



Northern Ireland Audit Office

An abstract, vibrant graphic on the left side of the page. It features a dense collection of overlapping, semi-transparent shapes in various colors including yellow, orange, red, blue, green, and purple. The shapes include circles, ovals, and irregular forms, some with internal patterns like dots or swirls. There are also several small, stylized symbols scattered throughout, such as blue and pink chevrons pointing right, and pink and orange plus signs. The overall effect is dynamic and energetic.

Northern Ireland Audit Office

coverage of the

Department for the Economy

This document provides a
brief outline of the work of the
Northern Ireland Audit Office on the
Department for the Economy (DfE)

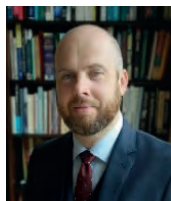
Northern Ireland Audit Office coverage of the Department for the Economy (DfE)

The Northern Ireland Audit Office (NIAO) is a public sector body that is totally independent of government. Our role is to help the Northern Ireland Assembly hold the Executive to account for the way it spends public money. We do this by auditing the finances of public bodies and scrutinising public spending to assess facts and value for the taxpayer, providing insights into how well public services are being delivered. More information on the roles and responsibilities of both the Comptroller and Auditor General (C&AG) and the NIAO can be found on our [website](#).

The NIAO supports public scrutiny that is fair, equal and open and that leads to more effective financial management and value for money. To do this, we carry out a number of functions: Financial Audit; Public Reporting, including Value for Money reports and Good Practice Guides; and Counter Fraud.

This document provides a brief outline of the work of the NIAO specific to the **Department for the Economy (DfE)**.

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



Patrick Barr

**Director – Public Reporting and
Financial Audit**

Patrick.Barr@niauditoffice.gov.uk
028 9025 1063



Karen Beattie

**Audit Manager – Public Reporting
and Financial Audit**

Karen.Beattie@niauditoffice.gov.uk
028 9025 1003

Department for the Economy background

The Department for the Economy (DfE) came into effect from May 2016¹ bringing together most of the roles and responsibilities of the former Department of Enterprise, Trade and Investment and the Department for Employment and Learning. Diane Dodds was appointed as the Minister for the Economy. Her aim is to transform Northern Ireland into a globally competitive economy.

As outlined in the 2020-21 Budget document², the DfE's Mission is to develop and implement agile policies and programmes which promote a competitive, sustainable and inclusive economy through investment in:

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

The DfE leads on Outcomes 1, 5 and 6 of the draft Programme for Government (PfG), which are:

- **Outcome 1** – We prosper through a strong, competitive, regionally balanced economy.
- **Outcome 5** – We are an innovative, creative society, where people can fulfil their potential.
- **Outcome 6** – We have more people working in better jobs.

The DfE's normal recurring business straddles support to and investment in skills, business development and business regulation including:

- leading on economic policy and strategy, working with delivery partners such as Invest NI on the programmes and projects that support business development and investment and job creation;
- supporting Further Education Colleges to: play a vital role in support of the economy of NI; improve the skills profile of the population at all levels and in particular in Science, Technology, Engineering and Maths subjects; and significantly enhance social and economic inclusion, by offering those with barriers to learning or low or no qualifications, the opportunity to gain skills and accredited qualifications;
- delivering the Higher Education Strategy 'Graduating to Success';
- delivering Apprenticeships programmes, supporting youth employment and improving the NI skills base;
- delivering the Youth Training and Youth Inclusion programmes, providing access to vocational education training and employability skills aimed at reducing those not in employment, education or training;
- championing economic, social and personal development by providing relevant high quality learning, research and skills;
- supporting the Tourism sector in NI, working with delivery partners Tourism NI and Tourism Ireland to maximise visitor numbers and associated revenue spend, for the benefit of the NI economy and to support job creation;

1 The Department for the Economy (DfE) is one of nine Northern Ireland departments constituted under the Departments Act (Northern Ireland) 2016 and the Departments (Transfer of Functions) Order (Northern Ireland) 2016

