

**Department of Finance
Memorandum on the Thirty Fourth
Report from the
Public Accounts Committee
Mandate 2011-2016**

The Northern Ireland Events Company

**Presented to the Northern Ireland Assembly
by the Minister of Finance**

22 June 2016



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Glossary of Abbreviations

ALBs	Arm's Length Bodies
CARB	Chartered Accountants Regulatory Board
DCAL	Department of Culture, Arts and Leisure
DETI	Department of Enterprise, Trade and Investment
DfE	Department for the Economy
DFP	Department of Finance and Personnel
DoF	Department of Finance
HR	Human Resources
NIAO	Northern Ireland Audit Office
NIEC	The Northern Ireland Events Company
PAC	Public Accounts Committee

Thirty Fourth Report

Department for Communities and Department for the Economy

The Northern Ireland Events Company

Introduction

Since the Public Accounts Committee (PAC) published their report on the The Northern Ireland Events Company (NIEC) restructuring of Northern Ireland departments has occurred. The functions exercised by the Department of Culture, Arts and Leisure (DCAL), the Department of Enterprise, Trade and Investment (DETI) and the Department of Finance and Personnel (DFP) are now undertaken by the Department for Communities, the Department for the Economy (DfE) and the Department of Finance (DoF) respectively. Although DCAL no longer exists responses to the Committee's recommendations have been worded, where appropriate, to reflect previous actions taken by DCAL as the sponsor department for NIEC.

PAC Recommendation 1

The Committee recommends that if an Arm's Length Body delegates recruitment tasks, such as shortlisting, during the appointment of a Chief Executive, it should ensure that it retains ownership of the process.

DoF accepts this recommendation.

The Boards of Arm's Length Bodies (ALBs) are responsible for the appointment of Chief Executives as employees of the ALB. While ALB Boards may use their own Human Resources (HR) or outsourced functions to carry out the administrative functions associated with appointments responsibility for, and ownership of, the process remains firmly with the Board. DoF will draw this to the attention of departments and ask them in turn to draw it to the attention of their ALBs.

PAC Recommendation 2

The Committee recommends that all documentation supporting the recruitment selection process of senior officials should be retained by the Arm's Length Body making the appointment in line with public sector requirements.

DoF accepts this recommendation.

DoF agrees that all documentation supporting the appointment processes of senior individuals should be held by the relevant body in line with the Data Protection Act 1998 and the appropriate retention and disposal schedules.

Where appointments are made using the services of an external HR firm, ALBs should make appropriate arrangements to ensure that they have access to the relevant papers throughout and that at the conclusion of the process relevant papers are retained by the ALB.

DoF will draw this to the attention of departments and ask them in turn to draw it to the attention of their ALBs.

PAC Recommendation 3

The Committee recommends that the current procedures for appointing Accounting Officers in Arm's Length Bodies are reviewed by the Department of Finance and Personnel to identify how the process could be strengthened. The Committee expect to be provided with an update report on these activities in twelve months time.

DoF accepts this recommendation.

DoF will review the current procedures for appointing ALB Accounting Officers to identify how the process can be strengthened.

DoF will also report to the Committee on the work undertaken in this area within twelve months.

PAC Recommendation 4

There was a catalogue of errors in the management of NIEC. It is essential that lessons are learned to ensure that nothing like this can ever happen again. The Committee recommends that DFP consider how the lessons from NIEC, including the missed warning signs, can be best shared with all government Departments.

DoF accepts this recommendation which has already been implemented.

As a result of the issues identified within NIEC, DoF (with the support of Permanent Secretaries Group) established a review team to look at departmental sponsorship of ALBs in 2009. The review team used lessons learned from NIEC and took account of the 2008 PAC report into “Good Governance: Effective Relationships between Departments and their ALBs” (which itself considered emerging issues within NIEC). These lessons were promulgated to departments as part of the review process.

DoF has already circulated the Northern Ireland Audit Office’s (NIAO) 2015 report on NIEC to departments. DoF will also highlight the lessons learned, including missed warning signs, from the PAC’s most recent consideration of the governance issues related to NIEC to departmental Accounting Officers.

DCAL, as the sponsor department for NIEC at the time the governance issues emerged, also considered the PAC’s 2008 findings. Additionally DCAL’s internal auditors prepared a Lessons Learned Report which was circulated within DCAL and its ALBs in August 2009. Presentations were also delivered at DCAL’s ALB Chairs’ and Chief Executives’ Forums and at ALB Board meetings. These presentations reiterated the warning signs and lessons learned from NIEC.

PAC Recommendation 5

The Committee recommends that all those serving on public Boards consider the lessons from the NIEC debacle, especially those relating to the effectiveness of Boards and the Chair.

DoF accepts this recommendation.

The issues arising from NIEC have already been included in Board Member training courses run by the Chief Executives’ Forum.

In addition DoF will produce a summary of the main lessons learned emanating from the recent NIAO and PAC reports into NIEC. This will be brought to the attention of departments who will be asked to bring these to the attention and consideration of their ALB Boards.

As stated above DCAL provided presentations at their ALB Chairs’ and Chief Executives’ Forums and at ALB Board meetings which reiterated the warning signs and lessons learned from NIEC.

