



Northern Ireland
Assembly

Audit Committee

OFFICIAL REPORT (Hansard)

Governance and Accountability Arrangements for
the Northern Ireland Audit Office and the
Northern Ireland Public Services Ombudsman:
Professor Alan Alexander, Audit Scotland

7 July 2021

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Members present for all or part of the proceedings:

Mr William Irwin (Deputy Chairperson)

Mr Jim Allister

Witnesses:

Professor Alan Alexander Audit Scotland

The Deputy Chairperson (Mr Irwin): I welcome, via StarLeaf, Professor Alan Alexander, the chairperson of Audit Scotland. It is good to have you with us. I invite you to make an opening statement.

Professor Alan Alexander (Audit Scotland): Thank you very much, Chair, and good afternoon. Apologies for the delay. The technology was fighting back a bit, but we managed to defeat it. Thanks for inviting me to contribute to the review and to give evidence to the Committee today. You asked me to provide information on how the arrangements work in Scotland and how the Audit Scotland board provides support and challenge.

First, how does public audit in Scotland work? In Scotland, the Auditor General is responsible for the audit of central government, non-departmental public bodies, health bodies and the further education sector. The Auditor General is a Crown appointment, made on the recommendation of the Scottish Parliament. The Accounts Commission for Scotland is responsible for the audit of local government bodies, including Scottish councils and the integration joint boards for health and social care. There are 12 members of the Accounts Commission, and they are appointed by Scottish Ministers.

Audit Scotland provides services to the Auditor General and the Accounts Commission to enable them to discharge their respective statutory responsibilities. My board at Audit Scotland has a statutorily defined composition. It has five members, as set out in the Public Finance and Accountability (Scotland) Act 2000: the Auditor General for Scotland, the chair of the Accounts Commission and three independent members. The Auditor General for Scotland, Stephen Boyle, is also the accountable officer for Audit Scotland. Elma Murray is the chair of the Accounts Commission. She is a former chief executive of North Ayrshire Council and was chair of the Society of Local Authority Chief Executives in Scotland in 2013. She currently chairs Young Scot and is a board member of Scotland's Rural College (SRUC).

There are then the three independent members of the board, who are appointed by the Scottish Parliament's Scottish Commission for Public Audit (SCPA). I am one of the independent members. I have a background in academia as a politics lecturer, after which I switched to become professor of

public-sector management at Strathclyde Business School in the University of Strathclyde. I have been a councillor and the chair of Scottish Water, and I am a former general secretary of the Royal Society of Edinburgh. Colin Crosby, who chairs the audit committee, is a chartered accountant and lawyer who spent most of his career in financial services before taking up roles as either chair or non-executive director in a wide range of public- and private-sector organisations. Jackie Mann, who chairs our remuneration and human resources committee (RemCo), has a background of more than 30 years' experience working in HR in the UK and overseas. She is a former board member of Developing the Young Workforce. She has served on the Children's Panel for Scotland and is a justice of the peace.

There are some key points to note about what my board does or rather about what it does not do. The board does not have a role in setting the scope and focus of the audit work. That work is done by the Auditor General and the Accounts Commission in accordance with the relevant auditing standards and code of audit practice. My board's role is very much about the strategic running of the business. It is not about the focus of audit work, nor is it about the operational management of the business, which is for the management team.

The board and its two main committees are all chaired by the independent members. Significantly, as I said, the Auditor General is Audit Scotland's accountable officer. The board meets seven or eight times a year, the audit committee five times and RemCo four times.

It is also important to note what the parliamentary arrangements are. The Scottish Parliament's SCPA scrutinises and recommends Audit Scotland's budget proposals to the Scottish Parliament. It also scrutinises performance when considering the annual report and accounts and our audit quality reports. It focuses on Audit Scotland, not on the audit work itself. It also commissions an annual appraisal of my performance as chair.

The Scottish Parliament considers the audit reports made by the Auditor General. The Parliament's Public Audit and Post-legislative Scrutiny Committee considers all reports made by the Auditor General. Other parliamentary Committees take evidence on reports that are relevant to their respective remits. To give you a flavour of that, I can tell you that there were 43 parliamentary engagements during the 2020-21 session.

