Northern Ireland Audit Office

Comptroller and Auditor General's Report on Financial Audit Findings 2024 – Central Government

Report by the Comptroller and Auditor General

Published
10 December 2024

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This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the Northern Ireland Assembly in accordance with Article 11 of the Order.

The Comptroller and Auditor General is the head of the Northern Ireland Audit Office. She, and the Northern Ireland Audit Office are totally independent of Government. She certifies the accounts of all Government Departments and a wide range of other public sector bodies; and she has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

Dorinnia Carville
Comptroller and Auditor General

Northern Ireland Audit Office
10 December 2024

Contents

List of Abbreviations

AFBI	Agri-Food and Biosciences Institute
ALB	Arm's-length Body
AME	Annually Managed Expenditure
BSO	Business Services Organisation
C&AG	Comptroller and Auditor General
CMS	Child Maintenance Service
DAERA	Department of Agriculture, Environment and Rural Affairs
DE	Department of Education
DEL	Departmental Expenditure Limit
DfC	Department for Communities
DfE	Department for the Economy
DfI	Department for Infrastructure
DoF	Department of Finance
DoH	Department of Health
DoJ	Department of Justice
EU	European Union
EVAWG	Ending Violence Against Women and Girls
FE	Further Education
FReM	Government Financial Reporting Manual
FTC	Financial Transactions Capital
GCCNI	General Consumer Council for Northern Ireland
HSC	Health and Social Care
IFRS	International Financial Reporting Standards
Invest NI	Invest Northern Ireland
LPS	Land and Property Services
LSANI	Legal Services Agency Northern Ireland
MPMNI	Managing Public Money NI
MSFM	Management Statement and Financial Memorandum
NDPB	Non-Departmental Public Body
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NI-CO	Northern Ireland Co-operation Overseas
NICS	Northern Ireland Civil Service
NIEA	Northern Ireland Environment Agency
NIHE	Northern Ireland Housing Executive
NIJC	Northern Ireland Judicial Appointments
NITB	Northern Ireland Tourist Board
NSMC	North South Ministerial Council
OBC	Outline Business Case
PAC	Public Accounts Committee
PMS	Presbyterian Mutual Society
PPSNI	Public Prosecution Service for Northern Ireland

PSNI	Police Service of Northern Ireland
RHI	Non-Domestic Renewable Heat Incentive scheme
RoFP	Review of Financial Processes
SIB	Strategic Investment Board
SoS	Secretary of State
TEO	The Executive Office
TME	Total Managed Expenditure
TRP	Truth Recovery Programme
USEL	Ulster Supported Employment Limited

Introduction

Introduction

This report discusses the results of my audit of 2023-24 annual reports and accounts of Central Government bodies. It also covers the outcome of audits of previous accounting periods, which I have certified in the year to 31 August 2024. As such, my hope and intention for this report is to provide information for those charged with governance and for those responsible for managing central government bodies on:

- why I have qualified some of my opinions in the past year;
- why I have attached a public interest report to some accounts and annual reports; and
- the types of issues I have routinely raised in Reports to those charged with Governance over the past year.

By highlighting these matters, I hope that steps can be taken to address weaknesses which may exist in either controls or procedures and/or to enable bodies to take decisions which are justifiable and in the public interest.

As in the prior year, I am pleased to report that most of the accounts I have audited are unqualified and accurately represent the financial position of the organisations that have prepared and submitted them.

In last year's report, I noted that several of the 2022-23 audits had been delayed due to the implementation of the Executive's Review of Financial Processes (RoFP). This was fully implemented for the first time in 2022-23. The results of those delayed audits are reflected in this report together with the results of 2023-24 audits, where complete.

My audits, and this report, reflect several themes.

- Fraud and error continues to be an issue resulting in the qualification of my opinion on a number of accounts. Last year I noted that some gradual improvement had been made but 2023-24 has shown, for areas such as benefit fraud and error, that this improvement has not continued.
- A lack of appropriate authorisation for expenditure continues to be evidenced in my findings.
- The quality of prepared accounts and the audit evidence supplied in support of them continues to be a concern. This is partially due to the difficultly that some bodies have had in attracting and retaining staff with relevant finance skills.
- An increase in less than satisfactory opinions being issued by Internal Audit. On the one hand it is good that areas of control weakness are being brought to the attention of management and those charged with governance and on the other hand, it is a worrying development. My work does indicate that central government departments and their arm's-length bodies continue to make efforts to improve their control systems. Further work is needed to resolve the weaknesses identified. It remains critical that bodies ensure basic controls are in place and operating effectively to prevent the misuse of public funds.

This report does not encompass the audit of bodies within the Local Government sector. This is addressed in a separate report by the Local Government Auditor.

My report is structured as follows:

- **Part One** summarises my qualified audit opinions on the accounts of central government departments and their arm's-length bodies. I qualified my audit opinion on the accounts of 18 (13 in the 2022-23 report) Central Government departments and their arm's-length bodies in the year to 31 August 2024.
- **Part Two** summarises several short reports which I produced during the year to 31 August 2024 which did not relate to the qualification of accounts, but which addressed issues of public interest arising during my audit work.
- **Part Three** summarises common themes that were identified across central government departments and their arm's-length bodies during my audits.

In the period covered by this report, 1 September 2023 to 31 August 2024, I certified 131 central government accounts. Of this 111 related to 2023-24 and 20 related to earlier years.

"By highlighting these matters, I hope that steps can be taken to address weaknesses… and to enable bodies to take decisions which are justifiable and in the public interest."

Comptroller and Auditor General for Northern Ireland

Background

Background

Role of the Comptroller and Auditor General

As Comptroller and Auditor General (C&AG), I have a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies, and other central government bodies, including non-departmental public bodies, health and social care bodies and some public sector companies, and to report the results of these audits to the Northern Ireland Assembly (the Assembly).

The annual financial audit of public bodies is at the core of the work of the Northern Ireland Audit Office (NIAO), and accounts for approximately 65 per cent of the work of the office. This provides me with direct engagement and insight into the operation of almost every public body in Northern Ireland. I use the knowledge and insight gained from financial audits to inform my public reporting and other work.

My Office continues to work with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of the North-South bodies; and we continue to have close working arrangements with the National Audit Office for the accounts we audit on its behalf (including the European Agricultural Funds (last account certified June 2024), National Lottery Funding and Whole of Government Accounts).

Audit Opinions

The purpose of our financial audit is to provide independent assurance that the accounts of an audited body give a true and fair view of its financial position and have been prepared in accordance with the relevant accounting requirements. For the audit of central government bodies, there is an explicit requirement for me, as C&AG, to also provide a regularity opinion on whether, in all material respects, expenditure and income have been applied for the purposes intended by the NI Assembly and conform to the authorities which govern them.

If, at the end of an audit, I consider the accounts do not present a true and fair view, or expenditure and income has not been incurred in line with Assembly intentions, nor conform to the authorities which govern them, I will qualify my opinion on the accounts.

I inform the Boards and Audit Committees of audited bodies of the issues I find during my work, giving an independent view on areas where the audited body could improve its governance, controls and financial management. My staff liaise with management to obtain its response to the issues identified, and report both my findings and managements responses in a document called the 'Report to those Charged with Governance'.

