



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:
Northern Ireland Audit Office

7 July 2021

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr William Irwin (Deputy Chairperson)

Mr Jim Allister

Witnesses:

Mr Rodney Allen

Northern Ireland Audit Office

Mr Kieran Donnelly

Northern Ireland Audit Office

Mr Martin Pitt

Northern Ireland Audit Office

The Deputy Chairperson (Mr Irwin): I welcome in person Kieran Donnelly, the Comptroller and Auditor General (C&AG), and Martin Pitt, the chair of the Northern Ireland Audit Office (NIAO) advisory board. Rodney Allen, the chief operating officer of the Northern Ireland Audit Office, joins us via StarLeaf. You are here to give evidence as part of the Committee's review. I invite Kieran to make an opening statement.

Mr Kieran Donnelly (Northern Ireland Audit Office): Thank you very much, Chair, for the opportunity to address the Committee. First, I welcome the Committee's review of governance. It is a good thing, and there are some historical anomalies that can be addressed. In my office, I was keen to strengthen governance and be in line with good practice. When we embarked on a transformation project a number of years ago, one of its strands was to strengthen governance. Part of that was to strengthen my advisory board, which Martin chairs. At the back of my mind was that, if, in the future, the Assembly was inclined to create a statutory board, the adjustment from an advisory board would not be a big one.

I have followed carefully the evidence sessions that you have had, and one of the Committee's lines of questioning has been very much around the importance of a challenge function to me and my office and whether and to what extent you would get more of a challenge function with a statutory board than you would with an advisory board. Those are perfectly legitimate questions for the Committee to ask, because, with my audit hat on, I ask similar questions of the public bodies that I audit. The only thing that I would say is that, sometimes, you get cosy relationships between boards and executives and senior management. Having a statutory board is not a guarantee that there will not be that cosy relationship. In the past, I have pulled up a few statutory boards where the relationship was not quite right. However, it is absolutely right that the Committee is asking those questions.

If you decide to go down the statutory board route, there are some things that are important to consider. One is conflicts of interest. Why do I raise that? When we embarked on strengthening our advisory board many years ago, I remember chairing a panel and a former member of this Committee

sat with me on it, and we thought that we had a good field. The successful person rang me up and said, "By the way, I've been offered another position as the chair of one of our leading arm's-length bodies." I said, "You can't do both; that's a conflict of interest." Because we audit every other public body in Northern Ireland, we have to be careful that we do not have people sitting on our board who are also on the boards of other public bodies. I had not appreciated just how difficult that was until we first tried to develop our board not many years ago. We have to take extra steps to make sure that we have a good field and are not handicapped by ruling people out. We will rule people out because of conflicts of interest, but we need to cast the net fairly wide so that we have others that come through who do not have conflicts. I just wanted to register that point.

Independence of mind is really important in any type of board. For Martin and others over the years, one of the things that would have been tested rigorously was independence of mind and the capacity to challenge as well as support and get a good balance between the two. That is usually important. That is probably all that I want to say on boards.

There are other historical anomalies around the governance of my office. Some of them are throwbacks to the time that the Audit Office was part of the Civil Service. One of them is the appointment of the auditors who audit us, which rests with the Department of Finance when, by rights, it should really be the responsibility of the Assembly. Another historical anomaly is that, when I was appointed Comptroller and Auditor General, I got a letter of appointment as accounting officer for the Northern Ireland Audit Office. The letter of appointment came from the Department of Finance, and that is an anomaly because we audit that Department. Those matters should be anchored in the Assembly and the legislature rather than on the executive arm of government.

In the submission, we put through an opportunity to regularise the interface between central government and local government audits. My remit is for central government audit, but I have no locus in local government audit. Therefore, there is an argument that we could have a one-stop audit shop that covers central and local government, and that is how the system works in Wales.

The Committee is interested in other issues, and it is probably not for me to comment on the tenure of the Comptroller and Auditor General. I will not comment on that matter. I very much welcome the fact that the Committee is looking into all of those matters. I will pass over to Martin.

The Deputy Chairperson (Mr Irwin): Thank you.

Mr Martin Pitt (Northern Ireland Audit Office): I will briefly cover my experience and the work of the advisory board. The Committee will be able to compare and contrast with what you have heard from others.

I am an accountant by profession. I have worked for over 30 years for PricewaterhouseCoopers (PwC) as an audit partner specialising in public sector audit with a focus on governance and risk management. Since I retired, I have been involved with a number of boards, mostly charities, as well as undertaking the role of chair for the advisory board. I am also an audit committee member in the Republic of Ireland with the Health Service Executive (HSE).

I was appointed after I responded to an advertisement. I work with three other board members. One is a professor of accounting at Queen's University Belfast, another is an auditor who has spent most of his years working in a bank. Finally, there is a lady who, as well as being a former chair of the Labour Relations Agency, has a human resources background in the health service.

For me, the key to the board is not the structure that is put in place. The structure is entirely up to you. However, from my perspective, it is important to get people with the right expertise and experience so that there is a professional respect when working with the Comptroller and Auditor General but also a healthy tension. That is my key takeaway.

