

Northern Ireland Audit Office

coverage of the

Department for the Economy



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 (NFI) data matching exercise in Northern Ireland (NI). 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 the Economy (DfE)**.

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



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Department for the Economy – background

The mission of DfE is to develop and implement agile policies and programmes which promote a competitive, sustainable, and inclusive economy through investment in:

- skills;
- economic infrastructure;
- research and innovation; and
- business development.

The strategic objectives of DfE are to:

- (1) accelerate innovation and research;
- (2) enhance education, skills, and employability;
- (3) drive inclusive, sustainable growth;
- (4) succeed in global markets;
- (5) build the best economic infrastructure;
- (6) deliver a regulatory environment that optimizes economic opportunities for business and commerce, while also protecting consumers and workers; and
- (7) ensure the Department has effective governance, including programme and project management arrangements, and manages its financial and staff resources.

In order to achieve the above objectives DfE carries out a wide range of activities, which include:

- leading on economic policy and strategy, working with delivery partners such as Invest Northern Ireland (Invest NI) on the programmes and projects that support business development and investment and job creation;
- continuing to support Further Education Colleges (FECs) in taking a pivotal role in generating a strong and vibrant economy through the development of world class professional and technical skills, increasingly at higher levels and by helping employers to innovate and by providing those with low or no qualifications, or who have other barriers to learning, with the skills and qualifications needed to find employment and become economically active;
- supporting higher education institutions in their provision of higher-level skills, effecting a positive contribution to the labour market in order to contribute to economic recovery and improved social well-being;
- supporting higher education institutions to fulfil their key missions of research and knowledge exchange, to maximise their achievement of excellent research and its translation into economic and societal impact;
- supporting economic recovery by continuing to deliver apprenticeship programmes supporting youth employment and improving the NI skills base, by expanding provision, widening access and improving the economic relevance through working with employers to develop pathways, qualifications and curriculum;
- supporting economic recovery by continuing to deliver and introduce reformed vocational education programmes, youth training and youth inclusion programmes providing access to vocational education training and employability skills aimed at reducing the number of young people not in employment, education or training;

- championing economic, social and personal development by providing relevant high-quality learning, research and skills;
- continuing to support the tourism sector in NI working with delivery partners Tourism NI and Tourism Ireland to maximise visitor numbers and associated revenue spend for the benefit of the NI economy and to support job creation;
- supporting cross-border and all-island trade and innovation through the activities of InterTradeIreland;
- continuing to support Northern Ireland Screen (NI Screen) to maximise screen industry expenditure in NI, and build the skills capacity and reputation of the local screen industry internationally;
- setting the strategic direction for how the energy sector can contribute towards addressing climate change and supporting a green economic recovery;
- providing regulatory services, including the Health and Safety Executive Northern Ireland (HSENI), Trading Standards, Consumer Council and Insolvency Service as well as labour market services including the Labour Relations Agency (LRA), tribunals, employment law and redundancy payments;
- continuing to deliver careers guidance and advice in line with strategic commitments; and
- maintaining and enhancing NI's domestic and international air connectivity.

The Core Department has a staff complement of over 1,200 and its work is organised across the following five main business areas (Groups):

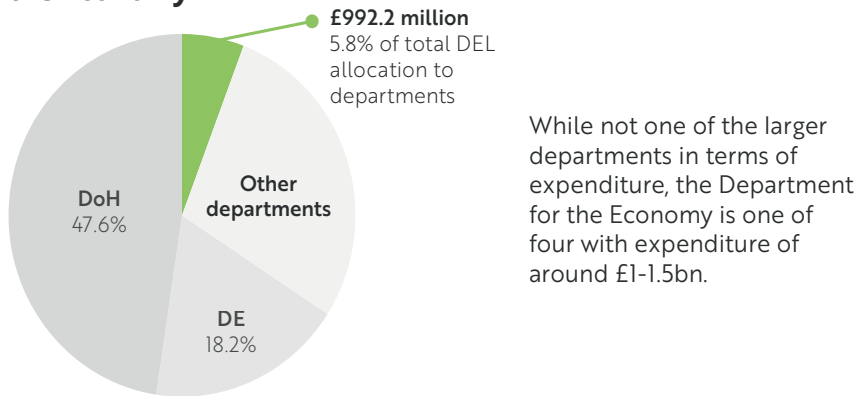
- International and Economic Relations Group;
- Economic Strategy Group;
- Management Services and Regulation Group;
- Skills and Education Group; and
- Energy Group.

In addition to producing its own financial statements, DfE is also responsible for preparing accounts for its Insolvency Service, as well as for Mineral Development and Petroleum Production.

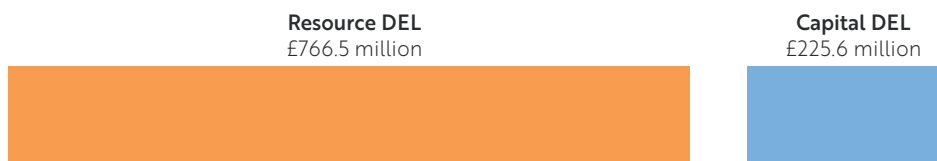
Department for the Economy - funding

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 the Economy



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



Around two thirds of funding is used to support two of the Department’s main objectives.

