



Northern Ireland Audit Office

The exercise by local government auditors of their functions

In the year to 31 March 2013



REPORT BY THE CHIEF LOCAL GOVERNMENT AUDITOR
19 November 2013



Northern Ireland Audit Office

The exercise by local government auditors of their functions – a report by the Chief Local Government Auditor

In the year to 31 March 2013

Published 19 November 2013

The Department of the Environment may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate members of Northern Ireland Audit Office staff as local government auditors. The Department may also, with the consent of the Comptroller and Auditor General for Northern Ireland, designate a local government auditor as Chief Local Government Auditor.

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

For further information about the work of local government auditors within the Northern Ireland Audit Office please contact:

Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

Telephone: 028 9025 1100
Email: info@niauditoffice.gov.uk
Website: www.niauditoffice.gov.uk
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Louise Mason
19 November 2013

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Abbreviations

AAL	Annual Audit Letter
ALB	Arm's-Length Body
C&AG	Comptroller and Auditor General
CIPFA	Chartered Institute of Public Finance and Accountancy
CLGA	Chief Local Government Auditor
CPD	Central Procurement Directorate
DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DoE	Department of the Environment
DRD	Department for Regional Development
NIAO	Northern Ireland Audit Office
NIFRS	Northern Ireland Fire and Rescue Service
NILGA	Northern Ireland Local Government Association
PAC	Public Accounts Committee
RPA	Review of Public Administration
SOLACE	Society of Local Authority Chief Executives and Senior Managers
STC	Statutory Transition Committees

Introduction



Introduction

1. Northern Ireland's 26 councils have a key role to play in providing public services to local communities. Council services mainly fall under two broad headings of Leisure and Recreation services and Environmental services. In addition, councils undertake regulatory activities such as building control and environmental health. Councils also have important roles to play in other areas such as economic development, tourism and community development.
2. In providing such a broad range of services, either directly or in partnership with others, local councils require substantial resources. Councils spend over £800 million per annum, employ 9,700 staff and utilise assets worth more than £2,000 million.
3. 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.
4. The Local Government Auditor is responsible for the audit of 26 councils, as well as for the audit of 18 joint committees, the Local Government Staff Commission, and the Northern Ireland Local Government Officers' Superannuation Committee. In total, audit opinions are presently given each year on 46 sets of financial statements.
5. This report provides my perspective on the audits of local councils based on the key messages from audits performed primarily during the year to 31 March 2013. I have also considered important issues that may affect councils in the near future. The statutory framework under which this report was prepared is outlined at Appendix I.
6. My report highlights areas of strength and areas for improvement within local councils. Both councillors and officers should consider this report and review how their council is managing the issues I have highlighted.
7. Councils have already been provided with annual audit letters, which highlight important issues that have arisen during the course of the audits. These letters detail how the matters I have set out in this report apply locally and where more actions are required. These letters are published by each council, normally on their website.
8. I have recently completed audits of financial statements for the year ended 31 March 2013 and I will report on these results in 2014.

Part One:
Managing Resources



Part One: Managing Resources

Income and Expenditure

1.1 Revenue expenditure relates to day-to-day costs involved with providing services. This includes staff costs, supplies such as fuel, and materials used for repair and maintenance. Capital expenditure is the cost of acquiring and upgrading assets. This includes building property and acquiring equipment which will be used to provide services to local communities. Capital expenditure is considered further at paragraph 1.7.

1.2 In the financial year 2011-12, councils received income of £807 million from rates, charges and grants. Council expenditure amounted to almost £812 million. Accounting adjustments and transfers from reserves accounted for the £5 million variance.

1.3 The majority of income, over 61 per cent, was received from district rates. Fees and charges accounted for almost 30 per cent of councils' income over the period for services such as building control, waste collection and use of leisure facilities. General revenue funding from government¹ and capital grants accounted for 6 per cent and 3 per cent of income respectively.

1.4 **Figure 2** provides additional detail on the categories of expenditure incurred by councils in the year to 31 March 2012. The largest area of expenditure related to Recreation and Sport, where councils incurred expenditure of £190 million in the 2011-12 financial year (£200 million 2010-11). This category, combined with that of Waste Collection and Disposal (expenditure of £158

Figure 1: Councils' Income and Expenditure 2011-12

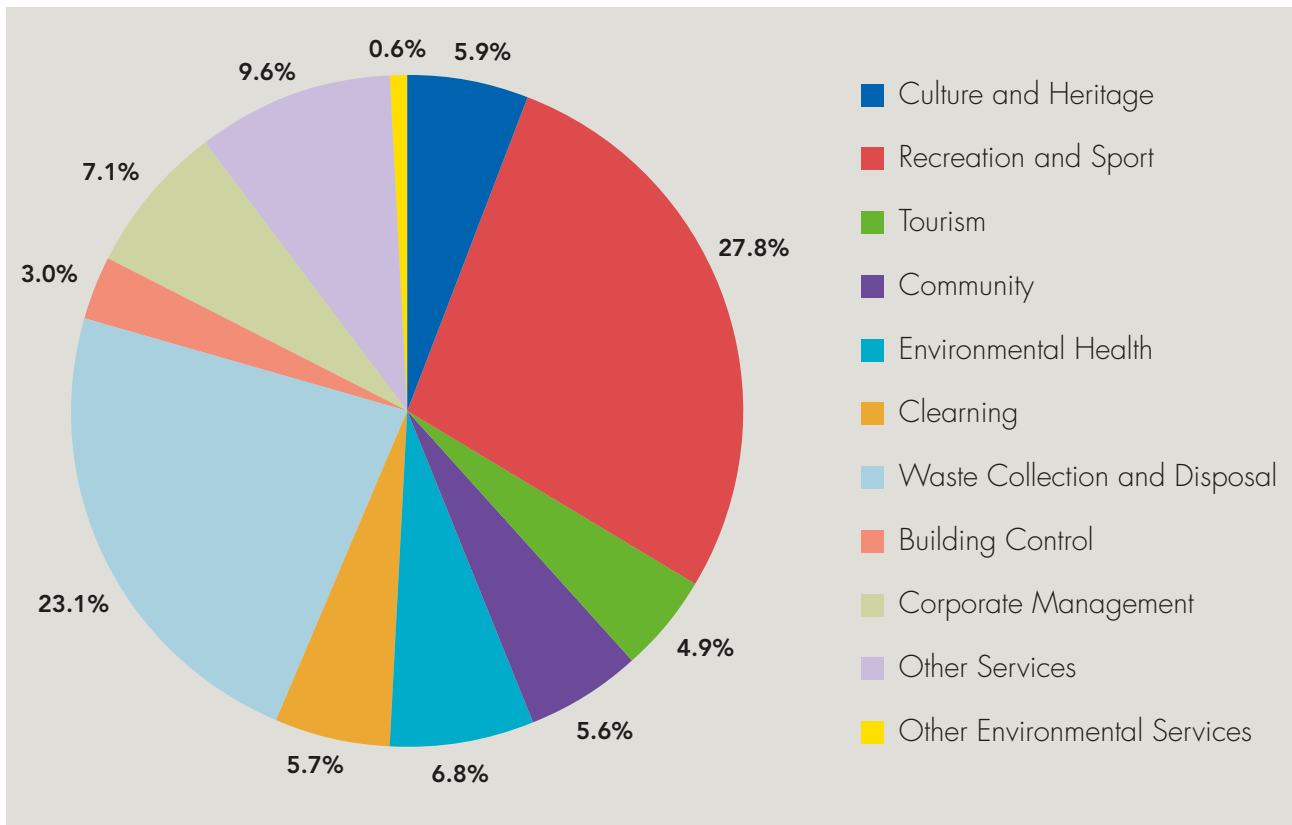
Where the money came from	(£ Million)	
General revenue funding from government	45	
Service fees and charges	236	
Capital grants	26	
District rates	500	
Total Income	807	
How the money was spent	(£ Million)	
Leisure and Recreational Services		303
Environmental Services		289
Corporate Management		49
Other expenditure		69
Finance and Investment		102
Total spending on services	812	
Accounting adjustments and transfers from reserves	-5	
Total expenditure and transfer from reserves	807	

Source: Councils' audited financial statements

1 General revenue funding from government is paid to compensate Councils for the statutory derating of certain property and to provide additional resources for those Councils whose needs exceed their wealth base.



