



Northern Ireland Audit Office

Northern Ireland Audit Office Corporate Plan 2014-15 to 2016-17



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Foreword

It brings me great pleasure to introduce the Northern Ireland Audit Office (NIAO) Corporate Plan 2014-15 to 2016-17. The plan sets out the NIAO's strategic aims and forward plans during this period, together with detail on how the NIAO propose to deliver these aims; the resources that are required by the NIAO to do so; and their key performance measures.

The plan identifies three key areas where the NIAO believe they can add considerable value to the Northern Ireland public sector: encouraging further improvement in financial management; promoting the proper conduct of public business; and promoting improvement in the efficiency and quality of services provided to the taxpayer.

The Audit Committee endorses these key areas. While undoubtedly there have been improvements in recent years in the quality of public sector financial management, in good governance and propriety, and in the delivery of services, there remains significant scope for improvement. We want to see the NIAO using its influence right across the public sector to assist in identifying opportunities for reducing costs and improving productivity, efficiency and service delivery.

The NIAO's valuable service comes at a cost, and the Committee welcome the fact that it has been a steadily diminishing one to the public purse. During a period of prolonged financial pressures, in which securing the maximum benefit from every taxpayer pound has never been more important, the NIAO has reduced its net resource requirement year on year, all the while maintaining and even adding to the quality and breadth of service it provides to the Assembly. The Committee commends the NIAO for the further savings anticipated by this plan over the next three years.

It is in the nature of the work done by the NIAO that it can only fulfil its purpose as long as it retains and builds on its enviable professional reputation. An Audit Office that does not itself enjoy credibility cannot confer the same quality on others. The existence of robust systems of governance and internal controls consistent with best practice is key. The Committee is therefore pleased to have agreed with the Comptroller & Auditor General a Memorandum of Understanding on corporate governance arrangements, transparency and accountability at the NIAO which we shall publish separately.

The Audit Committee commends the NIAO's Corporate Plan 2014-15 to 2016-17 and looks forward to the continuing valuable support that the NIAO provides to the Assembly.

Danny Kinahan MLA

Chairperson of the Audit Committee

Part One:

Who we are

Introduction

1.1 This Corporate Plan for the Northern Ireland Audit Office (NIAO or the Office) covers the three years from 2014-15 to 2016-17. The Plan sets out the Office's strategic aims and forward plans and will also be used to underpin the Office's resource estimate in 2014-15.

About the NIAO

1.2 The NIAO, which is totally independent of government, seeks to hold public bodies to account for the way they use public money. We provide objective information, advice and assurance on how public funds have been used and encourage high standards in financial management, good governance and propriety in the conduct of public business.

1.3 The NIAO is headed by the Comptroller and Auditor General for Northern Ireland (C&AG), an Officer of the Northern Ireland Assembly (the Assembly), and a corporation sole under the Audit (Northern Ireland) Order 1987. The C&AG and his staff (currently 125 full time equivalent members) are the external auditors of all Northern Ireland Departments, executive agencies and other central government bodies, including non departmental public bodies and health and social care bodies. In addition, a senior member of staff of the Office has been designated

as the Chief Local Government Auditor and is responsible for the audit of councils and other local government bodies.

1.4 As the Northern Ireland public sector auditor, we have to maintain the highest standards of propriety and regularity, promote and secure value for money in our use of public funds, and produce quality, value adding, pieces of work. We must be able to stand the test of independent scrutiny and retain our credibility and reputation with the Assembly, audited bodies and other stakeholders.

1.5 The governance structures of the Office have an important role in managing risk and performance. These structures currently comprise:

- a leadership team (members of senior management);
- an Advisory Group which provides objective and impartial advice to the C&AG in the discharge of his statutory duties and is composed of executive and non-executive members; and
- an Audit Committee consisting solely of non-executive members.

1.6 The main activities of the NIAO are set out in **Figure 1** overleaf.

Part One: Who we are

Figure 1 - Main activities of the NIAO

| | |
|--|---|
| Financial Audit | Forming an opinion on financial statements; assessing whether expenditure is regular and in accordance with the intentions of the Assembly when it granted the money; and providing assurance on the Accounting Officers' Governance Statement. |
| Value for Money (VFM) Audit | Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively. |
| Governance and Fraud Prevention and Detection | Providing audited bodies with constructive advice to help them improve their corporate governance, financial control and risk management arrangements, and assisting in the prevention and detection of fraud by conducting and reporting on data matching exercises. |
| Support to the Northern Ireland Assembly and the public | Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives and disclosures from members of the public. |
| Comptroller function | Authorising the issue of public funds from the Consolidated Fund for Northern Ireland. |

1.7 The Office reports on its performance in the Annual Report and Accounts. In our most recent publication in respect of the 2012-13 year, we highlighted our delivery of a challenging programme of work, including:

- the audit of over 200 public sector accounts;
- the publication of 14 reports across the spectrum of our responsibilities; and
- working closely with the Northern Ireland Assembly's Public Accounts Committee (PAC) facilitating ten evidence sessions.

