



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, and green. The shapes include circles, ovals, and irregular forms, some with internal patterns like dots or swirls. There are also several plus signs and arrow-like symbols scattered throughout the composition, adding to its dynamic and energetic feel.

Northern Ireland Audit Office

coverage of the

Department for Communities

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

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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 Communities (DfC)**.

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



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Department for Communities background

The Department for Communities (DfC) was established in May 2016¹, bringing together the roles and responsibilities of the former Department for Social Development (DSD) and a number of functions from the Department of the Environment, the Department of Culture, Arts and Leisure, the Office of the First Minister and Deputy First Minister, the Department of Enterprise, Trade and Investment and the Department for Employment and Learning. It is the largest of the nine Northern Ireland departments. Deirdre Hargey MLA has been the Minister for the Department since January 2020.

As outlined in the 2020-21 Budget document², the DfC's vision is to work together for a fair and inclusive society by transforming support for people, communities and places to improve lives, deliver generational change and embed a human rights based approach.

In 2019-20 the DfC contributed 29 unique actions to support the delivery of eight draft Programme for Government (PfG) Outcomes - namely Outcome 3, 4, 5, 6, 8, 9, 10 and 11.

The DfC leads on Outcomes 8 (We care for others and help those in need) and 9 (We are a shared, welcoming and confident society that respects diversity) and has responsibility for reporting on performance against these Outcomes.

The DfC delivers a wide range of services to the public, both directly and through its arm's length bodies, which will impact the lives of most people at some point.

Its main functions include:

- the provision of decent, affordable, sustainable homes and housing support services;
- the delivery of a social welfare system and pension service, promoting work, wellbeing and fairness, providing important support to those most in need;
- supporting people to find work, and the provision of a tailored recruitment service for employers across the region;
- bringing communities together and delivering programmes that target social need through social, economic and physical regeneration of cities, towns and villages;
- supporting district councils to deliver strong and effective local government;
- supporting creative industries, oversight and delivery for the arts, cultural and language sectors;
- enabling, encouraging and promoting social inclusion, diversity and participation in society;
- the delivery of a Child Maintenance Service, geared to secure more money for more children;
- supporting the work of the Voluntary and Community sector;
- realising the value of Northern Ireland's built heritage;
- the administration of sport in Northern Ireland, promoting a culture of lifelong enjoyment and success in sport; and
- supporting museums and libraries and maintaining public records.

The DfC is led by a Permanent Secretary and structured into four Groups:

- **Strategic Policy and Professional Services Group:** delivers high quality corporate and professional services to the Department for Communities. It plays an important role in creating a well-led, high performing and outcome-focused Department, unified by the Department's Common Purpose of supporting people, building communities and shaping places.

1 The Department for Communities (DfC) 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.

- **Housing, Urban Regeneration and Local Government Group:** delivers decent, affordable, sustainable homes and housing support to tackle area-based deprivation and to create urban centres which help bring divided communities together.
- **Engaged Communities Group:** delivers good policy and services to the voluntary and community sectors, across the culture, arts and leisure functions and in relation to stewardship of the historic environment.
- **Work & Health and Supporting People Group:** focuses on helping people improve their lives by helping them into work, providing support to those who are unable to work and positively working with those people who won't work. The Supporting People Group also manages the Child Maintenance Service and aspects of welfare delivered through Pensions, Disability & Benefit Security, Fraud and Error Reduction.

Department for Communities funding

The DfC was allocated over £1 billion - 7 per cent of the Executive's overall Resource and Capital Departmental Expenditure Limit (DEL) budget - for 2020-21. **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. The DfC also administers expenditure of over £6.4 billion of Annually Managed Expenditure (AME) on the benefits programme.

