

Causeway Coast & Glens Borough Council

To: Audit Committee

Date: 9th December 2015

NIAO Correspondence – Good Practice Guides

For Information

Linkage to Corporate Plan	
Strategic Priority	Protecting our assets
Objective	Protecting our assets
Lead Officer	Moira Quinn
Cost: (If applicable)	

1.1 Background

A number of documents and Good Practice Guides have recently been issued by NIAO and are enclosed for information

1.2. Managing Fraud Risk in a Changing Environment: A Good Practice Guide (attached)

The Comptroller and Auditor General, Kieran Donnelly, issued a good practice guide on *Managing Fraud Risk in a Changing Environment*, on 17th November 2015.

Organisational change is an essential feature of the public sector as it seeks to improve and become more efficient. Nevertheless, it is a widely accepted principle that the risk of fraud escalates in periods of significant change. The Northern Ireland public sector is currently in the middle of a period of unprecedented change on a number of fronts:

- On 1 April 2015, the number of local councils reduced from 26 to 11 under local government reform and a single Education Authority replaced the five education and library boards and the Staff Commission for Education and Library Boards.
- During 2016, the number of Northern Ireland government departments is planned to reduce from 12 to 9, with significant reallocation of responsibilities. This has been described as the most extensive reorganisation of departments since 1999, with changes being made within a “pressing timescale”.
- Continuing budgetary pressures have led to significant staff reductions across the public sector, achieved mainly through a voluntary exit scheme. The NI

Finance Minister has described the scope and speed of the exit scheme as unprecedented in the history of the NI civil service.

- There remains an on-going need to achieve efficiencies in service delivery.

As new public sector organisations are created, or formed through a process of merger, a number of key fraud risks may emerge, for example:

- roles and responsibilities may be unclear or inadequately defined; governance arrangements may not operate effectively;
- staff reductions may lead to weakened control systems due to inadequate segregation of duties;
- staff losses on a significant scale may mean that key skills are lost; and
- supervisory checks may be overlooked.

The Guide draws on existing good practice and uses the key principles from it to highlight emerging fraud risks and reinforce the need for increased fraud awareness in a dramatically changing environment. It also includes detailed self-assessment checklists to help organisations measure how well prepared they are to prevent, detect and respond to fraud.

The full report is available on the Audit Office website at

- http://www.niauditoffice.gov.uk/index/publications/good_practice_guides/good_practice_guide_conflicts_of_interest.htm

1.3. Invest to Save funding in Northern Ireland

In 2010 the Executive established an Invest to Save fund in Northern Ireland aimed at providing enhanced support to Central Government departments for the upfront costs of making efficiency savings for 2010-11 and beyond.

A total of £311 million ring-fenced Invest to Save funding was allocated to 31 projects across departments and should not have been used for any other purposes. £254 million was actually spent on Invest to Save Projects.

Of the monies not spent on Invest to Save projects, £52 million was reallocated by the DHSSPS to other high priority areas within its department to address front-line financial pressures within the Health and Social Care system.

Mr Donnelly Said:

“In times of austerity, initiatives of this nature offer particular opportunities to innovate and to use taxpayers’ money to best effect. The primary focus of Invest to Save funding was on delivering savings. However, almost one third of projects did not anticipate and/or quantify savings and no specific savings target were set, monitored, or reported on for the schemes as a whole. Whilst not disputing the merits of the projects which were funded, it is not clear how many met the criteria of an Invest to Save project”.

Almost two thirds of the funding (£206 million) was allocated to the Department for Regional Development (DRD) and the Department of Health, Social Services and Public Safety (DHSSPS).

In some cases it was difficult to identify the boundaries between Invest to Save funding and conventional funding; and whether such funding could, or should have been secured through the conventional bidding process. This is particularly evident in the case of the £108 million funding provided for DRD's Roads Structural Maintenance programme which received over a third of Invest to Save funding allocated.

The primary focus of Invest to Save funding was realising monetary savings. However, almost a third of projects funded did not anticipate and/or quantify savings over the 2011-15 budget period, and no specific savings targets were set for each of the Invest to Save schemes or for individual projects allocated funding.

In the absence of central monitoring, validation or reporting of savings it is difficult to assess whether the effectiveness of Invest to Save funding has been maximised.

For some individual projects the funding has delivered significant savings. Although the information provided to NIAO on estimated savings was inconsistent, departments have estimated cumulative savings in excess of £150 million from Invest to Save projects.

Over £100 million of savings claimed are in relation to six staff efficiency schemes, In addition, DARD reported that £41.2 million of EU fines have been avoided as a result of funding provided towards their EU Audit Compliance Programme.

The report found little evidence to show that Invest to Save funding was used sufficiently to encourage risk-taking and innovation. Projects were generally – though not exclusively – lower risk and less innovative than might have been expected.

In NIAO's view, there was more scope to take advantage of new technology to identify alternative, more effective ways to deliver services; undertake cross departmental/agency working; pilot more productive ways of working; and introduce better working practices.

Mr Donnelly said:

“Drives for improved efficiency in the delivery of public services often require up-front investment to deliver longer term savings. It is important that effective assessment, monitoring and reporting arrangements are in place. Otherwise, there is a risk that the funding does not achieve the financial and service delivery benefits intended and that the potential to encourage transformation and innovation across public services is not maximised”.

The full report is available on the Audit Office website at

- http://www.niauditoffice.gov.uk/index/publications/recent_reports/interest_to_save.htm

1.4. Conflicts of Interest – A Good Practice Guide

This Guide seeks to provide clear and simple advice for staff drafting and implementing conflict of interest policies. It should also help Board members and staff in key positions to recognise when they have a conflict of interest and how they should act when such a situation arises.

The main aim of the guide is to promote high standards in public life and especially to follow the key characteristics of propriety as defined in the 'Seven Principles of Public Life' known as the Nolan Principles. These seven principles underpinning public life are: Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; and Leadership. A key observation in the tenth report by the Committee on Standards in Public Life states 'the Registration and Declaration of Interests by public office holders that may constitute or may be perceived to constitute a conflict of interest is one of the cornerstones of probity in public life.

One of the key messages in the Guide is that a perception of a conflict of interest can be just as significant as an actual conflict of interest.

The Guide includes case studies of different types of conflicts of interest. Examples include where officials or board members:

- Use their position for direct financial gains for themselves, a relative or a close friend.
- Take part in decisions that could lead to the appointment of a friend or relative.
- Are involved in the award of a contract or grant where the applicant is connected to the individuals.
- Carry out business, on behalf of the public sector organisation, with their own or a relative's company.
- Own shares or work for another business that has dealings with the public body.
- Accepts offers of gifts, hospitality or other benefits from actual or potential contractors or suppliers.

The Guide sets out a range of strategies for managing conflicts of interest and the circumstances where particular strategies are most suitable and least suitable. For the most serious conflicts public officials and board members may either have to relinquish the private interest that is creating the conflict or resign from their position in the public sector organisation.

The full report is available on the Audit Office website at

- http://www.niauditoffice.gov.uk/index/publications/good_practice_guides/good_practice_guide_conflicts_of_interest.htm