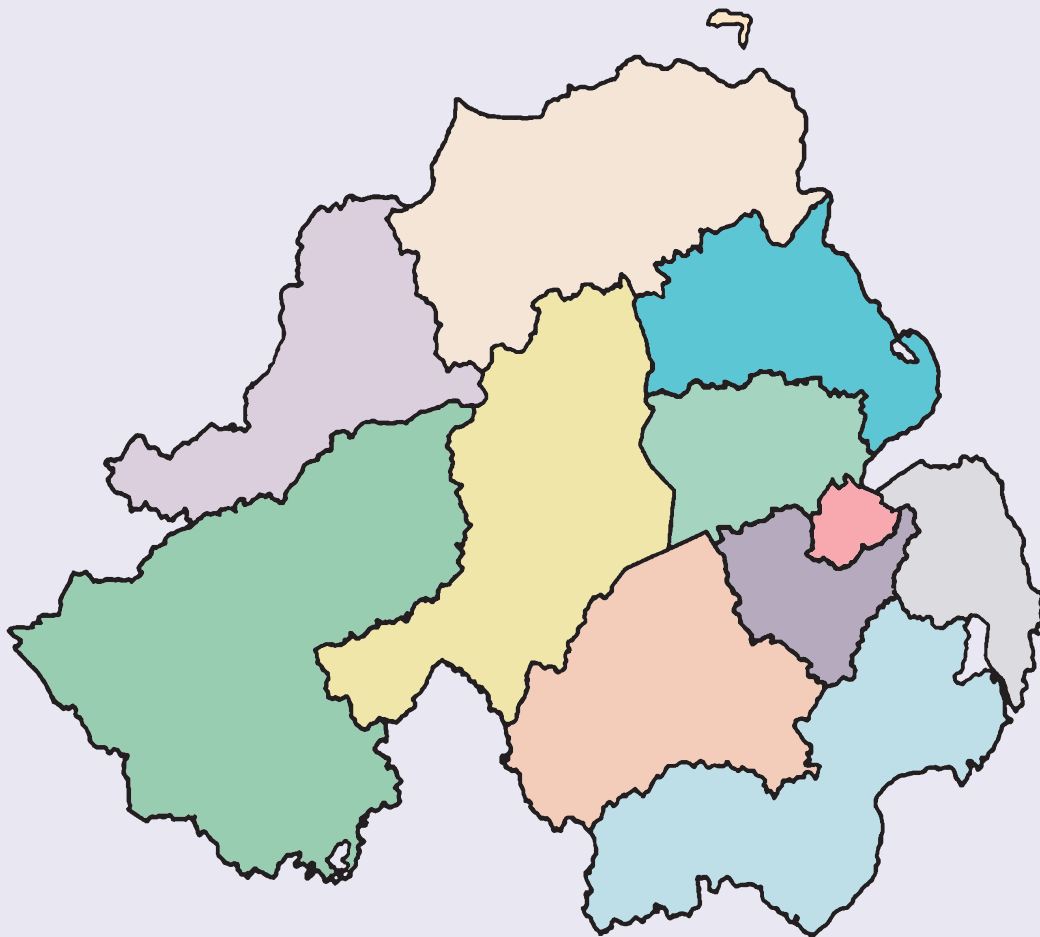




Northern Ireland Audit Office

# Local Government Auditor's Report – 2016



REPORT BY THE LOCAL GOVERNMENT AUDITOR  
20 September 2016





Northern Ireland Audit Office

# Report on the exercise of the Local Government Auditor's functions

In the year to 31 March 2016

Published 20 September 2016



The Department for Communities may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate a member of Northern Ireland Audit Office staff as the Local Government Auditor.

The Local Government Auditor has statutory authority to undertake comparative and other studies designed to enable her to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies and to publish her results and recommendations.

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This report has been prepared under Article 4 of the Local Government (Northern Ireland) Order 2005.

Louise Mason  
Local Government Auditor  
20 September 2016



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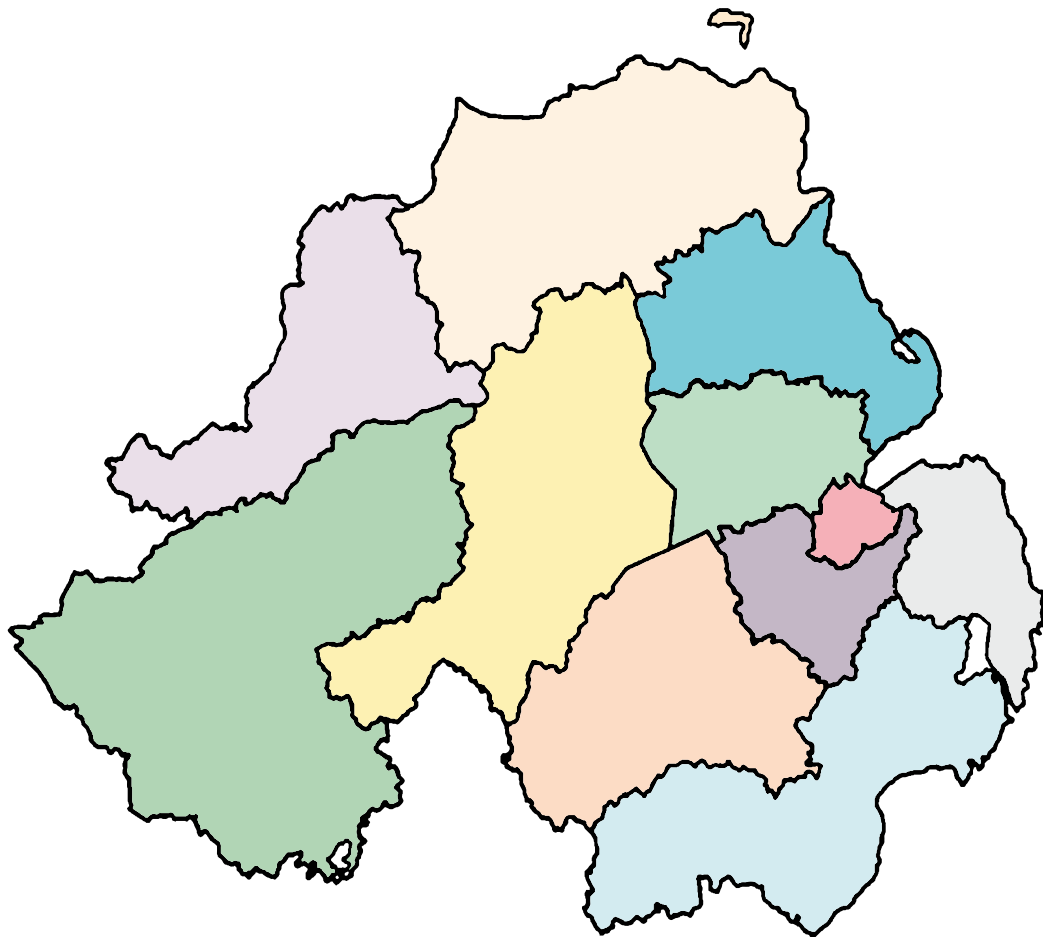
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# Abbreviations

C&AG	Comptroller and Auditor General
NFI	National Fraud Initiative
NIAO	Northern Ireland Audit Office
Department (the)	the Department of the Environment (now Department for Communities)
Act (the)	Local Government (Northern Ireland) Act 2014



# Introduction





# Introduction

1. Before 1 April 2015, Northern Ireland's 26 former councils and three waste management joint committees had a key role to play in providing public services to local communities. This same role, with additional functional responsibilities<sup>1</sup>, is now performed by 11 new councils and two waste management joint committees.
2. Council services, until 31 March 2015, mainly fell under two broad headings of 'Leisure and Recreation services' and 'Environmental services'. In addition, councils undertook a range of regulatory activities such as building control and environmental health. Councils also had important roles to play in other areas such as economic development, tourism and community development.
3. In providing such a broad range of services, either directly or in partnership with others, councils require substantial resources. In the 2014-15 financial year they spent almost £820 million on services, employed over 9,700 full time equivalent staff and utilised assets worth more than £2,000 million.
4. Councils are independent of central government and are accountable to their local electorate and ratepayers. They consider local circumstances as they seek to make decisions in the best interests of the communities they serve. All councils have the same basic legislative powers, although each council has the discretion to place a different emphasis on the services delivered.
5. In my role as the Local Government Auditor, I was required under statute to audit the accounts and provide audit opinions of the previous 26 councils, 11 Statutory Transition Committees<sup>2</sup>, 11 new Councils in the shadow period, 18 joint committees<sup>3</sup>, the Local Government Staff Commission, and the Northern Ireland Local Government Officers' Superannuation Committee. In total, audit opinions were issued on 68<sup>4</sup> sets of financial statements relating to the 2014-15 financial year.
6. I am pleased to report that all 68 audit opinions were unqualified. Whilst my report focuses primarily on the accounts and outputs from the 26 previous councils, it also, for the first time, includes introductory work performed on the new 11 councils in relation to their responsibilities for performance improvement and my statutory responsibility to audit and assess these responsibilities (see **Part 6**).

---

1 From April 2015 the range of functions and services increased to include local planning functions, off-street parking and local economic development. Further powers on community development and urban regeneration will follow.

2 The Local Government (Statutory Transition Committee) Regulations were approved by the Assembly on 1 July 2013. They were 'made' and came into operation on 2 July, allowing for 11 Statutory Transition Committees (STCs) to be established. STCs led convergence between merging councils and undertook preparatory work for the new councils in advance of the shadow period (which commenced after the local government elections on 22 May 2014).

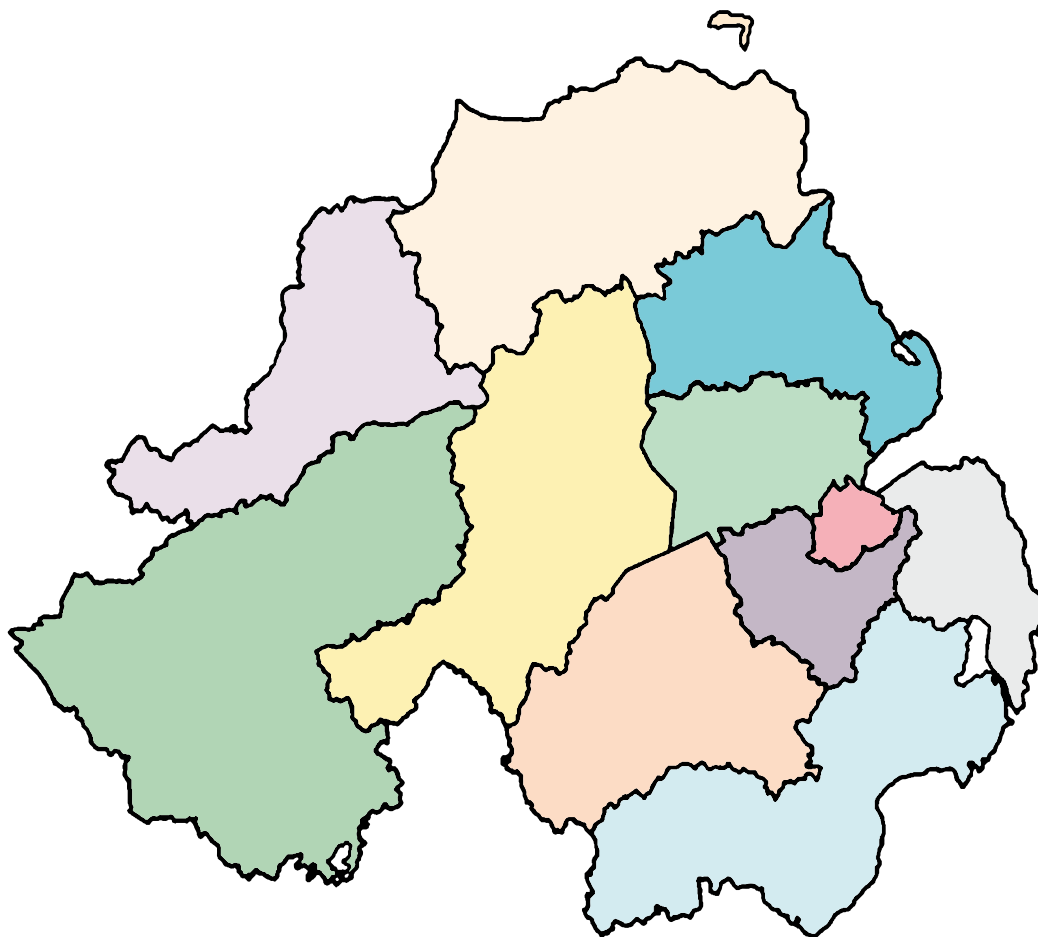
3 A joint committee is made up of two or more participant councils and may be constituted as a body corporate.