This report covers the period September 2023 to August 2024. As the Assembly was restored in early February 2024, from September 2023 to January 2024, there was no PAC in place and no legislative mechanism to formally consider my reports and hold government departments to account. To address this absence of accountability, the Northern Ireland (Interim Arrangements) Act 2023 required me to send any documents, normally laid before the Assembly, to the Secretary of State (SoS). The SoS then laid anything received before the House of Commons. Where my reports included recommendations, the SoS also obtained a response from the relevant Northern Ireland department, submitted via the Department of Finance (DoF). These responses were placed in the libraries of both the Assembly and the Houses of Parliament.

I found these responses very helpful and once the Assembly was restored, I agreed a new procedure with the DoF. This seeks to ensure responses and updates on recommendations, made in all my public reports, are received on a regular basis, from departments. This new procedure also requires audit committees to monitor progress on recommendations and their implementation. This is particularly important with regards to those reports which do not get scrutinised by the PAC. It will help ensure greater transparency on progress being made, or indeed, on any delays with implementation.

Qualified Audit Opinions

In the 2023-24 year I certified 131 central government accounts (i.e. central government departments and their arm's-length bodies). This included 20 accounts which were delayed from earlier years. In the year to 31 August 2024, I issued qualified audit opinions on the accounts of 18 central government departments and their arm's-length bodies. Of these 11 related to 2023-24 accounts and seven to 2022-23.

Table 1: Level of qualifications between years

As at	2023-24	2022-23
Accounts certified	131	132
Accounts qualified	18	13
Percentage	14%	10%

The increase in the number of qualifications is largely due to a delay in 2022-23 accounts with the result that two years have been covered in this report. This is mainly because of the 2022-23 Department of Agriculture, Environment and Rural Affairs resource account, as well as a 2023-24 account. The issue causing the delay in the 2022-23 certification concerned one of its consolidated arm's-length bodies, the Northern Ireland Environment Agency. See Part One below for the details. There are also two years' qualifications for Invest NI. This was due to the issues in 2022-23 causing a delay.

Part One:

Qualified Audit Opinions

Part One: Qualified Audit Opinions

This section summarises my qualified audit opinions. There were qualified audit opinions on the accounts of eighteen central government departments and their arm's-length bodies in the year to 31 August 2024. At the time of writing, one department (The Department for the Economy), does not have its 2023-24 resource account certified. Whilst I am working with the department to have the audit completed and certified as soon as possible, it is disappointing that this is the second year in a row where these accounts have been delayed. I have set out my qualified opinion below on DfE 2022-23 and the issues with the quality of information received from some of its ALBs. This situation remains in place for 2023-24 and it will be important going forward, for DfE to work closely with these ALBs to improve their understanding and quality of output. This will help the Department in producing more timely, better quality financial statements.

Nine resource accounts received qualified audit opinions of which five related to 2023-24 and four to 2022-23. A further nine related to ALBs, six in 2023-24 and three in 2022-23. These are all discussed below.

Qualified Audit Opinions – 2023-24

Table 2: List of Accounts Qualified in 2023-24

Organisation	Reason for Qualification
Department of Agriculture, Environment and Rural Affairs	Accounting treatment of a provision
Department for Communities	Material level of estimated fraud and error and excess vote
Department for Infrastructure	Limitation of audit scope
The Executive Office	Accounting Treatment for loans
Northern Ireland Assembly Commission	Excess vote
Business Services Organisation	Material error and limitation of scope
Child Maintenance Service Client Funds	Material errors in calculations and lack of evidence to support outstanding maintenance arrears
Invest Northern Ireland	Insufficient audit evidence
Legal Services Agency	Fraud and error in legal aid payments
Northern Ireland Environment Agency	Accounting treatment of a provision
Northern Ireland Housing Executive	Levels of fraud and error in housing benefit

Department of Agriculture, Environment and Rural Affairs 2023-24 – Accounting treatment of a provision

The Department of Agriculture, Environment and Rural Affairs (DAERA) has responsibility for food, farming, environmental, fisheries, forestry and sustainability policy and the development of the rural sector. In 2023-24, the Department continued to include disclosure of a contingent liability relating to the remediation costs of the contaminated illegal dump site at Mobuoy, Derry/Londonderry. A total of £0.3 million was included in provisions for the ongoing monitoring of the Mobuoy site.

I continue to disagree with this accounting treatment as it is my opinion that the conditions are met for the costs to be accounted for by way of a provision in the financial statements. The quantum of the provision is £107 million. Therefore, on that basis, I have qualified my true and fair opinion on the DAERA 2023-24 financial statements for the omission of a provision of £107 million for the 2023-24 year, and for the comparative figures for 2022-23.

A copy of my audit certificate is available at page 131 of the Department of Agriculture, Environment and Rural Affairs' 2023-24 Annual Report & Accounts.

Department for Communities 2023-24 – Material level of estimated fraud and error and Excess vote

The Department for Communities (DfC) is responsible for housing, urban regeneration, community development, social security and child maintenance. I qualified my opinion for two reasons:

1. Departments plan their resource and cash requirements so that they remain within the limits approved by the Assembly. If one or both of these limits are exceeded, an excess vote occurs and I qualify my opinion on the accounts and report on the circumstances giving rise to the excess. I also bring the matter to the attention of the PAC, which must decide whether to recommend approval to the relevant department to regularise the overspend.

   In this case the annual gross expenditure for the DfC is £10 billion, of which approximately £8.6 billion is spent on benefits. The Department's accounts have been qualified for a number of years due to material levels of overpayments and underpayments in benefit expenditure. The nature and reasons for these levels of fraud and error vary each year.

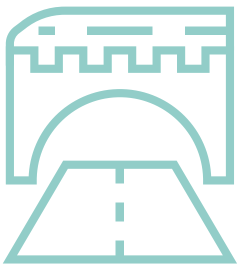
   I qualified my opinion on the regularity of the Department's financial statements due to the material level of estimated fraud and error in benefit expenditure. The level of fraud and error overpayment in 2023-24 is estimated by the Department to be £240 million compared to £174 million in 2022-23, an increase of £66 million.

2. The Assembly authorises and sets limits on expenditure on the following bases – 'resource', 'capital', 'non-budget' and 'cash'. Such amounts are set out in the Supply Estimates for which approval and authority is given in the annual Budget Acts Northern Ireland. Total Managed Expenditure (TME) includes resource and capital, Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). The expenditure on any legislatively voted control limit must not exceed the amount granted by the Assembly.

   If one or both limits are exceeded, an excess vote occurs, and I qualify my opinion on the accounts and report on the circumstances giving rise to the excess. I also bring the matter to the attention of the PAC, which must decide whether to recommend approval to the relevant department to regularise the overspend.

   In 2023-24, the DfC expended more on capital AME than the Assembly had authorised, resulting in an excess vote. The net capital AME outturn of £8.8 million was £2.3 million more than that authorised by the Assembly. I qualified my regularity opinion based on this excess vote. This occurred because of a movement in long term loans relating to Universal Credit advances being larger than anticipated. This was due to an unexpected spike in the demand-led loan facility and accounts for £2.1 million of the excess. The balance of £0.2 million was due to a movement in the support for mortgage interest relief loans which happened because of an unexpected increase in the latter part of the year.

A copy of my full report is available at page 237 of the Department for Communities' 2023-24 Annual Report & Accounts.



Department for Infrastructure 2023-24 – Limitation of audit scope

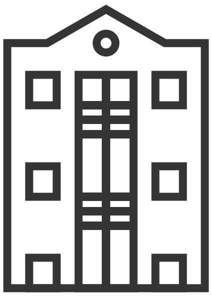
The Department for Infrastructure (DfI) is responsible for the maintenance and development of infrastructure including water, transport and planning.

