

Northern Ireland

Audit Office

Corporate Plan

2016-17 to 2018-19

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Foreword

On behalf of the Assembly's Audit Committee I am pleased to introduce the Northern Ireland Audit Office (NIAO) Corporate Plan for the period 2016-17 to 2018-19. The Plan defines the purpose of the NIAO and its two strategic priorities. The plan sets out the activities of the NIAO over the corporate planning period, as well as detailing its financial requirements in relation to 2016-17 and a number of challenging targets which shall be used to measure performance.

The public sector continues to face severe financial austerity and reduced funding is driving change in how public services are organised and delivered. The NIAO acknowledges that public audit will have an important part to play in these times of change as new processes and systems are introduced and embedded, particularly as the level of risk within the control environment is likely to increase during the period. The role of the NIAO in providing assurance and advice on the use of public funds, and supporting and promoting improvement in the delivery of public services will be paramount.

The NIAO recognises that it is not immune to the current financial circumstances and must continue to provide efficient and cost effective audit services. The Office has therefore had to fundamentally change its business model and rationalise the management structure. The Office implemented a VES scheme which will see the departure of around 15 full time equivalent staff (around 11% of workforce) by 31 March 2016. The plan also outlines that a further transition is required to get to an optimal structure and therefore the Office will consider further voluntary exits and will open recruitment in 2016-17 to recruit trainee accountants and technicians.

Despite these reductions and uncertainties the important work of the Audit Office must continue. The plan therefore sets out how the NIAO will encourage and support best practice in financial management; promote the proper conduct of public business; and promote improvement in the efficiency and quality of services provided to the public.

The Committee accepts that the reduction to the NIAO's budget will present challenges both in terms of achieving the cost reductions and delivering its services. These are challenges that are being faced right across the public sector. The Committee is confident that the NIAO can meet this challenge.

Jo-Anne Dobson MLA

Chairperson of the Audit Committee

Introduction

- 1 This Corporate Plan for the Northern Ireland Audit Office ('NIAO' or 'the Office') covers the period 2016-17 to 2018-19. It sets out the Office's strategic priorities and underpinning resource requirements.

Our Operating Environment

- 2 This is a period of extensive change across government with the public sector encountering unprecedented challenges within a reducing funding envelope. The Spending Review and Autumn Statement¹ announced a real terms reduction of just over 1 per cent in Resource DEL up to 2019-20 and a real terms increase of just over 1.5 per cent in Capital DEL for Northern Ireland by 2020-21.
3. In this constrained public expenditure environment, the NI Executive² has sought to protect key front-line public services while undertaking the investments necessary to underpin economic growth and putting in place the foundations for the reform and restructuring of the public sector.
4. Northern Ireland has multiple economic and social challenges which government aims to address through its spending programmes. A broad range of economic indicators reveal that the Northern Ireland economy is in recovery mode. However, the pace of the recovery is slower than that experienced in the rest of the UK and the Republic of Ireland. On a range of socio-economic indicators (such as its levels of employment and productivity, economic inactivity, social exclusion and living standards) Northern Ireland has also persistently lagged behind.
5. On the health front, an aging and growing population has led to increased demand for services, while new technology has meant that the cost of providing these services continues to increase. The combined effects of these trends has created considerable financial strain on the health system and resulted in difficulties in meeting core performance and waiting times targets.
6. In education, although rates of attainment are, in many respects, better than the rest of the UK and are improving over time, there remains a long tail of under-achievement,

¹ Spending Review and Autumn Statement – published 27 November 2015

² Budget 2015-16 – Northern Ireland Executive

particularly in the post-primary sector among non-grammar school pupils. This impacts significantly on the less advantaged in our society and has a legacy effect on the labour market where large numbers of new entrants need to be trained in basic and essential skills or are lost to the economy as 'NEETS' – Not in Employment, Education or Training.