2 Budget 2020-21: Department of Finance; 05 May 2020

- supporting NI Screen through the delivery of the 'Opening Doors 2' Strategy to maximise screen industry expenditure in NI, and build the skills, capacity and reputation of the local screen industry internationally;
- dealing with pressing issues with the Renewable Heat Incentive Scheme and the Single Electricity Market in the context of EU Exit;
- providing regulatory services, including Health and Safety Executive NI, Trading Standards, Consumer Council and Insolvency Service, as well as labour market services including Labour Relations Agency, tribunals, employment law and redundancy payments;
- continuing to deliver careers guidance and advice in line with strategic commitments; and
- ensuring that the European Regional Development Fund Investment for Growth and Jobs and the NI European Social Fund Programmes continue to be managed and implemented.

In addition, some of the key policy initiatives to be taken forward in 2020-21 include:

- Skills Strategy - to support a dynamic skills system capable of responding to the changing needs of individuals and the economy;
- Tourism Strategy - covering the period to 2030, with the objective of increasing visitor numbers and revenue, and to support job creation;
- Energy Strategy - the 2010 Strategic Energy Framework established the Executive's strategic direction to 2020 and the Department is now preparing proposals for a new NI Energy Strategy for consideration;
- City Deals - covering tourism, innovation, digital and skills projects;
- Broadband Project Stratum - a £165 million project to improve access to Next Generation Access broadband services for those premises across NI currently unable to access speeds of 30 Megabits per second or greater;
- preparing and managing EU Exit consequences; and
- PfG - contributing to the development of a new multi-year PfG, underpinned by a new Economic Strategy for NI.

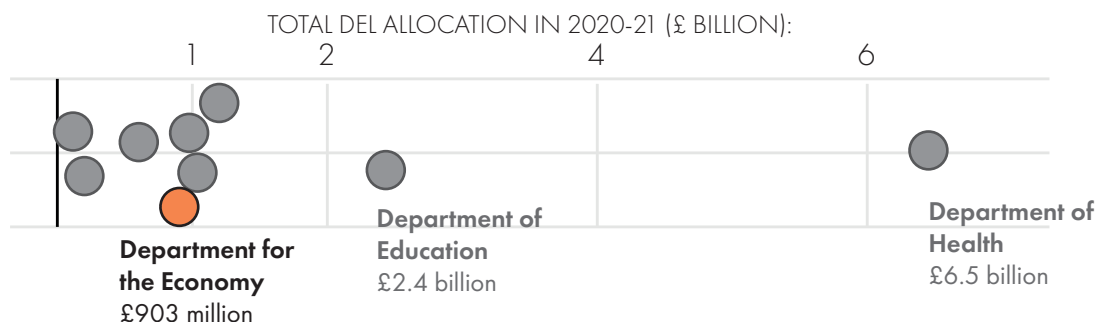
Department for the Economy funding

The DfE has been allocated over £900 million - 7 per cent of the overall executive budget for 2020-21. This is made up of their Resource and Capital Departmental Expenditure Limit (DEL) budget. Figure 1 provides an overview of the Department's DEL funding relative to all departments and how this is allocated to various spending areas and objectives.

Budget allocations are based on the 2020-21 Budget published by the Department of Finance in May 2020. This set out the Executive's initial spending plans for the one year period from April 2020 to March 2021. Final allocations may differ as a result of changes to funding and the in-year monitoring process, which provides a formal system for reviewing spending plans and priorities for the NI departments in the financial year.

Figure 1. Overview of the funding allocation for the Department for the Economy

The Department for the Economy is one of four departments with funding of around £1 billion



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



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

SPENDING AREA	RESOURCE DEL	CAPITAL DEL	TOTAL
Student Support and Higher Education	318	28	346
Employment and Skills	300	42	342
Economic and Business Development	142	9	151
Tourism	19	5	24
Representation and Regulatory Services	22	1	23
Tourism Ireland Ltd	12	1	13
InterTrade Ireland	4	<1	4
TOTAL	817	86	903

Bodies for which the Department for the Economy has responsibility for sponsorship and oversight

Non Departmental Public Bodies

- Invest NI
- Tourism NI
- Consumer Council NI
- Health and Safety Executive NI
- NI Screen
- Construction Industry Training Board
- Labour Relations Agency
- Belfast Metropolitan College
- Northern Regional College
- North West Regional College
- South Eastern Regional College
- Southern Regional College
- South West College
- Stranmillis University College

Other bodies and accounts

In addition the Department has responsibility and oversight for the following North/South bodies:

- Tourism Ireland
- InterTradeIreland

The Department is also responsible for the Insolvency Service, Mineral Development and Petroleum Production accounts.