SPENDING AREA	RESOURCE DEL	CAPITAL DEL	TOTAL
Employment and Skills	£353.9m	£29.4m	£383.3m
Student Support & Higher Education	£220.6m	£82.2m	£302.8m
Economic & Business Development	£117.3m	£110.2m	£227.5m
Tourism (including Tourism Ireland Ltd)	£41.5m	£2.4m	£43.9m
Representation & Regulatory Services	£27.9m	£1.2m	£29.1m
InterTradelreland	£5.3m	£0.2m	£5.5m
TOTAL	£766.5m	£225.6m	£992.1m

Source: 2024-25 Budget Document, Department of Finance

Bodies for which DfE has responsibility for sponsorship and oversight

Non-Departmental Public Bodies (NDPBs)

- Invest Northern Ireland
- Northern Ireland Tourist Board (trading as Tourism NI)
- General Consumer Council for Northern Ireland
- Health and Safety Executive for Northern Ireland
- Northern Ireland Screen Commission
- Construction Industry Training Board Northern Ireland
- Labour Relations Agency
- Belfast Metropolitan College
- Northern Regional College
- North West Regional College
- Southern Regional College
- South Eastern Regional College
- South West College
- Stranmillis University College*

Other Bodies

The Department has responsibility and oversight for the following North/South Bodies:

- Tourism Ireland
- InterTradelreland

In addition, the Department is responsible for the sponsorship and oversight of funding to the following independent autonomous bodies:

- Ulster University*
- Queen's University Belfast*
- St Mary's University College*; and
- The Open University*.

*Asterisk denotes bodies which are not audited by the NIAO



Financial Audit Update

The C&AG for NI is the external auditor for the DfE. Each year the NIAO conducts a programme of audits on the financial statements of DfE and its 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, that they are 'regular'.

The C&AG reports the results of her financial audit work to the Northern Ireland Assembly. From time to time, she also produces stand-alone reports that are published as Assembly documents. Since 2020, the C&AG has issued a number of qualified audit opinions on the DfE financial statements. A summary of the reasons for the qualifications is outlined below.

2022-23

The C&AG issued a qualified true and fair opinion on the Core Departmental accounts because of a disagreement around the accounting treatment of COVID-19 business support grants (in the prior year 2021-22 figures) administered by DfE. These were accounted for as if the expenditure was controlled by Invest NI, however in the opinion of the C&AG the scheme was operated, administered and controlled by DfE itself and should have been accounted for within the DfE Core financial statements to provide a true and fair view. The C&AG opinion on the Departmental Group's financial statements was not affected by this issue.

The C&AG also qualified her regularity opinion on the financial statements due to grant-in-aid payments having been made to Tourism Ireland and InterTradelreland without the North South Ministerial Council (NSMC) having approved the related business plans (as required by their respective Financial Memorandum and Management Statements). No NSMC meetings had taken place to facilitate the approvals required before the audit had concluded, meaning that the matter was beyond the control of the Department.

The C&AG issued a report attached to her audit opinion on these issues and a number of other observations including:

- a delay in completion of the accounts production and audit process;
- the impact of the absence of ministers on the governance arrangements in some of DfE's arm's length bodies (ALBs);
- progress in addressing Renewable Heat Incentive (RHI) inquiry recommendations within DfE; and
- the financial impact on DfE of the Presbyterian Mutual Society being placed into liquidation.

2021-22 and 2020-21

The C&AG issued a qualified true and fair opinion on the core Departmental accounts because of disagreement with the accounting treatment of COVID-19 business support grants, as outlined above. In addition, there was a lack of disclosure of irregular expenditure on the COVID-19 business support grants, as required by the Accounts Direction issued by the Department of Finance (DoF).

The C&AG's regularity opinion was also qualified for the following reasons:

- The COVID-19 business support grants were administered by DFE even though it did not have the legal authority to make these payments.
- There was insufficient appropriate evidence to show that the terms of the COVID-19 business support grant schemes administered by other bodies were met. These schemes relied upon self-declarations made by applicants to assess eligibility.

In 2020-21, expenditure which did not have the required approval of DoF was also deemed to be irregular. This related to COVID-19 apprenticeship support schemes and funding provided to Tourism Ireland which had been rolled over from the previous year without approval in accordance with the Management Statement and Financial Memorandum.

A detailed C&AG report on these issues and other observations was attached to the 2021-22 and 2020-21 accounts.



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

Developing the Skills for Northern Ireland's future (scheduled to publish in September 2024)

Skills are vital for enabling individuals and countries to thrive in an increasingly complex, interconnected and rapidly changing world. A broad range of government bodies have policy or delivery responsibilities for skills and concerns have been raised that the skills system is lacking a joined-up approach.

This review will consider:

- The vision and priorities for skills, including the existing arrangements and strategies for skills planning and development in NI;
- The various stakeholders and bodies involved; their roles and responsibilities; and the governance, reporting and accountability arrangements; and
- Government's approach to identifying current and future skills needs and its plans to develop skills.