Figure 2: Councils' expenditure by service



Source: Councils' audited financial statements

million) accounted for more than half of all expenditure incurred on services by councils.

1.5 Other categories of expenditure incurred by councils included Tourism (£34 million), Culture and Heritage (£40 million), and Building Control (£20 million). Amongst the categories of expenditure included in other services is Economic Development on which councils incurred expenditure of £31 million in 2011-12.

Loans

1.6 Loans outstanding at 31 March 2012 amounted to £460 million and are shown in **Figure 3**. This represents an increase from the position as at 31 March 2011 of £12 million (2.7%). Total council borrowing now equates to £254 per person based on the Northern Ireland population at March 2011. This varies considerably between councils.

Part One: Managing Resources

Figure 3: Councils' loan position as at 31 March 2012

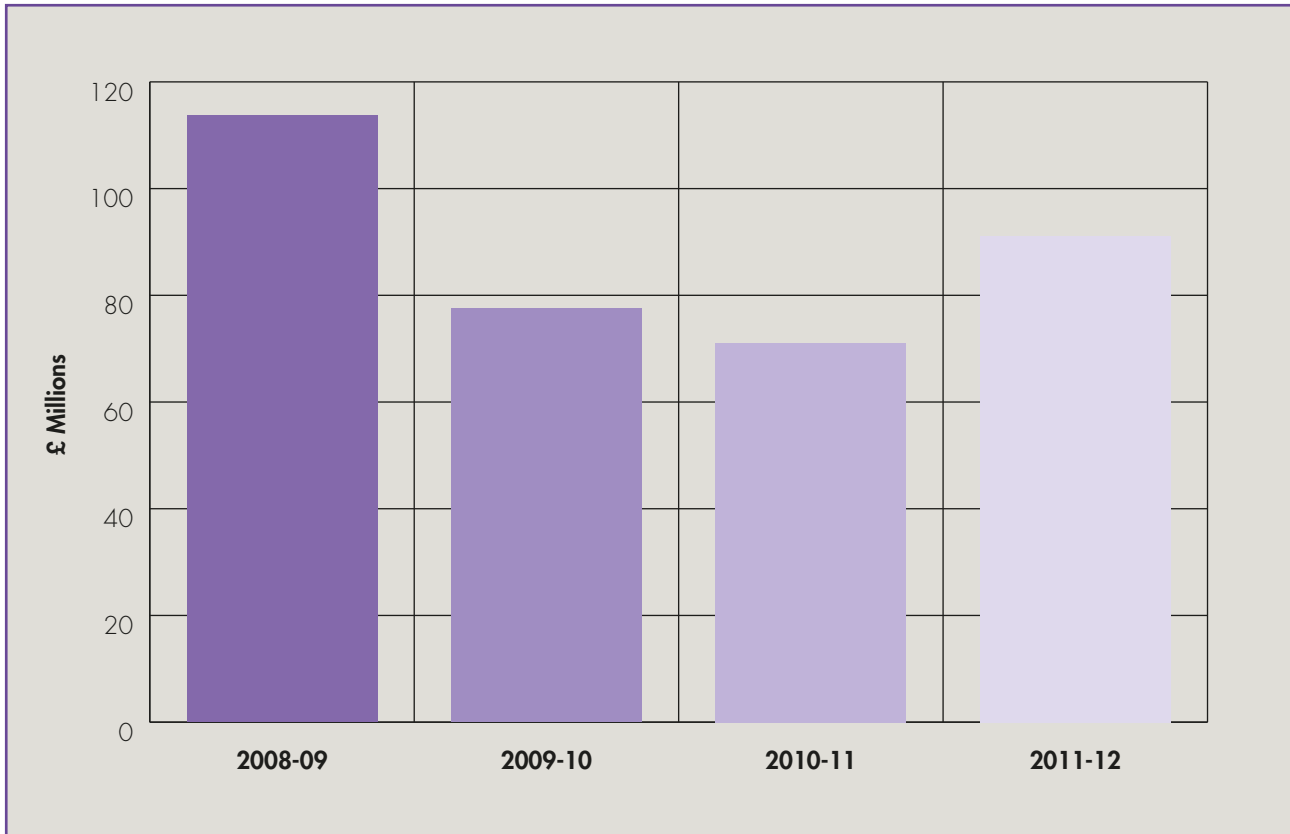
Council	Loans Outstanding as at 31 March 2012 (£ million)	Loans Outstanding as at 31 March 2011 (£ million)	Change (£ million)
Antrim	20.1	20.8	-0.7
Ards	13.8	14.2	-0.4
Armagh	27.0	28.5	-1.5
Ballymena	26.2	24.8	1.4
Ballymoney	9.5	9.4	0.1
Banbridge	20.8	19.3	1.5
Belfast	28.5*	29.2*	-0.7
Carrickfergus	21.1	21.1	0.0
Castlereagh	18.2	20.3	-2.1
Coleraine	35.6	35.9	-0.3
Cookstown	1.5	1.5	0.0
Craigavon	8.0	8.0	0.0
Derry	25.5	26.9	-1.4
Down	23.8	18.0	5.8
Dungannon	5.3	3.7	1.6
Fermanagh	3.5	3.9	-0.4
Larne	15.7	13.0	2.7
Limavady	12.7	12.6	0.1
Lisburn	20.0	19.0	1.0
Magherafelt	0.0	0.0	0.0
Moyle	8.7	9.1	-0.4
Newry	18.8	20.1	-1.3
Newtownabbey	46.8	47.0	-0.2
North Down	36.9	29.0	7.9
Omagh	10.4	11.1	-0.7
Strabane	2.3	2.3	0.0
Northern Ireland	460.7	448.7	12.0

*includes an amount of £11.7 million which is recoverable from NIHE in respect of housing loans (£13.2 million in 2010-11). Nine other councils have similar loans totaling £6.9m (£7.2 million in 2010-11).