7. Both the Stormont House Agreement and, more recently, the Fresh Start Agreement have outlined a range of reform initiatives which include:
 - the reduction in the number of Northern Ireland government departments from 12 to 9 in 2016; this is following close on the heels of local government reform, which reduced the number of local councils from 26 to 11, and the replacement of the five education and library boards and the Staff Commission for Education and Library Boards with a single education authority in 2015.
 - the provision of £700 million of capital borrowing to fund a Voluntary Exit Scheme (VES) over a period of four years.
 - a Digital Transformation Programme, which aims to have a further 16 public sector services online by 2016, and 3.5 million transactions.
 - a cross-cutting reform programme, to identify opportunities for consolidation of services through changing how the Northern Ireland Civil Service (NICS) interacts with the citizen.
 - the introduction of a more competitive Corporation Tax rate of 12.5% for Northern Ireland from April 2018, to be used as a means of rebalancing the economy and addressing the social and economic challenges facing Northern Ireland. It is anticipated that this reduction will encourage firms to grow, improve foreign direct investment and deliver jobs. However, the fall in tax revenue collected by the Treasury will require the Executive to make up the shortfall through a corresponding cut in its block grant.
 - reform of property and asset management to reduce the running costs of the public sector estate.

Role of Audit

8. It is widely accepted that in times of significant change, public audit has a major role to play in providing assurance and advice on the use of public funds, holding government to account and supporting and promoting improvement in the delivery of public services. This plan sets out how we will monitor, assess, develop and adapt how we do this within this challenging landscape.

Resources

9. We have committed to playing our part alongside the rest of the NI public sector in reducing costs, and have achieved substantial savings over the past number of years. We have also made a significant reduction in our staffing levels to meet budgetary constraints in 2015-16 and 2016-17. However, we are conscious of the need for a properly resourced professional independent audit service, particularly in this period of significant change in the public sector, where there have been substantial reductions to departmental budgets.

10. For 2016-17, we plan to reduce our costs by a further 4.4 per cent. For years 2 and 3 of the plan, it is proposed that our Net Resource Requirement should be held constant in cash terms, given the extent of ongoing change in the external operating environment and internally. We would be concerned that, should we be required to make any further significant reduction in funding, this could mean that we would be unable to respond quickly to emerging issues or discharge our statutory functions.

Part 1 - Our Strategic Priorities

1.1 The Comptroller and Auditor General for Northern Ireland (C&AG) is responsible for

- authorising the issue of money from central government funds to Northern Ireland Departments; and
- financial and value for money audit of central government bodies in Northern Ireland, including:
 - Northern Ireland Departments
 - Executive Agencies
 - Executive Non-Departmental Public Bodies
 - Health and Social Care Bodies.

1.2 The NIAO, as a public sector body totally independent of government, supports the C&AG in fulfilling his responsibilities. Its role is, through its financial and public reporting work, to hold public bodies to account for the way they spend public money. It does this by providing objective information, advice and assurance on how public funds have been used and encouraging best practice in financial management, good governance and propriety in the conduct of public business.

1.3 The audit of local government bodies, including district councils, is undertaken by the local government auditor who is a member of NIAO staff, designated by the Department of the Environment.

1.4 Our main activities are set out in Figure 1 below.

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; & providing assurance on the Accounting Officers' Governance Statement.
Public Reporting	Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend

	<p>taxpayers' money economically, efficiently and effectively.</p> <p>Examination, assessment and reporting on district council performance improvement responsibilities.</p> <p>Providing public bodies with constructive advice in the form of good practice reports across a range of areas.</p>
Governance and Fraud Prevention and Detection	<p>Helping public bodies 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.</p>
Support to the Northern Ireland Assembly and the public	<p>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 citizens.</p>
Comptroller function	<p>Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.</p>

1.5 Our purpose is 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. In fulfilling this purpose, we have set two key strategic priorities in the reporting period:



- Supporting Change, Innovation and Improvement in the Public Sector



- Transforming our business

- 1.6 The Office aims to maintain output and quality in the face of continuing financial pressures and reduced manpower. We will build further on the structural changes and operational transformation made to date. Among other things, we will:
- narrow the scope of our reports - we will aim to shorten our reports by focusing more directly on the most important aspects of our audits and thereby maximise our added value.
 - diversify our product range - traditionally, the Office's reports have consisted of major value for money studies and certified financial statements. We will continue to diversify this product range. This will include good practice guides, presentations and greater use of internet-based applications.
 - enhance team-based working to widen, deepen and strengthen our expertise on particular areas of work.
 - shorten clearance times - we have experienced considerable difficulty over recent years in clearing our reports with audited bodies. This has significantly added to the time taken to produce our reports and bring them to the Public Accounts Committee for its consideration. To address this, last year we agreed a clearance protocol with DFP which was issued to all Accounting Officers. We will seek to build on this clearance protocol to reduce the time taken to clear our reports with audited bodies.
 - draw on the knowledge gleaned from our engagement with stakeholders - we will use the feedback from our wide spectrum of stakeholders (for example, elected representatives, audited bodies, representative organisations) to ensure we focus on the right topics.

Audit Office Deliverables

- 1.7 During the first year of the plan we will deliver on all our statutory responsibilities. This will include providing audit opinions on 164 accounts (including 22 local government accounts), publishing nine value for money reports and two best practice guides as well as reporting on eleven performance improvement audits and publishing up to three general reports. We will also continue to provide quality support to the Public Accounts Committee in its scrutiny of departments and their associated bodies and progress our data matching work (see appendix 1).

Part 2 – Supporting Change, Innovation and Improvement in the Public Sector

The Context

- 2.1 The Northern Ireland Public Sector will continue to face fiscal austerity and must deliver the required level and quality of public services with fewer resources. In parallel, it is facing a wide-ranging programme of reform, including restructuring of central and local government.
- 2.2 Public sector reform provides opportunities to deliver real benefits for the taxpayer. But, particularly within a context of austerity, it can also generate risks to value for money and the provision of sustainable services. In such an environment there remains a need for strong accountability to the Assembly for how public sector bodies use their funding. This accountability is underpinned by NIAO in its role as a strong and independent audit institution.
- 2.3 We will continue to 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. Through the delivery of this service, we aim to maintain our strong professional relationship with the Assembly, the Northern Ireland Civil Service (NICS), local government and the wider public sector.

An Enhanced Role for Public Sector Audit

- 2.4 We will be proactive in supporting positive change and innovation across all parts of the public sector. One key means of doing this is to ensure that our work programme reflects and focuses on major reform initiatives and that we report publicly our findings. In this context our work programme will be shaped by, and is likely to focus on, the following key themes:
 - **Programme for Government (PFG)** - our work will continue to take into consideration the Northern Ireland Executive's key priorities as reflected in the PFG. This has underpinned a number of our deliverables in recent years and will continue to

influence our VFM work programme. We are planning to undertake a range of studies in areas such as health (the management of emergency admissions), education (a review of special educational needs) and the economy (access to finance for small businesses).

- **Austerity** – our programme will also identify studies with the potential to reduce costs, increase revenues, identify waste and/or increase productivity and efficiency, and consider the impact of austerity on the sustainability of public services. In this context, for example, we will produce a report examining how the costs of legal aid are being managed. We will also examine initiatives in areas such as staff reduction and property asset management.
- **Service delivery** – we will report on programmes and initiatives which are aimed at identifying opportunities to deliver services more quickly and to a higher standard; making services more accessible to the public; joining-up service delivery; involving users in the design of services; or using partner organisations in the funding and delivery of services. A particular theme in this area is that of Digital Government and we will undertake a review of progress in this area. We will also report on progress in delivering the flagship Transforming Your Care initiative in health.
- **Cross-cutting themes** - our choice of reports will also be influenced by initiatives which involve more than one public body, where the issues impose costs across the wider public expenditure system and require joined-up activity to tackle the problems. Future work in this area will include an examination of youth reoffending rates which impacts not just on the criminal justice system but across the wider public sector.
- **Promoting Good Practice** - over recent years we have produced a number of good practice publications on issues such as the departmental oversight of arm's length bodies, risk management and whistleblowing. Last year, we produced a good practice guide on managing conflicts of interest which was launched at an event jointly hosted by the Chief Executives' Forum and Chairs' Forum. Subsequently a member of the team was awarded runner up in the CIPFA Finance Professional of the Year for her work on this guide. More recently we have published a good practice guide on managing fraud risk in a changing environment. We aim to ramp up this good practice activity. Over the period of this Corporate Plan we will undertake good practice work in a number of areas such as performance measurement; innovation; and board effectiveness.
- **Local Government Reform** - The local government reform programme has impacted on every aspect of the operation of the councils including but not limited to: a reduction in the number of councils from 26 to 11; new governance arrangements for councils; a revised ethical standard regime; the transfer of certain functions from central government; and a new council-led community planning process.

As part of the reform programme our local government audit team will be required to undertake a new external assurance role which has significant potential to assist and support the drive for improvement throughout the sector. We will report annually on the outcome of this work. In addition, we will assist councils to secure continuous improvement by sharing best practice across the sector. In preparation for this work we have already been engaging with the relevant stakeholders on the detailed implications and timings for this new work stream, which is being phased in from 2015-16.

Promotion of a strong counter fraud culture across the public sector

2.5 It is a widely accepted principle that the risk of fraud escalates in periods of significant change. As new public sector organisations are created, or formed through a process of merger, a number of key fraud risks may emerge, for example:

- roles and responsibilities may be unclear or inadequately defined;
- governance arrangements may not operate effectively;
- staff reductions may lead to weakened control systems due to inadequate segregation of duties;
- staff losses on a significant scale may mean that key skills are lost; and
- supervisory checks may be overlooked.

In recognition of this, we have recently published a good practice guide on managing fraud risk in a changing environment.

2.6 In addition, since 2008 we have actively participated in the National Fraud Initiative (NFI), a biennial UK wide data matching exercise to combat fraud and error. The first three exercises in Northern Ireland have resulted in savings of almost £30 million. The fourth NFI exercise is underway and we will report on the outcome of this in June 2016. Given the success of this programme to date, it is our intention to expand and extend its coverage. For example, a pilot exercise is currently underway using data matching techniques which will help to address the problem of cross-border health fraud.

Responding to correspondence and whistleblowers

- 2.7 The Comptroller and Auditor General and the Local Government Auditor are prescribed persons under public interest disclosure legislation. The Office therefore provides a route for those with information about wrongdoing to come forward and we take appropriate action in response to the information we receive. Our website, which includes our whistleblowing good practice procedures, sets out a range of ways in which this may be done.
- 2.8 In addition, we receive a significant volume of correspondence from elected public representatives and members of the public. This is often a valuable source of intelligence and insight to inform us of the systemic issues that we should be focusing on. Writing to the C&AG is often the first experience elected representatives have of the NIAO. Accordingly, we will ensure that our responses are consistently timely and proportionate and that we escalate issues for investigation, where appropriate.

We will provide assurance to the Assembly on public sector accounts

- 2.9 We will continue to provide assurance to the Assembly and the local government sector on the annual accounts prepared by public sector bodies such as departments, agencies, health trusts, district councils and other public bodies. While carrying out our financial audit work a secondary, but nevertheless important objective, is to add lasting value to our audited bodies. We do this by using our audit expertise to identify ways to improve their financial management and corporate governance, providing constructive advice in our reports to those charged with governance, annual reports and by our contribution at audit committees.
- 2.10 As set out at para 2.4, both local government and central government are in a period of major structural reform. However, our experience of previous reorganisations suggests that the first two years' audits of new public sector entities are likely to require greater audit scrutiny as new governance frameworks mature. It is anticipated that savings achieved from the reduction in the number of audits, through the reduced use of temporary and permanent staff, will be used to resource developments in our local government audit remit and in the delivery of the wider value for money programme.

Part 3 – Transforming our business

- 3.1 We are committed to providing a high quality cost effective service to the Assembly and those we audit. In achieving this, it is essential that we adapt our ways of working and fully prepare ourselves to meet the challenges of today and evolve to stay ahead of the changes in our operating environment.

Significant internal developments

- 3.2 We will maintain and develop our professional skills and knowledge and, through joined up working, become an increasingly efficient and streamlined organisation, making full use of the perspective we have across the public sector.

- 3.3 In the past year, we have made a fundamental change in our business model. The purpose of this is to:

- improve the flexibility and agility of the organisation to better balance workflow and meet peaks in activity, and reduce reliance on temporary appointments;
- enhancing knowledge and skills sharing;
- creating a stronger client focus;
- increasing opportunities for career development, as well as providing job enrichment and enhancing succession planning; and
- providing greater autonomy in decision-making.

