Northern Ireland Audit Office

MEDIA RELEASE

Audit of the Department for the Economy and Invest Northern Ireland 2020-21 accounts

Mr Kieran Donnelly CB, Comptroller and Auditor General (C&AG), has issued reports on the results of his audits of the 2020-21 annual report and accounts of the Department for the Economy (the Department) and Invest Northern Ireland (Invest NI). The reports summarise his qualifications on both sets of accounts, which largely relate to grant support schemes launched in response to the COVID-19 pandemic.

In 2020-21 the Department's net expenditure totalled £1.6 billion, a substantial increase on the net expenditure of £1.1 billion recorded in the 2019-20 accounts. Invest NI net expenditure also increased significantly to £422 million (an increase of £38.6 million from 2019-20). This was largely due to the implementation of a number of emergency grant schemes, designed to provide support to businesses and individuals subject to closure or restrictions.

Mr Donnelly's reports summarise the findings of his audits. His audit opinions have been qualified due to a number of issues, some of which span both the Department and Invest NI accounts.

COVID-19 business support schemes administered by the Department for the Economy

Mr Donnelly's reports highlight four Covid schemes, totalling £140 million in expenditure, which, although recorded in Invest NI's accounts, were actually controlled and administered by the Department. These include the Small Business Grant Scheme and the Tourism and Retail Sectors Grant. Invest NI was instructed by the Department to include the expenditure within its accounts as it had the correct legal powers to make the payments, whereas the Department did not.

Mr Donnelly concludes that Invest NI had no role in the schemes' design or delivery and that the schemes were actually administered by the Department, meaning that the expenditure should have been recorded in the Department's accounts. It also means that the expenditure was incurred by the Department without the appropriate legal authority. As a result, he has qualified both sets of accounts on the basis that this expenditure is irregular. Furthermore, based on the value of the irregular expenditure relative to overall expenditure, he has concluded that Invest NI's financial statements do not provide a true and fair view of the substance of the transactions and he has provided an adverse opinion on Invest NI's accounts on that basis.

Both the Department and Invest NI were provided with an opportunity to adjust their accounts to resolve the issues identified by the audit. They both declined to do so as they do not agree with the independent opinion of the C&AG. This disagreement has, in part, contributed to the lateness of certification and publication of the annual report and accounts of both organisations.

Mr Donnelly commented:

"My report acknowledges the speed with which these support schemes were designed and delivered. It is important to stress, though, that the issues I have identified do not merely pertain to technical matters, but to fundamental principles and standards of accounting with which all public bodies should comply."

COVID-19 business support schemes administered by Invest NI

The report also sets out the C&AG's qualification relating to COVID-19 business support schemes administered by Invest NI (totalling £129.8 million in 2020-21). These include the Hardship Fund for Microbusinesses, the Covid Restrictions Business Support Scheme (Parts A & B) and the Limited Company Directors Support Scheme.

Based on how these schemes were designed, Invest NI relied on self-declarations by applicants as evidence that certain eligibility criteria had been met, with no corroborating evidence. As a result there was insufficient audit evidence to confirm that expenditure was regular.

These schemes were launched at pace in response to the continued impact of the pandemic on Northern Ireland's economy. Approval for their implementation was granted by Ministerial Direction, since the Department's Accounting Officer was unable to provide evidence that these schemes would provide value for money or that there would not be an unacceptably high risk of error or loss of funds.

Irregular expenditure on a loan under the Sustainable Utilisation of Poultry Litter (SUPL) Scheme

In addition, Mr Donnelly's report on Invest NI notes irregular income and expenditure relating to a £14.2 million loan made in previous years to Glenmore Generation Limited. The Department of Finance considered this loan to be irregular, because certain conditions of its approval had not been complied with and further approval had not been sought. Within Invest NI's 2020-21 financial statements, expenditure of £10.4 million for expected credit losses, and income of £0.4 million relating to the loan, are therefore considered to be irregular.

Other matters included in the report on the audit of the Department for the Economy 2020-21 resource accounts

Mr Donnelly's report on the 20-21 Department for the Economy accounts notes a further qualification relating to irregular spending on three apprenticeship recovery schemes launched in September 2020 to support employers in response to the pandemic. It criticises a failure by the Department to secure approval from the Department of Finance (DoF) to make the payments, as was required by legislation. The Department subsequently identified this issue and paused the schemes on 4 October 2021 whilst it sought DoF approval, but by this stage £6.2 million of payments had been already been made. Since the legislation required DoF approval prior to payments being made it was not possible to obtain retrospective approval for the £6.2 million already paid, and this expenditure is therefore illegal. DoF approval was, however, obtained for future payments and the schemes then recommenced.

Similar irregularities were also highlighted in relation to a £5.3m payment to Tourism Ireland Limited, where again DoF approval was not obtained.

Commenting on these qualifications to the accounts, Mr Donnelly said:

"It is completely unacceptable that a Department fails to comply with the requirements of primary legislation it is relying on to make payments. This is a basic requirement, and it is extremely disappointing to see that the Department has failed to learn lessons from its past failure on obtaining approvals required for the Renewable Heating Incentive scheme."

ENDS

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. This report is available on the Northern Ireland Audit Office website.

3. Background briefing can be obtained from the Northern Ireland Audit Office by contacting Patrick Barr (028 9025 1063) or Karen Beattie (028 9025 1003).

4. Regularity is the concept that transactions reflected in financial statements must be in compliance with legislative and other authorities and that the public money was used for the purposes intended.

5. An adverse opinion is a rare occurrence and is provided where the auditor concludes on the basis of sufficient, appropriate evidence that the financial statements as a whole do not provide a true and fair view.