

Northern Ireland Audit Office

coverage of the

Department of Finance



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 of Finance (DoF)**.

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



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Department of Finance (DoF) – background

The Department of Finance (DoF), previously known as the Department of Finance and Personnel (DFP), was established in May 2016 following the restructuring of Northern Ireland departments. It is one of nine Northern Ireland departments constituted under the Departments Act (Northern Ireland) 2016 and the Departments (Transfer of Functions) Order (Northern Ireland) 2016. The current Finance Minister, Dr Caoimhe Archibald MLA, was appointed on 3 February 2024 and is supported by the Permanent Secretary and Accounting Officer, Neil Gibson.

DoF's role and purpose is set out in its [Annual Report and Accounts 2023-24](#), and provides the Northern Ireland Civil Service (NICS) and other public bodies with money, professional services and business support systems, in order to help them to deliver excellent, value for money public services.

The Department states that it does this by:

- **Managing public money** - effectively allocating resources to where they are most needed to support the delivery of public services;
- **Supporting our people** - recruiting, developing and supporting the best people for the NICS and providing opportunities for individuals to reach their full potential;
- **Transforming and innovation** - improving effectiveness across the public sector by transforming the way we work;
- **Providing evidence and insights** - supporting evidence-based policy and informing public debate, through high quality, trusted, meaningful data, evidence and research; and
- **Delivering public services** - collecting rates revenue to provide funding towards public services such as health, education and infrastructure, as well as council services.

DoF is responsible for the delivery of a wide range of public services which is delivered through eight Directorates, four Divisions and one Executive Agency (NI Statistics and Research Agency):

- **Northern Ireland Civil Service Human Resources (NICSHR)** – is responsible for operational HR advice and services to help support the nine NICS departments in its commitment to make NICS a well-led, high performing civil service. NICSHR delivers the HR Operations Shared Service and has the following key responsibilities: resourcing; employee relations; occupational health services and wellbeing; learning and development; overall policy, legislation, management and administration of the NICS Pension Schemes; and managing the contract for outsourced HR and payroll services.
- **Digital, Security and Finance Shared Services (DSF)** – provides Finance, Information Technology, Digital and Security Services to NICS. Services include: digital security and engagement shared services; NI Cyber Security Centre; IT shared services for NICS and wider public sector; finance shared services (Account NI); the Integr8 Programme to transform Finance and HR services for central government; and is the Network and Information Systems competent authority and Regulator for NI.
- **Land and Property Services (LPS)** – provides Ordnance Survey mapping services for Northern Ireland; maintains the Land Registers for land, deeds, statutory charges and ground rents; maintains the Valuations Lists and carries out revaluations that underpins rate collection; delivers property valuations, estate management and property data services to the public sector; provides policy advice on the rating system, collects rates and administers rate relief schemes.
- **People and Organisational Development (P&OD)** - is responsible for NICS HR policy, including pay and conditions; provides advice and strategic direction on HR policy issues; takes the lead on Trade Union negotiations on HR policy, pay conditions and industrial relations; and provides services such as senior civil servant resourcing, job grading and evaluation, strategic litigation, and diversity and inclusion.

- **Public Spending Directorate (PSD)** – responsible for managing public expenditure in Northern Ireland, promoting accountability and good governance, and managing HM Treasury budget controls. It is responsible for Budget legislation which authorises cash to be issued from the NI Consolidated Fund to departments for the delivery of public services. It centrally manages the delivery of NI's four City and Growth Deals, including the strategic direction and policy, governance and funding.
- **Strategic Policy and Reform Directorate (SPAR)** – responsible for: strategic economic and fiscal policy advice and analysis; provides business case guidance; advises on expenditure appraisal and determines pay policy/pay remit process; manages DoF's relationship with the NI Fiscal Council; is the departmental sponsor for Special EU Programmes Body (SEUPB); leads on EU Exit; divergence matters and other EU / Member State functions and other EU issues; leads DoF response to climate change and the Covid Inquiry; and provides advice and guidance on a variety of other services.
- **Departmental Solicitor's Office (DSO)** – provides legal advice and counsel to the Northern Ireland Executive, Ministers, departments, their agencies and arm's length bodies; represents departments and other clients in litigation and in property and commercial transactions; and develops proposals for civil law reform.
- **Construction and Procurement Delivery (CPD)** – is responsible for the development of procurement policy and implementation of UK procurement legislation; procurement services to public bodies; construction advice and services; provision of property maintenance; property services; and project and commercial delivery advice and guidance. CPD is responsible for the two CoPEs relating to Supplies and Services and Construction.
- **Finance Division**– provides financial services for the Department including requirements for financial accounting and budget reporting; budget consultation; the Department's anti-fraud policy and fraud response plans. It is the Audit Authority for expenditure declared under the Peace & INTERREG VA programmes.
- **Corporate Services Division** - provides corporate services including the framework for risk management and governance arrangements; performance review against corporate targets; policies for information management, health and safety, physical and personnel security, public appointments, handling complaints and concerns, equality, and emergency response.
- **Group Internal Audit and Fraud Investigation Services Division (GIAFIS)** – provides Internal Audit and Fraud Investigation Services to the department and to other NICS departments and their sponsored bodies (where appropriate). Although services are provided by DoF, auditors report directly to the relevant Accounting Officer.
- **Communication and Engagement Division (CAED)** – is responsible for running the Minister's and Permanent Secretary's Private Offices, strategic external and internal communications, staff engagement, open government and transparency.