Financial Audit

The NIAO conducts a programme of audits on the financial statements of the DfE and its Non Departmental Public Bodies (NDPBs). The C&AG is required, under the Government Resources and Accounts Act (Northern Ireland) 2001, to report his opinion as to whether the financial statements give a true and fair view. He is also required to satisfy himself that, in all material respects, expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and conform to the authorities which govern them; that is, they are 'regular'.



Since 2016, the C&AG has issued unqualified audit opinions on the following NDPBs of the Department: Northern Ireland Tourist Board; General Consumer Council for Northern Ireland; Labour Relations Agency; Health and Safety Executive for Northern Ireland; Northern Ireland Screen; Construction Industry Training Board; Insolvency Service; Mineral Development and Petroleum Production Accounts; Belfast Metropolitan College; North West Regional College; South West Regional College; Southern Regional College; Northern Regional College; and South Eastern Regional College.

The C&AG has issued qualified audit opinions on the Department's Resource Accounts (since 2015-16) and on Invest NI's accounts (in 2017-18 and 2019-20). On these occasions, he also published a report attached to the accounts on the reasons why he decided to qualify his audit opinion. A summary of the qualification reasons is outlined below.

C&AG reports on the DfE

Non-domestic Renewable Heat Incentive (RHI) Scheme

Since 2016, the C&AG has reported on significant concerns surrounding the operation of the non-domestic Renewable Heat Incentive (RHI) scheme, outlining significant weaknesses in the scheme. He has qualified his regularity audit opinion because of a lack of required approvals being received by the Department in relation to a proportion of the spending on the scheme each year.

Payments to North South Bodies

In 2018-19 and 2019-20, the C&AG also qualified his regularity audit opinion in relation to irregular payments to two North South bodies. Payments in both financial years were irregular only because in the absence of a DfE Minister it was not possible to secure North South Ministerial Approval for the 2019 and 2020 business plans.

Small Business Grant Scheme

In 2019-20, the C&AG qualified his regularity audit opinion in relation to the Small Business Grant Scheme and identified a number of payments indicating that an estimated £13.5 million (arising over two financial years) could have been paid to recipients who were not eligible. This qualification also applied to Invest NI as its responsibility was to record the costs of the scheme in its 2019-20 accounts.

C&AG reports on Invest NI

Skills Growth Programme

In 2017-18, the C&AG qualified his regularity audit opinion as Invest NI incurred expenditure of £2.1 million for grants under the Skills Growth Programme, which were committed to during a period in which approval from the Department of Finance had expired. As the Department provides funding to Invest NI and has overall responsibility for ensuring that approvals are obtained, the C&AG also qualified his regularity audit opinion in relation to this expenditure in the Department's accounts.

Small Business Grant Scheme

As noted above.

Public Reporting

The NIAO conducts independent evidence-based examinations and produces reports to the Northern Ireland Assembly and local councils on economy, efficiency and effectiveness, performance improvement and issues arising. Through its Public Reporting programme, the NIAO seeks to promote better value for money by highlighting and demonstrating to audited bodies ways in which they could: make improvements to realise financial savings or reduce costs; guard against the risk of fraud, irregularity and impropriety; provide a better quality of service; strengthen and enhance their management, administrative and organisational processes; and achieve their aims and objectives more cost-effectively.

The main types of public reports produced by the NIAO are set out below:

- **Value for Money (VFM) studies** – investigations which examine and report on whether economy, efficiency and effectiveness ('the three E's') have been achieved in the use of public funds providing public services and programmes;
- **Emerging Issues and Investigations** – short, reactive reports on topical issues that establish facts to produce a timely, responsive and focused report to assist public accountability;
- **Impact reports** – previously published reports may be followed up to assess progress in implementing recommendations for improvement, together with impacts of all relevant actions considered and updates provided; and
- **General reports** – on different sectors (health, central government and local government).

