

## Department of Health Annual Report and Accounts 2020-21

Mr Kieran Donnelly CB, Comptroller and Auditor General (C&AG), has published a report on the results of his audit of the annual report and accounts of the Department of Health for 2020-21. The report highlights the C&AG's disagreement with how the Department has accounted for £135 million of spending.

Mr Donnelly said:

*"I am concerned by the number of examples of the Department of Health and the wider HSC sector applying an accounting treatment for liabilities that does not meet the Department of Finance's budgetary guidance or International Accounting Standards. The Department contends that this does not represent an attempt to circumvent DoF budgetary guidance in order to retain funds and I have no evidence that this is the case. Nevertheless, the effect is to retain a significant amount of funding, more than £135 million, within the HSC sector that would otherwise have been re-distributed within the Northern Ireland funding bloc or returned to the Treasury."*

The report focuses on three accounting issues.

1. The disclosure and value of a liability for the payment of £500 to be made to Health and Social Care staff as a recognition of the contribution made during the COVID pandemic as directed by the Minister of Health.
2. The disclosure of liabilities relating to holiday pay in the HSC Trusts.
3. The disclosure of liabilities for clinical excellence awards in the HSC Trusts.

### Staff recognition payment

The accounts include an accrual for the payment of £500 to Health and Social Care staff in the independent sector as a recognition of the contribution made during the COVID pandemic as directed by the Minister of Health. However, the Department has little information in relation to the number of eligible staff in the independent sector and therefore there remains considerable uncertainty around the number of staff eligible and thus the overall value of this payment. Under International Accounting Standards this should consequently have been treated as a provision in the accounts rather than as an accrual. The C&AG has not qualified his audit opinion in this respect as the value of the misstatement is not material in the context of the Department's overall spending.

### Holiday pay

Mr Donnelly qualified the 2020-21 accounts of the Northern Ireland Ambulance Service (NIAS) and reported on the basis of the treatment of a liability in relation to holiday pay. The Department directed all HSC Trusts to treat holiday pay liabilities as accruals. Under International Accounting Standards this should also have been treated as a provision in the accounts rather than as an accrual. The accrual of £4 million is material to the auditor's opinion when considered in the context of NIAS's total operating expenditure of £123m.

### **Clinical excellence awards**

The Department has also required Trusts to accrue for clinical excellence payroll liabilities over the last 4 years, which currently remain unpaid. These accruals should also have been disclosed as provisions.

In total, the audits in the Health and Social Care sector identified more than £135 million of accruals which should have been treated as provisions. Treating these items as accruals rather than as provisions has the effect of securing funds from existing budgets for future payments. This treatment is not in line with International Accounting Standards nor with budgetary guidance from the Department of Finance.

#### 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 2020-21 Department of Health Annual Report and accounts are available on the [Department's website](#).
3. Background briefing can be obtained from the Audit Office by contacting Neil Gray (028 9025 4345) or Roger McCance (028 9025 4312).