1.8 To make us a higher-performing organisation:

- we have embarked on a change management programme aimed at increasing the effectiveness of our audit through more proactive engagement with key stakeholders, greater cross-organisational working, continued development of our assurance services, and developing and empowering staff;
- we are updating our ICT systems to provide our auditors with the tools they need to conduct our audit work efficiently;

- we continue to develop our skills within our remit as a public sector auditor to ensure we are in a position to help the Assembly and the public sector maximise the provision of front line services while delivering real efficiency savings; and
- we will continue to bring about efficiencies and cost reductions without compromising on the quality or scope of our work or the support we provide to the Northern Ireland Assembly. In the five years up to 2013-14, our Net Resource Requirement has declined by 13.1 per cent in cash terms and 20.5 per cent in real terms.

1.9 Further details of the status, functions and main duties of the C&AG and the Chief Local Government Auditor, including relevant legislation, are set out in detail on the Office's website at www.niauditoffice.gov.uk.

Background to the Plan

1.10 It is important that the Plan reflects and responds to the external environment in which the Office operates, and incorporates the necessary flexibility, including development of audit capability, to respond effectively to change. While continuing to provide our core activities of financial and value for money audit, we will adapt and develop our outputs to respond to the needs of our stakeholders, including the

Assembly and the bodies that we audit.

1.11 Our work takes full account of the main themes within the Northern Ireland Executive's Programme for Government (the Programme): for example recent reports on the Department of Culture, Arts and Leisure: Management of Major Capital Projects; Improving Literacy and Numeracy Achievement in Schools; Tackling Social Housing Tenancy Fraud; and Sickness Absence in the Northern Ireland Public Sector addressed directly Priorities 1, 2, 3 and 5 respectively in the 2011-15 Programme. The Programme is set within the context of significant financial constraints which are likely to be a long-term feature of the public sector. Spending reductions and reform will challenge public sector managers. We will assist by providing constructive advice. The Office will also support the Assembly in holding departments to account for achieving efficiencies and help departments find more efficient and effective ways of working and delivering public services, while at the same time maintaining our strong professional relationship with the Assembly, the Northern Ireland Civil Service (NICS) and the wider public sector.

1.12 The restructuring of public services and the establishment of new public entities will directly impact on the scope of the Office's audit work. The proposed reforms impacting on this planning period, and incorporated in the Programme for Government,

Part One: Who we are

include establishing the new 11 council model for local government by 2015 and creating the Education and Skills Authority.

promoting improvements in corporate governance and internal control, which are difficult to quantify.

- 1.13 New local government legislation is currently proceeding through the Assembly. This will increase the extent of audit activity as a restructured local government is implemented and embedded. It will also extend the scope of the local government auditor's role to cover additional assurance work on performance improvement.
- 1.14 The development of EU regulations will lead to an increase in the assurance work which the Office undertakes in relation to the legality and regularity of payments made by the Department of Agriculture and Rural Development from the European Agricultural Fund.
- 1.15 Encompassing the above, this strategy sets out what we plan to deliver, how we intend to do it, and the resources we will need over the next three years. In implementing the strategy, we will ensure that the Office provides value for money by identifying quantifiable financial savings resulting from recommendations in our reports. In the period 2010-11 to 2012-13 we have achieved an average saving of £26 million per annum, which represents around three times the net resource outturn of the Office. These savings are in addition to the other work done by the Office, such as providing assurance to the Assembly and
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Figure 2 - Strategic Map 2014 to 2017

Our Purpose

To promote better use of public money through independent professional scrutiny underpinned by our commitment to integrity, equality, openness and innovation to make a difference for the people of Northern Ireland.

What we do

| Auditing | Reporting | Recommending Actions |
|--|--|---|
| <p>We conduct relevant and timely audits on how public funds are being managed and used.</p> <ul style="list-style-type: none"> Annual audits of 200+ public sector accounts Ten major value for money examinations a year Two good practice reports National Fraud Initiative Promote: <ul style="list-style-type: none"> high standards in financial management good governance the proper conduct of public business | <p>We report our findings and conclusions to audited bodies, and publicly through:</p> <ul style="list-style-type: none"> Annual audit reports on accounts Value for money reports Good practice guides Biennial National Fraud Initiative reports | <p>We identify risks and make clear and relevant recommendations for improvement and follow these up.</p> <ul style="list-style-type: none"> Identifying areas for improvement Making recommendations Following up implementation of recommendations Quantifying the financial savings resulting from our work. |

