



EXPLANATORY NOTES

Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2022

Chapter 8

FINANCIAL REPORTING (DEPARTMENTS AND PUBLIC BODIES) ACT (NORTHERN IRELAND) 2022

EXPLANATORY NOTES

INTRODUCTION

1. These Explanatory Notes relate to the Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2022 which received Royal Assent on 30 March 2022. They have been prepared by the Department of Finance in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by the Assembly.
2. The notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section or Schedule does not seem to require an explanation or comment, none is given.

BACKGROUND AND POLICY OBJECTIVES

3. There are a number of different systems which have an impact on the control and presentation of government expenditure. These include budgetary controls and supply estimates presented to the Assembly for approval and resource accounts prepared by departments at the end of each financial year.
4. These different systems mean that there is significant misalignment between the different bases on which financial information is presented to the Assembly and the public. This makes it difficult to understand the links and inter-relationships between them.
5. In December 2016 the Executive agreed to the Review of Financial Process to simplify financial reporting to better align budgets, estimates and resource accounts.
6. This Act deals with one aspect of that alignment and amends the Government Resources and Accounts Act (Northern Ireland) 2001 to allow the Department of Finance to issue directions on the way departments prepare Supply Estimates. The

Act allows the Department of Finance to require departmental estimates and accounts to include the spending of designated Non-Departmental Public Bodies and other central government bodies for which a department has responsibility, thereby aligning with the budgetary treatment.

7. The Act also provides for consultation with HM Treasury prior to the designation of bodies. This consultation is to prevent the designation of a body as related to a Northern Ireland Executive department where the body is funded from a Consolidated Fund other than the Consolidated Fund of Northern Ireland.
8. The Act provides that where an estimate is prepared by other non-departmental bodies or persons, e.g. Northern Ireland Public Services Ombudsman, that the same conditions apply to that body or person as apply to departments. That is, the Department of Finance may direct how such a body or person prepares estimates and may direct that estimates and accounts prepared by that body or person include the spending of any bodies designated by the Department. This does not apply to the Northern Ireland Audit Office.

OVERVIEW

9. The Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2022 amends the Government Resources and Accounts Act (Northern Ireland) 2001 in order to allow the Department of Finance to issue directions about the preparation of Supply Estimates and to direct that such Estimates are to include information relating to “designated bodies”.

COMMENTARY ON SECTIONS

Section 1: Estimates: Inclusion of resources used by designated bodies

Sub-section (1) provides that the section amends the Government Resources and Accounts Act (Northern Ireland) 2001 (“the GRAA(NI) 2001”).

Sub-section (2) inserts new sections 8A and 8B into the GRAA(NI) 2001 after section 8. The provisions are as follows:

New section 8A(1) gives the Department of Finance powers to give directions regarding how a government department must prepare a Supply Estimate for approval by the Assembly in respect of a financial year.

New section 8A(2) gives the Department of Finance powers to direct that the departmental Supply Estimate include information relating to resources expected to be used by any body that is a designated body in relation to that department.

New section 8A(3) provides that a body is a designated body in relation to a government department either if it is designated by an order made by the Department of Finance or it falls within a description of a body designated in relation to the department by a Department of Finance order.

New section 8A(4) provides for a body to be designated either for a particular financial year or generally.

New section 8A(5) refers to consultation with the Treasury, where necessary, before designating a body or description of a body. This consultation reflects current practice when a designation order is being made by the Treasury. The intention is to designate a body that is wholly funded from the Consolidated Fund of Northern Ireland and the consultation referred to will occur if, exceptionally, the potential exists for a body to receive payment directly from another Consolidated Fund.

New section 8A(6) provides that in determining for any purpose whether a body has a particular relationship with a government department, the fact that a departmental Supply Estimate includes information relating to that body, or departmental resource accounts include information relating to the body, is to be disregarded. This provision is intended to make it clear that designating a body does not of itself alter the existing relationship between that body and the government department.

New section 8A(7) provides that an order under subsection (3) will be subject to the negative resolution procedure.

New section 8B(1) provides that section 8A also applies to any other body or person (subject to subsection (2)) for which an estimate is prepared for approval by the Assembly, with appropriate modifications, in the same way as it applies to a Northern Ireland department.

New section 8B(2) notes that subsection (1) does not apply to the Northern Ireland Audit Office.

Subsection (3) amends section 9(1) of the GRAA(NI) 2001. Section 9(1), as amended, will require a government department to include the resources used or acquired, held or disposed of by any designated body when preparing resource accounts.

These Notes refer to the Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2022 (c. 8) which received Royal Assent on 30 March 2022

Subsection (4) amends section 10(1) of the GRAA(NI) 2001. That section requires the Comptroller and Auditor General to examine resource accounts received from a department with a view to satisfaction on certain matters. Section 10(1), as amended, will require the Comptroller and Auditor General to examine resource accounts received from a department with a view to being satisfied that, amongst other things, the financial transactions of the department and the financial transactions of any body designated under section 8A are in accordance with any relevant authority.

Subsection (5) amends section 2(2) of the Public Services Ombudsman Act (Northern Ireland) 2016. Section 2 of the Public Services Ombudsman Act (Northern Ireland) 2016 states that the Ombudsman is not subject to the direction or control of a Minister, the Secretary of State, a Northern Ireland department, the Assembly, or the Assembly Commission. Section 2(2)(d), inserted by section 1(5) of the Act, will note that this is subject to the power of the Department to issue directions in relation to estimates for the Ombudsman.

Section 2: Definition of “the Department”

This section updates the definition of “the Department” in the GRAA(NI) 2001 to read “the Department of Finance”.

Section 3: Commencement

This section states that the provisions of the Act come into force on the day after it receives Royal Assent.

Section 4: Short Title

This section sets out the short title of the Financial Reporting (Departments and Public Bodies) Act (Northern Ireland) 2022.

HANSARD REPORTS

10. The following table sets out the dates of the Hansard reports for each stage of the Act's passage through the Northern Ireland Assembly and the date Royal Assent was received.

STAGE	DATE
First Stage	1 June 2021
Second Stage	14 June 2021
Committee Stage Report	17 November 2021
Consideration Stage	7 December 2021
Further Consideration Stage	17 January 2022
Final Stage	25 January 2022
Royal Assent	30 March 2022

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