The Department revalued its network assets between 1 April 2023 and 31 March 2024 using an index that measured the movement in asset values between 1 January and 31 December of a given year. This index is used as it is the latest published index that can be used in this process that is available to support the preparation and audit of the financial statements in advance of the Assembly's Summer recess.

The Department is not able to provide any evidence to confirm that the valuation attributed to these assets is not materially different than had an index directly related to the financial reporting period covered by the financial statements (from 1 April to 31 March) been used to assess in-year movements in asset values to calculate their value at 31 March. I qualified the 2023-24 accounts on the basis of a limitation of audit scope relating the valuation of the Department's network assets.

This issue affects both the current year and previous year comparative figures disclosed in the financial statements.

A copy of my full report is available at page 178 of the Department for Infrastructure's 2023-24 Annual Report and Accounts.



The Executive Office 2023-24 – Accounting treatment for loans

The Executive Office (TEO) oversees the coordination of Executive policies and programmes.

The TEO's accounts contain what are called, Financial Transactions Capital (FTC) loans. The FTC monies are channelled through the TEO and the Strategic Investment Board (SIB), which has a generic legal capability to make loans, as the two departments who currently use the FTC monies to make loans to the private sector, do not currently have vires to issue loans.

The TEO and the SIB do not own or control the FTC loans nor derive any direct economic benefit from them. In addition, the TEO and the SIB do not have the objective of holding the FTC loans to collect contractual cash flows. Consequently, I do not consider it appropriate to recognise assets or liabilities relating to the FTC loan transactions in the TEO group accounts. The inclusion of £303 million worth of the FTC loans within the TEO's assets as of 31 March 2024 represents a material error in the accounts.

I qualified my audit opinion on the TEO's 2023-24 financial statements as I do not consider that the accounting treatment for FTC loans, as directed by the DoF, complies with International Financial Reporting Standard (IFRS) 9 – Financial Instruments and the Government Financial Reporting Manual.

A copy of my full report on the 2023-24 accounts is available at page 178 of The Executive Office 2023-24 Annual Report and Accounts.

Northern Ireland Assembly Commission Annual Report and Accounts 2023-24 – Excess expenditure

The Northern Ireland Assembly Commission is the corporate body of the Assembly. In 2023-24, the Commission expended more resource than the Assembly had authorised. This breached the Assembly's control over its expenditure and so incurred excess vote, for which further Assembly approval is required.

In the case of the Commission's financial statements, there was an AME estimate line in the Spring Supplementary Estimates for resource expenditure. The total estimate was for £2.2 million, however actual outturn was £2.7 million, giving an excess of £0.5 million.

The excess related to a new provision for a future liability to cover the costs of remedial works to repair the roof of Parliament Buildings. Ongoing legal proceedings required a revised valuation of costs to be presented to the court. This valuation, completed in May 2024, updated a previous valuation performed in January 2022 and was significantly higher. The Commission did not anticipate providing for these costs when preparing the Spring Supplementary Estimates earlier in the year, and therefore exceeded the limit set.

As a result of this excess, I have qualified my regularity opinion on the Commission's 2023-24 financial statements.

A copy of my full report is available at page 120 of the Northern Ireland Assembly Commission 2023-24 Annual Report and Accounts.

Business Services Organisation 2023-24 – Material error and limitation of scope

The Business Services Organisation (BSO) provides a broad range of regional business support functions and specialist professional services to the Health and Social Care sector. I qualified my audit opinion on the 2023-24 financial statements for two issues:

- Material Error: a provision of at least £43 million should have been reflected in the prior year accounts (based on the information available at the time) against "at risk" stock with expiry dates, the provision charge of £80 million to the Statement of Comprehensive Net Expenditure for 2023-24 was materially misstated.
- Limitation of Scope: The uncertainty relating to the future sale or disposal of "at risk" stock without expiry dates is significant and is so fundamental that I could not provide an audit opinion on the value of non-expiry date stock of £11 million as of 31 March 2024.

I was unable to obtain sufficient, appropriate audit evidence to conclude that the financial statements are wholly free from material misstatement. Except for the items referred to above, the financial statements give a true and fair view.

A copy of my full report is available at page 179 of the Business Services Organisation 2023-24 Annual Report and Accounts.

Child Maintenance Service Client Funds 2023-24 – Material errors in calculations and lack of evidence to support outstanding maintenance arrears

The Department for Communities Child Maintenance Service (CMS) is responsible for administering statutory child maintenance schemes in Northern Ireland and the management of client funds relating to these schemes.

The current statutory child maintenance scheme was introduced in 2012 (CMS 2012 scheme). Two earlier schemes introduced in 1993 and 2003 (legacy schemes) have now been closed. Every year since the creation of the Northern Ireland Child Support Agency, in April 1993, I have qualified my audit opinion in respect of the legacy scheme receipts and payments.

The level of complexity in carrying out maintenance assessments under the legacy schemes, together with inadequate computer systems, led to significant levels of error in historic child maintenance assessment calculations. I consider that the level of irregularity in receipts and payments under the legacy scheme to be material and I have qualified my regularity audit opinion on this.

The DfC is also required to disclose the amount owed by paying parents in respect of maintenance assessments. Any missed payment or shortfall is recorded as a debt. Where the DfC makes incorrect maintenance assessments, any arrears accruing is at an incorrect rate and lead to misstatements in individual arrears supporting the outstanding legacy arrears balance.

I could fully substantiate the arrears balances (£10.2 million) for cases managed under the CMS 2012 scheme but could not obtain sufficient appropriate audit evidence to confirm the accuracy and completeness of the legacy arrears balance (£2.8 million), limiting the scope of my audit. The DfC was unable to provide me with assurance over the validity of the individual legacy arrears' balances and cannot estimate the value of misstatements. I have therefore qualified my opinion on the financial statements in relation to the element of the arrears balance arising from legacy schemes of £2.8 million.

A copy of my full report is available at page 289 of the Department for Communities' 2023-24 Annual Report and Accounts.

Invest Northern Ireland 2023-24 – Insufficient audit evidence

Invest Northern Ireland (Invest NI) is the regional business development agency. The Invest NI 2023-24 accounts were qualified due to insufficient appropriate audit evidence being provided to me to support the assumption used to estimate Northern Ireland Co-operation Overseas' (NI-CO) £2.1 million liability as of 31 March 2024 for ineligible expenditure relating to European Union (EU) projects. The estimate of the liability is also affected by NI-CO's decision to cease trading, meaning that discussions are required with the EU to establish a final settlement figure. There were no alternative audit procedures which I could carry out to obtain the assurance that I required.

A copy of my full report is available at page 145 of Invest NI's 2023-24 Annual Report and Accounts.

Legal Services Agency 2023-24 – Fraud and error in legal aid payments

The Legal Services Agency Northern Ireland (LSANI) is an executive agency of the Department of Justice (DoJ) and is responsible for administering legal aid in Northern Ireland.

I have qualified my regularity opinion in 2023-24 due to:

- Statistics produced by LSANI estimating that £0.6 million of overpayments and £1.5 million of underpayments of legal aid costs (£2.2 million in total) were made during the year due to official error. Along with £2.2 million of overpayments and £1.3 million of underpayments of legal aid costs (£3.5 million in total) that were made during the year due to legal practitioner fraud and error. I have qualified my opinion on LSANI accounts due to fraud and error since 2004.
- Limitation in the scope of my work due to insufficient evidence available to satisfy myself that material fraud and error by legal aid applicants did not exist within legal aid expenditure.