How we do it

| | |
|-----------------------------|--|
| Quality | Applying effective systems of quality control |
| Innovation | Continuing to develop and improve our products to maximise the impact of audit |
| Personal performance | Supporting and equipping our people to provide a high-quality audit service |
| Value for money | Maximising our efficiency |

Part Two: What we will do

Our strategic aims

- 2.1 The strategies set out in the previous Corporate Plan (2013-14 to 2015-16) remain relevant, and accordingly have been rolled forward to this plan. Our primary focus remains on the delivery of our core activities of financial and value for money (VFM) audits. An increasing focus will also be placed on publishing guidance on best practice in public bodies:
- we expect to undertake audit work on 160 central government accounts in 2014-15, reducing to 150 in subsequent years, and will experience a peak in our local government financial audit work as local government reform takes place, as explained in Part Three;
 - we intend to publish ten VFM reports each year; and
 - we intend to publish two good practice guides each year.
- 2.2 In delivering our core activities, we will continue to concentrate on three key areas where, by utilising our skills and experience, we can add considerable value to the Northern Ireland public sector. These are summarised in **Figure 3** and discussed in more detail in the paragraphs below.

Figure 3 – Key areas of focus

1. Encouraging further improvement in financial management;
2. Promoting the proper conduct of public business; and
3. Promoting improvement in the efficiency and quality of services provided to the taxpayer.

Encouraging further improvement in financial management

- 2.3 The quality of financial management in the public sector has improved significantly in the last ten years in many ways, including through the professionalisation of the finance function, resource accounting and improvements in corporate governance. However, our reports continue to identify aspects of financial management and governance where there is significant scope for improvement.
- 2.4 Whilst recommendations for improvement are normally made through reports directly to the audited body, where issues are raised that could have an impact across the public sector we will consider the preparation of additional public reports.

Promoting the proper conduct of public business

- 2.5 All public officials are required to behave in the public interest and to high ethical standards. It is essential that

the general public and their political representatives have confidence in the way that civil servants conduct public business.

- 2.6 Whilst the Office is not primarily a regulatory body of standards and conduct, we encourage good governance and propriety throughout the public sector through our dissemination of good practice, recommendations made following our annual audits of financial statements and reports on poor compliance. For example, our March 2013 report "Department of Culture, Arts and Leisure: Management of Major Capital Projects" highlighted a worrying absence of a proper public record in relation to tendering for the Lyric Theatre project.
- 2.7 We will continue to work closely with others such as bodies' Internal Auditors, Audit Committees and non-executive directors, to ensure that ethical standards are being followed. We also work with the Chief Executives' Forum on an ongoing basis to provide training to board members and audit committee members to ensure they are aware of their responsibilities in this regard. We also, where requested, provide input to Chartered Institute of Public Finance and Accountancy (CIPFA) seminars and workshops, for example, audit committee training.

Promoting improvement in the efficiency and quality of services provided to the taxpayer

- 2.8 In addition to identifying opportunities for reducing costs and improving productivity and efficiency, our value for money work also promotes the improvement of services provided to the taxpayer. An example of this is our annual reviews of Continuous Improvement Arrangements in the Northern Ireland Policing Board, a statutory requirement under the Police (Northern Ireland) Act 2000, which have made a number of recommendations each year to improve the PSNI and the Policing Board's approach to delivering continuous service improvement. Our report on patient safety highlighted the need to ensure that all Health and Social Care staff continue to perform their duties competently and that all incidents are reported and "lessons learnt" are shared regionally. Our review of the uptake of benefits by pensioners identified the need for public sector organisations to obtain better information on the extent of non-uptake, use data-sharing to best effect and continue to work closely with the Independent Advisory Sector. We will continue to undertake studies of this nature. For example, we are currently examining public transport services in Northern Ireland and we are also reviewing the levels of pupil attendance in local schools.

Part Three: How we will do it

We will provide assurance to the Assembly on public sector accounts

- 3.1 One of our core areas of work continues to be the provision of assurance to the Assembly on the annual accounts prepared by public sector bodies such as departments, agencies, health trusts and other non-departmental public bodies (NDPBs).
- 3.2 The projected number of central government accounts to be audited over the plan period is shown in **Figure 4**.

- 3.3 While a decrease is projected by the second year of the plan, it is important to recognise that the number of accounts to be audited is not the sole factor in determining the extent of resources required. Other factors include the size and complexity of accounts and the timing of the audits. On-going developments in our external working environment have the potential to impact significantly on the Office's resource requirements over the planning period. These are set out below.

