



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

29 September 2021

NORTHERN IRELAND ASSEMBLY

Audit Committee

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Members present for all or part of the proceedings:

Mr Daniel McCrossan (Chairperson)
Mr William Irwin (Deputy Chairperson)
Mr Jim Allister
Mr Alan Chambers

Witnesses:

Mr Rodney Allen	Northern Ireland Audit Office
Ms Colette Kane	Northern Ireland Audit Office

The Chairperson (Mr McCrossan): I welcome Ms Colette Kane, local government auditor (LGA) and director of the Northern Ireland Audit Office (NIAO), and Mr Rodney Allen, chief operating officer of the NIAO. Thank you in advance for providing evidence to the Committee. I invite Colette Kane to make her opening statement.

Ms Colette Kane (Northern Ireland Audit Office): Thank you, Chair. I will pass to Rodney first.

Mr Rodney Allen (Northern Ireland Audit Office): If it is OK, Chair, I will offer some preliminary thoughts, and then we will come back to Colette.

The Chairperson (Mr McCrossan): That is fine.

Mr Allen: At the Committee meeting on 7 July, the C&AG and our board's chairperson gave evidence to inform your review of our governance arrangements. They talked to you about various matters that were included in our written submission to the Committee, such as board membership, the external auditor appointment, the C&AG's appointment, the interface between local and central government audits and how the existing advisory board works.

To discuss the local government auditor, we have to go back a wee bit. Prior to 2003, the local government audit function sat within the former Department of the Environment. At that time, the auditor and the associated staff were civil servants. The Audit and Accountability (Northern Ireland) Order 2003 changed that and brought the local government audit function into the Audit Office. Over the subsequent 18 years, the amalgamation of those functions, along with the health service audit function, has meant that the NIAO is now, effectively, a one-stop audit shop for the whole NI public sector. We apply one set of auditing standards and one methodology, regardless of whether our audits are in the local government or central government sector. However, there are some differences. The

key difference that I will flag up is that, when the auditor ultimately forms their opinion on an audit in local government, it does not include a regularity opinion. Those apply only in central government.

Under the current legislation, it is the Minister for Communities who may, with the consent of the C&AG, designate a member of Audit Office staff as the local government auditor. That person, once designated, carries out their audit function in the statutory way, along with their other responsibilities. They exercise their own professional judgement, and they are independent of the Department and the C&AG.

Although we are a one-stop audit shop, we still have two public auditors: the C&AG and the local government auditor. Our submission to the Committee suggests that there should be one public auditor, consistent with the position in Wales. We ask the Committee to consider that. Kieran Donnelly has been the C&AG since 2009. In that time, there have been four postholders in the position of local government auditor. Colette is currently designated as the LGA. I will now hand over to Colette to give you some more specific points on the role of the local government auditor.

Ms Kane: Thank you. The local government auditor has the statutory responsibility to give an independent opinion on local government bodies' financial statements. As well as being a "true and fair" opinion, that must include a review of whether the local government bodies have proper arrangements in place to secure "economy, efficiency and effectiveness" in their use of resources. There are currently 15 local government bodies: the 11 councils; the Northern Ireland Local Government Officers' Superannuation Committee — the pension scheme; the Local Government Staff Commission; Arc21; and the North West Region Waste Management Group.

The local government auditor has audit responsibilities in respect of the performance improvement duties of councils, which were introduced with the Local Government (Northern Ireland) Act 2014. Those are normally carried out annually. In addition to the financial and performance improvement audits, the local government auditor has a number of powers and duties afforded to it under legislation. They include the ability to:

"undertake comparative and other studies ... to make recommendations ... for improving economy, efficiency and effectiveness".

Under those powers, we are undertaking a review of planning functions for the councils and the Department for Infrastructure, and we plan to undertake further studies. Members will be aware that the Minister for Communities has directed an extraordinary audit of the accounts of Causeway Coast and Glens Borough Council, concentrating on land disposals and easements and related asset management policies and procedures. That audit is ongoing.

We carry out our audits in accordance with international auditing standards and the NIAO audit approach, which is used for all our audits, including central and local government. The local government audits are conducted within the same quality assurance mechanism as all the audits in our office.