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

Public Reporting current and future work programme

In late 2019, the NIAO published its three year Public Reporting Programme for the period 2019-2022. The programme outlines the C&AG's planned publications for each of the three years.

In response to Covid-19, considering the pressures on public services and anticipating the need to focus on topic areas impacted by the pandemic, an assessment was undertaken to re-prioritise the Public Reporting Programme in June 2020. The C&AG has agreed a plan which identifies a realistic schedule of priority public reporting work to be progressed at this time. The Public Reporting Programme can be found on our [website](#).



In relation to the Department for the Economy the relevant work is:

- Northern Ireland Non-Domestic Renewable Heat Incentive Scheme (NI RHI): Assessing progress with the implementation of the Public Inquiry recommendations;
- Investment in Broadband;
- Project Stratum;
- Small Business Grant scheme; and
- Overview of the NI Executive's response to the COVID-19 pandemic (second report in series with the first published in September 2020)³.

The NIAO also plan to publish two cross-cutting reports on:

- Lessons arising from Judicial Reviews for NICS decision-making; and
- Planning in NI.

³ Overview of the Northern Ireland Executive's response to COVID-19, Northern Ireland Audit Office, 2 September 2020 (<https://www.niauditoffice.gov.uk/publications/overview-northern-ireland-executives-response-covid-19-pandemic>)

Previous Public Reporting coverage in the Department for the Economy

An overview and main findings from a selection of NIAO reports on the DfE and its arm's length bodies are outlined below. Copies of our reports can be found in the [Publications section](#) of our website.

Generating Electricity from Renewable Energy

This 2020 report examines the government-backed Northern Ireland Renewables Obligation (NIRO) which provides a financial incentive, in the form of Renewables Obligation Certificates (ROCs), to accredited generators of electricity from renewable sources, such as wind, solar and anaerobic digester (AD) plants.

The report looks at issues that have been identified around AD plants and onshore wind turbines. It also assesses the existence and effectiveness of any joined-up strategic and operational partnership arrangements across government to support the NIRO scheme.

The main findings of this report include:

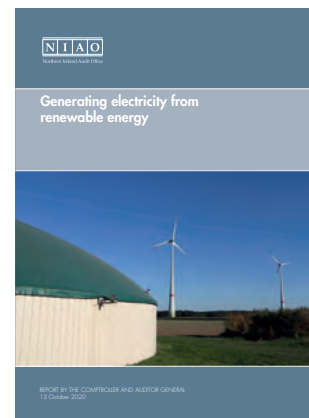
- The modelling used by the former Department for Enterprise, Trade and Investment to set the level of support for generating stations using biogas could be providing higher levels of financial support than necessary to investors in this technology.
- There was a lack of joined-up thinking between departments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

Major Capital Projects

This 2019 report provides a high level overview of the Northern Ireland public sector major capital projects portfolio and examines departmental progress in delivering eleven projects. These include the seven flagship infrastructure projects identified by the NI Executive in 2015 as its highest priority projects.

The main findings of this report include:

- Of the seven flagship projects examined, none had been delivered in line with both original time and budget estimates.
- Departments attributed this to a range of common issues: funding constraints, legal challenges, planning issues, and a lack of interest from the construction industry.



Access to finance for small and medium-sized enterprises (SMEs) in Northern Ireland

This 2017 report focuses on the progress made by Invest NI in implementing its 'Access to Finance Strategy'. The strategy comprises seven funds which are mainly making investments and loans to local SMEs.

The main findings of the report include:

- the importance of Invest NI minimising fund manager fees, and ensuring that fund managers deliver high standards of service;
- a lengthy legal dispute between Invest NI and the fund manager for one of the strategy's earliest funds, which was settled through a mutual agreement under which the fund manager voluntarily resigned, but in which Invest NI bore significant costs;
- how Invest NI may incur significant financial losses in a number of funds because it has subordinated its funding in order to lever private investment – these arrangements mean that private investors are repaid their investment and receive an annual return before Invest NI recoups any of its investment; and
- how Invest NI must gather clear and transparent evidence to show that the funds are helping SMEs grow and achieve increases in employment and other economic benefits.