Figure 4 – Number of Central Government Accounts to be audited

| | 2013-14 | Plan Period ¹ | | |
|--|------------|--------------------------|-----------------|------------|
| | | 2014-15 | 2015-16 | 2016-17 |
| Resource Accounts | 19 | 19 | 19 | 19 |
| Executive Agencies | 12 | 13 | 13 | 13 |
| Health | 25 | 25 | 25 | 25 |
| Revenue | 1 | 1 | 1 | 1 |
| Other Statutory Certification, including NDPBs | 86 | 84 | 74 ² | 74 |
| On behalf of NAO | 3 | 3 | 3 | 3 |
| Whole of Government Accounts | 1 | 1 | 1 | 1 |
| Other | 14 | 14 | 14 | 14 |
| TOTAL | 161 | 160 | 150 | 150 |

¹ Excludes legality and regularity work detailed in paragraph 3.6.

² The Education and Skills Authority will replace the five Education and Library Boards, Council for Catholic Maintained Schools, Youth Council and Staff Commission (paragraph 3.5).

Challenges Ahead

- 3.4 Following a review of the financial process in Northern Ireland in February 2011 the Department of Finance and Personnel (DFP) issued a paper setting out initial recommendations to address misalignments between Budgets, Estimates and Accounts. If implemented these recommendations will have a significant impact on the work of the office, particularly the recommendation to consolidate NDPBs within the departmental resource accounting boundary. Once the details of the proposals are finalised, including an agreed timetable for the delivery of the audit work, we will consider how to minimise the impact on our resources at peak periods and review our budgets to ensure we are appropriately resourced to deliver this work.
- 3.5 The Northern Ireland Executive has set out its plans for the implementation of the review of public administration in education with the creation of the Education and Skills Authority (ESA). This Authority has been planned for a number of years and, subject to the agreement of the Assembly, it is currently expected to be in place from 1 April 2014. Once established, this reorganisation of education bodies will reduce the number of accounts to be audited and should lead to efficiency savings towards the end of this planning period. Our experience of previous re-organisations would suggest that the first two years' audits of the new body are likely to require greater audit scrutiny as new

governance frameworks mature. We have planned on the basis that ESA will be in place from April 2014.

- 3.6 In addition to our core work, we accepted an invitation from the Department of Agriculture and Rural Development (DARD) to complete an audit under a draft European Guideline, examining the legality and regularity of payments made to farmers in accordance with the Single Farm Payment Scheme. In undertaking this work, together with DARD, over the past couple of years we have been at the forefront of developments in this important area of assurance over EU funding. With the development of the EU regulations, this work, which will expand in nature from that conducted to date, will become an annual exercise for the Office. The audit will be carried out as part of a consortium arrangement with our colleagues in the National Audit Office, Audit Scotland and the Wales Audit Office. The current implementation date of the new regulations is scheme year 2014. The estimated resources, matched with income, for this work have been incorporated in this plan.

How we will prepare for these challenges

- 3.7 To manage the peaks in our workload we conduct a proportion of our audit work at an interim stage, in advance of the peak periods. Moreover, during our peak periods we ensure there is flexible

Part Three: How we will do it

use of resources across the Office. We also engage short term temporary staff to assist us, and contract out a proportion of our financial audit work to private sector audit firms. Currently around 29 per cent of our financial audit work is contracted out in this way.

3.8 We are currently introducing a new financial audit documentation software package (called MK Insight) which will be used for all our 2013-14 audits. This new software will further streamline our audit processes with the aim of making them as efficient as possible.

We will continue to provide a high quality local government audit service

3.9 The Local Government Bill was introduced into the Northern Ireland Assembly on 23 September 2013. The Second Stage debate was completed in October and subsequently the legislation has proceeded to the Committee Stage.

3.10 The Bill provides for a reduction in the number of local councils from twenty six to eleven. It forms the legislative basis for the local government reform programme that will impact on every aspect of the operation of councils. The legislation will introduce new governance arrangements for councils, a new ethical standards regime, new council-led community planning process, a general power of competence, performance improvement to deliver high quality and efficient services,

establish a partnership panel and end dual mandate. The Bill provides that the Local Government Auditor will undertake a new additional external assurance role in establishing if a council has complied with the requirements of the performance improvement framework.

3.11 The Local Government (Statutory Transition Committee) Regulations were approved by the Assembly on 1 July 2013. The role of the Statutory Transition Committees (STCs) is to gather information, consider and advise on matters relevant to ensuring that the new councils are able to adopt their full range of powers and functions from 1 April 2015. They will also take forward work on corporate and financial planning, including the preparation of a draft budget and a draft corporate and business plan for the new councils. Each will be required to appoint a Chief Executive for its new council. The STCs will be subject to our audit in 2014-15.

3.12 Prior to the new councils coming into effect, there will be 'shadow' councils. These 'shadow' councils will appoint senior staff, strike rates and approve business and financial plans for the new councils taking on full powers and responsibilities in April 2015. It is anticipated we will audit the shadow councils in 2015-16.

