



AUDIT COMMITTEE

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Finance Minister
Department of Finance (DoF)
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Dear Minister

Draft Budgets 2021-22 for the Northern Ireland Audit Office (NIAO), the Northern Ireland Public Services Ombudsman (NIPSO) and the Northern Ireland Assembly Commission (NIAC)

As you will be aware the Audit Committee has been taking evidence from the above three non-Ministerial Public Bodies (NMPBs) on their draft Budgets for 2021-22. As any agreed budgets for these bodies will be reflected subsequently in their main estimates for 2021-22, this scrutiny is integral to the exercise of the Audit Committee's statutory function of agreeing the estimates (which the Committee performs in place of DoF in recognition of the independence of the bodies from Executive departments).

The Committee has been working over the last number of weeks to agree its position on the draft budgets for the bodies in advance of Executive deliberations to ensure that the subsequent consultation on the draft Executive Budget 2021-22 reflects the entirety of the Northern Ireland Budget. To do this, the Committee endeavoured to carry out its scrutiny in line with the timeframe for the Budget process which was outlined in your correspondence dated 3 September 2020. However, the subsequent change in this timeframe has meant that the Committee has had only a short period of time to agree a position in light of DoF advice received on 3 December 2020. Accordingly, the Committee is setting out its position in this letter rather than by way of a formal Committee report as would be the norm.

The Committee considered a number of papers at its meeting on Wednesday 9 December 2020, including further written and oral evidence from the NMPBs. The Committee also considered advice from DoF on the Budgets plans for the respective bodies, which was outlined in correspondence dated 3 December 2020. In that regard, members have noted that your Department is content that the budget plan figures presented by each of the bodies to this Committee represents a realistic

budget profile. The Committee also noted a request from DoF that it considers the wider public expenditure position when approving the budget plans. DoF officials subsequently provided clarification that the Department will incorporate the budget plans approved by the Audit Committee into the advice it provides on the Executive's 2021-22 Budget.

The Committee held a further meeting today to take further evidence from the NIAC and finalise the position as outlined in this correspondence.

The Committee has examined issues particular to the budget considerations of each of the three bodies. The detail of the Committee's scrutiny is contained in the Hansard reports of the oral evidence received, some of which will already be published on the Committee's webpages and the reports from the most recent evidence sessions will be available shortly. In the meantime, I have enclosed further supporting papers considered by the Committee and which are additional to earlier briefing papers included in previous correspondence sent on 5 October 2020.

Following appropriate evidence gathering, the Committee agreed its position on the 2021-22 budget plans of the three bodies, having regard to the views of DoF and, in the case of the NIAO, the advice of the Public Accounts Committee (PAC). I have summarised the Committee's position on each body separately below.

The Northern Ireland Assembly Commission

The Committee had previously received a briefing from the Assembly Commission on the financial impact of the new 2020 Assembly Members' Determination, which will clearly have continued impact on the draft Budget for 2021-22. Members noted that the indicative forecast submitted by the Commission took the agreed budget for 2020-21 as its starting point and rolled it forward to 2021-22 and amended it in light of the new Determination.

As with previous scrutiny of the Commission's budget, members noted that the Commission has a legal requirement to meet all costs associated with Members by way of salaries, allowances, expenses, Members' staffing costs, pension contributions etc. As such there is a large element of the Commission's budget, which is controlled by factors external to the body itself – i.e. the duty on the Commission to pay such costs.

In noting the proposed increase to the Commission's budget, members were informed that the largest contributory factor to the increase was the result of the new 2020 Determination, which increased the amounts available to Members by way of salary costs for support staff. This was reflected in the figures submitted to the Committee along with increases to various support staff costs and increased expenditure in relation to constituency office costs.

During the initial oral evidence session with Commission officials on 7 October 2020, members raised a number of issues in relation to the indicative capital budget for 2021-22, including electronic access control, the security management system, the audio system in the Chamber and updates to the Telephone and Television systems

in Parliament Buildings. Members also questioned officials on the potential financial impact of roof repairs to Parliament Buildings.

At the Committee meeting on 9 December 2020, members noted that the Commission's final budget for 2021-22 would be circulated after the Commission's meeting that day with subsequent consideration at the Committee meeting on 14 December 2020.

At the Committee's evidence session with Commission officials on 14 December, various issues were discussed including the Commission's capital projects for 2021-22, increased budgetary provision necessary following the Assembly Members (Salaries and Expenses) (Amendment) Determination (NI) 2020, accessibility in Parliament Buildings and ongoing matters in relation to the roof of Parliament Buildings.

Members recognise the need for increased budget as a result of the new Determination. Furthermore, members note that most of the capital works planned are needed to address under-investment in the fabric of the building in last three years to face the challenge of the fully functioning legislature. The Committee would ask the Commission to ensure that these works are progressed as quickly as possible. In noting that there is no budgetary provision made in 2021-22 for potential roof repairs, the Committee has agreed to seek an urgent update from the Assembly Commission in relation to the roof issues, given the potential financial impact for the Commission's future Budget. Members also agreed to seek further information and detail on various aspects of the Budget for 2021-22 and will consider this in due course.

