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DAO (DoF) 10/16

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Dear Accounting Officer

**KEY LESSONS LEARNED FROM NIAO REPORT AND PAC HEARING INTO THE
NORTHERN IRELAND EVENTS COMPANY**

Purpose

1. The purpose of this DAO letter is to advise departments, agencies and Arm's Length Bodies (ALBs) of the key lessons learned from the issues identified in the case of the Northern Ireland Events Company (NIEC).
2. In the Assembly's Public Accounts Committee (PAC) report into the NIEC the Committee recommended "***that all those serving as public boards consider the lessons from the NIEC debacle, especially those relating to the effectiveness of Boards and Chairs***". In responding to this recommendation DoF advised that it would produce a summary of the main lessons learned emanating from the Northern Ireland Audit Office (NIAO) and PAC reports and would ask departments to bring this to the attention of ALB Boards.
3. It should be noted that some of the lessons are applicable not just to ALB Boards but to departments, Chief Executives and other senior managers and sponsor staff.

Background

4. The NIEC was a limited company established by the Department of the Environment in 1997 to support major events in Northern Ireland. Its main source of funding was provided by central government.
5. In 2007 NIEC' by then sponsored by Department of Culture, Arts and Leisure (DCAL), notified the sponsor department that it had a significant financial deficit. This led to the NI Executive agreeing that DCAL would meet any outstanding liabilities and that NIEC would be wound up at the earliest opportunity.
6. A number of reviews were subsequently commissioned to look at governance issues within NIEC which had contributed to the situation arising. In addition the NIAO produced a report in 2015 into NIEC, and following the PAC's consideration of this report the PAC produced its own report and recommendations.
7. The full text of the NIAO's and PAC's report can be accessed via the following links:-

NIAO Report - https://www.niauditoffice.gov.uk/sites/niao/files/media-files/niec_full_report.pdf

PAC Report - <http://www.niassembly.gov.uk/globalassets/documents/pac-2011-2016/final-report-for-web-niec-.pdf>
8. While it is recognised that there has been much focus and attention given to the governance and oversight arrangements of ALBs since the issue arose, the points set out below are considered to be the key lessons identified from the case.

Key Lessons Learned

Boards

- Working with their sponsor departments, ALB Boards should ensure that collectively the Board has a sufficient mix of skills and expertise. Understanding and experience of public sector financial matters is a key consideration in this.
- Appropriate levels of delegation should be set within an organisation which make it clear when Board approvals are required.
- The Board should ensure that there is not strategic drift and that any new proposals/initiatives align with the Board's strategic direction as set by the sponsor Minister.
- Boards should ensure that executive staff provide the Board with sufficient and timely information on which to base its decisions. This particularly applies to financial matters.
- Appropriate levels of challenge should be applied by Boards when considering key issues and information.
- The Board should ensure that there is an effectively functioning Audit Committee and Internal Audit in place which provides the Board with sufficient assurance on the ALB's governance, risk management and control framework. The Board (or Audit Committee on its behalf) should also meet regularly with the External Auditor.
- There should be open and regular communication between the ALB and the sponsor department.
- The Board should seek information assurances that the organisation/ALB is complying with the requirements to:-
 - identify and manage any conflicts of interest which may arise;

- appropriate business cases/economic appraisals should be produced to justify expenditure and post project evaluations should be completed as required;
 - carry out appropriate procurement, tendering and letting of work/contracts etc;
 - ensure that any whistleblowing concerns raised are properly handled and investigated.
- In conjunction with the sponsor department the ALB chair should ensure that all new Board Members are given appropriate induction training. The need for further training, e.g. on financial matters, should be periodically considered and addressed.
 - The attendance of Board Members should be kept under review to ensure that it is satisfactory. Where attendance is unsatisfactory this should be considered and addressed by the Chair in conjunction with the sponsor department.
 - A sufficiently detailed record of Board meetings and key decisions should be produced – this should be formally and routinely agreed by the Board Members.
 - The Board should ensure that there is an appropriately rigorous and transparent process applied when making Chief Executive appointments.

Departmental Oversight

9. Departments should ensure that:-

- an appropriate framework of control is established for the ALB taking account of its risk level;

- appropriate structures and processes are put in place to oversee the ALB;
- sponsor teams in departments are appropriately skilled; and
- there is regular and open contact between the sponsor department, ALB executive teams and the ALB Boards.

Action Required

10. Departments are asked to bring this FD letter to the attention specifically of their ALBs' Boards and also to the attention of relevant staff in their departments and agencies.

Enquiries

11. Any enquiries on this FD letter should be addressed to Julie Sewell, julie.sewell@finance-ni.gov.uk, telephone ext 68276 or Fiona Elliott, fiona.elliott@finance-ni.gov.uk, telephone ext 68209.

Yours sincerely



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**cc: Mike Brennan
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