Source: Councils' audited financial statements



Figure 4: Councils' capital expenditure



Source: Councils' audited financial statements

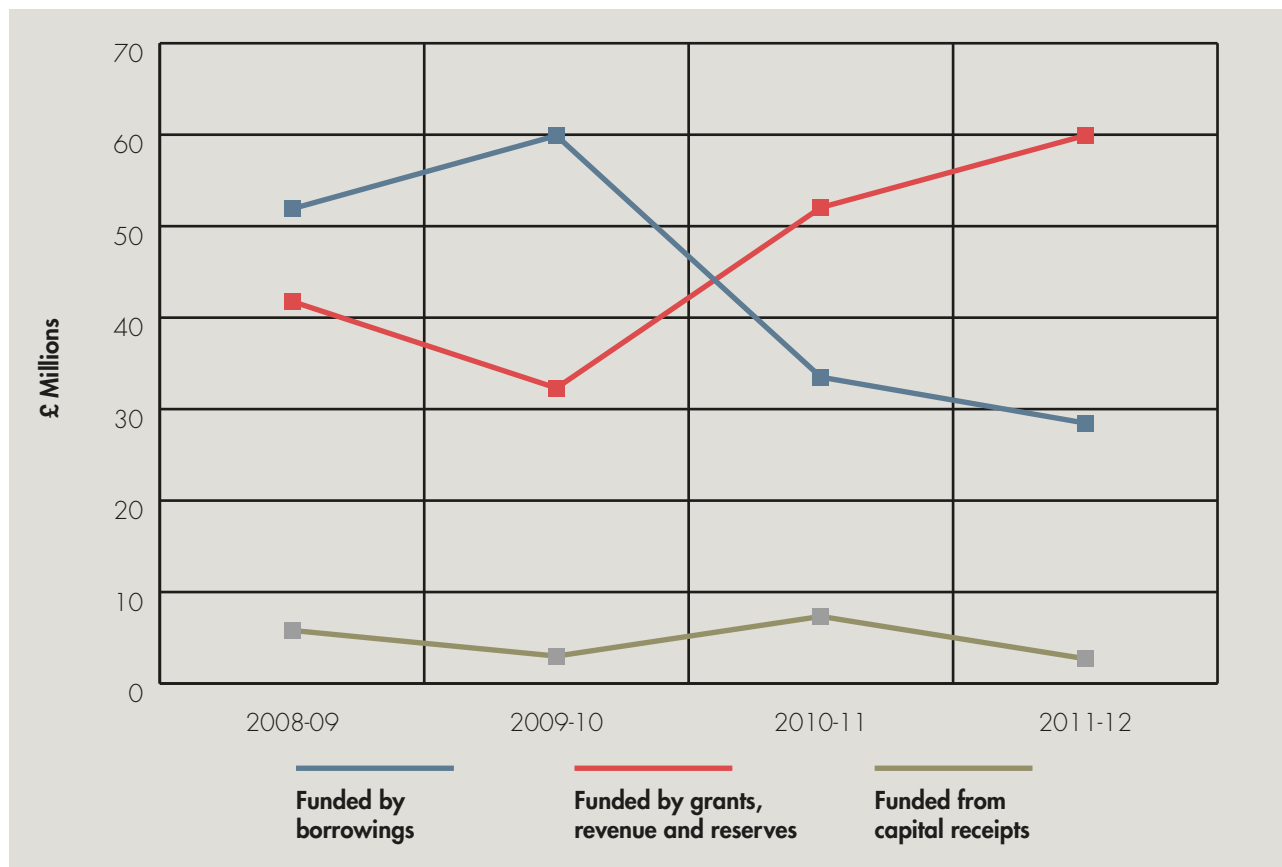
Capital Expenditure

- 1.7 Total capital expenditure in 2011-12 amounted to more than £91 million. This represents a significant increase of 28 per cent from the previous year (£71 million) and 18 per cent compared to 2009-10 (£77 million). Capital expenditure in 2008-09, however, was considerably greater at over £113 million.
- 1.8 The main sources of finance for capital spending are borrowing, capital receipts, capital grants, revenue contributions and transfers from reserves.

The amount of capital expenditure financed by borrowing continued to fall in 2011-12, from over £33 million in the previous period to £28 million. This represents a fall of 53 per cent from 2009-10 and a year on year decrease of 5 per cent. Borrowing is no longer the largest source of funding for capital expenditure – rather the amount financed by capital grants and revenue has increased significantly. Capital receipts, from the disposal of surplus assets, remain a relatively minor source of funding (see Figure 5).

Part One: Managing Resources

Figure 5: Capital expenditure funding sources



Source: Councils' audited financial statements

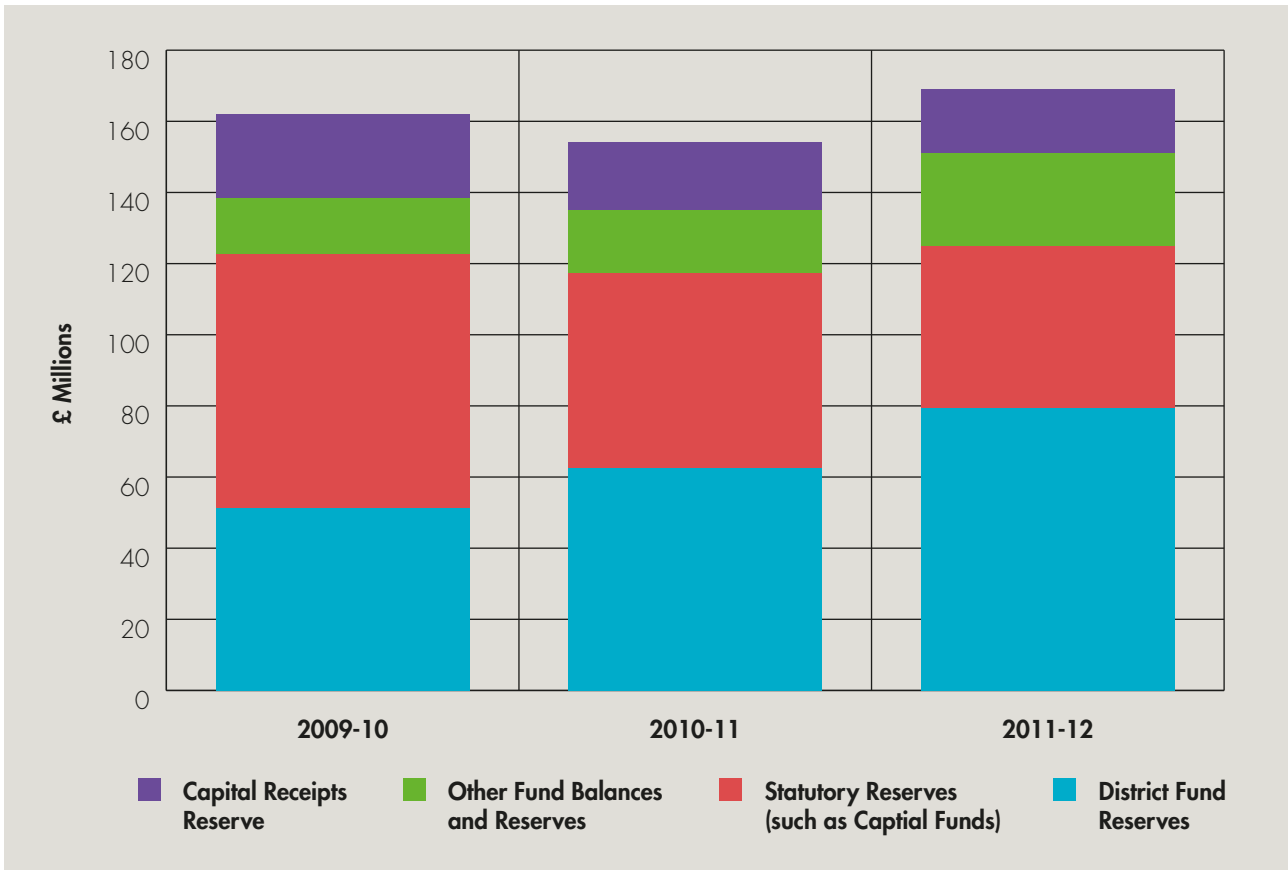
Reserves

- 1.9 Councils' financial statements disclose both the level of usable reserves and the level of total unusable reserves. Unusable reserves are the result of accounting treatments such as depreciation and revaluation. Unusable reserves do not reflect cash held by councils; usable reserves do.
- 1.10 Councils are expected to hold sufficient usable reserves to cover unexpected revenue expenditure or an unexpected

drop in income in the foreseeable future. The overall level of usable reserves increased by almost £15 million in the year to 31 March 2012 (see Figure 6). This represented an increase of almost nine per cent. Total usable reserves for all councils at 31 March 2012 were £169 million, compared to the prior year's total of £154 million. In 2011-12, 17 councils increased usable reserves.



Figure 6: Councils' total usable reserves and balances



Source: Councils' audited financial statements

1.11 The district fund is the main usable reserve. Overall, the total district fund balance held by all councils has increased by almost £17 million. This represents an increase of 21 per cent compared to the prior year and now totals £79 million. The total district fund balance held by all councils has increased by more than 60 per cent since 2008-09.

considerably across councils. It is important that councils consider the balance they hold in the context of any unfunded capital expenditure and in the context of guidance from the Department of the Environment (DoE) which suggests a balance of around 7.5 per cent. Councils facing financial challenge with low levels of reserves are more likely to be seen as greater risk by auditors.

1.12 Whilst the average balance held by councils in their district fund has increased sharply, the level varies

1.13 Since I published my last Annual Report in December 2012, the Audit Commission has produced guidance

Part One: Managing Resources

for local authorities in England on the management of their reserves. This report "Striking a balance: Improving councils' decision making on reserves" gives guidance to council officers on the level and type of information on reserves that they should supply to councillors. It also provides councillors with guidance on the specific areas that they should focus their attention and I recommend this publication as a good reference source.

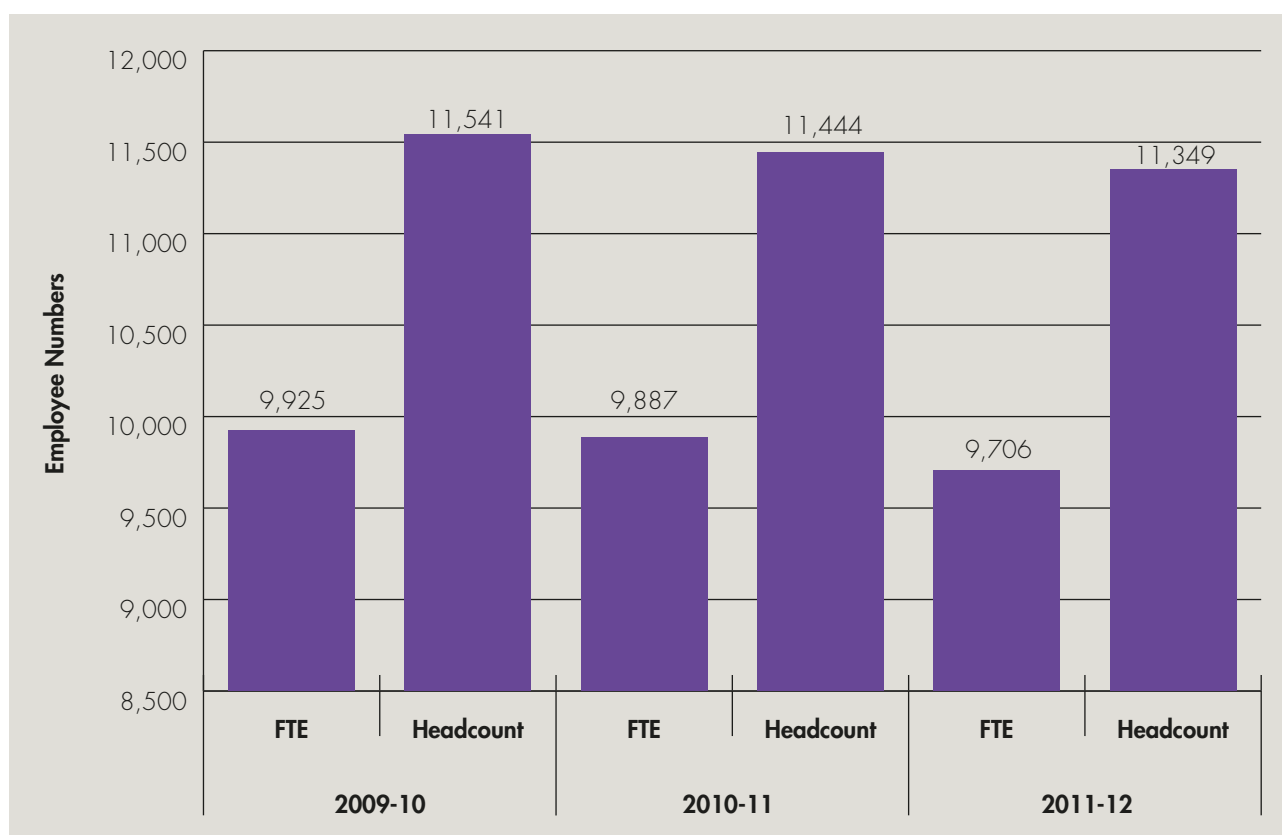
- 1.14 Councils are now operating the new provisions of the Local Government Finance Act (Northern Ireland) 2011 which are effective for the 2012-13 financial year. This gives councils greater freedom to invest surplus funds. DoE guidance recommends that these investments are based upon an Annual

Investment Strategy which should be scrutinised and approved by the full Council.

Workforce

- 1.15 Between 31 March 2011 and 31 March 2012 there was a small decrease in the number of staff employed by councils as measured by both headcount and Full Time Equivalent (FTE). FTEs declined by 1.4 per cent, as shown in **Figure 7**. This represents a greater decline than in the previous year (0.4 per cent). Headcount numbers also continued to show a decline, from 11,444 to 11,349, a reduction of just under 0.9 per cent.

Figure 7: Staff numbers in Northern Ireland councils





1.16 These relatively small variances mask larger changes in individual councils. One council had a decline in FTEs of greater than 10 per cent whilst another council had an increase of more than 10 per cent. Overall, eight councils increased staff in the year to 31 March 2011 whilst eighteen councils decreased staff.

1.17 Staff costs represent almost 37 per cent of gross expenditure in councils amounting to more than £298 million in 2011-12. This represented a small increase of 0.5 per cent from 2010-11, broadly reflective of the economic climate and associated salary freezes.

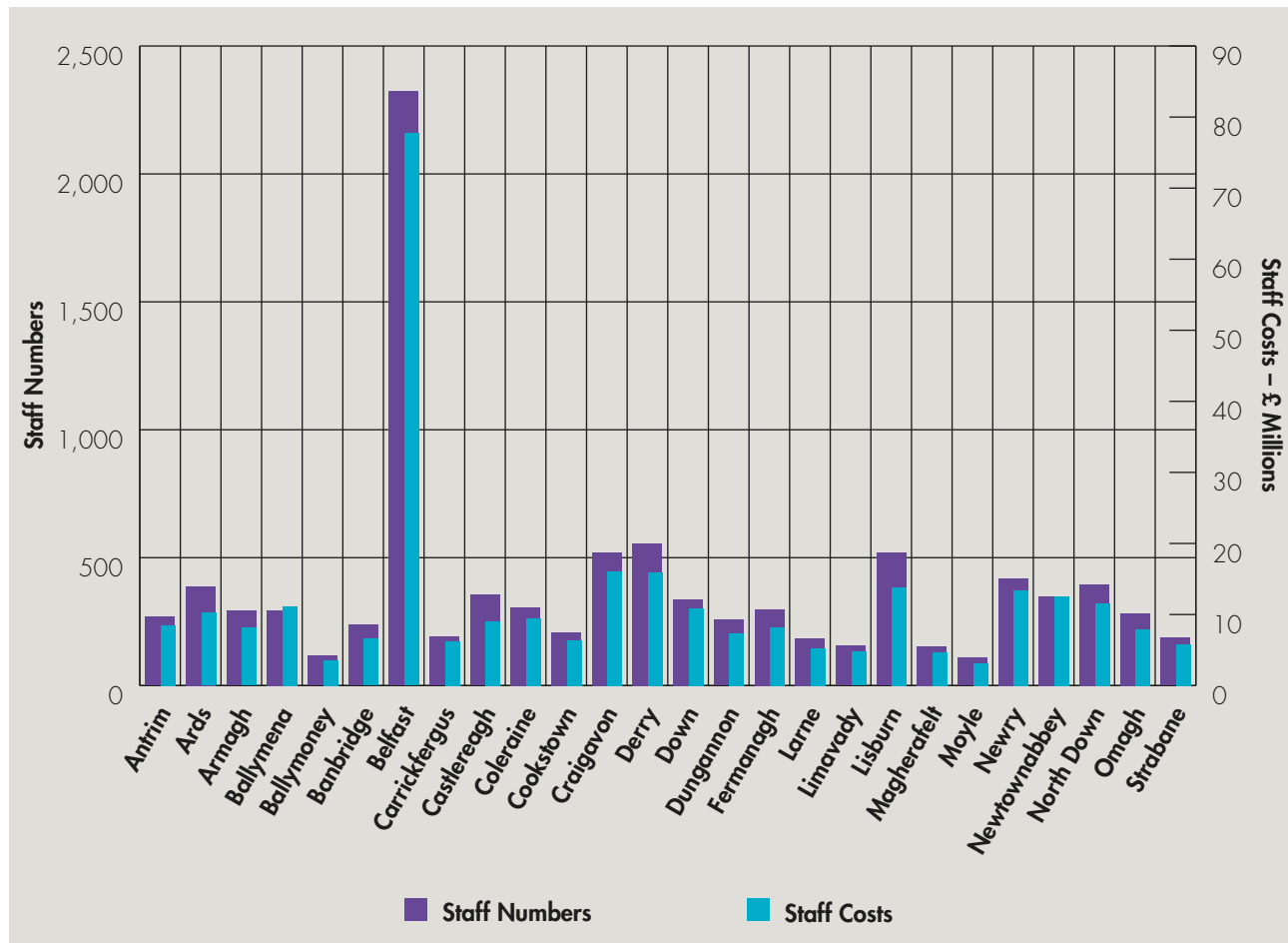
1.18 The average cost of employing a member of staff (including employers' National Insurance and superannuation contributions) in a council also increased from 2010-11. The cost changed from an average of £30,045 to an average of £30,749, an increase of 2 per cent. This masks much greater changes between councils, from an increase in average cost of 23 per cent to a decrease in average cost of 12 per cent. There are also considerable variations between councils. Differences can be influenced by various factors such as the timing of equal pay settlements.

1.19 In 2011-12, a new requirement was introduced for councils to disclose, in bands, the numbers of exit packages agreed and the cost of those packages to the council. Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs. Over the two financial years of 2010-11 and 2011-12 councils paid a total of £5.1 million in exit packages to staff.

