

**From the Minister of Finance**



*Matthew O'Toole MLA  
Chair of the Finance Committee*

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**Our reference:** GM-1058-2024  
**Date:** 12 March 2024

Matthew, a chara

**CORRESPONDENCE FROM COMPTROLLER AND AUDITOR GENERAL  
REGARDING NIAO BUDGET 2024-25**

The C&AG did not copy my department into her correspondence to you on 16 February 2024 and I want to thank you for bringing it to my department's attention, as it provides an opportunity for me to respond to a number of the assertions in it.

**Budget Setting process for 2023-24**

The C&AG states that the Budget (for 2023-24) has been unconstitutionally enforced on her office. This is a matter for the Secretary of State, as he set, and then legislated for, the 2023-24 Budget in Westminster in the absence of a sitting Assembly.

However, I am aware that the Public Accounts Committee was advised in oral evidence on 22 February 2024 that the SoS set this budget on the advice of the Department of Finance. While this involves events that took place in the absence of an Executive, my officials have advised me that DoF did not make any recommendation to the Secretary of State.

In March 2023, DoF officials, as requested by NIO, provided details of three scenarios:

- A budget reduction equivalent to the reduction being set for Ministerial Departments:
- A flat cash scenario, i.e. roll over of the 2022-23 budget; and
- The budget set by the previous Audit Committee.

However, DoF did not make a recommendation on which option the Secretary of State should choose. A copy of the information provided to the NIO on 20 March 2023 is provided at **Annex A**.

### **Information gathering for Budget 2024-25**

The C&AG also states that prior to the recent restoration of the Assembly, she was advised by the Department of Finance that she should plan to receive a budget in 2024-25 based on a flat cash position from 2023-24.

This is incorrect. DoF did indeed write to the NIAO on 8 December 2023, However the letter (**Annex B**) did not advise the NIAO to plan on the basis of a flat cash scenario. Rather it asked the NIAO to set out the implications that a flat cash budget position (as well as a 2% and 5% reduction) would have. The letter made clear that this was to allow DoF to provide informed advice to the decision maker, for the NIAO's budget. As the Assembly was not sitting at that time, there was the potential that the SoS could be the decision maker for Budget 2024-25.

The letter stressed that should the Executive, and therefore Assembly committees, be restored, DoF would, of course, reflect the Audit Committee's decision as regards the NIAO's budget allocation. It is now for the Audit Committee to decide whether it wishes to revisit its consideration of the NIAO budget requirement.

### **Budget 2024-25 Budget Timetable**

The C&AG also expresses concern that it will potentially be June before the NIAO has clarity on its budget, which will have a negative impact on many areas of its work. The Executive has agreed to a Budget process for 2024-25 that will see recommendations being brought to the Executive in April 2024, not June.

Of course, as it is the Audit Committee which will agree the NIAO budget, the timescales for this are a matter for that Committee.

### **Vote on Account**

The C&AG's letter concludes by asking that the NIAO be given a higher Vote on Account for 2024-25 which she argues, will allow her to make decisions around recruitment of staff and other issues.

This seems to be confusing the Vote on Account with the Budget setting process. The Vote on Account does not in any way represent the setting of a budget for 2024-25, but rather is simply a mechanism to allow departments, and other bodies, to continue to deliver services into the early months of the new financial year pending decisions on the 2024-25 Budget which will then be legislated for in the Budget (No. 2) Bill and associated Main Estimates.

The Vote on Account is set at a level of 65% of the previous year's provision for all departments and bodies on the basis that this should be sufficient to allow them to continue to spend on delivering services until after the summer recess. To set a bespoke Vote on Account for the NIAO, at a higher level, is not only unnecessary, it may also be seen as pre-empting the decision of the Audit Committee.

I trust that the Finance Committee will find these clarifications helpful in its consideration of the issues.

I am copying this letter to the Chair of the Public Accounts Committee, and the Comptroller and Auditor General.

Is mise le meas

A handwritten signature in black ink, appearing to read 'C. Archibald'.

**DR CAOIMHE ARCHIBALD MLA**  
**MINISTER OF FINANCE**

## **Scenarios for 2023-24 Budget for NIAO, NIPSO and NIAC**

The table below sets out three potential options for a 2023-24 Budget for each of the three independent bodies:

- Northern Ireland Audit Office (NIAO) i.e. the Office of the Comptroller and Auditor General
- Northern Ireland Public services Ombudsman (NIPSO), and
- Northern Ireland Assembly Commission (NIAC) i.e. the Assembly.

### **Non Ringfenced Resource DEL**

	2022-23 WMS (£m)	Option 1 5.8% Reduction (£m)	Option 2 Flat Cash (£m)	Option 3 Audit Committee Recommendation (£m)
NIAO	8.445	8.440	8.445	8.960
NIAC	47.614	44.832	47.593	47.593
NIPSO	3.895	3.714	3.895	3.943

The scenarios for all departments which were shared with NIO last week are based on a flat cash (option 2) outcome for these three bodies. Any decision to decrease (option 1) or increase (option 3) would involve adjustments to other departments primarily DoF and TEO and also DE and DoH slightly, however none of these adjustments will significantly change the overall outcome.