Also scheduled to publish in 2024-25 are the following reports:

- Northern Ireland Non-Domestic Renewable Heat Incentive Scheme - Assessing progress with the implementation of the Public Inquiry recommendations (scheduled to publish in Autumn 2024)
- Strategic Review of Energy Efficiency (scheduled to publish in Spring 2025)



Previous Public Reporting coverage in DfE

An overview and main findings from a selection of NIAO reports on DfE and its ALBs since 2020 are outlined below. Copies of our reports can be found in the Publications section of our website.

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

With the PAC for consideration

This report summarised progress achieved in implementation of the 44 recommendations made by the RHI in March 2020. The report fulfilled the last recommendation made by the Inquiry; that the NIAO should assess and validate progress in implementing the lessons learned from the NI RHI scheme and report on such progress periodically.

The main findings of the report were as follows:

- Of the 44 recommendations, 42 relate to actions to be taken by the Northern Ireland Civil Service (NICCS) and the Executive. The remaining two recommendations are 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 areas.
- The report finds 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 concludes that not enough action has either been taken or is proposed to sufficiently address the concerns of the RHI Inquiry.
- The most significant progress has been made in relation to the themes of 'Ministers and Special Advisors', 'Professional skills' and 'Governance and financial controls'.
- Only 18 recommendations could be considered as fully implemented.
- The report also looks 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 were asked to consider if, in its view, there had been potential breaches of the NICCS 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.

Design and Administration of the Northern Ireland Small Business Support Grant Scheme (Published December 2021)

Released by the Public Accounts Committee (published under previous Mandate)

This report examined the Small Business Support Grant Scheme (the Scheme), which was designed to provide funding to help businesses with “unavoidable fixed costs” and cash flow incurred from the significant strain the COVID-19 pandemic was causing businesses. This was the first of a number of schemes aimed at supporting NI businesses and was based on a scheme for England announced by the UK Chancellor of the Exchequer on 17 March 2020. It was designed and delivered jointly by DfE and DoF.

The scheme was launched and the first payments were made on 26 March 2020, just eight days after being announced by the First and deputy First Minister. Our report identified £5.68 million of potentially ineligible payments, which included £2 million in duplicate payments, £0.7 million paid to landlords rather than tenants and £0.5 million paid to wind turbine owners. Of this £1.76 million was recovered by DfE and at that time, procedures were in place to continue to recover the outstanding balances. In addition, our report noted that payments were likely to have been made to businesses not suffering COVID-19 related hardship because no assessment of need had been undertaken.

At the outset of the Scheme, the DfE Permanent Secretary sought a Ministerial Direction as he had serious concerns over the value for money and the risk of fraud and error inherent in the Scheme. These concerns stemmed primarily from the timescale in which the Scheme was to be delivered, allowing insufficient time to undertake normal planning processes. The report notes that many of the concerns raised by the DfE Permanent Secretary came to fruition.

DfE identified a number of lessons from the implementation of this Scheme which it has actioned in subsequent schemes, and NIAO identified some key areas which should be considered if similar emergency interventions are required in the future. A small amount of extra time taken to adequately plan and assess the delivery risks in a proportionate way could provide a better balance between pace and appropriate control.

Generating electricity from renewable energy (Published October 2020)

Subject of a Public Accounts Committee Inquiry report published September 2021

This 2020 report examined the government-backed Northern Ireland Renewables Obligation (NIRO) which provided a financial incentive, in the form of Renewables Obligation Certificates (ROCs), to accredited generators of electricity from renewable sources, such as wind, solar and anaerobic digester (AD) plants. The report looked at issues that had been identified around AD plants and onshore wind turbines. It also assessed the existence and effectiveness of any joined-up strategic and operational partnership arrangements across government to support the NIRO scheme.

The main findings of this report included:

- The modelling used by the former Department of Enterprise, Trade and Investment (DETI) to set the level of support for generating stations using biogas could be providing higher levels of financial support than necessary to investors in this technology.
- There was a lack of joined-up thinking between departments and agencies, which resulted in environmental and planning risks not being identified and managed.
- The NIRO legislation permitted accredited renewable generating stations, which are not connected to the grid, or do not export electricity to the grid, to still earn ROCs for electricity generated.
- The NIAO identified a large number of wind and AD based generating stations that had not been identified for a rates assessment. As a result of this, an additional £2 million of annual rates have subsequently been recovered by Land and Property Services (LPS).
- The report did not identify any 'phantom AD plants' i.e. where ROCs were being issued to AD based generating stations which did not in fact exist. However, an investigation by Office of Gas and Electricity Markets (Ofgem) identified a potential issue of 'gaming', where two small generating stations had been set up in close proximity and as such were able to claim a higher number of ROCs.

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.

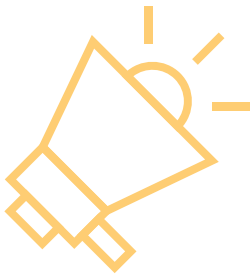
Copies of our good practice guides can be found in the [Publications section](#) of our website.

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 NFI in NI 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 DoF) 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 NI 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 ALB, 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](#).