



Northern Ireland
Audit Office

Comptroller and Auditor General's Report on Financial Audit Findings 2023 – Central Government

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20 December 2023

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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 *Northern Ireland Audit Office*
Comptroller and Auditor General 20 December 2023

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List of Abbreviations

AFBI	Agri-Food and Biosciences Institute
BSO	Business Services Organisation
C&AG	Comptroller and Auditor General
CMS	Child Maintenance Scheme
DAERA	Department of Agriculture, Environment and Rural Affairs
DECC	Department of the Environment, Climate and Communications
DfC	Department for Communities
DfE	Department for the Economy
DoF	Department of Finance
DoH	Department of Health
FreM	Government Financial Reporting Manual
GTCNI	General Teaching Council for Northern Ireland
HSC	Health and Social Care
Invest NI	Invest Northern Ireland
LPS	Land and Property Services
LSANI	Legal Services Agency Northern Ireland
NDPB	Non-Departmental Public Body
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NIHE	Northern Ireland Housing Executive
NITB	Northern Ireland Tourist Board
NSMC	North South Ministerial Council
PAC	Public Accounts Committee
PaLS	Procurement and Logistics Service
PPSNI	Public Prosecution Service for Northern Ireland
PSNI	Police Service of Northern Ireland

“I am pleased to report that the majority of the accounts that I have audited are unqualified and accurately represent the financial position of the organisations who have prepared and submitted them.”

Dorinnia Carville
Comptroller and Auditor General

Introduction

Introduction

This report primarily discusses the results of my audit of 2022-23 accounts, but also reports on the outcome of financial audits for previous accounting periods which I have certified in the year to 31 August 2023.

Coming out of the pandemic, the production and submission of central government accounts was largely back to normal timetables in 2022-23, with an expectation that departmental accounts would be submitted and audited by Summer Recess.

However, four departments (Department of Education, Department for the Economy, Department of Agriculture, Environment and Rural Affairs, and The Executive Office) did not meet the summer recess deadline. In these cases, alternative arrangements have been made between audited bodies and audit teams to facilitate the certification of these accounts.

In some cases, one of the reasons for this delay related to the implementation of the Executive's Review of Financial Processes (RoFP). It was fully implemented for the first time in the 2022-23 accounts. The aim of RoFP is to simplify financial reporting to better align Budgets, Estimates and Accounts and includes the consolidation of Non-Departmental Public Bodies (NDPBs) and other central government bodies in estimates and accounts.

Apart from these, I am pleased to report that the majority of the accounts that I have audited are unqualified and accurately represent the financial position of the organisations who have prepared and submitted them.

My audits, and this report, reflect a number of commonly recurring themes, including:

- Fraud and error continues to be an issue resulting in the qualification of my opinion on a number of accounts, however, I have noted that some gradual improvement is being made.
- The impact of Covid-19 continues to impact some of my audits, where schemes were implemented at pace without sufficiently robust procedures to provide the assurances for unqualified opinions. Given the unprecedented context and environment at the time, I understand the difficulties the pandemic created for many bodies.
- There is evidence in my findings of a lack of appropriate authorisations for expenditure in the absence of the political institutions, primarily the Assembly and the North/South Ministerial Council.

My work indicates that central government departments and their arm's-length bodies need to do more work 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. I have raised particular concern about control weaknesses in the Health Sector, in Part Three.

This report does not encompass the audit of bodies within the Local Government sector. This will be 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. There were qualified audit opinions on the accounts of thirteen central government departments and their arm's length bodies in the year to 31 August 2023.

My qualified audit opinions should be viewed in the context that the majority of public bodies continue to provide accounts on time and of good quality and result in unqualified audit opinions.

- **Part Two** summarises a number of short reports which I produced during the year to 31 August 2023 which did not relate to the qualification of accounts but which addressed issues of public interest arising in the course of our audit work.
- **Part Three** summarises common themes that were identified across central government departments and their arm's-length bodies during my audits.

“My work indicates that central government departments and their arm’s-length bodies need to do more work 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.”

