



AUDIT COMMITTEE

Room 254
Parliament Buildings
Email: Committee.audit@niassembly.gov.uk

Caoimhe Archibald
Finance Minister
Department of Finance
2nd Floor Clare House
303 Airport Road West
Belfast BT3 9ED

9 April 2024

Dear Minister

Ref: NIA 17/22-27

Draft Budgets 2024-25 for the Northern Ireland Audit Office (NIAO), the Northern Ireland Public Services Ombudsman (NIPSO) and the Northern Ireland Assembly Commission (NIAC)

As you will be aware the Audit Committee has been taking limited evidence from the above three non-Ministerial Public Bodies (NMPBs) on their draft Budgets for 2024-25. As any agreed budgets for these bodies will be reflected subsequently in their main estimates for 2024-25, this scrutiny is integral to the exercise of the Audit Committee's statutory function of agreeing the estimates (which the Committee performs in place of DoF in recognition of the independence of the bodies from Executive departments).

The Committee has been working over the last number of weeks to agree its position on the draft budgets for the bodies. To do this, the Committee endeavoured to carry out its scrutiny in line with the timeframe for the Budget process (which has been extremely limited). This has meant that the Committee has had only a short period of time to agree a position following advice received from your Department on 14 March 2024. Accordingly, the Committee is setting out its position in this letter rather than by a formal Committee report as would be the norm.

The Committee considered a number of papers at its first meeting on Wednesday 6 March 2024, including written and oral evidence from the NMPBs. Following this meeting, the Committee agreed to write to you seeking your Department's views on the draft Budget submissions.

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The Committee agreed to forward your letter to the three NMPBs and requested responses from them to address the specific areas highlighted. The Committee also noted a request from DoF that it considers the wider public expenditure position when approving the budget plans.

The Committee held a further meeting today to finalise its position as outlined in this correspondence. Officials from the three NMPBs were in attendance to provide assistance to Members that required clarification on any aspect of their budget position. The Committee also considered advice from your Department on the Budgets plans for the respective bodies, which was outlined in correspondence dated 14 March 2024

The Committee has examined issues particular to the budget considerations of each of the three bodies. The detail of the Committee's limited scrutiny is contained in the Hansard reports of the oral evidence received, which has been published on the Committee's webpages.

Following appropriate evidence gathering and deliberation, the Committee agreed its position on the 2024-25 budget plans of the three bodies, having regard to the views of DoF and, in the case of the NIAO, having sought the view of the Public Accounts Committee. I have summarised the Committee's position on each body below.

The Northern Ireland Audit Office

Members of the Committee are cognisant of the central role played by the NIAO in terms of supporting the work of the Assembly and holding Government Departments and other public bodies to account, by providing important financial audit and public reporting services. The Office's work will have increasing importance moving forward given the well publicised current and future pressures on public spending.

Scrutiny of the NIAO's draft Budget commenced at the Committee meeting on 6 March 2024. NIAO officials briefed the Committee on the work it had undertaken in the previous two financial years. This included the move towards increased focus on staff, aligning skills, cost and efficiency, as well as on quality and governance. Officials also informed Members about increased pressures going to market for independent services; value for money (VFM) standards, investment and development in analytics and staff structure changes.

Another challenge for the NIAO in the new financial year is the cost pressures associated with continued recruitment to achieve the appropriate balance in skills and expertise within the Office. Members questioned officials further on this issue, as well as other issues including: past efficiencies of the Office; liaison with DoF in regards to budgetary matters; and other pressures faced by the Office

At this meeting, the Committee asked officials to justify their request for additional funding over and above the previously agreed 2022-2025 Budget position. Officials indicated that if additional funding above the previous baseline was not provided it would have consequences across all the NIAO's work but public reporting work would be particularly impacted given the statutory role in respect of financial reporting work.

Members noted that this could lead to a reduction in the NIAO's support, for not only the Public Accounts Committee but also the wider Assembly. This would undermine the public audit function and vital scrutiny work. The Committee considers that this support is integral to the public finances of Northern Ireland, particularly in light of the NIAO's role in monitoring the spending and Value for Money of the post-COVID public sector.

As part of its evidence gathering and in accordance with the NIAO budget-setting protocol, the Audit Committee also requested a view from the Assembly's Public Accounts Committee. PAC responded to this request on 22 March 2024, and stated

'The Committee considered the tabled letter in relation to the NIAO's budget, dated Thursday 7 March. It had been aware from previous evidence given by the C&AG that the NIAO has, for the last two financial years, been operating on a reducing budget which had been set by the Secretary of State for Northern Ireland, who had received advice from the Department of Finance. It understands that two years of a reducing budget, combined with increasing staff costs, regulatory costs and increased costs from contracted out audits, has created an unsustainable strategic and operational position for the public audit function going forward. The Committee therefore understands that should a flat or reducing level of funding continue, the effectiveness of public spending scrutiny that this Assembly expects from the C&AG and the NIAO will be constrained.'

