

**3. Tynwald Management Committee –
Tynwald Auditor General function –
Debate commenced**

The Chairman of the Tynwald Management Committee (Mr Speaker) to move:

That Tynwald is of the opinion that:

- (1) a Tynwald Auditor General function should be established with effect from 1st April 2021, with an annual budget not to exceed £855,000 per annum;*
- (2) the Council of Ministers should make the necessary Appointed Day Order to the Tynwald Auditor General Act;*
- (3) a mechanism be established to monitor and report on whether identified savings are delivered;*
- (4) the Tynwald Auditor General function be targeted to identify savings in excess of its costs after three years of operation;*
- (5) the Tynwald Auditor General function be run at arm's length from the Clerk of Tynwald's Office, with a separate budget; and*
- (6) the position be reviewed after five years, including an assessment of the cashable savings made.*

[[PP No 2020/0190](#)] is relevant to this Item.

The President: Item 3, Tynwald Management Committee. Chairman of the Committee, Mr Speaker, to move.

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The Chairman of the Tynwald Management Committee (Mr Speaker): Thank you, Mr President.

A Tynwald Auditor General should save more money than it costs and enhance good governance for the Isle of Man. That should be all I need to say, really. The paper from the Tynwald Management Committee gives the evidence for this, so it should be a no-brainer that we all agree and get it done. Mr President, I assure you that if I thought everyone would agree, I would end my remarks there, but it is apparent that some people are yet to be convinced.

I would like to set out the seven main reasons why a Tynwald Auditor General is a good idea: (1) it is a cost-saving measure that has a return on investment; (2) it drives performance improvements; (3) it drives governance improvements; (4) it brings us into line with best practice; (5) it can be combined with other functions, depending on how we envision this role going forward; (6) it should help diversity and inclusion; and (7) I will also explain how it interacts with and is different from Internal Audit.

First and foremost, an auditor general should pay for itself in cashable savings; not just numbers on a page, but cashable savings agreed with the Department. Evidence from elsewhere is that auditors general return multiples of cost back to the exchequer. Some jurisdictions have the results of the auditor general independently verified, some give multi-year targets. However, the best-practice model is that an auditor general brings their skills and experience to the Department and works collaboratively with colleagues to identify savings.

Just to run Hon. Members through the £855,000 price tag: of that, £392,000 is the cost of the external auditor. This is currently contracted to a professional audit firm by Treasury, but would in future be appointed by the Auditor General to enhance the independence of the process. There is no call to bring audit of Government's accounts in house, just the appointment of the external auditor. Therefore, the budget for that needs to move from Treasury to the Auditor General. Currently, Treasury appoints its own auditor. In the private sector, it would normally be appointed by an audit committee of non-executive directors, but there is no such firebreak in our system. The remainder of the money, £365,000, is staff costs across about four full-time

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3745 equivalent. That is not just the wages, but all the on-costs, the National Insurance contributions. There is no need for these roles to be pensionable; it is not a Civil Service role and it is not pensioned in the model we seek to emulate, in Jersey. That is the model for our business case. This leaves £98,000 for office costs, training and other on-costs comparable with other regulatory bodies on the Isle of Man.

3750 Moving to the return, the evidence is quite clear, Hon. Members. The National Audit Office gave evidence to the Public Accounts Committee that it had delivered cashable savings in recent years of £8 to £10 for every pound it cost to run the office. The Northern Irish Audit Office's latest report shows £9.50 for every pound to run the office. Given that we are working from a standing start, we have set a target of being self-funding within three years, and set a target of £3 for every pound of cost. Importantly, as the motion points out, there has to be an evaluation mechanism, and a review after five years as to whether the office continues. It is worth pointing out that the UK methodology is one based around *agreed* cashable savings; not, as some might cynically suggest, of one side claiming savings that can never actually be delivered.

3755 Turning to performance improvements, I commend the Welsh Audit Office for surveying departments that have undergone the service. Their latest interim report states that 88% of stakeholders believe their work has led to improvements in the provision of public services. That is how it should be, a partnership between the Auditor General and a Department, an impetus to drag some officers away from the day job for a time to think critically about what they do and how they do it.

3760 The office will also ensure that the lessons in procurement, contracting and so on, which are learnt in one Department cross over into others. For example, when we have issues with the flumes at the Department of Education, Sport and Culture, would some of those lessons be valuable to colleagues in DOI? What makes this happen? The system is not there. At the moment, if we had a Public Accounts Committee inquiry into this, it would be entirely retrospective, it would come in a year from now and it would be just too late and have limited value. An Auditor General has the opportunity to offer improvements in a timely manner.

3770 Turning to governance improvements, our Programme for Government included a commitment to continue to make more Government information available and increase transparency in the way Government delivers its services. It is in stark contrast to this that Members of this Court have nowhere to seek independent financial advice on the biggest financial decision they make in the year: the Budget. An Auditor General would be a valuable resource which all Members should benefit from. We should remember that the Budget estimates have had to be corrected between presentation to Members and presentation to the public, by some £21 million in the last two years, so it could perhaps provide some assurance to Members over the reliability of the figures presented and what you are actually voting on.

3775 As I mentioned in passing earlier, Treasury should not be picking its own auditors. In companies, the audit committee – principally non-executive directors – would choose the auditor. There is no such firebreak here.

3780 A Tynwald Auditor General should also enhance public and Member understanding and scrutiny of public finances – for example, the difference between the £30 million surplus, that Treasury said we got in last year's Light Blue Book and the press release, and the £117 million loss that the auditors signed off on and did not seem to warrant a press release. I would also expect them to offer training in reading accounts to new Members. This is something that I have done in the past, but should not be part of any one Member's job; it should be part of induction, with a more detailed package for the members of the Public Accounts Committee.

3785 I should also note that this officer will not be an employee of the Clerk of Tynwald's Office and will not be subject to direction of the Clerk of Tynwald, the Speaker, the President or any Committee of Tynwald, but only Tynwald itself.

In terms of its combination with other functions, an Auditor General could also potentially be able to undertake some of the reviews that we currently rely on off-Island people for. Recent work by Beamans around governance would be a case in point. There are other options too: the

3795 independent monitor within the Climate Change Bill, for example. Why reinvent the wheel, if the right experience can be brought to bear in house?

An Office of the Official Receiver is also combined with the role in Gibraltar. Given that there has been consideration of an Office of the Official Receiver in the Isle of Man since at least 2003, this may solve the Treasury Minister's headache about writing off £11 million of debt in recent years.

3800 There is also an option for a more robust whistleblowing route for those who have concerns about public sector corruption, fraud or procurement irregularities. The independence of the office from Government would give people the assurance that their concerns would be addressed and looked into without fear or favour to those in the Civil Service or the executive.

3805 Another significant reason for recommending this role is our position as a well-regulated jurisdiction. I need to offer Hon. Members an apology and a correction to the circulated business case, which states seven UN countries are without an auditor general or supreme audit institution. It should say six, as the Seychelles does now have an Auditor General – or maybe even five, as San Marino is working towards compliance as part of its obligations to EU institutions. This just leaves the famous five: the Democratic People's Republic of Korea; 3810 *(Laughter)* Turkmenistan; Uzbekistan; Comoros; and the Democratic Republic of Timor-Leste, which used to be known as the war-ravaged country of East Timor. Not, I would have thought, a club that the Isle of Man Government would relish being a part of.

I was delighted that just a few weeks ago the Treasury Minister was quoting to me the 3815 Commonwealth Benchmarks for Democratic Legislatures, and I am delighted that this has made his reading list. Our branch of the Commonwealth Parliamentary Association has been undertaking a benchmarking exercise of our institution against these standards, and I am very grateful to former President Mrs Clare Christian, Minister Harmer, Mr Hooper and Prof. Edge for their work on this panel. We have a lot to be proud of in a parliament of a thousand years' 3820 standing. Sadly, our financial governance is not one such area. Leaving aside what it says about the budget process – another temptation; I will not go there today – the benchmarks for democratic legislatures state:

There shall be an independent, non-partisan supreme or national audit office whose reports are tabled in the Legislature in a timely manner.

The other one is:

The supreme or national audit office shall be provided with adequate resources and legal authority to conduct audits in a timely manner.

It is clear that these are not being met.

3825 The report before Hon. Members contains other references to this essential office from the World Bank, from the OECD. The OECD Secretary General said that auditors general 'provide insight to reduce duplication, fragmentation and overlap in government'. If we sorted that, we may wonder what we would talk about at Question Time, but I am sure, Hon. Members, we would always find something.

3830 Far smaller countries have auditors general, albeit some in-source the service from outside the jurisdiction. The Falklands and Anguilla follow this model, they hire Mazars and the Welsh Audit Office to achieve this. The Falkland Islands – population 2,800 people – thinks that it is value for money to have this office when their annual budget is under £82 million. Ours is over a billion. St Helena's population is 6,800 people. It has an annual budget of under £50 million. 3835 They still see value in appointing a chief auditor.

I mentioned before that our business case is based on the Jersey model, which had unexpected but very positive outcomes for inclusivity and diversity. Those with knowledge of the accountancy profession will know that it is a challenging job, requiring technical knowledge and outputs that have to be of good quality and delivered in a timely manner. It is a demanding

3840 job, which probably explains why Mr Hooper, Mr Baker and I all look so old – we are, in fact, in
our 20s! Long hours around year end, projects and audit are the norm; there is a reason that
chartered accountants in the private sector earn an average of £134,000. As Members will
probably appreciate from this description, part-time work is not common; school-hours work is
virtually impossible to find. The profession loses a lot of mainly female workers, who leave the
3845 long and unpredictable hours and demanding deadlines of the profession to go on career breaks
during their time bringing up children. In Jersey, they found this underemployed, highly skilled
pool of labour more than keen to job-share for work in the Auditor General office. This has had
positive benefits for keeping skills fresh and providing a rare opportunity for this group, which
would otherwise be squeezed out of work in the private sector. With 650 chartered accountants
3850 on the Isle of Man and about 20 or so qualifying a year, with an approximately equal gender
split, I can see a similar benefit coming, and the consequent, albeit small, reduction in
underemployment coming into play here.

Also, Hon. Members, there appears to have been some confusion – in conversation with
some Members – inside and outside of this Court about the interaction between Treasury’s own
3855 internal audit function and the Tynwald Auditor General. I am grateful to the Chief Internal
Auditor, who came and gave his evidence to the Public Accounts Committee in September of
this year. As part of that evidence session, it was clear that he had given thought as to how the
two offices would interact in terms of their respective and quite different functions, as well as
the relationship with the Public Accounts Committee.

3860 Hon. Members may wish to know that Treasury’s Internal Audit Division predominantly does
controls work that informs the statement of internal control in the annual accounts. Those who
have seen the Internal Audit reports relating to their Departments will see that their focus is on
controls audit systems. These are very different from the role of the Tynwald Auditor General.
The Internal Audit Division of Treasury has limited independence and does not do any value for
3865 money work. It is therefore quite a different beast. It is, however, interesting to note that
Treasury’s internal audit function employs 10.69 full-time equivalents, with a total spend this
financial year of £767,000 to undertake systems and controls work, which puts the four staff and
£463,000 price tag being requested here, with a dedicated value for money remit, into
perspective. I understand that some people may wish to merge the internal functions into the
3870 Tynwald Auditor General. This is quite possible – it has been done elsewhere – but it would
require a change in the legislation if ultimately that was the desired route.

To conclude, Mr President, by way of perspective, the advantages I have outlined come at an
additional cost of £463,000, or about 0.35% of our total spending, or 1.5% of Treasury’s
estimated surplus for the current year.

3875 We have heard in this place before, Members’ concerns about value for money being senior
managers squeezing those beneath them and protecting themselves and middle management. I
do not necessarily subscribe to that, but an independent value for money function would
counteract that criticism

We should not wait for another Manx Electricity Authority loans scandal, another Media
3880 Development Fund, another Peel silt, another flumes ... You get the gist; I could go on. We do
not need to commission an off-Island expert consultant to tell us why we need this role. We can
shortcut that process. This is a trial, Hon. Members, a five-year trial which must demonstrate
that the outcomes I have set out above can actually be achieved. The evidence is universal
elsewhere that they can, and I do not believe that the Isle of Man is any different. The question
3885 is not if we can afford to do this, but whether we can afford not to.