The board meets at least four times a year. The board is supported by an audit and risk committee and a remuneration and human resources committee. At the outset, I agreed terms of reference for the scope of our work with Kieran. The Committee has the memorandum of understanding that the work is based on. However, as you know, that needs to be updated. I also took account of the National Audit Office's (NAO) code of practice and the similar documents in Scotland and Wales.

The scope of the work focuses on the processes used in the Audit Office. The areas covered are business transformation, risk management and corporate planning. The work does not cover the areas that fall to the C&AG to make a judgement on. Therefore, the advisory board does not look at what

should be audited. For me, the board is there to challenge and advise Kieran in his role, and that is the major difference. The advisory board has no authority to compel. The advisory board can make recommendations and advise, but it cannot force any action.

I am happy to explore any other issues. However, I will stop there and answer any questions that members may have. Thank you.

The Deputy Chairperson (Mr Irwin): Thank you both very much. Kieran, can you identify any reasons why the Comptroller and Auditor General needs to lead on estimates for employing staff and procuring services? Would that role sit any better with a statutory body?

Mr Donnelly: I would be pretty agnostic on that aspect. In the National Audit Office, those roles likely sit with the statutory body. I do not have a firm view one way or the other on that.

The Deputy Chairperson (Mr Irwin): Do any aspects of National Audit Office board arrangements seem over-elaborate in a Northern Ireland context?

Mr Donnelly: Not so much maybe the National Audit Office. I think the Committee heard evidence from Wales. They have quite an involved arrangement, and members of staff can be elected to its board. That is novel and unusual.

Another thing to take into account is that the number of board members is proportionate and you do not have too many. You would have a sensible balance between non-executives and executives. It would not be right, for example, if a board was dominated by the executive side. The non-executives should be predominant. That is something we call for in our audit work. I did that with my advisory board, with Rodney Allen, my chief operating officer, and the four non-executives. It is a 4:2 split, with four non-executives and two executives. That is good. You would not want any more internals on the board. That is the right way to work.

In designing new arrangements, it is important that they are proportionate and not over-elaborate. Sometimes, we see very large boards that may be too big. Those things need to be thought through carefully. It is not for us to say exactly how to formulate it, but what factors would you take into account in any design? One factor would be proportionality. Another would be independence to make sure that whatever arrangements are made, they do not cut across or compromise the independence of the C&AG. Above all, make sure that, whatever the solution, you have the right checks and balances at the top of the organisation. Those are the three things that would influence the solution.

The Deputy Chairperson (Mr Irwin): For me, it is not about the size of the board but having the right people in the right positions. It is important that the right people are appointed.

Mr Donnelly: I could not agree more with that. Yes, you can look at structure and form, but having the right people is even more important. There is then the question of what mechanisms could be used to attract the right people.

The Deputy Chairperson (Mr Irwin): That is important too. Not everyone wants to do that job either, I am sure.

Mr Pitt: The critical point is getting the right people in the role, so there is that healthy tension, as I call it, but also a professional respect in that people understand the role that they are undertaking and can challenge.

The Deputy Chairperson (Mr Irwin): Who makes those appointments? That may be a silly question.

Mr Donnelly: One of the reasons you are looking at this is that the argument is, "Those are C&AG's appointments", but it is caveated. For example, I chaired the panel that made Martin's appointment, yes, but also on the panel was Lesley Hogg, Clerk/Chief Executive of the Assembly, and Robin Swann, the former chair of the Public Accounts Committee (PAC). We made that appointment when the Assembly was down. If the Assembly had been sitting, probably the Chair of this Committee would have been on that panel. That was the arrangement set out in the memorandum between my office and the Committee, which, as Martin says, is outdated and needs to be revised, irrespective of what other structures are put in place.

The Deputy Chairperson (Mr Irwin): It is important in any organisation not to be overly bureaucratic. I have always thought that about any organisations I have been with.

Mr Allister: I have a few question to put. Mr Pitt, you were appointed onto this oversight body by a panel chaired by the man whose office you are overseeing, and then he sets or agrees your terms of reference.

Mr Pitt: Yes.

Mr Allister: How do you think that looks?

Mr Pitt: From my perspective, that is the best arrangement, given the legislation. If I had a free choice, I would prefer that it was undertaken by someone independent of the C&AG, but we are an advisory board, so, at the end of the day, the role is to support Kieran. My preferred model would be that it would be totally independent of him.

Mr Allister: So the role is to support the Comptroller and Auditor General, not to challenge.

Mr Pitt: It is to challenge and support, you have to do both. At the end of the day —.

Mr Allister: I do not ask you to break any confidences, but give me a generic example of where and when the committee that you chair has challenged the Comptroller and Auditor General.

Mr Pitt: OK. Take the corporate planning process. That is an example where the process, historically, had been that the office would prepare the corporate plan, and it would come to the board, effectively, for approval but, to all intents and purposes, it was complete. We felt that that was not appropriate, and we said to Kieran that we would like to be involved right at the start. We arranged a workshop with the staff who would be involved in that, to give them our ideas and thoughts on how the plan for the office could be set up. Then we were involved all the way through the process to help shape that. At the end of the day, Kieran agreed to that proposal, and we did the workshop. It worked in practice. We changed the way the corporate planning process was done to one that, we believed, would achieve a better outcome.