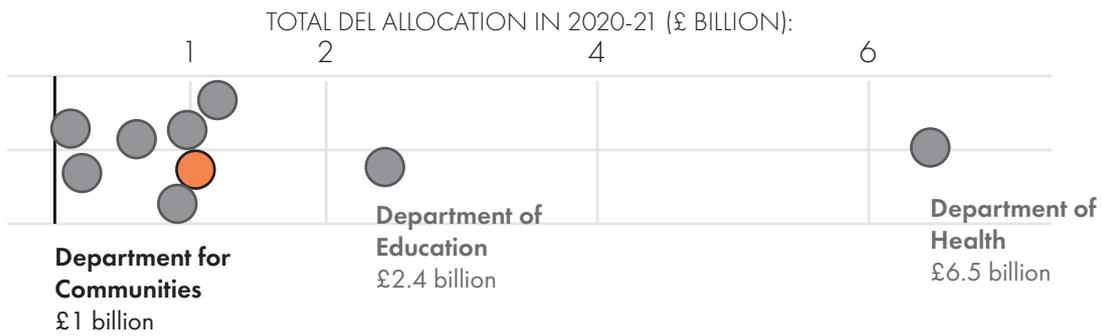
Budget allocations are based on the 2020-21 Budget published by the Department of Finance in May 2020. This set out the Executive's initial spending plans for the one year period from April 2020 to March 2021. Final allocations may differ as a result of changes to funding and the in-year monitoring process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

Additional in year requirements for COVID-19 within 2020-21 included:

- over £270 million of additional Resource DEL to support a range of interventions to provide support to those most impacted by the pandemic; and
- an increase in AME of £0.7 billion, largely due to the economic impacts of COVID-19 and increases in demand for unemployment benefits.

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

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



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



Welfare and Employment and Housing and Regeneration are the two largest expenditure areas in the Department

SPENDING AREA	RESOURCE DEL	CAPITAL DEL	TOTAL
Welfare and Employment	362	12	374
Housing and Regeneration	147	171	318
Housing Benefit (Rates element)	127	0	127
Culture, Arts and Sport	82	25	107
Local Government	58	0	58
Voluntary and Community Funding	41	7	48
North South Language Body	6	<1	6
TOTAL	823	215	1,038

Source: NIAO and Budget 2020-21; Department of Finance, 05 May 2020

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

The Department is supported in delivering its functions by the following arm's length bodies (ALBs), each of which is accountable to the Department:

Non-Departmental Public Bodies

- Armagh Observatory and Planetarium
- Arts Council of Northern Ireland
- Commissioner for Older People for Northern Ireland
- Charity Commission for Northern Ireland
- Local Government Staff Commission
- National Museums Northern Ireland
- Libraries Northern Ireland
- Northern Ireland Museums Council
- Northern Ireland Local Government Officers' Superannuation Committee
- Northern Ireland Commissioner for Children and Young People
- Northern Ireland Housing Executive
- Sport NI
- Ulster Supported Employment Limited
- Northern Ireland Events Company

North-South Body

- North-South Language Body – Foras na Gaeilge and Ulster Scots Agency

Advisory Non-Departmental Public Bodies

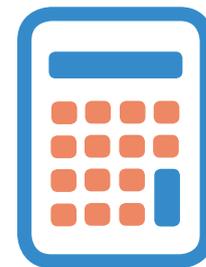
- Charities Advisory Committee
- Historic Buildings Council
- Historic Monuments Council
- Ministerial Advisory Group on Architecture and Built Environment
- Independent Statutory Officeholder – the Discretionary Support Commissioner

In addition, the NIAO audits the following accounts:

- Child Maintenance Service Client Funds Account
- Vaughan's Charitable Trust
- Charitable Donations and Bequests
- Northern Ireland Central Investment Fund for Charities
- Social Fund Account

Financial Audit

The Comptroller and Auditor General (C&AG) for Northern Ireland is the external auditor for the Department. Each year the NIAO conducts a programme of audits on the financial statements of the DfC and its ALBs. 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'.



The C&AG reports the results of his financial audit work to the Northern Ireland Assembly. From time to time, he may also produce stand-alone reports that are published as Assembly documents.

