPARTMENT OF FINANCE AND PERSONNEL

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To : Departmental, Agency and Additional Accounting Officers

ISSUES RAISED BY THE PUBLIC ACCOUNTS COMMITTEE

At the Public Accounts Committee hearing on The Rural Development Programme, the Committee asked DFP to write to Accounting Officers regarding guidance on economic appraisal. The Committee also commented on issues concerned with the use of consultants. DFP wrote to Accounting Officers on 15 February 2001.

The purpose of this letter is to ask Accounting Officers;

- to confirm that the DFP letter of 15 February outlining the key points of the current guidance in the areas of economic appraisal and use of consultants was circulated to all sponsored bodies.
- to confirm that when signing the Statement of Internal Financial Control, Accounting Officers specifically obtain the necessary supporting documentation to ensure that Economic Appraisals are being carried out with proportionate effort for all projects and that they are aware of any weaknesses in the completion of Economic Appraisals.

Economic Appraisal

The Committee was concerned that in a number of projects examined as part of a review of The Rural Development Programme, economic appraisals had not been carried out. Furthermore, it considered it unacceptable that officials had set aside economic appraisal guidelines without reference back to DFP. The Committee also asked DFP to draw to Accounting Officers' attention the seriousness with which it will regard any future lapse of this nature.

Use of Consultants

The Committee also commented on the need for departments to establish quality reviews procedures for consultancy work and recommended that guidance should be provided on reclaiming fees where the standard of that work proves to be inadequate. In its response, DFP stated that comprehensive guidance was already in place, and that if the current guidance is adhered to, the issue of reclaiming fees should not occur.

Statement of Internal Financial Control (SIFC)

The statement on the system of internal financial control confirms that the Accounting Officer has satisfied the responsibility set out in the Accounting Officer Memorandum to ensure that effective management systems, including financial monitoring and control systems, have been put into place.

The Department is required to include a description in the SIFC of key procedures designed to provide effective internal financial control such as major information systems. Where there are weaknesses in internal financial controls the wording of the SIFC should disclose this information.

The completion of an Economic Appraisal is a fundamental requirement before public resources can be committed, and comprehensive guidance has been issued on their preparation and evaluation.

Accounting Officers should therefore, when signing the Statement of Internal Financial Control, specifically obtain the necessary supporting documentation to allow them to ensure that Economic Appraisals are being carried out with proportionate effort for all projects and that they are aware of any weaknesses in the completion of Economic Appraisals.

Conclusion

I must stress that this is an issue which has now arisen repeatedly at PAC hearings. We are considering if it would be appropriate to amend the guidance on the Statement of Internal Financial Control to indicate that the SIFC should contain a specific reference to the Accounting Officer's view of how the appraisal process is working in the Department. In any case, it is essential that Departments act to ensure that the approach to appraisal required under DFP advice is followed.

Action

I should be grateful if Accounting Officers would; (1) confirm that the DFP letter of 15 February was circulated to all sponsored bodies, and (2) confirm that when signing the Statement of Internal Financial Control, they specifically obtain the necessary supporting documentation to ensure that Economic

Appraisals are being carried out with proportionate effort for all projects and that they are aware of any weaknesses in the completion of Economic Appraisals.

Copies of this letter should also be sent to sponsored bodies

Andrew McCormick

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