Dorinnia Carville
Comptroller and Auditor General

Background

The background features a solid orange color. In the bottom right corner, there are three overlapping geometric shapes: a light blue triangle, a yellow triangle, and a dark blue triangle.

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 (NI) 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 NI 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 70 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.

More widely, my Office continues to work with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of 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, 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, have been prepared in accordance with the relevant accounting requirements and that the transactions underlying the financial statements are in line with the intentions of the NI Assembly and other authorities.

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.

If at the end of an audit I consider that the accounts do not present a true and fair view, or that expenditure and income have not been incurred in line with Assembly intentions, nor conform to the authorities which govern them, then 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 their response to the issues identified, and report both my findings and managements responses to the Board and Audit Committee, in a document referred to as the 'Report To Those Charged With Governance'.

Qualified Audit Opinions

I am responsible for forming an audit opinion on 132 central government accounts (i.e. central government departments and their arm's length bodies). In the year to 31 August 2023, I issued qualified audit opinions on the accounts of thirteen central government departments and their arm's length bodies.

Part One summarises the audit qualifications on the accounts of central government departments and their arm's length bodies. In cases where a qualified audit opinion is made and in other cases where there are significant issues arising, I make a report to the NI Assembly which may be considered by the Public Accounts Committee (PAC).

However, since the dissolution of the Assembly, there has been no PAC in place. There is currently therefore, no legislative mechanism to formally consider my reports and hold government departments to account in the absence of the Assembly. To address this absence of accountability, the Northern Ireland (Interim Arrangements) Act 2023 requires me to send any documents, normally be laid before the Assembly, to the Secretary of State (SoS). The SoS must lay anything received before the House of Commons. Where my reports include recommendations, the SoS also obtains a response from the relevant NI department, submitted via the Department of Finance. These responses are placed in the Libraries of the NI Assembly and both Houses of Parliament.

I find these responses very helpful and it is a stage in the accountability process that I would welcome continuing when the Assembly is back in operation.

“In conclusion, the audit findings indicate areas for improvement, including addressing control weaknesses, resolving delay issues, rectifying minor accounting errors, and preventing irregular expenditure cases.”

Dorinnia Carville
Comptroller and Auditor General

Part One:

Qualified Audit Opinions

Part One: Qualified Audit Opinions

This part summarises my qualified audit opinions. There were qualified audit opinions on the accounts of thirteen central government departments and their arm's length bodies in the year to 31 August 2023.

Five departmental resource accounts received qualified audit opinions and there were a further eight arm's length bodies that received audit opinions. These are all discussed below.

Qualified Audit Opinions – Departmental Resource Accounts



Department for the Economy 2021-22

The Department for the Economy (DfE) 2021-22 accounts were qualified on the basis of COVID-19 business support schemes. These schemes had been implemented to ease the disruption being faced by businesses during the pandemic and were designed and delivered at pace. The audit opinions for these 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 DfE. This led to a number of misstatements which had been reported in the accounts, for 2021-22 including the corresponding figures for 2020-21. The regularity audit opinion was also qualified since the Department did not have the legal authority to make these transactions.
- The accounts included grant in aid payments to Invest NI funding two other COVID-19 business support schemes with expenditure of £14.7 million in 2021-22. Whilst this funding had been appropriately accounted for within the Department's accounts, the schemes relied on self-declarations by applicants to assess eligibility. No corroborating evidence was available to verify the information in these declarations and there were no additional audit procedures which could be undertaken to provide the audit assurance required that the expenditure had been applied for the purposes intended by the Assembly. This resulted in a qualification of the regularity audit opinion.

A copy of my full report is available at page 193 of the [Department for the Economy's 2020-21 Annual Report and Accounts](#).

