



MEDIA RELEASE

Financial Auditing and Reporting 2021-22

Mr Kieran Donnelly CB, Northern Ireland's Comptroller and Auditor General, has today reported on the results of financial audit work undertaken in recent months date by the NI Audit Office. The primary aim of the NIAO's financial audit work is to provide objective information, advice and assurance on the use of public funds by government departments and other public sector bodies. To date, 50 accounts relating to the financial year 2021-22 have been certified by the C&AG.

Mr Donnelly commented;

"Timely completion of financial accounts is fundamental to maintaining sustainable and transparent use of public money. Following two years of significant disruption and challenge, I am greatly encouraged to see so many central government bodies and public bodies have been able to return to producing their accounts within pre-COVID timeframes, and would like to commend them for their efforts. There are however still some significant accounts for 2021-22 that are outstanding and it is important these are complete and certified in the coming months before a return to pre-COVID timeframes."

While broadly positive about the overall status of accounts, Mr Donnelly highlighted a number of concerning issues which have resulted in delays to the certification of some accounts:

NI Teacher Pension Scheme (NIPTS)

The Department of Education has been unable to fully resolve issues which have resulted in a delay to the production of 2020-21 NIPTS financial accounts, as well as having a knock on delay to the production of the 2021-22 accounts. These delays are primarily due to issues around the implementation of a new Teacher's Pension system and associated financial systems.

Mr Donnelly commented:

"While I understand that critical system issues have now been resolved, and that progress is being made in addressing backlogs in producing both the 20-21 and 21-22 accounts, I have been advised that it will take several months to recover lost time and bring the accounts up to date. The production of timely accounts for the NI Assembly is an absolutely fundamental part of ensuring transparency and assurance in how public money is being spent, and so it is vital that the Department continues to put considerable effort into resolving these matters. My Office will continue to monitor its progress to ensure that accounts are completed in line with the relevant legislation."

Education Authority

The draft 2020-21 Annual Report and Accounts submitted to the NIAO in May 2021 were incomplete. The EA advised that updated draft accounts would be forwarded as soon as they received the required information. However, a complete Annual Report and Accounts was not provided by the EA until April 2022, almost 13 months after the financial year end. In addition, whilst the EA had agreed to provide responses to NIAO information requests within five working days, this did not happen. In some cases, information was not provided until months after it was requested. As a result of these issues, the accounts will not be certified until August 2022. While the audit of the 2021-22 Accounts has begun, the

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EA has yet to submit a complete Annual Report and Accounts and the issues noted here have had a knock-on delay on the completion of the audit

The audit of the 2019-20 accounts was also a prolonged process, with the accounts being certified in October 2021, some 19 months after the financial year-end.

Mr Donnelly commented:

“In order to get the EA’s audit back on track and prepare for the Review of Financial Process timetable, it is essential that the EA provides a complete Annual Report and Accounts as soon as possible after the year end. The EA must also ensure the finance team is adequately resourced to deal with all information requests, and that it responds to all such requests on a timely basis.”

Some specific findings and reports that Mr Donnelly drew attention to are summarised below:

Department for Communities

Mr Donnelly has qualified his regularity opinion on the 2021-22 financial statements of the Department for Communities as a result of the level of estimated fraud and error in benefit expenditure (excluding State Pension).

Overpayments (due to customer fraud, customer error or official error) totalled £209 million in 2021-22. This represents 4.6 per cent of benefit expenditure, a rate which is an increase from 2020-21 (3.8 per cent) and triple the rate in 2017-18 (1.5 per cent). The report notes that this increase is largely attributable to customer fraud, and mainly due to the significant increase in Universal Credit (UC) fraud which has doubled in value again this year to £101.7 million (2020-21: £51.8 million) with the overpayment rate increasing from 7.2 per cent to 11.2 per cent. Analysis by the Department suggests that a significant proportion of these UC fraud cases commenced during the early days of the pandemic, when checks to new claims were paused, and to self-employed income which is more difficult to verify than taxed income.