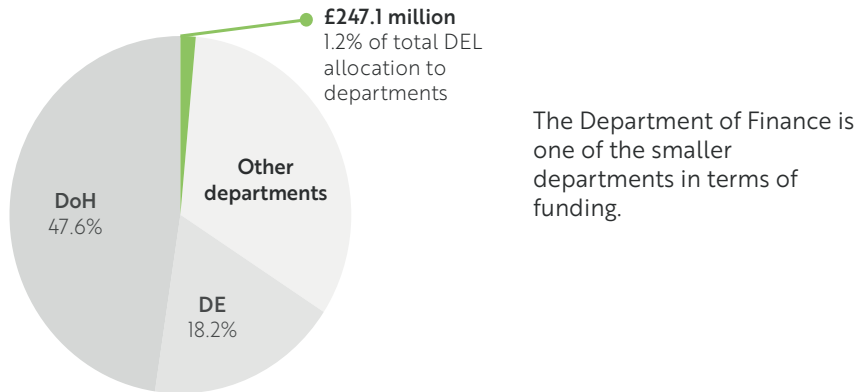
Key challenges include:

- To deliver sustainable budgeting and transformation given the significant financial pressures and increasing demand for public services;
- Continue to professionalise services, work collaboratively within and outside NICS to maximise resources, and support staff to deliver the best possible services;
- Delivery of the Integr8 Programme which aims to modernise and integrate NICS Finance and Human Resources services; and
- Delivery of the Nova programme, which aims to transform the business operating model of Land and Property Services.

Department of Finance (DoF) 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 of Finance



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



Most of the Department’s funding is provide Shared Services and Accommodation Services for the entire NICS, as well as funding Land and Property Services.

SPENDING AREA	RESOURCE DEL	CAPITAL DEL	TOTAL
NICS Shared Services	£70.6m	£10.9m	£81.5m
Land & Property Services	£64.4m	£13.0m	£77.4m
NICS Accommodation Services	£35.3m	£11.1m	£46.4m
Finance, Procurement & Policy	£21.7m	£0.3m	£22.0m
NI Statistics & Research Agency	£13.4m	£3.6m	£17.0m
Special EU Programmes Body	£1.7m	£-	£1.7m
EU Programmes	£1.1m	£-	£1.1m
TOTAL	£208.2m	£38.9m	£247.1m

Source: 2024-25 Budget Document, Department of Finance

Bodies for which DoF has responsibility for sponsorship and oversight

Executive Agency

- Northern Ireland Statistics and Research Agency (NISRA)

Other entities

- Building Safety Expert Panel
- Civil Service Appeals Board (CSAB)
- Northern Ireland Fiscal Council
- Legal Services Oversight Commissioner for Northern Ireland (LSOC)
- Northern Ireland Building Regulations Advisory Committee (NIBRAC)
- Northern Ireland Civil Service Pension Board (NICSPB)
- Procurement Board
- Statistics Advisory Committee (SAC)

North South Implementation Body

The Department has joint responsibility with the Department of Public Expenditure and Reform (DPER) in Ireland, for the Special EU Programmes Body (SEUPB). SEUPB reports to the North South Ministerial Council and its principle function is to administer EU Structural Funds which support development and regeneration programmes in Northern Ireland, the Border Region of Ireland and Western Scotland.