4 The audit of one council was not completed by the statutory date due to additional time needed to resolve a significant difference in a bank reconciliation.

# Introduction

7. As part of my audit work I also seek to examine that each council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for. I can, if considered appropriate, make a report in the public interest on any matter coming to my notice in the course of an audit. No public interest reports were made during the year and my audit findings were issued to each council in their annual audit letter.
8. This report provides my perspective on the audits of local councils based on the key messages from audits performed up to 31 March 2016, covering the local government financial accounting period from 1 April 2014 to 31 March 2015 (the 2014-15 financial year) and the performance improvement period from 1 April 2015 to 31 March 2016.
9. My report highlights areas of strength and areas for improvement within local councils. I have also considered several important issues that may affect the new councils in the near future. Both councillors and officers should consider this report and review how their new council is managing the issues I have highlighted.
10. The annual audit letters issued to the previous councils highlight important issues that arose during the course of both the financial and proper arrangement audits. These letters detail how the matters I have set out in my annual reports apply locally and where more actions are required. I expect the 11 new councils to take these actions forward, where appropriate. In relation to my performance improvement work I issued a letter of assurance to each council, indicating whether or not the new council had met its responsibilities for the year.

# Part One: Local Government Reform



# Part One:

## Local Government Reform

### Overview

- 1.1 The local government sector in Northern Ireland has experienced significant reform and this has a substantial impact on my role as the Local Government Auditor. It impacts on the number of council accounts which required a financial audit for 2014-15 and the complexity of these audits. More significantly, with the introduction of a performance improvement framework for councils, it has expanded my audit and assurance roles and responsibilities.
- 1.2 The Local Government Act (Northern Ireland) 2014 (the Act) provided for a reduction in the number of local councils from 26 to 11 on 1 April 2015. Legislation also defined the boundaries of the 11 new local government districts (see **Figure 1**) and names of the wards into which each new district has been divided.
- 1.3 The Act forms the legislative framework for the new councils. This includes how decisions are made, how positions of responsibility are shared across political parties, how improvements in the delivery of council functions can be achieved to reflect the needs of local communities, and how efficiently and effectively council services are delivered. It provides for statutory governance in councils and introduced a new ethical standards framework which includes a mandatory 'Code of Conduct for Councillors'.
- 1.4 Following local government elections in May 2014, 11 'shadow' councils (which operated in parallel to the 26 previous councils) became operational. These 'shadow' councils were responsible for appointing senior staff, striking rates for 2015-16 and approving business and financial plans prior to them taking on full powers and responsibilities on 1 April 2015.
- 1.5 Every aspect of the governance, management and provision of local government services has been impacted. The new councils are now taking the lead in community planning and are expected to deliver high quality services in an effective and efficient manner under the new performance improvement framework. Powers such as planning and local economic development have transferred from central government and others, such as urban regeneration, will follow.
- 1.6 The Local Government (Transitional, Supplementary, Incidental Provisions and Modifications) Regulations (Northern Ireland) 2014 made transitional provision with respect to local government reorganisation, including positions of responsibility within the new council, and for the winding up and final accounts of previous councils.
- 1.7 The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 introduced a number of significant changes, including a requirement for larger local government bodies to prepare a remuneration report for the 2015-16 statement of accounts. The Regulations also changed the arrangements for approval and certification of the statement of accounts. Audited bodies should refer to the DOE Circular LG 30/2015 for guidance on the Regulations.

- 1.8 A new draft Code of Audit Practice for local government bodies<sup>5</sup> was issued for consultation in September 2015 to district councils and other appropriate bodies and persons. In line with other UK regions, my new Code is principles-based rather than rules-based. The main change to the Code is the inclusion of a chapter on the Local Government Auditor's work on performance improvement. The Code was published on 31 March 2016 after it was approved by the Northern Ireland Assembly.
- 1.9 During the year I also published a revised 'Statement of Responsibilities of the Local Government Auditor and Local Government Bodies'. This statement is aligned to the new Code and serves as the formal terms of engagement between the Local Government Auditor and local government bodies.<sup>6</sup>

**Figure 1: New council districts**



Source: NIAO

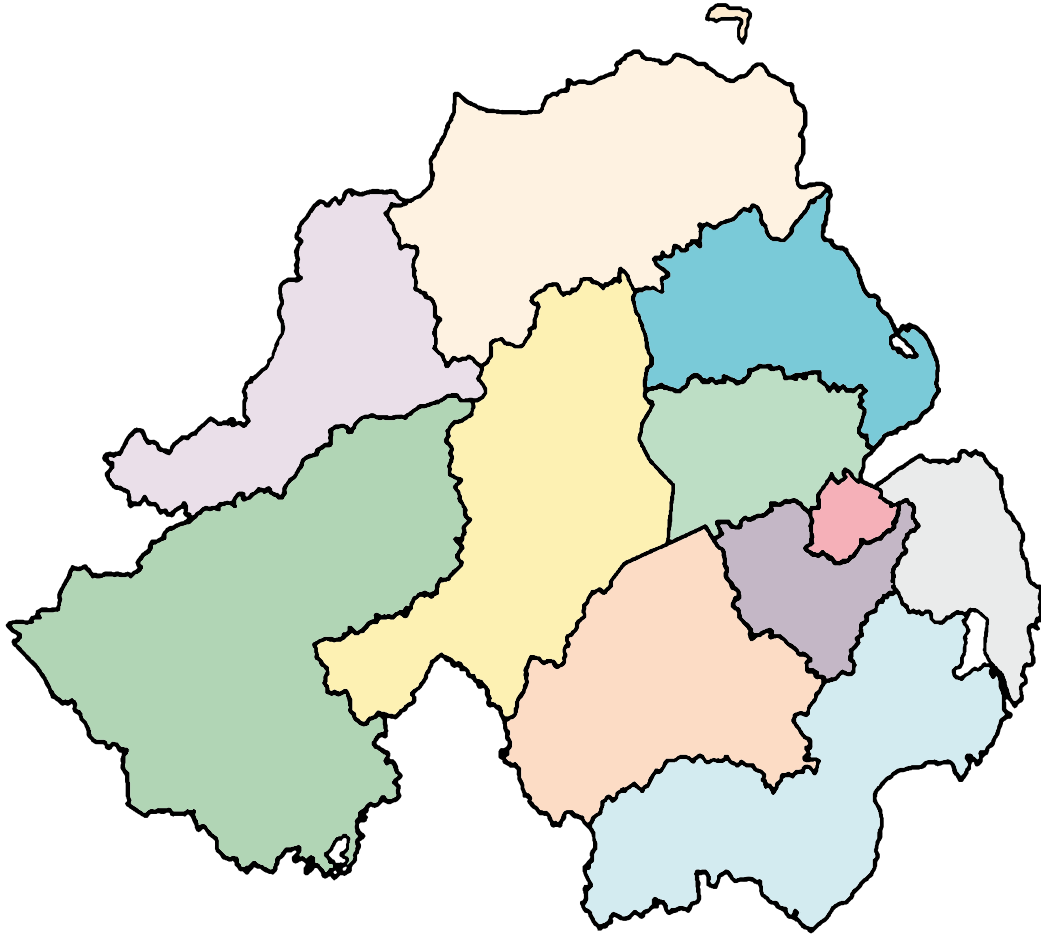
5 I am required to prepare and publish a new Code every five years under Article 5 of the Local Government (Northern Ireland) Order 2005. The Code must be approved by resolution of the Northern Ireland Assembly.

6 <https://www.niauditoffice.gov.uk/publication/statement-responsibilities-local-government-auditor-and-local-government-bodies>





## Part Two: Managing Resources



## Part Two: Managing Resources

- 2.1 This section provides information on how councils managed their resources in the 2014-15 financial year.

### Income and Expenditure

- 2.2 Revenue expenditure relates to day-to-day costs involved with providing services. It includes staff costs, waste disposal costs, supplies such as fuel, and materials used for repair and maintenance. Capital expenditure is the cost of acquiring and upgrading assets. It includes building property and acquiring equipment which will be used to provide services to local communities. Capital expenditure is considered further at paragraph 2.8.
- 2.3 In the financial year 2014-15 (see **Figure 2**), councils received income of £833 million from rates, charges and grants. Council expenditure in the same year amounted to almost £818 million. Accounting adjustments and transfers to reserves accounted for the £15 million variance.

**Figure 2: Councils' Income and Expenditure 2014-15<sup>7</sup>**

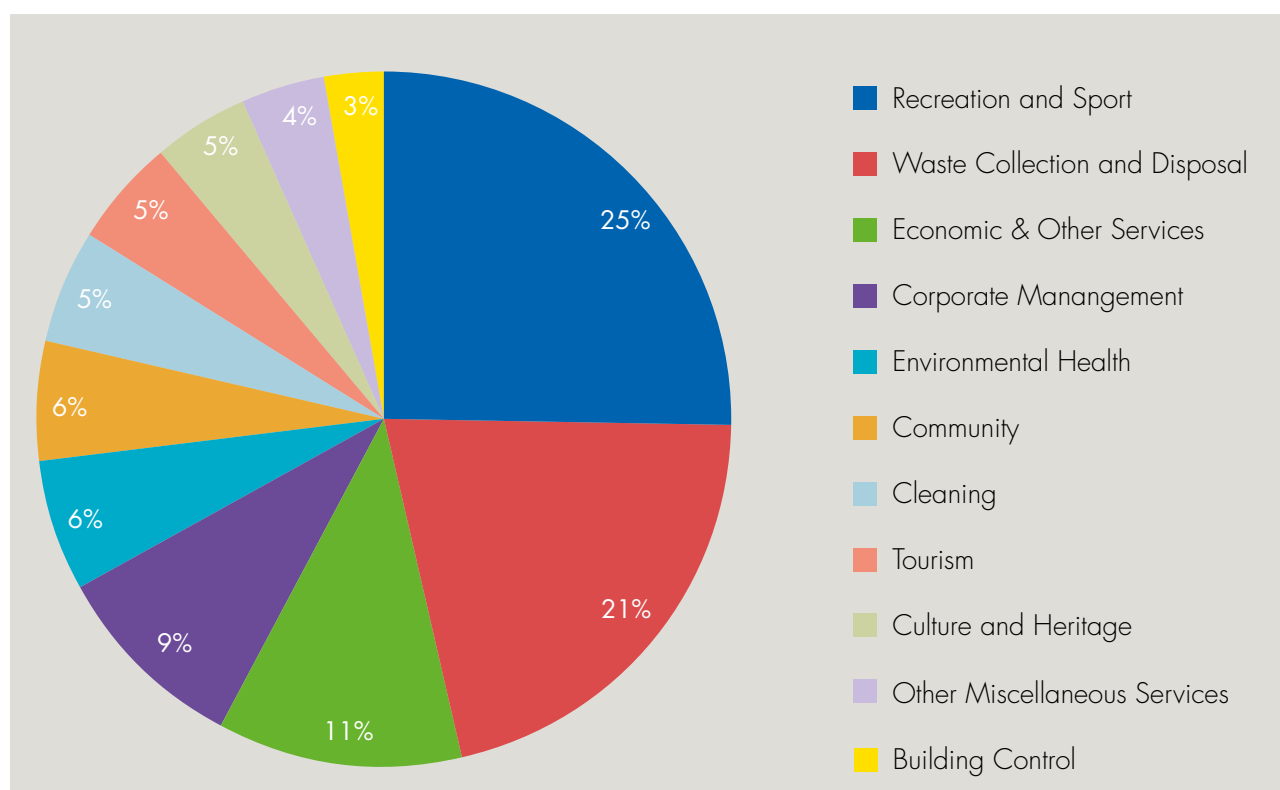
Where the money came from	(£ Million)
General revenue funding from government	45
Service fees and charges	195
Capital grants	48
District Rates	545
<b>Total Income</b>	<b>833</b>
How the money was spent	(£ Million)
Leisure & Recreational Services	316
Environmental Services	304
Corporate Management	71
Other expenditure	86
Finance & Investment	41
<b>Total spending on services</b>	<b>818</b>
Accounting adjustments and transfers to reserves	15
<b>Total expenditure and transfer to reserves</b>	<b>833</b>

Source: Councils' audited financial statements for 2014-15

<sup>7</sup> **Figure 2** is a high level summary of 26 Councils' 'Comprehensive Income and Expenditure Statements' extracted from the 2014-15 financial statements.

