



**INQUIRY INTO THE RENEWABLE HEAT INCENTIVE SCHEME**

**RHI REF: SUPPLEMENTARY STATEMENT 2 - DOF**

**DATE: 22 March 2018**

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**Witness Statement of: HUGH WIDDIS**

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I, Hugh Widdis, will say as follows: -

**DOF SUPPLEMENTARY STATEMENT**

1. In the course of its opening statement to the Inquiry, on Day 4 of Oral Hearings (Friday 10 November 2017) the Department of Finance (DoF) provided a number of undertakings to the Inquiry. These included to provide further details on:
  - The role of an Accounting Officer for seeking DoF approvals<sup>1</sup>;
  - The role of DoF in training provision and project management<sup>2</sup>; and
  - The role of DoF in the operation of other departments' risk management and Internal Audit arrangements<sup>3</sup>.
  
2. The Department is also providing additional information on the following areas within this statement:-
  - Consolidated Budgeting Guidance;
  - Business case approval and associated guidance; and
  - Value for Money – regional considerations.

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<sup>1</sup> Page 39 (Line 13) - Page 40 (Line 20)

<sup>2</sup> Page 40 (Line 23) – Page 41 (Line 16)

<sup>3</sup> Page 41 Line 17- Page 42 (Line 1)

## **ACCOUNTING OFFICER RESPONSIBILITY FOR DOF APPROVALS**

3. As set out in the DoF Witness Statement (WIT 35021 – 35091), Chapter 3 of Managing Public Money NI sets out an Accounting Officer's role in assuring the NI Assembly and the public of high standards of probity in the management of public funds. In doing so Chapter 3 sets out the standards expected of an Accounting Officer's organisation (Box 3.1) and advises that acting within the authority of the Minister the Accounting Officer should ensure that the organisation operates effectively and to a high standard of probity. Box 3.1 relates to requirements in respect of governance, decision making and financial management.
4. Under section 3.3 – entitled "Special responsibilities of Accounting Officers" – MPMNI advises that it is important that each Accounting Officer takes personal responsibility for ensuring that the organisation he or she manages delivers the standards in Box 1.1. These relate to the standards expected of all public service i.e. honesty; impartiality; openness; accountability; accuracy; fairness; integrity; transparency; objectivity; and reliability.
5. MPMNI then goes on to note that that there are several other areas where the Assembly expects the Accounting Officer to take personal responsibility - one of these areas being "*regularity and propriety*, including seeking DoF approval for any expenditure outside the normal delegations or outside the subheads of estimates, and carried through with appropriate disclosures in the Annual Report and Accounts". Other areas where Accounting Officers are expected to take personal responsibility are wide ranging and include the selection and appraisal of programmes and projects; ensuring value for money; management of opportunity and risk; learning from experience; and accounting accurately for the organisation's financial position and transactions.
6. While the Assembly expects the Accounting Officer to take personal responsibility for seeking approvals from DoF (and indeed for taking personal responsibility for the other responsibilities specified within MPMNI), in practice all of these responsibilities are not expected to be carried out personally by the

Accounting Officer but are delegated to the relevant business areas within the Accounting Officer's department. This is in line with MPMNI (A.3.1.1) which advises "Each accounting officer (AO) delegates responsibilities within his or her organisation so as to control its business and meet the standards set out in Box 3.1" (standards expected of the Accounting Officer's organisation).

7. The Accounting Officer's responsibility is therefore an overall one to ensure that good governance and internal control exists within his/her organisation rather than to fulfil these his or herself personally.

### **TRAINING AND PROJECT MANAGEMENT TRAINING**

8. In terms of training, DoF's role in relation to training provision for NICS staff is to make available generic training, i.e. training that is required for the common roles of a civil servant. Departments are responsible for specific line of business as well as professional and technical training. Generic training is offered through the NICS HR Centre for Applied Learning (CAL).
9. Responsibility for ensuring that training needs are appropriately identified and met is the responsibility of management in each Department. It is for individual departments to determine the training needs of their staff, collectively and individually. This is mainly done through the NICS performance management system. A core aspect of this requires the completion of individuals' annual Personal Performance Agreements (PPA) from which training and development needs are identified by the individual and logged on the individuals' Personal Development Plans (PDP). Both the PPA and PDP are agreed between individual staff and line managers. Training can take a number of forms including on-the-job training, job shadowing, coaching/mentoring and attendance at internal or external training courses. Where a training need is identified, staff can enrol on the required courses run by CAL or through external training providers if unavailable through CAL, whichever is more appropriate.
10. CAL has an extensive portfolio of generic training products covering a wide range of categories including Leadership and Management, Policy Skills,