In addition, the report notes that estimated total underpayments in 2021-22 were £20 million, representing 0.4 per cent of benefit expenditure (a decrease from 0.5 per cent in 2020-21).

Mr Donnelly commented:

“I note that the situation in Great Britain with respect to Universal Credit is similar to Northern Ireland in terms of increasing expenditure and estimated overpayment rates due to customer fraud. Nonetheless, I remain concerned that estimated overpayments due to fraud are so high here, given our relative size. Moreover, there remains the potential for this to increase when the Department starts the managed migration of tenants from legacy benefits to Universal Credit.

“The Department has advised me of a number of initiatives being undertaken to address this challenge. I also note that there has been significant and ongoing development of the Universal Credit system along with future exploration of additional measures that can be taken to reduce both fraud and error.”

Department of Health

Mr Donnelly’s report on the results of his audit of the Department of Health’s (DoH) and its subsidiary bodies’ annual reports and accounts for 2021-22 highlighted a number of significant matters.

While the audit opinion on the Department’s accounts is not qualified, Mr Donnelly found that irregular expenditure has been incurred in a number of different programmes and projects. In these cases, expenditure was incurred without the necessary conditions being met to secure retrospective approval from the Department of Finance. These projects include the Vaccine Management System, developed and deployed to support the administration of the COVID-19 vaccination programme, and expenditure

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on the Northern Ireland Care Record. Mr Donnelly has identified that £5.1 million of expenditure on the Vaccine Management System incurred in 2021-22 was irregular.

Mr Donnelly commented:

“I recognise the successful development of the VMS and the outstanding work of Departmental staff during the pandemic. Nevertheless, it is important that a more agile and responsive means of managing approvals is developed to accommodate the demands of delivering at such pace.”

The report also highlights the C&AG’s disagreement with how the Department, and Health and Social Care Trusts, accounted for £102 million of accruals. These were instances where an accounting treatment was applied for liabilities that did not meet the Department of Finance’s budgetary guidance or International Accounting Standards. The effect of treating liabilities as accruals, rather than provisions, was that significant sums were retained from the previous year’s budget allocation for future expenditure, rather than returning these sums for use by other departments or the Treasury.

It follows a report from the C&AG on the Department’s 2020-21 accounts which highlighted a similar disagreement over accounting treatment.

Commenting on the report’s findings, Mr Donnelly stated:

“I remain concerned by the Department’s apparent failure to pay sufficient regard to the DoF’s budgetary guidance and to accepted accounting practice. The Department contends that this does not represent a deliberate attempt to circumvent DoF financial controls and I have no evidence that this is the case. However, I consider it undeniable that significant sums have been spent without the proper authority and that the accounting treatment of liabilities does not meet the requirements of International Accounting Standards.

“I am encouraged that the Department intends to review its approach in this new financial year, and will be recommending that my successor as Auditor General continues to monitor progress on this matter”.

Additionally, the accounts of the Northern Ireland Ambulance Service were qualified as a result of this treatment (of a liability in relation to holiday pay) as the sum was material in the context of the overall operating expenditure.

Health and Social Care Pension Scheme Statement

The C&AG qualified his audit opinion on the Health and Social Care Pension Scheme Statement for 2021-22 as the membership data used by the actuaries to value the Scheme was greater than four years old which is not in accordance with the accounting guidance the Scheme is required to follow. The Department of Health advised this was because it was not practicable to utilise more recent membership data within the time parameters available.

While some significant sets of accounts, such as those for the Department of Economy, remain outstanding, the Northern Ireland Audit Office expects that these will be certified in the coming months.

ENDS

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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. Copies of individual reports on accounts referenced are available on the Northern Ireland Audit Office [website](#).
3. The report is available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 29 July 2022.
4. For further queries, please contact Peter Rea (028 9025 1056; peter.rea@niauditoffice.gov.uk).