A copy of my full report is available at page 123 of Legal Aid Agency's 2023-24 Annual Report and Accounts.

Northern Ireland Environment Agency 2023-24 – Accounting for a provision

The Northern Ireland Environment Agency (NIEA) is part of the DAERA departmental group and is included in its consolidated group financial statement. In line with my qualification on DAERA's 2023-24 accounts, I have also qualified my true and fair opinion on the NIEA's financial statements due to a disagreement over their omission of a £107 million provision, being a reliable estimate of the remediation costs of the contaminated illegal dump site at Mobuoy, Derry/Londonderry. See above under 2023-24 for further details on this matter.

A copy of my full report is available at page 105 of the Northern Ireland Environment Agency's 2023-24 Annual Report and Accounts.

Northern Ireland Housing Executive 2023-24 – Levels of fraud and error in housing benefit

The Northern Ireland Housing Executive (NIHE) is a public body that manages social housing, energy conservation and housing benefit. In 2023-24, the estimated levels of fraud and error in Housing Benefit expenditure remained material at £21.1 million. As was the case in previous years, I qualified my regularity opinion for the 2023-24 accounts regarding irregular expenditure of £21.1 million as this expenditure has not been applied in accordance with the purposes intended by the NI Assembly.

A copy of my full report is available at page 269 of the Northern Ireland Housing Executive's 2023-24 Annual Report and Accounts.

Qualified Audit Opinions – Other Accounts

Table 3: List of Accounts Qualified in 2022-23

Organisation	Reason for Qualification
Department of Agriculture, Environment and Rural Affairs	Accounting treatment of a provision
Department for the Economy	Irregular expenditure
Department of Education	Excess vote
The Executive Office	Accounting treatment for loans
Invest NI	Treatment of Covid-19 business support schemes and insufficient audit evidence
Land and Property Services Trust Statement	Levels of fraud and error in housing benefit expenditure
Ulster Supported Employment Limited	No evidence of approvals for other operating expenditure and pension costs

In addition to those accounts qualified in the year just past, I also qualified a number for the prior financial year. Some of which are qualified in both years for the same reason. The audits relating to these 2022-23 financial statements had not been completed by the 31 August 2023, the end of the period covered by my 2022-23 report.

Department of Agriculture, Environment and Rural Affairs 2022-23 – Accounting treatment of a provision

As with the 2023-24 DAERA accounts reported on above, I have disagreed with the accounting treatment for the provision in respect of the Mobuoy site and its value in the financial statements. The DAERA has accounted for provisions to the value of £1.1 million in its financial statements. It is my view that the criteria for recognising a provision in accordance with International Accounting Standard (IAS) 37 have been met as of 31 March 2023 and the appropriate accounting treatment is to include a provision for the costs of remediation of the Mobuoy site in the financial statements, using the preferred option in the draft outline business case commissioned by the NIEA as a reliable estimate of that cost.

The Department has chosen not to make an adjustment in its financial statements for this provision. I have therefore qualified my true and fair opinion on the DAERA 2022-23 financial statements for the omission of a provision of £107 million.

I have also qualified my regularity opinion on the basis that I believe the provision should have been included. If the provision had been included, the Department would have overspent its AME budget by approximately £89.7 million for the year ended 31 March 2023, thereby breaching the amount approved by the Assembly in its supply estimate. As a result, the amount by which expenditure would have exceeded budget would not have been approved and would have been deemed to be irregular.

My report also refers to significant difficulties and delays to the audit process arising from the complexity of the consolidation process, and irregular expenditure totalling £5.1 million.

A copy of my full report is available at page 173 of the Department of Agriculture, Environment and Rural Affairs' 2022-23 Annual Report & Accounts.

Department for the Economy 2022-23 – Irregular expenditure

The Department for the Economy (DfE) is responsible for economic policy, employment and skills, and further and higher education. The DfE's 2022-23 accounts were qualified for two reasons:

- The accounts treated four COVID-19 business support schemes, with expenditure of £13.4 million in 2021-22, as if they had been controlled by Invest Northern Ireland (Invest NI), rather than the DfE. This led to a number of misstatements in corresponding figures relating to 2021-22 within the accounts, as well as opening balances as at 1 April 2021.
- Funding totalling £14.9 million was paid to by the DfE to Tourism Ireland and Intertrade Ireland (North South Body), without the required approval of their business plans by the North South Ministerial Council (NSMC), in line with their Management Statements and Financial Memoranda. As part of my work to provide an opinion on the regularity of transactions, I gather independent audit evidence to assess whether money paid to these bodies had the correct approvals in place. Since the NSMC was not holding meetings to facilitate these approvals being obtained at the time of the audit, I qualified my regularity opinion.

A copy of my full report is available at page 196 of the Department for the Economy's 2022-23 Annual Report and Accounts.

Department of Education 2022-23 – Excess vote

The Department of Education (DE)'s primary statutory duty is to promote education and is responsible for pre-primary, primary, post-primary, special education and the youth service. In forming my opinion on the DE's Annual Report and Accounts 2022-23, I am required to confirm whether, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

The Statement of Assembly Supply for the Department showed that resource AME outturn was £289.7 million which was £7.4 million in excess of the £282.3 million limit authorised by the Assembly. I concluded that net resource outturn was in excess of that authorised by the Assembly resulting in an excess of £7.4 million, and that it was therefore irregular. I qualified my regularity audit opinion on this excess.

A copy of my full report is available at page 171 of the Department of Education's 2022-23 Annual Report and Accounts.

The Executive Office 2022-23 – Accounting treatment for loans

The Executive Office (TEO) oversees the coordination of Executive policies and programmes.

I qualified my audit opinion on the TEO's 2022-23 financial statements as I do not consider that the accounting treatment for Financial Transactions Capital (FTC) loans, as directed by the Department of Finance, complies with International Financial Reporting Standard (IFRS) 9 – Financial Instruments and the Government Financial Reporting Manual.

This issue also arose in 2023-24. Please see my report on that account which is above for the details.

In 2022-23 I did not consider it appropriate to recognise assets or liabilities relating to the FTC loan transactions in the TEO group accounts. The inclusion of £297 million worth of the FTC loans within the TEO's assets as of 31 March 2023 represent material errors in the accounts.

A copy of my full report on the 2022-23 accounts available at page 169 of The Executive Office 2022-23 Annual Report and Accounts.

Invest Northern Ireland 2022-23 – Treatment of Covid-19 business support schemes and insufficient audit evidence

The 2022-23 accounts were qualified for two reasons:

- The accounts treated four COVID-19 business support schemes, with expenditure of £13.4 million in 2021-22, as if they had been controlled by Invest NI, rather than DfE.
- Insufficient appropriate audit evidence was provided to me to support a key assumption used to estimate a liability as of 31 March 2023 of £2.1 million (2021-22: £1.9 million) within NI-CO, a subsidiary of Invest NI. See my reports above on the DfE 2022-23 resource account and Invest NI 2023-24 for further details.

A copy of my full report is available at page 145 of Invest NI's 2022-23 Annual Report and Accounts.