I beg to move.

The President: In the event that this motion is seconded, could I have an indication, at this
stage, of how many Members of the Court wish to speak? In that case, I will take the seconder
3890 now, and then we will have a tea break.

Mrs Poole-Wilson.

Mrs Poole-Wilson: Thank you, Mr President. I rise to second the motion.

3895 The business case sets out the multiple reasons that support establishing an Auditor General
function and Mr Speaker has eloquently articulated this in his opening remarks, so I will confine
myself now to simply highlighting some of the really compelling reasons why we should agree to
this motion.

3900 First, the aim of delivering increased efficiency and better value for money. I do not believe
that any Member of this Hon. Court thinks that there is no scope for Government to improve
here. As a member of the Public Accounts Committee, I have seen, first hand, through that
Committee's work, the scope for efficiencies and cashable savings. Just one example was the
headline output from the KM&T report into the Hospital's operating theatres, which indicated
the scope for annual savings of £3.5 million. Such reports and the Public Accounts Committee
work go some way to identifying these issues. However, the Auditor General function offers the
3905 opportunity to adopt a systematic approach to public audit and value for money work, and in a
way that looks to generate agreed cashable savings in excess of the costs of operation.

Hon. Members, we should embrace this as a means of helping Government to deliver value
for money in the way it provides services. Viewed positively, this is an opportunity for
Government officers and Members in this Hon. Court to receive independent, non-political
analysis and reporting on how to increase efficiency, better delivery and value for money.
3910 Experience elsewhere is of cashable savings and of qualitative non-cashable benefits. Moreover,
executive bodies elsewhere find real benefit in the value for money work that they receive. For
example, the National Audit Office in the UK runs a client feedback survey, and, from that,
reports that the service is viewed positively as helping government deliver better.

An Auditor General function can also look at cross-Government issues, such as digital
enablement and contract management, and advise on best practice that may be relevant to
3915 more than one area of Government.

The business case acknowledges that while an Auditor General may identify savings, any
action or recommendations will have to be implemented by the relevant Department, Board or
Office, but I believe there are a number of factors that will support the work of the Auditor
3920 General being followed through and result in best-practice changes: first, the independent and
professional basis of the Auditor General reporting; second, the fact that that reporting will be
made public; third, the ability of the Public Accounts Committee and Tynwald, as well as the
Auditor General function, to monitor and revisit progress with implementation of
recommendations; and lastly, and very importantly, the positive opportunity for dedicated
3925 public servants to engage with evidence-based continuous improvement to enhance their work
and service delivery.

In debate yesterday, the importance of lessons learnt and continuous improvement was
highlighted as what was missing from the vote for capital. Hon. Members, the upsides are
legion, the benefits are meaningful for all – Government, Tynwald and, importantly, the Manx
3930 public, the taxpayer. I urge all Hon. Members to support this motion.

Thank you, Mr President.

The President: Thank you, Hon. Member.

The Court will now take a break and resume at five minutes past six.

*The Court adjourned at 5.40 p.m.
and resumed its sitting at 6.05 p.m.*

**Tynwald Auditor General function –
Debate concluded –
Amended motion carried**

3935 **The President:** Hon. Member for Ayre and Michael, Mr Cannan.

The Minister for the Treasury (Mr Cannan): Thank you, Mr President.

In an effort to speed things up somewhat, I am going to get an amendment out at a very early stage so that Hon. Members have a chance to consider all matters when looking at this motion.

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Certainly, my view ... and I say 'my' view, because this is not a Council of Ministers matter, this is a parliamentary matter as far as Council are concerned, and rightly so. I think this has been around for a long time. Lots of people have various views on it, so please do not take my views as those necessarily of the Council of Ministers.

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I was delighted to hear the opening remarks, because I think what I heard from the opening remarks, which was not really that clear in the documentation we received, was that when the Auditor General – if such a person is appointed – goes into a Department, they will negotiate a savings plan, and cashable savings will be taken off the Department's budget. That, from a Treasury perspective, sounds like good news to me – and what is there not to like about that?

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Mr Speaker: No doubt we are about to find out, Minister!

Mr Cannan: No, I have no problems with it. I think it is hugely credible, but I will have to tell Hon. Members that in my short experience as a Treasury Minister – hopefully, I will be around for the end of the term of this parliament, but you never know – *(Laughter and interjections)*

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Mr Perkins: Guess how many savings we would make!

Mr Cannan: In my short experience, every time the Treasury has come along and said there are savings to be made and tried to remove a budget from a Department, I can tell you there has been kicking and screaming and shouts of blue murder from here to the hilt, and eventually most people outside Treasury look inwards and say, 'What are you doing? Leave that money alone and leave that Department alone.' **(A Member:** Surely not!) In fact, normally it is 'Give them some more money.'

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That aside, it is fine; so, if the Tynwald Management Committee is absolutely clear that that is going to happen, then what is not to like from a Treasury perspective? Certainly, from a financial perspective and from a management perspective, what is not to like about that? And putting in cashable savings and adjusting budgets accordingly, whether that is there and then or whether it is over a one- or two-year timescale, sounds like good news to me and it is to be supported.

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However, I am a bit nervous about some of the claims that have come forward in the opening remarks from the seconder of the motion, who suggested that it would be the end of Government overspends like Peel silt, or the end of projects perhaps going slightly wrong or going off course, and these things would come to an end. I would personally urge a little note of caution. I do not want to dampen the enthusiasm of this Hon. Court, but I would urge a note of caution, because the experience that I can see from other auditors, national audit offices in our surrounding neighbours, is that actually they spend an awful lot of their time investigating past episodes or past incidents.

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For example, just looking at the Jersey Audit Office. They are about to investigate the Government's corona response to the pandemic. We have seen the National Audit Office – in fact, I think it was raised today during the COVID debate – looking at the mismanagement potentially around the expenditure of PPE equipment, and very critical reports about what has happened historically with things like HS2. And, of course, equally, here on the Island there are

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multiple examples where the Public Accounts Committee ... and reports have been done on historical events. So, it will be interesting to see how much preventative work the Auditor General is able to do – but that is going to work in cashable savings, so I am absolutely all for that, and of course we will have an absolute, clear measurement on that basis, at the end of the five years, of exactly how much has been delivered.

3985 However, just on that ... I am not going to pick on Jersey, but, Hon. Members, I did try to give you ... I am sorry it was short notice, but I did send round a couple of examples of audit structures around us, and I will come on to that in a minute. But I was looking at Jersey's detailed audit plan for the latest quarter, and the plan rolls out what has been achieved: the States of Jersey Development Company – I am not sure what report has come from that; they have looked at insurance, published a report; use of enforcement powers, published a report; handling and learning from complaints, published a report; anti-corruption arrangements, fieldwork ongoing; the capital programme, scope to be confirmed and fieldwork ongoing – an interesting one; the government response to the pandemic; management information in education; the States' Employment Board; governance arrangements around health and social care; governance of the Jersey Police; and oversight of and remuneration of the boards. It does not fill me with a great deal of confidence that this is setting out, certainly from that example, a vast array of our punchy investigations – where, I think, Hon. Members want to see this – into buses, or steam trains, or education, or the Department of Health, and big reports that come through with millions of pounds' worth of savings. So, I think I would add my own note of caution and temperance around this.

3995 The Auditor General is also going to deliver a huge amount of training for people, a lot of educational services, and apparently is going to actually get to grips with all the Budget estimates, which is going to take up probably six months of the year, anyway; it certainly takes up a huge amount of time from Treasury's perspective, trying to understand all the estimates and where they have come from.

4000 But, that aside, the primary idea, which I want to see written down – I would like to see it written down by law, the fact that the Auditor General and the Departments must agree the resultant cashable saving from an Internal Audit report, which I think is good news and will really be clear to the public why Tynwald has decided to spend almost £½ million. Let's face it, it is going to be, pretty much, close to £½ million as soon as the first pay rise is given.

4010 The other points that I wanted to make, and in terms of the amendment that I have and I hope has been circulated ... Has it been circulated? (**A Member:** Yes.) Everyone has got a copy? (**A Member:** Yes.) Just in terms of the amendment that I circulated, a couple of points have struck me. First of all, I am very conscious that a lot of this decision-making is based on an initial report that started in 2003 and a decision that was effectively made in 2005, and then subsequently a piece of legislation that was written circa 2010 and voted on in 2011. There has been a substantial time lapse since all that was put together, and I feel that what we have, in terms of the actual legislation, is not now quite fit for purpose in terms of what we actually want to achieve in terms of an independent Auditor General and the best practice that surrounds that.

4025 Certainly you only need to reference the two examples I gave, but there are multiple examples of where the National Audit Office, which is effectively what we are creating, or, I would suggest, now we really need to create ... I think we need to move away from the Auditor General as a single point of focus, but rather put round now, if you want to create an independent individual ... an independent National Audit Office ... There needs to be the governance around that, and there are clear requirements set out now in law in both those examples that I have given, albeit there are slight variances in terms of how the relationship works with a board structure, but you do need an independent board structure. You do need the governance around this, otherwise you start to question is it properly independent. Also you need a reference point for the Auditor General, I would suggest, in terms of ensuring that the work programme is being clearly delivered, but also as a reference point if the Auditor General

4035 runs into potentially either executive Government problems or even political problems, because
I have no doubt that, at points, an Auditor General will be sought after from a political
perspective.

The legislation gives the power, I notice, for the PAC to direct the Auditor General, and I note
that the only people who can actually authorise the motion to come to Tynwald for the Auditor
4040 General to be removed are the Speaker and the President. I am not convinced, at this stage,
whether what was a 2010-11 piece of legislation is still fit for purpose, and I do not think it is fit
for purpose – in fact, I definitely do not think is fit for purpose – when it comes to the
governance structure. Also, within that, I think Tynwald needs to consider whether that
governance, the structure that has been set out in law, should include specifics around the
4045 Auditor General’s requirement to lay out his or her audit plan for transparency, and also the
items that I referred to before around the need for executive Government to confirm and
deliver on cashable savings. I think that needs to go into statute in order to ensure that the
relevant deductions can be made by the Treasury in terms of setting out the Budget, just to
make those points clear.

4050 To try and finish off, Mr President, I think I just want to be clear about Government’s Internal
Audit, and perhaps I regret actually ... I think the evidence from the Internal Auditor ... I hope
that Hon. Members have potentially had a chance to read it. I suspect, with the level of work
that is going on for many Members, they probably have not had a chance to study it, but I think
a pretty unfair comparison was made by the Speaker in terms of alleging that this was better
4055 value for money than the internal audit function. It is substantially different, because the
Internal Auditor is delivering 40 to 50, approximately, internal audits in any given year – they are
not value for money reports but they definitely look around the financial controls and the
mechanisms that have been applied to specific operational instances – and will conduct for
Treasury, if referred, and indeed they can decide themselves, but the Treasury can ask them to
4060 go down and investigate the efficacy of certain spending decisions or spending requirements
that have come to our attention, and for which we feel concern in terms of the way that we
have been ... And indeed we have sent the Internal Auditor down to do that, but he also – he, at
the moment; or she, in the future, I am sure – looks at tender appeals, financial irregularity
reporting, whistleblowing, and, at the moment, also supports the Economic Crime Unit, and with
4065 the 10-point-something staff, rounded up to 11, and £750,000 budget actually does a significant
job. (**The Speaker:** Hear, hear.)

I am a bit concerned – but I accept the decision in the report – that the PAC announced it is
not going to take those reports, because I think if the PAC was really operating efficiently ...
Those reports have in the past ... and as Chairman of the PAC, they have been a hugely valuable
4070 source for us to launch our investigations, but I just really wanted to make that point.

Mr President, I think probably I have made the general gist of my argument as to why I
wanted to put forward the amendment that I have. Simply, we are asking that before the
Auditor General function is actually formally put into place we should just take the time to make
sure the legislation is fit for purpose now. It picks up on the points that I think I have outlined. It
4075 has been hugely relevant and why the legislation is not up to date at the moment, and of course
if we can get into the legislation the points that I have raised about the financial benefit of the
cashable savings, then I think we will be in a position to make some progress.

I beg to move:

*To leave out the words ‘with effect from 1st April 2021, with an annual budget not to exceed
£855,000 per annum’ and to add at the end the words: ‘but that the Office of Tynwald Auditor
General shall not be established until adequate governance arrangements have been made.’*

The President: Mr Shimmins.

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Mr Shimmins: Thank you, Mr President.

I beg to second and I would just like to make a few brief remarks. First of all, I am all for efficiency – I think people know that – and I am also all for good governance, so I think it does make sense with the Treasury Minister’s amendment to put a governance structure around the Auditor General, particularly as the model is being based on Jersey, where there is a board.

The next point I would like to make is that it is relatively easy, in my experience, to identify savings; it is much harder to drive them out. I spent many months on the Treasury SAVE programme with my hon. friend Mr Hooper. It responded to lots of fantastic ideas from the general public. We worked them up in great detail, took them to Departments, and perhaps there was less enthusiasm, shall we say, from some Department Members round this Hon. Court and some Department Ministers to actually implement them, because some of the savings would have been not necessarily overwhelmingly popular. That, I think, is a challenge for anyone looking at efficiency and savings, and perhaps also it has been a challenge for the Public Accounts Committee in terms of how they have managed to bank savings over the last few years. It is easy to talk about; it is much harder to do, in my experience, particularly in the political environment in which we are operating. If this is going to fix this, it sounds really attractive, so I am right up for it; it is really good news.

The last point I want to make I think was a point also that Mrs Poole-Wilson made, which was that whilst this can be a debate about the Treasury, Departments, the Public Accounts Committee and the Auditor General, actually it is a debate about taxpayers’ money and sometimes I think people forget that, and that is really important. That is why it is important that we review how the Auditor General gets on, because this is a substantial amount of taxpayers’ money.

I hope it really goes well, but I very much support the review mechanism of actual cashable savings as well.

Thank you, Mr President.

The President: Hon. Member for Douglas East, Mr Robertshaw.

Mr Robertshaw: Thank you, Mr President.

Unlike the Treasury Minister, who hopes to be around at the end of this parliament as Treasury Minister, I just want to be around, at my age. (*Laughter*)

This issue is absolutely a no-brainer. It is about time we left this very special club that Mr Speaker has spoken about. Was it Tajikistan, or somewhere? I do not know, (*Interjection*) but it is about time that we really left that club. This is not front-edged, bold-step, pathfinding stuff; it is dragging us kicking and screaming into where we should really be. It is as simple as that.

I respect the compliments offered to Audit Advisory. I have my own view. I think they do contribute, but I think there is an opportunity, when the Auditor General comes in, to think again a little bit about what they might report on and in what way. I will leave it there, because I could have a bit of fun about it and I do not want to do that tonight.

The Speaker: Skip that one!

Mr Robertshaw: Park it.

The audit work that goes on, the external audit work that has been mentioned by the Treasury Minister, yes, it is fine, but as he describes it, it is pure accountancy audit process that goes in, looks and comes out. What we are looking for is something different, something *really* different that profoundly understands how money works within Departments, within the public sector, and looks across the piece.

As mentioned by the Hon. Member for Middle, Mr Shimmins, there was a great deal of effort put in to try to make SAVE work. It was fully well intentioned, it was trying to do the right thing, it knew there were savings to be had, but it could not be achieved. Why couldn’t it be achieved? It could not be achieved because of the structure of where we are, and what you ended up with

4135 was a defensive process within Departments, as Mr Shimmins has described, defended by individual departmental Members.

I hope an Auditor General would help us to think again about how Departments would migrate towards being pure operational delivery units and that certain elements of what we do will be consolidated, so we would have a significant reduction – nobody is perfect, nobody gets it right all the time, none of us – in these colossally, occasional, and I am not embarrassed to say 4140 stupid things that come forward from time to time from Departments, that came into the strategic arena but came out from operational officers who are trying to do things that they are not competent to do.

So, let's let the Departments get on with the operational work that they are good at, and let's 4145 redefine and restructure ourselves, and let's hope that the Auditor General, who sits inside the organisation, can help us do that. I think if we achieve that, we will have achieved a tremendous amount, and I am sure that the modest savings that Mr Speaker has spoken about will be, in time, shown to be quite right.

Just before I close, I want to mention something about how important I think it is that we 4150 have a receiver, because we have not got that and it is actually impacting on the good function of our private sector operations. We need that service and facility. We are clumsy in bankruptcy, we are clumsy in receiving, and in a modern society with a forward-looking, efficient private sector, you need those things, so doubling the two up together would be very advantageous.

Thanks, Mr President.

4155 **The President:** Just for the avoidance of misunderstanding, can I make it plain that Mrs Poole-Wilson is currently absent with my leave.

Hon. Member, Mr Thomas.

Mr Thomas: Thank you, Mr President.

4160 I thank the Tynwald Management Committee and Mr Speaker for doing this work and for bringing it forward. I also really appreciate the engagement of the Member for Ayre and Michael, because it has been made clear to us that this is a parliamentary matter; and I appreciate all of the diligence shown by that particular former Minister, now the Member for Ayre and Michael for these purposes. I think we have got the potential for a good development 4165 on all of this. However, I will be fully supporting Mr Cannan's amendment. The reason I will be supporting Mr Cannan's amendment is because of my personal experience of the difficulties in achieving this, and they are around the governance. I am just going to lay out some of those difficulties.

The first one is, Government had the good idea that it was stupid to have the Tynwald 4170 Commissioner for Administration Act on the statute book, but not in force. So Government put into the Programme for Government that we would put in place the Appointed Day Order as part of the Programme for Government. The budget for that was only £15,000; it was not the budget we are talking about now. But it took us two years to transfer that budget into the Tynwald budget properly. That taught me that these things are harder in practice to actually 4175 execute, than they are to imagine beforehand. So that is one point I would realise.

The second point is that we are now to the stage with the Tynwald Commissioner for 4180 Administration which has been really effective, and that is why I fully support the Auditor General, and I have supported it for a decade at least now. You will also have teething problems with the role, so I am now to the stage of reviewing the Tynwald Commissioner for Administration and Mr Clerk knows this. But we have now got three or four reports on the Order Paper from the Tynwald Commissioner for Administration, and there are disputes about some of the facts inside those reports for some constituents of mine. We are now at a stage of working out how we challenge the evidence that is presented about the law, and things like that, in these reports. Currently, the situation is that only the Tynwald Court can direct the Commissioner to 4185 actually look again, and that is a governance issue to my mind. So, therefore, we need to take

the time in advance to learn from the experiences of the Tynwald Commissioner for Administration to actually go forward with that.

4190 In terms of the way the budget has been looked at, I have got massive respect for the Communications Commission and for *ex ante* regulation, but the broad statement was made that this budget is along the lines of the regulators. Well, it is not quite along the lines of the budget of the Communications Commission, say, because the Communications Commission works in part because it recognises the limitations of its own expertise, and it has quite a substantial budget for hiring consultants to help it in specialist areas. That might be a way forward for this process.

4195 I also want to be realistic about what a handful of people can do, *vis-à-vis* the 800 or 900 fully trained, articulate, motivated civil servants who control this issue that has caused so much trauma for so many people through the years. We have to be realistic and even if we have four or five fully trained professionals in this area, we have got to understand upfront the limits of what they can do. My concerns about that build on the remarks that have already been made by
4200 Mr Cannan. But I want to add to that when I hear Mr Speaker talking about having a new entity, which might cover monitoring for climate change, whistleblowing – and I think the national statistics have been mentioned by Mr Hooper in conversations – it is all very helpful. We have talked about the Statistics Office. I think in the law, the Tynwald Commissioner for
4205 Administration and the Tynwald Auditor General Acts are parallel pieces of legislation and inside the legislation they could work together. I am not against that idea, but it is going to take a lot of management and there is only so much time and energy in the Clerk's life, and in all these things. In principle I agree with the separation of organisations, but that in itself creates issues.

The last point I want to make about why it is that I fully support the Auditor General, but I also believe we need to stand back and learn the lessons of our experience before we go ahead,
4210 through supporting Mr Cannan's amendment, is that my personal experience since 2013 of the Public Accounts Committee and the way it worked throughout that period – so this is not directed to any individual – is that we need to think long and hard about how we separate *politicians* from the process of internal audit. Sometimes it seemed to me that the work of the Public Accounts Committee and the sort of investigations that are going on, can be about scoring
4215 political points to an extent; and everything to do with spending a billion-plus of public expenditure has a political dimension to it.

The Jersey experience is that they go through Auditors General, because the Auditors General end up being perceived as part of the political process, and that in itself will be learning. So I think it is very important that we do have a board structure and I do think it is very important
4220 that we separate that board out, so it is independent of both Tynwald and Government. In that sense, I want to compliment Mr Speaker, because it was always his notion that it was dangerous to have the Tynwald Commissioner for Administration located inside the Tynwald Office, because of potential contamination by Ministers and departmental Members. Therefore, I do think that is something that we need to think through in terms of the budget.

4225 So in summary, I am a massive fan of all of this. I hope that we can spend the time now to reflect on the serious amount of money to be spent, which can have cashable savings.

One last point before I sit down, which is that cashable savings in itself is an interesting concept. I spent a lot of emotional energy at the Cabinet Office Political Group making sure that some massively important element of expenditure, Digital Strategy, was systematically being
4230 called to account for what the capital savings were and whether they were being realised. We had monthly reports on how all the Digital Strategy projects were being implemented so that, in my view, as I explained to them four years ago, I could cover myself when we got summoned before the Public Accounts Committee or another of the Policy Review Committees – and, to date, nobody has ever asked to see any of that data. So, therefore, I like to think that realism
4235 matters. In this job it will be difficult, but there is nothing wrong with starting out and trying to work out the right governance and the right practical and operational arrangements and take it forward.

Thank you Mr President.

4240 **The President:** Hon. Member, Mr Baker.

Mr Baker: Thank you very much, Mr President.

4245 As Hon. Members will be aware, within the Committee's Report was a memorandum of dissent from myself which highlighted a number of concerns. I have expressed those concerns within the Committee right from the first part of this process being dealt with by the Tynwald Management Committee. I want to make it clear to this Hon. Court and put it on public record that my concerns were there when I was a backbencher as well as now that I am a Minister. (**The Speaker:** Hear, hear.) Thank you, I appreciate that, Mr Speaker.

4250 So those concerns were there, and I discussed those in the Committee and felt that the right thing to do was to come out with a memorandum of dissent, and that is what is in front of you today. I think that has actually helped inform the discussion so far. I have not had the conversation with my hon. friend, Mr Cannan, but there is quite a consistency between some of the points he has picked up and some of those concerns that I had expressed in the memorandum of dissent.

4255 What I actually felt was that the Tynwald Management Committee was being used, and asked to effectively execute a decision that was made many years ago. I think the most recent dating of that decision process was 2011. The Management Committee had been asked to prepare a business plan for submission to the Treasury Budget process, which it did – (*Interjection*) Sorry? (**The Speaker:** Twice.) Okay, thank you. So it had done that twice, and then brought forward this Tynwald motion. So effectively it was being an instrument of that process. I was happy to support that, but I did make it clear that did not infer my support for the ultimate proposition. I appreciate Mr Speaker's acknowledgement of that.

4265 My concern was that any decision that was made that far ago might have been very well-considered at the time, it may well have been the absolutely right thing at the time, but a lot had changed since then. The way that we scrutinise has changed; the structure of scrutiny; the composition of not only this House, the House of Keys, but also the Legislative Council, and what they bring to the party has changed significantly since then. My concern was that we did not simply just rubber-stamp a decision that was made by a previous Court of Tynwald, and move down a path just because that path had already been set for us; and it did need to be thought through properly.

4270 I am really pleased that Mr Cannan has brought his amendment, which puts this into a governance structure. Some will say that this is just a way to prevent progress being made. I do not believe that is the case. I do believe that the Treasury Minister very much welcomes financial savings and I take him at his word in his opening remarks. It does need to fit with the rest of the scrutiny process. It needs to fit with Internal Audit. There are some concerns that I had and that I articulated in my memorandum, which Mr Speaker has already acknowledged, so I would have seen it as a hugely retrograde step if we tried to internalise the external audit and moved away from having a credible blue-chip firm of auditors. Mr Speaker has made it absolutely clear that is not the case. So I am comfortable with that.

4280 I also highlighted in the memorandum that I felt the prospect of the Auditor General effectively starting to audit local authorities was a path that I felt was not appropriate, and potentially could involve taking work away from the private sector. Again, I would leave that thought with Mr Speaker as to any comments he wishes to make in his closing remarks.

4285 Clearly, we all want cost savings; we all want a more efficient, smarter, more effective Government. We are all agreed there and we all intuitively believe that there is better value for money to be had across the public sector. I do not think anybody would disagree with that. But those savings do have to be delivered. I completely concur, for the second time in a couple of hours, with Mr Thomas's remarks – (*Interjections*) and with Mr Shimmins' remarks – that these things are very easy to put on a piece of paper, but less easy to see and be translated back into

4290 the bank account. That is true, not just in the public sector, but it is true in business as well, and in any organisation of size it is very easy to see those things.

The question is: how do we make sure that actually what are identified as cashable savings are, and do, get converted back into true financial benefits? Because what we are doing here, Hon. Members, is we are increasing our cost base. Let's make no bones about this. We are
4295 putting nearly another half a million pounds into our cost – that is half a million pounds that could be going into education or health, or the bus service, or neighbourhood policing, or whichever Department example you want to pick. We are doing it on the expectation that after three years they are going to be able to pay for themselves.

Flip that round, Hon. Members, and that says for the first three years we are not actually
4300 expecting them to be able to pay for themselves. So this is extra overhead cost for Government. We all know the climate we are operating in. Taxpayers' money is hard-earned at the moment, and we are actually putting extra costs into the public service. It is counter-intuitive, but actually it continues the theme that we are starting to do around climate change and around Manx Care. We are putting more cost into the Government infrastructure and the scrutiny infrastructure.
4305 We need to be mindful of that, Hon. Members.

So we absolutely have to make sure that if we are going to do that, we have to sweat that investment and maximise the return from it. It has to be integrated with the other aspects of control, whether it is internal audit or the scrutiny committees. We have to take a long, hard
4310 look at those things and say, how do we join all this up together to make it as effective as possible for the Manx taxpayer?

We also need to ensure, Hon. Members, that we do not end up stopping decisions being made by the executive. It is very easy to put layer, upon layer, upon layer of scrutiny and actually making it very difficult for anything to ever happen. That is not a good thing. I am not arguing
4315 against appropriate scrutiny, but somebody has to make decisions and get things done and we need to have that balance clearly in place.

My experience is that there is lots of scrutiny within the Treasury process, within the budgeting process, within things like the Strategic Asset and Capital Investment Committee (SACIC) and the bidding process before you get the money. The Treasury does not treat this
4320 money lightly, and let's make that really clear for the public. It is not given out negligently, or without very thorough control.

I would also caution that to expect the Auditor General to solve every problem in the public service, is unrealistic. **(A Member: Hear, hear.)** Mr Speaker made some examples there through words like Peel silt and Manx Electricity loans. I would contend to you, Hon. Members, that
4325 actually whatever those issues were – and it is not the time to unpick them now – they may well still have happened even with a Tynwald Auditor General and a team of accountants working with him. But those examples also are historic-looking, and you can do the steward's inquiry and you can do the post-mortem, but actually you cannot get any benefits from that other than learning the lessons for the future. So to be cashable savings this work has to impact the decisions that are made going forward, not saying, 'You shouldn't have done it like that', or 'You
4330 could have got better value if you had tackled it in a different way.'

It also has to be policy agnostic. We can all find ways of saving money in every Department – cut rural bus services, ration medical treatment, increase class sizes, close rural schools, or whatever. Those are all ways of saving money, but that is not value from an auditor general; and that is not what this Hon. Court should be backing, if that is what it is going to do, because that is
4335 policy and that is for elected Members in Tynwald Court. **(A Member: Hear, hear.)** So let's just make that *really* clear. **(A Member: Absolutely.)**

I think I have covered my key aspects. I had concerns. I did not want it just to be seen as a nod through, and I think that challenge was appropriate. I am pleased that Mr Cannan has brought forward his amendment and I will be supporting that.

4340 Reflecting back on a couple of comments from Mr Speaker that have just given me a bit of unease. He talked about combining with other functions. I would agree that is all part of the

organisational design, but we must make sure that is properly thought through. I was expecting him to say that the Tynwald Commissioner for Administration is an obvious one, but when we started talking about whistleblowing and other things I just got a concern that this individual, or the group, would become a jack of all trades if we were not careful.

I am also very cautious about the wisdom of thinking that this group will effectively substitute for off-Island expertise. The major pieces of work where we brought in very credible off-Island expertise – Sir Jonathan Michael, Prof. Curran – you cannot do that, however good an accountant and two or three part-time accountants are. That is real, specialist expertise and the Auditor General should not be doing that sort of work. We do need the right expertise for that, and we should be prepared to pay for it (**A Member:** Hear, hear.) because these are major strategic decisions. So let's just make sure we are not setting out our expectations unrealistically.

Finally, Mr Speaker talked about the Auditor General appointing the external auditor. I am absolutely sure, but I would appreciate his confirmation, that he does not believe there has been anything inappropriate in the way that Treasury have chosen auditors in the past. There is a limited pool of credible organisations of scale and expertise. Yes, it probably is a benefit to have it one step removed from the executive, but I am absolutely certain that those external audits have been rigorous and professional and done in absolutely the right way.

So with that, Mr President, I will close; and I will be supporting the amendment from my hon. friend from Ayre and Michael.

The President: Hon. Member for Ramsey, Mr Hooper.

Mr Hooper: Thank you very much, Mr President.

Hon. Members, this is a historic moment for the Isle of Man. This Treasury, this Chief Minister, this Government could go down in history as the Government that set in motion a system and process that saved the Isle of Man significant amounts of money over the next 10, 20 or 30 years. People who finally got a grip of Government inefficiencies and finally started to deliver a smaller, smarter Government. That is the hope anyway.

I was originally going to talk a little bit about what an external auditor does compared to an Internal Auditor, to run you through a controls audit, which is my area of specialism. I decided that, whilst Mr Speaker would very much enjoy that, the rest of you probably would not. (*Laughter*) (**A Member:** True!) (**The Speaker:** Their loss!)

The only thing I would reiterate, and it is important to reiterate this because I have heard from Members in the past when concerns have been raised, 'Internal Audit have signed that off' or 'The external auditors have signed that off'. Actually, that is not what happens. Auditors do not sign off on these things, they are focused on material issues, on the substance of issues. They are not looking for things like value for money; value does not really come into the remit of a financial statements order. It is a by-product, it is a value add, but it is not something within the core remit.

I find it quite surprising that back in 2016, I think it was, when I asked a question of the Treasury and said, 'What value-for-money work is undertaken at the moment on the Isle of Man?' The answer that came back was, 'None; we do not do it.' I was even more surprised then to find out when we, on PAC, questioned the head of AAD about value-for-money work and he said, 'Yes, that is outside of our scope. It has been taken outside of our scope. We do not do it either.' That was something of a surprise to me, because I would always have thought Internal Audit would have been a good place to do some value-for-money work, the place where they could centralise some of that.

I think, as has been previously highlighted, already the SAVE programme is probably the closest thing we have seen to the value-for-money exercise, but it was a one-off hit and it went away. That was the problem actually: you deliver the report, you go away afterwards, and then it is very hard to hold Departments to some of those decisions or to some of those

4395 recommendations. I actually think that the SAVE programme worked better whilst it had members on the board who were independent of the Council of Ministers, who were not responsible for a Department, who could say, 'Actually, we do not agree with some of this stuff.'

Mr Peake: They were removed.

4400 **Mr Hooper:** I cannot comment on that, Mr Peake, but yes, I think that itself shows that having some independent oversight is actually quite beneficial.

4405 The Speaker, when he moved this, talked about scandal and preventing some of these big-picture public issues, but I think I agree with Mr Baker that these retrospective cold reviews that you do after the fact, is not where the value is here. Yes, there is some value in having professionals be able to pore over some of the things that have happened in the past, especially where they are complex and predominantly financial. So, the Media Development Fund issue, for example, I would have brought in specialist external financial accountants and given them the ability to go to town on some of that stuff because it is complicated, it is difficult. But that is not where the value really is. These things like Peel silt, they are still going to happen, we are still going to see these things happen, but hopefully less frequently. The real value you get out of an auditor general's office, an independent audit office, is in this continuous, iterative, evolving review of day-to-day Government expenditure in Government operations. (*Interjection*)

4410 I agree when Mr Baker says, lots of *how* we scrutinise has changed. It has. We have seen things evolving and things will continue to evolve, but that underlying issue of actually not having a properly professionally resourced value-for-money specialist has not gone away, that is still a problem. We talk about this in the context of: we should centralise capital projects and have experts and professionals managing those projects; we should centralise our digital delivery and we should have professionals managing and running those projects. Actually, this is the same principle. In terms of value for money we could continue to let Departments do a bit of it themselves, which will continue to go on, but surely it is the right thing to do to centralise this with a team of professionals who know what they are doing.

4420 This is why I think it is a bit of a shame the Minister for Health is not here, because the Jonathan Michael Report on the DHSC is actually a very good example of this. I disagree with Mr Baker that those kinds of reports will always be necessary. I think, having an auditor general's office, they would be able to commission those kinds of external experts themselves on a more regular and routine basis instead of Government having to do that on an exception basis. I think the Auditor General will always have the ability to bring in specialists because, as he quite correctly said, a small team is never going to have the expertise to deal with everything that Government does. Government is far too broad for that.

4430 But the Jonathan Michael Report is really interesting, because it had pages and pages and pages which had the same message in them, that actually analysing the efficiency inside Health and analysing the budget inside Health was next to impossible. There was a serious lack of data. There was no way of measuring efficiency, no way of highlighting inefficiency and no effective benchmarking. Actually, these are the issues that the Auditor General role would resolve.

4435 I find it mind-blowing that we have a system where you have a Department that *cannot* tell you what it costs to run an operating theatre. An auditor general would have picked that up straight away. Actually, I am surprised Internal Audit have not picked that up straightaway – but that is a separate issue.

The Sir Jonathan Michael Report said very specifically that:

... lack of data limits the Review's ability to fully assess value for money ...

4440 He mentioned there were:

Very few quantitative measures of efficiency ... [*and*] ... Without this information, it is much more difficult to make informed management and operational decisions.

I think the key point here is: even in reports like that where it is identifying, going forward, it is essential we find ways of monitoring and increasing efficiency, they are basically pointing to an independent oversight board and saying we need someone that can actually help us with this, that can do the work with us.

4445 I completely agree with the remarks that are made, where there will not be a single report that comes out and says, 'This is how you can save £100 million.' That is fantasy. But what you will see is continuous reports that might save £10,000 here, or £100,000 there – and that adds up! That is the point with what we are talking about here.

4450 The key risk I think has been very well articulated, that whilst the auditor general function can highlight deficiencies, it is difficult to force Government to do them. I have a number of problems with this argument. The Auditor General Act itself makes it very clear that reports must identify where Departments are not performing efficiently and effectively. It is in the Act, you must do this. Then it says they must give this to the Department; and the Department must as soon as practicable, and in any event within three months, produce and deliver a performance plan specifying the action they are going to take and when they are going to take it.

4455 The Act already makes it clear that is a statutory requirement. So if a Government Department says 'I am not going to take any action', actually they are breaking the law. So the Act is very clear on when a Department must respond. Given that what we are talking about here – because the model that is used is that the auditor general will talk about 'agreed' savings, not 'imposed' savings – these are savings that the Minister and Department will already have agreed. So the Minister has said, 'Yes, I agree I can make those savings.' He is then going to tell the Auditor General how he is going to do it – and *still* we do not think the Department is going to do it. That is a damning indictment from Ministers to say, 'I do not think that, as the Minister in my Department, I am capable of delivering agreed changes to save money.' I do not believe that for a moment. I think that Ministers and Departments are capable of delivering those changes, especially when they have a public report in their hands that says 'This is how you do it, and this is how we are going to do it.'

4460 That is something else that I think has not been quite articulated yet in this debate. These reports are public, but Internal Audit reports are *not* public. It is very difficult for Tynwald Members to find out, actually, what are the issues going on in Departments? Internal Audit reports are shared with PAC but are not shared with anybody else; (*Interjection by Mr Speaker*) whereas the Auditor General reports will be available. So when a Minister is not delivering on his agreed savings with his agreed delivery plan, anyone can pick that up and say, 'What are you doing about this? What's going on?' So there is an accountability mechanism, I think, built in there.

4470 What I do agree with, though, is the principle that Mr Cannan has outlined in terms of, actually, do we need to make the governance around this slightly more robust? I hope the Clerk has circulated the amendment that I am going to be moving.

4480 I am just a little bit concerned that the amendment that Mr Cannan has proposed does two things that I am not quite comfortable with: one is it removes the budgetary element, but actually it does not specify how much we should be spending, which leaves that whole fight for the next administration. It also seems to say we should not be establishing this function *now*, we should wait and see.

4485 But the thing that made me table an amendment was in terms of the last line that he has included where it says:

[*the*] ... Auditor General should not be established until adequate governance arrangements are made.

I am not sure what 'adequate governance arrangements' means. Who decides what is adequate? I could argue that the Auditor General Act itself already has adequate governance

4490 arrangements in it, because Tynwald approved them so they must be adequate. Not a very strong argument, I will admit, but it is an argument. *(Laughter)*

I tend to lean into this idea that actually we should have a board structure built around an auditor general. I would like to see a national audit office. I would like to see an office of budget responsibility which deals with things like independent statistics, which could deal with things like climate monitoring that the Climate Change Bill proposes, and that could deal with the functions of an auditor general. I think that is probably where we will eventually end up.

4495 So the amendment that I have tabled actually says, yes, we should do this. Yes, we should still bring this in as quickly as possible, and the Public Accounts Committee should come forward with proposals as to what that governance should look like. I would not advocate bringing those proposals back to Tynwald, I would say bring them straight to the House of Keys. Let's debate them on the floor of the Keys, as we are amending the legislation, rather than having a big debate in here and then having to have the same debate in the House of Keys, and the same debate in the Legislative Council. Let's just do it once. We can all collectively agree this is a sensible decision. We can all collectively agree that probably a board structure is the right way to go, but what you are really talking about is the detail. So let's get on with it.

4500 The challenge there to the Chairman of the PAC is: you could do it. If you think this is important, do it, and do it quickly. **(A Member: Yes.)** The reason I have suggested PAC, as opposed to the Management Committee, is actually partly for some of the reasons that have been outlined today around the conflicts that may exist if you try and place this function within the Management Committee structure; and because PAC are already mentioned inside the Auditor General Act as being a body that can direct the Auditor General. *(Interjection)* Sorry, I must have misunderstood that. *(Interjection by the Speaker)* But it does seem to me to sit better, I think, with the PAC function than the Management Committee function.

4505 So the intention of this amendment is to simply take Mr Cannan's principles, which I think were quite well made, surrounding the governance structures of an Auditor General, and that we should have a properly formed audit office and say, actually, let's crack on and do this. Let's get the Auditor General Act amended; and Mr Thomas can bring in all of the amendments he wishes in respect of what other functions may sit well underneath that board. But really that seems to me a sensible way forward.

4510 I would caution against accepting Mr Cannan's amendment on the basis that, whilst I do not believe it is intentionally setting out to wreck the proposals, I think it will inadvertently have that effect simply because of the language around conditionality on the establishment date. So I would encourage, Hon. Members, if you believe that actually the governance arrangements in the Act need updating, support my amendment; and then we will push Mr Speaker to deliver on his promise of making this happen, in his capacity as Chair of Public Accounts.

4520 Thank you very much, Mr President, I beg to move the amendment in my name:

To add at the end the words: 'and the Public Accounts Committee should bring forward draft proposals by April 2021 to amend the Tynwald Auditor General Act 2011 to establish appropriate governance arrangements.'

The President: Hon. Member of Council, Mrs Sharpe.

Mrs Sharpe: Thank you, Mr President. I would like to second the Hon. Member for Ramsey, Mr Hooper's amendment.

4530 Were it not for the global pandemic, I would be at McGill University in Canada right now, doing my course in Advanced Parliamentary Governance, as you know. As it happens, I am still able to do the course, albeit online. I would very much like to thank Tynwald and the Commonwealth Parliamentary Association for the opportunity it has given me to study subjects that I had not previously realised were quite so fascinating, one of them being the importance of the role of Auditor General for a high-functioning democracy.

4540 On the course, myself and fellow parliamentarians from Jersey, the Cook Islands and the tiny
isle of Anguilla, in the Caribbean, learnt how the office of the Auditor General oversees a
government's budget, eliminates waste, wherever possible, and ultimately saves money. As
Mr Speaker says, in Northern Ireland, for example, every pound spent on the Auditor General's
office saves £9.50 down the line. We learnt how the office of the Auditor General can make sure
programmes are producing their intended goals, government departments are following laws
and regulations, and that resources are being used properly. In addition, we established that the
Auditor General sets benchmarks and accounting as well as reporting procedures for other
government departments and programmes.

4545 The role of Auditor General was one of a list of CPA recommended benchmarks for
democratic legislatures which we were asked to consider as part of an online seminar. We were
asked: how much oversight does your parliament have? We had to fill a spreadsheet and then
be quizzed by the other international parliamentarians, and Tynwald was looking pretty good.
Did we have Question Time? Yes, tick. Did we have scrutiny committees? Yes, tick. Did we have
4550 scrutiny of Bills in the first and second Chambers? Yes, tick. Did we have a vote of no
confidence? Yes, tick. Did we have a debate on the Budget? Yes, tick. Did we have adequately
funded administrative support? Yes, tick – and, I must say, far superior to anything that my
fellow students had. Did we have an Auditor General?

4555 Mr President, I cannot describe the look of absolute disbelief on the faces of the other
students. 'How can you do not have an Auditor General?' they asked. The Jersey contingency
had been feeling extremely jealous, up to that point, of our Tynwald Administration Office, our
induction programme and the resources open to us, but they found some reassurance in the fact
that at least they had an Auditor General to provide independent oversight in line with
international best practice. I can guarantee you, Mr President, no matter which other CPA or UN
4560 democratic benchmarks we hit, until it is resolved the absence of an Auditor general will
continue to blemish the international reputation of our Island nation.

I was not going to support the Hon. Member for Ayre and Michael, Mr Cannan's amendment,
because it is exactly the same as Mr Speaker's amendment minus the date and the annual
budget – and why wouldn't you put a date and a budget on something that you really agree to?
4565 – but then I did take on board the Hon. Member for Douglas Central, Mr Thomas's comments
that creating these kinds of governance structures can take two years. And so I was going to
suggest that perhaps we added on to the end of Mr Cannan's amendment 'but no later than
November 2022'. However, now Mr Hooper has brought forward the suggestion that the Public
Accounts Committee should bring forward draft proposals by April 2021, so I think that solves
4570 the problem. So, I will be voting for Mr Hooper's amendment.

Thank you, Mr President.

The President: Hon. Member for Douglas East, Mrs Barber.

4575 **Mrs Barber:** Thank you, Mr President.

Everyone will be glad to know I will not be talking for long. I just wanted to put my comments
and my experience, having only recently joined the Public Accounts Committee, although
obviously I do sit on it in another iteration, in terms of the Media Development Fund inquiry. It is
an absolute honour to be able to represent Government on a Committee such as that, but I want
4580 to talk about my personal experience as being someone who is a nurse by trade – so actually I
do not have an audit background, I do not have that detail, and that is the bit that I have always
found incredibly difficult when we are going into the complex detail. So, for me, this is about
enabling political Members to actually be able to come from all backgrounds and all walks of life,
but to be able to access the support and relevant information that they need.

4585 I look at the valuable work that the National Audit Office undertake and I think that the level
of reports and that level of detail is absolutely something that is missing when I look at our

processes here; so this, I think, would be an incredibly valuable part of the scrutiny processes of this Hon. Court and of our Government.

4590 I did take the liberty of going back over some of the previous debates, just having a look at some of the comments that have been made at various times on this very topic, one of them being:

The independence and professional integrity of the Auditor General will much better ensure that Government's credibility and reputation can be upheld in the eyes of the people we represent. This is important for the Manx people, and as the Isle of Man increasingly takes its place within the global arena, this is important to the international businesses and governments with which we now deal.

There was another comment that I particularly liked, and it may seem familiar to you, in fact:

if we would have had such a Scrutiny Committee and if we would have had such an Auditor General in place then one might argue we might not have been facing the financial difficulties that we have had to encounter in this place and another over the last five years, in particular, also over the last ten years, if there had been greater scrutiny. And nothing is free in life. Yes, it will cost money but what are the costs of not doing it?

That is very similar to Mr Speaker's speech earlier, when he shared with us that very thought, to reflect on not what is the cost of doing something, but what is the cost of not doing it.

4595 Just to finish, I thought a particular highlight for me, having seen that this was also discussed as a milestone in Manx legislation back in 2010 – and yet we still find ourselves perpetually discussing this – I think now is absolutely the time for action.

4600 I absolutely believe that Mr Hooper's very sensible amendment strikes the balance between achieving the relevant governance framework that I think we all seek to get, while keeping the momentum on this, which clearly presents back when it was first discussed and a Select Committee was established in 2003. I think we have seen that this has trickled along with lots of support, it has always managed to just tick over the post; it got itself through the House of Keys and through the Legislative Council. We find ourselves where we are.

I will just finish with a comment from the President in 2006:

Hon. Members, let us see if we can make good progress today. We have still got some 13 Items on the Order Paper to complete and we have reached Item 18.

4605 With that, I beg that everyone supports Mr Hooper's amendment and the substantive motion, and we get on with it.

Thank you very much.

Several Members: Hear, hear.

4610

The President: You took the words right out of my mouth. *(Laughter)*

Hon. Member, Mrs Lord-Brennan.

4615 **Mrs Lord-Brennan:** Thank you, Mr President. Sorry, I feel quite fatigued, for some reason, at the end of this day.

First of all, it is good that everybody seems to be on the same page. No one is saying really we should not be having that. That is really good.

4620 I had looked at the Act for the Auditor General and also the Jersey version, and I think that if we were putting that Bill through the Branches now, it would be different. I think that a lot of the comments that have been made are right, because when we put a Bill through now we talk about duties, that we might need to ensure that they have a statutory basis, and we also talk about governance. We have started doing that in legislation now. That is what we want to do: we want to set the framework. So, my interest in this, when we get to a future PAC, a future Tynwald and a future Government, is that I would really want to see this working properly.

4625 And then the other points about the governance arrangements ... Nobody else has
mentioned this, but I was part of an early trip to Jersey in 2019 as quite a newly elected
Member, and we had, as part of that trip, a talk from the Auditor General function in Jersey.
They outlined what they do and how they do it, and it was more complex than I had first
4630 thought. I thought of it as being an individual just doing a simple function of checking things, but
some of the paperwork I was looking at, expressing what they were there to do ... They are there
for internal control, corporate governance, assurance on stewardship of public funds, economy,
efficiency and effectiveness. So, I suppose if you do not have the governance function built in,
but you are asking that body to also look at the governance elsewhere, is that an issue?

I would add probably to what Mr Hooper is saying. He said if it is important, do it right. If is
4635 important, do it and do it quickly, but of course we would want to do it right as well. So, I will
support the amendment from Mr Hooper. I would have supported the one from Mr Cannan, and
I think that it is good that we have got the overall moving in the right direction, but I am not
really sure, overall, about the dates, because in the one from Mr Hooper it says bring forward
draft proposals by April 2021, and also that the Auditor General function should be established
4640 with effect from 1st April 2021. I do not think it should be too difficult to fix what needs to be
fixed, in legislative terms, to sort this out, so I think if there is a will, we should really be able to
... And it would be important to get on with that and fix those discrete elements, which probably
should be able to be identified.

Thank you, Mr President.

4645

The President: The Hon. Member of Council, Mrs Maska.

Mrs Maska: Thank you, Mr President.

4650 It is good that we all seem to be moving in the same direction. I would like to thank the
Tynwald Management Committee for their report, and Mr Speaker for bringing this motion
today.

In my mind, I liken it to having a good quantity surveyor on a design project, and in my
experience, if it is a well-run contract, the quantity surveyor does actually save their fees in the
contract. I am not saying that happens in every case, but generally that is what tends to happen.

4655 My experience also of Internal Audit is that you might be frightened of it to start with, but it
is a very interesting learning curve. It makes you examine processes and things that really may
have become too comfortable at times. From that, I would like to think that an Auditor General
will help change the mindset across some Departments of Government, so that they look at
their processes and see the way that, with due diligence, these processes can be improved. As
4660 has been said, you would not see big cash returns, but you would see improvement in that
scrutiny and that independent oversight. That is what is key to this.

I will be brief. We have been lacking in evidence in the past. We are improving on that, and
the fulfilment of this role would make major improvements. It is astonishing to think, as my hon.
colleagues have said, that we do not have this role filled at the moment.

4665 I also support the amendment tabled by my hon. colleague Mr Hooper, and I will be
supporting that.

Thank you, Mr President.

The President: Hon. Member, Mr Cannan.

4670

Mr Cannan: Thank you, Mr President. I am, obviously, rising to speak to the amendment from
Mr Hooper and the seconding of that amendment.

I was wondering, from the hon. seconder, on her CPA questionnaire was 'Does your
parliament also have 33 full-time, highly paid politicians?' as one of the questions that she had
4675 to tick, or did she find that a lot of these parliaments ran with people who operate on a part-
time basis?

4680 There are a couple of points I just want to make in relation to this. I think, just in terms of the amendment that has been brought forward, some of this I felt was actually very supportive of the fact that we would have the draft proposals of the legislation by April 2021 around the governance, and also the importance that I made out earlier and a chance for Tynwald to debate, or the House of Keys to debate how you would incorporate, by law, cashable savings. I pick up on Mr Robertshaw's point, where he says the structure is wrong. If the structure is wrong, you need to change it and you need to make it work by law. I think there should be a mechanism in the statute books for that to be achieved. Otherwise, we will not meet the
4685 Speaker's commitment to actually show clearly and concisely the delivery of the cashable savings.

I can see the Speaker frowning. He probably is regretting saying that, but the point is we need the chance to debate this. You cannot set the Auditor General up and off and running unless you have got the absolute statutory framework and the legislation is right. How many times in this
4690 Hon. Court have I been told that the legislation must be perfect before you actually start, because there have been multiple times, particularly in the Keys, where legislation has gone up to the Legislative Council and has come straight back down and they have said, 'It is not perfect, it does not work very well, it has got to be right.' I would say in this instance it has got to be right. Before you start the hare running, you have got to make sure that the course is clearly
4695 mapped out, and I think that Hon. Members need to do that. Because this legislation is 10 years old, we need to do that in a proper way.

So, I absolutely support that element on the second amendment of having things before us by April 2021, and in some ways it is actually ... If Hon. Members are moving away from just political flag waving, to a degree, and saying it is a good time, in actual fact, for the Auditor
4700 General to start in 2022 – a fresh parliament – there will have to be a fiscal reset. People have talked about money and how we are going to afford things: absolutely, there will have to be a fiscal reset. Actually resetting that fiscal budget in line with a new Auditor General, based on a set of governance rules that are down in legislation and for implementation, does make sense. So, I do not see that this has to be done now. It is unfortunate it has taken 18 months or so for
4705 this to arrive in front of us, but *c'est la vie*. (*Interjection*) In fact, it has taken us four and a half years, but anyway ... The point I want to make is let's get it right.

Actually, if somebody quickly got on their feet and amended Mr Hooper's motion again, just said that we should establish it, or even change the date to April 2022 –

4710 **A Member:** I am on to it.

Mr Cannan: – to remove the budget element, because if you change the governance structure and put in a committee, then you may well actually change the budget, and if you have legislation that is incomplete, there may be additional costs that come out of any House of Keys
4715 debate on such matters, if it is a parliamentary matter, that are then put into law, which will need funding. So, if that was taken out, I could actually support that first line, with effect from April 2021 with the budget, and if the rest of it was left in I could actually support that. But I cannot support it, and I would urge people to think carefully before you set a hare running without the course being properly mapped out.

If we are genuinely going to say to the public this is why we are spending £400,000 ... I beg
4720 your pardon, more than £400,000, nearly £½ million of taxpayers' money, this is what it is going to do, and this is what is going to be set out clearly ... Tynwald Court itself does not have the best track record of delivering value for money, I might point out. The Lisvane report was a value for money report (**Mr Cregeen:** Ci65.) and was not actually taken forward, and I would just suggest
4725 we need to be a bit careful, because as I said in 2015, we are authorising spending left, right and centre. I said then, when we were debating Lisvane and the costs of the parliament – and we have quite substantial costs, £5 million plus – that Tynwald runs the risk of making itself out to be a First World War general eating caviar about five miles back from the frontline, whilst the

4730 troops are on corned beef and about to be sent over the top. Those comments are absolutely true. We need to be very careful, because there are a lot of people who would just see this as another layer of bureaucracy. They will absolutely see this as yet another layer of bureaucracy and another £½ million that Tynwald has, willy-nilly, just sent down the drain.

4735 I think if we want to be honest with our constituents and with the Island, we say we are setting this out and, for me, the legislation is now right. This is independent, it is well governed, and, more than that, for me – because I am going to pick up and congratulate the Speaker for raising this point – we have got in statute now the delivery, by some form or other, of cashable savings, and we will justify that to you. We will not lose it, as Mr Robertshaw says. This time, the Auditor General and its committee will be making sure that these actually happen.

4740 I am not voting for Mr Hooper's – it is a parliamentary matter, of course; the Council of Ministers are unlikely to follow me, necessarily – unless (*Laughter*) somebody was pretty quick on their feet –

A Member: We are on to it.

4745 **Mr Cannan:** – and slightly amended some of the dates accordingly. As I said, it sets the hare running without the course in place.

The President: Hon. Member, Mr Thomas to speak to Mr Hooper's.

4750 **Mr Thomas:** It is very interesting ... I obviously cannot move an amendment because I have spoken. I am speaking to the amendment from Mr Hooper, a very good speech. I am minded to come along with it, and this could be a very helpful amendment, which I cannot speak to.

4755 A small point I wanted to make was ... I am not going to dwell on it, it does not need an amendment, but the Tynwald Commissioner for Administration and the Tynwald Auditor General are very much sister Acts. The language mirrors each other and they link together. What we found was that I already had to bring legislation to amend the Tynwald Commissioner for Administration Act and we did the Auditor at the same time, and I would hope that whoever comes back with suggestions would do both of them at once, because they were always envisaged as sister bodies. I would hope, without changing the terms of reference, that that can be accepted as an objective that we should achieve. The two pieces of legislation have similar language, if not the same language throughout and the changes would be usefully made in both of them.

The President: Hon. Member, Mr Cregeen.

4765 **The Minister for Home Affairs (Mr Cregeen):** Thank you, Mr President.

The Clerk is hurriedly typing out something for an amendment along the lines of what Mr Cannan was actually talking about.

4770 One of my concerns is that we are effectively voting £855,000, possibly – in the region of – without any governance issues being put in there, and we are saying let's establish the position and then we will have the governance issues put in later on. So, the amendment that I am hoping that the Clerk will be getting printed off and circulated shortly –

The President: It is not in physical form yet. Could you read out what it is that you are moving?

4775

Mr Cregeen: It is, effectively, Mr President, taking off the last paragraph of Mr Cannan's and putting it on to the end of Mr Hooper's: 'but that the Office of Tynwald Auditor General shall not be established until adequate governance arrangements have been made' on to the end of Mr Hooper's. *(Interjection)* The date is April. *(Interjection)*

4780

The President: I have, if it helps, and this will be circulated: 'To add at the end the words: – this is at the end of the motion – "and the Public Accounts Committee should bring forward proposals by April 2021 to amend the Tynwald Auditor General Act 2011 but that the Office of Tynwald Auditor General shall not be established until adequate governance arrangements have been made."' Can we have that circulated?

4785

Mr Cregeen: Yes, it is the bottom paragraph of Mr Cannan's, on to Mr Hooper's.

The President: It is being circulated by email.

4790

Mr Cregeen: The budget is still in it, Mr President. **(The President:** Thank you.) So I think, for me – **(A Member:** One change.) So, the one change is that it shall only be established once the governance issues ... government matters have been addressed.

4795 My concern is that we could be committing ourselves to a position without those governance issues being in place; so, once they are done, we can move ahead with it. I am just very

concerned that if we have not got those governance issues in there and we are not happy with it ... I think, for Tynwald, that is what we really need. I would probably say an Auditor General would say that what we have to do to ensure value for money is to have those governance issues in there.

4800 I beg to move the amendment, which will hopefully be circulated, Mr President:

To add at the end the words: 'and the Public Accounts Committee should bring forward draft proposals by April 2021 to amend the Tynwald Auditor General Act 2011 but that the Office of Tynwald Auditor General shall not be established until adequate governance arrangements have been made.'

The President: Mr Henderson, Hon. Member.

Mr Henderson: I beg to second and reserve my remarks.

4805 **The President:** You cannot reserve your remarks, but you second.
Mr Hooper.

Mr Hooper: Thank you very much, Mr President.

4810 Just speaking to Mr Cannan's ... sorry, Mr Cregeen's amendment, (*Laughter*) when I spoke originally I gave the Minister the benefit of the doubt. I said he is not deliberately trying to introduce a wrecking element into the proposals. Now I am not convinced of that. Now I am convinced this is a deliberate attempt. (*Interjection*) The reason I say that is because of the line that says 'adequate governance arrangements'. Who determines that? The answer is the Council of Ministers, because the Tynwald Auditor General Act gives the Council of Ministers the power to bring the Appointed Day Order, and so if they decide not to bring an Appointed Day Order because they do not feel the governance arrangements are adequate, nothing happens and we have given them the get-out that says 'We give you the ability to make that decision.' If the amendment had said until Tynwald decides the governance arrangements are adequate, maybe I could have supported it, but it does not; it just says 'governance arrangements'.

4820 Given that we have seen two budget bids rejected, given that I do not believe the original motion had Treasury concurrence, given that we have had two Treasury Members speak supporting this amendment, I am not convinced that giving Treasury and the Council of Ministers a veto over the appointment of an Auditor General is a sensible thing to do. So, whilst I completely appreciate the sentiment of Mr Cregeen's amendment, that he would much rather have a governance arrangement – new governance arrangements in place, rather, because there are governance arrangements in the Act already – in advance of appointing someone, I do not want to give anyone a get-out. I do not want to give the Speaker a get-out, in terms of when I want him to deliver something by – 1st April; I do not want to give Government a get-out, in terms of when they have that bring the appointment –

4830 **Mr Cregeen:** Will the Hon. Member give way, please?

Mr Hooper: Yes, Mr Cregeen, I will.

4835 **Mr Cregeen:** Mr President, at the top of Mr Hooper's amendment it actually does say 'the Public Accounts Committee should bring forward draft proposals by April 2021 to amend the Tynwald Auditor General Act 2011 to establish appropriate governance arrangements.' So, it is already in his amendment that we are doing that.

4840 **A Member:** The PAC will.

Mr Hooper: Thank you. I completely agree with that, but the principle behind it is it will be PAC that is saying 'We feel this is appropriate' and it will go through the House, but actually, if you are giving Government a get-out, they might still say 'We do not think they are adequate.' I am a bit concerned about that, so I would encourage Hon. Members to stick with the original amendment that I proposed, which puts pressure on PAC to bring this in, it puts pressure on Government to bring this in, and it does not give either side a get-out clause. And remember all of this is in the context of this being an opinion motion. It is declaratory, so in terms of the budget, if it turns out that the board costs a few thousand pounds more than what has been proposed, Treasury can decide to give that money if they want, or they can decide, 'Actually, we think it is a bit high, and we have a better way of dealing with this,' and it might be a little bit lower. That is a declaratory motion. It is not requiring Treasury to do things; it is simply saying if you do not, Tynwald is going to be pretty upset with you.

Hon. Members, I would strongly encourage not supporting what I see as a Government, a Council of Ministers veto over these arrangements.

Thank you, Mr President.

The President: Hon. Member, Mr Cannan.

Mr Cannan: Thank you.

Obviously I am going to rise to support my good friend, Mr Cregeen's amendment, because it did set out to cover those issues. But I am afraid the Hon. Member, Mr Hooper is completely and utterly wrong and misguided, because he still wants to set the hare running before the course is set out. The whole point actually of bringing forward and sense-checking that legislation and getting things right, was to overcome the very issues that he is now talking about. The point he is making now about Council of Ministers' vetoes, if that is the legislation 10 years ago then it is wrong because what you are saying is that legislation is just not acceptable any more to you. Correct. (**A Member:** hear, hear.) So let's get the legislation sorted out, because if you want ... And I agree with you, why should the Council of Ministers, which has apparently been the block ...? (**A Member:** hear, hear.)

I have to say, though, some of the language around country comparisons is starting to get a little bit out of proportion and especially considering the Speaker himself, who is moving this, was a Minister in Government. If we start to compare governments to North Korea or 'Tuzmekistan', or wherever, I think the temperature around that really needs to disappear, because there is a huge amount of scrutiny that takes place on the Island. If Members believe that we are comparable to that sort of country state, then I really question why they are actually sitting in positions today, or why they are even collecting their shilling.

So just to get back to the point, Mr Speaker, because I know you want us to stay focused – I will. The whole point actually was to get this right, so I welcome your amendment that this gets sorted out by 2021 and the Public Accounts Committee ... In fact, sooner. If they want to do it sooner then, brilliant, because there is nothing stopping people (**A Member:** Brilliant.) who have said April 2021 – if I had been you, I probably would have moved it to February or something. There is no reason why I cannot get on with it in the next couple of months and bring forward their proposals, either in legislation or back to Tynwald for a sense-check and vote, and then get the amended legislation through. Because that is what it would be, it would probably be an amending Act, right, to the Auditor General Act; and we could get rid of things like that.

I go back to my original point, and it is obviously up to Tynwald, but I would not personally set the Auditor General off, out of the traps, before you have got the governance structure in and before you are absolutely clear that the legislation is fit for purpose. I am not trying to stall this; actually, by him leaving in the money element it kind of gives the commitment, and we can get those elements cleared and get the Auditor General's office working, but –

The President: The Chief Minister.

4895 **A Member:** Hear, hear.

The Chief Minister: Just a point of order, Mr President.

Can he advise us, is this paper clear, this amendment, because – and I am not having a go at anything here, but it says ‘To add at the end, the words: ...’ But what are we adding to the end of? Should it not say ‘The end of Mr Hooper’s amendment?’ (**Two Members:** Yes.) But it does not say that here. I am just wanting clarification that it is acceptable.

The President: Well, I asked the mover if this is added to the main motion and he said yes. So it is added to the main motion, and the main motion (*Interjections*) makes reference to the annual budget not exceeding £855,000. I heard Mr Cannan support Mr Cregeen, (*Interjection*) and presumably supports the motion, the reference to that sum of money, which *his* amendment actually removed.

Mr Cannan: Mr President, just a point of clarification. My understanding was that Mr Cregeen was moving this amendment to the end of Mr Hooper’s amendment – (*Interjections*)

The President: That is not what was –

Mr Cannan: Well, that was my understanding and that was why I rose to –

The President: What I want to have circulated is Mr Cregeen’s amendment in the context of how the amended motion would read. Now, if that could be done then we will be all absolutely clear.

Mr Cregeen: Mr President, for a bit of clarification: it was at the end of Mr Hooper’s amendment that this was in the context of. It may have been my mistake, Mr President, but that is what I meant.

Mr Hooper: If it helps, Mr President, I think what Mr Cregeen has done is replicated my amendment (**A Member:** Yes.) and added a bit on, and is just adding it to the original motion –

The President: And added a bit on ... Could we nonetheless have that, how the motion would read with that, circulated?

The Speaker: Just while we are seeking clarity around this, I am just wondering: is it Mr Cannan’s intention that his motion is still on the table?

The President: His amendment?

The Speaker: Yes. Just checking.

The President: Still to be voted on.

The Speaker: Yes, that is fine.

The President: Right, well, this will take some interesting sorting out, the order that we do this; but that is fine.

We are waiting for that amended motion to be circulated. No one else wishes to speak, I will call on the mover to reply. Mr Speaker.

The Speaker: Thank you, Mr President.

Firstly, I would like to thank my seconder, Mrs Poole-Wilson ... I am sorry, Mr President, if you could just ... I was not quite expecting to be called at that point, so I am just going to get my papers in order.

4950 I thank Mrs Poole-Wilson for reflecting on the positive opportunity of working with Government Departments on delivering efficiency and other service, and Government improvements, cross-Department working, best practice in an evidence-led, performance-driven environment. These are the positives that we have talked about.

4955 Now, Mr Cannan and his amendment: Mr Cannan is an experienced operator, Mr President, and he knows what he is doing. But what he has done is he has moved what I can only call a wrecking amendment, that delays delivery until we can get this into the legislative programme and delivered to the satisfaction of either the Treasury or the Council of Ministers, who would have a veto over the legislation, and certainly have a veto over the financing. Bear in mind that there is nothing in here that now commits Treasury to delivering this, because they can say that adequate governance arrangements are not in place, and therefore we are not going to fund it.

4960 If I honestly thought that the Treasury Minister was being supportive in this, then ... there have been other indications. Bear in mind that this is the second whip to the budget process that this business case has been turned down by Treasury. That is why I am bringing it here to Tynwald so that Hon. Members of this Court can decide what happens – not Treasury that decides what happens. That has been the frustration and that has been the reason that this motion has had to be brought here today.

4965 So Mr Cannan's and Mr Cregeen's amendments, make no bones about it, are wrecking amendments that mean that provision does not have to be made in the 2021 Budget for this.

I am going to give Mr Cannan, in the spirit of collegiate co-operation, the opportunity to stand up and make a clear commitment that in the 2021 Budget, if this motion passes, there will be financial provision for a Tynwald Auditor General.

Mr Cannan.

Mr Cannan: Mr President, the motion clearly says that will happen once the governance has been properly established; and that is the whole point.

4975 I would just draw the Speaker's attention – now that he has is very kindly asked me to stand up – (**The Speaker:** Briefly!) to the fact that, first of all, this has been a parliamentary matter, so there has been no collusion. But, more to the point, I think we have clearly stated for the record in *Hansard*, how supportive I am of the legislation coming back, and I expressed clearly in my debate about how I then saw it playing out. So the answer to your question clearly is in the motion, in that if you can get the legislation in place by 31st March then, yes, it will be in the Budget. If Tynwald subsequently decides to put this in and starts it in August, then Treasury will make provision for the Auditor General. I give my commitment that once Tynwald has sorted out its views on the legislation, the money will be made available for the Auditor General.

4985 **The Speaker:** I am grateful to the Treasury Minister for his commitment that this post will be funded when the governance arrangements are in place. I shudder to think what is going to happen if there is widespread disagreement about how that Act is going to fare, but I am happy to take the Treasury Minister at his word.

4990 For my own part, I do not feel strongly about the notion of this board of governance system: Wales does not have one; Jersey does have one and it costs an extra £3,000 a year, so I do not think it is going to break the bank, but it is another layer of bureaucracy and it is another cost. If that is what Members think constitutes the refinements to this that are needed, I think there are other things in that Act that could be tweaked and amended, but I do not think that the governance arrangements in the 2011 Act are fundamentally flawed. I do not. Could they be improved? Possibly. But what I do not want to see is this being used as an excuse not to implement this as soon as possible, because I think the governance is absolutely adequate to get this role up and running and started. The governance would enhance it.

5000 Just to give Members an idea of what we have been talking about, these governance
arrangements. The Treasury Minister did, kindly, circulate to Hon. Members what the
Governance Board of Jersey does, so we have got that model as to what is going to be done. It
scrutinises the use of resources by and governance arrangements of the Comptroller and
Auditor General; it reports any concerns to the Chief Minister and the Chairman of the Public
Accounts Committee; if requested to do so, it would advise the Chairman of the Public Accounts
5005 Committee on the appointment of auditors to the Jersey Audit Office; it would review if it thinks
appropriate, and comment on, any estimates submitted by the C&AG to the Chairman of the
Public Accounts Committee; it would review the audited accounts of the Jersey Audit Office; if it
decides to do so it would prepare an assurance report on the annual expenses of the
Comptroller and Auditor General; and it would keep under review the remuneration of the
Deputy Comptroller and Auditor General.

5010 So in terms of putting this into context, this is very much an advisory role. It would highlight
any governance problems within the office of Auditor General, but it does not actually appoint
the Auditor General, it would not recommend the firing of the Auditor General. This is very
much about advisory matters, and it would not actually be needed until the end of the first year.
So that is why I say, whilst I am happy to commit to updating the legislation and I will put all my
5015 energy and effort into that, this should not prevent implementation. I am absolutely passionate
about that, you may have gathered, that this should not prevent implementation at the earliest
possible opportunity of implementing this. That is why I have great concerns about the
amendments.

5020 Happy to go away, happy to go and help draft up legislation, and I would be happy to pay for
the drafting out of my own pocket if I had to, to make sure that this thing starts on 1st April
when it is intended to. That is why the motion really needs to be very clear that the Council of
Ministers needs to give the Appointed Day Order to that Act.

5025 The point was raised about why the SAVE programme did not work and why cutting budgets
by Treasury had not worked. One of the differences between the system that we had and the
system that we are moving to is very much about research. The Treasury Members, I am sure,
have got a good nose for when a business case just does not quite stack up, but do not have the
time and the resources to get down into it and take it apart to analyse it in the same way that
the officers can. That is an important distinction and that the same applies then to this office
and the Public Accounts Committee.

5030 I would agree with those who made the comment that this is no panacea ... Sorry, I am trying
to not repeat myself, Mr President, which may mean that I just have to pause a moment.

5035 There will be an element of retrospective review, of course, but as has been quite validly
pointed out, the savings come from being forward-looking. I would expect it with some projects,
and the prom might be a current example, where early problems could have been identified and
lessons learnt in a timely manner. Big projects obviously have bigger scope for savings, but little
and often is also really useful in terms of identifying cashable savings. It would also potentially
be a useful tool in terms of referring perhaps some dicey business cases where inadequate
outcomes have been identified from business cases.

5040 I am also sorry if the Treasury Minister feels that I was disparaging about Internal Audit, it
was absolutely not my intention to do that, if he feels that was the case. What I intended to do is
highlight the difference in what they do and what a Tynwald Auditor General would do, and the
fact that this office would be about half the size of what we already have in Internal Audit. No
one has said we would not ask for Internal Audit reports as part of an assessment of our audit
universe and focus on risk, but the Chief Internal Auditor thought that we might not need them
5045 any more. But of course the Public Accounts Committee would still have the power to request
them, along with other really useful bits of information such as the audit management letters
that we have been asking for recently from the external auditors to build the wider picture of
risk, and where to focus effort in a very complex financial environment of Government.

5050 I was very concerned to hear the accusation by the Treasury Minister that the Public Accounts Committee can direct the Tynwald Auditor General. I have been looking at section 8 and the only thing I can actually find that we can direct the Tynwald Auditor General to do is turn up to a Public Accounts Committee meeting. We *cannot* tell them what to investigate; we *cannot* tell them what not to investigate. There is no power of veto –

5055 **Mr Cannan:** Would the Member give way?

The Speaker: I am going to get finished, because I have got here section 7(4) and section 7(6) (**Mr Cannan:** Section 6(5).) Section 6(5), thank you very much – about value for money:

(5) If the Accounts Committee, having considered the statement sent to it under subsection (4) ...

5060 I take the point about that particular value-for-money element, a very narrow element. (*Interjection*) Yes, I am happy to concede that point under section 6(5). (**Mr Cannan:** Thank you.) However, this is an independent role and must be seen to be; and I think that is a *very* important distinction and a very important principle that we need to look at.

5065 Mr Robertshaw pointed out the difference between external audit, checking the completeness, existence, accuracy, valuation and presentation of the Government accounts and also mentioned the Receiver General and the impact on orderly wind-down of companies. Again, that would be a wider governance gain to Government, which would be a possibility for the future.

5070 One of the areas that I do identify as an area where this legislation could be improved down the line, is that it could by order have functions added to it down the line so that there would be that option to grow it if it was required and if it was requested by ... The mechanism that is used in Jersey is a joint motion by the Chief Minister and the Chairman of the Public Accounts Committee, and I think that sets the balance about right for how this office needs to balance the requirements of parliament and with Government.

5075 I appreciate Mr Thomas's comparison of the Tynwald Commissioner for Administration, and I know he has been a big champion for that. The budget moving to the Clerk of Tynwald's Office is not a model for emulation. I do want the Tynwald Auditor General to be absolutely accountable for their own money in a way that should not go through the Clerk of Tynwald's Office, because it does mean that they are absolutely independent; and the Clerk of Tynwald and the Speaker of the House of Keys, as Chairman of the Tynwald Management Committee, and others, should not have the ability to tinker with that system.

5085 Mr Thomas did also point out the need, perhaps, sometimes to go and buy in other expert advice, and that would be included in the £98,000 that is identified, because that is how the Communications Commission worked, which was the example that Mr Thomas gave, and that is how it works in other regulators. So that money is part of the £98,000 of 'other costs' to be able to buy in specialist equities if that is required.

Also, I was a bit concerned about his comments about Jersey going through Auditors General. Auditors General in Jersey are not eligible for reappointment, so once they have completed their term they are not eligible for reappointment, so that might be why he thinks they are going through them. I think they are only on their second.

5090 In terms of why the cashable savings in Cabinet Office? If the Hon. Member is monitoring them, then he is doing all the right things; then, if you are already identifying the cashable savings when doing that, there is obviously a far lower risk of being able to come along and do something new.

5095 In terms of Mr Baker's comments, I do want to support a lot of what he said in terms of his concerns, ongoing and throughout this. I do want to reassure him that there is no policy override here for an Auditor General and the public are not going to be voting for an Auditor General, so

their mandate does not stretch into the political sphere; and it will not and cannot override policy decisions. Politicians must always be in the policy driving seat.

5100 I do query his point about the timeliness of the decision. This decision was set back in 2011, the world is different. Do we need it? Well, I have to say the UK introduced the Controller and Auditor General in 1866 and I do not think they are looking at wheeling back on it just yet. There is no immediate need to enter into things such as local authority audit – that is something that is quite adequately done elsewhere. The risks are different; the amounts are lower; I just do not think it is an area of high-level target for the value for money in terms of the numbers that we
5105 are needing to look at.

I do not say that it is easy, but that is why you need a quality officer. Again, the point was made that this is £500,000 you could spend elsewhere. That is exactly *not* the point, this is £500,000 that might be spent on the one hand but comes back on the other. Yes, there will be a need to gear that up to get it started, but that is absolutely an essential part of that success
5110 criteria.

I agree that the office needs to ensure that the dots are joined. I would say, actually, we are uniquely placed on the Isle of Man. We have a Public Accounts Committee structure that combines the other Scrutiny Committees and that really does join the dots on scrutiny. That means that there is not that overlap, there is not that duplication of effort in terms of scrutiny,
5115 because the PAC acts as a very effective clearing house there, and does really identify issues, cross-cutting themes. I have to say that is a real strength of that system.

In terms of the concern about whether there is any comment on the rigour of external audit –absolutely not. I would say that, wouldn't I, because I used to be the external auditor to Government when I started off on that winding road towards being a chartered accountant, some 19 years ago. This is not a new concept, but it is the first opportunity really for Tynwald to actually push it over the finishing line and get it amended. (*Interjections*) Better late than never, I
5120 hope.

I am grateful to Mr Hooper for bringing forward his amendment which, I think, of all the amendments that are before us, it is the best amendment that is before us. It removes the wrecking element to it, it removes the Treasury veto, and it removes the need for legislation before implementation, which I do not think is a vital component of this. It is about centralising teams of professionals with a focus on value for money. That is absolutely what this is about.
5125

Also, mention was made in Sir Jonathan Michael's Report and yes, that reiterated messages about a lack of data, benchmarking ability to even assess value for money. In fact, he agreed with what the Public Accounts Committee had put in our reports, which had taken two *years*. That is because we are all doing loads of other things – our constituency work – and we have two part-time officers who amount to about 0.5 FTEs as clerks to the Public Accounts Committee. That is why this took two years. Had we been able to go faster or act on the back of an Auditor General's report, the issues within Noble's could have been highlighted and shone a spotlight on far sooner, and we could have been a little bit further down the line of the value-for-money arguments.
5130

Again, the point was made about the KM&T report – that is one example. There was another example about programmed activities, which actually meant that we were £10 million there over the UK national average. That, I believe, has been picked up on by the Minister and we will wait to see what is going to be done in savings there.
5140

So without going through absolutely every point – (*Interjections*) No!

The only point of disagreement, the only point of argument has been about a board. Jersey has a board; Wales does not have a board. As far as I am concerned, I do not think a board is an absolutely essential element, but I am happy if you support Mr Hooper's amendment that we will work towards delivering one, and do so quickly.
5145

If you vote for Mr Cannan's amendment or Mr Cregeen's amendment these are wrecking amendments that mean that this, I do not think, will see the light of day. (*Interjection*) No, I am

happy to throw everything I have got into this, because that is what I have been doing for the last few years, Hon. Member.

5150 The office of an Auditor General is forward-looking as well as a retrospective office. It is not just about raking over the coals of what happened to learn lessons, although that is an important part of the job. This Island has had its fair share of financial scandals and wasted money over the years. This is not a panacea, but this is a big step in the right direction.

5155 Hon. Members, this is a trial to test if it delivers the value that we all want it to achieve, and which is achieved elsewhere. I cannot say it enough times: £463,000 is an investment, not just in good governance, but it is an investment with a financial, cashable return. It will be doing value-for-money work that does not happen elsewhere in Government. It will be able to do investigations and reviews to save money on external consultants. It allows us to hold our head up compared to other nations of the world in terms of best practice. And, I may not have
5160 mentioned this, but it should save money.

Mr President, this is an essential part of a modern democracy, and I will finish where I started off. Can we really afford *not* to do this?

So, in supporting Mr Hooper's amendment, I beg to move.

5165 **Mr Cregeen:** Mr President, could I just ask for a point of clarity, that all Members have had the amendment that I have moved and was circulated –?

The President: I was just about to ... Thank you, Hon. Member.

5170 I want to make sure everybody is quite clear (**A Member:** Yes.) on what they are voting. We have had three amendments circulated – 1, 2, 3. Have we all got those, and do they all clearly state how the amended motion would read in each case, so that there is no doubt?

Mr Cregeen: Mr President, I think it was emailed round; my amendment was emailed round by the Clerk. Just to ensure that all Members have got that.

5175 **The President:** We know it has been emailed and I just asked the question if you all had it. I do not do emails that much, I have got three bits of paper. I assume you either have three bits of paper or three emails, but at least three versions ... Right.

5180 Now, moving to a vote, we will deal with Mr Cannan's amendment first. If Mr Cannan's amendment carries, that becomes a substantive motion. If it fails to carry, I will then put Mr Cregeen's amendment which, if it passes, becomes the substantive motion. If it fails to carry, I will then put Mr Hooper's amendment. Is that clear? (**A Member:** Clear.)

Mr Cannan's amendment, then. Those in favour, say aye; against, no. The noes have it.

A division was called for and electronic voting resulted as follows:

In the Keys – Ayes 8, Noes 14

FOR

Mr Baker
Mr Boot
Mr Cannan
Mr Cregeen
Mr Peake
Mr Quayle
Mr Shimmins
Mr Thomas

AGAINST

Dr Allinson
Mrs Barber
Mrs Caine
Mr Callister
Mrs Christian
Mrs Corlett
Mr Harmer
Mr Hooper
Mr Moorhouse
Mr Perkins
Mr Quine
Mr Robertshaw

Mr Skelly
Mr Speaker

The Speaker: Mr President, 8 for, 14 against in the Keys.

In the Council – Ayes 1, Noes 5

FOR
Mr Henderson

AGAINST
Mr Greenhill
Mrs Lord-Brennan
Mrs Maska
Mr Mercer
Mrs Sharpe

5185 **The President:** And in the Council, 1 for, and 5 against. So Mr Cannan's amendment fails to carry.

I put Mr Cregeen's amendment. Those in favour, please say aye; against, no.

A division was called for and electronic voting resulted as follows:

In the Keys – Ayes 10, Noes 12

FOR
Mr Baker
Mr Boot
Mr Cannan
Mrs Corlett
Mr Cregeen
Mr Peake
Mr Quayle
Mr Robertshaw
Mr Shimmins
Mr Thomas

AGAINST
Dr Allinson
Mrs Barber
Mrs Caine
Mr Callister
Mrs Christian
Mr Harmer
Mr Hooper
Mr Moorhouse
Mr Perkins
Mr Quine
Mr Skelly
Mr Speaker

The Speaker: In the Keys, 10 for, 12 against, Mr President.

In the Council – Ayes 2, Noes 4

FOR
Mr Henderson
Mrs Lord-Brennan

AGAINST
Mr Greenhill
Mrs Maska
Mr Mercer
Mrs Sharpe

5190 **The President:** And in the Council, 2 for, and 4 against. Mr Cregeen's amendment fails to carry.

I therefore put Mr Hooper's amendment. Those in favour, say aye; against, no. The ayes have it.

A division was called for and electronic voting resulted as follows:

In the Keys – Ayes 21, Noes 1

FOR
Dr Allinson
Mr Baker

AGAINST
Mr Cannan

Mrs Barber
Mr Boot
Mrs Caine
Mr Callister
Mrs Christian
Mrs Corlett
Mr Cregeen
Mr Harmer
Mr Hooper
Mr Moorhouse
Mr Peake
Mr Perkins
Mr Quayle
Mr Quine
Mr Robertshaw
Mr Shimmins
Mr Skelly
Mr Speaker
Mr Thomas

The Speaker: Mr President, 21 votes for, 1 against.

In the Council – Ayes 6, Noes 0

FOR	AGAINST
Mr Greenhill	None
Mr Henderson	
Mrs Lord-Brennan	
Mrs Maska	
Mr Mercer	
Mrs Sharpe	

The President: And in the Council, 6 votes for, and none against. That amendment carries.
5195 I put the motion as amended. Those in favour, say aye; against, no. The ayes have it.

A division was called for and electronic voting resulted as follows:

In the Keys – Ayes 21, Noes 1

FOR	AGAINST
Dr Allinson	Mr Cannan
Mr Baker	
Mrs Barber	
Mr Boot	
Mrs Caine	
Mr Callister	
Mrs Christian	
Mrs Corlett	
Mr Cregeen	
Mr Harmer	
Mr Hooper	
Mr Moorhouse	
Mr Peake	
Mr Perkins	
Mr Quayle	
Mr Quine	
Mr Robertshaw	
Mr Shimmins	
Mr Skelly	
Mr Speaker	
Mr Thomas	

The Speaker: Mr President, 21 votes for, 1 against in the House of Keys. That shows the Minister's commitment.

In the Council – Ayes 6, Noes 0

FOR

Mr Greenhill
Mr Henderson
Mrs Lord-Brennan
Mrs Maska
Mr Mercer
Mrs Sharpe

AGAINST

None

The President: And in the Council, 6 for, and none against. The motion, as amended, therefore carries.