

THIS STATEMENT IS ISSUED ON THE STRICT UNDERSTANDING THAT IT IS NOT FOR PUBLICATION OR BROADCAST BEFORE 00.01 hrs on 8 November 2018



Northern Ireland Audit Office

MEDIA RELEASE

The Social Investment Fund

The Executive Office does not hold a clear audit trail in relation to the award of public funding from the Social Investment Fund, according to a report published today by Kieran Donnelly, the Comptroller and Auditor General.

The report identifies a number of serious concerns in the initial stages of the scheme, including conflicts of interest which were not always appropriately dealt with. Documentation around project selection and prioritisation was poor and the scheme did not operate transparently. The report acknowledges that once projects became established, governance improved. It concludes that it is critical that lessons are learnt and improvements are made when similar public spending schemes are being developed.

The Comptroller and Auditor General said **“The importance of good administration and ensuring conflicts of interest are adequately handled should be well understood in the public sector. But in the case of SIF, the guidance produced by the Department was inadequate, there was little evidence that procedures were followed, and a number of conflicts weren’t declared. This is very concerning.”** Mr Donnelly stated **“Evidence from my audit work across the public sector suggests there is a role for additional expertise to support good governance and maintain high standards. Whilst audit plays a valuable role in identifying lessons to be learnt once schemes are operational, issues of propriety and conflicts of interest must be fully and properly explored when schemes such as SIF are being designed.”**

The report states that “it is too early to conclude whether the programme is achieving value for money. We looked at some individual projects which are now completed and identified where outcomes to date are promising and value for money is likely to be achieved. However, we have also highlighted projects which we believe do not represent value for money.”

The report highlights concerns around individual projects. In one instance, the public sector has paid £1 million for the construction of a building for which it is now also paying rent. The rental payments will total £2.25 million over 25 years. We consider SIF funding was unnecessary. In another instance, documentation did not exist to justify the decision to award funding to a project which received £870,000.

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Background

SIF has awarded funding of £79 million to 68 projects across Northern Ireland. This was initially intended to be spent in the three years to March 2015. However delivery of many of these projects have been delayed and the SIF delivery period has now been extended to 2019-20. The SIF budget has been increased by over £13 million.

For administration of the Social Investment Fund, Northern Ireland was divided into nine zones. Each zone had a steering group, comprised of volunteers, who selected the projects that would be allocated funding.

Key findings

Project selection and prioritisation

- Steering groups began to meet in October 2012 and had to finalise projects by February 2013. To do this, they undertook engagement with local communities. Extensive engagement was the right thing to do as local people were best placed to identify the needs of their communities. However, meaningful community engagement is time consuming and the timetable provided was too short.
- The processes used to select and prioritise projects lacked transparency and were inconsistent.

Governance Arrangements

- Clear, consistent guidance is essential prior to the commencement of any scheme, but especially one in which decisions are being taken at arm's length. Final guidance was issued to steering groups in December 2012, when groups were prioritising projects for area plans. In the absence of finalised guidance, steering groups largely decided on their own means of operation, which led to inconsistencies in decision-making.
- Documentation does not exist to show clearly how ranking was carried out in each steering group. In our review of available documentation, we noted inconsistencies in the quality of records, in particular steering group minutes, some of which lacked detail around how funding allocations and prioritisations were agreed.
- The design of SIF meant conflicts of interest were inevitable. This should have been a key consideration in the scheme. The guidance that the Department produced for steering group members on dealing with conflicts of interest was inadequate. We identified three instances in which steering group members did not declare conflicts of interest.
- Organisations linked to steering groups have been awarded over £12 million in capital funding.

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Programme Delivery

- All SIF expenditure was initially intended to be incurred in the three years to March 2015. The Department recognised this was an extremely ambitious target. The SIF delivery period has been extended by five years and will now run until 2020. In addition, the SIF budget has increased by over £13 million.
- The Department will pay more than £6 million in management fees to lead partners. Lead partners are responsible for the development, management and administration for 45 of the 68 SIF projects.
- As lead partners were nominated by the steering groups during the area planning phase and appointed without an open tender process, it is not possible to confirm that value for money has been achieved with respect to the fees that they receive. Fees of this nature and magnitude should have been subject to competition.
- Over £4 million in management fees will be paid to eighteen voluntary and community groups who have been appointed as lead partners. All eighteen had a representative sitting on the steering group which appointed them.

Current position

- Almost half of SIF funded projects are now operational. The majority of projects have now commenced, however there are still five projects which have not yet moved to delivery stage.

Notes for Editors

1. The Comptroller and Auditor General is Head of the Northern Ireland Audit Office (the Audit Office). He and the NIAO are totally independent of Government. He certifies the accounts of Government Departments and a range of other public sector bodies. He has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. His reports are published as Assembly papers.
2. The report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 8 November 2018.
3. Background briefing can be obtained from the Audit Office by contacting Rodney Allen or Roger McCance (028 9051122).