

Northern Ireland Audit Office

coverage of the

Department for Communities



Northern Ireland
Audit Office

Introduction

The Northern Ireland Audit Office (NIAO) is a public sector body that is totally independent of government. We help the Northern Ireland Assembly hold the Executive to account for the way it spends public money. We do this by auditing the finances of public bodies and scrutinising public spending to assess facts and value for the taxpayer, providing insights into how well public services are being delivered. More information on the roles and responsibilities of both the Comptroller and Auditor General (C&AG) and the NIAO can be found on our [website](#).

The NIAO carries out a number of functions:

Financial Audit: representing around 70 per cent of our core business, each year we conduct a programme of audits on some 150 public bodies.

Public Reporting: while the NIAO does not question the merits of government policies, we seek to promote better value for money through independent, evidence-based examinations. We then produce reports to the Assembly which highlight and demonstrate ways in which audited bodies can make improvements. These reports take account of single and cross-cutting themes and public sector priorities.

Good Practice: our Good Practice Guides highlight and encourage public bodies to improve their performance in achieving value for money and implementing policy.

Raising Concerns and Counter Fraud: we provide support and guidance to public sector organisations, and coordinate the National Fraud Initiative data matching exercise in Northern Ireland. We also process concerns raised by MLAs, public sector employees and citizens regarding the use of public money.

This document provides a brief outline of the recent work of the NIAO specific to the **Department for Communities (DfC)**.

If you would like to know more about the NIAO work on DfC please contact:



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Department for Communities (DfC) – background

The Department for Communities (DfC) was established in May 2016 **as one of nine Northern Ireland (NI) departments constituted under the Departments Act (Northern Ireland) 2016 and the Departments (Transfer of Functions) Order (Northern Ireland) 2016**. DfC is accountable through its Minister (Mr Gordon Lyons MLA - appointed 3 February 2024) **to the Assembly for the effective delivery of its statutory functions and for the effective use of the public funds for which it is responsible**.

In the 2021 draft Programme for Government (PfG), DfC is involved in 24 areas spread over the delivery of eight desired outcomes, as follows:

- Our children and young people have the best start in life. (Capability and Resilience and Early Years)
- We live and work sustainably – protecting the environment. (Built Environment and Housing)
- We have an equal and inclusive society where everyone is valued and treated with respect. (Inclusion and Tackling Disadvantage, Rights and Equality and Tackling Sectarianism, Building Respect and Identity)
- We all enjoy long, healthy active lives. (Inclusion and Tackling Disadvantage, Older People, and Physical Health and Wellbeing)
- Everyone can reach their potential. (Capability and Resilience, Better Jobs and Sports, Arts and Culture)
- Everyone feels safe – we all respect the law and each other. (Early Intervention and Rehabilitation, Tackling Sectarianism, Building Respect and Identity)
- We have a caring society that supports people throughout their lives. (Disability, Housing, Inclusion and Tackling Disadvantage, Mental Health and Wellbeing, and Older People)
- People want to live, work, and visit here. (Housing, Tackling Sectarianism, Building Respect and Identity, Sports, Arts and Culture, and Planning)

As outlined in the 2022-25 Budget document, DfC delivers a wide range of services to the public, both directly and through its arm's length bodies, which will impact the lives of most people at some point.

Its main functions include:

- Promoting work, wellbeing and fairness, and providing important support to those most in need through the delivery of a social welfare system and pension service.
- Supporting people to find work and the provision of a tailored recruitment service for employers across the region.
- The delivery of a Child Maintenance Service, geared to promote the financial responsibility of parents for their children.
- The provision of social and affordable housing, sustainable homes and housing support services.
- Regulation of the private rented sector, addressing homelessness and supporting independent living.
- Enabling, encouraging and promoting social inclusion, diversity, and participation in society.
- Reducing fraud and error and protecting public funds.
- Bringing communities together and delivering programmes that target social need through social, economic and physical regeneration of cities, towns and villages.