Land and Property Services Trust Statement 2022-23 – Levels of fraud and error in housing benefit expenditure

Until 31 May 2022, Land and Property Services (LPS) administered housing benefit for rates of owner occupiers on behalf of the DfC. On 1 June 2022, responsibility for the administration of Housing Benefit transferred to the NIHE. The awards are still shown as a non-cash credit on the LPS Rate Levy Accruals Accounts and therefore, the expenditure will still be reported in the Trust Statement. Unlike all other Social Security benefits where payments are made, housing benefit in Northern Ireland is administered by offsetting housing benefit against the rate accounts of people who own their own house but are entitled to apply for a reduction as they are on low income and suffering financial hardship. From the total Housing Benefit rate relief cost of £29.9 million, 12 percent (£3.6 million) is estimated to relate to fraud and error. This is an increase from 10.6 percent (£3.4 million) in the previous year.

I consider this level of fraud and error in housing benefit expenditure to be material and therefore I qualified my 2022-23 opinion on the regularity of the expenditure accordingly, as this expenditure has not been applied in accordance with the purposes intended by the Assembly.

A copy of my full report is available at page 34 of the Land & Property Services Trust Statement Rate Levy Accruals Account 2022-23 Annual Report and Accounts.

Ulster Supported Employment Limited 2022-23 – No evidence of approvals for other operating expenditure and pension costs

Ulster Supported Employment Limited (USEL) is the leading provider in helping people with disabilities or health conditions gain employment. In 2023, weaknesses in procurement practices in were identified from whistleblowing concerns raised. Audit procedures performed on USEL's 2022-23 financial statements subsequently identified that significant exceptions had arisen in USEL's expenditure approval process for 2022-23 transactions with no audit evidence available to determine whether approvals were in place for other operating expenditure and pension costs with an aggregate value of £1.8 million.

I qualified my regularity opinion for the 2022-23 financial statements as USEL was unable to provide audit evidence to confirm the underlying expenditure transactions conformed to the approvals delegated from the DfC.

A copy of my full report is available at page 80 of Ulster Supported Employment Limited's 2022-23 Annual Report and Accounts.

Overall Conclusions and Recommendation

It is clear from a review of the above that there are some common themes. These were also present in my report last year. They are:

1. Irregular expenditure including:
   - excess votes;
   - levels of fraud and error; and
   - incurring expenditure not covered by the authorities which govern these organisations, such as their primary legislation.
2. The estimation of the value of provisions; and
3. A lack of evidence to support accounting judgements and assumptions made or approvals given to incur expenditure.

I recommend that those charged with governance review the reasons why I qualified the above accounts. They should be content that robust processes and procedures are in place to prevent either a recurrence (with regard to those above) or, indeed, to prevent other bodies facing similar qualifications in the future.

“I recommend that those charged with governance review the reasons why I qualified the above accounts. They should be content that robust processes and procedures are in place to prevent. either a recurrence….or, indeed, to prevent other bodies facing similar qualifications in the future.”

Comptroller and Auditor General for Northern Ireland

Part Two:

Public Interest Reporting on Financial Statements

Part Two: Public Interest Reporting on Financial Statements

Reporting on Unqualified Accounts

Outlined in this section are details of the reports that I have issued on accounts in the year to 31 August 2024. The reports related to issues that have arisen during the audit and although not material to the audit opinion are of sufficient importance to draw to the attention of the Northern Ireland Assembly. These reports allow me to address issues of public interest.

Public Interest Reports

Agri-Food & Biosciences Institute 2022-23 – failure of a financial system upgrade

The Agri-Food and Biosciences Institute (AFBI) provides scientific research and services to government, non-governmental and commercial organisations. I have previously reported on delays to the audit process due to the failure of a financial system upgrade in March 2022, which had a significant impact on the preparation of the 2021-22 financial statements. Whilst there has been a positive response by AFBI to the issues raised, my report on the 2022-23 financial statements highlights that there remains significant challenges associated with fully addressing the findings in my 2021-22 report.

A copy of my full report is available at page 122 of the Agri-Food & Biosciences 2022-23 Annual Report & Accounts.

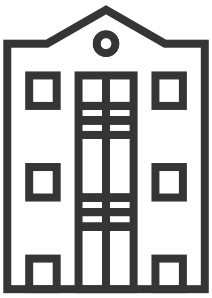
Department for the Economy – other significant matters

My report on Department for the Economy (DfE) 2023-23 accounts highlighted significant matters arising from the audit:

- The challenge the Department faced when producing group accounts for audit for the first time, given the large number of component bodies in the group, some of which did not share the same year end as the Department. The quality of the financial information submitted for audit was much lower than would normally be the case and my audit identified a substantial number of errors and omissions. This was in part due to the poor quality of information presented by some of the Department's arm's-length bodies (ALBs). I did however acknowledge the efforts it has made to resolve the issues that arose and to improve the process for future accounts.
- The absence of a Minister in the period impacted on appointments being made to the boards of certain DfE ALBs. This resulted in weaknesses in governance arrangements for the boards of the Northern Ireland Tourist Board (NITB) and General Consumer Council for Northern Ireland (GCCNI), since the minimum number of members required for the boards to function had not been reached. GCCNI remained inquorate for over fourteen months because a public appointments competition for those appointments had not been commenced on a timely basis.

- An update was provided on Non-Domestic Renewable Heat Incentive (RHI) Scheme issues, including the launch of a consultation on the future of the scheme in February 2021, which noted the preferred option to close the scheme with compensation paid to legitimate current participants. I also gave an overview of the findings of my March 2022 report of progress made in implementing recommendations made by the RHI public enquiry. This was updated in my report published in October 2024 `Northern Ireland Non-domestic RHI scheme: Progressing implementation of the Public Inquiry recommendations – 2nd Report'.
- An update was provided on the remaining loan of £13 million to the Presbyterian Mutual Society (PMS). The PMS went into administration during the height of the financial crisis in 2008 and at the time obtained a loan of £225 million from the Department. Of the remaining amount, the Department has anticipated that only £0.2 million will be recoverable, although the actual loss will only be known once the liquidation process is completed. This represents a significant loss of public money.

A copy of my full report is available at page 196 of the Department for the Economy's 2022-23 Annual Report and Accounts.



The Executive Office (TEO) 2022-23 and 2023-24 – Expenditure incurred without appropriate DoF approval

I am required to give an opinion on the regularity of transactions, by considering if the income and expenditure has been applied for the purposes intended by the Assembly and whether the transactions comply with the authorities which govern them. This includes whether any necessary approvals for expenditure had been sought and obtained from the Department of Finance (DoF).

During my audit of the TEO 2022-23 and 2023-24 financial statements, I reported upon instances where expenditure had been incurred without the necessary DoF approvals. DoF guidance indicates that unless and until retrospective approval is granted, the expenditure incurred to date is irregular.

In October 2023, I reported that irregular expenditure had been incurred by the TEO in 2022-23 as approval of the Outline Business Case (OBC) for two programmes had not yet been sought and obtained from the DoF. In 2023-24 I noted:

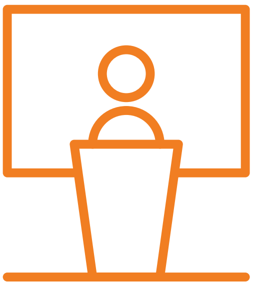
- The TEO sought approval of the OBC for preparatory works relating to the Truth Recovery Programme (TRP) on 13 March 2024. The DoF provided retrospective approval of the OBC on 10 June 2024, regularising the expenditure of £1.5 million which had been incurred on this programme in 2023-24.
- The TEO has yet to submit the OBC in respect of the preparatory work associated with the strategy on Ending Violence Against Women and Girls (EVAWG) to the DoF for approval. A total of £3.4 million had been spent on this programme as of 31 March 2024, of which £1.6 million had been incurred in 2023-24.