- 2.4 The majority of councils' income, 65 per cent (66 per cent in 2013-14), was received from district rates. Fees and charges, for services such as building control, waste collection and use of leisure facilities, accounted for around 23 per cent (24 per cent in 2013-14) of income over the period. General revenue funding from government<sup>8</sup> and capital grants accounted for 5 per cent and 6 per cent of income respectively.
- 2.5 **Figure 3** provides additional detail on the categories of expenditure on services incurred by councils in the financial year (excluding Finance & Investment). The largest single area of expenditure related to Recreation and Sport<sup>9</sup>, where councils spent £198 million (£209 million in 2013-14). This category, combined with that of Waste Collection and Disposal, which totalled £165 million (£162 million in 2013-14), accounted for almost half of all expenditure incurred on services by councils.
- 2.6 Other categories of service expenditure included Tourism (£39 million), Culture and Heritage (£37 million), and Building Control (£21 million).

**Figure 3: Councils' expenditure by service during 2014-15**



Source: Councils' audited financial statements

<sup>8</sup> General revenue funding from government is paid to compensate councils for the statutory de-rating of certain property and to provide additional resources for those councils whose needs exceed their wealth base.

<sup>9</sup> By way of example, the 'Recreation and Sport' service is one of a number of 'sub' services, which also include 'Culture and Heritage', 'Community' and Tourism, making up the 'Leisure and Recreational Service's category in **Figure 2**.

## Part Two: Managing Resources

### Loans

- 2.7 Loans outstanding at 31 March 2015 totalled £498.7 million and are shown in **Figure 4**. This represents an increase from the position as at 31 March 2014 of £27.4 million (5.8 per cent). Total council borrowing was approximately £275 per person (£258 in 2013-14) based on the estimated Northern Ireland population at June 2013<sup>10</sup>. The loan amounts vary considerably between councils, with over half of the net increase attributed to increased borrowing by Derry City Council.

**Figure 4: Councils' loan position as at 31 March 2015**

Council	Loans Outstanding as at 31 March 2014 (£ million)	Loans Outstanding as at 31 March 2015 (£ million)	Change
Antrim	18.9	19.3	0.4
Ards	12.8	12.4	-0.4
Armagh	26.1	25.6	-0.5
Ballymena	24.6	23.7	-0.9
Ballymoney	10.5	14.8	4.3
Banbridge	19.7	19.8	0.1
Belfast	23.9	23.2	-0.7
Carrickfergus	22.8	22.7	-0.1
Castlereagh	18.4	20.0	1.6
Coleraine	31.9	33.3	1.4
Cookstown	1.3	1.2	-0.1
Craigavon	6.3	6.3	0.0
Derry	31.6	46.5	14.9
Down	30.7	29.1	-1.6
Dungannon	4.5	4.0	-0.5
Fermanagh	2.8	3.1	0.3
Larne	19.3	20.9	1.6
Limavady	13.2	15.0	1.8
Lisburn	18.0	17.3	-0.7
Magherafelt	0.0	0.0	0.0
Moyle	8.8	9.7	0.9
Newry	21.7	27.8	6.1
Newtownabbey	43.8	41.4	-2.4
North Down	47.7	45.7	-2.0
Omagh	8.9	9.7	0.8
Strabane	3.1	6.2	3.1
<b>Northern Ireland</b>	<b>471.3</b>	<b>498.7</b>	<b>27.4</b>

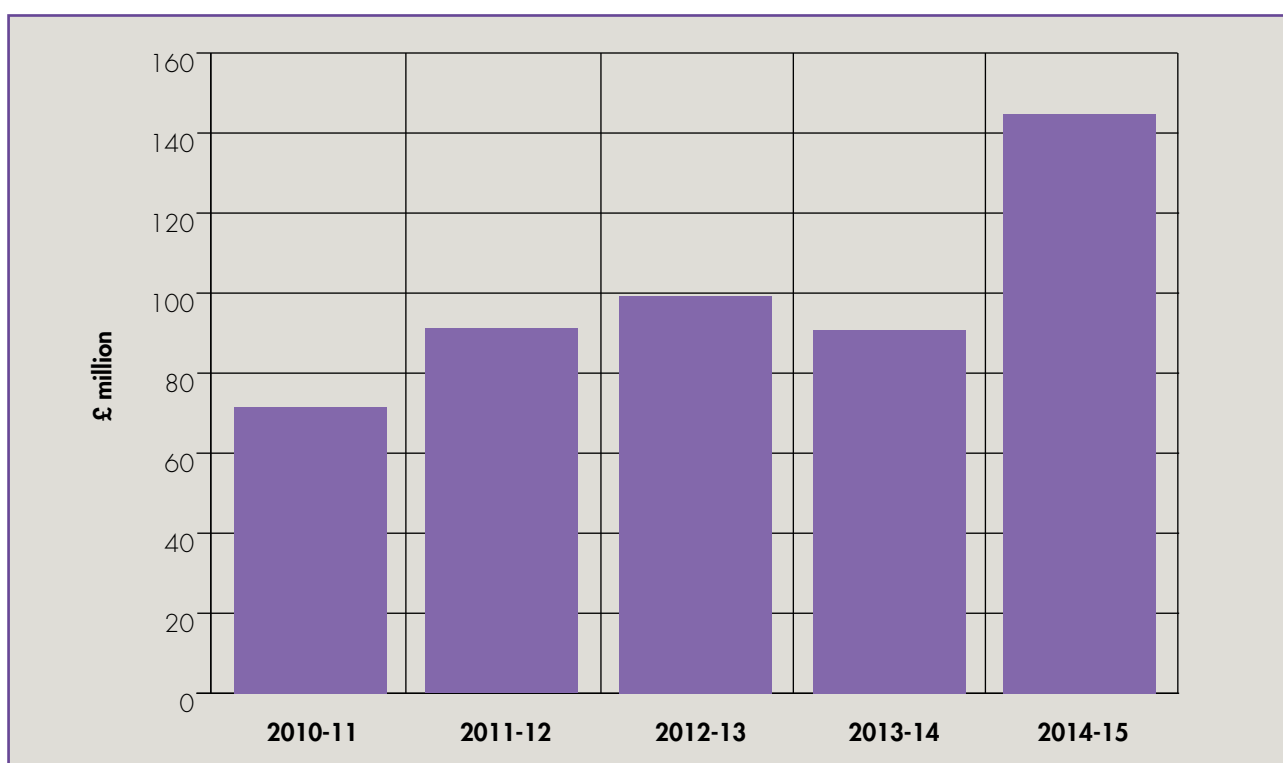
Source: Councils' audited financial statements

<sup>10</sup> Statistical Bulletins: Annual Mid Year Population Estimates 2014 and 2015, Office Of National Statistics.

## Capital Expenditure

- 2.8 **Figure 5** shows that total capital expenditure in 2014 -15 amounted to £145 million (£91 million in 2013-14). This represents a significant increase of 59 per cent from the previous year.
- 2.9 The completion of a number of projects accounted for some of this increase, for example, Newry Phase I Leisure Centre and the Foyle Arena at Derry City Council.

**Figure 5: Councils' capital expenditure from 2010-11 to 2014-15**



Source: Councils' audited financial statements

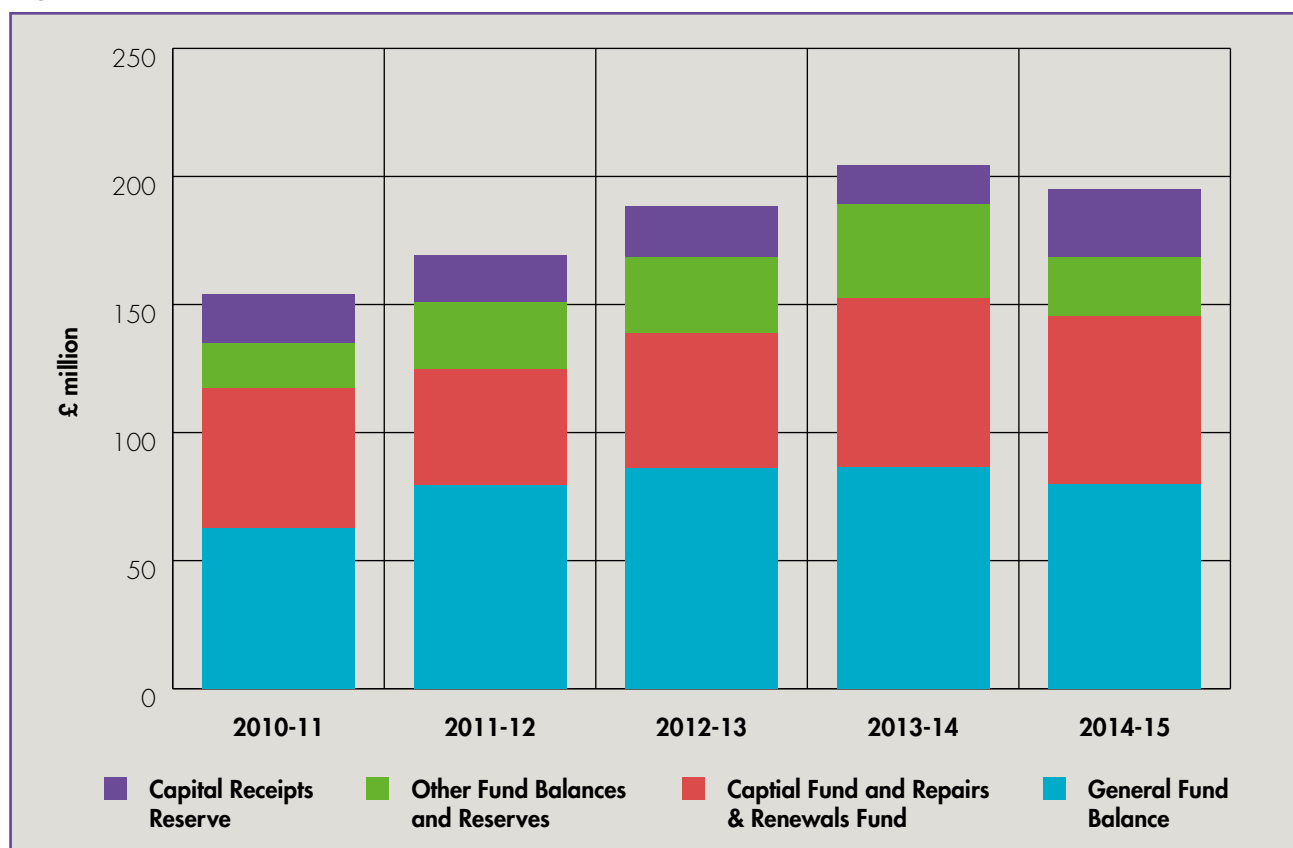
## Reserves

- 2.10 Councils' financial statements disclose both the level of usable and unusable reserves.
- 2.11 Unusable reserves consist of unrealised gains, for example the revaluation reserve, or those relating to timing differences such as pension reserve and capital adjustment account.
- 2.12 **Figure 6** shows that the overall level of usable reserves decreased by approximately £9.2 million, a 4.4 per cent reduction, in the year to 31 March 2015. This was the first time in

## Part Two: Managing Resources

five years that the overall level of reserves had fallen. Overall useable reserves are now £195 million compared with £204 million in the prior year. Half the councils increased the level of usable reserves while the other half showed decreases.