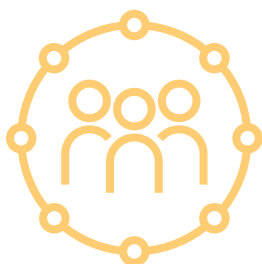


Department of Education – Northern Ireland Teachers’ Pension Annual Scheme 2020-21 - Excess Vote

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 2020-21, the NI Teachers’ Pension Annual Scheme expended more resources than the NI Assembly had authorised, resulting in an excess vote. The net resource outturn of £667.1 million was £7.2 million in excess of the £659.9 million authorised by the Assembly. I qualified my regularity opinion on the basis of an excess vote.

A copy of my full report is available at page 59 of the Department of Education – Northern Ireland Teachers’ Pension Annual Scheme Statements.



Department for Communities 2022-23 - Material Levels of Estimated Fraud and Error in Benefit Expenditure (Other than State Pension)

The Department for Communities (DfC) is responsible for housing, urban regeneration, community development, social security and child maintenance. The annual gross expenditure for the Department is £8.8 billion, of which approximately £7.5 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 every year.

In 2022-23, I qualified my opinion on the regularity of DfC’s financial statements due to the material level of estimated fraud and error in benefit expenditure, except State Pension expenditure where the estimate of fraud is significantly lower. The level of fraud and error in 2022-23 is estimated by DfC to be £174.1m compared to £211.5m in 2021-22, a drop of £37.4 million.

A copy of my full report is available at page 281 of the Department for Communities 2022-23 Annual Report and Accounts.

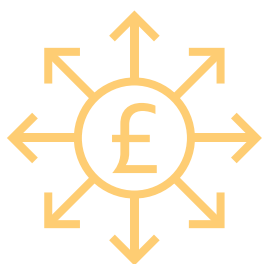


Public Prosecution Service for Northern Ireland 2021-22 – Regularity of transactions with the NI Consolidated Fund

The Public Prosecution Service for Northern Ireland (PPSNI) is a non-ministerial Department and is required to complete a 'Statement of Assembly Supply'. The Statement is underpinned by several primary 'Supply' rules, which provide assurance over the amounts showing as owing to, or from the Northern Ireland Consolidated Fund, and the Department's outturn against voted control totals.

Calculations are performed to evidence these rules have been met and they should normally agree exactly. However, in 2021-22, the PPSNI were unable to satisfactorily complete these calculations. As a result, there was an unexplained difference of around £50,000 that, despite considerable time and effort could not be resolved. Any difference in such calculations leads to material regularity concerns and I therefore qualified my audit opinion on the regularity of transactions with the Northern Ireland Consolidated Fund in 2021-22.

A copy of my full report is available at page 105 of the Department of Justice's 2021-22 Annual Report and Accounts.



Health and Social Care Pension Scheme Statement 2022-23 – Actuarial Valuation

I qualified my audit opinion on the Health and Social Care Pension Scheme Statement in the previous year (2021-22) as the membership data used by the actuaries to value the Scheme was greater than four years old and not in accordance with the accounting guidance the Scheme is required to follow. Actuarial valuations should be completed at least every four years.

I therefore qualified my audit opinion on the 2022-23 financial statements because the audit evidence available to me was limited. There were no alternative means available to confirm the valuation of these liabilities and determine whether any adjustments to the scheme liability were necessary. Consequently, it was not possible to determine whether any adjustment to the 2022-23 opening balance was necessary or whether there was any effect on the actuarial gain for the year ended 31 March 2023.

A copy of my Audit Certificate and report is available at page 44 of the 2022-23 Health and Social Care Pension Scheme Statement.



Qualified Audit Opinions – Other Accounts

Legal Services Agency Northern Ireland 2022-23 – Irregular legal aid expenditure and lack of evidence that fraud and error does not exist for legal aid expenditure

The Legal Services Agency Northern Ireland (LSANI) is responsible for administering legal aid in NI. The legal aid expenditure of the LSANI has been qualified since its inception in 2004 due to potential fraud and error within payments and weaknesses in the financial estimates of provisions for legal aid liabilities in the annual accounts.