DoF has not engaged with these bodies on any of these scenarios, as DoF nor the Executive would set their budget under normal circumstances; however engagement with lawyers in NIO and DoF's DSO has confirmed that SoSNI can legislate for this within a Northern Ireland Budget Bill brought through Parliament.

### **Issues to consider:**

#### Option 1

- The 5.8% reduction on which the first option is modelled is equivalent to the average level of reduction to Ministerial departments excepting those which have been provided specific levels of protection. It is greater than the level of reductions being modelled for DoH, DoJ, DE; however it is less than the reductions being modelled for DoF and TEO in the first scenario being suggested for departments (i.e. repayment of the reserve claim in full).
- The % figure used can be adjusted depending on the scenario eventually chosen for all departments.
- The principle being applied is that these bodies should share the financial burden as is being borne by Ministerial departments. For example it would seem fair for auditors to bear the same reduction as the departments that they are auditing.

#### Option 2

- This would see the three independent bodies being fully protected from any budget reductions and maintain their budget at the same level as in 2022-23.
- It is likely that other departments will voice concern that these bodies would not be expected to absorb equivalent reductions, especially in a scenario where departments such as DoH and DE are facing cuts.
- This would also ignore the reduction in costs that the NIAC should be experiencing as a result of the Assembly and its Committees not sitting and the reduction in MLAs' salaries as a result. Likewise in the absence of the Assembly's Public Accounts Committee, and the need to service it, it might be reasonable to expect that the NIAO's costs would be reduced.

### Option 3

- This would see the three bodies receive the full budget recommended by the Assembly's Audit Committee when it reported on the 2022-25 budget in November 2021.
- The Audit Committee's recommendation was made before the increase in general inflation, and in particular energy and wage costs, was anticipated, and the impact that this would have on public expenditure. Importantly this was also before the requirement for a Reserve Claim in 2022-23, and the need for it to be repaid in 2023-24, with the corresponding impact on the NI Block position.
- As the Audit Committee's recommendation would see an increase in budget for all three bodies, to do so is likely to be criticised when set against budget reductions for most if not all departments.

**Barry Armstrong**  
**Head of Supply Division**

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**FROM: BARRY ARMSTRONG**

**cc:** *Copy distribution list below*

**DATE: 8 DECEMBER 2023**

**TO: BRIAN O'NEILL**

Dear Brian

**BUDGET 2024-15 INFORMATION GATHERING**

The Department of Finance has commissioned an information gathering exercise (letter attached at Annex A) to gather information to inform the setting of a Budget for departments for 2024-25. It remains our hope that the information provided will assist a restored Executive in setting the Budget, however if that is not possible then it will allow DoF to provide advice to the Northern Ireland Office to assist the Secretary of State in doing so.

In the current situation it remains uncertain whether a restored Assembly (and its committees) will be in place to authorise a 2024-25 Budget for the Northern Ireland Audit Office, or whether it will be legislated for in Parliament. In either scenario the decision maker will seek advice from the Department of Finance. Should the Executive, and therefore Assembly committees, be restored, we will, of course, reflect the Audit Committee's decision as regards your budget allocation. However, should that not be the case, while we will provide the Secretary of State with the determination of the previous Audit Committee as regards your budget for 2024-25; given the time that has elapsed and the very different financial climate he will wish to consider it in the light of more up to date information.

I am therefore seeking information regarding the budget requirements of the Northern Ireland Audit Office for the 2024-25 year.

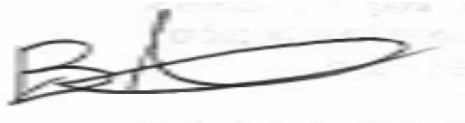
The attached letter sets out the public expenditure environment, as best we know it, against which the Budget 2024-25 setting process is being conducted, including our assumptions regarding the envelope available to the Northern Ireland Block, pay assumptions, and other pressures, so I will not rehearse these here. You will see that

departments are being asked to model the impact of a flat cash scenario, and reductions of 2% and 5%, and to provide details of the actions which they would be required to take to live within these scenarios. To allow the Department of Finance to provide informed advice to the decision maker, for the Northern Ireland Audit Office's budget, it would be useful if you could set out the impacts of similar scenarios.

Any new or increased resource pressures should also be identified, in a similar manner to the bids which departments have been asked to submit, and likewise please list your up to date 2024-25 capital requirements.