**Figure 6: Councils' total usable reserves and balances**



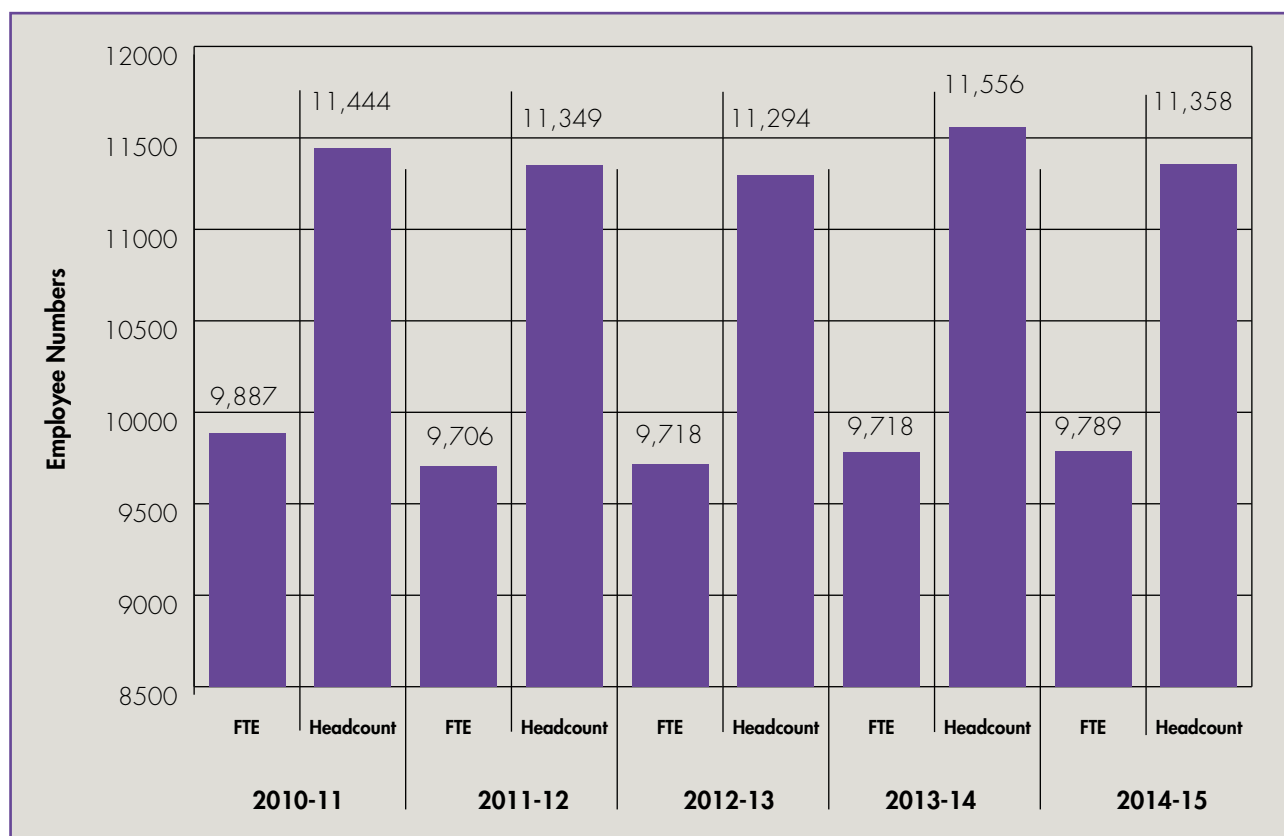
Source: Councils' audited financial statements

- 2.13 The General Fund is the main usable reserve. Overall, the total General Fund balance held by all councils has decreased by almost £6.7 million (7.8 per cent) compared with the previous year and now totals £79.7 million. The total General Fund balance held by all councils has increased by more than 28 per cent since 2010-11.
- 2.14 Whilst the average balance held by councils in their General Fund is £3.1 million, the level varies considerably across councils, from £0.1 million (Castlereagh Borough Council) to £22 million (Belfast City Council). I would encourage Councils to continue to consider the amounts held as reserves to ensure they are making the best use of funds and also providing adequately against financial exposure risks.

## Workforce

- 2.15 Between 1 April 2014 and 31 March 2015 there was a small decrease (1.7 per cent) in the number of staff employed by councils as measured by headcount and a small marginal increase in the number of Full Time Equivalents (FTE) (see **Figure 7**).

**Figure 7: Staff numbers in councils**



Source: Councils' audited financial statements

- 2.16 Staff costs represent approximately 40 per cent of gross expenditure in councils, amounting to almost £328 million in 2014-15, an increase of 6.1 per cent from 2013-14.
- 2.17 The average cost of employing a member of staff increased from £31,597 in 2013-14 to £33,490 in 2014-15 - (5.9 per cent). Across councils, changes in average staff costs ranged from an increase of 31 per cent to a decrease of 4 per cent. There are also considerable variations in average staff costs across councils, with the lowest in Banbridge and the highest in Ballymena. Differences can be influenced by various factors such as the timing of single status settlements (see **paragraph 5.5**).

## Part Two: Managing Resources

### Agency staff

- 2.18 In many councils, significant expenditure continues to be incurred on the engagement of agency staff, reflecting an ongoing trend over the past number of years. Total expenditure on agency staff increased by 9 per cent to £17.2 million (2013-14, £15.8 million). Agency costs represent 5 per cent of staff costs overall, however, in four councils, these costs amounted to more than 10 per cent of total annual staff costs, with the highest at 19 per cent. Councils must be satisfied that they are receiving value for money from such significant expenditure and that this is the best means of providing the relevant services.

### Exit Packages

- 2.19 Councils are required to disclose the number and costs of staff exit packages. These costs include compulsory and voluntary redundancy costs, pension contributions and other departure costs. Over the five financial years from 2010-11 to 2014-15 councils have paid a total of £17.2 million in exit packages to staff (see **Figure 8**).

**Figure 8: Exit Packages paid between 2010-11 and 2014-15**

	Number of Exit Packages	Cost of Exit Packages £m	Number of Packages greater than £100,000
2010-11	67	2.6	Not Available
2011-12	71	2.5	5
2012-13	55	1.5	2
2013-14	49	1.9	5
2014-15	169	8.7	22
<b>Total</b>	<b>411</b>	<b>17.2</b>	<b>34</b>

Source: Councils' audited financial statements

- 2.20 In 2014-15, councils agreed 169<sup>11</sup> exit packages at a cost of £8.7 million. This represents a significant increase (120) in the number of packages from 2013-14 due to the planned restructuring for the establishment of the reduced number of new Councils.
- 2.21 Of the £8.7 million of expenditure, nearly 70 per cent was paid by five councils. Seven councils paid no exit packages in 2014-15 (2013-14, 11 councils).

<sup>11</sup> This does not include an exit package covered by a confidentiality clause – see **paragraph 2.22**



- 2.22 In addition to the 169 exit packages, there was an additional exit package, the details of which have not been disclosed by a Council for confidentiality reasons. In my annual audit letter to that Council I noted *"This is the second year in a row where the Council entered into a confidentiality agreement and made such a payment to an employee. I have recommended that the use of confidentiality clauses should be carefully considered"*.
- 2.23 **I recommend that local government bodies apply the spirit of the guidance on confidentiality clauses which has been given to central government bodies.** The Public Accounts Committee of the Northern Ireland Assembly recommended that, as a point of principle, confidentiality agreements should not be used anywhere in the public sector.<sup>12</sup> If in exceptional circumstances their use proves to be unavoidable, these cases should be approved by the relevant Departmental Accounting Officer and by DFP. Managing Public Money Northern Ireland recognises the need to strike an appropriate balance between reporting confidentiality and open disclosure in the public interest. It states that any proposal to keep a special payment confidential needs to be justified especially carefully since confidentiality could appear to mask underhand dealing<sup>13</sup>.

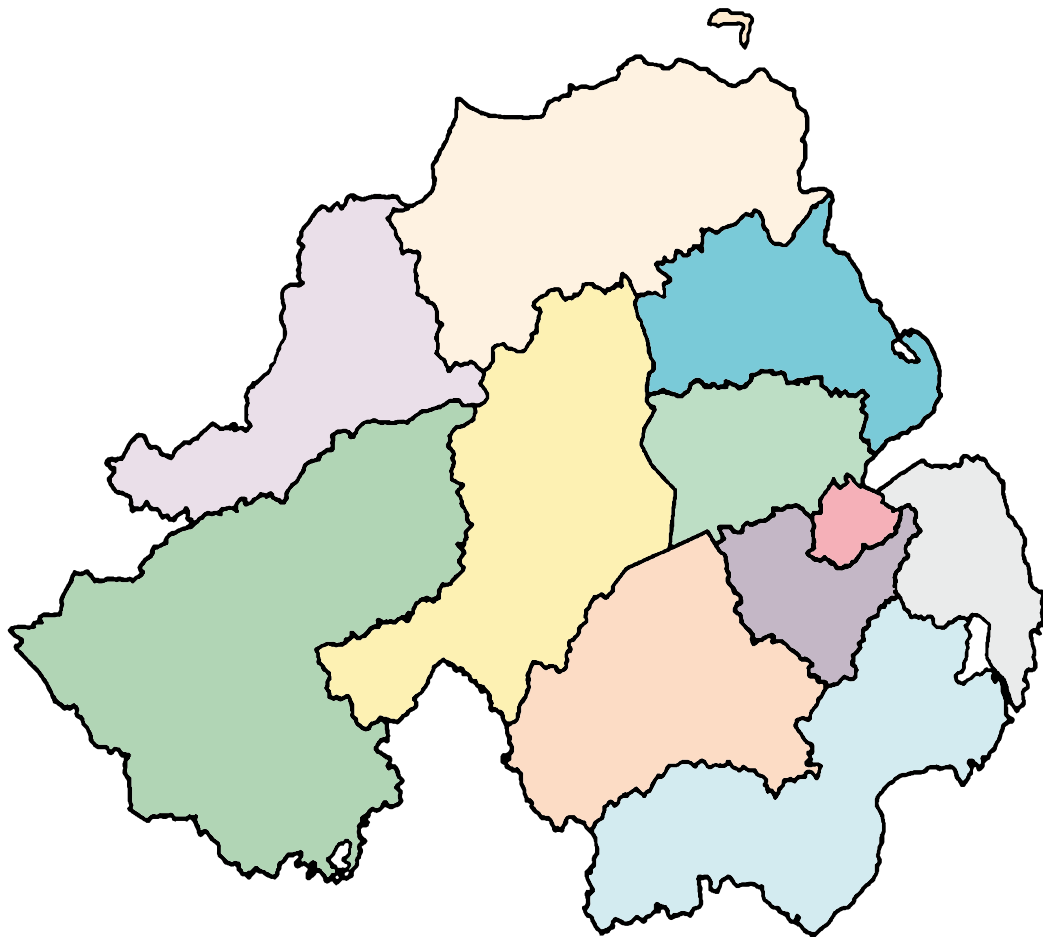
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12 This recommendation was included within the report on 'Procurement and Governance in Northern Ireland Water in 2011', NIA 37/10/11R Public Accounts Committee, Northern Ireland Assembly

13 Annex 4.13.7 of Managing Public Money Northern Ireland



## Part Three: Good Governance



## Part Three: Good Governance

### Review of governance statements

- 3.1 The annual governance statement explains a council's governance arrangements and controls to manage the risks of failure to achieve strategic objectives. It is a key statement by which a council demonstrates to its ratepayers, elected members and other external stakeholders that it is complying with the basic tenets of good governance. The statement should explain the key elements in a council's governance arrangements, the process for reviewing the effectiveness of those arrangements, and outline actions taken to deal with any significant governance issues. Councils were provided with guidance in "Circular LG 04/2008" by the then Department of the Environment on 'The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006'<sup>14</sup>. The Regulations require that the body or committee must approve an annual governance statement prepared in accordance with proper practices on internal control. The guidance states that proper practices are those set out in 'Delivering Good Governance in Local Government: Framework', published by the Chartered Institute of Finance and Accountancy (CIPFA) in 2007. In 2012, CIPFA issued an 'Addendum to the Delivering Good Governance in Local Government: Framework' which includes an example of a Governance Statement.
- 3.2 Councils are required to detail significant issues about their governance arrangements. A significant governance issue for one council may not be significant for another. This will depend on an individual council's governance framework, how effectively it is operating and the extent to which the issue has the potential to prevent a council from achieving its strategic objectives.
- 3.3 For the most part, the governance statements were comprehensive and of good quality, however several statements neither fully explained the implications of the significant risks identified, nor the action plans needed to address them or prevent their re-occurrence. The following two examples and my subsequent comments, help demonstrate these incomplete disclosures:

Comment within governance statement	Local Government Auditor's comment - highlighting incompleteness of disclosures
A number of procurement issues were raised with the Council by the external auditors. In an attempt to address the matter Council made budgetary provision to cover its share of the cost of a Procurement Officer across the cluster councils	This comment neither details what the procurement issues were nor what the procurement officer is going to do to remedy these issues, including the timeframe.

<sup>14</sup> For future financial years beginning in 2015-16, new guidance in Circular LG 30/2015 now applies the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Comment within governance statement	Local Government Auditor's comment - highlighting incompleteness of disclosures
One internal audit in relation to a review of Council Managed Community Centres received an assurance level of Limited. Following this review, a number of new internal controls were put in place to improve assurance levels within this area.	There is no comment as to the nature of the issues, their implications and when a review will be undertaken to assess whether these new controls are working.