As Rodney mentioned, the one-stop shop for public audit across Northern Ireland benefits us greatly, as we are able to see the complete picture of funding flows from central to local government and to consider similar issues within public-sector bodies. Where issues arise in local government, we are able to discuss those with others in the office, as well as more widely with colleagues in other audit agencies. I am also a member of the Chartered Institute of Public Finance and Accounting / Local Authority (Scotland) Accounts Advisory Committee board, which is made up of local government finance officers from across the UK and representatives of the four audit agencies. The board's role is to oversee the development of local government accounting guidance. Thank you, Chair.

The Chairperson (Mr McCrossan): Thanks very much to you both for those opening statements. I invite members to ask questions of our witnesses.

Mr Irwin: There are currently two public auditors. I think that you said — I had difficulty hearing, and it was especially hard to pick you up towards the end — that you recommend that there should be one public auditor and that that would bring us into line with the rest of the regional Assemblies and Parliaments in the UK. Is that right?

Mr Allen: That would bring us into line with Wales, Mr Irwin. It operates in a similar situation.

Mr Irwin: OK. Scotland has nothing?

Mr Allen: No. The arrangements are different in Scotland and England. We set that out in our paper to the Committee. We feel that the circumstances in Wales are more directly comparable.

Mr Irwin: OK. What are the benefits of that? Do you see benefits, or would it just bring us into line?

Mr Allen: The benefits relate to the fact that we have some cross-cutting work. Colette made reference to, for instance, the planning study, which cuts across local government and central government. There would be more synergy if there was one public auditor making singular judgements rather than split functions, as is the case at the moment. Historically, that was because of the dichotomy between ratepayers' moneys and taxpayers' moneys, but that thinking is somewhat outdated now.

Mr Irwin: OK. Thank you.

The Chairperson (Mr McCrossan): OK. Mr Chambers?

Mr Chambers: I am fine, Chair.

The Chairperson (Mr McCrossan): OK. Mr Allister?

Mr Allister: You tell us that it is a "one-stop audit shop" but, as was clear from our last session, there is not a one-stop shop when it comes to oversight and challenge, because we discovered that the advisory board has no status in respect of the local government side of auditing. Where is the oversight and challenge for the local government auditor presently?

Mr Allen: Maybe I am picking you up wrongly, Mr Allister, but the advisory board's function, in respect of both the C&AG and the local government auditor, is exactly the same.

Mr Allister: Sorry. The evidence given to us on 7 July was quite contrary to that. I quizzed on this issue and was told that the advisory board did not extend to the local government auditor. Look at the Hansard report: it is very clear. Why are we being told something different today?

Mr Allen: I wonder, Mr Allister, whether that is in relation to the judgements. The advisory board has really no role in relation to the audit judgements that are ultimately formed, either by the C&AG or by the local government auditor.

Mr Allister: I invite you, Mr Allen, to read the Hansard report from 7 July. You will see that this issue was explored and that we got very different answers from what you are giving us today.

Mr Allen: I was in attendance at that meeting, Mr Allister. I speak to the best of my knowledge. Unless Colette can contradict me, I am struggling to see the difference. The advisory board oversees the whole workings of the Audit Office but, obviously, it does not get involved in the decision-making process on audits of either of the public auditors, because that would fetter their independence.

Mr Allister: Do you think that that is the same as what we were told at our last meeting?

Mr Allen: It perhaps provides more clarity.

Mr Allister: Or contradiction.

You said that the local government auditor does not issue regulatory opinions. Just explain to us what a regulatory opinion is.

Mr Allen: It is a regularity opinion.

Mr Allister: Regularity, sorry.

Mr Allen: When you conduct an audit in central government, you give an opinion on "a true and fair view". You also give an opinion on the regularity of the transactions contained in the financial statements. A regularity opinion, in simple terms, is, essentially, your confirmation or otherwise that the income and expenditure has been used for the purposes intended by the Assembly.

Mr Allister: And that does not happen in local government?

Mr Allen: There is no equivalent opinion in local government.

Mr Allister: Is that not a massive hole in auditing?