- It is disappointing to note that although I reported upon this issue in October 2023 and the Department indicated that it had taken steps to prevent recurrence, expenditure on the EVAWG programme to date, which the TEO first incurred in 2021-22, has yet to be regularised due to delays in the completion of an OBC. I am concerned that the TEO continued and continues to incur expenditure, knowing that such expenditure is irregular. As EVAWG became an Executive priority following an Assembly Motion in March 2021, I find it unacceptable that it has taken the TEO over three years to complete a business case for this programme.

Although I did not qualify my regularity opinion on the TEO 2022-23 and 2023-24 financial statements. I am, however, concerned that the TEO's seeking of retrospective approval does not appear to be limited to 'very exceptional circumstances', as set out in its own policy.

A copy of my full report is available at page 169 of The Executive Office 2022-23 Annual Report and Accounts.

A copy of my full report is available at page 178 of The Executive Office 2023-24 Annual Report and Accounts.



Northern Regional College 2022-23 – Poor quality financial information

My report highlights the poor quality of financial information the College submitted to the DfE for the year ended 31 March 2023 to facilitate preparation of the Department's group accounts. The information contained a considerable number of errors, some of which were of such significance that they were material at a group level. The College did not address all queries during the audit of this information on a timely basis, leading to a significant delay in completion of the audit of the College's 2022-23 consolidation pack for the DfE group accounts. This also created a knock-on delay on the completion of my audit of the College's own 2022-23 financial statements. I appreciate the resourcing pressures within the finance team, but I found the delay in the College fulfilling its accountability requirements to be unacceptable.

A copy of my full report is available at page 92 of NRC's 2022-23 Annual Report and Accounts.

Sport NI Exchequer 2022-23 – Issues relating to governance

My Office previously reported on the governance issues within Sport NI in March 2020. While the issues in that report were specific to that time, I remain concerned about the governance of Sport NI and several associated issues identified from the audit of the 2022-23 Exchequer financial statements. The issues included:

- The introduction of a new finance system.
- The quality of financial management information provided to the Board.
- Retrospective approvals of expenditure.

- Significant turnover of senior staff, resulting in several interim appointments.
- Significant backlog of Sports Council Lottery accounts.
- A Departmental commissioned strategic overview of Sport NI.

A copy of my full report is available at page 51 of Sport NI's 2022-23 Annual Report and Accounts.

Northern Ireland Judicial Appointments Commission 2020-21 – Rewards and gifts made to staff and commissioners

During the audit of the Northern Ireland Judicial Appointments Commission (NIJAC) 2020-21 accounts two issues came to my attention relating to rewards and gifts made to staff and commissioners.

In April 2021, £4,750 was paid to staff in special bonus payments ranging from £500 to £750. These rewards were made under the NIJAC Special Bonus Scheme Policy, which mirrors that of the Northern Ireland Civil Service (NICS). The policy states that bonuses will be used to '*reward exceptional performance*'. NIJAC paid bonuses to one temporary agency worker and all (six) of the permanent staff, except for the Chief Executive. On the basis that the payments were made to almost all staff, I do not consider them to be within the spirit of the scheme.

In March 2021, NIJAC purchased a hamper containing food and one bottle of wine for all staff and commissioners, at a cost of £50 per person, totalling £1,050. NIJAC advised that the objective was to raise morale and to say thank-you for the commitment throughout the past 12 months. The Management Statement and Financial Memorandum (MSFM) between NIJAC and its sponsoring Department, TEO, states that '*NIJAC shall obtain the approval of TEO, and DoF, before incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits*'. This expenditure could be considered contentious, particularly given that each gift contained a bottle of wine.

Although appropriate approval should have been sought in line with the MSFM, the TEO only became aware of the special bonus payments and gifts after they were made.

Certification of the accounts for the years' ended 31 March 2021, 2022 and 2023 was delayed as Schedule 2 to the Justice (Northern Ireland) Act 2002 requires the Office of the First Minister and deputy First Minister to lay NIJAC's Annual Report and Accounts before the Assembly. Due to the suspension of the Assembly from February 2022 to February 2024, there was no First or deputy First Minister in post to allow NIJAC's Annual Report and Accounts be laid. Following restoration of the Assembly on 3 February 2024, the accounts were certified and the three years' Annual Report and Accounts laid on 24 June 2024.

A copy of my full report is available at page 77 of NI Judicial Appointments Commission 2020-21 Annual Report and Accounts.

Conclusions and recommendation

Whilst the above issues did not result in qualifications on accounts, the subject matters are important and the nature of which means they will be of interest to the public. There is also some overlap with those in part one of this report, such as the authority to incur expenditure and poor-quality financial information. In addition, this section also covers matters of governance and propriety.

As with section one, I recommend that Central Government organisations review and consider the reasons why I reported on these matters to consider if they face similar issues or circumstances and how they deal with those issues, ensuring they are in accordance with Managing Public Money Northern Ireland (MPMNI) and, indeed, with the Nolan principles.

Emphasis of Matter

I include an Emphasis of Matter in audit reports when in my judgement, an issue is of such importance that it is fundamental to the users' understanding of the financial statements. An Emphasis of Matter paragraph does not result in a qualified audit opinion provided the engagement team has obtained sufficient, appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph refers only to information that has already been presented or disclosed in the financial statements.

During the year to 31 August 2024, I included the following emphasis of matter paragraphs in my audit certificates:

- **NI Courts and Tribunals Service Trust Statement 2022-23** – to reflect the uncertainty over future fine collection rates and the subsequent carrying value of receivables in the financial statements.
- **Police Service Northern Ireland Annual Report and Accounts 2023-24** – to reflect the material valuation uncertainty for the Data Loss Compensation Provision.
- **Department for the Economy Annual Report and Accounts 2022-23** – to reflect uncertainties inherent in the valuation of student loans.
- **Department of Justice Annual Report and Accounts 2023-24** – to reflect the material valuation uncertainty for Compensation Services Provisions within the Core Department and the Data Loss Compensation Provision within the PSNI.
- **Department of Finance Annual Report and Accounts 2023-24** – to reflect the uncertainties inherent in the outcome of a legal case taken by a contractor against the department.

Part Three:

Other Issues

Part Three: Other Issues

I report separately to those charged with governance on a range of matters including my findings and deficiencies identified during audits. These matters are reported in a formal document known as the 'Report to those Charged with Governance'. These issues are not significant enough for a qualified opinion but nonetheless need attention to prevent recurrence and any potential financial errors or compliance issues. They are presented and discussed at Audit Committee meetings, which are regularly attended by my staff.

My audits in the year to 31 August 2024, identified several areas of concern common across the range of bodies audited, which I have grouped under the following headings:

- Production of Annual Report and Accounts
- Approval to Incur Expenditure
- Control Issues
- Bank and Cash Management
- Contractor Payments
- NIHE Supporting People Funding
- Further Education Colleges Financial Challenges

These common themes are discussed more fully below.