- 3.4 An example of a governance issue which 'on the face of it' sufficiently outlines the issue, implications and timeframe is as follows:

We have concerns regarding the lack of internal control processes related to the Bonfire Management Programme. We consider that during 2014-15 £3074.54 was provided to funders for costs other than those permitted under the conditions of the grant scheme. As a consequence, a full internal audit of the programme will be undertaken. The process for funding of bonfires for the new Council is under review and a review of the controls over authorisation of expenditure will be conducted as part of this process.

- 3.5 While all councils highlighted the risk associated with local government reform, two councils noted no further significant governance issues. The remaining 24 councils identified a total of 81 significant governance issues.

### Significant issues highlighted by councils in annual governance statements

- 3.6 Other than the risk arising from local government reform, the other common governance themes and their frequency are summarised in **Figure 9** below.

**Figure 9: Governance issue themes**

Theme	Number of Councils
Procurement	11
Waste – landfill diversion	7
Grant income – concerns re full recovery/repayment	5
Legal issues	5
Absenteeism	4
Asset management	3

Source: Council Annual Audit Letters

## Part Three: Good Governance

- 3.7 The following case study highlights a significant issue arising from my review of the annual governance statements. In this case a capital project, at Dundonald International Ice Bowl, started by Castlereagh Borough Council was challenged by the new Shadow Council as not having the requisite approval by either the Statutory Transition Committee or the Shadow Council. In a September 2013 direction from the Department of the Environment, councils were to seek written consent from the relevant Statutory Transition Committee prior to entering into a capital contract where consideration exceeds £250,000; this consent was not obtained for that project. While Castlereagh Borough Council argued that such consent was not required as the contractual relationship was in place prior to the September 2013 direction, the project was ultimately aborted with a write-off of approximately £1.5 million to the General Fund. This case highlights the importance of agreeing contract proposals with all relevant parties before significant preliminary costs are incurred.

### **Case Study – Dundonald International Ice Bowl (DIIB)**

Castlereagh Borough Council identified the need for the DIIB complex to be redeveloped. The Council's contractual liabilities were challenged by the new Shadow Council, as allegedly being in contravention of DOE guidance issued as of 25 September 2013.

On 9 September 2014 the DOE issued a letter advising "Council did not enter into the contract until November 2013" with implication being that Council did not have requisite Shadow Council approval to proceed with the redevelopment. However on 23 September 2014 Council received its own legal advice confirming Council had entered into a binding contractual relationship with both Lead Designer and Cost Consultant, at the latest by 8 May 2013. On 29 September 2014 Council wrote to DOE seeking clarification of the issue.

On 24 October 2014, a final direction was received from the Shadow council advising that the Shadow council would not be proceeding with the construction of DIIB. Castlereagh Borough Council agreed at a special meeting on 6 November 2014 to formally cease the redevelopment of the DIIB. Subsequently £1.5 million was written off to the General Fund in 2014-15.

*Source: Castlereagh Borough Council Annual Governance Statement and annual audit letter (adapted)*

### **Proper arrangements to ensure economy, efficiency and effectiveness**

- 3.8 The Local Government (Northern Ireland) Order 2005 requires me to be satisfied each year that proper arrangements have been made for securing economy, efficiency and effectiveness (value for money) in the use of resources.

- 3.9 Based on my risk assessment for each council I reviewed a sample of the ten areas outlined in my Code of Audit Practice<sup>15</sup>, see **Figure 10**, to determine if these arrangements are in place.

**Figure 10: the Code of Audit Practice outlines ten arrangements for securing Value for Money**

<b>Ten arrangements for securing Value for Money</b>	
1.	<b>Financial Planning</b> - Planning finances effectively to deliver strategic priorities and secure sound financial health.
2.	<b>Financial Performance</b> - Having a sound understanding of costs and performance and achieving efficiencies in activities.
3.	<b>Financial Reporting</b> - Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
4.	<b>Procurement</b> - Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
5.	<b>Data to support decision making and manage performance</b> - Producing relevant and reliable data and information to support decision making and manage performance.
6.	<b>Good governance</b> - Promoting and demonstrating the principles and values of good governance.
7.	<b>Risk</b> - Managing risks and maintaining a sound system of internal control.
8.	<b>Natural Resources</b> - Making effective use of natural resources.
9.	<b>Asset Management</b> - Managing assets effectively to help deliver strategic priorities and service needs.
10.	<b>Workforce Management</b> - Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

*Source: Code of Audit Practice 2011. (A new Code of Audit Practice was published on 31 March 2016 and will apply for 2015-16 audits)*

- 3.10 I was satisfied that 24 councils had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources for the 2014-15 financial year. However, I had concerns in respect of Larne Borough Council and Down District Council.
- 3.11 This was the third year running that I was not satisfied that Larne Borough Council had sufficient proper arrangements in place. This year my concerns related to financial planning, risk management and time in lieu payments to senior staff. I expect the new Council to address these issues.

<sup>15</sup> This refers to the 2011 Code which was replaced by an updated Code on 31 March 2016.

## Part Three: Good Governance

- 3.12 At Down District Council I examined the areas of financial planning and procurement. My concerns related to the Council not complying with relevant legislation on the approval of a policy on Minimum Revenue Provisions or with the Department of the Environment's guidance on Investments.

### Audit & Risk committees

- 3.13 The main purpose of an audit and risk committee is to give independent assurance to elected members and the public about the governance, financial reporting and performance of a council. It also scrutinises the council's financial management and reporting arrangements and provides an independent challenge to the council.

### Strengthening the role of an audit & risk committee

- 3.14 In recent years, I have highlighted on a number of occasions that the appointment of independent members to an audit & risk committee was a way of strengthening its independence and widening the range of specialist skills. While 10 councils did not have any independent members in the 2014-15 year, it is pleasing to note that, going forward, most of the new eleven councils have at least one independent member on their audit & risk committee or are in the process of appointing an independent member.

### Arrangements for the review of effectiveness of the system of internal audit

- 3.15 For 2014-15 audits, the '*Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006*' applied and these required councils to maintain an adequate and effective system of internal audit and to conduct a review of the effectiveness of their system of internal audit at least once a year. The vast majority of councils undertook this review for the 2014-15 financial year.
- 3.16 For 2015-16, '*The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015*' do not specifically state that councils should conduct a review of the effectiveness of their system of internal audit. However, this is implied at regulation 6(1) of those Regulations whereby "*A local government body must undertake an adequate and effective internal audit... using internal audit standards in force from time to time.*" The Public Sector Internal Auditing Standards (PSIAS) which came into force on 1 April 2013 are applicable to all public sector bodies in the UK. PSIAS includes a definition of internal auditing and provides detail on the main areas where internal audit activity must contribute to improvement including governance, risk management and internal control. International Standard 1300: Quality Assurance and



Improvement Program (included in PSIAS) notes that internal assessments must include on-going monitoring of the performance of internal audit activity. Hence it is important that all of the new councils continue this system of internal audit, including a review of its effectiveness.

## Conflicts of interest

- 3.17 Councils should have in place arrangements to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and should ensure that these arrangements operate effectively. In 2015 the Northern Ireland Audit Office (NIAO) published a good practice guide on conflicts of interest<sup>16</sup>. Key points of this guidance include:
- Staff and board members of public bodies must discharge their duties in a manner that is seen to be honest, fair and unbiased. In an age where all sectors of society are increasingly well-informed, there is growing pressure for more transparent and unbiased public decision-making. Consequently, public bodies must ensure that conflicts of interest are identified and managed in a way that safeguards the integrity of staff and board members and maximises public confidence in the organisation's ability to deliver public services properly.
  - Board members and staff in key positions must recognise when they have a conflict of interest and should know how to act when such a situation arises. (Examples of good practice are also provided.)
  - promoting high standards in public life.
- 3.18 **Some councils do not yet have a conflict of interest policy in place and I recommend that such a policy be implemented as soon as possible.** It is important that board members and council staff are aware of their responsibility for managing the risk of a conflict of interest (real or perceived) or, where this is not possible, for ensuring that it is declared and managed properly. Regular induction and awareness training is essential to ensure that the conflicts of interest policy is understood and applied by all staff.
- 3.19 No conflicts of interest were reported within any council governance statements in the 2014-15 financial year.

## Code of Conduct

- 3.20 Under Section 53 of the Local Government Act (Northern Ireland) 2014, the Department issued a mandatory Code of Conduct for councillors, which came into effect in May 2014.

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<sup>16</sup> 'Conflicts of Interest – A Good Practice Guide', March 2015.

## Part Three:

### Good Governance

- 3.21 The Code of Conduct is based on 12 principles of conduct which are intended to promote the highest standards of behaviour for councillors. These draw on the Nolan principles of public life as well as further principles adopted by the Northern Ireland Assembly and are listed at **Figure 11**.

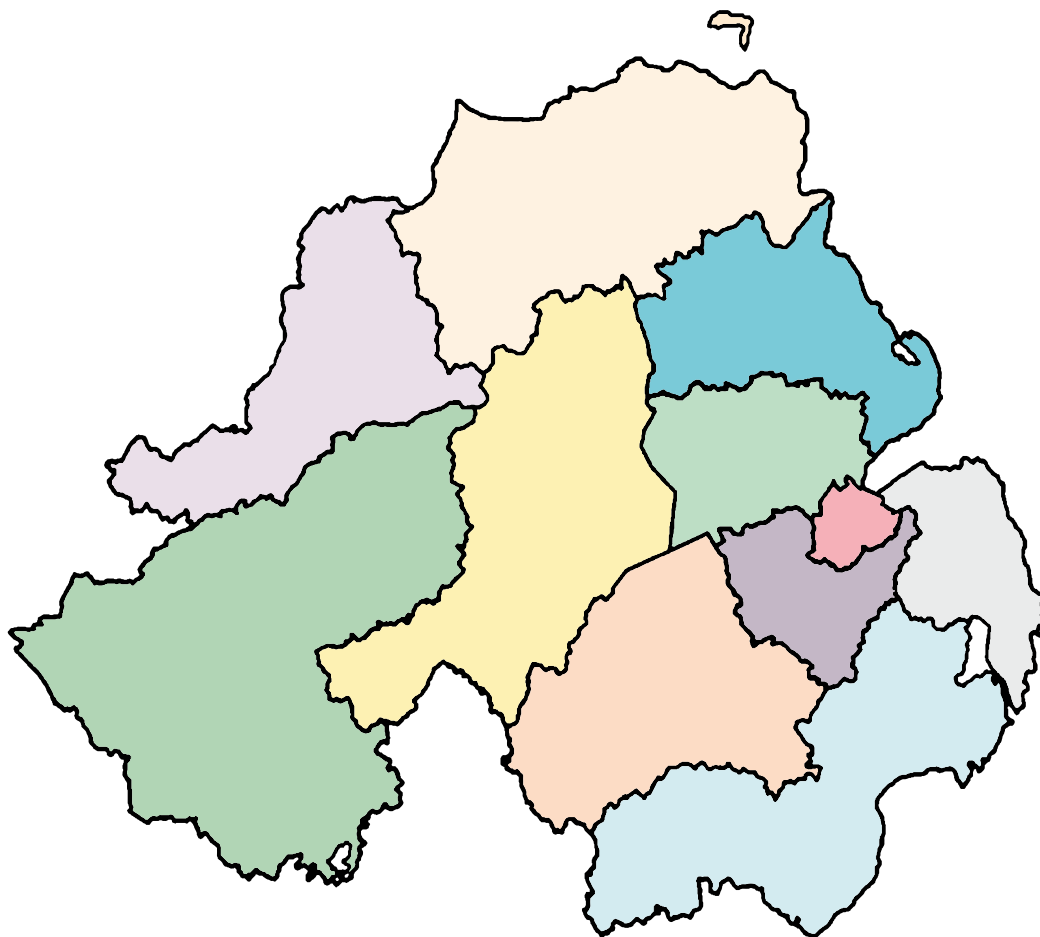
**Figure 11: Principles of Conduct**

Public Duty	Honesty
Selflessness	Leadership
Integrity	Equality
Objectivity	Promoting Good Relations
Accountability	Respect
Openness	Good Working Relationships

*Source: The Northern Ireland Local Government Code of Conduct for Councillors, Department of the Environment, May 2014*

- 3.22 Under the Code of Conduct, each council has to establish and maintain a register of members' interests and a register for gifts and hospitality, along with procedures for dealing with declarations of interest. Further requirements, specifically addressing council members' obligations relating to planning matters, came into force on 1 April 2015.
- 3.23 The Northern Ireland Ombudsman has a statutory role as Local Government Commissioner for standards. This includes enforcing mechanisms of the Code of Conduct for councillors, including the investigation of, and adjudication on, alleged failure to comply with it. Where there are any financial implications arising from non-compliance with the Code, I may decide to report this information. In October 2015, I signed a formal protocol with the Northern Ireland Ombudsman, which sets out arrangements for co-operating and working together in order to fulfil our statutory responsibilities as fully, effectively and efficiently as possible. The protocol will be updated in 2016-17 to take into account the provisions of Section 51 of the Public Services Ombudsman Act (NI) 2016, which came into effect on 1 April 2016. This includes details on the Ombudsman's role in consulting/co-operating with me in respect of investigations.