- The administration of sport, promoting a culture of lifelong enjoyment and success in sport.
- Supporting the work of the Community and Voluntary Sector.
- Supporting district councils to deliver strong and effective local government.
- Realising the value of built heritage.
- Supporting creative industries, oversight and delivery for the arts, cultural and language sectors.
- Supporting museums and libraries whilst protecting and providing access to public archives and records.

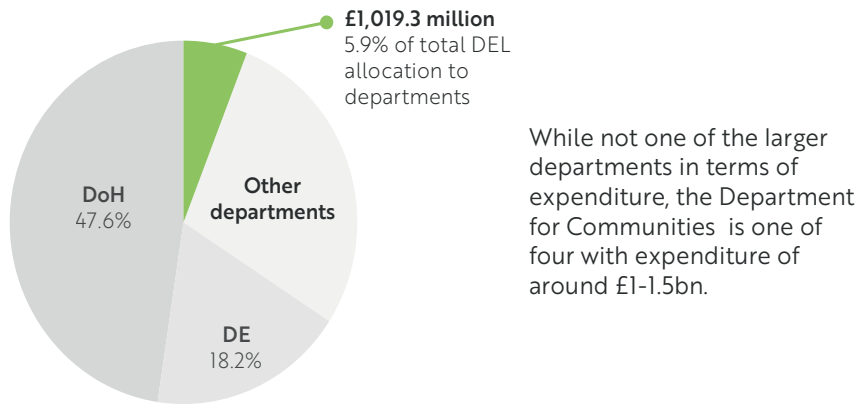
DfC is led by a Permanent Secretary and is structured into six Groups.

- **Communities, Place and Local Government** – tackles area-based deprivation and creates urban centres which help bring divided communities together.
- **Corporate services** – responsible for a range of governance and professional functions including finance, contract management, business planning, risk management, COVID-19 recovery, governance, statistical, economic and analytical services.
- **Engaged Communities** – Active Communities, Cultural Division, Historic Environment Division (HED) and Public Record Office NI (PRONI).
- **Housing and Sustainability**
- **Operational Delivery** – Pensions, Disability and Carers service, Child Maintenance Service (NI & GB), Benefit Uptake, Debt Management, Fraud and Error and Information Services; and
- **Work & Health** – helping people improve their lives by helping them into work, providing support to those who are unable to work and working positively with those who won't work.

Department for Communities (DfC) funding

Figure 1 provides an overview of the Department’s Departmental Expenditure Limit (DEL) funding relative to all departments. It also shows the split between Resource and Capital DEL as well as how they are allocated to various spending areas and objectives.

Figure 1. Overview of the DEL funding allocation for the Department for Communities



The vast majority of the Department’s funding relates to resource DEL.



Welfare and Employment and Housing and Regeneration are the two largest expenditure areas in the Department.

SPENDING AREA	RESOURCE DEL	CAPITAL DEL	TOTAL
Welfare and Employment	£403.4m	£-	£403.4m
Housing and Regeneration	£169.9m	£144m	£313.9m
Culture, Arts, Heritage and Sport	£87.6m	£15m	£102.6m
Housing Benefit (Rates Element)	£84.3m	£-	£84.3m
Local Government	£57.3m	£-	£57.3m
Voluntary and Community Funding	£45.1m	£4.3	£49.4m
Languages	£8.4m	£-	£8.4m
TOTAL	£856.0m	£163.3m	£1,019.3m

Source: 2024-25 Budget Document, Department of Finance

Bodies for which DfC has responsibility for sponsorship and oversight

Non-Departmental Public Bodies

- Armagh Observatory and Planetarium
- Arts Council of Northern Ireland
- Commissioner for Older People for Northern Ireland
- Charity Commission for Northern Ireland
- Local Government Staff Commission
- National Museums Northern Ireland
- Libraries Northern Ireland
- Northern Ireland Museums Council
- Northern Ireland Local Government Officers' Superannuation Committee
- Northern Ireland Commissioner for Children and Young People
- Northern Ireland Housing Executive
- Sport NI
- Ulster Supported Employment Limited

North-South Body

- North-South Language Body - Foras na Gaeilge and Ulster Scots Agency.

