



Northern Ireland Audit Office

MEDIA RELEASE

Financial Auditing and Reporting

Report to the Northern Ireland Assembly by the Comptroller and Auditor General 2016

Kieran Donnelly, the Comptroller and Auditor General for Northern Ireland has today reported to the Northern Ireland Assembly on the results of financial audit work undertaken by the Northern Ireland Audit Office (NIAO), primarily on the 2015-16 accounts of government departments and other public sector bodies.

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

Mr Donnelly said:

“Most central government departments and their Arm's Length Bodies have continued to produce good quality accounts for audit scrutiny, resulting in clean audit opinions. I qualified my opinion on 12 occasions and this report provides details. Many of the qualified audit opinions this year result from failures to comply with instructions from governing authorities, including the Department of Finance and the European Union.”

Key findings

The report notes that the Northern Ireland Consolidated Fund, which is the Executive's current account paid out £18.4bn in 2015-16 compared to £17.6bn in 2014-15. Of the twelve accounts qualified, two (both of them Departmental Resource Accounts) were new qualified opinions. The total number of qualifications was the lowest since 2009-10. Within this context, Mr Donnelly draws attention to the following qualifications:

- **Department of Enterprise, Trade and Investment** –£11.9 million was spent in 2015-16 on the non-domestic Renewable Heat Incentive scheme without the necessary approvals. Total expenditure of £30.5 million has been made to 31 March 2016. Systems to prevent or detect abuse of the scheme were inadequate.
- **Department of Justice** – The financial statements are consolidated to include the Legal Services Agency Northern Ireland's financial statements. A provision of £126.8 million was included in the accounts for the estimated amount required to settle the costs of current legal aid cases, but the Agency was unable to provide sufficient evidence to support the provision which was understated by between £9 million and £33 million.

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- **Northern Ireland Housing Executive** - The audit opinion was qualified because of significant levels of estimated fraud and error in Housing Benefit expenditure, with overpayments of £19.5 million and underpayments of £3.6 million; and weaknesses in controls over £100m of planned maintenance expenditure. Mr Donnelly observed that the inspection methodology for planned maintenance works which the Housing Executive concluded was flawed in 2014-15 was still in use.

Retention of Students in Higher Education Institutions in Northern Ireland

In 2008-09, Northern Ireland had the highest levels of non-continuation after the first year of higher education in the UK. Since then, there has been considerable improvement in the retention of students by Higher Education Institutions in Northern Ireland. In 2013-14, Northern Ireland had the joint highest average student retention rates in the UK. This increased level of retention benefits both the individuals involved and the economy as a whole.

Coleraine to Londonderry Rail Upgrade

The Coleraine to Londonderry line is planned to be upgraded in 3 phases at a total cost of £75 million. Phase 1 was delivered in 2013 on time and within budget. Phase 2, originally estimated to cost £20 million, is due to be completed in December 2016 at a cost of £46.4 million, more than twice the value of the original estimate and nearly a year later than planned. Acceptance of the contract required a Ministerial Direction as the Accounting Officer could not sign off the bid as representing value for money. Mr Donnelly has noted that two competitions for Phase 2 each produced a single bidder and that this limited market interest brings with it the potential to have to pay a premium for the work.

Confidentiality Agreements in the Northern Ireland Public Sector

While there may be exceptional circumstances where the use of confidentiality clauses is justified, their inclusion should be restricted only to situations where they are absolutely necessary. The acid test for an organisation is whether the Accounting Officer could justify the clause if asked to defend it. Mr Donnelly welcomes the renewed interest in this topic and the recent guidance issued by the Department of Finance to draw upon the key messages raised elsewhere in the UK public sector. It is vitally important that the principles of openness, transparency and accountability are safeguarded alongside the reputation of public sector bodies in upholding these key values.

Control failures in the administration of the Rural Development Programme

A grant payment of £50,000 to help fund the purchase of quarry equipment to assist in the expansion of an on farm quarry breached a number of rules and regulations of the Programme. The claim was paid without a prepayment site visit on the basis of a photograph, the equipment was not located on the applicant's site at the time of payment and was not in the applicant's possession or use for almost a year after the grant was paid. A comparison of the photograph with the equipment sighted at a later inspection identified significant differences. This was not identified or investigated by officials. The

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Department has been unable to recover the funds from the claimant, and the European Commission has withheld £50,000 in respect of the grant paid.

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. The report is available from the Stationery Office throughout the United Kingdom. It is also available on the Audit Office website at www.niauditoffice.gov.uk. The report is embargoed until 00.01 hrs on 06 December 2016.
3. It does not include the results of his examination of the accounts of bodies within the health and social care or local government sectors. Separate reports on these sectors will be published in due course. Background briefing can be obtained from the Audit Office by contacting Neil Gray (028 9025 4345) or Kathy Doey (028 9025 1065).