## Part Four: Theft, Fraud and Whistleblowing



## Part Four: Theft, Fraud and Whistleblowing

- 4.1 Unlike central government public bodies, which are required to report all cases of suspected, attempted and actual fraud to the Comptroller and Auditor General, local government bodies are not required to report such matters to me. However, any fraud related issues should be disclosed in the council's governance statements, and as part of my audit planning process for 2014-15, I made enquiries about the fraud and whistleblowing arrangements at each council.
- 4.2 Due to the larger size and increased powers of the new 11 councils, I have reached an agreement that all suspected, attempted and actual fraud should be reported to me on a more formal basis. From 1 April 2016, local councils should report any such frauds using the circulated pro-forma 'Initial Notification of Frauds to the Local Government Auditor'. I will use the information received to determine whether or not there is any impact on the financial accounts and to have an overview of key fraud risks across local government.

### Theft and Fraud

- 4.3 While a small number of low value thefts were reported, no major frauds have come to my attention this year. There were a number of attempted frauds including the following example:

#### **Case Study - Attempted fraud in Derry City Council**

In February 2015 there was an attempt to defraud the Council of a significant sum of money through false representation by amendment of supplier's bank details. Council recovered this money and has subsequently strengthened the internal controls in place to mitigate against this risk in future.

*Source: Derry City Council – Financial Statements 2014- 2015 (Governance statement extract)*

- 4.4 The risk of fraud increases during times of organisational change. Given the reorganisation of the local government sector, the new enlarged councils must continue to ensure that policies, procedures and associated key controls for preventing and detecting fraud are both robust and operating effectively.
- 4.5 In November 2015, NIAO published a good practice guide, Managing Fraud Risk in a Changing Environment. The guide contains an aide memoire and checklists to help organisations gauge how well they are addressing fraud risk and identify areas for improvement. I would commend the use of this guide to all local councils.

- 4.6 **I recommend that the Department should consider the current structures in place to monitor frauds, gather and collate information and bring trends and lessons to the attention of the sector as a whole.**

## Whistleblowing

- 4.7 Whistleblowers have an important role to play in bringing information to light about matters of concern in relation to the proper conduct of public business. The proper and timely investigation of such matters is a vital component of good governance arrangements, which instils confidence that, where wrongdoing exists, those responsible are held to account, mistakes are remedied and lessons learnt.
- 4.8 All councils may receive whistleblowing concerns in line with their own policies. It is important that councils ensure they have procedures in place to deal quickly and robustly with concerns raised. Councils should also ensure that whistleblowers are supported and protected from any form of victimisation.
- 4.9 As the Local Government Auditor within the NIAO, I am a prescribed person to whom protected disclosures can be made under the Public Interest Disclosure (NI) Order 1998. In that capacity I receive whistleblowing concerns relating to local government bodies (see **Figure 12**).
- 4.10 Details of how concerns can be raised are published on the NIAO website<sup>17</sup>. Any concerns raised will be evaluated as audit evidence. This evaluation will take account of a range of factors including:
- professional judgment;
  - audit experience;
  - whether there is a "public interest" element to the issue; and
  - whether the concerns indicate serious impropriety, irregularity or value for money issues.
- 4.11 In dealing with concerns, I consider a range of possible actions, from discussing the issues with the audited body to carrying out a full audit investigation and including relevant comments in our audit reports. I am not required to undertake investigations on behalf of individuals.

<sup>17</sup> <http://www.niauditoffice.gov.uk/whistleblowing>

## Part Four:

# Theft, Fraud and Whistleblowing

**Figure 12: Whistleblowing concerns reported directly to the Local Government Auditor**

	2013-14	2014-2015	2015-2016
Number of concerns reported directly to the Local Government Auditor	21	21	12

Source: Northern Ireland Audit Office

- 4.12 During the previous year the four supreme audit agencies of the UK, including the NIAO, jointly issued a good practice guide on whistleblowing in the public sector<sup>18</sup>. A key message in the guide is the need for a culture change in public sector organisations, from the top down. The agencies highlighted that:

*"Whistleblowing needs to be encouraged by employers as 'the right thing to do'. It is clear that there needs to be a cultural change throughout the public sector and a very clear message must come from the top of every organisation that senior management supports workers who raise genuine concerns and that all such concerns raised will be taken seriously and investigated appropriately."*

- 4.13 **I recommend all of the 11 new councils follow the guidance outlined in the good practice guide.**

### National Fraud Initiative (NFI)

- 4.14 The National Fraud Initiative (NFI) is a major two-yearly data matching exercise in which all local councils participate. It helps public bodies identify potentially fraudulent and duplicate transactions using sophisticated computer based data matching techniques. The NFI provides participating organisations with valuable management information which they would not otherwise be able to access. Powers to data match were inserted into the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007.
- 4.15 Councils continue to participate in the NFI with the fourth round of the exercise complete and published. In January 2015 almost 15,500 matches were released to councils; 1,500 of these were recommended for investigation. The transition to the new council structure meant that some NFI work was deferred, however by March 2016, all but one council had completed the review and investigation of their highest quality data matches.
- 4.16 Four councils identified a number of duplicate payments totalling almost £4,500 and were able to recover these funds from suppliers. In addition, the inclusion of councils' payroll data contributed to savings of over £8,000 for other participating organisations, mostly in relation to housing benefit claims.

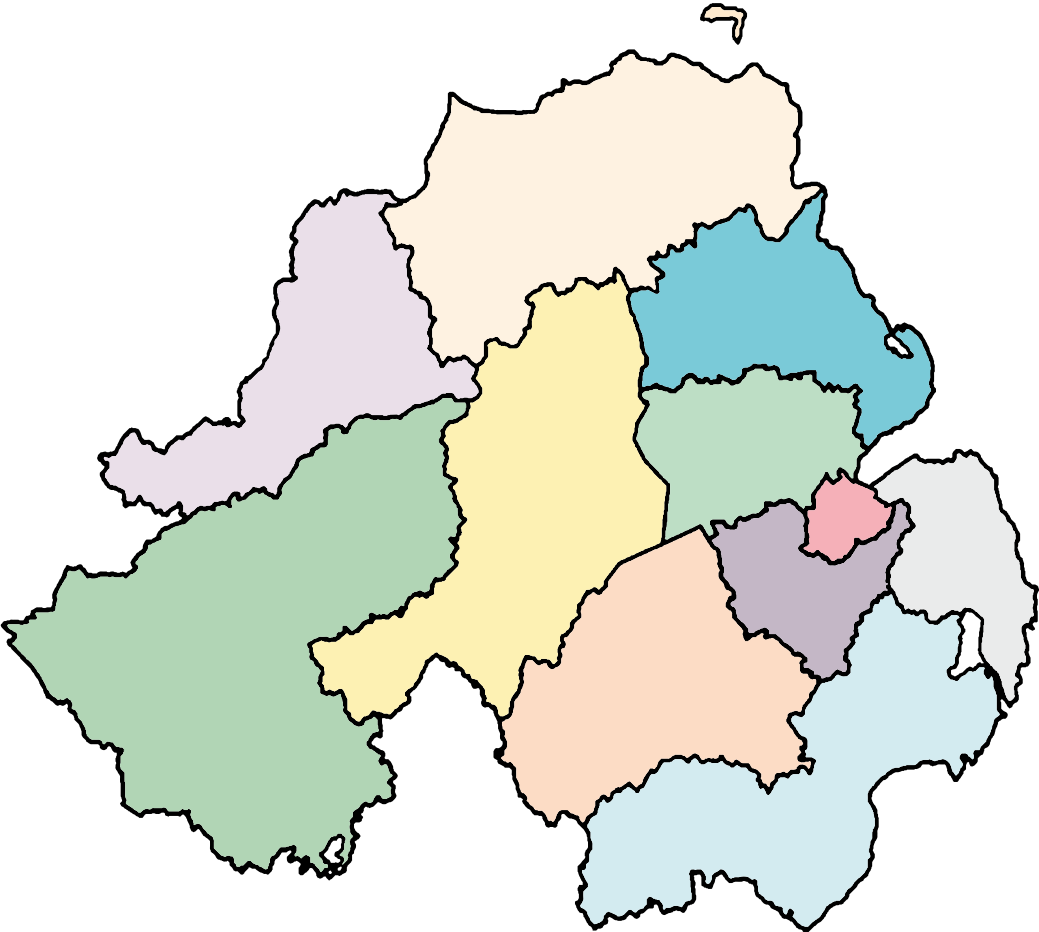
<sup>18</sup> 'Whistleblowing in the Public Sector: A good practice guide for workers and employers', November 2014.

- 4.17 While the majority of councils had no monetary outcomes, this provides an element of assurance that controls within their payroll and creditors' systems appear to be operating satisfactorily.
- 4.18 There is no requirement to investigate all matches. However, as in previous exercises, some councils appear to be doing too much. **I recommend that to make the most effective use of resources, councils should adopt a risk based approach, focus on high risk matches and should not continue investigations when no fraud or error is being found.**
- 4.19 The Comptroller and Auditor General for Northern Ireland published the report on the current NFI exercise in July 2016.





Part Five:  
General Matters



## Part Five: General Matters

- 5.1 Following the conclusion of the audit of council accounts, I provide a report to those charged with governance and an annual audit letter. These detail the results of my audit and the actions agreed by management to address the issues raised.
- 5.2 Councils are required by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 to publish the annual audit letter "*as soon as reasonably possible after [it] has received an annual audit letter from the local government auditor*". Whilst councils normally satisfy this legislative requirement by making the document available on their websites, I would remind all councils of the need to ensure this is completed in a timely manner<sup>19</sup>. In my new local government Code of Audit Practice 2016, which applies from the 2015-16 financial year, I have set out that I may publish council annual audit letters on the NIAO website, to enhance the transparency of public reporting.
- 5.3 In my previous reports, I have identified a number of common themes brought to my attention during the audits of councils, for example, procurement and contract management. Some of these themes have been disclosed by councils within the Annual Governance Statement (see paragraph 3.6 and **Figure 9**).
- 5.4 My focus in this report is to highlight any other areas with a common theme which may not necessarily be regarded by individual councils as significant, but which I believe, in totality, deserve attention. These are:
- single status;
  - prompt payment; and
  - absenteeism.

### Single status

- 5.5 The Single Status Agreement is a UK national agreement on pay and conditions signed in 1997 between local government employers and trade unions. The aim is to ensure equal pay for work of equal value, regardless of gender and to harmonise pay and terms and conditions between manual and non-manual workers by 2007.
- 5.6 With the 26 outgoing councils replaced by the 11 new councils on 1 April 2015, some councils have inherited the outstanding single status financial liabilities. In my view, it is important that the new councils should act quickly to ensure that these are fully resolved at the earliest opportunity.

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<sup>19</sup> The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 will take effect for financial years beginning 1 April 2015.

- 5.7 **I would also recommend that new councils should consider what future action is required to harmonize the terms and conditions of legacy council employees.**

### Prompt Payment

- 5.8 As a result of UK and EU legislation, all public bodies are required to pay suppliers for goods or services received within 30 days of receiving an undisputed invoice. Paying within this timeframe is regarded as 'prompt payment'. This section compares prompt payment performance in Northern Ireland councils with that of central government bodies<sup>20</sup> and this is a subject that I have monitored and reported on for a number of years.
- 5.9 In 2014-15 councils processed nearly 332,000 invoices, representing an increase of around 2.1 per cent on the number of invoices processed in 2013- 2014. **Figures 13 and 14** show the percentage of valid invoices paid within the 30 day and 10 day targets (accepted benchmarks set by legislation and the Department<sup>21</sup>). However, with an average of only 50 per cent of all invoices being paid within 10 working days, and 84 per cent within 30 working days, performance continues to fall short of central government bodies.
- 5.10 I will continue to review prompt payment and next year may report on how the 11 new councils are performing. **I recommend that councils should strive to build on the improvements of the previous councils and aim to match the performance of central government.**

**Figure 13: Comparison of 30 day payment performance with central government bodies**

Sector	2013-2014 Sector Average %	2014-2015 Sector Average %	Movement %
Central government	97	97	-
Councils	81	84	+3

Source: Department of the Environment and Account NI data (unaudited)

**Figure 14: Comparison of 10 day payment performance with central government bodies**

Sector	2013-2014 Sector Average %	2014-2015 Sector Average %	Movement %
Central government	89	91	+2
Councils	42	50	+8

Source: Department of the Environment and Account NI data (unaudited)

20 The central government bodies included the 12 Northern Ireland departments and 18 other bodies, including 12 agencies, 5 arms length bodies, and 1 non-ministerial government department.