I have qualified my regularity opinion on the 2022-23 accounts due to:

- statistics produced by LSANI estimating that £1.3 million of overpayments and £1.2 million of underpayments of legal aid costs were made during the year due to official error; and
- limitations in the scope of my work as a result of LSANI being unable to provide sufficient audit evidence to satisfy myself that material fraud and error by legal aid applicants and legal practitioners did not exist within legal aid expenditure of £97 million.

I was able to remove my qualification on provisions for legal aid liabilities this year. However, the qualification on fraud and error remains, largely because there is an inherent risk in legal aid payments.

A copy of my full report is available at page 126 of the [Legal Service Agency's 2022-23 Annual Report and Accounts](#).



Northern Ireland Tourist Board 2020-21 – COVID-19 Grant Expenditure and Irregular expenditure to Tourism Ireland

The NI Tourist Board (NITB) is responsible for the development of tourism in Northern Ireland, supporting the tourism industry and marketing NI as a tourist destination. It works closely with other tourism bodies to help develop the visitor economy. In 2020-21 the NITB accounts were qualified for two separate reasons.

In 2020-21, the NI Executive announced a £300 million package of support initiatives for vulnerable but viable businesses, to counter the impact of the COVID-19 pandemic. The Bed and Breakfast, Guest House and Guest Accommodation Support Fund was established as part of this programme and the NITB was tasked with scoping, designing and delivering it. Expenditure of £1.9 million on the grant scheme was included in the 2020-21 NITB accounts.

The eligibility criteria for the scheme required applicants to be fully tax compliant at the date of application. Whilst the NITB requested evidence to confirm compliance, it accepted a self-declaration that all relevant tax filings were up to date. There is insufficient appropriate audit evidence to verify that the self-declarations were accurate. I was therefore unable to confirm compliance with eligibility criteria for the grant scheme and I qualified my regularity opinion on the basis of a limitation of scope.

In addition to the above, there was a second qualification on the 2020-21 accounts in relation to expenditure to Tourism Ireland. Tourism Ireland is the overseas marketing arm of tourism for the island of Ireland and was formed under the auspices of the North South Ministerial Council (NSMC). As part of my work to provide an opinion on the regularity of transactions, I gather independent audit evidence to assess whether money paid by NITB to Tourism Ireland had the correct approvals in place.

In 2020-21 NITB made £12.9 million of payments to Tourism Ireland, of which only £3.1 million had the required approvals in place. As such, I qualified my regularity opinion regarding irregular expenditure of £9.8 million to Tourism Ireland, which did not have the required NSMC approvals in place, in the absence of the NI Assembly and NSMC meetings.

A copy of my full report is available at page 92 of the [Tourism NI's 2020-21 Annual Report and Accounts](#).



Northern Ireland Tourist Board 2021-22 – Irregular expenditure to Tourism Ireland

In 2021-22, the NITB provided funding of £2.9 million to Tourism Ireland which related to its 2022 Business Plan. As was the case in the previous year (see above), I qualified my regularity opinion for the 2021-22 accounts regarding irregular expenditure of £2.9 million as it did not have the required NSMC approvals in place, in the absence of the NI Assembly and NSMC meetings.

A copy of my full report is available at page 86 of the [Tourism NI's 2020-21 Annual Report and Accounts](#).



Business Services Organisation 2022-23 – Valuation of Inventory

In 2020, on behalf of the Department of Health (DoH), the Business Services Organisation's (BSO) Procurement and Logistics Service (PaLS) purchased Personal Protective Equipment (PPE) in significantly higher volumes than previously required to meet predicted demand.

As the impact of the pandemic has receded, the demand for PPE products has reduced. Based on average weekly usage rates, potentially £43m of inventory is at risk of not being used before its current lifespan expires. There continues to be uncertainty around future PPE demand and the issue is exacerbated by BSO's contractual commitments to buy more of them.

While BSO is trying to mitigate and resolve this obsolescence issue, I was unable to establish the success of these mitigations and unable to obtain sufficient and appropriate audit evidence about the £43 million valuation, as part of the overall closing inventory balance (£163 million). Furthermore, there were no alternative means for me to obtain a satisfactory valuation of the inventories. I therefore qualified my true and fair view opinion on the accounts.