Governance, Finance, ICT skills, Programme and Project Management, Health and Safety. CAL works closely with Heads of Profession and subject matter experts and practitioners to ensure its products are fit for purpose, and adapted to address changes in methodologies, policy or legislation. Where specialist knowledge or experience is required CAL deploys NICS practitioners to assist with the delivery of courses.

11. It is in this context that Central Procurement Directorate's Centre of Expertise for Programme and Project Management (CoE for PPM), delivers the programme/project management training offered from the CAL catalogue.

### **RISK MANAGEMENT**

12. DoF has a long standing responsibility for issuing the overall policy guidance in relation to risk management and internal audit.
13. Guidance on risk management is mainly contained within the 2004 HMT document - The Orange Book: Management of Risk – Principles and Concepts, issued by DFP under cover of DAO (DFP) 15/05.
14. Implementation and operation of risk management processes within departments is the responsibility of Accounting Officers and their departments.
15. DoF does not have an oversight role in relation to the operation of risk management processes within other NICS departments.

### **INTERNAL AUDIT - PRE 2015**

16. Previous DoF Witness Statements provide some information on arrangements for Internal Audit in Northern Ireland Departments (see WIT-30034 and WIT-35051 - 35056).

17. In terms of Internal Audit pre 2015, DFP's role was in relation to issuing guidance on Internal Audit issues. This was mainly in relation to the issue of relevant Internal Audit Standards.
18. While DFP facilitated a NICS Heads of Internal Audit Forum (at which generic Internal Audit issues were discussed) the implementation of Internal Audit guidance was the responsibility of the relevant departments.
19. While DFP had no oversight role in relation to the operation of Internal Audit units within departments, in 2011 an External Quality Assessment (EQA) of the DETI Internal Audit service was undertaken by DFP staff. The requirement to have an EQA completed by a qualified, independent external reviewer or team from outside the organisation is set out in the Internal Audit Standards at that time (Government Internal Audit Standards 2011). It was the relevant Department's Head of Internal Audit's responsibility to maintain a quality assurance programme which includes ensuring EQAs were conducted. While the EQA, in this instance was undertaken by DFP staff, this was not a specified or routine function of DFP. Indeed EQAs of other departments' Internal Audit teams have been undertaken by reviewers from within other NICS departments and by review teams from HMT.

#### **INTERNAL AUDIT POST 2015**

20. Since April 2015, with the establishment of the Group Internal Audit and Fraud Investigation Service, the Head of the Group Service (a DoF official) has responsibility for the overall provision of Internal Audit services to departments and their individual Accounting Officers. There is an agreed Memorandum of Understanding (MOU) in place between the Group Service and each department. Section 8 of the MOU emphasises that, in relation to departmental specific issues which the Group Head may be involved in, the Group Head reports to the relevant department and is accountable only to the relevant department's Accounting Officer. The Group Head has no responsibility or reporting line to DoF in respect of these matters.

21. Under this arrangement the Permanent Secretaries Group, and now the NICS Board, is collectively responsible for the overall delivery and performance of the Group Internal Audit Service.

## **CONSOLIDATED BUDGETING GUIDANCE**

22. Mike Brennan in the course of his oral evidence to the Inquiry<sup>4</sup> also advised that DoF would provide further more detailed information on the Department's handling of the change in approach to the treatment of AME including the process that was followed when the Consolidated Budgeting Guidance papers were submitted from Treasury to DFP and further transmitted to finance divisions in departments to comment.
23. HM Treasury issue Consolidated Budgeting Guidance (CBG) for each financial year. Before finalising the guidance for any year HM Treasury issue a draft version to Whitehall departments and Devolved Administrations for comment through DFP/ DoF. This version clearly shows the tracked changes from the previous year's version. The covering letter also highlights any significant changes.
24. DoF Central Expenditure Division (CED) circulate this draft to NI departments for comment. For the 2012-13 CBG onwards this has issued to Finance Directors, copied to Grade 7 Principal level in departmental Finance Branches. Previously it was issued to Principals in departmental Finance Branches (Grade 7s), copied to Finance Directors. Any significant changes are highlighted by DoF in the covering letter.
25. CED take account of comments from NI departments when responding to HM Treasury to provide a Northern Ireland view of the proposed changes. When HM Treasury publish a final version of the CBG, CED circulate a hyperlink to the final document to NI departmental Finance Directors, copied to Grade 7