Production of Annual Report and Accounts

In my report last year, I highlighted issues with the quality of financial statements presented to me for audit. Unfortunately, this continues to be the case in 2023-24. The issues arising and the causes are similar between the years.

Issues encountered included:

- Poor working papers used to support the figures in the account.
- Insufficient quality checking of the financial statements by management.
- Not keeping up to date with changes to the guidance, particularly prevalent in the Remuneration Report disclosures.
- A failure to properly identify and value areas which require an element of judgement, such as accruals, provisions and pensions. This includes using out of date information or not considering all possible sources of data which may impact on the valuation (see parts 1 and 2 above for examples of where this has caused me to qualify and/or report on financial statements).

In addition to the above, some of the organisations who have submitted poor quality accounts for audit have suffered from inadequate staffing levels in the finance areas. Whilst most financial statements are well-prepared and presented for audit, I am aware that across the public sector, there is a much wider issue with bodies facing challenges in the recruitment and or retention of staff with these skills. This does impact on an organisation's ability to produce their financial statements and to ensure that controls are operating as designed which ensures good stewardship of public funds.

In the period covered by this report, I certified a total of 131 accounts. Of those, 20 did not relate to 2023-24. Proper and timely accounts production is essential for maintaining transparency and ensuring that the financial statements properly set out the organisation's financial position. The Accounting Officer is personally responsible for the production of the annual account and any delays can impact stakeholders' ability to assess the financial health of the organisation. Delayed accounts also cause inefficiencies for the body and my auditors, which has a broader impact on the timeliness and cost of my audits and my ability to use my auditors' time in the most advantageous way.

I recommend prior to the consideration of the annual accounts and report, audit committees discuss with management the:

- **timetable for their production;**
- **challenges faced in meeting it; and**
- **actions which need to be taken to mitigate those challenges.**

This will help assure the audit committee that the accounts and annual report to be produced are of sufficient quality and are underpinned by good quality working papers/evidence. It, in turn, will then be able to provide assurance to the Accounting Officer.

Approval to incur expenditure

Managing Public Money Northern Ireland (MPMNI) sets out how public expenditure is authorised by the Assembly, controlled by the DoF and then once incurred, how it is accounted for. The DoF will agree certain general approvals with Departments before undertaking expenditure or entering any commitments. The DoF have also put in place certain delegated limits. This will normally take the form of a value over which the DoF approval for specific projects or expenditure prior to them going ahead must be obtained. Anything construed as novel in nature for example, might then set a precedent. In turn, Departments will also have a set of delegated limits in place with its ALBs.

It is very important that these approvals are obtained before expenditure is incurred. If an organisation does not it is likely this expenditure will be considered irregular. When this happens departments or ALBs will seek to obtain 'retrospective approval'. This will only be given if it can be evidenced that if the approval had been sought when it should have been, it would have been given.

There were a number of instances of bodies requiring retrospective approvals from their approving authority (either the DoF or the sponsor Department) in 2023-24:

- One body had to ask the DoF for retrospective approval to almost £1 million worth of expenditure for three criminal damage compensation claims.
- Another issued Letters of Offer to grant claimants whilst the DoF approval to the business case was still pending.

- In one organisation the record of direct award contracts (those which are not subject to a procurement exercise) showed that 54 percent were approved after the contract start date.
- One audit noted three instances in which an organisation had to go back to its department for retrospective approval. One of those instances involved escalating costs in the implementation of a finance system. The contract and roll out of the finance system appears to have been beset with problems including a lack of appropriate resourcing, not dealing effectively with issues raised as part of user acceptance testing, lack of a security risk assessment and paperwork relating to the contract specification could not be provided to my auditors.
- In section two above I attached a report to the annual report and accounts of the TEO on its need to obtain retrospective approval to two areas of expenditure.

I recommend that organisations have procedures in place ensuring staff have an awareness and understanding of when decisions requiring approval to incur expenditure, need to be referred to either a sponsor department and/or the DoF and the timeliness of such approvals. This should include staff understanding what is included in the partnership agreements, DoF circulars outlining delegated limits and information within MPMNI for anything novel or possibly contentious.

Control Issues

Control issues are deficiencies in an organisation's internal control systems that may lead to errors, fraud, or mismanagement. These weaknesses can impact financial reporting and compliance with laws and regulations. Issues highlighted by my auditors in 2023-24 include:

- Lack of timely bank reconciliations.
- Poor cash management (see below).
- Overpayments being made.
- Journals being inappropriately raised and/or authorised.
- Authorisation to incur expenditure not being sought at the correct time and approvals then having to be given retrospectively. (see above for further details).
- Fixed asset registers not being kept up to date and reconciled to the finance system.
- Ensuring that grant in aid funding is only drawn down as and when required (see below).

All the bodies audited by me will have an Internal Audit function in place. This function will provide assurance to the Accounting Officer on the operation of controls and, if necessary, make recommendations for improvement.

Internal Audit carries out its work in accordance with the 'Public Sector Internal Audit Standards'. These standards define Internal Audit as an

'*Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*'

Internal Audit will produce an annual programme of work which is based on assessment of the risk facing the organisation, its operations, programmes, systems, and controls. This programme of work must be sufficient to be able to provide the annual assurance required by each organisation's Accounting Officer.

Every audit will be given an overall opinion and the definitions for these are:

1. Satisfactory – overall there is a satisfactory system of governance, risk management and control.
2. Limited – There are significant weaknesses within the governance, risk management and control framework.
3. Unacceptable – the system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

As part of the audit of financial statements my auditors consider the work undertaken by Internal Audit to determine the impact on their risk assessment and understanding of the body. They noted a substantial increase in limited opinions in the year 2023-24 when compared to 2022-23:

Table 4: Internal Audit Opinions

Opinion	2022-23	2023-24
Limited	26	43
Unacceptable	2	1
Split limited/unsatisfactory	1	1
Split limited/satisfactory	0	10
Total	**29**	**55**

The increasing number of limited opinions is not confined to one area of Central Government, rather it stretches across a range of departments and ALBs. That said, I have noted quite an increase in health and, in particular health and social care trusts. As a result of the increasing number of limited opinions in health, a lessons learned review was undertaken by the Department. The review concluded that the most common theme which gave rise to limited opinions in 2023-24 was 'in relation to the lack of governance, oversight and assurance'. It went on to note that at a time when organisations are expected to do more with less:

'*Governance, oversight and assurance are important to the Department to ensure public services are being effectively delivered, outcomes achieved and value for money obtained.*'

Whilst this report was focused in the health sector, the same challenges are being faced right across the public sector and it is highly probable that inappropriate or insufficient governance, oversight and assurance processes and mechanisms will have contributed to this overall increase.

I recommend that those charged with governance have a full understanding of the control frameworks in place within business areas in the organisation. This understanding and, indeed the regular consideration of the operation of controls, will provide them with the comfort that the risks facing the organisation have been appropriately mitigated, where possible.

As part of the above I also recommend that all audit committees ensure there is a mechanism in place to follow up on recommendations made by Internal Audit. They should exercise a robust challenge to timeframes for implementation, particularly if agreed deadlines are missed and new dates arranged.

Banking and Cash Management

MPMNI highlights that as public sector organisations handle a large value of public money it is 'essential that these are handled in a way which is efficient and safe'.