A copy of my Audit Certificate is available at page 212 of the [Business Service Organisation's 2022-23 Annual Report and Accounts](#).



Northern Ireland Housing Executive 2021-22 – Levels of Fraud and Error in Housing Benefit

The Northern Ireland Housing Executive (NIHE) is comprised of a Quasi-Public Corporation and a Non-Departmental Public Body (NDPB) and is sponsored by the DfC.

Housing Benefit is a means-tested benefit to help people on low income pay rent and the NIHE administers this benefit on behalf of the DfC which funds customer payments and the majority of administrative costs. Eligibility depends on several factors including: income and capital; household size; age; circumstances and rent levels. The NIHE spent £504.6 million on housing benefit in 2021-22. The fraud and error, deemed to be irregular, within this expenditure has been estimated to be £17.8 million.

These estimated levels of fraud and error in Housing Benefit expenditure remain material and I have qualified my regularity opinion as the expenditure has not been applied in accordance with the purposes intended by the NI Assembly.

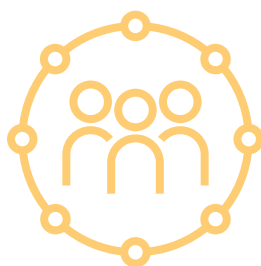
A copy of my Audit Certificate is available at page 150 of the [NI Housing Executive's 2021-22 Annual Report and Accounts](#).



Northern Ireland Housing Executive 2022-23 – Levels of Fraud and Error in Housing Benefit

In 2022-23, the estimated levels of fraud and error in Housing Benefit expenditure remained material at £12.7 million. As was the case in previous years, I qualified my regularity opinion for the 2022-23 accounts regarding irregular expenditure of £12.7 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 246 of the [2022-23 Annual Report and Accounts](#).



Department for Communities Child Maintenance Service Client Funds 2022-23 – Material errors in child maintenance calculations and lack of evidence to support the level, accuracy & completeness of outstanding maintenance arrears for the legacy schemes

The Department for Communities Child Maintenance Service (CMS) is responsible for administering statutory child maintenance schemes in NI 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 NI 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.

In previous years, the qualified regularity opinion extended to include the estimated error level in the 2012 scheme cases. However, following consideration this year, I have concluded that this part of the qualification could be removed. I do not consider the level of irregularity in receipts and payments under the CMS 2012 schemes to be material and did not qualify 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 not fully substantiate the arrears balances (£9.1 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 (£3.4 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 £3.4 million.

A copy of my full report is available at page 281 of the 2022-23 Department for Communities Annual Report and Accounts.



Land and Property Services Trust Statement 2021-22 – Levels of Fraud and Error in Housing Benefit Expenditure

Land and Property Services (LPS) administers housing benefit for rates of owner occupiers on behalf of the DfC. Unlike all other Social Security benefits where payments are made, LPS administers housing benefit in Northern Ireland 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.

The amount of housing benefit expenditure administered by LPS is £32.1 million. The fraud and error, deemed to be irregular, within this expenditure has been estimated to be £3.4 million (customer fraud £2.5 million and official and customer error of £0.9 million).

I consider this level of fraud and error in housing benefit expenditure to be material and therefore I qualified my 2021-22 opinion on the regularity of the expenditure accordingly, 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 35 of the 2021-22 Land and Property Services Annual Report and Accounts.

Part Two:

Public Interest Reporting on Unqualified Accounts

Part Two: Public Interest Reporting on Unqualified Accounts

Outlined in this part are details of the reports that I have issued on accounts in the year to 31 August 2023. The reports related to issues that have arisen during the course of 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



General Teaching Council Northern Ireland - Delay to the finalisation of 2020-21 annual report and accounts

My report highlights the General Teaching Council for Northern Ireland's (GTCNI) failure to meet its requirement to submit timely and complete accounts for audit.

GTCNI submitted an incomplete draft of its 2020-21 Annual Report and Accounts to the Northern Ireland Audit Office (NIAO) in May 2021 and did not provide a complete version until May 2022, over 13 months after the financial year end and 12 months after the required submission date.