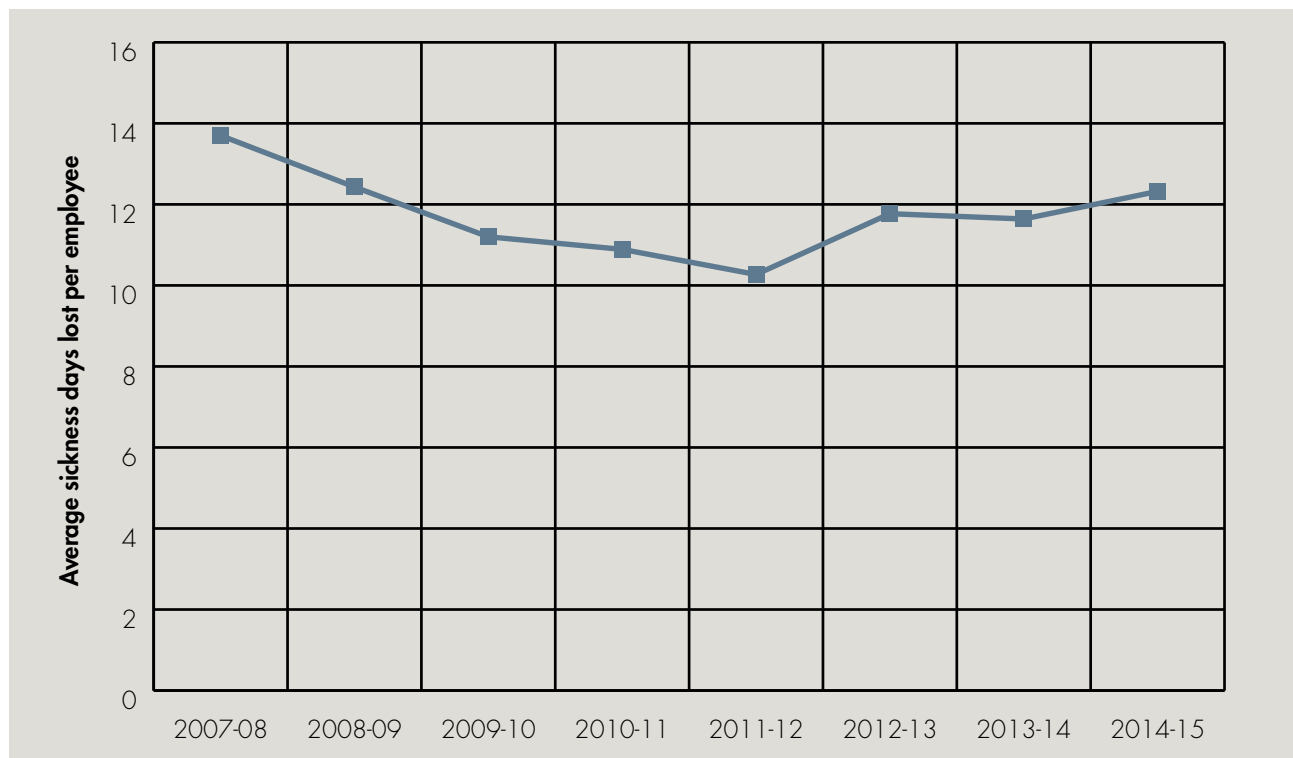
21 European Union Directive on Combating Late Payment in Commercial Transactions (EU Directive 2011/7/EU), Department of the Environment circular LG 17/12.

## Part Five: General Matters

### Absenteeism

- 5.11 During 2014-15 there was a slight increase in overall absenteeism compared with the previous year. Unfortunately this has begun to indicate an overall rising trend since 2011-12, and the highest overall absentee rate since the 2008-09 financial year.
- 5.12 The average sickness absence rate in 2014-15 was 12.32 days a year compared with 11.63 days the previous year (see **Figure 15**), an increase of almost 5.9 per cent per employee. There is a significant range in the number of days lost per employee across the different councils; Armagh recorded the lowest number of days lost at 7.57 while Larne recorded the highest at 17.42.

**Figure 15: Sickness absence trend 2007-08 to 2014-15**

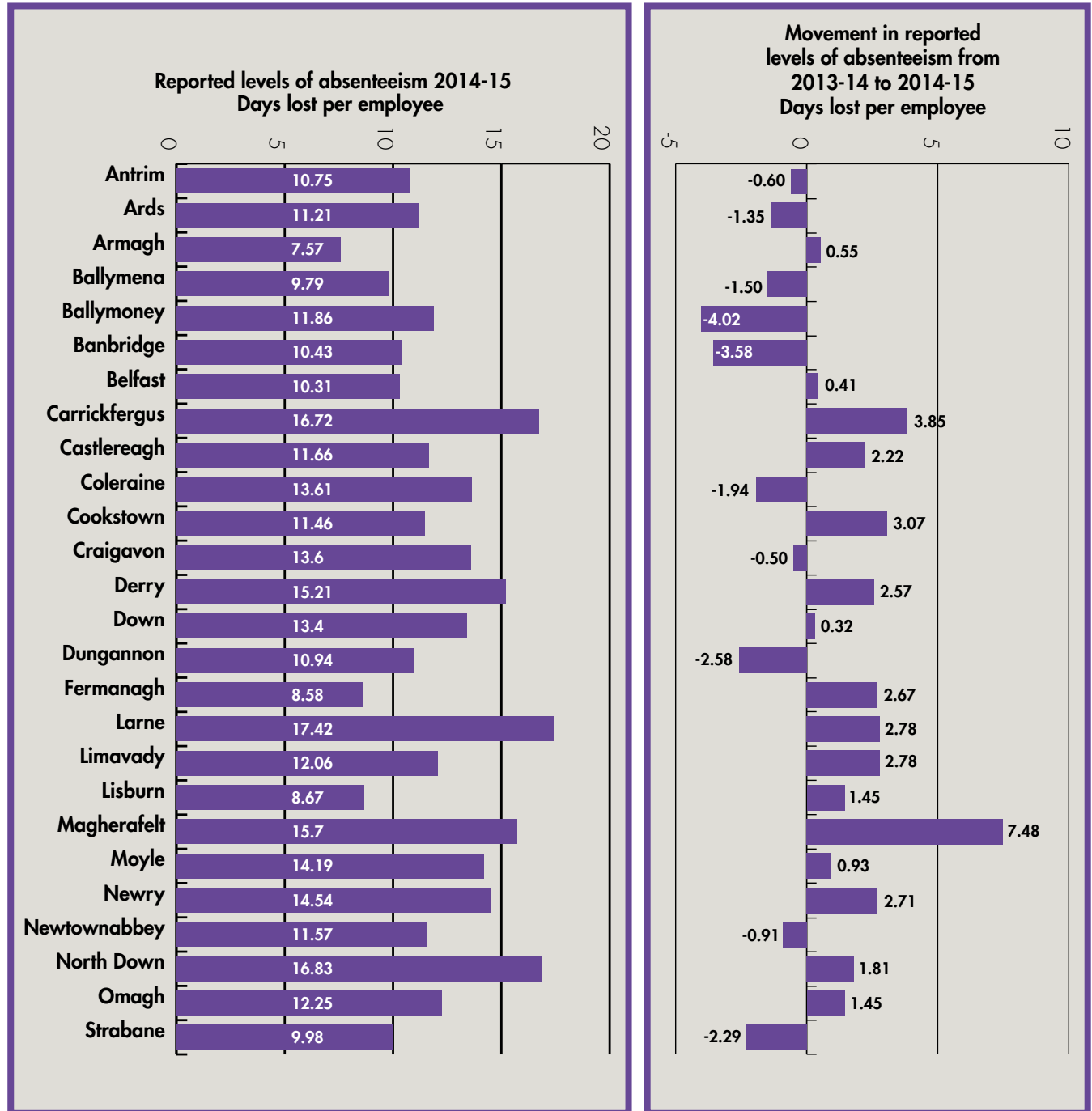


Source: Northern Ireland Council data (unaudited)

- 5.13 My annual audit letters for 2014- 2015 contained an unaudited summary of the results of each council's individual absenteeism statistics for the year, alongside trends over a six year period. I have summarised the results in **Figure 16**. Overall the majority of councils have had slightly increased levels of absenteeism, with only 10 of the 26 councils reporting improved performance from 2013-2014.
- 5.14 Of the 16 councils reporting an increase in absenteeism, eight councils reported an increase in absence rates of more than 2.5 days per employee. Of these, Magherafelt had the largest increase of 7.48 days per employee. The greatest decrease was in Ballymoney, where the absence rate fell significantly by 4.02 days per employee.
- 5.15 Where councils experienced a rise in absence, 10 out of 16 councils reported increases in long term absence. Conversely 7 out of 10 councils reporting a decrease attributed this to a continued commitment to reduce long term sickness absence.
- 5.16 **I recommend that councils continue to rigorously manage absence to ensure that staff welfare is protected and that the delivery of front line services is not adversely affected.**
- 5.17 I will continue to monitor the overall absenteeism rates. 2015-16 will be a baseline year for the 11 councils going forward, and I will also continue to keep under review the benefits of, and potential for, a further more detailed study on this subject.

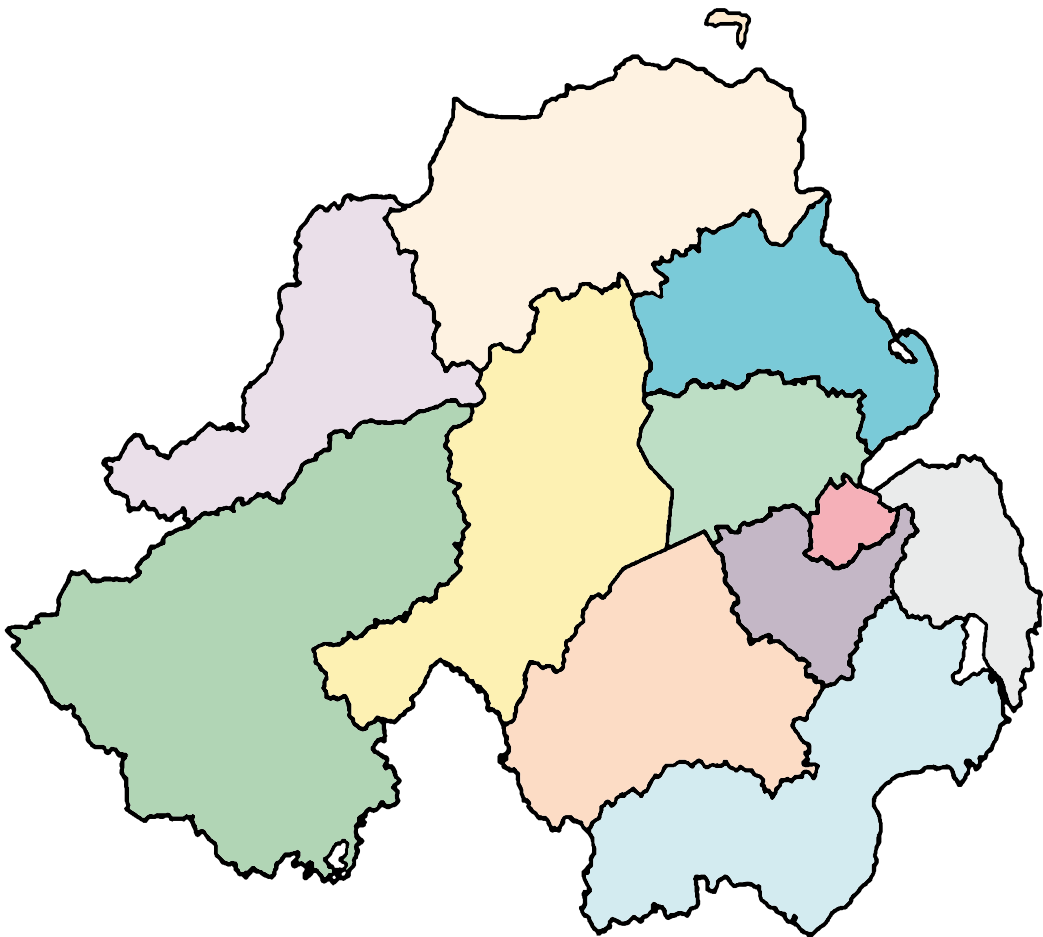
## Part Five: General Matters

Figure 16: Absenteeism in Northern Ireland Councils 2014-15, compared with 2013-14