Further evidence from the NIAO taken on 7 March indicated that its average spend per FTE was well below other public audit agencies in the UK. The Committee was advised that the NIAO had outlined to the Assembly Audit Committee that a net budget of £10.486m (sic) is required for 2024-25 to enable the public audit function to meet the anticipated needs of this Assembly and in particular the Public Accounts Committee. Members asked the C&AG and NIAO representatives various questions and sought assurances on how the budget would be used. Members share the concerns of your Committee in relation to the tight budgetary timescale and the its impact on scrutiny however the PAC unanimously agreed that it fully supported the NIAO's 2024- 25 budget proposal.'

Arising from its scrutiny of the NIAO budget plan for 2024-25, **the Audit Committee agreed that the Executive's Budget document should make provision for NIAO** having a Resource DEL Budget of **£10,486K** and Capital DEL Budget of **£40K**. The Resource DEL broken down as follows: **£10,211K** of Non-Ring-Fenced DEL and **£275K** of Ring-fenced DEL.

The Northern Ireland Public Services Ombudsman

At the initial evidence session on 6 March 2024, the Committee was informed that NIPSO has worked to deal with its increased workload whilst living within its current budget through efficiencies and adapting its approach. Looking toward to the new financial year, NIPSO wishes to increase focus on its own initiative work; develop its learning and development work; and drive forward its role in relation to the Complaints Standards Authority. As such, the figures submitted to the Committee for 2024-25 contain uplifts from the previous multi-year agreed budget to address these important areas.

Members questioned officials on the proposed overall increase to the budget. In respect of this, NIPSO seeks to replace lost staff to ensure a greater focus on learning and development work, which it believes will lead to increased awareness and insight from continuous learning about complaints, in an effort to contribute to improvements in public services.

Members also questioned officials on the proposal to enhance its capacity in investigations and the extent to which the findings from these investigations can have significant and far-reaching consequences. Lastly, Members probed officials on the extent to which any budget increase represents value for money and will actively monitor developments in this regard to be assured of this going forward. The links with local Higher Education institutions were also discussed.

Members are also mindful of the potential for longer-term savings and returns on investment, which would lead to improvements to the delivery of public services arising from learning and development, from providing access to cost effective administrative justice for citizens seeking redress, and from the continued provision for a Complaints Standards Authority leading to a positive impact and standard raising work in all sectors.

Arising from its scrutiny of the NIPSO budget plan for 2024-25, **the Audit Committee agreed that the Executive's Budget document should make provision for NIPSO** having a Resource DEL Budget of **£4,665K** and Capital DEL Budget of **£30K**. The Resource DEL broken down as follows: **£4,428K** of Non Ring-Fenced DEL and **£237K** of Ring-fenced DEL.

The Northern Ireland Assembly Commission

On 6 March 2024, the Committee also received a briefing from the Assembly Commission on the submission it made in relation to a draft Budget for 2024-25. Members noted that the indicative forecast submitted by the Commission took the previously agreed multi-year Budget 2022-2025 as its starting position.

As with previous scrutiny of the Commission's budget, Members noted that the Commission has a legal requirement to meet all costs associated with Members by way of salaries, allowances, expenses, Members' staffing costs, pension contributions etc. As such there is a large element of the Commission's budget, which is controlled by factors external to the body itself – i.e. the duty on the Commission to pay such costs.

During the initial oral evidence session with Commission officials on 6 March 2024, a number of issues in relation to the indicative capital budget for 2024-25 were raised, including a full refresh of IT systems and hardware at the Assembly, as well as the ongoing and potential financial impact of roof repairs to Parliament Buildings

Members recognise the need for increased budget as a result of new scrutiny pressures. Furthermore, members noted that most of the capital works planned are needed to address under-investment in the fabric of the building in last number of years to face the challenge of the fully functioning legislature. This includes significant and overdue refurbishment to several key spaces in Parliament Buildings. The Committee would ask the Commission to ensure that these works are

progressed as quickly and efficiently as possible.

In noting that the ongoing budgetary provision made in 2024-25 for potential roof repairs, the Committee has agreed to seek a future update from the Commission in relation to the roof issues, given the potential financial impact for the Commission's future Budgets.

Arising from its scrutiny of the NIAC Budget for 2024-25, **the Audit Committee agreed that the Executive's Budget should make provision for the Assembly Commission** having a Resource DEL Budget of **£58,453K** and Capital DEL Budget of **£3,203K**.

In setting out the aforementioned position of the Audit Committee in relation to the 2024-25 budget plans of the three NMPBs, Members have noted your Department's advice that the Committee considers the wider public expenditure position when approving the respective budget. The Committee has noted the anticipation that Departments will have to live within their opening baseline position and absorb significant pressures.

The Committee will seek assurances from the three NMPBs that they will deploy their budget allocations to maximum effect and endeavour to realise savings and efficiencies where possible during the course of the year ahead. Accordingly, the Committee will be monitoring finances carefully over the next year and would encourage the NMPBs to identify surrenders at the earliest opportunity.

The Committee looks forward to the inclusion of the figures set out above in the Executive's forthcoming Budget for 2024-25.

Yours sincerely,

Alan Chambers MLA
Chairperson
Audit Committee

cc
Chair of Committee for Finance
Chair of Public Accounts Committee
Dorinnia Carville, NIAO
Margaret Kelly, NIPSO
Lesley Hogg, NIAC