

# Northern Ireland Audit Office and the Northern Ireland Assembly Audit Committee

## Memorandum of Understanding on the Governance and Accountability Arrangements of the Northern Ireland Audit Office

### 1. Introduction

1.1 This Memorandum sets out the understanding of the Northern Ireland Audit Office (NIAO) and the Northern Ireland Assembly Audit Committee (the Audit Committee) of the framework for the corporate governance and accountability of the NIAO.

1.2 This Memorandum replaces the previous Memorandum signed by the Comptroller and Auditor General (C&AG) and the Chair of the Audit Committee on 29 July 2015.

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

1.4 The NIAO is headed by the C&AG, an Officer of the Northern Ireland Assembly (the Assembly). The C&AG and her staff 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 NIAO is designated by the Department for Communities as the Local Government Auditor and is responsible for the audit of councils and other local government bodies. A Code of Audit Practice (Local Government), approved by the Assembly, which sets out the framework for auditing local government bodies in Northern Ireland, is updated and published every five years.

1.5 The NIAO recognises the importance of being exemplar in the handling of its own affairs and retaining its credibility with the Assembly, audited bodies and other stakeholders. It is committed to adhering to the highest standards of corporate governance and accountability, underpinned by transparency, and promoting and securing value for money in its use of public funds.

1.6 The Audit Committee is a Standing Committee established in accordance with paragraph 10 of Strand One of the Belfast Agreement and under Assembly Standing Order No. 58. In respect to the NIAO, the Audit Committee has the power to:

- exercise the functions mentioned in Section 66(1) of the Northern Ireland Act 1998. The Committee therefore agrees the annual estimate of the use of resources of the NIAO and lays it before the Assembly; and
- table a motion in respect of the salary of the C&AG.

Oversight of the NIAO's financial performance against the Estimate is carried out by the Assembly Audit Committee.

1.7 The purpose of this Memorandum is to set out:

- the values and standards of the NIAO in carrying out its work; and
- the commitments of the C&AG and the NIAO to the Audit Committee on its internal governance arrangements including the actions they will take to uphold transparency and manage public money effectively, and in doing so to provide confidence to the Assembly and wider public regarding the arrangements for the governance and accountability of the NIAO.
- To outline the Audit Committee's role in relation to the NIAO.

## **2. How the NIAO will carry out its business**

2.1 In support of the achievement of its aims and objectives, the NIAO will maintain systems of governance, risk management and internal controls consistent with best practice, monitor that the systems are operating effectively and report on the systems in the Governance Statement in its Annual Report and Accounts. It will endeavour to conduct its business in an economic, efficient and effective way.

2.2 The NIAO is funded by the Assembly. The C&AG, as Accounting Officer for the NIAO, will fulfil the responsibilities assigned to her in Managing Public Money Northern Ireland, including assuring the Assembly and the public of high standards of probity in the management of public funds.

2.3 The NIAO has its own Code of Conduct based on the Nolan Principles, developed by the Committee on Standards in Public Life. NIAO's Code of Conduct reinforces the core values and standards of its work and provides a reference point for decisions and courses of action in carrying out its statutory and professional responsibilities. Further detail on the NIAO Code of Conduct can be obtained from NIAO's website.

## **3. Governance arrangements**

### **Role of the Comptroller and Auditor General**

3.1 The C&AG is head of the NIAO and a Crown appointment made on the nomination of the Assembly. The C&AG is responsible for auditing Northern Ireland's central government public sector organisations as defined in various pieces of legislation.

3.2 The C&AG carries out examinations of the economy, efficiency and effectiveness with which central government bodies use their resources and reports the results of her work to the Assembly. The C&AG must be independent of government and operate in an apolitical manner. The C&AG is an Officer of the Assembly and her powers and duties are set out in legislation. An overview of the main statutory provisions are as follows:

*Northern Ireland Act 1998*

This lays out the means of appointing the C&AG and provides that, in exercising her functions, except for any function conferred on her of preparing accounts, she shall not be subject to the direction or control of any Minister or Northern Ireland Department or the Assembly.

The C&AG has complete discretion in the discharge of her statutory audit functions. Responsibility for all audit opinions and judgements rests with the C&AG alone.

*Audit (Northern Ireland) Order 1987*

*This Order:*

- provides for the C&AG to be a corporation sole;
- established the NIAO to support the C&AG in the discharge of her statutory functions;
- allows for the C&AG to examine and report to the Assembly on whether public bodies have used resources economically, efficiently and effectively;
- provides for the NIAO Estimate to be agreed between the C&AG and the Audit Committee; and
- requires the Department of Finance (DoF) to appoint the Accounting Officer, who is responsible for preparing the NIAO resource accounts, and to appoint the external auditor of the NIAO.

*Government Resources and Accounts Act (Northern Ireland) 2001*

This Act provides for the C&AG to authorise the issue of public funds by the DoF from the Northern Ireland Consolidated Fund to Northern Ireland departments and others (the 'Comptroller' function); and for the C&AG to audit the financial statements of all Northern Ireland departments. Other legislation requires individual public bodies to be audited annually by the C&AG.

*Local Government (Northern Ireland) Act 2014*

The Local Government (Northern Ireland) Act 2014 updated the Local Government (Northern Ireland) Order 2005 and provides that the Department for Communities may, with the consent of the Comptroller and Auditor General, designate a member of NIAO staff as the Local Government Auditor. The Act expanded the statutory roles and responsibilities of the Local Government Auditor to include performance audits of councils.