Advisory Non-Departmental Public Bodies (no audits carried out on these bodies)

- Charities Advisory Committee
- Historic Buildings Council
- Historic Monuments Council
- Ministerial Advisory Group on Architecture and Built Environment
- Independent Statutory Officeholder – The Discretionary Support Commissioner

In addition, the NIAO audits the following accounts relating to DfC:

- Child Maintenance Service Client Funds Accounts
- Charitable Donations and Bequests
- Northern Ireland Central Investment Fund for Charities
- Social Fund Account



Financial Audit Update

The Comptroller and Auditor General (C&AG) for Northern Ireland is the external auditor for the Department. Each year the NIAO conducts a programme of audits on the financial statements of DfC, and its Non-Departmental Public Bodies (NDPBs). The C&AG is required, under the Government Resources and Accounts Act (Northern Ireland) 2001, to report her opinion as to whether the financial statements give a true and fair view. She is also required to satisfy herself that, in all material respects, expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and conform to the authorities which govern them; that is, they are 'regular'.

The C&AG reports the results of her financial audit work to the Northern Ireland Assembly. From time to time, she may also produce stand-alone reports that are published as Assembly documents.

Large accounts, such as the Department's Resource Account, the NI Housing Executive Accounts (one of its NDPBs) and the Child Maintenance Service Client Funds Account, have been qualified every year since the Department was established. These are of particular note as the C&AG also publishes a report accompanying these accounts, setting out why the audit opinion was qualified. A summary of the qualification reasons is outlined below:

Department for Communities Resource Account/ Northern Ireland Housing Executive Account

Qualifications have continued on both of these accounts as the level of estimated fraud and error within social security benefit expenditure (excluding State Pension) continues to be material. For the NI Housing Executive Account, the qualification is in respect of housing benefit expenditure. The risk of fraud and error is inherent in the payment of benefits and is difficult to eliminate. In Great Britain, the Department for Work and Pensions has a rate of fraud and error on its benefit expenditure which is generally higher than that in Northern Ireland and as a result has also had its audit opinion on the accounts qualified for many years for the same reason.

Child Maintenance Service Client Funds Account

The C&AG has not been able to give an opinion on the truth and fairness of the outstanding arrears for Child Maintenance Service, as the Department has not been able to provide details of legacy arrears on a case-by-case basis. These arrears are a substantial proportion of the overall arrears, although they are decreasing every year. There is a lack of assurance on the accuracy of the receipts from Non-Resident Parents and payments to Persons with Care for cases managed under the legacy schemes. This has led to the C&AG qualifying her regularity audit opinion on this matter.

In the last financial year, the C&AG also qualified her opinion on one of the smaller bodies which come under the DfC umbrella. The **Ulster Supported Employment Limited (USEL)** regularity opinion was qualified due to the C&AG not being able to obtain sufficient appropriate audit evidence to determine if USEL's other operating expenditure of £1.671 million, had been incurred with the appropriate approvals in place. USEL was unable to provide business case approvals or evidence that the correct procurement approach was followed. Sufficient appropriate evidence was also not available to determine if pension costs of £97,000 had been properly approved. The 23-24 audit will not be completed until the Autumn.



Public Reporting

The NIAO produces a Public Reporting Programme, outlining the C&AG's priority public reporting work to be progressed. The Programme examines economy, efficiency and effectiveness in the delivery of services and aims to provide elected representatives, decision makers and citizens with information and assurance about how well public services are operated and public money is spent. The [Public Reporting Programme](#) can be found on our website.