An independent Effectiveness Review noted that the loss of personnel and the Minister's decision were a consequence of systemic failures and a breakdown of working relationships within the council.

The loss of key personnel and the Minister's decision to stand down the GTCNI Council and Committees (December 2021) meant that the finalisation of the Annual Report and Accounts and its subsequent audit were significantly delayed.

A copy of my full report is available at page 64 of the [2020-21 General Teaching Council Northern Ireland Annual Report and Accounts](#).



Agri-Food and Biosciences Institute – Delay to the audit of the 2021-22 financial statements

My report highlights matters arising from my audit of the Agri-Food and Biosciences Institute's (AFBI) financial statements for 2021-22. I did not qualify my opinion on the financial statements, but the audit was delayed and protracted due to the failure of the financial system upgrade in March 2022, which had a significant impact on the preparation of the financial statements.

I reported on this issue because I had previously raised concerns about the fitness for purpose of the aged and complex financial reporting systems and the capacity of staff to support accounts production and the audit process. AFBI's response to the associated risks was limited.

A copy of my full report is available at page 111 of the [2021-22 Agri-Food and Biosciences Institute Annual Report and Accounts](#).



Loughs Agency 2021 - Irregular expenditure

My audit opinion highlights the fact that the Agency was unable to obtain formal approval of the revised 2021 Business plan by the North South Ministerial Council (NSMC), giving rise to irregular expenditure. Formal approval is required under the North/South Cooperation (Implementation Bodies) (Northern Ireland) Order 1999.

The Loughs Agency bid for additional monies in the October 2021 monitoring round was funded on a 50:50 basis by both Sponsoring Departments, i.e. the Department of Agriculture, Environment and Rural Affairs (DAERA) in the North and the Department of the Environment, Climate and Communications (DECC) in the South.

The Agency received £422,840 in grants, that whilst legal, was considered irregular because it lacked the appropriate approval from the NSMC.

I did not qualify my audit opinion on this matter, as the Agency has complied with all relevant guidance in so far as it is able and within its control. However, given that the monies are material and deemed irregular until approved, I included a report within my audit certificate by way of explanation.

Note: Loughs Agency are not able to publish Annual Reports and Accounts on the website until they have been laid in both jurisdictions. Accounts for 2020 and 2021 have not been laid in Northern Ireland due to the political impasse.



Northern Ireland Environment Agency 2022-23 – Statutory obligation at Mobuoy illegal waste site

My report highlights a contingent liability disclosed in the Agency's accounts under IAS 37. The Agency has been working to progress a solution under a statutory obligation to mitigate the illegal waste site at Mobuoy.

I am concerned that the Agency has not yet identified the optimal solution to rectify the environmental damage at this site. The costs to the public purse to carry out this remedial work may be significant, and I will keep the progress of the Agency's work in this area under review.

A copy of my report is available at page 64 of the [2022-23 Northern Ireland Environment Agency Annual Report and Accounts](#).

Emphasis of Matter

I include an Emphasis of Matter in my audit reports when in my judgment, 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 2023, I included the following emphasis of matter paragraphs in my audit certificates:

- NI Courts and Tribunals Service Trust Statement 2021-22 – to reflect the uncertainty over future fine default collection rates and the subsequent carrying value of receivables in the financial statements;
- DfE 2021-22 – to reflect uncertainties inherent in the valuation of student loans and changes to the assumptions that have been made by the DE that could have a significant impact on the student loans figure in the accounts; and
- NI Social Care Council 2021-22 – to draw attention to a £364k increase in the estimate of deferred income from 2020-21. This increase was due to a refinement of the deferred income estimation process and the absence of the difficulties in estimating the 2020-21 balance arising from the COVID-19 pandemic.

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 to 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 2023, identified several areas of concern common across the range of bodies audited, which I have grouped under the following headings:

- Accounts production and delay;
- Control weaknesses (including related party disclosures, declaration of interests, contract management);
- Remuneration report disclosures; and
- Accruals and provisions.

