

The Executive Office

Report of the Comptroller and Auditor General of Northern Ireland

The Executive Office (TEO) has responsibility for making payments under two new schemes introduced by legislation during 2019-20. They are:

1. The Historical Institutional Abuse (Northern Ireland) Act 2019 which will provide compensation to those who, as children, experienced abuse in residential institutions in Northern Ireland between 1922 and 1995.
2. The Victims' Payments Regulations 2020 which will provide payments to those people who experience permanent disablement, at a level of 14% functionality or more, from an injury sustained in a Troubles-related incident.

The Historical Institutional Abuse (NI) Act 2019 received Royal Assent on 5 November 2019 and the Victims' Payments Regulations were laid before Parliament on 31 January 2020. In light of COVID-19 restrictions, the HIA scheme was launched remotely and the number of claims to date has been low, (approximately 500 applications were received by the end of September with an average claim of around £30,000). TEO advised me that more extensive promotion of the scheme is anticipated in early 2021. There have been no payments made under the Victims' payments scheme. It is anticipated that this scheme will formally open for applications in March 2021.

Although there were no payments made under these schemes during 2019-20 it is standard accounting practice to account for future liabilities under International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets. The accounting standard reflects that a provision should be recognised when:

- a present obligation has arisen as a result of a past event;
- payment is probable and
- the amount can be estimated reliably.

On this basis, TEO recognised a provision for potential payments of £539 million (£105 million for victims' payments and £434 million for HIA) in the 2019-20 accounts submitted for audit. However TEO was unable to provide me with sufficient evidence to provide assurance that these estimates were reliable.

A number of factors impacted on TEO's ability to provide a reliable estimate, most notably:

- Both schemes were introduced during 2019-20. There is, therefore, no historic data on which to base future forecasts about the likely level of payments.

In relation to the HIA scheme:

- Data on the number of children who resided in residential homes over the period in question (1922 to 1995) is not complete and the Department is therefore currently unable to provide a reliable estimate of the numbers of eligible victims and survivors.
- Each claim is assessed by a panel consisting of a judicial member along with two non-judicial members. Although a small number of claims were processed after the year end there is insufficient data to predict trends in determinations.
- Eligible applicants may not come forward.
- Information from comparator schemes is still at an early stage.

In relation to the Victims' payments scheme:

- There is no specific data available on those injured during the Troubles / Conflict. It is therefore difficult to estimate the costs of the scheme with any precision given uncertainty over the number of eligible applicants, and the percentage of these who may come forward.
- The scheme covers those with both physical and psychological disablement and this can be difficult to measure.
- Entitlement transfers to a nominated person on death and posthumous applications can be made to the scheme.

As a result of the issues outlined above it has not been possible for TEO to provide a reliable estimate at this time. Where a reliable estimate cannot be made IAS 37 recommends that financial obligations should be disclosed as a contingent liability. TEO has agreed with this accounting treatment and has disclosed the liability relating to both the HIA scheme and the victims' payment scheme as a contingent liability in note 15 to the accounts.

TEO's accounts report an underspend of £546.367 million in the Statement of Assembly Supply. The majority of this underspend relates to the setting up of Estimate cover for provisions for payments expected to be made under the HIA and Victims' Payments Schemes of £433.762 million and £105.351 million respectively. As TEO was unable to provide reliable estimates for these provisions the Estimate cover was not used.

I have recommended that TEO continues to seek information relevant to these schemes and to refine the models they are developing to support the reliable measurement of future probable payments under these schemes. TEO should consider engaging experts such as the Government's Actuary Department to assist with developing forecasting models. I will monitor progress on this issue and consider any implications for the audit of the Annual Report and Accounts for 2020-21.



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21 October 2020