Since 2016, the C&AG has issued a number of qualified audit opinions on accounts falling within the boundary of the Department for Communities. For example, qualification of smaller accounts include Sport NI and the Armagh Observatory and Planetarium.

Larger accounts, such as the Department's Resource Account, the NI Housing Executive Accounts (one of its NDPBs) and the Child Maintenance Service Client Funds Account, have been qualified every year since the Department was established. These are of particular note as the C&AG also publishes a report accompanying these accounts, setting out why he decided to qualify his audit opinion. A summary of the qualification reasons is outlined below:

Department for Communities Resource Account/Northern Ireland Housing Executive Account

Qualifications have continued on both of these accounts as the level of estimated fraud and error within social security benefit expenditure (excluding State Pension) continues to be material. For the NI Housing Executive Account, the qualification is in respect of housing benefits' expenditure. The risk of fraud and error is inherent in the payment of benefits and is difficult to eliminate. In Great Britain, the Department for Work and Pensions has also had its audit opinion on the accounts qualified for many years for the same reason.

Child Maintenance Service Client Funds Account

The C&AG has not been able to give an opinion on the truth and fairness of the outstanding arrears for Child Maintenance Service, as the Department has not been able to provide details of legacy arrears on a case-by-case basis. These arrears are a substantial proportion of the overall arrears.

There is a lack of assurance on the accuracy of the receipts from Non-Resident Parents and payments to Persons with Care for cases managed under the legacy schemes. This, combined with the estimated error identified for cases managed under the new scheme, has led to C&AG qualifying his regularity audit opinion on this matter.

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; improve quality of service; strengthen and enhance 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 Communities the relevant work is:

- **The Management and Delivery of the Personal Independence Payment (PIP) Contract in NI.**

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

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

Previous Public Reporting coverage in Department for Communities

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

Governance issues in Sport NI

This 2020 report reflects on the fundamental failings in the governance of Sport NI over a sustained period, with particular focus on the investigation of the Chief Executive Officer.

The key findings of the report include:

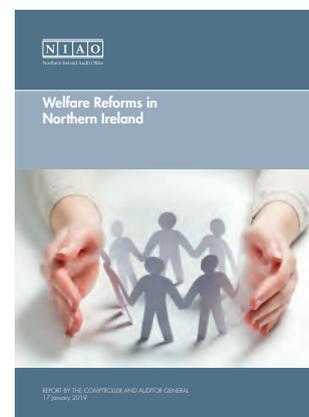
- Fundamental failings in the governance of Sport NI are estimated to have cost the public purse almost £1.5 million and resulted in Sport NI being diverted from focusing on the furtherance of sport and physical recreation.
- Sport NI concluded the settlement of the case with the Chief Executive Officer at £25,000 plus legal costs to the date of settlement.
- Sport NI was not able to return its preparation of financial statements to the expected standards and timetable after the return of the Chief Executive Officer. For any organisation where financial statements remain in backlog, this is a clear governance issue.
- The NIAO budgeted a cost of £214,000 to audit both the Sport NI Exchequer and Lottery accounts for the four years 2014-15, 2015-16, 2016-17 and 2017-18.
- The actual cost of auditing the financial statements presented to the NIAO will be £400,000 and would have been more, had the audits not been closed.
- Consequently resources which would have been available to the NIAO for audit work across the public sector have been diverted to Sport NI.
- In NIAO's view, most of the additional £186,000 costs incurred were avoidable.