Mr Allister: That is done by a committee on which the Comptroller and Auditor General sits as an equal member.

Mr Pitt: Yes, he does, but he is in a minority. The majority of the committee make the decisions. However, as I said at the start, at the end of the day, we are only advisory. All we can do is recommend to Kieran how he proceeds. He can legitimately refuse our advice, if that is how it works.

Mr Allister: I have looked from time to time at some of your minutes. Maybe they do not record this, but I cannot recall reading that a majority of the committee decided anything different from what Mr Donnelly was comfortable with. Is that fair?

Mr Pitt: Has there been a fundamental disagreement? No, there has not. We put forward what, we believe, is the way forward, and it is for Kieran to accept or reject. I do not think that the minutes —.

Mr Allister: The "we", Mr Pitt, includes Mr Donnelly.

Mr Pitt: Sorry. We, the board, propose a way forward, but, at the end of the day, the decision rests with Kieran.

Mr Allister: Yes, but the board includes Kieran.

Mr Pitt: It does, absolutely. Yes.

Mr Allister: I do not know whether you heard the evidence just before this session about the Scottish arrangements: did you?

Mr Pitt: No, unfortunately not.

Mr Donnelly: Unfortunately, we were unable to link into that.

Mr Allister: It certainly has front and centre the appearance and actuality of independence, which, I think you all agree, is missing here.

Mr Pitt: Yes.

Mr Allister: Just on your minutes, I have previously raised the fact that there seems to be a time lag in the minutes being made available for public inspection. Has that changed?

Mr Pitt: They follow the process whereby they are approved at the next meeting and then are immediately published, so there is the time lag between meetings. I accept that.

Mr Donnelly: We would be happy to look at that.

Mr Pitt: If people feel that it would be better to do it more quickly, that can be looked at.

Mr Allister: It might be.

I move now to the local government side. I declare an interest, as I am a complainant in respect of the conduct of a certain council that is supposed to be being investigated by the local government audit side of things. Mr Pitt, you indicated that you cover the Comptroller and Auditor General with regard to advice. Who performs that role of challenge to the local government auditor?

Mr Pitt: Our role extends as far as the Audit Office, but our remit stops with the Comptroller and Auditor General.

Mr Allister: Who exercises that challenge role to the local government auditor?

Mr Pitt: I do not know the answer to that question.

Mr Donnelly: Let us get back to first principles. We have quality control arrangements that straddle central and local government. Say, for example, that there is an independent review of a sample of audits. I think that the local government audits, as well as central government audits, are included in that sample.

Mr Pitt: Yes.

Mr Donnelly: In that sense, there is a control mechanism.

Mr Allister: Does it fall within the ambit of the board? Is there a board that oversees the local government auditor?

Mr Donnelly: No, it would not be explicit, Mr Allister.

Mr Allister: Is it even implicit? Mr Pitt has just told me that they take nothing to do with that. Who does it? No one?

Mr Donnelly: It would be better if there was a one-stop auditor for the entire system, as we proposed. If there were, you would have clarity on roles and responsibilities.

Mr Allister: Yes, but for clarity, Mr Donnelly, is it the present situation that no one performs an oversight function — a challenge function — to the local government auditor?

Mr Donnelly: The corporate side of the Northern Ireland Audit Office will oversee the quality of all the audits — local and central government.

Mr Allister: Yes, you tell us that it will oversee the quality, but no parallel function to that which is performed in respect of you is performed in respect of the local government auditor. Is that right?

Mr Donnelly: Technically, yes. In practical terms —.

Mr Pitt: The answer to your question is that there is no equivalency for the local government auditor. That said, the board will look at the Audit Office in totality, which includes the processes that cover local government. We look at the audit quality processes across the office.

Mr Allister: If, for example, I or someone else had cause to complain about the action or inaction of the local government auditor, would there be any point in such a complainant addressing anything to the board?

Mr Pitt: I think the answer is, yes, because the board will look at the complaints process. The board's remit covers whether the process is not working or whether there are recommendations to be made on how it could be improved. It covers the process. If someone is unhappy with how the process works, we cover that. However, the board does not take a role in dealing with individual complaints. We look at the process, but we do not look at individual complaints.

Mr Allister: But surely the process is informed by how individual complaints are conducted.

Mr Pitt: Yes, absolutely. We take that on board, but we do it insofar as it impacts on the process. We make sure that it is being done correctly within the timescales that are set out and that the office has followed the process properly in its response to complainants. Where that has not been the case, we look at what action the office is taking to remedy that and to improve it.

Mr Allister: It is clear that there is a considerable gap in oversight of the local government auditor.

Mr Donnelly: I would make a distinction between oversight of judgements and the processes that Martin is talking about. I have no locus on the judgement side of things; I have no statutory role there. You are right to that extent.

Mr Allister: Thanks, for now.

The Deputy Chairperson (Mr Irwin): I thank you both for coming along and giving evidence. I am sure that we will be in touch at a later stage.

Mr Donnelly: Thank you very much.

Mr Pitt: Thank you.