1.20 In 2011-12, councils paid a total of 71 exit packages with a total value of £2.5 million. Whilst this represents a slight increase in the number of packages paid from 67 in 2010-11, the overall value was virtually unchanged (£2.6 million in 2010-11). Of the £2.5 million paid in 2011-12, around half of this was paid by two councils. In contrast, however, six councils paid no exit packages in either 2010-11 or 2011-12.

Part One: Managing Resources

Figure 8: Staff costs and average numbers in councils for the year ended 31 March 2012



1.21 I note that in many councils significant expenditure was incurred on the engagement of agency staff. In three councils, total agency staff costs for the year were greater than 10 per cent of annual staff costs. I have previously commented that this is significant expenditure and councils must be satisfied that they are receiving value for money and that this is the best means of providing the relevant services. I also note, however, that in eleven councils agency costs represented 2 per cent

or less of the total staff costs. Total expenditure on agency staff is virtually unchanged at £13.2 million (2010-11, £13.1 million).

1.22 Absenteeism data shows that the average sickness rate in councils in 2011-12 was 10.27 days a year compared with 2010-11 when the sickness rate was 10.89 days a year. This is discussed further at part six of this report.

Part Two: Good Governance: Annual Governance Statements



Part Two: Good Governance: Annual Governance Statements

Introduction

2.1 The production of annual governance statements is a key means of demonstrating that local government bodies are complying with the basic tenets of good governance. Annual governance statements explain the key elements in a council's governance arrangements, the process for reviewing the effectiveness of the governance arrangements and an outline of actions taken to deal with any significant governance issues.

2.2 The CIPFA/SOLACE 'Delivering good governance in local government framework' (the Framework) urged local government bodies to prepare a governance statement in order to publicly report on the extent to which they comply with their own local code of governance, including how they have monitored the effectiveness of their governance arrangements in the year and on any planned changes in the coming period.

The legislative context

2.3 The preparation and publication of an annual governance statement in accordance with the Framework, by local government bodies in Northern Ireland will satisfy the requirements of chapter 7 of the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code). The information that the Code states should be contained in the annual governance statement is set out in **Figure 9**.

2.4 In addition, Regulation 2A of the Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 requires local government bodies to have a sound system of internal control, and to review and report on these systems at least annually. The production of an annual governance statement satisfies this reporting requirement.

Figure 9: Information included in the Annual Governance Statement

The code of practice states that the following information should be included in the Annual governance statement:

- a) An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- b) An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide.
- c) A brief description of the key elements of the governance framework, including reference to group activities where the activities are significant.
- d) A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the authority; the executive; the audit committee/overview and scrutiny committee/risk management committee; standards committee, internal audit and other explicit reviews/assurance mechanisms.



- e) An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
- f) A specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)* as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*; and, where they do not, an explanation of how they deliver the same impact.

Source: *Code of Practice on Local Authority Accounting in The United Kingdom*

My review of governance statements

2.5 My review of the annual governance statements indicated that many councils stick too rigidly to the example format that was issued by DoE in its annual Accounts Direction. This approach means that, on occasion, it was difficult to distinguish between different councils' governance statements.

I recommend that guidance is adopted as just that – guidance. Governance statements should accurately reflect the local priorities and circumstances of individual Councils.

2.6 The Framework highlights that *“given that it [the annual governance statement] might be prepared before the audit is completed, it is also important that the governance statement is kept up to date at the time of publication.”*

2.7 It is important that councils review their governance statements when audits are completed and reflect upon the need to highlight additional issues or include further disclosures. In one case a council had updated its governance statement to reflect a fraud discovered after the Balance Sheet date and the subsequent review and strengthening of controls.

2.8 The Framework states that *“a good governance statement will be an honest and open self assessment of the organisation’s performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern... Moreover, the absence of any issues to report, rather than indicating a strong governance framework, may signal quite the reverse – that the governance arrangements are not as effective as they should be.”*

2.9 For the year ending 31 March 2012, three councils did not highlight any significant issues in their annual governance statements. Councils must ensure that this reflects the results of a rigorous and robust review of performance rather than a desire to avoid criticism.

2.10 In several instances, councils did not give sufficient details of the issues they had highlighted as significant. Where the description of an issue is brief, it is difficult to see how this is a transparent disclosure. I also note that guidance states that councils should provide:

Part Two: Good Governance: Annual Governance Statements

“An outline of the activities taken, or proposed, to deal with significant governance issues, including an agreed action plan.”

2.11 In my review of governance statements, few councils provided any details on the actions they would take to address significant governance issues that had been identified. Too many governance statements relied on the statement *“we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements.”* Whilst this may fulfil the letter of the requirements, I do not believe that this complies with the spirit of open and transparent disclosure.

Issues highlighted by councils in their annual governance statements

2.12 The issues highlighted most frequently as significant by councils included:

- Complications in estimating future costs of waste / landfill;
- The Review of Public Administration in Local Government;
- Absenteeism (see part six of this report);
- Weaknesses in procurement practices;
- Deficiencies in governance structures; and

- Difficulties in the management of capital programmes and projects (discussed further at part four of this report).

2.13 In the most comprehensive annual governance statements that I reviewed, councils clearly and succinctly outlined their governance arrangements and were open and transparent in disclosing significant governance issues.

In summary, I recommend that councils:

- Clearly and succinctly outline their governance arrangements; and
- Are open and transparent in disclosing significant governance issues, including adequate detail on the action plans in place to deal with these issues.

Part Three: Fraud and Whistleblowing



Part Three: Fraud and Whistleblowing

Fraud and Whistleblowing

3.1 As part of my 2011-12 audits, councils were asked to complete a short assessment on the management of fraud matters. I am encouraged to see that most councils have anti-fraud and corruption policies and procedures in place. It is important that these policies are embedded into the culture of each council through increased fraud awareness training for all staff and ensuring that information on fraud prevention and detection is accessible to all. One council does not have a whistleblowing policy. It states in its annual governance statement that one is currently being prepared for approval by Council.

Whistleblowing

3.2 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.

3.3 The C&AG recently published two reports which contain important lessons on how public bodies should handle whistleblowing complaints.

- The Report on 2011-12 Accounts of the Northern Ireland Fire and Rescue Service (NIFRS)² identified the mishandling of complaints made by a whistleblower. Although whistleblowing procedures were in place within the NIFRS, these were not operating effectively.
- The Report on the Review of an Investigation of a Whistleblower Complaint by the Department for Regional Development (DRD)³ found that the investigation took over four years to reach a conclusion and failed to apply professional investigative standards.

3.4 The conclusions reached by investigations will not always substantiate a whistleblower's concerns. In order to give assurance to interested parties that conclusions are sound, a council must be able to demonstrate that an investigation has been carried out in an objective, open and professional way. The C&AG's review of a whistleblower complaint in DRD developed a list of guiding principles that should be applied to any investigation:

Guiding principles for the investigation of whistleblowing complaints

i. **An investigation must be completely objective**

Independence and the objectivity it promotes is a basic good practice feature of whistleblowing investigations

2 DHSSPS: Report on 2011-12 Accounts of the Northern Ireland Fire and Rescue Service, Report by the Comptroller and Auditor General, Northern Ireland Audit Office, 8 April 2013.

3 Department for Regional Development: Review of an Investigation of a Whistleblower Complaint, Report by the Comptroller and Auditor General, Northern Ireland Audit Office, 12 February 2013.



and not just those of alleged fraud, impropriety or irregularity. All members of an investigation team, including its leader, should be totally independent of the business unit under investigation. Investigators must conduct their work in accordance with the highest standard of public principles, but particularly objectivity. This applies equally to those being investigated and those making complaints.

ii. An investigation should be well-planned

The key to good investigation is planning. This is essential to ensure that the investigation is carried out in a professional manner, resources are identified, methodologies determined and sources of evidence are identified and safeguarded. Terms of reference should be established to set the boundaries for the investigation and to help determine when the investigation can be concluded.

iii. Allegations should be addressed in a timely and prompt manner

It is important that, when a public body recognises the need to investigate allegations made by whistleblowers, those investigations should be undertaken in a timely and prompt manner.

iv. The organisation should engage with the whistleblower and manage their expectations

As part of any effective investigation of a whistleblowing complaint, the body conducting the investigation should seek regular pro-active liaison with the whistleblower. This helps to:

- avoid misunderstandings on the nature and gravity of allegations;
- address unrealistic expectations of whistleblowers; and
- avoid the belief by the whistleblower, when there is a delay in the investigating process, that the investigating body is involved in a cover-up or conspiracy, or is deliberately obfuscating because it has something to hide.

v. There should be a good system of records management

Those conducting the investigation should maintain and store a systematic record of all potentially relevant sources of evidence, their location, those examined, information gathered, and the timeframe within which these actions took place. This provides assurance about the management of the progress of an investigation.