The grant in aid drawdowns of organisations should match their needs and sums drawn should be phased through the year in instalments designed to mirror the expenditure pattern. In this way organisations will not be carrying significant cash balances, which MPMNI notes would be an inefficient use of public money. If each were to hold significant balances in a bank then, as MPMNI notes, '*the level of net government borrowing outstanding on any given day would be appreciably higher, adding interest costs and hence worsening the fiscal balance.*'

Some organisations have not been carrying out timely bank reconciliations, which suggests there is a lack of importance being placed on controls surrounding the management of their cashflow and possible need for and timing of grant drawdowns.

I recommend that management ensure finance staff, especially new or temporary staff to the public sector, are aware of and understand the content of MPMNI.

Contractor Overpayments

Central government organisations use contractors for a variety of activities which they are unable to carry out themselves. The biggest of which is capital construction. It is important when public bodies have large schemes ongoing which involve private sector firms, that there are sufficiently robust controls and processes in place to ensure that only those amounts due are paid and if amounts are due from the contractor that they are clawed back as soon as possible. If amounts are allowed to build, the risk of either default or of delay to recouping becomes higher. The impact of which is that vital funding is not available to be spent elsewhere.

In the audits conducted in the period covered by this report I noted two contrasting practices:

- One Department had engaged a contractor for a significant capital project, the contract for which included a mechanism whereby if there were cost overruns on the project, the contractor would be required to pay back a proportion of them to the Department. The auditor noted the value of the payments due to the Department was estimated to be £38 million. The contract does allow for these amounts to be collected throughout the life of the project but in this instance the Department has decided to wait until the project is complete. A preliminary assessment of the amount owed was to be done by November 2024 with payment then not due until May 2025. The final assessment of the value of the amount owed is not due until November 2026. The Department told my auditors this decision was taken during an extremely complex contractual period after careful consideration of the risks and mitigation measures. It also noted that it has a £15 million bond in place to cover some of the debt and it believes it has contractual guarantees in place to ensure recoverability. My auditors were unable to confirm that the Department had sufficiently robust procedures in place to demonstrate its ongoing assessment of the ability of the contractor to repay this very large amount when it falls due. This issue did not impact on my audit opinion as it was not material.
- In contrast to this, an ALB realised overpayments had been made to some of its contractors, also engaged in large capital works. In one case it has been agreed with the firm that the amount £2.4 million is to be recovered in the 2024-25 year and in the other two cases (£0.9 million) the amounts have already been recovered. These overpayments, whilst they should not have happened, were found by the ALB itself.

I recommend that management ensure it has strong procedures and controls so that payments to contractors are made only when they fall due under the terms of the contract. If it is subsequently found that overpayments have occurred, then arrangements should be made to recoup as soon as possible. This will minimise the risk of a loss occurring and ensures that vital funds can be redistributed to other projects.

NIHE Supporting People Funding

In my audit of the 2022-23 NIHE financial statements I raised the issue of service providers holding £3.7 million of surplus Supporting People Funding in their reserves and recommended their recoupment .The NIHE had allowed these reserves to build up over a number of years. In my 2023-24 audit, I was pleased to note that 65 percent had already been recovered with a further 25 percent due to be recovered within two years. This is money which can now be redistributed to other services which are in most need.

At the same time as recouping the money held in reserves the NIHE is investigating how two service providers used £0.7 million of Supporting People reserves (£0.3 million during 2018-19 and £0.4 million during 2021-22). These investigations are examining the regularity and appropriateness of how this Supporting People funding has been applied.

I have made specific recommendations to NIHE in relation to this funding as part of my audit process.

The Further Education Colleges in Northern Ireland continue to face financial challenges

The Further Education colleges (FE colleges) in Northern Ireland are non-departmental public bodies of the Department for the Economy (DfE). The DfE's responsibilities in the FE sector are for policy, strategic development, financing and quality assurance over the sector. The provision offered by the FE colleges is vocationally and technically focussed. The FE colleges also have a dual mandate role to not only support the economy through developing professional and technical skills and boosting business innovation, but also in supporting social inclusion by providing opportunities to those with low or no qualifications. Courses are provided on both a full-time and a part-time basis, with some of the part-time vocational programmes, such as apprenticeships, using a model of combined academic and work-based learning. No tuition fees are charged for full-time FE by the colleges, with the provision intended to be funded by the core grant each college receives from the DfE. The FE colleges are also involved in offering courses in adult education and courses tailored to the needs of specific businesses and organisations. They also play a role in the delivery of the Department of Education's (DE) post-14 curriculum by delivering some courses with a professional and technical focus to pupils who are enrolled in schools.

The FE colleges continue to face financial challenges and in 2022-23 all six further education colleges again reported deficits.

Table five: FE College Deficits 2022-23 and 2021-22

College	2022-23 Total deficit £'000	2021-22 Total deficit £'000
Belfast Metropolitan College	(6,459)	(9,081)
Northern Regional College	(3,785)	(3,720)
North West Regional College	(2,458)	(3,857)
Southern Regional College	(3,292)	(6,602)
South Eastern Regional College	(3,569)	(4,602)
South West College	(1,403)	(6,062)

My report on Developing the skills for Northern Ireland's future highlighted the scale of the skills challenge facing Northern Ireland and that significant, urgent improvement is required. Of fundamental importance is ensuring a clearer link between overarching strategic goals, current skills needed, and actions being delivered on the ground. The FE colleges play a key role in developing skills, however the continuing challenge to manage their financial viability means that they may not be able to do everything that they have done in the past and there is a need for clarity as to which aspects of their provision they should prioritise.

Summary of Audit Findings

The audit findings for 2023-24 show a continuation of some of those in 2022-23, including improvements required in accounts production and the continuing need to address control weaknesses. In 2023-24 it is concerning that the level of limited opinions issued by Internal Audit has substantially increased and those organisations impacted by this will need to understand why it has happened and take steps to address the causes.

Organisations need to have in place procedures to ensure that the stewardship of public funds is assured. Things such as bank reconciliations, ensuring appropriate approvals to spend are in place and that controls which prevent overpayments from occurring are in place and operating.

It is essential that audited organisations take both internal and external audit findings seriously and I recommend that they implement corrective measures to ensure financial transparency, compliance, and appropriate accountability and that those charged with governance monitor the actions being taken to address recommendations.

"It is essential that audited organisations take both internal and external audit findings seriously and I recommend that they implement corrective measures to ensure financial transparency, compliance, and appropriate accountability."

Comptroller and Auditor General for Northern Ireland

NIAO Reports:
2024

NIAO Reports 2024

Title	Date Published
Tackling the Public Health Impacts of Smoking and Vaping	30 January 2024
Major Capital Projects: Follow-up Report	27 February 2024
Child Poverty in Northern Ireland	11 March 2024
Access to General Practice in Northern Ireland	20 March 2024
Water Quality in Northern Ireland's Rivers and Lakes	25 March 2024
Funding water infrastructure in Northern Ireland	27 March 2024
Budgeting and Accountability	24 May 2024
Review of Waste Management in Northern Ireland	05 July 2024
Continuous Improvement Arrangements in Policing	05 July 2024
Public Bodies' Response to Misrepresented Soil Analysis	05 July 2024
Developing the skills for Northern Ireland's future	18 September 2024
Northern Ireland Non-Domestic RHI Scheme: Progressing implementation of the Public Inquiry recommendations - 2nd Report	15 October 2024
Local Government Auditor's Report 2024	25 October 2024
Managing the Schools' Estate	12 November 2024
Road Openings by Utilities	03 December 2024

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ISBN 978-1-068589-20-1