Welfare Reforms in Northern Ireland

This 2019 report focuses on some of the key welfare reforms, and local mitigation measures, and assesses their impact in Northern Ireland. The main findings of the report include:

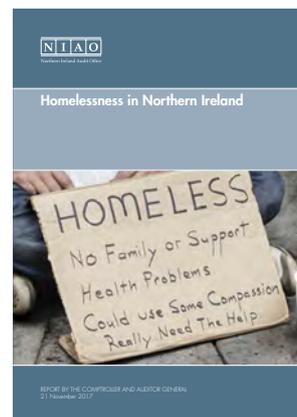
- More than £1 billion of the annual social security expenditure of £7.3 billion was paid out in Disability Living Allowance (DLA) in 2015-16.
- The estimated cost of implementing welfare reforms over 10 years is more than £0.5 billion with a further £0.5 billion set aside to mitigate the impact of welfare reforms.
- The Department put systems for mitigation measures in place to tight deadlines.
- The anticipated benefit savings from the introduction of Personal Independence Payment (PIP) and Universal Credit (UC) in Northern Ireland over nine years are £3 billion.
- The introduction of mitigation measures has provided financial relief but further complicated an already complex benefits system, for which good quality advisory services are crucial.



Homelessness in Northern Ireland

This 2017 report considers the scale and nature of homelessness and the arrangements to deal with it in Northern Ireland. Key findings include:

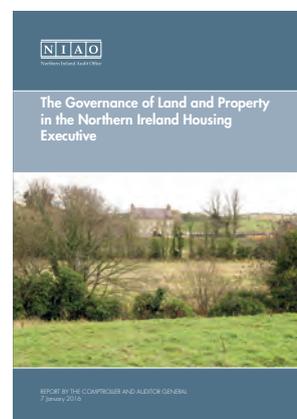
- The number of households designated as statutory homeless increased by 32 per cent between 2012 and 2017 and the rate per thousand households is disproportionately higher in Northern Ireland, compared to other regions of the UK.
- The Northern Ireland Housing Executive's (NIHE's) Homelessness Strategy for 2012-2017 had no outcome-based targets.
- Nearly 12,000 households were accepted as homeless in 2016-17 and six people sleep rough each night in Belfast, per latest available figures.
- The NIHE deals with those who are homeless almost exclusively by providing them with a social rented home. As a result, 80 per cent of social homes are allocated to households designated as statutory homeless.
- In the period 2012-17, homelessness cost the public purse around £300 million.



The Governance of Land and Property in the Northern Ireland Housing Executive (NIHE)

This 2016 report provides a review of work undertaken by NIHE to investigate a number of land deals and the interaction of some senior NIHE officials with private sector developers. Its key findings include:

- The NIHE is responsible for the management and maintenance of around 87,200 homes.
- In 2010 there were alleged irregularities raised by internal complainants in respect of the NIHE's dealings.
- Legal action was initiated costing the NIHE £75,200.
- Between 2007 and 2010 there was a breakdown in the controls surrounding land dealings.
- In 2011, the NIHE Land Disposals Review Project was established to investigate allegations concerning land acquisition and disposal.
- Since the governance review in 2010, the Department has made arrangements in response to NIHE internal control failings.



In addition to these more recent reports, the following reports relating to areas overseen by the DfC were published between 2011 and 2014:

2015 Northern Ireland Events Company

2014 Modernising benefit delivery in the Social Security Agency's local office network Improving Social Housing Standards through Stock Transfer

2013 Sport NI's project management and oversight of the St Colman's project Tackling Social Housing Tenancy Fraud in Northern Ireland

2012 NIHE Management of Response Maintenance Contracts

2011 Uptake of Benefits by Pensioners

Compensation Recovery Unit – Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators

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

The NIAO has also 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)**

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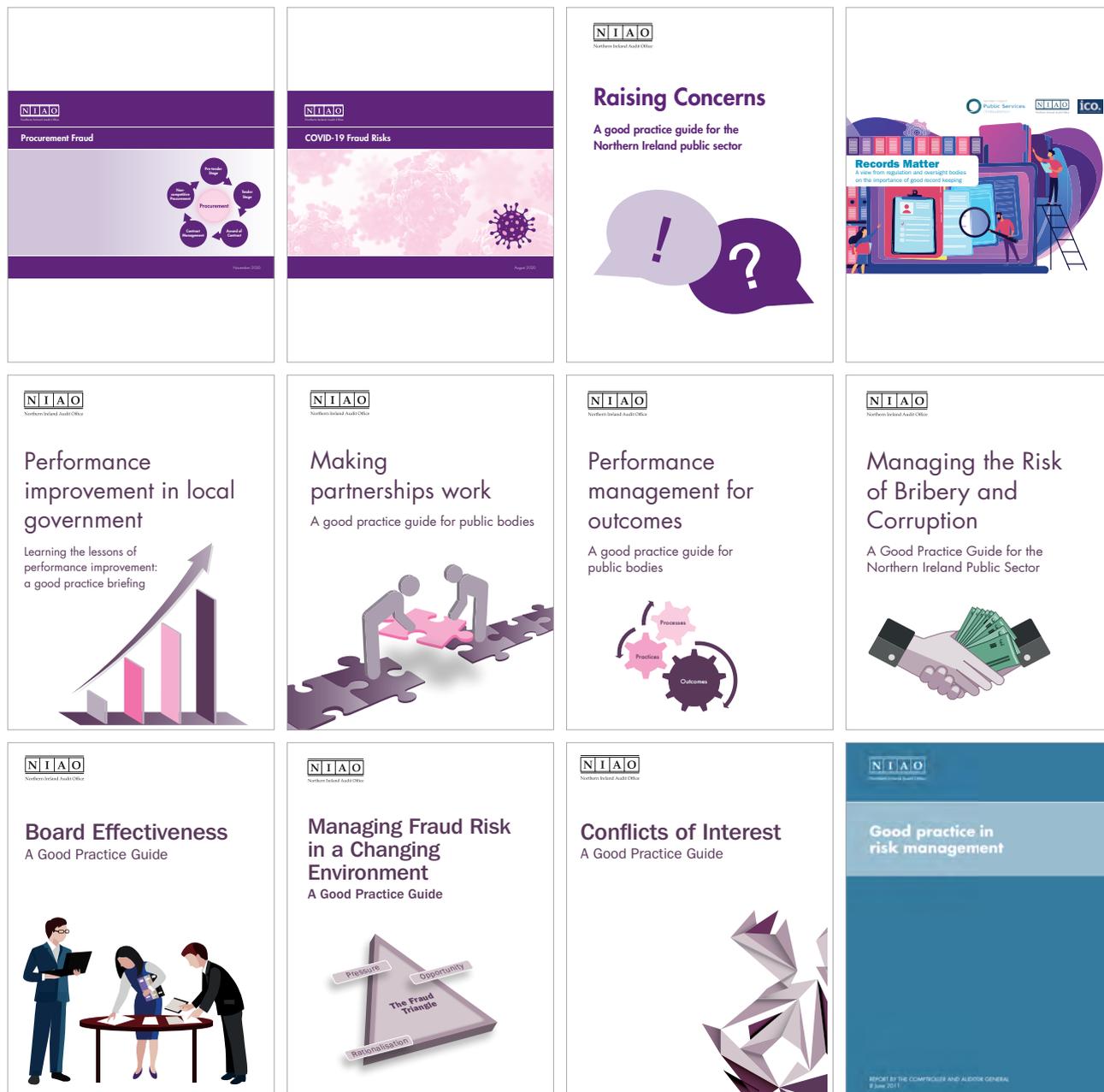
Good Practice guides

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 website³.

Good practice guides planned for the future include:

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



³ *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

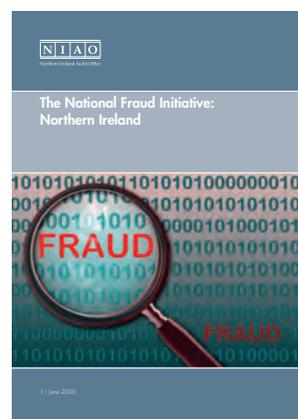
Managing Public Money Northern Ireland requires all NICS departments to report immediately to the C&AG (and to the Department of Finance) all proven, suspected and attempted frauds affecting them or the ALBs sponsored by them⁴. The NIAO monitors these returns and liaises with the audited bodies to ensure 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](#).



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

