



**STANDING COMMITTEE
OF
TYNWALD COURT
OFFICIAL REPORT**

**RECORTYS OIKOIL
BING VEAYN TINVAAL**

**PROCEEDINGS
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PUBLIC ACCOUNTS COMMITTEE

NATIONAL AUDIT OFFICE

HANSARD

Douglas, Monday, 27th January 2020

PP2020/0020

PAC-NAO, No. 1/20

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Members Present:

Chairman: Hon. J P Watterson SHK

Mr T M Crookall MLC

Mr D C Cretney MLC

Mrs J P Poole-Wilson MLC

Mr R E Callister MHK

Mr C R Robertshaw MHK

Clerk:

Mrs J Corkish

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Standing Committee of Tynwald on Public Accounts

National Audit Office

*The Committee sat in public at 11.00 a.m.
in the Legislative Council Chamber,
Legislative Buildings, Douglas*

[MR SPEAKER *in the Chair*]

Procedural

The Chairman (Mr Speaker): Good morning and welcome to this public meeting of the Public Accounts Committee of Tynwald. I am Juan Watterson, Speaker of the House of Keys and I am the Chairman of the Committee. With me are Mr Tim Crookall MLC, the Vice-Chairman; Mr David Cretney MLC; Mr Chris Robertshaw MHK; Mr Rob Callister MHK; and Mrs Jane Poole-Wilson MLC.

If we could ensure that our mobile phone are on silent or off, so that we do not have any interruptions; and, for the purposes of *Hansard*, I will be ensuring that we do not have two people speaking at once.

Mr Jenner and Mrs Mills, we have invited you here today because we would like to talk to you about the work of the National Audit Office, its work with the UK Public Accounts Committee and how it assesses value for money, good governance and the work of the Comptroller and Auditor General – or, as I am sure we will be calling it, the C&AG, throughout the session

I would like to make you both welcome and thank you for coming to talk to the Committee today.

EVIDENCE OF

**Mr Adrian Jenner, Director of Parliamentary Relations and
Mrs Linda Mills, Parliamentary Relations Manager –
National Audit Office**

Q1. The Chairman: Could I just ask you perhaps to introduce yourselves and give us a bit of a potted history of how you have ended up before us today?

Mr Jenner: Thank you, Chairman, for that warm welcome; and hello to all the Committee here, it is very good to be here.

My name is Adrian Jenner and I am Director of Parliamentary Relations at the National Audit Office. In broad terms that means I am responsible for the relationship of the NAO and the Public Accounts Committee primarily, but also Parliament and its Committees more widely. Before that I was Clerk at the House Commons for many years and latterly I was Clerk of the Public Accounts Committee between 2012 and 2014.

30 **Mrs Mills:** Thank you and just to reiterate, yes, thank you very much for the warm welcome and it is good to be here today. I am Linda Mills and I am the Parliamentary Relations Manager at the NAO, responsible principally for our relationship with the Public Accounts Committee. That is mainly my full-time job. However, I have been at the NAO for nearly 20 years. I have been in my current role for about three years but previous to that I have been a manager on a range of our VFM reports and investigations.

35 **Q2. The Chairman:** Yes, I get that probably another acronym we will be using a lot during the day is VFM, being Value for Money?

Mrs Mills: Yes.

40 **Q3. The Chairman:** Can you perhaps outline for us in broad terms what the functions of a national audit office or a supreme audit institution are?

45 **Mr Jenner:** Yes, and I am sure that Members will have follow-up questions in depth, but in broad terms I see it as three main functions. First of all we note that the NAO audits government departments and other central government bodies and also non-central government bodies, including in recent years we have taken on the audit of the BBC, for example, and the Bank of England. So there are around 390 accounts that the NAO lays in Parliament *per annum*. These are all signed by the C&AG. The vast majority of those are required by statute, so they are laid out in law and the NAO has to be the auditor of those accounts.

50 In addition, we provide Parliament with Value for Money reports, VFM studies as we probably will call them, and these focus on the economy, efficiency and effectiveness of government spending. We are not looking at the merits of any particular policy, I think that is quite key to draw out, and to emphasise we are looking at how well policy is being implemented according to the three E's that I outlined. Roughly speaking it depends on the year, and of course last year, 2019, was a bit different because of the general election and the hiatus that caused as far as Parliament's activity. But roughly about between 55 and 65, or maybe sometimes in a particularly productive year 70 VFM studies are laid before Parliament. Every year they are primarily taken by the Public Accounts Committee but not exclusively, as we do do work for other Committees of the House.

60 Third, and not least, and this is an area that we are very keen to emphasise and is really also a growing part of our work, and that is that we support other departmental select committees with what we call Departmental Overviews. They are a core part of our work and the idea of those is to set out for parliamentarians the scope of government departments, their remit, their expenditure and their responsibility in a very clear way for Parliament, but they are also public documents. They are then published on both the committee's and our website. And not forgetting our investigations work which again is a growing area and which of course Linda may want to talk more about, as she is experienced in carrying out investigations herself.

65 But those are the three broad areas.

The Chairman: Mrs Poole-Wilson.

70 **Q4. Mrs Poole-Wilson:** Thank you for that overview.

Just picking up on the last point, the investigations work, is that into discrete issues? So how do you draw the line between, for example, the value for money studies which are looking at ... Well, you tell me, but how would you distinguish the investigations?

75 **Mrs Mills:** Okay, yes, I will take that question.

The investigations are actually a separate stream of work and they are different to our value for money studies in quite a few ways really. They tend to be studies that we do in response to

80 events, and what they do is to just lay out the facts of the events. So, unlike VFM studies, they are not evaluative and generally they do not include a conclusion or recommendations, they are purely there to set out the facts. And, for example, in the UK in Westminster the Public Accounts Committee will still take them as evidence for sessions as they do value for money reports.

The Chairman: Mr Robertshaw.

85 **Q5. Mr Robertshaw:** Thanks.

Honing in on your point about not involving yourself in policy, which we obviously get, but where did your office sit during the process of the development of the public/private partnership processes, both the original – forgive me if my phraseology is not absolutely right – and then as it developed into the second version of it? Did you have any engagement at all in that process?

90 **Mrs Mills:** I will probably take that question because one of my first roles in the NAO was to work on our team that was looking at PFI projects. But as Adrian said earlier we do not examine the policy, so our role was not to question the PFI policy but it was to look, as we always do with any project, whether it has delivered value for money terms. We did a lot of work at the time and it is still an area that we cover now. Last year we did a report on PFI projects and it will be something we continue to look at, partly because some of these contracts are so long in length in terms of 25 to 30 years. So they still are a big part of government expenditure even though the policy itself has changed over the years.

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Q6. Mrs Poole-Wilson: And just picking up on that, even though you are not looking at the merits of the policy presumably then the way parliamentary committees, Public Accounts or otherwise, pick up your work is if there is a theme emerging about perhaps it not delivering the best value for money and that is where the policy is examined then, through those parliamentary committees?

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Mr Jenner: Yes, that is absolutely right.

There are a number – 24, I think, or there were, we will see if there are any Machinery of Government changes – but about 24 or so departmental select committees in the last Parliament which are charged with looking very much at policy. So, on occasion, they do draw on our work and the work of the PAC, the Public Accounts Committee, as well. I am thinking of quite a big example, it was a few years ago now, when the Royal Mail was privatised; and that was an example where the NAO produced a report, then the Business, Energy and Industry Strategy (BEIS) Select Committee took it on and did their own work but they also drew very heavily on our work.

115

I think there have been more recent examples: Motability, there was a big inquiry into the Motability scheme which was based on the NAO report which the BEIS Committee used as the basis of its inquiry.

120 **Q7. The Chairman:** So just in building on that theme then, how do you as an office and how does the Comptroller and Auditor General actually select what inquiries, what value for money studies will be done in the coming year? What are the selection criteria?

125 **Mrs Mills:** In terms of which studies we decide to do every year, I suppose there are two main avenues towards where we get to in the end. One is driven by our own risk assessment, and also issues across government that we identify. So if there are big emerging themes, particularly either across government or within particular departments that will highlight some areas for us to examine.

130 The second thing we take into consideration though is obviously parliamentary interest,
because we are reporting to Parliament at the end of the day and a large proportion of our work
is taken as evidence by the Committee of Public Accounts. And also public interest, if there is
something that is too big to ignore, we would consider that. So all of those things come together
in helping us put together our programme every year.

135 **Mr Jenner:** Can I just add something to what Linda said and, of course, our assessment of
risk? Quite often that is drawn out of the financial account reporting, some ideas for VFM
studies might be drawn out of that, and we are as an office looking to get the two areas, VFM
and our financial auditor working more closely together. But also, absolutely, Linda is quite right
about the parliamentary interest, but that is not to undermine the independence of the C&AG.

140 The statute says that the C&AG needs to, I think the phrase is 'take into account' the views of
the PAC when setting his or her programme. So you are not bound in any way, but there is a
provision to listen to the Committee's ideas for inquiries, which we do formally at least twice a
year. We will sit around with the Committee, and the C&AG will discuss his programme with
them, but in reality it is a lot more ... they have the informal contact, the Committee meets twice
145 a week and the C&AG is almost always there as well. So there is that opportunity.

Q8. The Chairman: Could I ask then: you have talked about the landscape there that will be
similar to the landscape faced by internal audit, but your approach to determining what you do
and what they do and how they do it will be quite different.

150 Bearing in mind that, in the Manx experience, people probably have a greater understanding
of what Internal Audit does than perhaps the role of the NAO or the C&AG: can I ask you to
perhaps draw out some of the differences between what the National Audit Office does and
what Internal Audit would do?

155 **Mrs Mills:** Yes. I think for us the main difference is Internal Audit works for the government
departments, whereas we are independent and we will look at what we choose to. The internal
audit function within a department is obviously partly driven by the demands of its own civil
servants and management there.

160 That is not to say though that we do not work with Internal Audit. If I could give you an
example: on a VFM study one of the things that we would look at as part of our evidence
gathering, is internal audit reports to help us understand the decision-making and also what the
focus of the internal audit function was. Obviously they set their own programmes and, unlike
here, Internal Audit does not report to Parliament in the same way, it is the NAO that does that.
But, as I say, we do draw on evidence that we gather through internal audit functions.

165 **Q9. The Chairman:** So I suppose one of the differences would be whereas their focus would
perhaps be more on internal controls (**Mrs Mills:** Yes.) yours would be value for money, and
there is a difference in the transparency and the accountability of the process?

170 **Mrs Mills:** Yes. As I say, they do not report publicly.

The Chairman: That is right, okay.
Mr Cretney.

175 **Q10. Mr Cretney:** Yes, thank you.

One of the things I was wondering was, we obviously get the BBC News – and other services
are available. One of the things that are noticeable, in terms of high-profile issues of the HS2 and
the increases in price that are suggested: is that something that you have carried out work on;
and to what extent do you get involved in that?

180 **Mr Jenner:** Yes. In HS2 as an example, we have been looking at the programme from the very
early stages and it is a project like that that even in the best case scenario is going to last for 30
years, if not more. The decision was taken by the C&AG that there would be various milestones
and when they were reached we would go in and audit; and we published, as you are aware and
as you allude to, a report only last week on HS2. That is the latest one, but it was certainly not
185 the first and I am pretty certain it will not be the last.

I do not know if you have anything to add, Linda?

Mrs Mills: No, I do not think so, but that is a major infrastructure project and a huge risk. If
you go back to what we were talking about earlier about how we choose what to do,
190 **(Mr Cretney: Yes.)** that stands out as a huge risk on the government's spending area. So it will
always be something we will keep an eye on.

Mr Jenner: Another example would be the Universal Credit Transformation Project
Programme where we have carried out studies from the beginning and right the way through,
195 and we will continue to do so.

The Chairman: Mr Robertshaw first ...

Q11. Mr Robertshaw: You are independent, you choose where you are going to investigate
200 and you presumably produce reports. Is there any way government is able to invest in your
collective, progressive experience within the office as a whole? Do you ever produce summary
reports? Or is there any way that government can learn from your broad experience?

Mrs Mills: Well, just to start off with, I would probably say that one of our ... Although the
205 NAO is there to hold government to account and report to Parliament, another objective for us
is to actually improve public services which requires us to –

Q12. Mr Robertshaw: How do you do that?

210 **Mrs Mills:** There are a number of ways. Obviously we are the auditors of government but we
do have a unique perspective of what is happening across government; so working with civil
servants at an informal working level we do have the chance to share experience, or just to point
out things we see in other departments. But we also do publish on our website some of the
things you refer to there like good practice guides and we did something on commercial and
215 contracting not that long ago. We have even put together guidance on how audit committees
work together. So it is at very different levels, very practical levels to thematic levels across
government. We do see part of our role is to support governments across Whitehall to improve
and to share good practice.

220 **Q13. Mr Robertshaw:** Is that contribution well-recognised and embraced – or perhaps not?

Mrs Mills: I think so generally. We do a survey with government departments – and Adrian
might be to say more on this – and one of the things we ask about is how we contribute to what
they do. It is usually very positive in the sense that people do see us there as helping
225 departments, not just being there to hold them to account.

Adrian, do you want to add anything?

Mr Jenner: Absolutely, I agree with everything Linda has said.

We call it a client feedback annual survey, and it is conducted by IPSOS so it is independent of
230 us; and we would work very much on questioning senior civil servants and others about the

audit experience; but also there are questions and feedback focused on how we have helped them improve their work.

235 I think it is probably also timely at this stage to say that despite, for instance, the media not being critical at all ... but not all of our reports are negative and those are the ones that could of course generate the headlines. But we do a number of reports that are fairly positive about things that have gone well, believe it or not. So the value of those I do not think could be underestimated either.

240 **The Chairman:** I think we said something nice in one of our annual reports a couple of years ago about a Department and they nearly fell off their chairs! (*Laughter*) It was the first time it had happened! But it is good to be able to do that.

245 **Q14. Mr Crookall:** Can I just ask, then, on the back of that: your relationship with officers and politicians, how does that play out? You said you are independent and your reports are seen as helpful sometimes, but your relationship with officers and politicians?

250 **Mr Jenner:** Well, I think, and I will just start off by differentiating between – let's take politicians first. Of course there are members of the government, the Ministers, of which we would not typically have a great deal to do with through the course of our work. Certainly we are there to support the scrutiny committees of Parliament so we have a pretty good close relationship, particularly with the Committee of Public Accounts but also those other select committees that I talked about.

255 As I mentioned earlier we do another survey as well, an annual omnibus survey, again conducted by IPSOS, which tests our reputation by various measures within Parliament. That is carried out every winter and I believe it is ongoing now. So we will get measures there for how they view our independence, our authority, our accuracy and issues like that. As I say, it is different with Ministers of course and we tend to have less to do with them, frankly.

260 Senior civil servants – Linda will have far more experience than I do about that. I think our contact with them is from the C&AG downwards, but it tends to be at a senior level; though of course on a working basis we will be with more middle-ranking or junior civil servants. But you have done it in practice, Linda, haven't you?

265 **Mrs Mills:** Yes. And, as I say, it tends to be that you are the auditor at the end of the day, so you are holding the civil servants to account. Generally the relationships are constructive and from time to time you will have somebody who stands up and says the NAO report is welcome and very useful, but generally I think the relationships are good.

270 Probably a point to make is in current years, when departments have been experiencing cuts in spending, sometimes the NAO has been there helpful in actually helping them determine where cuts might be made or how they can work more efficiently. So it has been an opportunity to actually add value to what we do.

Mr Crookall: Thank you.

275 **Q15. The Chairman:** And that is a really interesting one to pick up on and certainly I think we can all think of the local context around that. Could you give us an example of that, please?

280 **Mrs Mills:** Just trying to think ... I think some of the big projects – areas like MOD, Health, Education – some of our recommendations have been helpful when you have got a huge department like that and you have got to make cuts somewhere and identifying the areas where you can make the cuts, but I think through our recommendations and the Committee of Public Accounts recommendations it has helped them meet some of the targets they have been challenged with recently.

The Chairman: Yes.

Mr Robertshaw. (*Interjection*)

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Q16. Mr Robertshaw: You say, obviously, you engage closely with Public Accounts but typically how does the relationship between the committees work? You mentioned that you engage with them, but do they come to you or do you go to them? How does it actually pan out?

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Mr Jenner: It is both, really.

295

The C&AG is an officer of the House of Commons and both Gareth Davies, who has been in post since June of last year, and his predecessor Sir Amyas Morse, take that absolutely very seriously. That means it is not exclusively to the PAC but other committees, and we do that through the departmental overviews I talked about. But also we ourselves proactively identify areas where we think that it would be helpful to the Committee for him to give evidence in their inquiries. If it is not him, it could be other senior members of staff.

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But also because of his role, and he is known in Parliament, and the reputation that the NAO has, I am pleased to say committees will proactively come to us and ask for him to give evidence. In the last Parliament, for example, the Work and Pensions Committee – without having the figures on me, I would say that he was probably the single most, other than Ministers, regular attendee. He did a number of evidence sessions.

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Q17. Mr Robertshaw: In terms of recruiting the team in your office, is it from outside and from people who have had experience working inside government? Do you try to mix the team inside your office?

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Mr Jenner: Do you mean my team, the Parliamentary Relations team? (**Mr Robertshaw:** Yes.) It is a mixture, there are people who have worked for a number of years in audit in the NAO, but we also have ... I was very keen, I came from outside of the NAO and I was the first person to do this job who had come from outside. I used to work in Parliament, but also I have been keen to make sure that when there is a vacancy we have recruited from experts, people who used to work *in* Parliament, whether they worked for an MP or in the House Administration. And I think it is really key, to have that insight about how Parliament works in a practical rather than a theoretical nature.

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Q18. The Chairman: But within the wider organisation sometimes you also recruit direct entry, do you not? And I know you train chartered accountants, for example –

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Mr Jenner: That is right, yes.

The Chairman: – as part of their training contract. So you get people in and then take them on that path as well as the other people that you bring in?

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Mr Jenner: That is right.

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Mrs Mills: Yes, it is a mix. We take on about 70 trainee accountants every year, so that feeds in – and the majority of our work is financial audit so we do need that. But then on the value for money side some people have come from being in the NAO, they may start out and train as a chartered accountant and then work on the value for money; but we also bring in experts and they may be people who are commercial contracting, procurement experts, environmental experts. So it is a mix of those two things.

But, as Adrian said earlier, we are trying to integrate our financial and value for money work so there are now opportunities for people to work across the piece, to do financial audit and also work on our value for money reports as well.

335 **The Chairman:** Thank you.
Mrs Poole-Wilson.

Q19. Mrs Poole-Wilson: Yes, just picking up on the theme of the relationship with government and where you have been able to be helpful. I am just comparing the scale of the Isle of Man with the scale on which you are working and I wondered, before – when you were talking about the ability to help departments work out where they can make cuts and be more efficient – it almost sounded like you do that on a department-by-department basis.

I wondered whether you ever find ways to work in a more pan-government way, particularly because, as you said before, you have a unique overview of all the different departments.

345 **Mrs Mills:** I think that, yes, there are examples and I think of where we have done reports and work which look across themes – as I say, commercial contracting, procurement, things like digital services. We have done reports recently on things like cyber security, and in the past things about grant-making across government. So it is trying to look at themes.

350 Even when we do a report on a single department I think our recommendations, although they are focused on that department, we would like to see that those recommendations are also relevant to other departments as well and they may be able to apply them in their own contexts.

But I think cross-government work and addressing some of those systemic themes is something we will be trying to do more of as we go forward as well.

355 **Mr Jenner:** Another example, in almost real-time audit, was the government's preparations for exiting the EU, of course, which clearly spread across a number of departments. If you were looking at the border it would affect a number of different departments and agencies and I think, yes, by necessity that means that we were looking across departments.

360 **Q20. The Chairman:** Could I just take a step back at that point and talk about the basic size and scale of the National Audit Office as an organisation? Can you tell me how many people; and how much it costs to run the NAO in a year?

365 **Mrs Mills:** It has just over 800 staff and the net cost is £65 million.

Q21. The Chairman: Okay. And how has that size been determined? Is it something of a historic growth? Is it based on a ratio of the overall size of the public sector? Is it perhaps less formulaic?

370 **Mr Jenner:** Well, I guess it is less formulaic than that but there are, by statute, a number of activities that the NAO has to undertake. So, for example, I mentioned about the number of audits, 390 – and the vast majority of those are statutory and they keep being added to in recent years. I mentioned earlier the BBC and the Bank of England, but there was also Network Rail before that, it was about five years ago, which are *big* audits and they need to be resourced properly.

Likewise, the Public Accounts Committee expects between, roughly speaking, 55 to 70 outputs a year for which they can decide which they take evidence on.

380 So there are a number of things that we have to do. We have to, as an organisation, make sure that we keep in line with national audit standards, internationally recognised ways to undertake audits, which of course need some investment. I am no expert on this particular area but the use of technology to undertake audits – I understand that a lot of them are going to be able to be automated. So there is an investment there and we cannot be seen to be – as far as we can, in a public sector organisation, we need to be up with the latest technology there. And
385 the way we do it is every year we present our estimate to the Public Accounts Commission which is a parliamentary body that comprises senior members of Parliament, and it is currently

390 chaired by Sir Edward Leigh, who was formerly the Chair of the PAC. Meg Hillier, who is the
current Chair of the Public Accounts Committee is a member on there, as is Richard Bacon and
various other – and the leader of the House of Commons, I have to say. So they hold us to
account in two main ways. Every year we present our strategy but we also present our estimates
and they scrutinise that and decide; and they make a recommendation on whether or not we
should have that money.

395 **Q22. The Chairman:** I have seen a few different versions of this, but that is a
recommendation to the Treasury that would then go into the Finance Bill. It is not an
instruction?

400 **Mr Jenner:** It is an instruction – but I stand to be corrected – because Parliament decides
what money it needs to run Parliament, it is the exclusive cognisance there. I do not know the
exact terminology, but I should point out the Treasury does comment on our estimate. They,
helpfully, every year provide the committee with a memorandum of where, once this is
published, we might want to be challenged a bit about the various expenditure lines in our
estimate. But once the Public Accounts Commission has decided whether or not they agree with
the estimate that we proposed, then Parliament votes for it.

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The Chairman: Right. Again just something to mark in contrast with the Isle of Man system.
Mrs Poole-Wilson, you are next on my list. No? Mr Crookall, sorry.

410 **Q23. Mr Crookall:** You mentioned before that you have taken on 70 extra staff this year as
trainees, I think it was, or whatever: is it annually that you are looking to do that?

Mrs Mills: We do that every year, yes.

415 **Q24. Mr Crookall:** And does that cater for those that are leaving at the top end – your
succession planning?

420 **Mrs Mills:** Yes, I would not want us to comment on how the number is ... But that is to make
sure that we have, as Adrian says, enough staff to resource all the financial audits that we have
to do.

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Q25. Mr Crookall: Well, that was sort of my question, because you mentioned before that
you are doing more investigations and so I was just wondering whether the NAO is actually
growing at the moment in size?

425 **Mrs Mills:** No.

430 **Mr Jenner:** No, it has not. I could provide you with the figures over the years but actually it
has been pretty stable, even throughout the years of austerity where we tried to practise what
we preach. So if the government as a whole is shrinking, then we reflected that certainly with
our estimate every year. So it has pretty much been stable over the years, if not decreased a
little bit. I think I am right, but we can we can provide you with the exact figures if it would be
useful.

435 **Q26. The Chairman:** So with a public service in the UK of around 5.4 million, in terms of that
ratio then, that would probably put ... The Isle of Man, for your information has a public service
of around 8,000 so that would mean we would need the headcount of about one and a half if we
had kept the same ratio as you did. *(Laughter)* That probably sounds like where we were starting

off as well in terms of our expectations. But I think there is still bit of outsourcing to be done within that number, I suspect.

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Q27. Robertshaw: Can I just interject there?

You say it is shrinking. Is there a number in your head that you could say, 'Government has shrunk by *this* amount over this period' – in very broad terms?

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Mr Jenner: I am afraid I could not. But we can get back to you on that, certainly.

Mr Robertshaw: Just in broad terms.

The Chairman: I am sure we will be able to get that later, if that is possible.

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Mr Jenner: I mean, it is complicated by the real terms, as far as the expenditure goes. But are you talking about headcount in particular?

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Mr Robertshaw: Just a few paragraphs that you would feel would best describe what has happened in recent years. Thank you.

Q28. The Chairman: Just to pick up on Mrs Poole-Wilson's point there about common themes. Could you tell us what sort of common themes have been coming out recently in your reports? Certainly cross-cutting ones across departments?

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Mrs Mills: A key theme I think that always comes up is around procurement and commercial contracting issues.

A Member: Really!

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The Chairman: What a coincidence!

Mrs Mills: A perennial issue.

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Other things more recently, and again this comes back to a reduction in government spending, is financial sustainability, which we have looked at across various departmental areas in terms of making sure services carry on being delivered at a time of government cuts.

Digital is obviously emerging as a theme as more government business moves online, and how that still means that services are delivered to users.

I do not know if there is anything else, Adrian?

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Mr Jenner: Yes, just touching on, you mentioned procurement: a *big* issue there over a number of years has been what we call 'optimism bias' – at the outset of projects setting unrealistic timetables in the first place, and then also inadequate budgets as well; and then of course you are almost building in failure at the outset of a project.

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I think another over the years of austerity that came up, and this is really focused I think by the Public Accounts Committee, was the rather inelegant term 'cost shunting'. So it is okay, you might cut ... I am thinking homelessness would be an example there. It comes to the end of the line, the local authority cuts the refuges for people to stay and then in the end who ends up ... ? The pressure comes on the police force to move people on, or dealing with people with mental health issues or drug addiction, etc. I think that has come out in a number of studies that we have done, but also the Public Accounts Committee.

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Mrs Mills: And obviously environmental issues and climate change are the new things that are now featuring across government as well.

490 **Q29. The Chairman:** You said when you were talking about investigations, in that particular
context you are there to provide the facts. Now, in terms of the value for money studies, how far
do you go in terms of presenting the Public Accounts Committee with proposed
recommendations? I suppose I am trying to assess where your political boundaries lie in terms of
495 actually providing something that the Committee can then pick up and work with, as opposed to
just the plain facts of the case?

Mr Jenner: For our value for money reports they do have recommendations in them and
there is also the C&AG's value for money verdict which he will insert, basically, 'This project
provides value for money', or 'Has not proven to provide value for money' or variations on that
500 theme.

Investigations, as Linda said, the idea is that we will set out the facts, surface the facts, and
the facts will speak for themselves. Linda was involved and led an investigation into Kids
Company, the charity a few years ago in which, because it was so expertly drafted by her, the
facts really spoke for themselves – so he did not really need any prompts from us.

505 We are here really to support the Committees and support members, who are of course
really busy, and PAC is not the only thing they do by any means. Our job is to do lots of verbal
briefings and written briefings, and we are always on hand to answer any questions they may
have, or points of elucidation they may need. And that does include the part where the
Committee is producing its own report where we might advise on whether something is in order
510 or without scope, or it is fair to say, really. But we certainly would not get involved in any
recommendation the Committee wanted to make, however creative or whatever the MPs might
come up with.

Q30. The Chairman: And of course I think the Public Accounts Committee does tend to pride
515 itself on being an 'a-party-political' body.

Mr Jenner: Yes.

The Chairman: Mr Callister.

520 **Q31. Mr Callister:** Yes, thank you. Just under the value for money work you have a target to
deliver £10 worth of financial impact for every £1 spent on running the office. I wonder if you
could actually elaborate on that particular point; and how that fits in with your own schedule of
work when you are looking at projects, as to which one to take on to deliver that target?

525 **Mrs Mills:** On financial impacts, yes, our target is as you rightly say £10 for every £1 it costs to
run the office. Last year our financial impacts were £539 million which fell below the £10-in-£1
target. I think it was actually £8 for every £1 we spent.

In terms of how we ensure we get there, there is some planning as we do our work to make
530 sure we do a proportion that will lead to those financial impacts. However, as you can imagine,
they do not materialise overnight so we do not claim a financial impact until it has actually
happened; and we do have quite a rigorous process in terms of claiming and reporting those. So
we do not just say, 'Oh that's all down to us'; we will talk to the department and we will get
agreement from them about whether it was down to the NAO that that impact was actually
535 realised.

There may be occasions when we were part of a perfect storm, as it were, where there were
lots of other things going on and the NAO may just have been part of that, and it may have been
something the department was planning but just had not got round to actually putting into
practice. So in those cases we will claim a proportion. We do not always claim the full impacts.

540 The impacts as well are subject to our auditors and the biggest ones are reported in our
annual report and accounts. So there is quite a rigorous process and we are quite transparent

about them. But as you say going back to the beginning we need to make sure that as we are going forward we have enough work coming up that is going to lead to those actually crystallising in practice.

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Q32. Mr Callister: Can I just ask a follow-on question to that if possible? I know you say you publish reports and everything else, but how does the average person in the street actually see these savings?

550

Mrs Mills: As I say, the main way we report them is the annual report and accounts, so you can see actually in the text we give examples of the type of things and then at the back there is always an appendix which sets out every impact over £5 million, I think it is.

But it is also perhaps worth saying that as well as the financial impacts we do report quite a few qualitative impacts as well, where it has actually made a difference to people's lives. So recent examples have been around trauma care in hospitals where, down to our recommendations, the Department recognised that the service for people going into hospital was improving and probably leading to better outcomes. So those things again we are quite transparent about and I think sometimes the qualitative ones are probably more understood by the general public because it actually has made a difference to their lives.

560

And an example from some of my own work, I did some work around children in care, and a number of reports, and one of those led to government changes for how care leavers are supported once they leave care. That actually led to some new legislation and some minimum standards for care leavers in the local authorities where they were located. So again those are the sorts of things that there might not be a number on them but they actually have made a difference to people's lives. So it is a mix of the £10-to-£1 target but I think it is also important to note where we make a difference either to people's lives or to the way that departments operate.

565

Mr Jenner: And I think if I may, Chairman, just another example in addition to those that Linda has mentioned, is the report into the Windrush scandal. Perhaps not necessarily for those people who were affected historically but going forward the recommendations that we made and that the Public Accounts Committee picked up, to ensure that such a situation does not ever arise again when you could see the potential for that happening.

570

So yes, I think that is a kind of non-financial impact that really will hopefully determine people's lives. But it is hard to quantify of course – it just happens.

575

Q33. The Chairman: So when you come to taking the credit for some of these qualitative and quantitative savings, is this only about recommendations that you have generated that have been approved and then will be implemented? Is that how you count it? I am trying to work out what sorts of things do fall into this, and what sorts of things you would discount.

580

Mrs Mills: I think, as I say, the main thing is it has to be agreed – there is a lot more rigour around how we identify and claim financial impacts than perhaps many years ago. So the Department has to agree, and sometimes there is some horse-trading about how much we actually should take credit for. And then when the impact is put together our auditors will also go through and make sure it does apply.

585

So there is a large number that come up that perhaps we cannot agree with the department; or sometimes it is a case of the impact has not actually crystallised. Sometimes, if you are going to ask someone to change the way a service operates it is not going to happen within a few months' time; and sometimes we come back to impacts that might have been a recommendation from four or five years ago. So internally what we try to do is keep track of recommendations we think are going to lead to impacts and follow up on them.

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595 **Q34. The Chairman:** So do you have a published standard, then, as to what is acceptable or not? I know there is a bit of horse-trading, but in terms of realisable and how you calculate that realisable saving, is there a mechanism? Is there a standard – ?

Mrs Mills: I do not think there is anything in the public domain. We can perhaps write to you on that. (**The Chairman:** Okay.) But broadly what you see in our report and accounts gives you quite a lot of information about what we do, what has been agreed and how we measure them.
600 And some of them are not just for one year, they do happen for a number of years.

The Chairman: Mrs Poole-Wilson next; then Mr Callister; and then Mr Robertshaw.

605 **Q35. Mrs Poole-Wilson:** Just coming back to this tracking the impact, and something you mentioned earlier which is as you said the inelegant expression of cost shunting, do you have mechanisms to track the effectiveness of money spent on interventions to prevent money being spent later on? So, to give you an example, there is a theme of adverse childhood experiences and if public money is targeted at young children early on, as a function do you look and track the impact of when public money is spent in a certain way, what savings are made later on,
610 because you do not need interventions or perhaps people do not end up in the criminal justice system or in care, etc.?

I do not know whether you can measure and track that at all?

615 **Mr Jenner:** Linda can supplement this, I am sure; but we would ... I think, yes, of course do not forget that we will continue to provide financial audits for departments year-on-year which can be focused on some of these issues and if a department has said it would do something to take action in the way you describe, we would look at that. We also do quite a number of follow-up reports and that could be an investigation or it could be another value for money report to look at the impact of a government policy, and also to see whether they have done what they
620 have said they will do.

More widely, and not leaving out the Public Accounts Committee in this process, they too make recommendations. First of all, the government has two months in which to respond to any PAC recommendation and they will do that. The Public Accounts Committee under Meg Hillier has been particularly effective in recalling departmental witnesses who are in charge of various
625 programmes. One that springs to mind is the emergency service network which, if you do not know, is a scheme to replace the communications of the emergency services but which, I think it is fair to say charitably, has run into one or two problems over the years and is late and over budget, etc. So they have recalled them and published a number of reports about that, including following up where the department has said it would take some action and whether it has done
630 or not.

So there is that process, the Treasury minute process. The Treasury Officer of Accounts, which is based in the Treasury – tell me if I have lost you here – also produces an implementation report annually, I think it is, that follows up the progress. Their job is to go into departments and say, ‘Look, this has been recommended, what has happened? What have you
635 done about it? What value has been derived from that?’

640 **Mrs Mills:** I think the only thing I perhaps would add is obviously one thing about our value for money work is we do not look at everything that happens in government; whereas with financial audit, if you take what we look at value for money it is only a very small part of the £1.7 trillion spent every year that the NAO, given our resources, can focus on.

So we are not looking at everything but in the case you were mentioning, is it better to invest in children so the problems you might see later around crime and drug use and homelessness, which then as you say become a cost to the taxpayer. I do not think it is something we do explicitly but in some of the work we do we will sometimes try to work out what the cost has

645 been. But because we do not question policy it is not really down to us either to say what the government should be doing. We can just highlight what the cost of the government is because of some of these particular social problems that emerge later in people's lives.

Q36. Mr Callister: Thank you, Mr Chairman.

650 Just to carry on the theme of value I was wondering if you can expand a little bit? I know you have touched on it, but a little bit more on the money cycle and the process of how you actually go round this money cycle – your process of deciding which topics to examine, and then to produce the report, and then to actually have the report laid at the House of Commons, etc. and through to the PAC.

655 I know you have covered some of it but there are a few themes in there which have still not been covered.

The Chairman: Such as?

660 **Q37. Mr Callister:** Well it is just the process about the actual ... because we are looking at introducing this ourselves, Mr Chairman. So it is the actual process of picking a topic and then the study team carrying out the actual investigation, and how that then is reported back through. We have touched on the value for money, and then the factual contents of that report to discuss, it is clear and it is audited etc., so how it is then laid before the House of Commons, 665 how it is then published and how the report is then picked up by the Chair. There are a few bits in there and I just want to know if there is anything –

The Chairman: Just the process?

670 **Mr Callister:** Just to make sure we have covered the whole process.

Mrs Mills: So shall I just talk you through the VFM cycle here?

Mr Callister: Yes, please.

675 **Mrs Mills:** We talked at the beginning about how we identify the themes for our work: it is our own risk-based analysis plus what Parliament and the public are interested in. So once the themes have been identified then we come back to the C&AG's role and it is down to him to decide what he wants to cover. So out of the various topics he will decide, obviously with advice 680 from others, but it is his decision to decide which reports he takes forward.

The first stage is then to decide on the scope for the work, because you could do something that lasted five years or in the case of our investigations, which tend to be much shorter, take only three months.

685 So it is deciding the scope of the work and sometimes whether it will be a value for money report or investigation, depending on the nature of the topic. Once we basically put together a business case as a team to the C&AG: 'This is what we are going to do; this is how we are going to do it; this is how long it is going to take; and these are the resources we need to do it', he approves that; and then the team will go and do the fieldwork, which is mainly interviews or literature review. We may do some surveying focus groups – a mix of methodologies – and then, 690 once that is done, we will go into reporting stage.

I think one thing perhaps we have not touched on is that once we have a draft report we clear the facts with the department before we actually go towards publication. So that is probably something we have not touched on –

695 **Q38. The Chairman:** Sorry to interrupt your flow, Linda, but do you give them a time frame for that?

700 **Mrs Mills:** Yes. What we will do – and it is not standard, it depends on what topic we are talking about, and then sometimes there are external things. Exiting the EU has been something which has put a lot of pressure on departments and taken resources away. Obviously, we are not completely unsympathetic to demands on the departments and government. But generally we will give the department a number of weeks to clear the report and when they clear the report that is about clearing the facts only.

705 The C&AG's conclusion and recommendations are for him and that is his judgment. It is not for the department to comment on those, but it is just to clear the facts – was it £50 million or £5 million? It is down to that. So that is all we are looking at and that basically has become an important part of the process, because it ensures that when the work is reported to Parliament there is no argument about the facts. There may be a difference of opinion about the conclusion and recommendations, but it is always based on evidence that is agreed between the department and the NAO.

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Q39. Mr Callister: Can I ask you a question? I was looking, as I say, online and this particular item was on the cycle of money. Every report goes to a hearing of the Public Accounts Committee?

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Mr Jenner: Not every report.

Mrs Mills: Nearly every report.

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Mr Jenner: I would say around 90%, just a figure in the air.

Q40. Mr Callister: Okay. And then they pick it up and take it through to the Parliament?

Mr Jenner: Yes.

725

Mrs Mills: Yes. So once the report is published it will be taken quite often by the Committee of Public Accounts; or, as Adrian was saying earlier, sometimes one of the other select committees in Westminster will take evidence on our report.

730

Mr Jenner: And the PAC takes evidence from senior civil servants, the accounting officer, the senior responsible owner of the project or other senior officials, although in recent years the PAC has introduced what you might call 'service users'. They have a pre-panel of service users, people out in the field that could be charities, sometimes academics, but they try and touch on people who the policy actually affects in their everyday life.

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Q41. Mr Callister: Are there any examples, or has it ever happened, or what happens if the Public Accounts Committee does not agree with a report? What happens to the process then? In any way, do you just sit down and discuss what the – ?

740

Mr Jenner: I do not think ... In my experience and my knowledge there has never been the case where they do not agree with the C&AG's report.

Mr Callister: Okay. Thank you.

745

The Chairman: Mr Robertshaw.

Mr Robertshaw: Moving on to the next topic?

The Chairman: Whichever, if you have got anything first that is fine.

750 **Q42. Mr Robertshaw:** Just one quick one: who guards the guards? Who audits the auditors?

Mr Jenner: We are audited by an organisation, Linda mentioned them, called Crowe UK and they are auditors based in London. They look at us but we are held accountable by the Public Accounts Commission, which I mentioned earlier. They consider our estimate and our strategy at least on two separate occasions a year.

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Q43. Mr Robertshaw: Moving on then, the thing for us obviously is the sheer enormity of your operation compared to our little world here. So it really does beg the question that if a huge hand came out of the heavens and pointed at you and said, 'If you were given the responsibility to assemble an Auditor General function in a small jurisdiction, would you be able to capture some guiding principles that would lead us forward?'

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Mr Jenner: In my view, the key to the success of the C&AG role in the NAO is that it is independent and it is seen to be independent; and the office holder – although of course working closely with politicians, whether it is the Public Accounts Committee or others – has to gain their respect, and acts independently and practises what he preaches on that. I think that really is key to maintaining the standards.

765

Of course the scale you refer to, it is hard to equate what we would do with a particularly small jurisdiction; but there are already good examples out there I understand to learn from, but basically they all have at the heart of them the key of independence.

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Mrs Mills: I totally agree with that and, as I say, maintaining your independence in any size of audit office is critical. As Adrian says, there are good examples elsewhere.

The other thing to think about is access to resources to deliver the work as well. So we have talked a lot about the amount we have to invest in people to be able to do the reports and the work of the Auditor General, so I think that is something else to bear in mind.

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Q44. Mr Robertshaw: You might perhaps suggest to us that we would want to follow a principle of what savings an auditor general office could have achieved within a given period, using similar measures. (**Mrs Mills and Mr Jenner:** Yes.)

780

Would you drop us a line at some stage, please, to lead us to some smaller jurisdiction examples that you have just both mentioned? That would be very helpful for us in our deliberations as well.

Mr Jenner: Can I just add something about the independence because as vital as it is, it is not just about how the postholder of C&AG exercises his functions, it is also the way that they are recruited and how difficult it is. We have just gone through this process and it is an open and transparent process. The interview board was a representative of the Treasury and the Chair of the NAO board, as well as the Chair of the Public Accounts Committee. But also, once that person had been chosen the recommendation goes up to Number 10 and it is a Crown Appointment, so he has letters patent, therefore it is really tricky to get rid of him. He can be able to exercise his independence because the method for removing a C&AG from office, I think I am right here, it would require the resolution of both Houses of Parliament and then for the monarch of the time to get rid of them. So they are really bound in for a 10-year limit as well, I should say.

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Q45. Mr Robertshaw: Yes, but is the term normally 10 years? Or is the term limited to –

Mr Jenner: We have only had a term limit for Sir Amyas Morse, when he was appointed in 2009; he did 10 years. Gareth Davies, who took office on 1st June last year, it is for up to 10 years. Before that, there was no time limit.

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Q46. Mr Robertshaw: If we were entering into this for the first time, would you suggest to us that in the early doors period we went for a shorter term?

I mean, this is a very practical issue and it is also very important.

805 **Mr Jenner:** Yes, this is clearly big for you to decide who to recommend. But I do not know, the trouble is once you have said 'the first term' then it sets a pattern and I know sometimes it is quite hard to review. But I think 10 years is sound; maybe you might want to think about seven as a compromise, perhaps.

810 But forgive me, I am not entirely sure what your electoral cycle is. (**A Member:** Five years.) It is five years? I would have it longer than that.

Q47. Mr Robertshaw: Yes, quite. (*Laughter*) And timed at different intervals.

815 **Mr Jenner:** Yes, exactly.

Mrs Mills: Yes.

Mr Robertshaw: Thank you.

820 **The Chairman:** Mrs Poole-Wilson.

Q48. Mrs Poole-Wilson: Yes, coming back to the scale issue, I know you mentioned there are models that work well elsewhere in small jurisdictions, but what suggestions would you have for us about managing scale, given the range of topics that could potentially be important to look into and the different expertise that might be pertinent?

825 Is there anything you would say about how we can source that resource, bearing in mind we may not be in a position to permanently staff in that way? We might have to call in expertise.

830 **Mrs Mills:** I know that some other smaller jurisdictions do use other audit offices to work on behalf of them.

Mrs Poole-Wilson: Do you mean *national* audit –?

835 **Mrs Mills:** National Audit Offices, yes. Sorry, I cannot remember the example now –

The Chairman: It was Wales, I think.

840 **Mrs Mills:** – but that was my point, really, about even if you establish the post you need to think about what resources you can draw in to do the work.

Q49. The Chairman: I think the Welsh National Audit Office had been used before – (**Mrs Mills:** Yes.) That was the example, wasn't it? (*Interjections*)

845 **Mr Jenner:** I think that is absolutely right and developing networks with similar-sized jurisdictions, I would think ... I have seen great value there.

And secondments. At the NAO, we second ... Sorry, this is not an open offer! (*Laughter*) Though we do have experience of seconding staff to other audit institutions.

Mrs Mills: And even if it is not a long-term secondment, we have in the past offered technical support in setting up audit offices which is on a short-term basis, or it is an ongoing thing we do.
850 We may go somewhere for a couple of weeks just to help people plan a value for money study, even if we do not actually do it. We may help them to think about: what would you do? What methodologies might you use? How might you report?

Q50. Mr Robertshaw: Do you do short-term secondments to small jurisdictions?
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Mrs Mills and Mr Jenner: Yes, we do.

Q51. The Chairman: Is the NAO involved in the Overseas Territories projects, or not, with the Commonwealth Parliamentary Association? (**Mrs Mills and Mr Jenner:** Yes.)
860 I do not know if that is something else you want to just mention?

Mr Jenner: That is a very good point.

Mrs Mills: Yes, definitely with the UK Overseas Territories (UKOT). They do provide a lot of advice and guidance on exactly these matters and set out some ideas of good practice; but
865 equally – when you were talking about what would you need, and how much would you need to do – they do set benchmarks based on populations and government spending in those areas.

Mr Jenner: There was an advert on our opportunities page of our internal website for a short-term secondment to the Turks and Caicos Islands but, unfortunately, I am busy. (*Laughter*) But that is an example of where we have provided secondees.

Mr Robertshaw: It was oversubscribed, was it? (*Laughter*)

Q52. The Chairman: I think it is fair to say that a lot of these jurisdictions are far smaller than the Isle of Man, and it is an 8,000 public sector and £1 billion of public spending. So we are talking about places far smaller getting that help, but also having the office in place.

You mentioned also about the network and what sort of support there is. So in terms of the Overseas Territories Project, you have been able to provide that technical support and perhaps
880 give a little bit more of a technical steer at that level?

But if we created the post of Tynwald Auditor General and threw somebody into it headlong, what sort of network would they be able to plug into, that you are aware of, that is out there for auditors general?

Mrs Mills: I am not aware of a formal network *per se*, but I think there are lots of informal networks and some offices – as you say, Wales is an example of establishing bilateral arrangements to work together. But there are lots of networks, as you say there is the UKOT and there is the Commonwealth Parliamentary Association.

But as you will be aware, there is the Committee of Public Accounts Network that meets annually now, and again offers people opportunities to share good practice and interact. I think a lot of it has been quite organic in terms of establishing networks, which is probably a good thing because the relationships have grown rather than been enforced on people.
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The Chairman: Mr Robertshaw, and then Mrs Poole-Wilson.

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Q53. Mr Robertshaw: When we come to look at other jurisdictions and their functions in this area are we, to your knowledge, likely to find that the way you measure your effectiveness – in other words, ‘We have recovered this amount of money *per annum*’. Are we likely to find that in others as well, or is this special to you?

900 **Mrs Mills:** I do not know.

Mr Jenner: My main knowledge is of experiences of Jersey and I think in short the answer to that is no, because of course it needs quite a lot of resource to come and spend the time to audit those savings. But, again, we can find out for you by asking –

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Mr Robertshaw: That would be helpful, because our interest is to have others understand the importance ...

Mr Jenner: Of course.

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The Chairman: Thank you.
Mrs Poole-Wilson.

915 **Q54. Mrs Poole-Wilson:** Just a small point: you mentioned the idea of secondments. In your experience have secondments been used in different ways; for example, a secondment to bring in particular expertise to do a piece of work? Have secondments been used to train people in another jurisdiction to help develop their own skill sets so that they can do the work themselves?

920 **Mrs Mills:** I think both; there is an element where sometimes we do go and provide technical support and actually almost shadow somebody as they go through. We may go for a couple of weeks when a VFM study starts off, and then we may go back to assist them on the drafting.

925 So there is some technical support, but that also is training as well. I myself used to work quite a lot on international training and spent a lot of time talking to people from all over the world about how we do things. People would come to us or we would visit them, and basically you were training on everything from how to come up with ideas for reports through to how to put together a final publication, and how to relate with parliament. So, all sorts of different levels.

930 **Mr Jenner:** I think it is worth saying as well that we get a lot out of it ourselves. It is not just a one-way benefit. We are always, as an organisation, keen to make sure that we have adopted best practice and learned from other jurisdictions, whether they are medium or small, or a large-scale audit institution.

935 **Mrs Mills:** And I think on the scale thing, yes, we are a very much bigger organisation. But a lot of the things you can scale down and apply principles. And investigations, perhaps, are a good example of that. I have talked about investigations a lot with other overseas audit offices because some of those principles about doing something quickly with fewer resources, and just setting out the facts, can be applied to smaller areas – just focusing on one thing which they have to do quite quickly because they do not have the resources to do 60 reports a year.

940 **Q55. Mrs Poole-Wilson:** And on the training theme more broadly, what would you suggest if we were bringing this forward in the Isle of Man? What *other* types of training might be important, whether it is for this Public Accounts Committee or Members of Tynwald, or otherwise? What do you think is important to be developed so that any function like this works as well as possible?

950 **Mrs Mills:** Well, from my experience of training I would probably say the three key things are probably, firstly, around scoping a study and just being quite clear about the logic of what you want to look at. The other thing would be – well that is probably perhaps four things, then! Another thing would be around project management which I think is quite key; and it is

something we talk about quite a lot. But part of the success of getting a study done on time, on budget and reporting at the right time is around good project management. So that is quite important.

955 Then the third thing would be around the field work, so people perhaps having research skills and the ability to do document reviews, to do analysis and that type of thing. You do need those sorts of skills.

And then finally, drafting. Actually there is quite an art to drafting a good report which is going to often have multiple audiences – you have got Parliament, you have got the man in the street. I have spent quite a lot of time training people to draft reports as well.

960 So those probably are the key technical skills. I do not know if there is anything else?

Mr Jenner: It is not a technical skill but I would also say, in my opinion, you must not overlook the political – with a small ‘p’ – savviness; your ability to negotiate through an organisation or deal with people, whether they be elected representatives or civil servants. I think that is really key, because you can of course be as technically gifted as you could get but perhaps not great with people and knowing how the land lies – that can trip you up.

The Chairman: I think I was expecting fear, surprise and a comfy chair but – *(Laughter)*
970 Mr Callister, we move on.

Q56. Mr Callister: Yes, thank you, Mr Chairman.

You may or may not be aware that in 2011 Tynwald actually drafted legislation for an auditor general, but the legislation has not yet been fully put into force. Do you have any thoughts on that?

Mr Jenner: Well, clearly with the caveat that we are not here to tell you what we should be doing, but you have asked us for our opinion, so within that context I think the legislation seems perfectly reasonable as far as it goes, and it is up to you ...

980 I read a *Hansard* account of a previous witness – I think it was actually Question Time, wasn't it? – about resourcing. **(Mrs Mills:** Yes.) So leaving that to one side, which is a big thing of course, but it is for you to decide. I think my only observation would be just about how you would embed, however you decided to do it, the independence of the auditor.

I like the fact that in the legislation the C&AG's independence is set out in statute. But as I mentioned earlier he has to take into account the views of the Public Accounts Committee. That may sound a bit woolly, but in fact it is actually there, it does not undermine his independence but he is obliged to, as I say, take into account their views. And of course he is interested.

So it is a false binary choice, really. I just think that is key; I really do.

990 **The Chairman:** It demonstrates that there is requirement for dialogue.

Mr Jenner: Exactly ...

Q57. The Chairman: In terms of the appointments process, you have seen our appointments process is made up of the Chairman of the Tynwald Management Committee – which I think in your terms would probably be the Speaker, as Head of the Parliamentary Commission; the Chairman of the Public Accounts Committee; and the Chief Minister, as Head of the Government. In terms of the people who would appoint the Comptroller and Auditor General in the UK, how does that contrast?

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Mr Jenner: We have a very recent example. On the board there were headhunters who were sounding out people and a shortlist – or a long list – was created; and then the members of the interview board and panel and the selection process were the Chair of PAC, Meg Hillier; the

1005 Chair of the NAO Board, which is currently Lord Michael Bichard; and a representative of the government – not a minister, but this happened to be the Permanent Secretary of the Treasury, Sir Tom Scholar. So those three –

Q58. The Chairman: So there was an officer rather than a politician?

1010 **Mr Jenner:** Yes, an officer rather than a politician, and they had a kind of independence. He was not a full member of the board, but he was there to advise them – Sir John Gershon, who you will know of, he played an advisory role too.

1015 **Q59. Mr Robertshaw:** So do you feel that is about the right sort of panel? I am particularly interested in this issue that it is not a senior member of the Cabinet, in your case, as part of that recruitment team?

Mr Jenner: Yes, I think it is key; and of course they make a recommendation to Downing Street, who then put the name forward to the Monarch.

1020 I have never known in my experience, or the history of these things that that has ever not happened, that Number 10 has gone against the recommendation of a panel, although of course it has only really been done like this on two occasions, since 2009. But I think it is about right, there has never been any question that they have ever got the wrong person, or that the mechanism is faulty, of course.

1025 Gareth Davies – as Sir Amyas did actually, back in 2009 – had a pre-appointment session with the Public Accounts Committee, who he is going to be working with over the coming years. And although they did not have a formal power of veto or anything that was quite a good way of testing him out from their point of view.

So, yes, I think the progress –

1030 **Mrs Mills:** Now the meeting is held in public as well –

Mr Jenner: That is in public, yes –

1035 **Mrs Mills:** The pre-appointment session was held in public.

Mr Jenner: So I think it is – (**Mr Robertshaw:** Interesting!) Yes, I am quite content with it.

The Chairman: Mr Cretney.

1040 **Q60. Mr Cretney:** I am not sure to what extent this has been answered already, but what approach do you take when auditing government accounts?

Mr Jenner: Aha!

1045 **Q61. The Chairman:** You mentioned there are quite a number of bodies that you audit there.

Mrs Mills: That is a financial audit.

1050 **Q62. The Chairman:** Will that be across the full range of – ?

Mrs Mills: Yes, 390, so that is all the main government departments and then a number of arm's-length bodies.

1055 As Adrian mentioned we have the BBC, the Bank of England and other government
companies as well, like Network Rail. So it is a wide remit now, given we have a lot more
government companies than used to be the case in the past.

1060 **Q63. The Chairman:** And of course there is a different number of governance structures
involved in all that. But are we also talking about – ?

Mrs Mills: And this is going down to the level of museums and galleries, which are bodies of
the Department for Culture, Media and Sport, as well.

1065 **Q64. Mr Robertshaw:** Is there some measure by which it sits within or outwith your audit? Is
there some particular measure? Is it the degree of public funds that go into the organisation?

Mrs Mills: A lot of it is statutory audit. (**Mr Jenner:** Statutory, yes.) So we are the statutory
auditors of a lot of these bodies.

1070 In other cases if they are companies then their board will ask us to audit them. There are
interesting, more hybrid arrangements as government becomes a more complex body, and how
it delivers services.

1075 **Q65. The Chairman:** So you will have audits under charity law, under company law; and you
will be auditing under financial reporting standards and public sector accounting standards as
well. So you have got quite an array of skills in there (**Mrs Mills:** Yes.) that you need to hold for
the broad range of bodies that you have got.

1080 **Mr Jenner:** And also, we audit by invitation. So with the two Houses of Parliament, that is not
a statutory audit that we do, that is really by invitation by the accounting officers of both
houses, albeit that it has happened over many years and we do not audit in any different way.
That is down to the exclusive cognisance of Parliament to run its own affairs, but nevertheless it
is on a different basis.

1085 **Q66. The Chairman:** And to do, in that broad sense, the consolidated whole of government
accounts, do they cut across all of those different accounting standards so you have that
wonderful joy of putting together something that was produced on a – ?

1090 **Mrs Mills:** Yes, we obviously work on the whole of government accounts every year as well in
terms of making sure that it is all consolidated and brought together correctly.

Mr Jenner: A pretty significant undertaking, actually.

1095 **Q67. The Chairman:** I think that might be the one area that we have got an advantage on
you, as we have been doing it for a number of years. But we have a little bit smaller, and I think
only about 30 bodies to consolidate there and not all of them fall within WGA in terms of local
authorities and things, which I do not think you consolidate either, do you?

Mrs Mills and Mr Jenner: No.

1100 **The Chairman:** No, okay.
I think the only other ...

Q68. Mr Cretney: Yes, do you ever audit internal audit functions and how would you do that?

1105 **Mrs Mills:** No, I think we talked about internal audit earlier and that is completely discrete from us. The government departments' internal auditors work for the government departments.

Q69. The Chairman: But in terms of your –

1110 **Mrs Mills:** We could audit them if we wanted to.

Q70. The Chairman: But you just have not?

Mrs Mills: No.

1115 **The Chairman:** Okay. A final opportunity for anybody to chip in.

Mr Robertshaw: On a very light note, I just want to point out the great care that our Chairman attaches to the waste of paper. This is the size of the note (*Laughter*) that he passed to me before, which I think is – (**Mr Jenner:** Admirable!) a great credit to our Chairman on that one!

The Chairman: Thank you, Mr Robertshaw, I am sure that will go down fantastically on radio! (*Laughter*)

1125 Can I thank both of our guests, Mr Jenner and Mrs Mills for coming in; and for your candour and your engagement with the Committee. It has been *really* useful. I also want to thank you in advance for the presentation that you will be giving to Hon. Members upstairs in a similar vein, about the work that you do.

So with that, again, thank you very much and the Committee will now sit in private.

The Committee sat in private at 12.21 p.m.