Over the plan period we will embed and evolve this new model to drive continuous improvement in organisational performance and the development of staff. As an Office we must adapt and develop our skills to meet the opportunities and challenges we face in a rapidly changing public sector landscape. This is particularly salient as we enter this planning period with a reduced workforce.

- 3.4 In our previous corporate plan, we acknowledged the need to **rationalise the management structure** and that local government reform and the restructuring of central government would result in a reduced staff requirement. In addition financial constraints have reinforced the need for change in how we manage and use our resources to deliver audit services to our stakeholders. In response to these changes and budgetary pressures, the Office has implemented a Voluntary Exit Scheme, funded through the Northern Ireland Transformation Fund. This will result in the departure of around 15 full time equivalent staff (around 11 per cent of the workforce) by 31 March 2016.

Figure 2 - Average Full Time Equivalent (FTE) Permanent Staff

Outturn					Forecast	Planned		
2010-11	2011/12	2012/13	2013/14	2014/15	2015-16*	2016-17	2017-18	2018-19
135	137	133	127	128	109	113	115	116

*Projected workforce at 31 March 2016

- 3.5 While the 2015-16 Voluntary Exit Scheme has brought about a reduction in staff numbers, further transition to an optimal grade structure is required. Accordingly, consideration will also be given to utilising funding for further voluntary exits. However, to resource front-line audit and meet future business needs, the Office cannot stand still and so we will **recommence recruitment** in 2016-17, focusing on trainee accountants and technicians, and reintroduce its student placement scheme.

Getting the best from our people

- 3.6 We recognise that our experienced and skilled staff are our most important asset. The Office is committed to providing an environment where staff feel supported and are given the necessary training to help and develop their skills. Currently just under 70 per cent of our staff are either qualified or trainee accountants, and others are qualified in other relevant disciplines. Over the plan period, and in response to our external operating environment and internal change, we will **approach learning and development with a renewed focus and vigour** to ensure staff have the required skills and knowledge, and the organisation is in a position to maximise added value for the Assembly and those it audits. This will include:

- establishing a new in-house audit training unit to address strategic and technical skills;
- providing staff with the knowledge and confidence to underpin the required increase in flexibility across work streams;
- expanding our expertise and knowledge in growth and innovative areas within the public sector, including digital transformation; and
- seeking secondment opportunities as a means of enhancing skills, career development, and boosting the morale and confidence of staff.

- 3.7 Feedback through staff surveys and day-to-day communication is important in monitoring engagement, the well-being of our staff and the working culture. This has highlighted areas that require further development including leadership and management skills and communication. These will be addressed over the plan period as

part of an overall focus on creating the right working environment so our people can give of their best in all that they do. To enhance personal performance, we will also **implement a new performance management scheme** which will place significant emphasis on learning and development.

- 3.8 We supplement our internal resources by spending around 12 per cent of our budget on **out-sourcing**. This is mainly for financial audit work where we contract out around 30 per cent of our portfolio to help manage the annual peaks of our work, and to access particular skills.

Our performance

- 3.9 We have a responsibility to provide value for money on the services we provide to our stakeholders. Our work continues to result in significant financial savings for the public purse as demonstrated each year in our Annual Report and Accounts. We contribute to financial savings across a wide spectrum of work and, in recent years, our activities on the National Fraud Initiative and our audit of the European Agriculture Fund have realised very significant financial impacts. During 2014-15, we identified quantifiable **financial impacts** of £26.6 million as a result of work of the Office and PAC, 3.4 times the net resource outturn of the Office. The extent of savings achieved can fluctuate from year to year and is largely dependent on our audit programme, but financial impact over the plan period will continue to be an important consideration in planning what we do.
- 3.10 We apply comprehensive **quality control** processes to our work. This includes application of the International Standard on Quality Control' (ISQC1) to financial audit, incorporating monitoring arrangements to ensure that our financial audit has complied with our audit methodology and underlying professional auditing standards. We require annual confirmation of our compliance. All VFM reports are subject to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that these reports maintain an average quality review score of at least 3.
- 3.11 In terms of **timeliness** of our outputs, our target is to certify the accounts of at least 70 per cent of the audited bodies within seven months of their year end and 87 per cent within twelve months. We aim to produce around 25 public reports in the first year of the plan.