In relation to DfC, the following Value for Money and Public Reporting work is due for completion in 2024-25 and the findings presented to the Public Accounts Committee:

Homelessness (Scheduled to publish in Winter 2024)

Homelessness provision refers not only to people who are 'sleeping rough' but also to those living in unsuitable accommodation and those using informal arrangements for housing. The number of people presenting as homeless has started to increase again, with many of the 45,000 currently on the social housing waiting list accepted as homeless. Homelessness remains a significant social and financial issue in Northern Ireland, with expenditure on homeless services doubling to almost £60 million per annum over the last 10 years. Of particular significance is the increasing demand for temporary accommodation, with expenditure quadrupling since 2015.

This study will consider how the landscape around homelessness services has changed since our last report was published in 2017. It will evaluate the efficiency and effectiveness of the approach taken by the Northern Ireland Housing Executive to address homelessness, and provide appropriate help and advice.

In undertaking this study, we will examine a range of issues including:

- The drivers and impacts of increased demand for homeless services;
- Homelessness prevention;
- The extent of inter-departmental collaboration;
- Social housing supply arrangements;
- Governance and accountability structures; and
- Homelessness service arrangements in place in other jurisdictions.



Previous Public Reporting coverage in DfC

An overview and main findings from a selection of NIAO reports on DfC and its arm's length bodies since 2021 are outlined below. Copies of our reports can be found in the Publications section of our website.

Child Poverty in Northern Ireland (Published March 2024)

Subject of a Public Accounts Committee Inquiry

This report considered the effectiveness of the 2016-22 Child Poverty Strategy and its impact on outcomes for children. Tackling poverty is a cross-cutting issue and therefore an Executive-wide responsibility.

The report notes that one in five children in Northern Ireland are living in relative poverty (before housing costs), with little sustained reduction in the last eight years.

Existing research provides evidence of the significant impact of growing up in poverty on a whole range of outcomes, e.g. health inequalities, lower educational attainment and an increased likelihood of living in poverty as adults.

The report also highlights gaps in the understanding of departments in terms of the accountability arrangements, including a lack of joined up working between them to enable the Strategy to be delivered. This included a lack of timely data and monitoring of outcomes. The report concluded that it is difficult, therefore, to properly evaluate how effective specific interventions have been, which could make planning for the future more challenging.

Sports Sustainability Fund (Published June 2021)

Subject of a Public Accounts Committee Inquiry report published February 2022

This June 2021 report focused on a scheme to provide funding to help the sports sector deal with the impact of COVID-19 restrictions. It was to try and ensure that, post-COVID, Northern Ireland maintained a diverse range of sports. The main findings from this report were:

- Whilst the scheme was to mitigate against the imminent risk of closure of clubs and bodies, the assessment process did not consider the existing financial position of organisations.
- It did not therefore take into account the reserves that clubs and bodies might have had access to.
- The scheme was to provide grants based on net losses due to COVID suffered by clubs and bodies. Net losses were defined as the loss incurred in 20-21 when compared to the average income and expenditure in the previous three years. This resulted in some bodies receiving grant but which provided them with the average profit earned in the three years prior to COVID. One such body received a grant of £1.5m of which £650,000 related to previously made average profits.
- The scheme did not include capping grant awards, nor did it take into account what was happening in other parts of the UK or Republic of Ireland.

The Management and Delivery of the Personal Independence Payment Contract in Northern Ireland (Published in March 2021)

Released by Public Accounts Committee (Report published under previous mandate)

This report found that spending on the Personal Independence Payment (PIP) benefit in Northern Ireland had been higher than expected, with claimants paid a total of £838 million in 2019-20, against an estimated £539 million. 2019-20 was the first year where expenditure on PIP in NI exceeded that of DLA. Similar to PIP, DLA expenditure was also higher than expected, at £432 million compared to an estimate of £401 million. The report concluded that PIP is likely to cost more than DLA.