These common themes are discussed more fully below.



Accounts production and delay: Poor accounts production leads to delayed audits

Accounts production is the process of creating financial statements in accordance with accounting standards and regulations. Clear parameters are set for accounts preparation and the presentation of an audit file. Incomplete or delays to draft accounts can impact on audit completion timelines. Proper accounts production is essential for maintaining transparency and compliance with accounting standards. It also ensures that the financial statements accurately represent the organisation's financial position. Delays can affect stakeholders' ability to assess the financial health of the public sector organisation. They also result in inefficiencies for the body and my auditors which has a broader impact on the timeliness and cost of my audits.

Poor accounts production in a number of organisations has been attributed to, low staff numbers, insufficient skills, inadequate training, and control weaknesses (as outlined above). Some audited bodies have also cited the implementation of new systems as reasons for the delays. These issues increase the risk of errors in the financial statements and a failure to adhere to accounting standards.

The majority of financial statements are well-prepared and presented for audit, nevertheless, issues outlined in this report need to be addressed across the public sector. I am concerned that continued deficiencies in accounts production, and the associated delays to the audit process, increases the risk of poor transparency and accountability. Such inefficiencies result in increased costs for both the accounts preparation and audit processes.

For example, resourcing issues prevented a body from providing quality financial statements with appropriate audit evidence. The finance team were unable to answer audit queries within reasonable timescales; the quality of draft accounts was unsatisfactory; and numerous audit adjustments and disclosure amendments were required.

In another example, it was evident from multiple control deficiencies and delays, that the finance team was under resourced. This had a negative impact on processes and controls and affected the quality and timeliness of the accounts production. The issue gave rise to errors in the financial statements, such as those in accruals and provisions (see below) but is also visible in presentation weaknesses within the financial statements.



Control Weaknesses: strong internal controls ensure the reliability of financial information

Control weaknesses refer to deficiencies in an organisation's internal control systems that may lead to errors, fraud, or mismanagement. Some of these issues are also reflected in the qualified audit opinions outlined in Part One. These weaknesses can impact financial reporting and compliance with laws and regulations. Identifying and addressing control weaknesses is vital to prevent financial misstatements, fraud, and compliance issues. Strong internal controls ensure the reliability of financial information. The main weaknesses identified are outlined below.

Health and Social Care sector

I am particularly concerned about a deterioration in the internal control environment in many parts of the health sector. There were an increasing number of limited assurances in internal audit reviews, suggesting a decrease in the application of key internal controls within Health and Social Care (HSC) organisations. In two HSC bodies (the Northern Ireland Fire and Rescue Service; and the South Eastern HSC Trust), poor assurance assessments across several business areas were significant enough for an overall limited opinion. This is a serious matter.

Six other HSC bodies received limited assurances across a range of business areas but with a particular focus on issues around staff management and IT systems controls. These included the review of staff-in-post reports, non-standard payments to staff and the use and approvals of agency staff.

In 2022-23, for the first time, more than 50 per cent of HSC internal audits received a 'limited' or worse assurance rating. The sustainability of overall satisfactory assurances is at risk in a number of organisations.



Control weaknesses identified in other bodies

My audit teams found various control weaknesses across other central government departments and their arm's-length bodies.

Issues include, but are not limited to:

- lack of formal management review of accounts;
- discrepancies between closing and opening trial balances;
- a Fixed Assets Register not reconciled to the draft accounts;
- errors in the remuneration report (refer to Remuneration Report section below);
- deletion of journals, impeding a clear audit trail;
- lack of sufficient and robust evidence to support the eligibility of some claimants, potentially leading to irregular expenditure; and
- deficiencies in supporting documents presented for audit.

Reasons for control weaknesses and delays

The following reasons were cited for control weaknesses and the declining control environment:

- Resourcing challenges, both funding and staffing;
- A reduction in knowledge and experience in the accounts team;
- A lack of compliance with established processes;
- An absence of appropriate training;
- A need to strengthen and consistently apply contract-management arrangements;
- The utilisation of overly complex systems that encourage or require workarounds; and
- A lack of corrective action to fully resolve previously reported issues with non-compliance.

