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Dear Matthew

Northern Ireland Fiscal Council Bill

Thank you for writing seeking my views on the Northern Ireland Fiscal Council Bill.

I am aware your Committee has been considering this matter in recent months, and my comments may therefore only echo observations that you may have already received from others or matters that the Committee itself will have already identified. I would, however, like to make the following observations for your consideration.

Firstly, I would emphasise the criticality of independence for the Council as a statutory body. I understand the Council will have the status of a non-department public body and operate at arms length from the Department of Finance. Independence and freedom from influence is critical to ensure the Council can function with objectivity and impartiality and I would suggest the Committee should be content that the Bill provides for this, particularly the wording in paragraphs 5 and 6. I also note in

Schedule 1 of the Bill in paragraphs 7 and 13(3) references are made to “with the approval of the Department” which could be seen to impinge on independence in relation to those functions.

In tandem with this point there is the question of budgetary provision and funding arrangements for the Council to ensure it has the capacity and capability to fulfil its statutory obligations and expectations. This is, in my opinion, a key consideration underpinning independence and an appropriate mechanism should be sought for the Council. By way of comparison, the Committee will be aware that the budgetary provision for the Northern Ireland Audit Office is a matter for the Assembly’s Audit Committee to determine.

I note in Schedule 1 part 6 of the Bill the auditing arrangements which provide that I will be required to examine, certify and report on the annual financial statements of the Council. I am content to do so and will arrange resources accordingly when required. I would emphasise that this means the statutory powers provided by the Audit (Northern Ireland) Order 1987 would be applicable, namely that the C&AG may carry out an examination into the economy, efficiency and effectiveness of the Council in using its resources to discharge its functions. This effectively brings the Fiscal Council within my remit for any public reporting work I might wish to undertake in this area.

Finally, in relation to powers provided by the Bill, I note paragraph 2(1) states it is the duty of the Council to examine and report on the public finances in Northern Ireland. When I compare that to the equivalent power in the statute of the Office for Budget Responsibility, I note reference is to reporting on the sustainability of public finances, which strikes me as somewhat narrower in construct. It would therefore be helpful to clarify the intention of paragraph 2(1) in the Bill. I emphasise this point in order to highlight a potential risk of duplication given the quite extensive legislative powers provided to the C&AG in relation to examining and reporting on the finances of public bodies. I am aware that in the former Finance Committee’s recommendations in July

2021 reference was included to developing a memorandum of understanding between the Council and the NIAO in order to avoid the possibility of any duplication of activity by both bodies. I would consider that as a necessary step if the Bill progresses in its current form.

I regularly engage with other statutory bodies in NI where legislation exists that overlaps somewhat with that of the C&AG. I do so in order to ensure that we can where possible avoid duplication of examination and make best use of the public resources we employ to carry out our respective responsibilities. This is something I have done and will continue to do with the Fiscal Council and it is worth noting that the NIAO has enjoyed an excellent working relationship with the Fiscal Council in its existing non-statutory basis to date.

If I can be of further help to the Committee I would be happy to assist.

Yours sincerely

Dorinnia Carville

Comptroller and Auditor General