3.13 We are liaising with the Department of the Environment on the progress and implications of the reform plans and their impact on the role of the Chief Local Government Auditor.

- 3.14 In summary, we anticipate that our financial audit responsibilities for local government will increase over the first two years of the planning period, while we expect to be auditing the new local government bodies in the third year. However, any economies of scale due to a reduced number of audited bodies will not materialise until after the period of this Plan. Our previous experience has shown that stable financial management, reporting and governance by new entities takes time and there tends therefore to be a period of heightened audit risk until new structures and practices are fully embedded. Our new responsibilities for auditing performance improvement planning will also take full effect in the third year of this Plan. However, there is early work to be done in preparation for this and we anticipate research and development work taking place from 2014-15.
- 3.15 We have estimated the financial impact of this work across the planning period alongside what we anticipate will be recovered from the local government sector in fees, as set out in Part Five. The matter of fee recovery is a point we are discussing with Departmental officials but we have planned on the basis of full cost recovery.
- 3.16 Changes to our local government audit remit are summarised in **Figure 5** below.

Figure 5: Number of Local Government Audits

| | Plan Period | | | |
|----------------------------------|-------------|---------|---------|-----------------|
| | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| District Councils | 26 | 26 | 26 | – |
| Other local government accounts | 20 | 20 | 20 | To be confirmed |
| Statutory Transition Committees | – | 11 | 11 | – |
| Shadow Councils | – | – | 11 | – |
| New Councils | – | – | – | 11 |
| Performance Improvement Planning | – | – | – | 11 |

Part Three: How we will do it

We will undertake an annual programme of value for money work and provide quality support to the Public Accounts Committee

- 3.17 Our value for money (VFM) programme is informed by a careful analysis of the audit field. We select a balanced programme of studies which aims to:
- provide the Assembly with independent information and advice about how economically, efficiently and effectively departments, agencies and other public bodies have used their resources;
 - encourage audited bodies to improve their performance in achieving value for money and implementing policy; and
 - identify good practice and suggest ways in which public services could be improved.
- 3.18 The majority of our published reports are considered by the Assembly's Public Accounts Committee (PAC) and a key measure of our success is the extent to which our reports help elected representatives hold public bodies to account. Since the return of devolution in May 2007 PAC has considered over 75 reports in evidence sessions. These reports have produced a range of valuable recommendations, each of which is responded to by the Department of Finance and Personnel through a "Memorandum of Reply". The vast

majority of these recommendations have been accepted and implemented by the departments involved.

- 3.19 Our future work programme will include a number of studies aiming to improve service delivery and help identify the scope for financial savings. For example, we are examining the performance of Jobs and Benefits Offices; we will examine the transfer of housing stock from the Northern Ireland Housing Executive; and we will review a number of capital and IT projects to identify lessons to improve future delivery.
- 3.20 Our VFM work also promotes good practice. We recently produced a report examining counter-fraud arrangements in the Department of the Environment's planning function in anticipation of its part transfer to local councils. As stated in paragraph 2.1, we are increasing our focus on preparing good practice guides. In the first year of the planning period, we plan to produce two good practice reports, one on the handling of whistle-blowing cases and the other on managing conflicts of interest.

We will provide wider support to the work of the Assembly

- 3.21 Our main engagement with the Assembly is through the support we provide to PAC. However, there are opportunities for the Office to offer the perspectives of public sector audit to the

wider Assembly. This wider role might be fulfilled in a number of ways:

- secondments – a member of staff has been seconded to the Assembly’s Public Finance Scrutiny Unit. It is expected that this will be a recurring secondment;
- briefings for statutory departmental committees - over recent years, we have provided evidence to a number of departmental committees in the Assembly including health, education, environment, agriculture and finance and personnel; and
- additional public reporting – we will consider whether there is merit in producing public reports which are additional to our mainstream audit work.

3.22 In addition, while the PAC has primacy in determining whether to hold an evidence session on NIAO’s reports, the Committee may occasionally refer them on to the relevant statutory departmental committee. The Office may provide support and advice as necessary to help the departmental committees handle such reports. This occurred last year when the PAC referred our report on the Efficiency Delivery Programme to several other departmental committees and NIAO staff attended and briefed the committees as necessary.

We will continue to promote measures to prevent and detect fraud

3.23 Fraud remains a threat to public sector bodies, particularly so as difficult economic times continue. We help public bodies to develop and implement sound counter fraud strategies in order to meet this threat. One of the main ways we do this is by regular reporting to the Northern Ireland Assembly on fraud matters so that lessons can be learned and disseminated to the wider public sector. Recent reports to the Assembly include:

- Northern Ireland Water’s Response to a Suspected Fraud (March 2013);
- Tackling Social Housing Tenancy Fraud in Northern Ireland (September 2013); and
- DOE Planning: Review of Counter Fraud Arrangements (October 2013).