Proper application of controls may have prevented some of the issues identified in my audits. I have recommended that organisations work promptly to address the issues from both Internal and External Audit reports, particularly those related to the robust application of existing controls.

Deficiencies in internal control systems impact our ability to complete our audit testing and lead to delays in both account preparation and the audit process (see below). Delays increase costs and decrease accountability.



Remuneration report disclosures: adherence to up-to-date guidance is essential

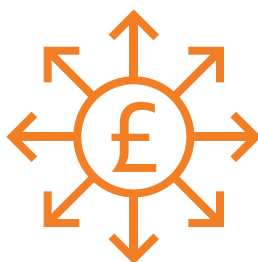
During my audits, I identified several instances of non-compliance with the guidance on the format of the remuneration report. The remuneration report sets out an audited bodies remuneration policy for senior employees. It reports how the policy was implemented and sets out the amounts awarded to applicable senior staff.

A comprehensive remuneration report is essential for ensuring transparency and accountability in the use of public funds. The Government Financial Reporting Manual (FreM) contains guidance on the format of the report. In April 2023, the Department of Finance (DoF) issued updated guidance on the format of the report.

Non-compliance was an issue in the HSC sector, where the approach was not in compliance with the issued guidance and hinders comparison with other parts of the public sector. However, the issue also arose in the audit of several other bodies.

I am concerned about the potential accountability and financial reporting risks associated with non-compliance. In this instance, I have recommended that bodies seek further clarity from DoF and apply the guidance consistently.

The training, capability and capacity of staff is a recurring issue in my audit findings. I am also concerned about the possibility that finance team staff may not be keeping abreast of accounting standards and updated guidance.



Accruals and provisions: repeated errors recognising these transactions correctly

Accurate accrual accounting is fundamental to producing financial statements that reflect the financial position of an organisation. It ensures that revenues and costs are recognised in the correct accounting period, regardless of when the cash is received or paid.

Provisions are liabilities or potential expenses recognised in financial statements but the exact amount or timing is uncertain. Accurate recognition of provisions is essential for reflecting the true financial position of the organisation and ensuring that it is adequately prepared for future expenses.

There were several instances of errors in correctly recognising accruals and provisions and this is a recurring issue in my audits over the years. These errors need to be addressed for more accurate financial reporting.

In one example, some operational staff were not fully aware of the accruals concept which impacted on the quality of their financial returns for the accounts production process. The finance team identified the issue prior to the submission of the draft accounts for audit, but their subsequent review was not robust enough to correct all the errors arising.

In another audit, our testing of accruals identified reliably quantified balances, but with an uncertain settlement date. Such balances should be treated as a provision rather than an accrual (in accordance with IAS 37).

There was also an issue with payroll accruals in the HSC sector [Health Trusts]. In my view, the accruals would have been more appropriately classified as provisions given uncertainties surrounding the amount and/or timing of payments.

In 2021-22, one body accounted for significant compensation claims as a contingent liability disclosure when, in my opinion, it should have been included in the accounts as a provision. In the 2022-23 audit, the accounting treatment remained unchanged increasing the risk that provisions continue to be significantly, but not materially, understated in respect of these claims.



Summary of Audit Findings

In conclusion, the audit findings indicate areas for improvement, including addressing control weaknesses, resolving delay issues, rectifying minor accounting errors, and preventing irregular expenditure cases. Issues were noted across various sectors and with varying degrees of frequency.

Overall, there is room for improvement in the internal controls and financial reporting processes across the audited bodies. It is essential that audited organisations take both internal and external audit findings seriously and implement corrective measures to ensure financial transparency, compliance, and appropriate accountability.

NIAO Reports: 2023

NIAO Reports 2023

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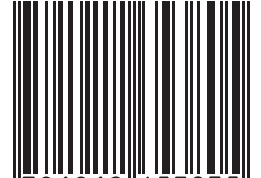


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