On 14 December, the Committee asked Commission officials for assurances in respect of the advice received from DoF in relation to opening baseline positions. Officials indicated that, should the Commission not be granted additional budget above opening baseline, it would be required to undergo a prioritisation exercise to identify where savings could be made and which services would have to cease as a result.

Arising from its scrutiny of the NIAC Budget for 2021-22, the Audit Committee agreed that the Executive's Budget should make provision for the Assembly Commission having a Resource DEL Budget of **£49,333K** and Capital DEL Budget of **£1,684K**. The Resource DEL broken down as follows: **£45,833K** of Non Ring-Fenced DEL and **£3,500K** of Ring-fenced DEL.

The Northern Ireland Public Services Ombudsman

The Committee has welcomed the appointment of a permanent Ombudsman in August 2020 after the post remained empty for 7 months. Members have engaged positively with the new Ombudsman in respect of a number of issues, including the draft budget for 2021-22.

Members have noted that NIPSO's main function continues to be the receipt, assessment and investigation of complaints about the health, social care, housing, education, and local and central government sectors. The Committee has been

informed that the number of complaints have continually grown considerably since the Office's inception in 2016 - an annual growth of almost 22% per year on average.

The draft budget for 2021-22 reflects not only a further projected increase in complaints over the year but also anticipates the commencement of the final legislative provision in relation to the Complaints Standards Authority. The Committee is keen to ensure that this function, when commenced, is financed appropriately and looks forward to seeing provision for this function realised in the forthcoming Executive budget.

At the initial evidence session on 7 October 2020, the Committee was informed that NIPSO has worked to deal with its increased workload whilst living within its current budget through efficiencies and adapting its approach. Looking towards the new financial year, NIPSO wishes to increase focus on its own initiative work; develop its learning and development work; and drive forward its role in relation to the Complaints Standards Authority. As such, the figures submitted to the Committee for 2021-22 contain uplifts from the previous year's budget to deal with these important areas.

Members questioned officials on the overall increase to the budget, which includes expenditure to deal with the projected increase in maladministration work. In respect of this, NIPSO, whilst proposing a 2% annual pay uplift over the 2020-21 base, indicates that there will be no additional year-on-year increase thereafter. NIPSO has also proposed additional staff to finance a greater focus on learning and development work, which it believes will lead to increased awareness and insight from continuous learning about complaints, in an effort to contribute to improvements in public services.

Members also questioned officials on the proposal to enhance its capacity in "Own Initiative" investigations and the extent to which the findings from these investigations can have significant and far-reaching consequences. Lastly, members probed officials on the extent to which any budget increase represents value for money and will actively monitor developments in this regard to be assured of this going forward.

As a follow-up to the evidence session on 7 October 2020, members subsequently noted a breakdown of complaints received during 2019-20 and details on NIPSO's maladministration process. To add to its evidence base, the Committee also took evidence from officials on NIPSO's Annual Report and Accounts for 2019-20, the Ombudsman's Report for 2019-20, the Northern Ireland Local Government Commissioner for Standards Annual Report and the Northern Ireland Judicial Appointments Ombudsman's Annual Report for 2018-19.

At the Committee's evidence session with NIPSO officials on 9 December 2020, various issues were discussed including clarification over budget provision for the Complaints Standards Authority function, implications of a reduced budget provision on NIPSO service delivery, legislative limitations on hard-charging for NIPSO services, improvements which could be brought about by investment in learning and development and staffing requirements for 2021-22.

On 9 December, the Committee also asked officials to justify their request for additional funding over and above the opening baseline positions. Based on the answers given the Committee has concluded that the potential impact on service delivery for NIPSO not receiving the additional resources would be disproportionate to the amounts requested; particularly given the anticipated work ahead given the events of the past year and what may be ahead post Brexit.

Members are also mindful of the potential for longer-term savings and returns on investment, which would lead to improvements to the delivery of public services arising from learning and development, from providing access to cost effective administrative justice for citizens seeking redress, and from the commencement of the legislative provision for a Complaints Standards Authority leading to a positive impact in standards raising work in all sectors.

Arising from its scrutiny of the NIPSO budget plan for 2021-22, the Audit Committee agreed that the Executive's Budget document should make provision for NIPSO having a Resource DEL Budget of **£3,753K** and Capital DEL Budget of **£70K**. The Resource DEL broken down as follows: **£3,633K** of Non Ring-Fenced DEL and **£120K** of Ring-fenced DEL

The Northern Ireland Audit Office

Members of the Committee are cognisant of the central role played by the NIAO in terms of supporting the work of the Assembly and holding Government Departments and other public bodies to account, by providing important financial audit and public reporting services. The Office's work will have increasing importance given the level of unprecedented public spending in the last year.