3.24 A key focus for us in recent years has been in proactively preventing and detecting potential frauds through data matching exercises. Data matching involves comparing pieces of data or information held by one body against other records held by the same or another body. This allows potentially fraudulent claims and payments to be identified for investigation.

Part Three: How we will do it

3.25 Since 2008 we have participated in the National Fraud Initiative (NFI), a UK wide data matching exercise to combat fraud and error. The first two exercises in Northern Ireland resulted in savings of around £24 million. The third NFI exercise is underway and we will report on the outcome of this in June 2014. We are confident that it will again generate significant savings for the public purse. We continue to encourage public sector bodies to embed NFI into their core business and make it a key part of their counter fraud strategies.

3.26 We wish to extend the coverage of NFI further by including additional public sector bodies and new data matches. To this end, we have drawn up a strategy for the development of NFI in Northern Ireland. This sets out how we intend to widen participation in NFI over the coming years by including a wider range of organisations and data sets on a voluntary basis, for example housing associations, utilities and non-domestic rates, in future exercises.

3.27 Whistle-blowing has a vital role in securing and maintaining standards in public life. We are a prescribed body to whom protected disclosures can be made under Public Interest Disclosure legislation. Our website sets out a range of ways in which this may be done. We provide a route for those with information about wrongdoing to come forward and we take appropriate action in response to the information that we receive.

3.28 Whistle-blowing has had a high profile in recent months and we have reported to the Assembly on the handling of whistle-blowing cases, for example in relation to the NI Fire and Rescue Service and the Department for Regional Development Road Signage Contracts. These reports demonstrate that much remains to be done to ensure whistleblowers are treated appropriately and in line with good practice. To raise standards, we plan to publish a good practice guide to whistle-blowing in 2014 (see also paragraph 3.20).

We will continue to look at ways of improving how we work

3.29 A comprehensive business improvement programme was put in place during 2013-14 to address five key areas identified in which we could do things better. The areas are:

- manpower planning and resourcing;
- leadership;
- communications;
- training and development; and
- opportunities for short term improvements.

- 3.30 Significant progress has been made in each of these areas and NIAO is committed to continuing with this programme which is being led by a steering group and co-ordinated by a dedicated resource at Director level.
- 3.31 However, this will now form part of a much wider change management programme which NIAO is about to embark upon. This programme, which is based around a Balanced Scorecard approach, is aimed at increasing the effectiveness of NIAO's audit through more proactive engagement with key stakeholders, greater cross-organisational working, continued development of assurance services and further developing and empowering staff. This programme will be delivered within the timescale covered by this Corporate Plan.
- of targets and are content that these remain valid, subject to minor adjustment to reflect planned VFM output. As we progress the Change Management Programme we will remain sighted on its impact on performance measures, assessing the need for additional or refocused targets.

Demonstrating our performance

- 3.32 We have a range of measures which assist in demonstrating our productivity, quality of work and achievements in reducing costs. Performance achieved against the key measures is disclosed each year in our Annual Report and Accounts.
- 3.33 It is important that the Office should keep its performance measures under regular scrutiny to ensure that they remain challenging and appropriately focused, cover all aspects of the business and, when taken together, are balanced. We have examined our overall range
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Part Four: Our staff

How we will develop our staff

4.1 Learning and development is vital to the success of the Office. It is through having the requisite knowledge, skills and experience, underpinned by appropriate training, that we are able to secure the delivery of our aims and objectives, and ensure the continued provision of quality and cost-effective audit services to the Assembly, audited bodies and other stakeholders.

4.2 The Office consistently delivers a broad programme of work and during the Plan period we will seek to continue to further improve the high quality public audit service that we provide. In securing this, we will implement our comprehensive learning and development strategy which has identified the following key priorities:

- ensuring the basics, including Continuing Professional Development (CPD) requirements, are in place;
- developing partnerships with a number of stakeholders, working together to provide effective learning and development solutions;
- supporting the organisational development of NIAO; and
- creating opportunities for staff to develop outside their current remit.

4.3 We will also introduce a comprehensive leadership and management training programme to assist appropriate staff in developing performance and helping to build the confidence and skills to meet the challenges ahead.

4.4 The Office currently has 125 full time equivalent (FTE) staff, excluding temporary appointments (an average of 133 FTE staff were employed in 2012-13). Over 60 per cent of our staff are qualified and trainee accountants, and others are qualified in other relevant disciplines. As part of business improvement, a comprehensive review of our manpower requirements is underway. Work to date has confirmed the need for the continuance of our Graduate Trainee Accountant Scheme, and the recruitment of audit technicians. In addition we intend to continue our Placement Student Scheme, first introduced in 2011-12, offering a one-year work placement to at least two students studying for a degree in Accounting, Business Studies, Finance or Economics.