While payments to PIP claimants were higher than estimated, the report referred to underspends in other areas, due largely to the number of claimant appeals being fewer than expected. The report also noted that, earlier in the contract, Capita missed key targets relating to clearance times and the quality of assessments, but added that had subsequently improved performance in both these areas.

The report also concluded that, while the Department has generally managed its contract in line with good practice, it relies on Capita to provide it with the information used to manage performance. While this management information was validated where possible, the report recommended that the Department enhance its own systems for monitoring contract performance to strengthen future oversight of the PIP contract.

The NIAO has also published several cross-cutting reports, including:

- [Budgeting and Accountability \(May 2024\)](#)
- [Major Capital Projects \(February 2024\)](#)
- [Comptroller and Auditor General's Report on Financial Audit Findings 2023 \(December 2023\)](#)
- [Approaches to achieving net zero across the UK \(September 2023\)](#)
- [Ministerial Directions in Northern Ireland \(April 2023\)](#)
- [The NI Budget Process \(June 2021\)](#)
- [Broadband Investment in Northern Ireland \(June 2021\)](#)
- [Managing Attendance in Central and Local Government \(November 2020\)](#)
- [Capacity and Capability in the Northern Ireland Civil Service \(November 2020\)](#)
- Overview of the Northern Ireland Executive's response to the COVID-19 pandemic ([July 2023](#), [June 2021](#) and [September 2020](#))

Copies of all our reports can be found in the [Publications section](#) of our website.



Good Practice guides

We have compiled a number of good practice guides over recent years covering a range of topics highlighting and encouraging public bodies to improve their performance in achieving value for money, implementing policy and suggesting ways in which public services could be improved.

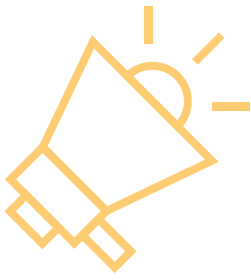
Copies of our good practice guides can be found in the [Publications section](#) of our website.

Recent NIAO Good Practice Guides have covered topics including:

 Board Effectiveness	 Grant Fraud
 Local Government Asset Management Financial Reporting	 School Governance
 Risk Management	 Planning Fraud

Topics planned for future good practice guides include:

 Audit Committee Effectiveness	 Cyber Security
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Counter Fraud Activity

The C&AG maintains a small Counter Fraud Unit which records and monitors notified frauds, and provides fraud-related advice and guidance, both internally and to the wider public sector, to help organisations strengthen their controls and minimise fraud risks. The Unit also co-ordinates the National Fraud Initiative (NFI) in Northern Ireland and is the first point of contact for third parties wishing to raise public interest concerns with the C&AG or Local Government Auditor.

Reporting Fraud

Managing Public Money Northern Ireland requires all NICS departments to report immediately to the C&AG (and to the Department of Finance) all proven, suspected and attempted frauds affecting them or the ALBs sponsored by them. The NIAO monitors these returns and liaises with the audited bodies to ensure that any fraud risks identified are properly addressed, for example through the introduction of additional controls.

National Fraud Initiative (NFI)

All NICS departments participate in the NFI, a UK-wide data matching exercise run every two years. To date, NFI exercises in Northern Ireland have resulted in actual and estimated savings of almost £48 million.

The overall results for NI are published every two years in the regional NFI reports which are available on our [website](#).

The NFI is not reported at organisational level, but by type of outcome (e.g. pensions/rates/payroll etc.) for NI as a whole.

Raising Concerns

Raising concerns (also referred to as whistleblowing) plays a vital role in securing and maintaining standards in public life. Concerns should be raised in the first instance with the relevant department or arm's length body, as they are best placed to address the issue raised.

The C&AG and the Local Government Auditor are "prescribed persons" to whom protected disclosures can be made under Public Interest Disclosure legislation. Public sector employees, members of the public, contractors, councillors and other third parties can raise concerns with them about the proper conduct of public business, value for money and fraud and corruption. Details of how this can be done, and how such concerns will be considered, are on our [website](#).