Contracted training programmes

This 2016 report considered the Training for Success and Apprenticeship NI training programmes operated by the former Department for Employment and Learning.

The main findings of the report include:

- The total cost for the programmes over the period 2007 to 2015 was £469 million.
- 97 participants started the programmes during this period (44,000 on Training for Success and 53,000 on Apprenticeships NI).
- Around two thirds of Training for Success leavers achieved a qualification. Almost a quarter progressed to employment, education or other training.
- Just over 60 per cent of Apprenticeships NI leavers achieved a full apprenticeship framework and 67 per cent achieved a National Vocational Qualification.
- Due to historical management information system issues which have now been resolved, there has been a lack of formal performance reporting against some targets at overall programme level, making it difficult to determine if the Department is meeting its programme objectives and delivering value for money.

In addition to these more recent reports, the following reports related to areas overseen by DfE were published between 2011 and 2015:

2015 Cross-Border Broadband Initiative: The Bytel Project

2014 Belfast Metropolitan College's Titanic Quarter PPP Project

2012 Invest NI: a performance review

2011 DETI: The Bioscience and Technology Institute

2011 Northern Ireland Tourist Board – Review of the Signature Projects

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



In addition the NIAO has published several cross-cutting reports since 2016 including:

- **Capacity and Capability in the Northern Ireland Civil Service (November 2020)**
- **Overview of the Northern Ireland Executive's response to the COVID-19 pandemic (September 2020)**
- **Management of the NI Direct Strategic Partner Project – helping to deliver Digital Transformation (June 2019)**
- **The UK Border: how prepared is Northern Ireland for exiting the EU? (October 2018)**
- **Managing the Central Government Office Estate (November 2017)**
- **Northern Ireland Public Sector Voluntary Exit Schemes (October 2016)**