Part Three: Fraud and Whistleblowing

vi. A good investigation will use forensic audit techniques

The investigation of whistleblowing allegations should be characterised by a rigorous application of professional skill and diligence, to enable investigators to demonstrate that they have got to the heart of the matter. The forensic audit techniques adopted and the way they are used are a means to an end. Forensic audit is the application of accounting methods to the tracking and collection of forensic evidence. An example of forensic audit is the investigation of cases of suspected fraud so as to prove or disprove the suspicions and if they are proven, to identify the persons involved, support the findings by evidence and present the evidence in an acceptable format, in any subsequent criminal or disciplinary proceedings.

vii. Evidence should be collected to a sufficient standard

At the start of an investigation, a planning document should clearly state how evidence is to be handled. This should include the evidential standard that is to be applied (for example criminal, civil and/or disciplinary) to enable appropriate sanctions to be applied.

viii. All allegations must be adequately investigated

It is important that all allegations made by whistleblowers relating to the proper conduct of public business are rigorously evaluated and, where warranted, thoroughly investigated to the fullest

extent required by the substance and nature of the complaint made.

ix. Senior management must be kept fully up-to-date on the progress of an investigation

The Management Board, Audit Committee and senior management of the body with responsibility for the area under examination need to be kept informed of all serious allegations, the terms of reference of investigations, their progress and outcomes.

x. An investigation should always consider relevant findings from any previous work

In planning an investigation, investigators should always have an awareness of previous investigations that may be relevant, as findings based on work of a professional standard represent good evidence. The planning stage should also involve ascertaining if there are any other reports, investigations or concerns raised by others that could be relevant to the allegations being investigated. Investigators should not make the assumption that the findings will repeat or be similar to those of previous investigations, but if non-compliance is found, then the relevance of the work and findings of the previous investigation must be considered.

3.5

I would encourage all local government bodies to take account of these guiding principles when investigating whistleblowing complaints.



- 3.6 The Local Government Auditor within the Northern Ireland Audit Office has been prescribed as a person to whom protected disclosures can be made under the *Public Interest Disclosure (NI) Order 1998*.
- 3.7 In 2011-12 I received a significant number of whistleblowing complaints. Often I refer these to the relevant council to investigate and provide me with a report on their findings. I am aware also that most councils receive whistleblowing complaints in line with their own policies.

Part Four:
The Management of Major Capital Projects



Part Four: The Management of Major Capital Projects

The Management of Major Capital Projects

4.1 Total capital expenditure in councils in the financial year 2011-12 amounted to more than £91 million. Given the current economic climate, it is vital that councils maximise value for money from their capital expenditure through efficient and effective delivery of capital projects while controlling costs. A number of councils included the management of major capital projects as a significant governance issue in their annual governance statements. (See part two)

4.2 The C&AG published a report in March 2013 which reviewed how the Department of Culture, Arts and Leisure managed a series of major capital projects⁴. The Report focussed on three key areas identified as the source of cost and time overruns:

- Changes to scope and specification of the project outlined in the original business case;
- Construction cost inflation exacerbated by delays in project delivery; and
- Unclear project scope, objectives and benefits resulting in time and cost estimates that were not robust

His report emphasised the need for effective project governance encompassing a culture, strategy and structure of accountability, authority, processes and controls aimed at

delivering quality, controlling costs, meeting schedules and reducing waste and abuse.

4.3 Whilst the C&AG's report considered arrangements in central government, it is clear that many of these lessons are relevant across all public bodies in Northern Ireland. The concerns highlighted in his report are important issues that all councils must consider when embarking upon their capital programme.

Greenvale Leisure Centre, Magherafelt

4.4 In my annual audit of Magherafelt District Council I reviewed the refurbishment of Greenvale Leisure Centre in Magherafelt. The final cost of the construction project, as provided by project architects at the time of the audit was approximately £9.2 million. This represents a 125% increase of the original contract price of £4.1 million. The increase was as a result of a number of variations, including:

- The installation of a 50m swimming pool, replacing the planned 25m pool;
- Changes to wet-side changing rooms; and
- The installation of two biomass boilers.

4 Department of Culture, Arts and Leisure: Management of Major Capital Projects, Report by the Comptroller and Auditor General, 22 March 2013.



4.5 These substantial variations to the scope of the project were made after the contract had been awarded and the contractor had started work on site. Such changes would suggest that there were weaknesses in the original scoping and business case of the project. Management considered the rates obtained from the contractor were very competitive but with such a high level of additional works, in my opinion, the Council cannot demonstrate that the full project delivered has been subject to a competitive procurement and represents value for money. Once a contract price has been agreed, significant changes to the project are likely to be costly, disruptive and impact value for money.

4.6 I am concerned that such a substantial scope change was made three months into the contract period. I am also concerned that the Council could not provide evidence to support the decision to re-scope the project as there was no new economic appraisal. I have no assurance that the decision represents value for money and there was no evidence that the Council had satisfied itself that it was not in breach of procurement regulations.

4.7 In my annual audit I also noted concerns around the Council's procurement and installation of two Biomass boilers in Greenvale Leisure Centre. I found a lack of evidence that the procurement exercise was undertaken competitively and with independence. I also found that whilst two boilers were purchased and installed, it is economically

advantageous for the Council to operate only one boiler.

4.8 I may undertake a more detailed review of this project and report further in due course. In the meantime, I draw attention to the following extract from the Procurement Guidance Note PGN 01/12 issued by the Central Procurement Directorate:

Central Procurement Guidance Note PGN 01/12

“Changes may be required during the period of a contract, particularly in the case of large, complex, construction and service contracts. Legal issues may arise if the value or scope of the contract is either reduced or increased significantly. In the case of an increase, Departments should consider carefully whether a change is likely to significantly affect the scope of the original contract as this could be viewed as constituting a new contract, which has effectively been awarded without a competition. Moreover, the changes made to UK Procurement Regulations as a result of the implementation of the Remedies Directive, could result in the revised contract being declared ineffective (i.e. cancelled) if it is found to have been varied to the point of being materially different from the original contract. Managing the change control regime will help ensure continued compliance with the original scope of the contract and ensure a new contract is not formed.”

Part Four: The Management of Major Capital Projects

Good practice guidance

- 4.9 In March 2013, Audit Scotland published a report *Major Capital Investment in councils*⁵. The report found that councils completed two-fifths of projects examined within the initial cost estimate and only one-fifth within the initial time estimate. Estimating improved significantly as projects advance, plans became clearer and contracts were awarded. As part of that report Audit Scotland published a *Good Practice Guide – major capital investment in councils* and a *Checklist for project managers*. Both of these are available at www.audit-scotland.gov.uk

5 *Major capital investment in councils*, prepared by Audit Scotland, Accounts Commission, March 2013.

Part Five:
General Matters



Part Five: General Matters

General Matters

- 5.1 Following the conclusion of the audit of council accounts, I provide an annual audit letter (AAL) and a report to those charged with governance. These detail the results of my audits, agreed actions by management to address issues raised and any issues that have arisen during their course.
- 5.2 Councils are required by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 to publish the AAL. This is normally done by the council making the document available on its website.
- 5.3 From AALs, I have identified a number of common themes that have been brought to my attention during the audits of councils over the course of the year, including:
- Disclosure of fixed assets at fair value;
 - Weaknesses within purchasing and procurement;
 - Issues in making timely and full declarations of interest; and
 - Arrangements for the review of effectiveness of the system of internal audit.

Valuations of Land and Property

- 5.4 One area of difficulty which arose during the course of my audits related to the valuations for land and property assets. All councils are required to disclose the assets at fair value. In the years between mandatory five year revaluations of land and buildings, councils decided the best way to reflect fair value was to use indices supplied to them by Land and Property Services. This is a common practice in public sector accounting.
- 5.5 My audits sought to ensure that the carrying amount determined for land and buildings at 31 March 2012 was in accordance with applicable guidance as the incorrect application of indices may result in material misstatements on a council's balance sheet. Following clarification on the application of indices, it was established that their application was initially carried out incorrectly. Councils therefore had to re-perform this work which resulted in significant material adjustments being made to the figures presented for audit for the year ended 31 March 2012. Councils adjusted their accounts which enabled me to give unqualified audit opinions on true and fair view. In the main this was achieved prior to 31 October 2012.



