

From the Minister of Finance

Mr Daniel McCrossan MLA

*Chairperson
Audit Committee
Room 276
Parliament Buildings
Ballymiscaw
Stormont Estate
Belfast BT4 3XX*

Private Office
2nd Floor
Clare House
303 Airport Road West
BELFAST
BT3 9ED
Tel: 028 9081 6216
Email: private.office@finance-ni.gov.uk

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Dear Daniel

PUBLIC AUDIT GOVERNANCE: THE ROLE OF THE ACCOUNTING OFFICER

Thank you for your letter of 21 April 2021 attaching a copy of *Public Audit Governance: The Role of the Accounting Officer*, a research paper on the governance around the role of the Comptroller and Auditor General as Accounting Officer for the audit offices here and in Britain. I note the main differences highlighted are around the role of the Department of Finance (DoF), and you have asked for my observations on the differences identified.

You have also asked for my views on potential improvements or reforms in the context of the Audit Committee's review of the governance and accountability arrangements for the Northern Ireland Audit Office (NIAO) and the Northern Ireland Public Services Ombudsman (NIPSO).

Comments on Research Paper

Appointment of NIAO Accounting Officer

DoF does not appoint the Comptroller & Auditor General (C&AG) in the north.

Under devolution; the Assembly has a consultative role in relation to the actual appointment and removal of the C&AG, as set out in section 65 of the Northern Ireland Act 1998. During a previous mandate in the Assembly, this procedure was formalised and placed on record in the Speaker's Office. Under this arrangement, the C&AG will be appointed from a panel comprising the Speaker, the Audit Committee Chairman,

the PAC Chairman and an independent adviser. Following agreement, the C&AG will be appointed by the Crown and removable only by petition of the Assembly with a two thirds majority.

It is also worth highlighting that under s(65)3, he/she is not subject to the direction or control of Ministers, departments or the Assembly itself. These arrangements seek to ensure the independence of the C&AG and the work of the NIAO from political influence.

While DoF has no role on the panel that appoints the C&AG, it does issue the letter appointing the successful candidate as the Accounting Officer for NIAO under Section 9(6) of the Government Resource Accounts Act NI 2001. It is a well-established convention that my Department carries out a general role in appointing the Heads of all Departments as Accounting Officers, this is consistent with the guidance as set out in MPMNI.

Laying of NIAO Accounts

As laid out in your research paper, under Article 6(3) of the Audit (NI) Order 1987 as amended, NIAO are responsible for preparing resource accounts of the kind mentioned in Section 9 of the Government Resources and Accounts Act (Northern Ireland) 2001. NIAO's external auditor certifies the accounts of the NIAO, which are then reviewed by the Assembly's Audit Committee and laid before the Assembly by DoF.

My officials have confirmed however that DoF does not have any role/responsibility for agreeing/approving these accounts. DoF's role in the process is purely an administrative one carrying out a high level check on formatting against the requirements as laid out in the guidance issued under cover of a Dear Finance Director letter each year.

Appointment of NIAO external auditor

The Audit (Northern Ireland) Order 1987 currently requires DoF to appoint the external auditor of the NIAO. In accordance with an extra statutory arrangement, the appointment is made by DoF acting on advice from the Audit Committee of the Assembly.

The most recent exercise to appoint NIAO's external auditor was carried out during 2018-19. However, due to the collapse of devolved government, DoF officials were unable to meet with the Audit Committee to discuss the background to the process of appointing an external auditor for the NIAO at that time. A paper was sent to the Clerk of the Audit Committee in February 2019 advising of the outcome of the procurement exercise for appointing the external auditor, and further requested that the Audit Committee endorse the appointment of BTMM, as the external auditor for the NIAO for an initial three year period 2018-19 to 2020-21 in due course.

It has however long been recognised within DoF that the power for appointing an external auditor for NIAO sits more properly with the Assembly. My department

therefore, working together with the Assembly/Committee support, would propose to take forward work to make this change once time permits. In the meantime, my officials will consider the most appropriate vehicle to take forward the necessary legislative changes and will liaise with the Clerk of the Audit Committee.

Review of the governance and accountability arrangements for NIAO and NIPSO

I also welcome the wider piece of work around the review of the governance and accountability arrangements for NIAO and NIPSO. I note this work is still ongoing and acknowledge there may be the potential for some improvements moving forward. My department will consider and respond to any relevant recommendations made in due course in connection with its role and responsibilities.

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A handwritten signature in black ink that reads "Conor Murphy." The signature is written in a cursive style with a period at the end.

**CONOR MURPHY MLA
MINISTER OF FINANCE**