

# **Audit Committee – Response to Committee for Finance on Northern Ireland Fiscal Council Bill**

## ***Audit Committee comments on the general principles of the Bill***

1. The Audit Committee is supportive of placing the Fiscal Council, which was formed in March 2021 following a commitment in 'New Decade, New Approach', on a statutory footing as a body corporate. The Committee considers that providing a legislative framework to underpin the Council's work will further strengthen its effectiveness in bringing greater understanding, transparency and independent scrutiny to our public finances. At a time of economic uncertainty and unprecedented pressures facing our public service delivery, having a statutory oversight body has the potential to help place our finances on a steady footing and support transformation.
2. The Committee notes that placing the Fiscal Council on a statutory footing is in line with international best practice for fiscal institutions and is supportive of the Bill's aim to safeguard the Fiscal Council's independence. It is also supportive of the clauses of the Bill which support efficient and effective delivery of its functions. These include for example: access to information on a timely basis and publication of all reports for full public transparency.
3. The Committee welcomes that the Bill provides the council with a very broad remit and that it will be for the council to determine its own work programme and publish a budget assessment report and a fiscal sustainability report each year, as well as other reports as it considers appropriate. The Committee notes for example the council's ability to scrutinise across departmental remits and flexibility should be maintained to allow it to continue to do this, so we can further understand cross-cutting issues which impact on society and the economy as a whole.
4. The Audit Committee is supportive of the intention to future proof the Bill given that the role of the Fiscal Council is expected to expand in time. At the same time, the ability of the Department to amend the scope and functions of the council should not result in a situation where the independence of the Fiscal Council is adversely impacted. On this point, the Committee does however acknowledge that the powers for the Department of Finance to amend or remove the functions of the Council would be (appropriately) subject to Regulations approved by a resolution of the Assembly.
5. The Audit Committee is particularly concerned to ensure that the scrutiny process of the Bill ensures optimal safeguarding of the operational independence of the council, which it notes is one of the nine Organisation for Economic Co-operation and Development's 'Principles of Corporate

Governance'. A clear separation between Fiscal Council analysis and Departmental policymaking will be essential in that regard to ensure objective, credible evidence to support decision making.

***Comments on a potential role for the Audit Committee in relation to the Northern Ireland Fiscal Council.***

6. The Audit Committee notes that during the second stage debate on the Bill, a number of Members, including the Committee for Finance Chairperson, indicated that it would be important to explore whether the council's independence could be further strengthened through the Bill, for example by considering if the following arrangements should be the (sole) responsibility of DoF:
  - a. appointment of its Chief of Staff;
  - b. reporting; and
  - c. budget setting.
7. It was also suggested that there may be a role for the Audit Committee in relation to the Fiscal Council although notably the Minister was not necessarily supportive of these proposals and considered that the existing system was working well.
8. The Audit Committee is supportive of the need to safeguard the independence of the Fiscal Council however would emphasise that, should the Assembly amend the legislation to include a role for the Audit Committee in relation to the Fiscal Council, that the Audit Committee meets monthly, has a membership of five and a quorum of two and shares Committee Staff resources with two other Standing Committees.
9. **Any increase in workload for the Audit Committee without an increase in its resources could potentially negatively impact on its effectiveness in carrying out its legislative functions and/or commitments in relation to the other bodies.**
10. The Audit Committee's existing role in relation to the Northern Ireland Audit Office (NIAO) and the Northern Ireland Public Services Ombudsman (NIPSO) was summarised in correspondence issued to the Committee for Finance on 17 September. This correspondence also provided a summary of the Audit Committee's role in relation to scrutiny of the Northern Ireland Assembly Commission's expenditure plans although this is not in legislation or codified.
11. The Audit Committee has considered the DoF response on a potential role for the Audit Committee in relation to the Fiscal Council, which was shared by the

Committee of Finance on 17 October, and in particular the following paragraphs:

*'...The NI Audit Office is not an NMD but rather a corporate sole and does not have a sponsoring Minister'.*

*'The Department notes from the Audit Committee summary table provided that the Committee considers the budget and agrees the Estimates but has no role in commenting on the strategic direction or operational performance of the bodies, nor considers its annual reports. On that basis, should the Finance Committee wish to consider the Fiscal Council as an NMD, the Department would suggest that those considerations would need to take into account the clear lines of accountability, including decision making and performance at the strategic level, in the absence of a direct sponsoring Minister/Department'.*

12. **The Audit Committee has no significant concerns in relation to the accuracy of the above information** set out by the DoF in relation to the NIAO and the Audit Committee's role in relation to it. However, for complete accuracy in relation to the NIAO and NISPO's Annual Reports and Accounts, the Committee would point out that the table stated that it considers *'...Annual Reports and Accounts to aid effective scrutiny of budget proposals...'*
13. **Any role for the Audit Committee in relation to the Fiscal Council which was 'over and above' its statutory role in relation to NIAO and NISPO (which are both corporation soles) should be considered very carefully as this might require those activities to be extended to all bodies for consistency, further impacting on the workload of the Committee. More fundamentally, legal advice would need to be sought on whether any approach proposed by the Committee for Finance would potentially extend beyond the legislative remit/powers of the Audit Committee.**
14. The Audit Committee welcomes the opportunity to engage further with the Committee for Finance on this issue, as the Committee Stage of the Bill progresses.