5.6 This situation involved considerable discussion, liaison and communication between my staff, representatives of the local government sector and individual councils. All parties have been encouraged to consider any lessons to be learned from this challenging experience and my staff have engaged further with each council during the planning of audits for 2012-13 to address any remaining concerns and ensure the matter does not re-occur.

Procurement

5.7 I raised concerns in my last Report on the need for appropriate procurement arrangements to be in place and the importance of monitoring contractor performance. I highlighted that without a sufficiently rigorous tendering procedure, it is difficult for councils to demonstrate they are achieving value for money. I also stressed the importance for councils to regularly review their procurement guidance to ensure that it remains relevant and captures the key elements of best practice.

5.8 In several instances, councils have identified that a lack of procurement expertise or weaknesses within their procurement processes represent significant risks that will have to be addressed.

5.9 As a result of my audit work, I was concerned to note several instances of poor procurement practice. For example, in one council, I discovered that there was no contract for the provision of leisure equipment by a private company. During the year equipment with a value of more than £600,000 was procured. In another instance, there was no contract for the provision of video and entertainment machines by a private company, in return for a share of the takings at a council leisure facility. Payments during the year amounted to almost £40,000. The equipment had initially been supplied during 2005, on a one year contract.

5.10 Procurement remains an important issue that all councils must keep under review.

Declaration of Interests

5.11 Procedures for declaring, registering and managing interests should be improved. This has been a common theme in annual reports of the Chief Local Government Auditor in recent years and there remains a need for further improvement in the timeliness and completeness of declarations.

Internal Audit

5.12 Four councils failed to carry out an annual review of the effectiveness of the system of internal audit as required under the Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006.

Part Five: General Matters

5.13 An annual review of the effectiveness of internal audit should form a key part of council's assurance that their system of internal control is operating effectively. All councils must comply with the legislative requirements to undertake this annual review.

North Down Borough Council

5.14 In 2011, the Commissioner for Complaints NI (the Ombudsman) published a report which detailed a complaint against North Down Borough Council. The Ombudsman had received a complaint from a landscape gardener who had been charged for the disposal of household waste at the Council's recycling centre. Following a complaint to the Council, the complainant was refunded but was unhappy with how the Council had handled his complaint and the lack of an explanation or apology.

5.15 The Ombudsman's investigation identified "a gap in the legislation in Northern Ireland" which meant "that the Council was unable to charge for the deposit of household waste, irrespective of who deposits the waste at their recycling centre." The Ombudsman "noted with concern that the Council had been charging commercial users such as the complainant to dispose of household waste when they had no authority to do so. The decision to charge or not for the deposit of waste must be based on the nature of the waste and ... not by reference to any blanket policy or the occupation of the person delivering the waste."

5.16 The Ombudsman's investigation identified maladministration by the Council. This included delays in its handling of the complaint and the lack of an apology or explanation from the Council. The Ombudsman recommended that the Chief Executive should apologise to the complainant and make a consolatory payment of £250 in recognition of the inconvenience caused. The Council accepted these recommendations.

5.17 The Ombudsman also recommended that the Council should make arrangements to advise members of the public that no charge would be levied for the disposal of household waste and that a refund should be offered to others who had been incorrectly charged.

5.18 The Council told me that it made refund payments totalling £129,000. I would encourage all Councils to consider the lessons learned from this case.

Moyle District Council

5.19 In 2012, Moyle District Council undertook work to examine utility bills for charges that it had incurred. As a result of this work, the Council was able to claim refunds related to overcharging. Examples included:

- Water rates, which include a charge relating to 'return to sewerage'. The Council maintains a number of facilities from which the water does not return to mains sewerage but



rather filters off. The Council therefore had been incorrectly charged for this service and were able to claim refunds for a period of 6 years; and

- Water rates had been paid for two caravan sites. The facilities, which are for public usage, should not have been charged water rates.

5.20 The Council advised me that it received refunds totalling almost £40,000. I would encourage other Councils to consider the lessons from this case.

Part Six:
Absenteeism



Part Six: Absenteeism

Absenteeism in Northern Ireland Councils

6.1 Historically, my work on absenteeism has identified variations across councils, and highlighted the proportion of absenteeism attributable to stress related absence. This work also noted that the management of absenteeism varies between councils, and it is important that those with high and rising absenteeism rates should review their own management practices and benchmark these against councils with low and falling absenteeism rates.

6.2 Over the years, the level of absenteeism across the local government sector as a whole has gradually reduced, resulting in a beneficial increase in productivity. Continuing this trend will be even more important given the current economic environment.

6.3 Attendance management policies and procedures should now be embedded across the sector, and I have continued to collect absenteeism statistics for each council.

6.4 My AALs for 2010-11 and 2011-12 contained an unaudited summary of the results of each council's absenteeism statistics for the year, alongside trends over a six year period. I have summarised the results in **Figure 10**. This reveals that levels of absenteeism have continued to reduce, with 16 of the 26 councils reporting improved performance from 2010-11.

6.5 The average sickness rate in 2011-12 was 10.27 days a year compared with

10.89 days the previous year. I will continue to collect data on absenteeism and report on it as part of future individual audits of councils. I will also keep in view the benefits of a further detailed study at a future point.

6.6 In April 2013, the C&AG published a report on sickness absence in the public sector⁶, which highlighted that current rates of absence in the Northern Ireland Civil Service are 10.7 days per year. This is marginally higher than the average rate for councils. The recommendations made by the C&AG included:

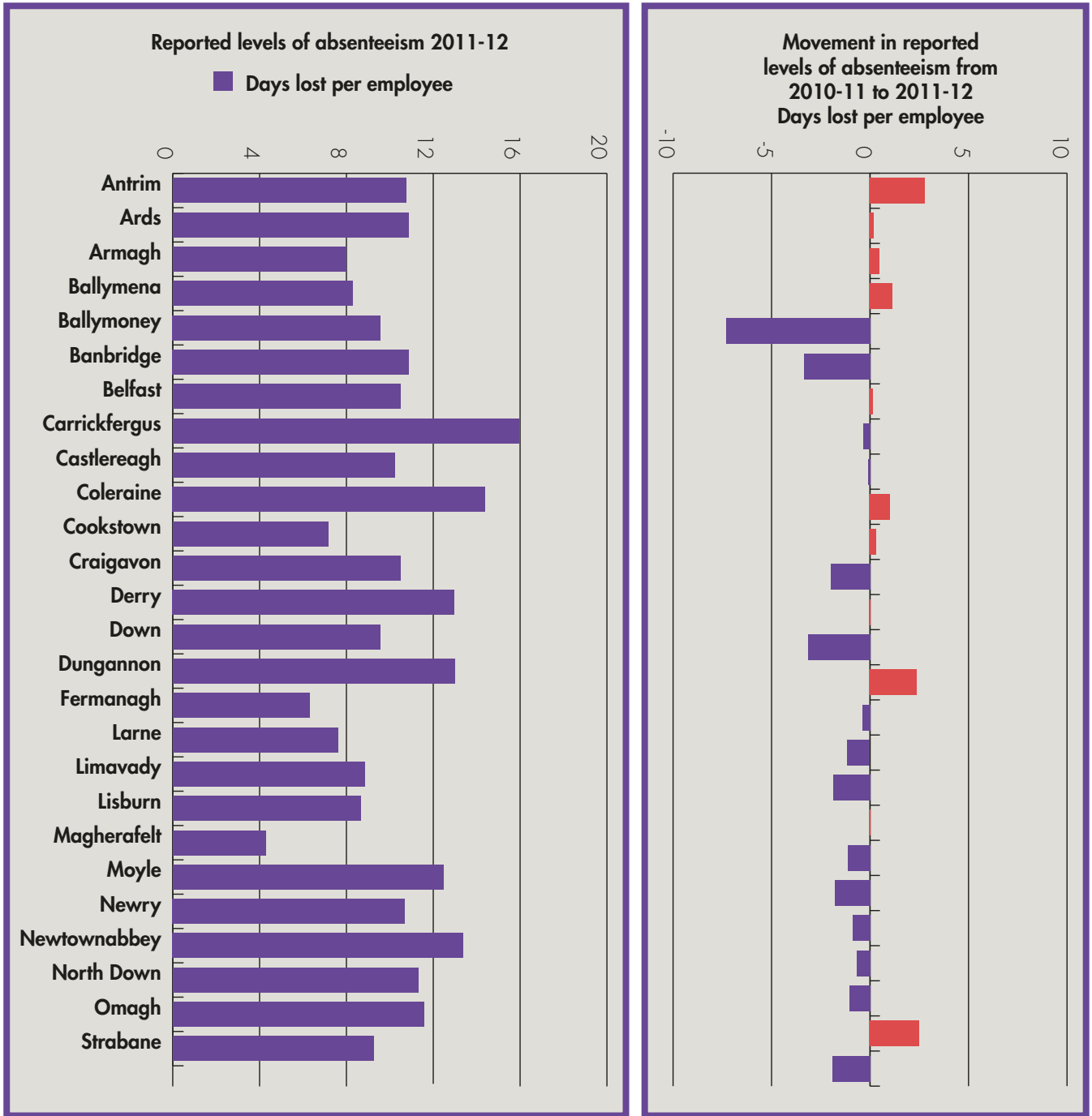
- Target setting is an important part of the overall management of sickness absence;
- Particular attention needs to be focused on reducing long-term sickness absence levels, as a result of its significant impact on overall sickness absence levels; and
- The information systems for measuring and reporting on sickness absence performance must be sound and fit for purpose.