Scrutiny of the NIAO's draft Budget commenced at the Committee meeting on 7 October 2020. Members noted that figures submitted to the Committee indicated an additional budget in 2021-22 of 7.2%; but that a number of these costs can be absorbed in efficiencies, therefore the requested increase is 5.1%.

NIAO officials briefed the Committee on the previous strategic context in which the Audit Office developed its Business Transformation Programme; this included the move towards increased focus on staff, aligning skills, cost and efficiency, as well as on quality and governance. Officials also informed members about NIAO going to market for independent quality assurance and that has been appointed to the Institute of Chartered Accountants in England and Wales (ICAEW), value for money (VFM) standards, investment and development in analytics and staff structure change.

The Committee questioned officials on NIAO's Accommodation Project and the increasing costs of this project from the concept design estimates shared with the Committee previously. Members noted the reasons given for these increases, including implications of moving to a detailed design process and allowances for COVID-19 and construction inflation in the current market place.

Other challenges for the NIAO in the new financial year include: the cost pressures associated with continued recruitment to achieve the appropriate balance in skills

and expertise; the potential impact on income with the loss of the European Agricultural Fund for Rural Development; and the challenge of taking forward some of the RHI Inquiry recommendations.

Members questioned officials further on a number of these issues including: past efficiencies of the Office; liaison with DoF in regards to budgetary matters; and accommodation needs of the future. In that regard, the officials provided assurance that the new accommodation structure for the NIAO would enable a more collaborative working environment whilst maximising the opportunity for income generation.

As a follow-up to the evidence session on 7 October 2020, members subsequently noted information on the NIAO staffing profile, Audit methodology and best practice. Further evidence was taken on 21 October, when NIAO officials briefed the Committee on NIAO's Annual Report and Accounts 2019-20.

At the Committee's evidence session with NIPSO officials on 9 December 2020, issues discussed included the loss of income from checks carried out on the European Agricultural Funds, implementation of RHI recommendations, income generation for the NIAO and hard charging for NIAO services. Information was also considered about the potential impact on service delivery if NIAO did not receive additional resource.

On 9 December, the Committee asked officials justify their request for additional funding over and above the opening baseline positions. Officials indicated that if additional funding above the baseline was not provided it would have consequences across all the NIAO's work but public reporting work would be particularly impacted given the statutory role in respect of financial reporting work. Members noted that this could lead to a reduction in the NIAO's support, for not only the PAC but also the wider Assembly. This would undermine the public audit function and vital scrutiny work. The Committee considers that this support is integral to Northern Ireland society particularly in light of the NIAO's role in monitoring the implementation of RHI recommendations and the post-COVID public sector.

In respect of the NIAO's proposed capital budget, members have considered the revised figures provided by officials which have reduced somewhat from papers previously provided to your Department. The Committee has noted the collaborative work between your Department and the NIAO about the capital need for the project. Members have noted that the project will result in future revenue from leasing part of the refurbished office space and that this revenue would be offset against future office running costs. However, the Committee would strongly encourage the NIAO to ensure that costs are closely monitored and controlled and do not escalate to the level of increased costs previously indicated to the Committee.

As part of its evidence gathering and in accordance with the NIAO budget-setting protocol, the Audit Committee also requested a view from the PAC. In its initial response, the PAC asked for clarification over the comparative increase in the budget for 2021-22, as opposed to the projected budget for the following two years. C&AG addressed this query in correspondence and, at its meeting on 5 November

2020, PAC indicated that it was content with the explanation provided. The Audit Committee subsequently noted PAC's decision at its meeting on 9 December.

Arising from its scrutiny of the NIAO budget plan for 2021-22, **the Audit Committee agreed that the Executive's Budget document should make provision for NIAO having a Resource DEL Budget of £8,750K and Capital DEL Budget of £4,450K. The Resource DEL broken down as follows: £8,575K of Non-Ring-Fenced DEL and £175K of Ring-fenced DEL.**

In setting out the aforementioned position of the Audit Committee in relation to the 2021-22 budget plans of the three NMPBs, members have noted your Department's advice that the Committee considers the wider public expenditure position when approving the respective budget. The Committee has noted the anticipation that Departments will have to live within their opening baseline position and absorb significant pressures. This position has been highlighted to all three of the NMPBs and the Committee has sought assurances that they will deploy their budget allocations to maximum effect and endeavour to realise savings and efficiencies where possible during the course of the year ahead. Accordingly, the Committee will be monitoring finances carefully over the next year and would encourage the NMPBs to identify surrenders at the earliest opportunity.

The Committee looks forward to the inclusion of the figures set out above in the Executive's forthcoming draft Budget for 2021-22.

Yours sincerely,

Daniel McCrossan

Daniel McCrossan MLA
Chairperson
Audit Committee