Delivering Efficiencies through better ways of working

- 3.12 Over recent years we have secured internal efficiency and savings without compromising quality, productivity or scope of our work. We are now producing studies faster, with a more focussed scope, and have planned on the basis of an average study cost of £125,000 in 2016-17. We have also agreed a protocol with the NICS to make the 'clearance' process more efficient. In financial audit we have also increased productivity.
- 3.13 Over the plan period, we will focus on delivering a comprehensive programme of work within reduced resources (see Part Four). We will:
- continue to find ways of working better, including further streamlining and implementing efficiencies in our audit and business support (human resources, finance, facilities, digital, quality and communications) processes;
 - embed our new business model so that we work in a more integrated and joined up way to bring together our skills and expertise on our principal areas of work;
 - develop our use of technology;
 - improve management information for decision making; and
 - increase delegation of work and decisions to the right level.
- 3.14 In maximising efficiencies and providing value for money, we will continue to benchmark with other public audit agencies and proactively engage with key stakeholders, including the Assembly and the bodies we audit. It is important that we understand their issues and perspectives, and recognise that insights come from time spent on site with our stakeholders. We are also keen to seek their feedback on the services we provide. In 2015-16 we formally surveyed a sample of our audited bodies, and plan to carry this out on scheduled basis over the plan period. The Office has also been covered in an independent survey of MLAs, focusing on perceptions of the NIAO and the work it does.
- 3.15 The portfolio of work for the plan period is addressed in Part Two. In delivering our functions, we will plan our resources to maximise the achievement of our strategic priorities. Our 2016-17 strategic workforce plan envisages that around 62 per cent of our staff resource will be allocated to financial audit, 22 per cent to public reporting and 16 per cent to corporate activities. However, over the planning period, our aim is to increase the proportion of resource allocated to public reporting, particularly good practice work. Furthermore, we will ensure that a greater proportion of senior management time is directed towards higher added value work such as strategic analysis of the audit field and the development of public reporting and good practice guides.
- 3.16 We report our performance against measures which assist in demonstrating our productivity, quality of work and achievements in reducing costs in our annual report and accounts.

Equality

- 3.17 The NIAO Equality Scheme, approved by the Equality Commission in November 2011, sets out how we fulfil our obligations under section 75 of the Northern Ireland Act 1998.
- 3.18 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.

Part 4 – Financial requirements

- 4.1 The Comptroller and Auditor General expects public bodies to manage their finances to the highest standards and to achieve the best possible value for money. It is only right that the same is expected of the NIAO.

Resource requirements

- 4.2 NIAO plays a vital role in holding government to account in times of change, and we must have the resources to do this work effectively.
- 4.3 We have already achieved significant savings in expenditure without compromising the quality and range of work we do for the Assembly. Over the period 2009-10 to 2014-15, our overall net cost (outturn) reduced by 10 per cent, which is an 18 per cent reduction once we take account of the effect of inflation.
- 4.4 Using comparable costs, the Office's Estimate provision for 2015-16 is some 6 per cent less than that for 2014-15. The full impact of pay bill savings resulting from the Voluntary Exit Scheme will materialise in 2016-17, and enable the Office, in that year, to absorb an additional reduction of 4.4 per cent (see Figure 3). We are satisfied that this will not impair our ability to deliver our statutory financial audit and public reporting responsibilities.
- 4.5 Excluding funding for departure schemes, it is proposed that the Net Resource Requirement should be held constant in cash terms for years 2 and 3 of the plan given the extent of ongoing change in the external operating environment and internally. These projections will be revisited in advance of the Executive setting its Budget for the period commencing 2017-18.
- 4.6 Figure 3 sets out the proposed resources for the period ending 2018-19.