While the timetable for the Budget 2024-25 setting process remains uncertain, a response to myself, copied to [maryann-smith@finance-ni.gov.uk](mailto:maryann-smith@finance-ni.gov.uk), [kerri.smyth@finance-ni.gov.uk](mailto:kerri.smyth@finance-ni.gov.uk), and also copied to your Supply Officer, by Tuesday 16 January 2024 would be appreciated. This will allow the Department of Finance to stand ready to fulfil its role in providing advice to the budget decision maker, whoever that may be.

Yours sincerely



**BARRY ARMSTRONG**

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## **ANNEX A**

### **Budget 2024-25 Information Gathering Process Commissioning letter**



CED Budget  
2024-25 Information



CED Template  
Seven - Capital Budg





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**From: Peter Hall  
Clerk to the Committee for Finance**

**Date: 21 February 2024**

**To: Shane McAteer  
Clerk to the Audit Committee**

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**Correspondence from the Northern Ireland Audit Office**

At its meeting of 21 February 2024, the Committee for Finance considered correspondence from The Comptroller and Auditor General in relation to the budget of the Northern Ireland Audit Office.

The Committee noted that that in recognition of the independence of the Audit Office, its budget is agreed directly with the Assembly Audit Committee.

The Committee agreed to forward a copy of the correspondence to the Audit Committee for consideration.

A copy of the correspondence is attached for the information of the Audit Committee. I am copying the correspondence to the Department for Finance for its information.

**Peter Hall**

**Committee Clerk**



Mr Matthew O'Toole  
Chair of NI Assembly Finance Committee  
Parliament Buildings  
Stormont  
Belfast  
BT4 3XX

16 February 2024

Dear Matthew,

### **NIAO Budget 2024-25**

Firstly my apologies for writing to you at short notice but I am aware of evidence given to your Committee on 14 February by Department of Finance (DoF) officials and further evidence will be given on 19 February. I also understand that your Committee will be considering a Budget Bill for 2023-24 and potentially a vote on account for 2024-25 expenditure based on prior year budgets in advance of fuller consideration of 2024-25 budgets.

You are aware of the budget that has been unconstitutionally enforced on my office, the NIAO, in the absence of a sitting Assembly and that I raised this matter formally in letters with relevant parties including the Secretary of State for Northern Ireland and the Department of Finance. I also gave evidence to the NI Affairs Committee on this.

Prior to the recent restoration of the Assembly, I was advised by the Department of Finance that I should plan to receive a budget in 2024-25 based on a flat cash position from 2023-24. You will appreciate I again raised my very serious reservations on this with the relevant parties, but received no response. Given the position I hold I considered it necessary, in the interests of prudent financial management, to try to plan to live within such a heavily constrained financial position next year (a net budget of £8,720k, against a previous Assembly's Audit Committee approved budget of £9,710k for the 2024-25 year).

Operationally this has meant taking significant restraining decisions, the key one being a recruitment freeze and not filling important vacant posts in my office. This position is frankly unsustainable with a restored Assembly and a situation where I am anticipating Assembly Members will be expecting a full and professional public audit service from NIAO, not just in relation to the Public Accounts Committee but also the wider operations and engagement of my office with the Assembly. I am looking forward therefore to presenting my budgetary requests to the Assembly's Audit Committee and hopefully receiving their support for a full and proper budget which would enable me to remove existing recruitment freezes and other restraints.

My immediate concern is that if I am reading the position correctly it will be some months ahead, possibly June, before there will be full clarity on a budget for 2024-25. The NIAO is a training organisation, employing apprentice and graduate trainee accountants, and you will appreciate the timing of recruitment for a significant portion of my staff is driven by the professional training timetables. A continued recruitment freeze until June, and allowing for months of recruitment to fully staff my office, will place the NIAO under considerable staffing pressures in an already challenging professional recruitment market. I am concerned we will be unable to meet the needs of an Assembly which will already have been functioning for four months and that the service I will be able to provide in future years will be significantly impacted by this apparent short term decision making being led by the DoF that I am being forced to work within.

Therefore if your Committee is considering a percentage vote on account for 2024-25 I would kindly ask that you consider this is not applied to a flat cash position for my office but at least to the position which the Assembly Audit Committee had agreed in the last mandate for 2024-25 i.e. £9,710k. This would enable me then to make some key decisions around recruitment without constraints to ensure I can staff my office to deliver what I anticipate the Assembly will and should expect from my office.

I acknowledge it is unusual for me to write directly to you but I hope you will appreciate why I have done this in the current circumstances and also appreciate the need for independence to be applied in the provision of the budget for my office. I will of course explain this to the Assembly Audit Committee at the first meeting I am called to.

*Yours sincerely,*



**Dorinnia Carville**

*Comptroller and Auditor General*

cc Diane Forsythe, Deputy Chair  
Alan Chambers, Chair of NI Assembly Audit Committee  
Daniel McCrossan, Chair of Public Accounts Committee  
Peter Hall, Committee Clerk  
Shane McAteer, Clerk  
Nick Mitford, Clerk