



Northern Ireland  
Assembly

Audit Committee

# OFFICIAL REPORT (Hansard)

Budget 2020-21:  
Northern Ireland Audit Office

4 March 2020

# NORTHERN IRELAND ASSEMBLY

## Audit Committee

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**Members present for all or part of the proceedings:**

Mr Daniel McCrossan (Chairperson)  
Mr Andrew Muir (Deputy Chairperson)  
Ms Joanne Bunting  
Mr Alan Chambers  
Ms Emma Sheerin

**Witnesses:**

Mr Rodney Allen Northern Ireland Audit Office  
Ms Pamela McCreedy Northern Ireland Audit Office

**The Chairperson (Mr McCrossan):** I welcome the Audit Office officials, Pamela and Rodney. I apologise for the delay. We had quite a bit of information to get through. You outlined your presentation the last time you were here, so, if you are in agreement, we could go straight to questions, unless you have anything to add.

**Ms Pamela McCreedy (Northern Ireland Audit Office):** No. It is good to be here. I am conscious that we did the first-day brief, as you mentioned, a few weeks ago. It is good to meet members, because we have not had the opportunity to meet to date. We are more than happy to proceed. If anyone wants to chat to us outside the meeting more generally about the issues that we covered in the first-day brief, we will be happy to do that.

**Mr Muir:** The report mentions the EU verification work and the revenue generated from it. What is your view of the likely situation in that regard?

**Ms McCreedy:** As an office, our core purpose is not centred on income generation. However, as we were part of the EU until very recently and in receipt of a number of European funds, the National Audit Office had secured that contract. It had bid for and been part of that process. The European agricultural fund (EAF) ceases in 2021-22, so the funding that we currently receive from the National Audit Office to undertake that work will cease. This year is a period of transition, gradually moving down to what we anticipate will be a zero position. It is not completely clear. We are still in various transitional arrangements. We have a reduction of funding going into the 2020-21 year, and, ultimately, the level of funding that we have received over the past number of years, circa half a million pounds, will end. There are ongoing conversations on what replaces that, whether that needs audited and whether it needs audited to that level. That is still an aspect of uncertainty.

**Mr Muir:** Finally, maybe, the Assembly will move to multi-year Budgets, so, hopefully, next year will be the last of this carry-on of year-by-year budgeting. How will that affect your operation? How will you try to still ensure scrutiny if we move to a multi-year Budget?

**Ms McCreedy:** I will take the first line on that. Rodney, as director of corporate services, will probably feel that more than me. We advocate multi-year budgets on behalf of Departments, not just the Audit Office. The biggest challenge with single-year budgeting is the lack of certainty about what it means for the next year, the following year and the year after that. We established a strategic framework at the beginning of 2018, and, going into next year, we will engage our Assembly colleagues on what that looks like. We set out our vision for that — the things that we wanted to do. To some extent, trying to do that with a single-year budget is very challenging. We have seen that even throughout our budget process from this year looking to next year. If I were to recruit an extra six or eight auditors now, I might have a one-month effect from that in March but the full-year effect of that next year. Being able to have a conversation over more than one year gives me certainty on the funding and on the decisions that I take. It makes for more straightforward planning. Do you have anything to add to that, Rodney?

**Mr Rodney Allen (Northern Ireland Audit Office):** A little. My simple answer is yes, please. If there is a three-year budget, we will take it. We would like to come to the Committee and present on that basis, using the vision and the strategic forecast that we have. It is all about certainty, so it would be very desirable if we were to get a multi-year budget, and it would certainly help us with our workforce planning.

**Ms McCreedy:** It is important to note that, over the last couple of years, not having you here to have the conversation with, the line into us regarding the main Budget was mainly through the Northern Ireland Office (NIO). At the time, we wrote to the Secretary of State, but there had not really been any consultation. Hence, our budget was held. It is important to state that colleagues in the Department of Finance (DOF) were very supportive to us through that time and saw it through, but having you here is certainly the better option for us, and we welcome that.

**The Chairperson (Mr McCrossan):** In reference to the evidence provided at the last meeting about the Audit Office accommodation project, what is your confirmed capital budget for 2020-21, and what is the breakdown of that figure?

**Ms McCreedy:** I will pass this one to Rodney. He is the senior responsible officer (SRO) on the project, so we will see what he has to say.

