



Northern Ireland Audit Office

# ***MEDIA RELEASE***

## **Financial Auditing and Reporting**

### **Report to the Northern Ireland Assembly by the Comptroller and Auditor General 2017**

**13 March 2018**

Kieran Donnelly, the Comptroller and Auditor General for Northern Ireland and Head of the Northern Ireland Audit Office (NIAO), has today reported on the results of financial audit work undertaken by the NIAO, primarily on the 2016-17 accounts of government departments and other public sector bodies but also on specific topics such as Direct Award Contracts and Voluntary Exit Schemes.

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

Mr Donnelly reports;

*"It is clear throughout this General Report that central government bodies continue to make efforts to improve their control systems, but that further work is needed to resolve weaknesses. It is critical that bodies ensure basic controls are in place and operating effectively to prevent the misuse of public funds."*

#### **Key findings from financial audit work include:**

- Eleven departmental resource accounts received qualified audit opinions compared to four in the 2015-16 accounting period. The increase in the number of qualifications was almost entirely due to what are known as "excess vote" cases, where budgetary limits approved by the Assembly have been breached. However it should be noted that in the majority of these cases the correct budgetary procedure had been followed but could not be concluded as normal, due to the dissolution of the Assembly in January 2017.
- Nine other accounts received qualified audit opinions.
- Qualifications covered in the report related to issues such as:
  - disallowances of EU funding in the Department of Agriculture, Environment and Rural Affairs;
  - the estimated levels of fraud and error in social security benefits and housing benefits funded by the Department for Communities;

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- ongoing weaknesses in controls in the non-domestic Renewable Heat Incentive (RHI) scheme and other expenditure incurred without the necessary approvals in the Department for the Economy; and
- insufficient evidence to support the eligibility of certain legal aid applications, the completeness and accuracy of payment to legal practitioners, the provisions figure and whether income from the recovery of defence costs is complete within the Legal Services Agency accounts.
- Other matters covered in the report include:
  - A report on the Armagh Observatory and Planetarium which draws out a number of issues resulting from investigations into transactions initiated by a former Accounting Officer. The issues raised include purchases made outside of the body's procedures, the misuse of credit cards, the purchase of high value IT equipment and the receipt and recording of hospitality, including that received from a contractor for services not procured in line with proper procedures.
  - A report on the Northern Ireland Courts and Tribunals Service Trust Statement – Fines Collection account for 2016-17 which outlines concerns with the system for fine defaulters. Nearly half (£10.9 million) of the £22.1 million debt outstanding at 31 March 2017 is unlikely to be recovered, with fewer than 25 per cent of fine defaulters being successfully served notice of fine default hearings.
  - A report on Sport NI which outlines issues about governance and the completion of accounts for 2014-15 and subsequent years due to poor quality accounts and supporting papers being presented for audit.
  - A report on the Land and Property Services' Rates Levy Account for 2016-17 which includes details of the qualification of the audit opinion due to the level of fraud (£2.5 million) and error (£3.3 million) in housing benefit administered during 2016 and deals with the circumstances of an internal fraud.
  - A report on the Northern Ireland Housing Executive (NIHE) which deals with qualifications to the audit opinion on the 2016-17 accounts in respect of insufficient evidence of controls operating over planned maintenance expenditure and the level of housing benefit fraud and error (£25.3 million). It also identifies deficiencies in how the governance arrangements operated with regard to a specific whistleblower allegation.

Mr Donnelly commented *"I am particularly concerned at the number of findings reflecting conduct that falls short of the high standards expected from those in public life. The Principles of Public Life were set out by Lord Nolan in 1995 ..... All those in public life have a responsibility to comply with these principles in undertaking their roles and making decisions in the public interest."*

### **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](http://www.niauditoffice.gov.uk). The report is embargoed until 00.01 hrs on 13 March 2018.
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 Karen Beattie (028 9025 1003).