The NIAO audits the following DoF accounts:

- DoF Annual Report and Accounts
- DoF Superannuation and Other Allowances Pension Statement
- Northern Ireland Statistics and Research Agency
- Land and Property Services Trust Statement – Revy Levy Accruals Account
- Public Income and Expenditure Account (commonly known as Northern Ireland Consolidated Fund)
- Special EU Programmes Body
- Assembly Contributory Pension Fund
- Members Contributory Pension Fund



Financial Audit Update

The Comptroller and Auditor General (C&AG) for Northern Ireland is the external auditor for DoF. Each year the NIAO conducts a programme of audits on the financial statements of DoF, its Executive Agencies and 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. Since 2020, the C&AG has issued **unqualified** audit opinions on DoF Superannuation and Other Allowances Pensions Statement, Northern Ireland Research and Statistics Agency, Public Income and Expenditure Account, Special EU Programmes Body, Assembly Contributory Pension Fund and Members Contributory Pension Fund.

The C&AG issued **qualified** audit opinions on the Department's Annual Report and Accounts in 2020-21 and on the Land and Property Services Trust Statement – Rate Levy Accruals Accounts between 2016-17 and 2022-23.

On these occasions, the C&AG published a report attached to the accounts with the reasons for qualification. A summary of the reasons is outlined below.

2020-21 DoF Annual Report and Accounts

In response to the COVID-19 pandemic, DoF took responsibility for the implementation of a series of business grant schemes designed to support businesses subject to closure or restrictions. Following testing on each of the four schemes, the audit opinion was qualified on three matters:

- Ineligible payments made under the Localised Restrictions Support Scheme (LRSS). Total expenditure for the scheme was £245.7 million in 2020-21. DoF carried out post-payment checks on grants paid under the scheme and identified £6.08 million that was incorrectly paid, of which £1.56 million was recouped. Following audit testing, the estimated total overpayments was calculated at £8.7 million.
- For the remaining three financial assistance schemes, there was insufficient evidence to determine whether expenditure was free from material misstatement or irregularity.
- An amount totalling £47.7 million for COVID-19 grants was classified as an accrual at the year-end, rather than a provision, in the financial statements. By incorrectly applying this accounting treatment, DoF was able to utilise funds in the financial year that would otherwise have been redistributed to other departments or returned to the Treasury. This was contrary to International Accounting Standards and budgetary guidance.

Land & Property Services Trust Statement – Qualified opinions arising from the level of fraud and error in Housing Benefit Expenditure

The Trust Statement accounts have received a qualified regularity opinion for a number of consecutive years. This has been as a result of the unacceptably high levels of fraud and error in housing benefit expenditure for rates of owner occupiers, administered by DoF on behalf of the Department for Communities (DfC).

Unlike all other social security benefits where payments are made by DfC, DoF administers over £30 million of housing benefit in Northern Ireland by off-setting housing benefit against the rate accounts of people who own their house, but are entitled to apply for a reduction as they are on low income and suffering financial hardship.

Each qualification has estimated the amount of fraud and error within these transactions to be a substantial amount. Although the C&AG recognised that over a number of years, considerable efforts have been made by DoF to reduce fraud and error rates, however they still remained at an unacceptable level.



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 DoF, the following public reporting work is due for completion in 2024-25, and the findings will be presented to the Public Accounts Committee:

Budgeting and Accountability (Published in May 2024)

With the Public Accounts Committee for Consideration

This report set out a review of the NI Executive's spend against budget allocations between 2018-19 and 2022-23, identifying overspends and underspends by Departments and the reasons for these. It also identified funding returned to HM Treasury and therefore lost to the NI Executive.

A total of £2.1 billion was returned to HM Treasury by the NI Executive, during the five-year period examined. However, £2.0 billion (95 per cent) of this did not represent a loss of spending power for the Executive as the amount returned related to non-cash funding which could not be used for any other purpose. In terms of cash available for spending on public services, only £0.3 million of non-ringfenced resource funding was returned to HM Treasury during the five financial years. In addition, £91.8 million of Capital funding was returned in the examined period. This is a significant amount of money which is the equivalent to the projected final cost of the new maternity hospital in the grounds of the Royal Victoria Hospital.

The report concluded that the absence of multi-year budgets, during a period of unprecedented pay and price pressures, inhibited the departments' ability to effectively plan, finance and invest in the long-term delivery of public services in NI to maximise the benefit to public services.

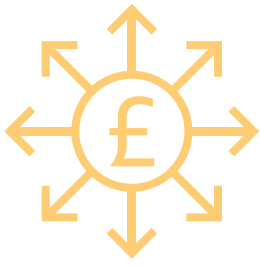
It also considered progress made against the recommendations of a 2022 [report by the NI Assembly's Public Account's Committee](#) on the budget process in Northern Ireland, noting that the absence of a functioning Executive has meant a number of issues have yet to be progressed.