3.3 As head of the NIAO and with primacy of authority vested in her statutory position as corporation sole, the C&AG is responsible for putting in place internal governance structures to support her in the delivery of her functions. The arrangements established are detailed below.

#### **NIAO Advisory Board**

3.4 The Advisory Board is responsible for providing objective and impartial advice to the C&AG to assist her in the discharge of her functions and works in partnership with the C&AG and the Senior Leadership Team (SLT). The Board scrutinises the work of the NIAO in accordance with the Code<sup>1</sup>, with the objective of providing constructive challenge. It also scrutinises and advises on NIAO finances on an ongoing basis.

3.5 The Advisory Board comprises four non-executives, the C&AG and the COO, the former bringing an independent and external perspective to the work of the Board. The Chairperson of the Advisory Board is appointed by the C&AG, in conjunction with the Assembly Audit Committee, through open competition.

3.6 Each member is appointed for a three-year period, which may be extended for a maximum of a further three years by the C&AG with the endorsement of the Assembly Audit Committee.

3.7 To support its functions, the Advisory Board has established two subcommittees, an Audit and Risk Assurance Committee (ARAC) and a Remuneration Committee. Details of the roles of these sub committees are on the NIAO website.

3.8 Should it chose to do so the Assembly Audit Committee shall have the opportunity to meet with the non-executive members of the Advisory Board as and when required and the Chairperson of the Board will have access to the Assembly Audit Committee.

3.9 NIAO will appoint an internal auditor, to independently carry out an audit function to comply with Government Internal Auditing Standards.

#### **Senior Leadership Team**

3.10 The Senior Leadership Team (SLT), which comprises the C&AG, the Chief Operating Officer (COO) and Directors, is responsible for the strategic leadership of the NIAO and assists the C&AG in the effective oversight of the operational management of the NIAO. Subject to the C&AG's statutory position as a corporation sole and head of the NIAO, the team is the principal mechanism for directing business and decision making in the NIAO.

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<sup>1</sup> Corporate Governance in Central Government Departments: Code of Good Practice NI 2025, Managing Public Money Northern Ireland and Audit and Risk Assurance Committee Handbook (NI) HMT Orange Book: <https://www.gov.uk/government/publications/orange-book>

## **Corporate Management Team**

3.11 The SLT is supported by a Corporate Management Team (CMT) comprising Managers and Heads of Service, who are responsible for operational leadership and contributing to the strategic leadership within the NIAO.

## **4. Accountability**

4.1 The C&AG is a 'corporation sole'. While NIAO staff assist in the discharge of her functions, all legal powers, rights and duties are vested in the office of Comptroller and Auditor General.

4.2 In her role as Accounting Officer for the NIAO, the C&AG is responsible for preparing the NIAO's annual report and accounts and submitting them to the external auditor, who certifies them. The annual report and accounts are then laid before the Northern Ireland Assembly by DoF. Additionally, the external auditor may be requested to carry out economy, efficiency and effectiveness examinations of the use of resources by the NIAO (value for money studies). The external auditor's reports on these examinations will be provided to the Assembly Audit Committee, who may consider sharing these with the Northern Ireland Assembly's Public Accounts Committee (PAC).

4.3 In addition, the NIAO commits to publish on its website:

- Terms of Reference and minutes of the meetings of the Advisory Board, the Audit and Risk Assurance Committee and the Senior Leadership Team;
- a summary of information relating to Registers of Interest and the provision and receipt of gifts and hospitality by non-executive members, the C&AG and other members of the SLT; and
- a summary of travel and subsistence expenditure for the C&AG, non-executive members and the SLT.

4.4 The Assembly Audit Committee is required to agree the Estimates of the NIAO and lay them before the Assembly. It also scrutinises the draft budget of the NIAO. In performing these responsibilities, it will:

- consider the estimate prepared by the C&AG of the use of resources by NIAO for the next financial year. In doing so, it shall have regard to the advice of PAC and DoF;
- subject to any modifications agreed between the Committee and the C&AG, lay the annual estimate before the Assembly;
- consider NIAO corporate plan, setting out the NIAO's key strategic aims; how the NIAO propose to deliver these aims; the resources that are required by the NIAO to do so; and their key performance measures;
- examine the NIAO annual report and accounts and consider the external auditors certificate and opinions;

- advise on the commissioning of any value for money studies to be undertaken by the external auditor on NIAO's use of resources;
- consider the external auditor's reports on any value for money studies;
- examine NIAO's in year financial monitoring returns;
- table a motion in the Assembly in respect of the salary of the C&AG;
- provide advice to DoF on the appointment of the NIAO external auditor;
- have the opportunity to meet with NIAO Advisory Board non-executives as and when required;
- examine any other matter relevant to the NIAO's financial performance; and
- publish its own reports as appropriate.

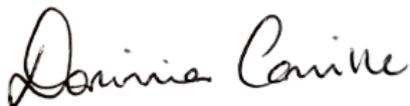
4.5 The NIAO commits to draw to the attention of the Audit Committee any serious or significant governance and accountability matters relating to the NIAO as soon as practicable.

4.6 The NIAO will give evidence at the hearings of the Audit Committee on the Corporate Plan, Estimate and Annual Report and Accounts, and on any other matter that falls within the role and responsibilities of the Audit Committee

## 5. Review

5.1 This MOU may be considered for review, by agreement between the two parties, at the beginning of each Assembly Mandate and at any other time if required

*Signed by*



*Ms Dorinnia Carville, Comptroller and Auditor General on 9 March 2026],*

*And*



*Mr Alan Chambers MLA, Chair of the Audit Committee of the Northern Ireland Assembly, on [DATE].*