



MEDIA RELEASE

Financial Auditing and Reporting 2018-19

Kieran Donnelly, the Comptroller and Auditor General for Northern Ireland and Head of the Northern Ireland Audit Office (NIAO), has today reported on the results of financial audit work undertaken to date by the NIAO on the 2018-19 accounts of government departments and other public sector bodies.

Of the 80 accounts certified by the C&AG to date, 75 received an unqualified opinion. Audit qualifications were made on the accounts of two central government departments, one arm's length body and one departmental agency.

The primary aim of the NIAO's financial audit work is to provide objective information, advice and assurance on the use of public funds.

Mr Donnelly commented;

"Timely completion of financial accounts is fundamental to maintaining sustainable and transparent use of public money. I would like to commend the work of central government bodies and public bodies which has resulted in such a high proportion of 2018-19 accounts being certified this summer without qualification."

Key findings from financial audit work include:

Department for the Economy

Reporting on the results of his audit of the 2018-19 accounts of the Department for the Economy, the C&AG has again qualified his audit opinion for the same reasons as the last three years:

- ongoing weaknesses in controls in the non-domestic RHI scheme; and
- expenditure incurred without the necessary approvals in place.

This year he has reported on the change in behaviour of scheme applicants following the reduction in subsidy rate on 1 April 2017. Since that time the amount of renewable heat generated has fallen by around 44%.

Mr Donnelly said:

"The significant reduction provides evidence that in some cases, heat produced before April 2017 was not actually required for business purposes but rather some of it may have been produced only with a view to increasing RHI payments."

Tariff changes in 2017 have meant that the amount paid by the Department to applicants has fallen from £42 million in 2016-17 to £21.1 million in 2018-19. In the current year this was less than the total funding available from the Treasury.

Department for the Economy Annual Report and Accounts 2018/19 available here:
<https://www.economy-ni.gov.uk/publications/df-e-annual-report-and-accounts-2018-19>

Department for Communities

The C&AG's audit opinion for the Department for Communities (DfC) Resource Accounts was again qualified, due to the level of estimated fraud and error in benefit expenditure (excluding State Pension, which continues to demonstrate a very low level of error).

In 2018-19, there were estimated overpayments to claimants of £92.3 million (1.5 per cent of all benefit expenditure) and underpayments of £30.5 million (0.5 per cent of all benefit expenditure). These figures related to social security benefit paid directly by the Department, housing benefit paid by the Northern Ireland Housing Executive (NIHE), and housing benefit paid by Land and Property Services (LPS).

Estimated overpayments and underpayments in 2018-19 are summarised as follows:

	2018-19 Total Expenditure (£ millions)	2018-19 Estimated Overpayments (£ millions)	2018-19 Estimated Underpayments (£ millions)
Social Security Benefit	5,455	65.4 (1.2 per cent)	27.7 (0.5 per cent)
Housing Benefit (paid by NIHE)	616	22.4 (3.6 per cent)	2.4 (0.4 per cent)
Housing Benefit (paid by LPS)	38	4.5 (11.8 per cent)	0.4 (1.1 per cent)
Total	6,109	92.3 (1.5 per cent)	30.5 (0.5 per cent)

The overpayment rate for all benefits was similar to previous years. The majority of estimated overpayments have been as a result of customer fraud, which accounted for £56.2 million of total overpayments (0.9 per cent of overall benefit expenditure).

Estimated total underpayments due to official error¹ rose from £16.9 million in 2017-18 to £30.5 million in 2018-19. This was largely due to an increase in underpayments of social security benefit, which doubled from £13.2 million in 2017-18 to £27.7 million in 2018-19. In contrast, underpayments of housing benefit by the NIHE decreased by 50 per cent (£1.2 million).

Commenting on the reported figures, Mr Donnelly said:

¹ Official error – where an error can be attributed to the actions or inactions of the agency / body.

“Overpayments increase costs to the taxpayer and reduce public resources that could be made available for other purposes. In contrast, underpayments mean that individuals may not be getting the support that they are entitled to. I believe that the overall value of fraud and error in benefit expenditure during 2018-19 remains unacceptably high, and the qualification of my audit opinion reflects that.

“I acknowledge that the Department has put considerable effort and resources into reducing the fraud and customer error, through additional training and funding into error reduction. I would urge the Department to continue its efforts to prevent, detect and reduce the levels of over and underpayments within each benefit.”

Department for Communities Annual Report and Accounts 2018/19 available here:
<https://www.communities-ni.gov.uk/publications/dfc-annual-report-and-accounts-year-ended-31-march-2019>

Northern Ireland Housing Executive

A qualified audit opinion on the 2018-19 Northern Ireland Housing Executive (NIHE) accounts was given by the C&AG as a result of estimated levels of fraud in Housing Benefit (as also reported in the Department for Communities Resource Accounts 2018-19 – see above).

In his report, the C&AG also highlighted:

- the need for urgent remedial action to address longstanding weaknesses in NIHE’s Human Resources function; and
- overpayments made to grounds maintenance contractors for land that was no longer owned by NIHE or had a change of use.

Northern Ireland Housing Executive Annual Report and Accounts 2018/19 available here:
<https://www.nihe.gov.uk/getmedia/abb7ee5d-47be-4835-81a9-ff3b16e039d4/annual-report-2018-2019.pdf.aspx?ext=.pdf>

Child Maintenance Service

The Department for Communities’ Child Maintenance Service (CMS, formerly the Northern Ireland Child Support Agency) received a qualified audit opinion from the C&AG. This was due to historic levels of error in child maintenance assessments, and insufficient evidence to confirm levels of outstanding maintenance.

Department for Communities Annual Report and Accounts 2018/19 Annex A (page 213-265) includes Child Maintenance Service Client Funds Account 2018-19, and is available here:

<https://www.communities-ni.gov.uk/publications/dfc-annual-report-and-accounts-year-ended-31-march-2019>

Legal Services Agency Northern Ireland

The accounts of the Legal Services Agency Northern Ireland (previously the Northern Ireland Legal Services Commission) received a qualified audit opinion in 2018-19. The

accounts have been qualified every year since 2003 due to a lack of effective counter fraud arrangements and weaknesses in the financial estimates of provisions for ongoing legal aid cases.

The C&AG's report notes that progress has been made by the Agency in estimating levels of official error in its legal aid expenditure.

Mr Donnelly commented:

“Progress has been made by the Agency and the Department in developing an effective counter fraud strategy. However, further work is needed to produce an estimate of fraud and error by legal aid claimants and legal practitioners.”

“A more robust estimation of the Agency's legal aid liabilities is also required. This should improve in future years with the implementation of a new case management system.”

Legal Services Agency Northern Ireland Annual Report and Accounts 2018/19 available here: <https://www.justice-ni.gov.uk/publications/legal-services-agency-northern-ireland-annual-reports-and-accounts>

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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. For further queries, contact Francis Casey (028 9025 1087 or francis.casey@niauditoffice.gov.uk).