Major IT Projects (scheduled to publish in Autumn 2024)

Major IT programmes/projects are resource intensive and high risk. Typically, issues emerge in relation to planning, resourcing, procuring, and installing new systems, alongside data management challenges. Spend on IT systems in the public sector is significant, with much of it needed to replace outdated delivery systems for business-critical functions. We have seen examples of legacy system contracts having to be extended for several years. For the purposes of this report, we define 'major' as over £25 million in whole life costs.

This study will:

- present an overview of the portfolio of current major IT projects expenditure and contracts awarded across central government;
- consider the arrangements in place for the strategic oversight and assurance of major IT projects;
- consider the legacy system succession planning across departments; and
- highlight common issues/challenges in the successful delivery of major IT projects and identify any lessons learned or good practice points.



Previous Public Reporting coverage in DoF

An overview and main findings from a selection of NIAO reports on DoF, its Executive Agency and its Arm's Length Bodies since 2020 are outlined below.

Major Capital Projects – Follow-up report (Published in February 2024)

Selected by the Public Accounts Committee for a future Inquiry

This report provided an update on the 11 capital projects included in the Major Capital Projects report published in 2019. Seven of these projects were flagship infrastructure projects identified by the Executive in 2015 as its highest priority projects. Our 2024 report identified cost overruns for the 11 projects of around £1.94million (£700 million in 2020). This report highlights that, more than four years on, only one of the seven flagship projects, and none of the four other major capital projects, have been completed.

Our report noted that delays and costs overruns continued to persist in more recently approved projects. In the period April 2019 to August 2023, the major capital projects portfolio across Northern Ireland departments consisted of 77 projects. Originally estimated to cost £5.63 billion to complete, it is now expected to cost £8.08 billion, a 44 per cent increase on the original business case cost estimates. Only 9 of the 77 projects are expected to meet both their original time and cost estimates.

Following an Inquiry, the Public Account Committee's Report on Major Capital Projects (October 2020) made 15 recommendations aimed at improving accountability for the delivery of major capital projects, improving commissioning and delivery arrangements, and improving planning of major capital projects. We understand that several of the recommendations have not been progressed.

In the 2024 report, the C&AG recommended that fundamental reforms to the commissioning and delivery system for major capital projects are implemented to ensure value for money is achieved and public services are improved. To drive change and ensure delivery, she recommended the establishment of a comprehensive transformation project, including the development of a clear framework to ensure accountability and delivery of major capital projects in Northern Ireland.

Northern Ireland Non-Domestic Renewable Heat Incentive (NI RHI) Scheme: Assessing progress with the implementation of the Public Inquiry recommendations (Published in March 2022)

With the Public Accounts Committee for consideration

Published in March 2022 this report examined and summarised progress achieved towards the implementation of the 44 recommendations made by the Renewable Heat Inquiry in March 2020. The report fulfilled the last recommendation made by the Inquiry: that NIAO should assess and validate progress in implementing the lessons learned from the NI RHI scheme and report on such progress periodically.

- Of the 44 recommendations, 42 related to actions to be taken by the NICS and the Executive. The remaining two recommendations were the responsibility of the NI Assembly and the NIAO. In order to address the recommendations, the Executive sub-committee, supported by DoF, grouped recommendations into seven thematic groupings.
- The report found that three quarters of the recommendations have either been implemented or have arrangements in place for them to be implemented shortly.
- For the remaining recommendations, the report concluded that not enough action had either been taken or was proposed to sufficiently address the concerns of the RHI Inquiry.
- The most significant progress had been made in relation to the themes of 'Ministers and Special Advisors', 'Professional skills' and 'Governance and financial controls'.
- However, only 18 recommendations could be considered as fully implemented.
- The report also looked at the disciplinary process that was carried out following the findings of the Inquiry. A panel of three experienced former civil servants from across the UK and Ireland was asked to consider if in its view there had been potential breaches of the NICS standards of conduct.
- The disciplinary process was followed and ultimately one individual received a written warning for misconduct.

A follow-up report is scheduled to be published in September 2024.

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

- [Comptroller and Auditor General's Report on Financial Audit Findings 2023 \(December 2023\)](#)
- [Approaches to achieving net zero across the UK](#)
- [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.

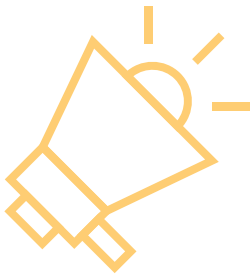
Copies of our good practice guides can be found in the [Publications section](#) of our website.

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](#).