**Mr Allen:** Chair, the budget is relatively small. For 2020-21, we have a gross capital budget of £330,000. Within that, we have a standing £40,000. That has been our traditional, year-on-year capital provision. To be frank, we generally do not even spend to that level. So, really, the budget for the accommodation project is £290,000 for 2020-21.

**The Chairperson (Mr McCrossan):** What is the estimated cost of the project?

**Mr Allen:** The current estimated cost, Chairman, is just over £4 million. We started to incur the expenditure two years ago, which is when we entered the initial stages of the project. The expenditure runs over nearly a full six-year term. For most of that expenditure, we are not at the procurement stage yet, so it is all very much estimated and very much based on the design stage that we are going through. Hopefully, those estimates will become a lot firmer by the end of that stage.

**The Chairperson (Mr McCrossan):** What was the original cost? Was it always £4 million?

**Mr Allen:** It has not changed. That is the estimate for our business case.

**Ms McCreedy:** I will build on that a little. There is a slight caveat from the original business case. We are at the very early design stage. The designers have been with us since the start of the year. We do not profess to be experts on this. We rely heavily on our colleagues in Central Procurement Directorate (CPD) on the procurement side and, indeed, on the Strategic Investment Board (SIB), as we mentioned. The costs that we had anticipated for the design stage varied when we went out to tender, but CPD has been very supportive in assuring us on that. Rodney is right: once we get to June and the outworking of the design stage, that will give us the specification with which we will, potentially, go to the market for construction. We will then have a better estimate of what that looks like. The working estimate coming through to us from CPD has not changed.

**The Chairperson (Mr McCrossan):** Will you commit to keeping us up to date on that?

**Ms McCreedy:** We certainly will.

**The Chairperson (Mr McCrossan):** These projects tend to go over the estimates, which tend to be quite reserved. I hope that this comes in at close to £4 million because it is a substantial spend for such a project.

**Ms McCreedy:** It is funny; I was just about to say, Chair, that you will appreciate that we will support your colleagues on the Public Accounts Committee (PAC) tomorrow on the cost and deliverability of major capital projects. We have our eyes on keeping close to that estimate. We are extremely conscious of using taxpayers' money for anything. Tomorrow, our colleagues will speak about £100 million projects and others of that size. I appreciate that this project is not of that scale, but we fully appreciate the importance of bringing it in on time and on budget.

**Ms Bunting:** Folks, I apologise that I missed your first-day briefing.

**Ms McCreedy:** Hello. We are pleased to meet you.

**Ms Bunting:** I am sorry. I refer you to your written response to the Committee and the second questionnaire, which is about the anticipated Northern Ireland Audit Office (NIAO) outputs. You refer to having to resource the PAC and state that that will impact on your public reporting element. You mention that additional resource may be required. What figure do you envisage? You said in answer to Andrew's question that some resources may be freed up after the review. What is the plan?

**Ms McCreedy:** I will start, and Rodney can think while I am talking. When I started in September 2017, there was no Assembly. It was a new experience for me, but I was aware that we had stood down the support team that we had. It was a bit like Lesley and her team seconding or finding alternative work for people. We have a small support team that liaises specifically with the Assembly. Moreover, the team is up here every week. There is direct support to PAC on particular studies. There might be an evidence session only once a month, but we are up every week, whether that is for briefing material or post-reports and everything that goes with that. There is quite a bit of support around that. Since I started, the senior management team has gone from 14 to five directors. There was a retirement towards the end of the year, and we took the opportunity to go back to six because I thought that, with the Assembly back, I was going to need that number. It is to do with the director/audit manager/team support to PAC members. That is what we are there for, and we are delighted to have the opportunity to do that.

We put in an estimate to cover the Assembly support team. I see Kyle hiding in the background. Kyle Bingham is that person. The additional time is 10% or 20% for a range of staff. A director — Tomas Wilkinson — will be up tomorrow on that particular project, but it could be Rodney the next month and another director the next month and so forth. It is the recognition that our support of the Assembly requires people, time and effort.

Rodney, you can come back on that, but, before I forget what I was talking about, I will link it to the EAF. There is an opportunity in that, and I think that you are seeing that. We have a number of people conducting that audit, which is significant. The £500,000 of audit fees represents quite a bit of work. An element of it is contracted out, but we do the substantial part. On one hand, I might say, "Yay, I'm on a constant recruitment drive, so I will have available resource". The downside is that, although I have the people to whom I have a contractual commitment, I do not have the income that currently pays them. That links the risk to the capacity and availability of people and resource.

**Mr Allen:** We costed the Assembly coming back at half a million pounds, Joanne. We looked back at our time-recording statistics from four or five years ago and analysed how much time we would need to put in to support the Assembly directly. We costed that at half a million pounds. We saved that money over four or five years as part of our voluntary exit scheme, when we ran our numbers down. The problem is that we now need to respond to provide that support, particularly to the PAC. That is creating a bit of a pressure, because we have moved people from the production line to PAC support. We now need to backfill the production line.

**Ms Bunting:** That is what I was trying to reach. I understand that the PAC will be your priority, so people will have moved from the public reporting element to supporting the PAC. If you are to continue with the public reporting element, you will need additional resources. My question was more about what you need and how that ties in with the resource that may be freed up. I am not sure that I have

hit on that answer yet. When you complete the review of the resources that will be freed up as a result of not having to scrutinise a number of EU things, will that money, essentially, fill the gap?

**Ms McCreedy:** The timing is not perfect. That is the challenge, as always. We have at least another 12 to 18 months of auditing the EAF. We are fortunate that we have a back catalogue of studies that PAC is considering as well as additional work coming through. As you can see, we continued to produce public reports — it is not that we have not been producing them — through to 2019-2020 and 2020-21. Our budget recognises that we will require additional staff to deliver on our work, regardless. We recognise that a small proportion of that £500,000 is required to support us to do the Assembly work, and we need to look at that before we can step away from the EAF funding, which will be in 18-plus months' time.

**The Chairperson (Mr McCrossan):** I will hit you with the coronavirus question.

**Ms McCreedy:** I head you ask it earlier and thought, "I am sure that that is coming to us as well".

**The Chairperson (Mr McCrossan):** What contingency plans do you have in place to minimise disruption? Is there a required budget allocation or provision for it?

**Ms McCreedy:** Our actions are probably not dissimilar to those Lesley Hogg mentioned earlier. In early February, on the back of the instruction from Dr McBride, the chief medical officer (CMO), we communicated to staff the action to be taken by public bodies. Last Friday, further correspondence went out on the back of the Public Health Agency's communication on preventing spread, which included all of the things that we have been chatting about.

We have sanitisers on each floor of the office. Also, as part of our well-being programme a couple of months ago, although coronavirus could not have been foreseen, lots of little hand-sanitiser pens — I have one in my handbag — were floating about. Key elements of our business continuity plans are relevant, and we would action those. Unlike the Civil Service, we have a homeworking policy, and activating that would be fairly straightforward. We have met already — Rodney has chaired a group — to anticipate what action to take should one person phone in to say, "I am unwell; I want to self-isolate". Those are the steps that we have taken. We have mobilised internally to consider what actions we would take. Similarly, it is a day-by-day brief as to how the situation might escalate and what that would mean for us.

**Mr Allen:** We have another meeting planned for Friday. It is one of those blue-sky, what-if scenario planning meetings that will look at the extent to which our crisis management might have to kick in.

**The Chairperson (Mr McCrossan):** Someone said to me yesterday, "It is not if, it is when". I think that the spread will continue.

**Ms McCreedy:** There is engagement through the unions. The Northern Ireland Public Service Alliance (NIPSA) has had that level of engagement as well. We want to consider from the equal perspectives of how we support staff and how we continue business.

**Mr Allen:** We have a very important role — the comptroller function. Kieran Donnelly, as the Comptroller and Auditor General, authorises the expenditure that is released into the public purse, more or less daily. We work very closely with the Department of Finance in that space. We have arrangements in place with the Department so that, if the worst case scenario happens and none of us are at our desk, that function can still be fulfilled.

**The Chairperson (Mr McCrossan):** The Comptroller and Auditor General function?

**Ms McCreedy:** Yes. A letter goes to the Speaker, "It's me", effectively. The two of us will not be close geographically for a little while.

**Mr Allen:** We could do it remotely, electronically.

**The Chairperson (Mr McCrossan):** That is reassuring. Thanks very much. I apologise again that we were late getting to you. Thank you very much for your answers and for seeing us today. We appreciate it very much.

**Ms McCreedy:** Thank you very much.

**Mr Allen:** Thank you.