Source: Northern Ireland Councils data (unaudited)

Part Six:  
Performance Improvement



## Part Six: Performance Improvement

### Overview

- 6.1 Part 12 of the Local Government (Northern Ireland) Act 2014 introduced new statutory continuous performance improvement responsibilities for the 11 new councils. In addition, it assigned substantial additional audit functions to my annual programme of audit work, requiring me to undertake improvement audits and assessments each year. The Department decided to phase in council responsibilities over three years, beginning in 2015-16, and my responsibilities are aligned to this.
- 6.2 In support of Part 12 of the Act, the Department issued statutory guidance to assist councils comply with their performance improvement duties under the Act, going forward. In addition, it set out a programme of improvement activity, which included a number of specific improvement related responsibilities for both the councils and me for 2015-16. In recognition that this was the first year of the new performance improvement framework and that the new councils were heavily engaged in establishing themselves in their first year of operation, these improvement responsibilities were set at a very high level. Correspondingly the audits and assessments in this year were developed and conducted with proportionality in mind.
- 6.3 During the year I completed this introductory programme of audit work and issued letters of assurance, to each council and the Department, providing my assessment of the council improvement activity for 2015-16.
- 6.4 I have also continued to liaise and work with the Department on the detailed implications and timings for this new work stream going forward including commenting on drafts of its consultation documents and guidance which underpin the performance improvement framework.

### Key observations and messages in 2015-16

- 6.5 With the exception of one council which did not have a satisfactory timetable and plan in place to develop and progress its performance improvement objectives, each council met its responsibilities for the year. These included:
- whether a council had selected at least one performance improvement objective and that it had been published;
  - that each objective met at least one of the seven relevant criteria specified in the Act;
  - that a consultation process had been conducted; and



- whether a satisfactory timetable and plan was in place to develop and progress the specified performance improvement objective (s).

6.6 Whilst the councils are to be commended for this, they are at very different stages of progression in both implementing their improvement objectives and the arrangements to deliver them. During the course of my work I noted a number of matters I believe are worth sharing:

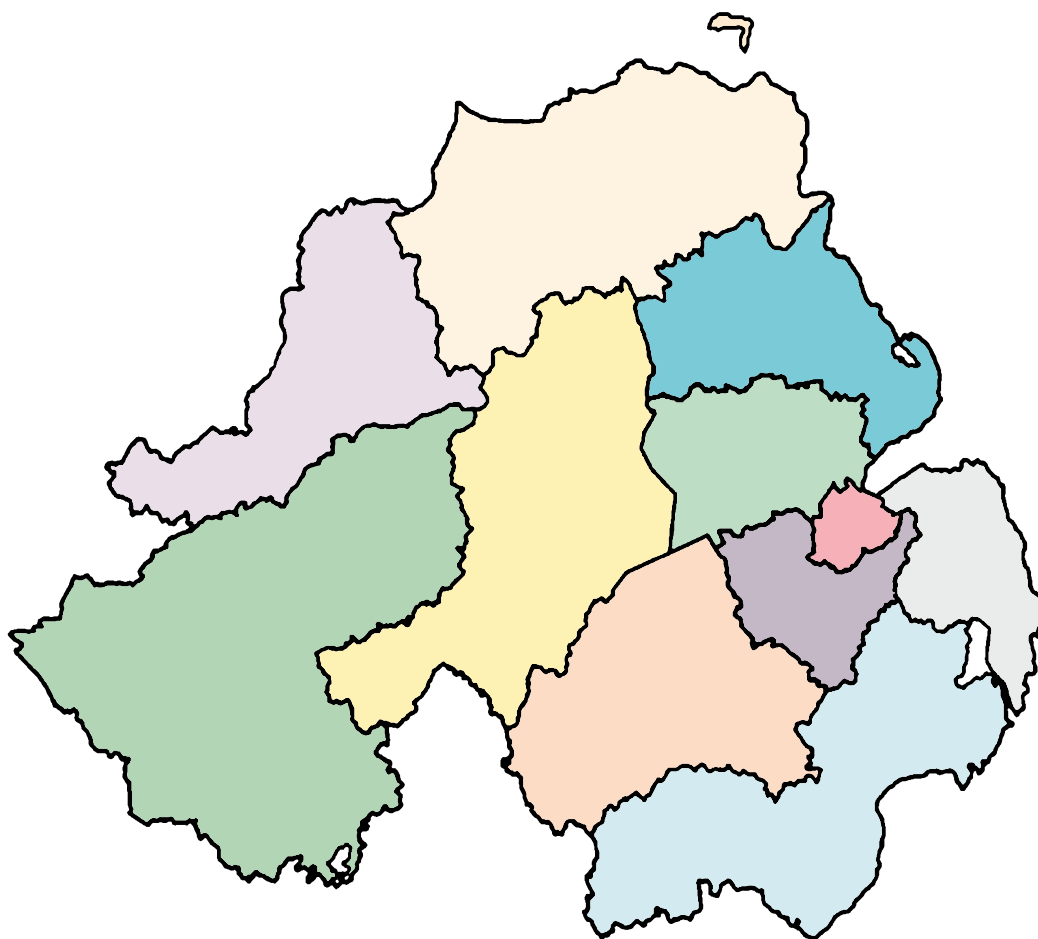
- Some councils focused on basic compliance with the guidance in the introductory year, particularly in relation to the use of corporate objectives as performance improvement objectives. Whilst this was permissible in the first year and each council will have its own strategic and operational reasons for adopting this approach, it has left these councils with a much more challenging year ahead, both in setting improvement objectives and establishing arrangements to take them forward.
- Whilst performance measurement will become an integral part of the framework and will measure any improvement over time, I suggest council resources at this early stage should primarily be focused on developing and prioritising valid improvement objectives and establishing arrangements to take them forward.
- Councils should refer to the Department's guidance, or to the Department itself, for any matters in relation to the clarification of their roles, responsibilities, or duties under the legislation. My independent role as Local Government Auditor only permits me to provide advice and support relating to the audit and assessment process itself, identify any shortcomings from the outworkings of my programme of work, and make meaningful observations or statutory recommendations based on these.
- I was pleased to see that the councils established a working group to provide a forum for key officers to discuss the general approach to their responsibilities and the performance improvement framework in general. It is my view that all councils should engage in this forum to maximise the benefits of collaborative thinking.
- The quality of documentary evidence presented by councils to support their activity in the year varied widely. Despite the activity and responsibilities in this introductory year being very limited, many councils only just met some of their responsibilities. Going forward, councils need to ensure that they retain a robust audit trail and that their performance improvement objectives fully comply with legislation and the guidance.
- In a small number of councils there was limited evidence of external consultation with stakeholders and citizens. In line with the legislation and guidance, councils should ensure that consultation is used as a tool in helping to determine improvement objectives.

## Part Six: Performance Improvement

### Looking Forward

- 6.7 This year will be the first year in which councils will be required to publish annual improvement plans and the first year that I will be publishing my annual improvement reports. A council's improvement plan will set out its improvement commitments and how it hopes to achieve them. My improvement reports will set out the findings of my audit and assessment for each council and include my opinion of whether its improvement arrangements comply with the legislation and guidance. With this new and increased level of scrutiny and reporting transparency will come greater improvement expectations of the councils, from its citizens and other stakeholders.
- 6.8 Whilst the NIAO absorbed the cost of the audits in the first year, going forward councils will be required to meet the cost of this work. In recognition of this, at a time when councils are beginning to experience significant financial pressures, I have developed my audit approach and methodology with efficiency and effectiveness in mind, as well as consistency and proportionality. My key aims are to hold councils to account for their duty of continuous improvement and to add value to their improvement arrangements.

## Part Seven: Potential Lessons from Central Government Value for Money Reports 2015-16



## Part Seven:

# Potential Lessons from Central Government Value for Money Reports 2015-16

- 7.1 When considering the adequacy of existing governance arrangements, it is important for councils to consider governance findings from other published sources and evaluate whether their existing internal controls are sufficient to address any key issues arising from these sources or alternatively whether current controls / risk registers should be enhanced. Such report findings may also be useful when considering the statutory functions of improvement audits and assessments, and also when considering whether proper arrangements have been made for securing economy, efficiency and effectiveness.
- 7.2 Value for money reports published by the Comptroller and Auditor General (C&AG), who is the head of the NIAO, are a useful source. He has the statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. During 2015-16 there were a number of findings in his reports which may apply to the new councils. I have categorised these under themes, tailoring findings to local government circumstances, and would encourage councils to consider whether any of these issues could potentially apply to them.

### Land Disposals

- 7.3 As regards any land disposals, unless there is Departmental approval, councils are required to obtain the best price or rent or otherwise the best terms that can be reasonably obtained.
- 7.4 Councils should consider the findings of *"The Governance of Land and Property in the Northern Ireland Housing Executive"* report, which identified a number of weaknesses including:
- a conflict of interest was not properly handled;
  - land had not been advertised on the open market;
  - use of outdated valuations or failure to obtain valuations for land being disposed prior to sale; and
  - misleading or limited information was presented to the Board.

### Invest to Save

- 7.5 The new councils have been seeking ways to achieve efficiency savings. The *"Invest to Save funding in Northern Ireland"* report is particularly relevant as it is associated with the upfront costs of making efficiency savings. Key messages from this report include:

- The primary focus of 'Invest to Save' funding was realising monetary savings. However, almost a third of projects funded did not anticipate and/or quantify savings over the 2011-15 budget period, and no specific savings targets were set for each of the 'Invest to Save' schemes or for individual projects allocated funding.
- In the absence of central monitoring, validation or reporting of savings it is difficult to assess whether the effectiveness of 'Invest to Save' funding has been maximised.
- The report found little evidence to show that 'Invest to Save' funding was used sufficiently to encourage risk-taking and innovation. Projects were generally – though not exclusively – lower risk and less innovative than might have been expected.
- In the Northern Ireland Audit Office's view, there was more scope to take advantage of new technology to identify alternative, more effective ways to deliver services; undertake cross departmental/agency working; pilot more productive ways of working; and introduce better working practices.

## The Northern Ireland Events Company

7.6 This report includes a number of matters which are pertinent to councils, including managing conflicts of interest; consideration of whether councils should run or grant fund events; the importance of following up whistleblower allegations; and ensuring adequate documentation is provided to enable appropriate decision making. The key findings of the report into "The Northern Ireland Events Company" (the Company) included:

- The Chief Executive was involved in covering up escalating financial losses with misleading and, on occasion, fabricated documentation.
- The Chief Executive had a number of conflicts of interest which were poorly handled.
- The company started to promote its own major events, as opposed to grant funding, and there was no evidence that this change in business activity was approved by the Board. The Board was unaware of the greatly increased financial and operational risk to which this change in policy exposed it.
- The Board placed undue reliance on the information provided by the Chief Executive and failed to maintain a healthy balance between support and challenge. The information provided to the Board in respect of two major events was woefully inadequate.

## Part Seven: Potential Lessons from Central Government Value for Money Reports 2015-16

- The Board's ability to exercise a challenge function was fundamentally weakened by the lack of financial skills and low attendance amongst some members.
- The relevant Department failed to consistently challenge the Company when inadequate supporting documentation was provided; and had all whistleblowing complaints been thoroughly investigated by the Department, it is possible that the issues, which resulted in financial losses, could have been identified much earlier.

### Continuous Improvement

7.7 Similar to councils, legislation requires the Policing Board to make arrangements to secure continuous improvement in the way its functions, and those of the Chief Constable, are exercised, having regard to economy, efficiency and effectiveness. This was considered in the "*Continuous improvement arrangements in policing*" report. Recommendations included:-

- a need for further development of performance measures which are specific, measurable and focused on outcomes rather than activities
- reducing the overall number of performance indicators by focusing on strategic priorities





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