Finally, I will say something about the board's support and challenge role. The board members, as I have tried to indicate, have a breadth of knowledge and experience, and they apply that in providing support and challenge in a wide range of areas covered by the board and its committees. I will give a little more detail in a moment. For us, support and challenge go hand in hand. They are complementary and not mutually exclusive. The board's focus is on strategy and direction. That includes corporate plans, ensuring, crucially, that they reflect the needs of the Auditor General and the Accounts Commission; strategies and plans on themed areas, such as people, digital, financial, diversity and sustainability; Budget development; and the approval of key policies. We also scrutinise performance carefully by having regular — by which I mean at every meeting of the board — reports on corporate performance, financial performance and the progress of our ongoing improvement plan.

The Audit Committee focuses on audit quality, financial management, risk management, internal audit, the annual assurance processes and business continuity, which was extremely important when the pandemic hit. The remuneration and human resources committee focuses on pay and conditions; reward structure; talent management; succession planning; and decisions on management team appointments, pay and early retirement applications.

It is important to stress that, beyond the formal meetings, board members have regular contact with senior officers. That provides them with an opportunity to be kept abreast of developments and key issues, to ask questions and to provide support. The board has a key role in the budget development process and subsequently in sessions with the SCPA on the budget and the annual report and accounts. This year, for example, we had a major uplift in our budget, and we had to justify that at the board and then before the SCPA. We also host the annual SCPA business planning session, which provides an opportunity for engagement with the SCPA beyond the formal evidence sessions.

I hope that that is helpful to you. I am happy to answer questions, either to elaborate on what I have said or to comment, if I can, on other matters. Thank you very much indeed.

The Deputy Chairperson (Mr Irwin): Thank you very much, Professor Alexander, for your opening statement. What are the merits of having a code of practice as opposed to a memorandum of understanding? Is the board's code in statute?

Professor Alexander: The board's code is not in statute, and we do not have a memorandum of understanding. I have been on the board for nearly three years, and I think that I have referred to the code of conduct only once in that time, although let me stress that we review it annually and make any changes that we deem to be necessary. It is always important to have a code of conduct, but, if the organisation is working well, as, I think, we are, it should be a longstop, as it were, rather than something that is on our minds continuously.

The Deputy Chairperson (Mr Irwin): OK. Thank you. Do any other members want to ask a question?

Mr Allister: I have a few questions. Professor, if you could change anything about the Scottish set-up, what would it be?

Professor Alexander: Although it is not one that has been taken up so far, there is a case for having a slightly larger board, with perhaps a couple more independent members. I do not think that that is in any way urgent, however. We do a good job. I am answering your question as directly as I can, Mr Allister. If I were king for a day, that is the change that I would make.

Mr Allister: I will take you back over the various arrangements. You have the Auditor General, the audit commission —

Professor Alexander: The Accounts Commission.

Mr Allister: — and the statutory board. What does the commission do in all of that?

Professor Alexander: What does the Accounts Commission do?

Mr Allister: Yes.

Professor Alexander: It is responsible for the audit of all Scottish local government bodies. It determines the audit programme in any given year.

Mr Allister: It deals only with local government.

Professor Alexander: It deals only with local government and local government-related bodies. Everything else is done by the Auditor General.

Mr Allister: Is it independent of or an adjunct to the Auditor General?

Professor Alexander: It is independent. Both are set up under the same legislation, but the Auditor General is appointed by the Crown on the advice of the Scottish Parliament, whereas the members of the commission and its chair and deputy chair are designated by the Scottish Ministers.

Mr Allister: Does local government have any input into that?

Professor Alexander: Not directly. The degree of consultation that may go on behind the scenes is not known, but the process of recruiting members to the Accounts Commission and of appointing its chair and deputy Chair is the exclusive preserve of the Scottish Ministers.

Mr Allister: Is that a healthier arrangement than one in which a section of the Auditor General's office looks after local government?

Professor Alexander: It works very effectively. The Accounts Commission is held in high regard by Scottish local authorities, which accept that that is a responsible way in which to do their audits. It produces another centre of expertise to underpin the audit process.

Mr Allister: How does it maintain its independence from local government and avoid being too cosy with it?

Professor Alexander: Its independence is rooted, as mentioned a moment ago, in the legislation and the fact that it is appointed not by local government but by the Scottish Ministers. It acts in an entirely

independent way. It maintains close contact with local government, as you would expect. I was a member of the Accounts Commission for six years, and there was no point at which I thought that our independence was compromised in any way.

Mr Allister: Are there individual members of the Audit Commission who are allocated to work with a particular local government in one area, or do they have general oversight, meaning that the officers involved change and are never constant?

Professor Alexander: It is important to see the Accounts Commission as having general oversight of local government. It does the financial audit of accounts, but it is also responsible for auditing best value. With best value audits, when it has follow-up meetings with the councils that have been examined, the commission nominates two of its number to meet the council. A best value report will typically include an improvement plan that is recommended to the council. In that case — I assume that it operates in the same way as when I was on it — a couple of members of the Accounts Commission will do that follow-up.

Mr Allister: Right. Is there a situation in which it is always the same officers for a particular council?

Professor Alexander: No. It would be done entirely ad hoc. You have to —.

Mr Allister: Why is that important?

Professor Alexander: It is important because there is such a thing as institutional capture. The position is analogous to professional auditors, where good practice involves the rotation of the auditors. The same principle applies here.

Mr Allister: Who appointed you to your position as chair?

Professor Alexander: I am appointed by the Scottish Commission for Public Audit, which is a parliamentary body. Ministers have no input into my appointment or into the appointment of other two independent board members.

Mr Allister: Does the Auditor General have any input?

Professor Alexander: The Auditor General has no input either. He is a Crown appointment. That is important to note. There is a sense in which his independence supports mine and vice versa.

Mr Allister: What would you think if, in your circumstances, the Auditor General appointed you?

Professor Alexander: That would change the pattern fundamentally, because the fact that he is independently appointed and I am independently appointed supports the independence of both of us. It also makes it easier for us to have the kind of working relationship that is essential, given that Audit Scotland provides the services that allow the Auditor General to do his job.

Mr Allister: Is there any limit to the time that someone can serve in any of the posts?

Professor Alexander: The Auditor General is appointed for an eight-year, non-renewable term. The independent members of the board are appointed for a three-year term, which is renewable once, and it is from among those three that the Scottish Commission for Public Audit appoints the chair. To round that out for you, I became a member of the board in October 2018, and I became chair of the board in April 2020. Both appointments were made independently by the Scottish Commission for Public Audit.

I should add that I have no input at all into the recruitment of my colleagues. I have two new colleagues, whom, incidentally, I have never met because of the way in which we have been working since last year, but I had no idea who was being considered for appointment to my board and who was being appointed to it until the SCPA made its announcement.

Mr Allister: How many of those appointments are full-time appointments?

Professor Alexander: Only the Auditor General post is a full-time appointment. My appointment is based on the expectation of working three to four days a month. Other board members work two to three days a month. I think that the chair of the Accounts Commission works eight to 10 days a month, while members of the Accounts Commission work three to four days a month. I am subject to correction on that, but it is of that order.

Mr Allister: Are there any limitations placed on what the holder of any of those offices can do after leaving office?

Professor Alexander: I am afraid that *[Inaudible owing to poor sound quality.]*

Mr Allister: Have we lost you?

Professor Alexander: You were asking about limitations. Can you try again?

Mr Allister: Are there any limitations placed on holders of those offices' pursuits after they leave office?

Professor Alexander: I am not hearing anything, I am afraid.

Mr Allister: It looks as though we have lost him, Chair.

The Deputy Chairperson (Mr Irwin): It looks like it.

Mr Allister: We have probably got enough.

The Deputy Chairperson (Mr Irwin): We probably have.

The Senior Assistant Assembly Clerk: Is that him back on now?

The Deputy Chairperson (Mr Irwin): Hello, professor. Can you hear us?

Professor Alexander: *[Inaudible owing to poor sound quality.]*

The Deputy Chairperson (Mr Irwin): It does not look as though he can hear us at all.

I thank Professor Alexander very much for his input. We will move on. I do not think that we will be able to pick him up again.