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

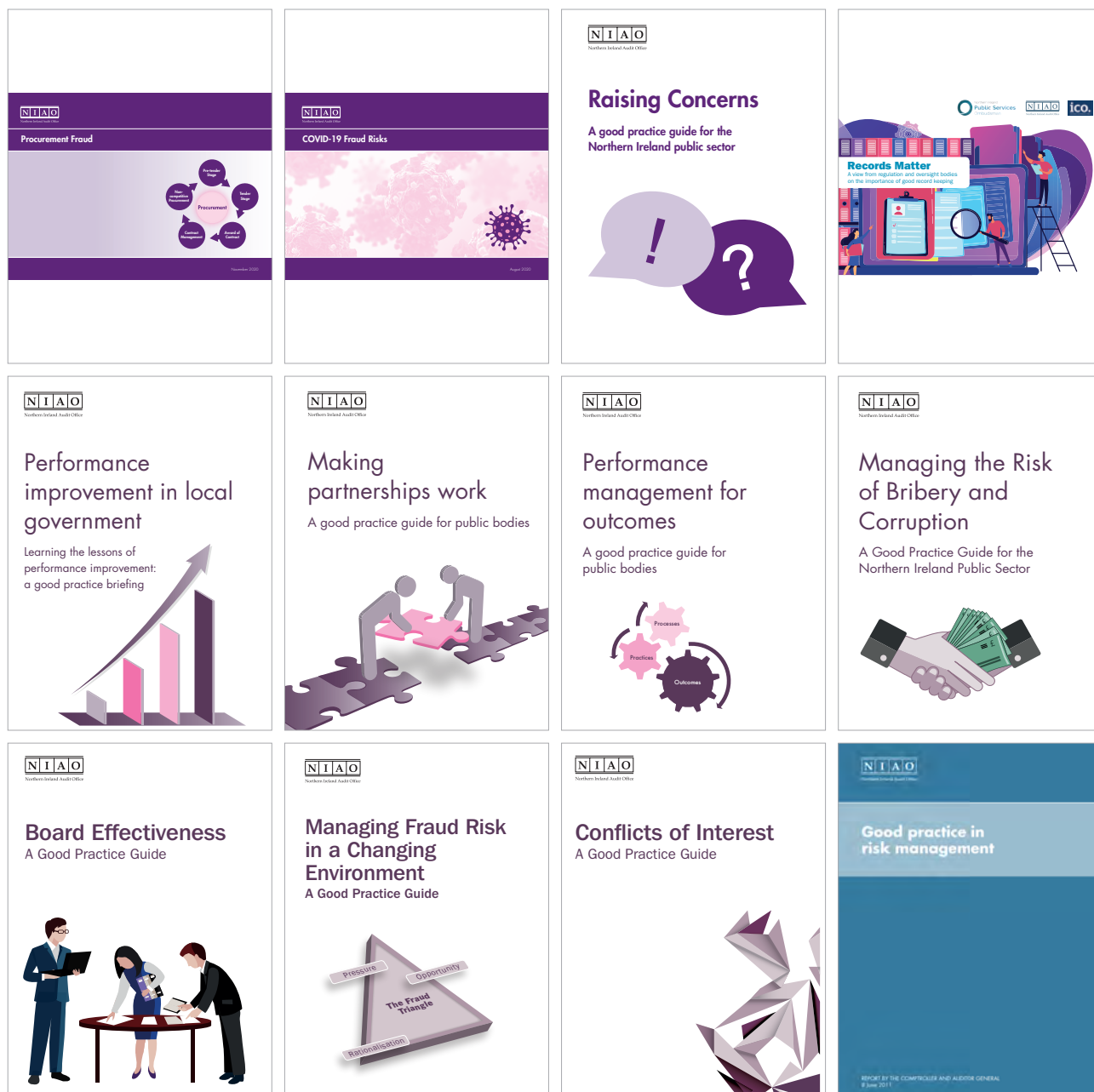
Good Practice guides

We have compiled a number of good practice guides over recent years covering a range of topics highlighting and encouraging public bodies to improve their performance in achieving value for money, implementing policy and suggesting ways in which public services could be improved.

Copies of our good practice guides can be found in the [Publications section](#) of our website⁴.

Good practice guides planned for the future include:

- Asset management;
- Innovation; and
- Changing organisational culture



⁴ *Records matter: a view from regulation and oversight bodies on the importance of good record keeping* published 29 January 2020 is the joint work of the NIAO, the Northern Ireland Public Services Ombudsman's Office, and the UK Information Commissioner's Office.

Counter Fraud Activity

The C&AG maintains a small Counter Fraud Unit which records and monitors notified frauds, and provides fraud-related advice and guidance, both internally and to the wider public sector, to help organisations strengthen their controls and minimise fraud risks. The Unit also co-ordinates the National Fraud Initiative (NFI) in Northern Ireland and is the first point of contact for third parties wishing to raise public interest concerns with the C&AG or Local Government Auditor.



Reporting Fraud

Managing Public Money Northern Ireland requires all NICS departments to report immediately to the C&AG (and to the Department of Finance) all proven, suspected and attempted frauds affecting them or the ALBs sponsored by them⁵. The NIAO monitors these returns and liaises with the audited bodies to ensure that any fraud risks identified are properly addressed, for example through the introduction of additional controls.

National Fraud Initiative (NFI)

All NICS departments participate in the NFI, a UK-wide data matching exercise run every two years. To date, NFI exercises in Northern Ireland have resulted in actual and estimated savings of almost £40 million.

The overall results for NI are published every two years in the regional NFI reports which are available on our [website](#).

The NFI is not reported at organisational level, but by type of outcome (e.g. pensions/rates/payroll etc.) for NI as a whole.



Raising Concerns

Raising concerns (whistleblowing) plays a vital role in securing and maintaining standards in public life. Concerns should be raised in the first instance with the relevant department or arm's length body, as they are best placed to address the issue raised.

The C&AG and the Local Government Auditor are "prescribed persons" to whom protected disclosures can be made under Public Interest Disclosure legislation. Public sector employees, members of the public, contractors, councillors and other third parties can raise concerns with them about the proper conduct of public business, value for money and fraud and corruption. Details of how this can be done, and how such concerns will be considered, are on our [website](#).



5 Annex A.4.7 Managing Public Money NI (<https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni>)

