

Report by the Comptroller and Auditor General to the House of Commons

STATISTICS BOARD

EXCESS VOTE

Introduction

1. In 2009-10, the Statistics Board (known as the UK Statistics Authority - the Authority) spent more cash than the authorised Net Cash Requirement limit set by Parliament. This represents an “excess” for which further Parliamentary authority is required. I have qualified my opinion on the Authority’s 2009-10 Resource Account in this regard.
2. The purpose of this report is to explain the reasons for this qualification and to provide information on the extent and nature of the breach to inform Parliament’s further consideration.

My responsibilities with regard to the breach of regularity

3. Under section 6(1) of the Government Resources and Accounts Act 2000, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Resource Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In doing so, I have had regard, in particular, to Parliamentary authority and the Supply limits Parliament has set on expenditure.

Breach of Net Cash Requirement

4. The Statement of Parliamentary Supply shows that the Net Cash Requirement outturn was £208.112 million which is £0.251 million in excess of the amount authorised. The Authority proposes to ask Parliament to authorise an additional grant of Supply from the Consolidated Fund of £0.251 million by way of an Excess Vote.

Background to the Cash Excess

5. As a Supply financed Department, the Authority should draw down funds from the Consolidated Fund and use these to finance its activities. All payments made, whether or not the payments have cleared through the Authority’s Bank account during the period, are included in reporting the Authority’s Net Cash Requirement for the year.
6. On 31 March 2010, the Authority processed a payment run which left the Authority’s financial statements with a net £0.251 million overspend because they failed to adjust the available balance for payments which had been made but had

not cleared the bank account. The £0.251 million of payments were therefore irregular.

Reasons for the Cash Excess

7. A number of factors led to the excess. As part of the Parliamentary Supply process, the Authority made a request for additional cash of £6.615 million in a Spring Supplementary Estimate in February 2010. However, despite this additional Estimate, it still required cash in excess of voted provision by the year end. I consider that although the specific cash breach was caused by a failure of year end financial controls there was also an ongoing risk around the management of Supply limits throughout the period. The cash management processes operating throughout the year meant that there was a real risk of exceeding the approved limits at year end. This risk materialised and management review processes failed to prevent the cash excess.
8. Another contributory factor was changes to payment performance targets. In March 2010, the Government amended the target payment terms to suppliers from ten days to five days. As a result, the Authority worked to pay as many creditors as possible before year end. In my view, this impacted on the effectiveness of the control environment at year end.

Going forward

9. In response to our audit findings, the Authority has undertaken a number of actions to ensure that a similar event does not occur:
 - An internal audit report was commissioned to identify the causes of the excess and identify improvements to be made;
 - Awareness of the implications of a breach in the Net Cash Requirement has been improved within the finance team;
 - Additional supervisory controls have been introduced to ensure the payment run is authorised at an appropriate level and that review of the accounts is consistently performed; and
 - Documentation of processes is to be improved.
10. Management of financial resources will become even more important in 2010-11, particularly as the Authority receives significant additional funding for the 2011 Census.

Summary and Conclusion

11. A sequence of events at year end led to the breach of the Net Cash Requirement. These included weaknesses in the processes for the calculation of cash available, unfamiliarity with the Supply process and lack of timely review by management at the appropriate stage, combined with pressure to meet revised prompt payment

terms, led to a payment run being approved which should not have been resulting in a cash breach.

12. Processes have now been revised and subject to these being implemented and the involved staff receiving appropriate training and guidance, I am content that steps are being taken to ensure the situation will not recur.
13. The Authority will seek an additional grant of Supply from the Consolidated Fund of £0.251 million by way of an Excess Vote.

Amyas C E Morse
Comptroller and Auditor General
23 July 2010

*National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP*