



Northern Ireland Audit Office

Our purpose...

Promoting better use of public money, through independent professional scrutiny, underpinned by our commitment to:

- Integrity
- Equality
- Openness
- Innovation

To make a difference for the people of Northern Ireland.

The Department for Communities, with the consent of the Comptroller and Auditor General for Northern Ireland, has designated Mrs Louise Mason as the Local Government Auditor. She, and the Northern Ireland Audit Office, are totally independent of Local Government. She certifies the accounts of all Local Government bodies in Northern Ireland and is also responsible for councils' improvement audits and assessments.

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ARDS AND NORTH DOWN BOROUGH COUNCIL

AUDIT AND ASSESSMENT REPORT 2016-17

A REPORT TO THE COUNCIL AND THE DEPARTMENT FOR
COMMUNITIES UNDER SECTION 95 OF THE LOCAL
GOVERNMENT (NORTHERN IRELAND) ACT 2014

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Section 1

Introduction and status of this report

Introduction

- 1.1 Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) establishes that all councils are under a general duty to make arrangements to secure continuous improvement in the exercise of their functions. It sets out a number of council responsibilities under a new performance framework. It also sets out key responsibilities for the Local Government Auditor. The Department for Communities (the Department) has published 'Guidance for Local Government Performance Improvement 2016' (the Guidance) which councils and the Local Government Auditor have to follow.

The improvement audit

- 1.2 Each year the Local Government Auditor has to report whether each council has discharged its duties in relation to improvement planning, the publication of improvement information and the extent to which each council has acted in accordance with the Department's Guidance. The Local Government Auditor's procedures to do so are called "improvement audits".

The improvement assessment

- 1.3 The Local Government Auditor also has to assess annually whether a council is likely to make the required arrangements to secure continuous improvement in that year. This is called the "improvement assessment". The Local Government Auditor also has the discretion to assess and report whether a council is likely to comply with these arrangements in future years (see paragraph 2.5).
- 1.4 Improvement audits and improvement assessments are undertaken in accordance with the Local Government Auditor's statutory responsibilities¹ and the Department's Guidance. They are planned and conducted in accordance with the performance improvement Audit Strategy issued by the Local Government Auditor to councils, her Code of Audit Practice for Local Government Bodies in Northern Ireland and the Statement of Responsibilities.

Status of this report

- 1.5 This report has been produced by staff of the Northern Ireland Audit Office (the NIAO) on behalf of the Local Government Auditor in discharging her duties under section 95 of the Act. It certifies that she has carried out an improvement audit and improvement assessment for 2016-17 and states whether, as a result, she believes that Ards and North Down Borough Council (the Council) has discharged its performance improvement duties.
- 1.6 This report has been prepared for the sole use of the Department and the Council. The Local Government Auditor and NIAO do not accept responsibility to any third party for losses arising from reliance being placed on this report.

Other performance improvement reports by the Local Government Auditor

The Annual Improvement Report on the Council

- 1.7 The Act requires the Local Government Auditor to summarise all of her work carried out (in relation to her responsibilities under the Act) at the Council, in an "annual improvement report". This will be published on the NIAO website in due course, making it publicly available.

Special inspections and statutory recommendations

- 1.8 The Local Government Auditor may also, in some circumstances, carry out special inspections which will be reported to the Council and the Department, and which she may publish, or make statutory recommendations.

¹ Sections 93 and 94 of the Local Government Act (Northern Ireland) 2014

Section 2

Matters required to be reported on

Matters required to be reported on

Improvement audit and improvement assessment

- 2.1 The Local Government Auditor's audit opinions in relation to the improvement audit and her improvement assessment are in the Annex to this report.
- 2.2 In the Annex, the Local Government Auditor certifies that she has performed the improvement audit and improvement assessment for the Council and that, as a result of this work, she is satisfied that the Council has discharged its statutory performance improvement and reporting duties and that it acted in accordance with the Guidance.
- 2.3 She has also reported that, as 2016-17 was the first year in which councils were required to implement the new performance improvement framework, the Council's arrangements to secure achievement of its improvement objectives are, as is to be expected in the first year, at an early stage of development and implementation. Whilst the Council has begun to establish arrangements to secure continuous improvement, it is too early for the Council to demonstrate, or for the Local Government Auditor to determine, the extent to which improvements are being made for the current financial year.
- 2.4 However, the Local Government Auditor believes that, over the next couple of years, and with the benefit of a formal track record of performance improvement management and reporting, the Council should be able to demonstrate whether it is meeting its responsibility in this area.
- 2.5 The Local Government Auditor has decided at present not to perform the discretionary assessments of whether councils in Northern Ireland are likely to comply with the requirements in future years. She will keep this decision under review as the new framework establishes itself in and the track records of the councils accumulate.

Special inspections and statutory recommendations

- 2.6 No special inspections or statutory recommendations were required at the Council this year.

Other matters

- 2.7 Whilst the Local Government Auditor has no statutory recommendations to make and there is no requirement for a special inspection this year, there are some areas which require further development. These are set out under Section 3 'Key audit and assessment findings' of this report.

Section 3

Key audit and assessment findings

Key audit and assessment findings

- 3.1 This section outlines key findings arising from the thematic areas of the Council's audit and assessment. Some findings, where relevant, give rise to proposals for improvement. These are not formal recommendations, which are more significant matters which require action to be taken by the Council in order to comply with the Act or Guidance.
- 3.2 Proposals for improvement include matters which, if accepted, will assist the Council to meet its performance improvement responsibilities. The Local Government Auditor believes that agreed proposals to the Council should be implemented and will follow them up in subsequent years.
- 3.3 Our procedures were limited to those considered necessary for the effective performance of the audit and assessment. Therefore, the Local Government Auditor's findings should not be regarded as a comprehensive statement of all weaknesses which exist, or all improvements which could be made.
- 3.4 Next year we will review progress the Council has made on these findings. In the meantime, it is recommended that the Council's Audit Committee should monitor and track their progress.

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Section 3

Key audit and assessment findings

1. General duty to improve

The Council is required to make arrangements to secure continuous improvement in the exercise of its functions and it has begun to put arrangements in place. The Council was able to demonstrate that its arrangements were constructed within the seven relevant criteria set out in legislation and that the Council gave particular focus to four of its seventeen corporate objectives under the themes of People, Place, Prosperity and Performance. The improvement objectives relate to functions covered by the following standing committees: Corporate Services, Community and Wellbeing, Environment and Regeneration and Development.

We were encouraged to note that the Council has developed a Performance Management Policy and Handbook which includes how the Council aligns its staff, resources, processes and systems to consistently achieve its strategic objectives. This should assist with embedding the framework within the workplace culture.

The Council has implemented a bespoke performance management software system to capture service data and other relevant information to support monitoring and reporting of performance improvement going forward.

At the time of our audit the Council's arrangements were still under development and had not been fully established. This is to be expected in the early stages of the new framework and going forward we expect to see the arrangements through which functions are prioritised for improvement will become more refined and mature.

To assist the Council we recommend the following proposals for improvement:

- Linking the forthcoming community plan, and the ongoing processes that underpin it, with the Council's improvement processes; and
- analyse any trends from the performance management system as further data becomes available. This will help identify those functions/services which would benefit most from improvement.

Going forward the Council will need to continue to ensure that that process by which functions are prioritised and selected is transparent, refined and fully implemented.

Section 3

Key audit and assessment findings

2. Governance Arrangements

It is important that the Council's governance arrangements support robust and effective decision making in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. The Council is developing governance arrangements to help it meet these responsibilities, although they are yet to be fully developed and implemented. The Council has overall responsibility for performance improvement. For each service objective the lead officer reports to the relevant standing committee, for example, the improvement plan objective 2 is the responsibility of the Environment Committee.

The Council's Audit Committee has responsibility to ensure that arrangements for good governance are in place and operating effectively. To date, this Committee has focused on financial accounting governance and controls. It now needs to discharge its wider remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions, as this framework is subject to a statutory audit and reporting. This involves exercising greater oversight of its performance improvement responsibilities, and it should be assured that a comprehensive suite of plans and policies that support improvement are in place, up-to-date and operating effectively. The Audit Committee needs to be assured that the relevant standing Committee and Corporate Leadership Team are subjecting the Council's priorities, improvement objectives, projects, risks and performance to appropriate scrutiny, challenge and evaluation.

To assist the Council we recommend the following proposals for improvement:

- the Terms of Reference for the Audit Committee should be updated to reflect its specific performance improvement responsibilities;
- performance improvement should feature as a regular item on the Audit Committee agenda;
- the Corporate Leadership Team should facilitate Members on each of the relevant standing committees and the Audit Committee with training and support to discharge the performance improvement responsibilities;
- the Audit Committee should monitor the activity of any committee specifically charged with the scrutiny of performance improvement;
- the Audit Committee should consider the benefit of using internal audit, where required, to provide it with future assurance on the integrity and operation of the Council's performance framework and identify areas for improvement.

Section 3

Key audit and assessment findings

3. Improvement Objectives

The Council is required to establish improvement objectives each year and we assess these in line with legislation and supporting statutory guidance. The guidance sets out that improvement, in the context of the legislation, means more than just quantifiable gains in service output or efficiency, or the internal effectiveness of an organisation. Improvement for councils should mean activity that enhances the sustainable quality of life and environment for ratepayers and communities.

The Council has selected four improvement objectives and the details of these are published in its 'performance improvement plan'. These objectives are linked to the Council's corporate priorities as set out in its Corporate Plan (2015-19), with functions for improvement deriving from those corporate priorities. We understand that the Council's improvement objectives will become better informed by and linked to the outworking of the forthcoming Community Plan.

The objective relating to community planning is foundational in nature, in that if delivered it could form the basis of improvement in future years, rather than in the current year. Whilst this is acceptable in this first full year of the framework, going forward, improvement objectives and their underlying arrangements should attempt to deliver measurable improvement in year or over a number of years. The objectives are set at a high level, whilst the underlying service objectives are narrower and focused on specific services and functions and as some of them are foundational projects, they could be delivered without citizens actually being better off, for example "engaging with all relevant stakeholders to build resilience and develop a self help culture". It is important that the Council continues to add clarity and transparency in future years in relation to what improvement will look like and, in particular, how it will be measured. This will assist us in our role in assessing what improvements have been made.

The Council should clearly demonstrate how people will be better off if it improves as it intends to. Because the underlying detail within the 'performance improvement plan' focuses on high level service objectives rather than improvement outcomes, it does not always show clearly the benefits if it achieves its improvement objectives. For example, part of a service objective is "procure and maintain Council assets sustainably" but there is no further detail as to how this will be achieved or what difference it will make to the citizen or how its success will be measured.

A number of proposals for improvement for consideration by the Council include:

- Going forward, ensure that each improvement objective is focused on outcomes for citizens in relation to improved functions and/or services rather than focusing primarily on achieving corporate efficiencies;
- in relation to the improvement objectives, more detail is required in the 'performance improvement plan' so that it is clear to a reader how citizens will be better off if the Council improves as it intends to;
- ensuring that improvement can be demonstrated and, where possible, measured through the use of meaningful performance indicators and data collection and/or other qualitative methods. These indicators should not just concentrate around, nor be limited to, the statutory indicators and standards imposed by central government. Where possible and relevant, the Council should use baseline performance data/information against which future improvement can be demonstrated.

Section 3

Key audit and assessment findings

4. Consultation

The Council carried out a five-week consultation on its improvement objectives. This covered citizens and stakeholders, statutory and other community planning partners, elected representatives, community/voluntary groups, local businesses and representative business organisations. This included adverts in local papers and an online survey. The Council has, therefore, complied with its statutory duty to consult on its improvement objectives.

The Council received 40 responses in relation to the consultation exercise. The Council included, in an appendix to the performance improvement plan, examples of how consultation feedback resulted in changes to the plan.

Our review of the consultation process identified some proposals for improvement which may encourage more citizens and stakeholders to engage in future consultations.

- continue to raise the profile and transparency of the performance improvement framework throughout the year on the Council's website and other communication channels for example social media, citizen magazines etc;
- encourage citizens and stakeholders to contribute at any time during the year by providing contact details on the Council website;
- consider other methods of obtaining views (as well as service level feedback) from citizens and organisations, for example, a citizen panel, staff and councillor workshops and focus groups.

Section 3

Key audit and assessment findings

5. Improvement Plan

The purpose of the improvement plan is to show citizens, and other stakeholders, how the Council intends to deliver on its duty under legislation to secure continuous improvement. It does not need to describe everything the Council plans to improve but should focus on functions or services it has selected under its general duty, their related improvement objectives and any statutory requirements placed upon the Council by central government. An improvement plan should be both transparent and meaningful, setting out how citizens and other stakeholders within the borough will be better off.

The Council published its 'Corporate Improvement Plan' for 2016-17 on 29 June 2016. It is available in electronic format on the Council's website and is also available in a range of other formats upon request. The document contains a high level description of the Council's plan for discharging its duties and includes its improvement objectives, along with how they were selected. It highlights key actions (including timescales and milestones) the Council intends to carry out in order to achieve each of its objectives as well as what difference that citizens can expect and how the Council will measure success. In addition, the plan sets out why objectives were chosen and a statement on the Council's consultation process on improvement objectives.

Whilst the plan meets the requirements of legislation, the improvement objectives are high level ones. The plan would benefit from more detail to enhance both the transparency and meaningfulness of the Council's commitment to continuously improve its functions. In particular, there is a need for more specific detail on how each aspect of the objectives is to be delivered and how improvement will be measured.

Section 3

Key audit and assessment findings

6. Arrangements to improve

The Council is required to establish arrangements to deliver on its improvement objectives each year. The Department for Communities guidance sets out that the Council should be able to understand and demonstrate the impact of its arrangements for continuous improvement on the outcomes for citizens. The underlying projects in relation to the improvement objectives are supported by delivery plans and budgets. At the time of our audit the detailed plans as to how improvement will be delivered were based on Service Improvement Plans which are focused on operational activity rather than on performance improvement. These plans are being project managed and have lines of accountability, including risk management, to senior management and members.

Whilst arrangements are in place it is too early in the performance improvement development cycle to determine the extent of any improvement which will be delivered this year. We have reached this view for three key reasons:

- it is not always clear what aspects of improved outcomes for citizens will be measured or how this will be measured. As well as the need for additional clarity around the outcomes, where practicable, these outcomes need to be linked to specific measurable indicators that show performance over time. Without such evidence in place it will be difficult for the Local Government Auditor to assess if improvement is being made;
- some of the projects are foundational in nature, for example delivering a strategy, plan or scheme and therefore delivering these outputs may pave the way for improvement in future years, but not in the current year; and
- the performance improvement responsibilities are new to the Council and it does not yet benefit from a track record of performance improvement in relation to its new responsibilities.

Section 3

Key audit and assessment findings

7. Performance Reporting - Statutory performance indicators and standards

This year the Department for Communities required the Council to publish information collected in relation to its statutory performance indicators and standards completed during 2015-16 by 30 September 2016. This information relates to the functional areas of planning, economic development and waste management. As this was the first year of this requirement no comparison or assessment from the Council was expected.

We reviewed the published information:

- the Council published the required information in its 'Annual Report 2015-16' on 28 September 2016 on the Council website;
- the information agrees to the data held by central government which has been subjected to independent validation and audit;
- the Council met one of the three standards in relation to planning;
- the Council met the required standard in relation to economic development;
- the Council met one of the three standards in relation to waste management; and
- whilst not required by the legislation, the Council has provided an explanation for each result and we commend this approach.

Section 4 Other Matters

Other Matters

Statement on personal data

- 4.1 During the course of the audit and assessment we may have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 1998.

Independence, integrity & objectivity of auditors

- 4.2 The NIAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.
- 4.3 We have complied with APB Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and the Council that we consider to bear on our objectivity and independence.

Complaints procedure

- 4.4 NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper "What Public Sector Bodies can expect from their Auditors".

NIAO also wishes to gauge public sector bodies' perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.

Failing resolution of the problem to the satisfaction of the complainant, the Chief Executive of the Council can then write directly to the Local Government Auditor who will ensure that a further review of the case will be undertaken.

Audit and assessment of Ards and North Down Borough Council's performance improvement arrangements

Certificate of Compliance

I certify that I have audited Ards and North Down Borough Council's (the Council) assessment of its performance for 2015-16 and its 2016-17 improvement plan in accordance with section 93 of the Local Government Act (Northern Ireland) 2014 (the Act) and the Code of Audit Practice for local government bodies.

I also certify that I have performed an improvement assessment for 2016-17 at the Council in accordance with section 94 of the Act and the Code of Audit Practice.

This is a report to comply with the requirement of section 95(2) of the Act.

Respective responsibilities of the Council and the Local Government Auditor

Under the Act, the Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. The Council is required to gather information to assess improvements in its services and to issue a report annually on its performance against indicators and standards which it has set itself or which have been set for by it by Government departments.

The Act requires the Council to publish its assessment before 30 September in the financial year following that to which the information relates, or by any other such date as the Department for Communities (the Department) may specify by order.

The Act also requires that the Council has regard to any guidance issued by the Department in publishing its assessment. For 2016-17, in its performance assessments, the Council must use information collected in relation to statutory performance indicators and standards completed during 2015-16 to establish baseline figures for 2017-18 and subsequent years. No further comparison or assessment for 2016-17 was required.

As the Council's auditor, I am required by the Act to determine and report each year on whether:

- The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's Guidance in relation to those duties; and
- The Council is likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties.

Scope of the audit and assessment

For the audit I am not required to form a view on the completeness or accuracy of information or whether the improvement plan published by the Council can be achieved. My audits of the Council's improvement plan and assessment of performance, therefore, comprised a review of the Council's publications to ascertain whether they included elements prescribed in legislation. I also assessed whether the arrangements for publishing the documents complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing them.

For the improvement assessment I am required to form a view on whether the Council is likely to comply with the requirements of Part 12 of the Act. My assessment of the Council's improvement responsibilities and arrangements, therefore, comprised a review of certain improvement arrangements within the Council, along with information gathered from my improvement audit.

ANNEX

The work I have carried out in order to report and make recommendations in accordance with sections 93 to 95 of the Act cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Audit opinion

Improvement planning and publication of improvement information

As a result of my audit, I believe the Council has discharged its duties in connection with (1) improvement planning and (2) publication of improvement information in accordance with section 92 the Act and has acted in accordance with the Department for Communities' guidance sufficiently, including its guidance on the publication of improvement information in 2016-17.

Improvement assessment

As a result of my assessment, I believe the Council has as far as possible discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

2016-17 was the first year in which councils were required to implement the statutory performance improvement framework. Therefore arrangements to secure achievement of its improvement objectives at the Council are at an early stage of development and implementation. This is to be expected in this first year. Whilst the Council has begun to establish arrangements to secure continuous improvement for 2016-17, it is too early for the Council to demonstrate, or for me to determine, the extent to which improvements are being made for the current financial year.

I have not conducted an assessment to determine whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent financial years. I will keep the need for this under review as arrangements become more fully established.

Other matters

I have no recommendations to make under section 95 (2) of the Local Government (Northern Ireland) Act 2014.

I am not minded to carry out a special inspection under section 95 (2) of the Act.

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29 November 2016