Meeting our obligations under equality legislation

4.5 We will continuously monitor our approach to equality. We are committed to operating open and transparent policies that promote healthy working relationships and ensure we are compliant at all times with the relevant legislation.

- 4.6 In 2013, the Office has carried out a review of its pay, a key focus of which has been pay progression within its pay scales. The outcome of this pay review will impact on the Office's pay bill over the planning period. This has been factored into our resource requirements in Part Five.
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Part Five: What we will need

We will focus on maintaining our quality of service and delivering changes to our audit scope within a reducing Net Resource Requirement over the plan period.

5.1 The Office's Net Resource Requirement has reduced in the five years up to 2013-14 by 20.5 per cent in real terms and 13.1 per cent in cash terms. We have secured efficiencies and cost reductions through a range of means including a two year pay freeze, temporary suspension of trainee accountant recruitment, a reduction in overall staff numbers achieved through changes such as retirements and resignations, reduced reliance on consultants, and savings on activities such as printing and publishing through the application of competitive procurement processes. The quality of our work has not diminished as a result of reductions to our budget. We have managed to sustain a high quality audit service, fulfilling our duty to deliver the financial audit of 200 plus accounts and a comprehensive value for money programme each year.

5.2 In the previous corporate plan we did highlight that while committed to playing our part alongside the rest of the public sector in Northern Ireland to reduce costs, we were conscious that it would become increasingly difficult to achieve the savings in our forecast expenditure without significant risk to the delivery of our services from as early as 2013-14.

We had forecast an increase to our Net Resource Requirement in 2015-16.

5.3 Our updated assessment, which takes into consideration a recent in-depth analysis of our financial budgeting processes, provides a more positive picture, indicating that, while challenging, we should be in a position to make further savings over the plan period without any impairment to delivery and performance. The proposed resource requirement is set out in **Figure 6**. The Net Resource Requirement for 2014-15 is less than the provision of £8,248,000 in the Executive Budget 2011-15, and reduces in cash terms by 1.7 per cent in 2015-16 and a further 2.2 per cent in 2016-17.

5.4 A key issue in preparing our forecast requirements for this plan period has been the extent of uncertainty relating to ongoing developments in the public sector and how these will impact on the timing and form of audit work. The proposed resources requirements set out in **Figure 6** contain assumptions that could be subject change. Provision has been made for the Education and Skills Authority being operational from April 2014 (paragraph 3.5), the EU Agricultural Fund legality and regularity audit work proceeding in each year of the plan (paragraph 3.6) and for local government reform (paragraph 3.9 to 3.16) but developments regarding the Financial Review by the Executive (paragraph 3.4) have been excluded.

5.5 The resource requirements for 2014-15 in **Figure 6** will underpin the NIAO 2014-15 Estimate. Should it become clear in the short term that adjustments may be required to these figures in light of developments this will be considered at Estimate stage.

Our use of resources

- 5.6 An analysis of how we will use proposed resources during the planning period is set out in **Figure 7** overleaf.
- 5.7 Salaries will account for around 70 per cent of our gross resource requirement over the period of the Plan. Having taken

into consideration projections for normal staff change, a planned rebalancing of staffing levels in grades (including a need for increased resources in the audit technician/trainee accountant grades), and the pay proposal resulting from the 2013 pay review which remains subject to negotiation with Trade Union Side, it is forecast that the Office's pay bill will be less than anticipated for 2014-15 and 2015-16 in the previous Corporate Plan. This will be counterbalanced to an extent by the forecast expenditure on temporary appointments which reflects the increasing use of this resource to assist the Office with peaks in its financial audit workload.

Figure 6 - Proposed Resource Requirements

| | Plan Period | | | | | |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|------------------------------|------------------------------|------------------------------|
| | 2011-12 Main Estimate £'000 | 2012-13 Main Estimate £'000 | 2013-14 Main Estimate £'000 | 2014-15 Forecast £'000 | 2015-16 Forecast £'000 | 2016-17 Forecast £'000 |
| Net Resource Requirement | 8,542 | 8,414 | 8,327 | 8,200 | 8,060 | 7,880 |
| Increase/(Decrease) in cash terms | | -1.5% | -1.0% | -1.5% | -1.7% | -2.2% |
| GDP deflator | | 1.77 | 2.3 | 1.9 | 1.8 | 1.7 |
| Increase/(Decrease) in real terms | | -3.2% | -3.3% | -3.4% | -3.4% | -3.9% |