Figure 3 - Proposed Resource Requirements (Estimate)

	2015-16 Estimate £'000	Plan Period		
		2016-17 Forecast £'000	2017-18 Forecast £'000	2018-19 Forecast £'000
Staff	7,400	7,070	7,160	7,200
Outsourcing (contracted out audits, temporary staff, consultancy)	1,300	1,320	1,210	1,210
Voluntary Exit Scheme	997	565	-	-
General expenditure	1,486	1,664	1,450	1,630
Gross resource requirement	11,183	10,619	9,820	10,040
Income	(2,398)	(2,607)	(2,370)	(2,590)
Net resource requirement	8,785	8,012	7,450	7,450
Increase/(Decrease)	-	(8.8%)	(7.0%)	-
Net resource requirement less VES funding	7,788	7,447	7,450	7,450
Increase/(Decrease)	-	(4.4%)	-	-

Notes

1. The 2015-16 Estimate incorporates proposed Spring Supplementary Estimate adjustments.
2. With effect from 2016-17 staff costs include extra National Insurance payments each year following reform of the State Pension.
3. The National Fraud Initiative will be carried out in 2016-17 and 2018-19, resulting in a fluctuation in General Expenditure and Income between years.
4. The 2016-17 Net Resource Requirement in Resource Budget terms (the framework used by the Executive) is as follows:

	£'000
Net Resource Requirement	8,012
Add Consolidated Fund Standing Services	191
Less Notional Charges	(10)
Resource Budget Requirement	8,193
Of which:	
Resource DEL	8,214
Annually managed expenditure	(21)

4.7 Staff costs make up around 70 per cent of expenditure. To address budgetary constraints in 2015-16 and beyond, a Voluntary Exit Scheme has been implemented (see paragraph

3.5). We project that natural turnover in permanent staff resources will be relatively low over the planning period due to the age profile and prevailing market conditions – traditionally many of our staff moved into the wider public sector. Workforce planning, including benchmarking with other audit bodies, has indicated a need to continue to rationalise management but build up resources in trainee grades to meet front-line audit and future business requirements. Over the plan period, we will utilise VES funding, as necessary, to manage the pay bill and transition to an optimal staff grade mix.

- 4.8 Outsourced resources comprise around 12 per cent of expenditure. Having significantly reduced the use of temporary appointments to support NIAO staff in the delivery of financial audits, particularly in peak periods, this expenditure primarily comprises financial audits sub-contracted to private sector firms.
- 4.9 General expenditure covers a range of running costs including accommodation costs, travel, training, IT³, governance and legal services. While continuing to build on the savings we have already made, one area we will be giving increased emphasis to over the planning period is the learning and development of all staff (see para 3.6) and our training budget will be set accordingly.
- 4.10 Income is derived from the recovery of the cost of certain central government financial audits, all local government audits, the National Fraud Initiative and work undertaken for the National Audit Office, including European Agricultural Legality and regularity work.

Resource Requirements - Capital

4.11 Our capital requirements continue to relate to:

- IT, including line of business applications specific to NIAO such as audit automation software, which are not part of the outsourced service provided by IT Assist (Northern Ireland Civil Service); and
- Accommodation.

4.12 We have not anticipated any major capital projects at this stage, but plan to further consider the potential to carry out some structural work to our premises in University Street, Belfast, to provide changes to its layout to maximise the benefits from remodelling the business and to take account of staff reductions through VES. We may wish to seek additional funding in due course.

4.13 In summary we forecast that our total capital expenditure incorporating both IT and Accommodation will be as shown in Figure 4 below.

³ The provision of our core ICT infrastructure is outsourced to IT Assist (a Northern Ireland Civil Service shared service).

Figure 4 - Proposed Total Capital Expenditure

		Plan Period		
	2015-16 Forecast £'000	2016-17 Forecast £'000	2017-18 Forecast £'000	2018-19 Forecast £'000
Total capital expenditure	40	40	40	40

Audit Office Deliverables

Our planned deliverables for the first year of the plan are set out below.



Over 164 annual financial audits across the public sector



9 Value for Money Reports



2 best practice guides



Up to 3 General reports



11 performance improvements audits



Addressing issues raised by whistleblowers



Co-ordination of the National Fraud Initiative (NFI) in Northern Ireland



Support for the NI Assembly in its scrutiny of the use of public money



Briefings for Assembly Committees



Engagement with key stakeholders