Mr Allen: Certainly not in auditing. There is a discussion to be had there about governance and accountability. However, you will appreciate that the funding stream is clearly different. Most local government funding is from ratepayers.

Mr Allister: Historically, why is there no regularity opinion?

Mr Allen: I guess that it is because the regularity opinion comes when the C&AG gives a certificate to the Assembly and advises the Assembly that the income and expenditure has been spent in line with the intentions of the Assembly or otherwise. You do not have that relationship between local government and the Assembly, so a regularity opinion would be irrelevant.

Mr Allister: Is there not the same expectation that ratepayers' money would be spent in a regular fashion, as anticipated and intended by the council?

Mr Allen: Yes. Colette can speak more thoroughly on this than I can. We carry out regularity tests, but the opinion does not exist in the local government arena.

Ms Kane: Yes. Our audit approach is exactly the same for both central and local government. When we are looking, for example, at expenditure made by councils or local government bodies, we look to ensure that that has been made in accordance with some authority. That should mostly be the authority of the council. The council will have agreed a certain expenditure, and we check back to ensure that it has been made in accordance with that. The difference here is that we do not give an explicit opinion on that.

Mr Allister: It is not just a technical difficulty. The opinion is of some standing and worth; is it not?

Ms Kane: The "true and fair" opinion is a fairly high level of assurance for members of council, to whom we report.

Mr Allister: Mmm.

Mr Allen: That is consistent with other regions.

Ms Kane: Yes. It is consistent with the rest of the UK. There is no regularity opinion on any of the local authority accounts.

Mr Allister: Just explain one or two other things to me. As local government auditor, Ms Kane, do you have your own staff?

Ms Kane: No. We use staff from across the office. It is built into the legislation that we are able to use staff from across the Northern Ireland Audit Office. Most staff do both central and local government audits.

Mr Allister: Do you do anything outside local government?

Ms Kane: Yes. I have a portfolio from central government as well.

Mr Allister: So, the local government auditor is a bit of a sideshow in the Audit Office?

Ms Kane: No, absolutely not. Most of my work is local government. I also have one Department, Infrastructure, and I carry out audits for North/South bodies. That is a lot less central government work than my colleagues at director level do. Most of my work is local government.

Mr Allister: How would local government be handled if we had a single public auditor?

Ms Kane: The structure is to be agreed, but the arrangement might be that the C&AG and the local government auditor is effectively one person, with directors below that, like me, who take the lead on particular council audits and central government.

Mr Allen: The final judgements, Mr Allister, would rest entirely with one individual.

Mr Allister: Whereas now, the judgements on local government issues rest with Ms Kane, not the Comptroller and Auditor General.

Mr Allen: Yes. That is consistent with the way that it has always been.

Mr Allister: How it has always been is not always best; is it?

Mr Allen: No, that is fair. That is why we flag up that there are merits in the Committee considering the suggestion of a single auditor.

The Chairperson (Mr McCrossan): Yes.

Mr Allister: That would also deal with the anomaly in how the local government auditor is appointed.

Ms Kane: That is correct. The legislation would have to be changed.

The Chairperson (Mr McCrossan): OK, Mr Allister?

Mr Allister: Thanks.

The Chairperson (Mr McCrossan): OK. Thanks very much for taking those questions, Rodney and Colette. I have just one question. I am particularly interested in the discussion about a single auditor for the public sector. What are the advantages and disadvantages of that?

Ms Kane: Rodney has indicated the synergy between local and central government. We have that because we are a relatively small office, but, if it were one person, the links between central and local government would be easier to make. One person would see them more clearly. We will always have the same standards when conducting audits, so that will not change. However, in a country the size of ours, having that one person, as a figurehead over local and central government, would make it more efficient and effective.

Mr Allen: The singularity of one professional judgement former with a horizon across both sectors and a connection back into the political landscape would, given the cross-cutting subjects that we cover, prove beneficial.

The Chairperson (Mr McCrossan): Thanks for that, Rodney. Thank you, both, for being here and for taking questions from members. It is appreciated.

Mr Allen: Thank you, Chair and members.

Ms Kane: Thank you.