Part Five: What we will need

Figure 7 - Proposed use of resources

| | 2013-14 Main Estimate £'000 | Plan Period | | |
|-----------------------------------|-----------------------------------|------------------------------|------------------------------|------------------------------|
| | | 2014-15 Forecast £'000 | 2015-16 Forecast £'000 | 2016-17 Forecast £'000 |
| Staff | 7,511 | 7,441 | 7,404 | 7,485 |
| Staff (temporary) | 90 | 220 | 220 | 220 |
| Consultancy | 45 | 45 | 45 | 45 |
| Contracted out audit | 1,317 | 1,332 | 1,281 | 1,281 |
| General expenditure* | 1,534 | 1,785 | 1,496 | 1,797 |
| Gross resource requirement | 10,497 | 10,823 | 10,446 | 10,828 |
| Income | (2,170) | (2,623) | (2,386) | (2,948) |
| Net resource requirement | 8,327 | 8,200 | 8,060 | 7,880 |

*General Expenditure includes £292,000 in 2014-15 and £307,000 in 2016-17 for our costs incurred in the National Fraud Initiative. This is carried out biennially and leads to some fluctuation in General Expenditure between years. A similar amount is also included within income in those years in respect of amounts recharged to those bodies participating in the Initiative.

5.8 Projected increases to the Office's income over the planning period are based on the recovery of costs on:

- NFI in 2014-15 and 2016-17;
- additional European Agricultural Fund legality and regularity work; and
- additional local government audit work, all of which is assumed to be chargeable.

Capital expenditure

IT

5.9 While retaining full responsibility for having appropriate IT arrangements in place to support its business, the Office has recently outsourced its IT provision to IT Assist, a public sector shared service. This means that the core ICT infrastructure of the Office will be provided by IT Assist through the nigov³ network, covering standard network services including office automation through Microsoft packages, email,

and internet. Benefits from the new arrangements include:

- securing a stable and secure network with robust back up and contingency arrangements;
- direct access to the technological developments and new services introduced by IT Assist; and
- enhanced arrangements for staff to securely access the Office's systems from audit locations.

5.10 Under these new arrangements, we retain full responsibility for line of business applications specific to NIAO such as audit automation software. These will be hosted on servers managed by IT Assist.

5.11 In light of the substantial change over the past year, including the move to IT Assist and the procurement and implementation of new financial audit automation software, the Office's IT strategy over this plan period will focus on consolidation and determining how best we can use our line of business applications

to support the business and staff in the delivery of our objectives. To enhance operational efficiency and effectiveness, we will continue to update and replace line of business software and a limited amount of IT hardware which falls outside IT Assist's responsibility. Where a strong business case exists, we will implement further IT solutions. One area currently under consideration is the enhanced automation of our VFM activity. As this remains at an early stage, it is considered premature to seek funding for this.

Accommodation

5.12 The Office intends to carry out some minor structural work to its premises in University Street, Belfast, in 2015-16 to provide changes to its layout for business purposes. Again, we consider it premature to include this in our forecasts. This will be addressed in our next Corporate Plan.

5.13 In summary we forecast that our capital expenditure will be as shown in **Figure 8** below.

Figure 8 - Proposed capital expenditure

| | 2013-14 Main Estimate £'000 | Plan Period | | |
|---------------------------|--------------------------------------|------------------------------|------------------------------|------------------------------|
| | | 2014-15 Forecast £'000 | 2015-16 Forecast £'000 | 2016-17 Forecast £'000 |
| Total capital expenditure | 290 | 40 | 40 | 40 |

Appendix 1: How we measure our performance

We have set a number of challenging performance targets which we monitor and report on in our Annual Report. These measures include:

| | |
|---|---|
| <p>Ensuring ongoing efficiency in our work</p> | <p>We have a target of achieving annual savings of 1.5 per cent in real terms in the costs of both our financial audit and Value for Money work.</p> |
| <p>Timeliness of our outputs</p> | <p>We aim to complete and report on ten value for money examinations and produce two good practice guides each year.</p> <p>In relation to our financial audit work we have a target to certify the accounts of at least 70 per cent of the audited bodies within seven months of their year end and 90 per cent within twelve months. In order for us to achieve this target the audits of almost all departments, agencies, larger NDPBs and councils must be completed within seven months and a large proportion of our other smaller audits within twelve months.</p> |
| <p>Our work is of the highest quality</p> | <p>We have a comprehensive quality control process based on International Standard on Quality Control (ISQC 1). This Standard requires us to have detailed policies and procedures in a number of areas which include monitoring arrangements whereby 'cold reviews' are undertaken of our financial audit work. These 'cold reviews' are carried out by a number of audit teams, including teams from other public audit agencies, to ensure that our financial audit work has complied with our audit methodology and the underlying professional auditing standards. We require annual confirmation of our compliance.</p> <p>In addition, we subject all of our VFM reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our VFM reports maintain an average quality review score of at least three.</p> |



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