PAC Recommendation 6

The Committee recommends that Departments ensure that the Boards of Arm’s Length Bodies have a mix of appropriate skills and experience. In particular, the Committee views financial skills as an essential component of ensuring effective governance.

DoF accepts this recommendation which has already been implemented.

In recent years departments have been more specific in their requirements relating to appropriate skills and experience mix of Board Members. Existing guidance on public appointments advises that when filling a Board Member position, preliminary consideration should be given to the skills balance of the Board as a whole and how any appointments can improve the balance. Additionally the guidance advises that when filling vacancies

departments should carry out an assessment or audit of existing Board Members' skills in order to identify any skills gaps which need to be filled. This would include the need for financial skills.

DCAL had already taken action to address these issues by using a board effectiveness skills assessment exercise to inform the appointments process to its ALB Boards. In doing so a focus was given to the skills and experiences required for Board Members, in particular the need for financial skills.

PAC Recommendation 7

The Committee recommends that DETI report the conclusions of the Chartered Accountants Regulatory Board to the Public Accounts Committee following its completion.

DfE accepts this recommendation.

DfE will report the conclusions reached by the Chartered Accountants Regulatory Board (CARB) in relation to the conduct of NIEC's auditors to the Committee when provided by CARB.

PAC Recommendation 8

Major structural changes to government can have important consequences for public bodies' ability to effectively exercise key functions. The Committee recommends that detailed assessments are carried out prior to changes being implemented to ensure that bodies have the right staff with the right skills, backed up by adequate support mechanisms. Departments should assure themselves that they have adequate sponsorship skills to oversee their Arm's Length Bodies.

DoF accepts this recommendation.

The review of departmental sponsorship of ALBs in 2009 identified the need for departmental staff to have appropriate sponsorship skills. Departments, including DCAL, have already addressed this in various ways including the restructuring of sponsorship functions and the provision of training to sponsor staff. DFP also promulgated the concept of "sponsor team" approach to ALB sponsorship in order that the various expertise/specialisms (e.g. finance, economics, HR, statistics etc) have appropriate input to ALB sponsorship activity. This was brought to the attention of departmental Finance Directors in 2010 at the end of the review of departmental ALB sponsorship. It is also included as a key theme in the ALB sponsorship training provided by DoF to departmental staff.

It is however recognised that post departmental restructuring departments will need to assess their sponsorship arrangements (including staff sponsorship skills) to ensure these are adequate to oversee their ALBs. DoF will draw this to the attention of departments.

PAC Recommendation 9

A sponsor Department cannot exercise effective oversight if it does not have a strong relationship with its Arm's Length Bodies. The Committee recommends that all Departments ensure they have regular and open contact with both the Chief Executives and Chairs of Arm's Length Bodies.

DoF accepts this recommendation.

As part of the standard accountability arrangements put in place with ALBs, departments meet regularly with ALB Chief Executives. ALB Chairs often accompany Chief Executives to such meetings though it is recognised that this is not uniform practice across all ALBs. Existing guidance however states that ALB Chairs should meet at least annually with the appropriate Minister.

DoF will consider with departments the most appropriate arrangements for ensuring that there is regular communication with ALB Chief Executives and ALB Chairs and will update its guidance accordingly.

Following the issues raised by NIEC, DCAL's Accounting Officer held regular stocktake meetings with ALBs' Executive teams and Boards and also attended at least one ALB Board meeting per annum. Additionally the DCAL Minister met annually with the ALBs' Chief Executives and Board Chairs.

PAC Recommendation 10

The Committee recommends that Departmental sponsorship of Arm's Length Bodies should be proportionate and risk based. It is important that these risk assessments are based on the totality of a Department's knowledge of its Arm's Length Body.

DoF accepts this recommendation.

Work already undertaken emphasised that departmental sponsorship of ALBs should be risk based and proportionate. However it is also recognised that a more balanced and sustainable approach to ALB sponsorship needs to be developed. DoF plans to review existing sponsorship practices and develop appropriate guidance in this area. This will include basing sponsorship activity on the department's knowledge of its ALBs.

Post NIEC, DCAL operated an evidence based risk assessment process to determine a risk rating for each of its ALBs. This helped inform DCAL's sponsorship of individual ALBs. The ratings were reviewed annually, or more frequently if significant issues arose. This also involved departmental sponsor staff using their operational experience/knowledge and judgement of the body to determine the appropriate sponsorship risk rating.

PAC Recommendation 11

Given the length of time this process has taken to date, the Committee will monitor the progress of the investigations being undertaken. We expect DETI to provide the Committee with an update on progress in the Directors Disqualification proceedings in six months' time.

DfE accepts this recommendation.

An update on progress on the Directors Disqualification proceedings will be provided to the Committee in six months time.

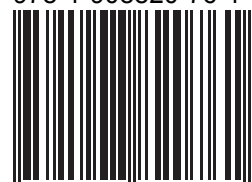
The Committee has already been informed that DETI accepted a Disqualification Undertaking from the former Chief Executive of NIEC on 8 February 2016. Ms McAleese has been disqualified from acting as a Director for a period of 14 years.

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