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<sup>4</sup> Day 10, Page 56 Line 1-7

Principal level in departmental Finance Branches (Grade 7s). Again this letter highlights any significant changes.

26. The CBG for 2009-10, 2010-11 and 2011-12 was sent to DFP in draft from HMT. DFP then sent these drafts to NI departments for comment, any comments received were passed back to HMT and when final versions were received they were issued to NI departments as 'final'.

27. In particular the letter DFP issued with the 11-12 CBG on 4 April 2011 noted:-

*'Departments with AME expenditure should note the increased scrutiny and challenge that will be placed on AME spending. Further detail on how this challenge process will be incorporated within the monitoring of AME will be forwarded at a later date.'*

28. The key point in each CBG, which remains unchanged from 2007-08 through to 2011-12, is that AME programmes are public spending like any other. They impact on the fiscal framework in the same way as DEL spending. They need taxes to be raised to finance them. So careful monitoring and management is very important. The 2011-2012 January Monitoring paper which issued from DFP to the Executive made reference to the fact that, that year the NI Executive needed to seek Chief Secretary to the Treasury approval to increase AME funding beyond the 'opening' position. This additional control highlighted the ongoing importance of rigorous monitoring and management of AME expenditure.

## **BUSINESS CASE APPROVAL AND ASSOCIATED GUIDANCE**

29. The Inquiry has also raised queries around the Business Case approval process and associated guidance. Key documents have already been provided to the Inquiry, (see DoF 02440 – DoF 03254). In addition the Inquiry has also raised the issue of Value for Money from a regional or national perspective.

30. As outlined within the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE), all spending decisions involving public money must be subject to a value for money assessment.

*'The principles in this guide must be applied to all proposals that involve spending or saving public money, including EU funds, and to all proposed changes in the use of public resources. There are no exceptions to this general requirement. For example, the principles apply to all expenditures regardless of whether they are large or small, capital or recurrent, and above or below delegation limits.'*

### **VALUE FOR MONEY – REGIONAL CONSIDERATION**

31. In respect of assessing value for money from a regional perspective, NIGEAE provides the following clarification:

*'While the primary focus should always be upon the costs and benefits to NI, there is flexibility to consider significant impacts upon other territories, including other parts of the United Kingdom (UK), the Republic of Ireland (RoI) and elsewhere in the EU. In practice, there is often little to distinguish between the NI and UK impact. However, this is not always the case. For example, a grant to a company in NI may displace business elsewhere in the UK, or a tourism project may attract tourists away from other parts of the UK. Such effects should always be appraised and, if considered to be material, taken into account alongside analysis from a NI perspective.'*

32. While there is flexibility within the NIGEAE guidance to view costs and benefits from both a regional and national perspective, this does not alter the fundamental principle that public funds, regardless of their classification, must deliver value for money.
33. DoF has also had the opportunity to consider the further evidence that has been provided by witnesses to the Inquiry. DoF reserves the right to comment on the evidence before the Inquiry by way of further supplementary statement or in its




closing comments to the Inquiry.

34. DoF is presently collating a further supplementary statement to provide to the Inquiry information on the following matters. These matters include:-

- whether DoF (Supply), formerly DFP was provided with a copy of the draft Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012;
- DFP's consideration of the Domestic RHI scheme and its related funding;
- the status attributed to CED confirmation prints;
- clarification on the provision of RHI funding for the 2015-16 financial year; and
- whether unspent NI RHI allocation of the AME budget in 2012-13 was used to meet other pressures in DETI or the NI block as raised by the Inquiry on Day 32 of the hearing.

Statement of Truth

I believe that the facts stated in this 9 page witness statement are true.

Signed:  \_\_\_\_\_

Dated: 22.11.18