



House of Commons

Committee of Public Accounts

Excess Votes (Northern Ireland) 2003–04

**Sixth Report of
Session 2004–05**



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Report, together with formal minutes

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The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Nick Wright (Clerk), Christine Randall (Committee Assistant), Leslie Young (Committee Assistant), Ronnie Jefferson (Secretary), and Luke Robinson (Media Officer).

Contacts

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Summary

The Report by the Committee of Public Accounts on Excess Votes is part of the framework of Parliamentary control over government spending. Once the audited accounts of each Department have been laid before Parliament, the Committee meets to consider the reports by the Comptroller and Auditor General on the accounts of those Departments that have exceeded the limits of expenditure authorised by Parliament. The Committee's Report recommends whether Parliament should approve further grants to the Departments concerned and regularise the excess expenditure. Where the Excesses are the results of failures in control within Departments, the Committee may make recommendations for improvements.

In 2003–04 one Pension Scheme in Northern Ireland incurred an Excess in the use of resources of £122.9 million, chiefly because it did not get to grips with new accounting requirements for pensions payable in future years.

Conclusions and recommendations

1. While it is encouraging that there only one Excess in the Northern Ireland Departments and Pension Schemes (down from two in 2002–03), we are concerned by its exceptionally high value and the reasons which gave rise to it. Effective resource-based Supply procedures could have avoided this Excess and we are disappointed that these were not in place in the Pension Scheme managed by the Department of Education.
2. We expect and require Northern Ireland Departments to have robust procedures in place to estimate and monitor their use of cash and resources. We re-iterate the importance we attach to them managing their cash and resources within the limits approved by Parliament in the Budget Orders. The Accounting Officer responsible for the Pension Scheme concerned should give the highest priority to satisfying himself that Scheme meets that duty in future.
3. Steps have been taken by the Department of Education, or proposed, to avoid recurrences of Excesses in future years. We expect all Pension Schemes in Northern Ireland which are subject to resource budgeting to review their estimates procedures to make sure they are not vulnerable to the deficiencies which gave rise to this Excess.
4. Parliament has traditionally authorised the overspending against provision by means of an Excess Vote, and we recommend that the sums set out in Figure 1 should be provided accordingly.

Excess Votes in 2003–04

1. In 2003–04 Parliament authorised total net resources of £12,956 million in Supply Estimates. This is accounted for in 15 Northern Ireland Resource Accounts and three Pension Schemes. Of these, one Pension Scheme incurred an Excess Vote in the use of resources of £123 million. There were no Excesses in the application of cash. Detail of the resource Excess is summarised in **Figure 1**.

Figure 1: Summary of 2003–04 Excess Votes required

Department	Resource Excess	Cash Excess	Excess Accruing Resources to be applied to meet Resource Excess	Excess Accruing Resources to be applied to meet Cash Excess	Amounts to be voted	
					Resource	Cash
	£	£	£	£	£	£
Teachers' Pension Scheme	122,925,110.65 (23.03%)	–	684,085.97	–	122,241,024.68	–

The percentage shown is in relation to limits authorised by Parliament in the Budget (Northern Ireland) Order 2004

2. The number of excesses is reduced from two in 2002–03 to one in 2003–04 but the value of excesses has increased from £4,485,817.56 to £122,925,110.65.

Teachers' Pension Scheme (Northern Ireland): Excess on Request for Resources A

3. The Committee have considered the Comptroller and Auditor General's Report on the Excesses in the accounts of the Teachers' Pension Scheme for 2003–04. The net Resource Excess of £122.241 million against the Request for Resources (Providing for the payment of pensions, lump sums and premature retirement compensations to persons covered by the Teachers' Superannuation Scheme) occurred because of a failure properly to estimate pension provisions.

4. 2003–04 was the first financial year in which the requirements of Financial Reporting Standard 17 (FRS17 – Retirement Benefits) were implemented in full. This standard requires the Scheme accounts to include provisions for future pension liabilities both for existing Scheme members and those newly transferring into the Scheme. However, shortcomings in the procedures used by the Department of Education to support the Estimate process meant that pension scheme liabilities were not accurately quantified. There was a miscalculation of £104.6 million in the amount of prior period adjustment recording the net increase in Superannuation liabilities in 2001–02 and 2002–03.

5. Additionally, a revised Scheme valuation, received in July 2004, increased Scheme liabilities by £14.4 million and outgoings were some £3.9 million higher than expected. This took the overall Excess of resources to £122.9 million. It is proposed to apply excess Accruing Resources of £0.684 million partly to offset the resource Excess, leaving an amount of £122.241 million to be granted by way of an Excess Vote.

6. The Scheme managers have taken steps to minimise the risk of similar problems recurring in the future. The Department of Education will ensure that all necessary information for the estimates process is obtained and its implications appreciated. The Department will also contact the Scheme Actuary to see if estimates of future changes in liabilities can be obtained in advance of Supplementary Estimates being prepared. These actions are also intended to ensure that any future period adjustments reflect the appropriate requirements.

Formal minutes

Monday 7 February 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan	Jim Sheridan
Mr Richard Bacon	Mr Siôn Simon
Mrs Angela Browning	Mr Gerry Steinberg
Mr Ian Davidson	Mr Alan Williams
Mr Brian Jenkins	

The Committee deliberated.

Draft Report (Excess Votes (Northern Ireland) 2003–04), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 6 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned until Wednesday 9 February at 3.30pm]

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