6.7 Given the proposed restructuring of local government in Northern Ireland, it is a period of uncertainty for councils and their staff given potential significant changes. Therefore it is important that councils rigorously manage absence to ensure that staff welfare is protected and that the delivery of front line services is not adversely affected by increasing absenteeism.

⁶ Sickness Absence in the NI Public Sector, Report by the Comptroller and Auditor General, Northern Ireland Audit Office, 23 April 2013.



Figure 10: Absenteeism in Northern Ireland Councils 2010-11 and 2011-12



Source: Northern Ireland Councils (unaudited)

Part Seven: Prompt Payment



Part Seven: Prompt Payment

Prompt Payment

7.1 This section includes a comparison of councils' prompt payment performance with Central government bodies, Health and Social Care Trusts, Education and Library Boards, and 22 Arm's-length bodies (ALBs)⁷ and Non-Departmental Public Bodies (NDPBs).

Legislation

7.2 Public sector organisations are required to pay invoices promptly. They are bound by the Late Payment of Commercial Debt (Interest) Act 1998 (as amended by the Late Payment of Commercial Debts Regulations 2002). This provides suppliers with a statutory right to claim interest and compensation on late payments of commercial debt. Payment is regarded as late if made outside the agreed terms, or 30 days after receipt of a valid invoice where no terms are agreed.

7.3 From 16 March 2013, an EU Directive on Combating Late Payment in Commercial Transactions⁸ was implemented through the Late Payment of Commercial Debts Regulations 2013. These regulations apply to all contracts made from 16th March 2013 onwards⁹. As a result of the regulations, all public bodies are required to pay suppliers for goods or services received within 30 days of receiving an undisputed invoice.

7.4 In my report in December 2012, I noted the concerns highlighted by the Finance Minister regarding main contractors being paid promptly by public bodies but not passing payments on to subcontractors in good time. In October 2012, the Assembly approved legislation¹⁰, which aims to protect subcontractors from unacceptable payment practices by main contractors. In January 2013, the Finance Minister announced the introduction of Project Bank Accounts¹¹ for government construction contracts awarded by Central Procurement Directorate (CPD) on behalf of government departments. From January 2013, these accounts have formed part of the conditions for contracts with an estimated value of £1 million and over and where there is a significant subcontracting element. I believe that this is a positive measure to tackle the issue of prompt payment through supply chains. As stated last year, I consider it important that all public sector bodies including councils should follow CPD guidance for higher value contracts where there is a significant subcontracting element.

Disclosure of Performance

7.5 All councils have included a prompt payment note in their accounts from 2009-10 onwards. In June 2012, DoE issued guidance¹² recommending that councils work towards the Department

7 Our definition of Arm's -length body includes Non-Departmental Public Bodies (NDPBs).

8 EU Directive 2011/7/EU.

9 DAO (DFP) 04/13.

10 This legislation updates the Construction Contracts (Northern Ireland Order) 1997.

11 A Project Bank Account is a legally ringfenced and protected bank account from which payments are made directly and simultaneously to all members of the supply chain.

12 Circular LG 17/12.



of Finance and Personnel (DFP) targets. These targets require all public bodies to pay suppliers, where possible, within 10 working days of receiving a valid invoice. In April 2013 DoE directed that councils include a specific note on prompt payment in their accounts for 2012-13.

7.8 The methodology for calculating prompt payment performance is:

$$(a / b) \times 100$$

Where: **a** = Number of invoices paid within X days of receipt of a valid invoice (where X is 30 calendar days or 10 working days); and

b = Total number of valid invoices paid

Summary of Findings

7.6 In 2012-13 councils processed over 295,000 invoices to suppliers. This represents an increase of around two per cent on the number of invoices processed in 2011-12. Overall, councils have reported significant improvements in paying valid invoices within the 30 day and 10 day targets. However, with an average of 37 per cent of all invoices being paid within 10 working days, the performance still falls well behind other sectors.

7.9 Whilst overall councils have processed more invoices in 2011-12 compared to 2010-11, there was variation across the sector. Reductions in the numbers of invoices being processed by individual councils may be a contributory factor leading to improvements in prompt payment performance in some councils. However, I have identified instances where there have been significant improvements in performance despite there being an increase in invoices processed.

7.7 Last year the C&AG reported¹³ that prompt payment information was not being calculated and reported on a consistent basis across the public sector. His review of prompt payment information this year has found that while there has been a slight improvement, many bodies only publish 30 day figures, others 10 day figures and some report on both. I note that the DoE direction for 2012-13 now requires councils to report on both.

Overview of Northern Ireland Sectors

Performance against 30 Day Target

7.10 The performance of central government bodies, ALBs, health bodies, education bodies and councils against the 30 day target is varied. The averages for each sector are set out in **Figure 11**.

13 Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland – 2012, Northern Ireland Audit Office, 26 November 2012.

Part Seven: Prompt Payment

Figure 11: Comparison of 30 day payment performance across the Northern Ireland Public Sector

Sector	2011-12 Sector Average %	2012-13 Sector Average %	Movement %
Central government bodies	97	97	-
ALBs	90	91	+1
Health bodies	89	87	-2
Education bodies	86	88	+2
Councils	71	81	+10

Source: *General Report by the Comptroller and Auditor General for Northern Ireland 2013*

7.11 Central government bodies had the best prompt payment performance in both years, paying an average of 97 per cent of invoices in both 2011-12 and 2012-13.

7.12 ALBs have shown a marginal improvement, increasing the average number of valid invoices paid within 30 days to 91 per cent in 2012-13 from 90 per cent in 2011-12. Whilst individual ALBs have achieved performances similar to central government bodies, overall these bodies are processing six per cent fewer invoices within 30 days than central government bodies.

7.13 The health and education sectors have reported a similar level of performance in 2012-13. While the education sector has improved its performance to 88 per cent, the health sector has reported an overall two per cent decline in 2012-13 compared to its 30 day payment performance in 2011-12.

7.14 Councils on average have significantly improved on their payment performance, paying 10% more valid invoices within 30 days. However, they remain the poorest performers in achieving the 30 day target in comparison to the other sectors.

Performance against 10 Day Target

7.15 A comparison of the average 10 day payment performance by sector is detailed at **Figure 12**.



Figure 12: Comparison of 10 day payment performance across the Northern Ireland Public Sector

Sector	2011-12 Sector Average %	2012-13 Sector Average %	Movement %
Central government bodies	88	90	+2
ALBs	72	76	+4
Health bodies	55	56	+1
Education bodies	55	59	+4
Councils	27	37	+10

Source: *General Report by the Comptroller and Auditor General for Northern Ireland 2013*

7.16 As with the 30 day target, central government bodies were once again the best performers in achieving the 10 day target. Average performance across the sector has improved by two per cent, with an average of 90 per cent of valid invoices paid within 10 working days in 2012-13.

7.17 ALBs had the second best payment performance in terms of the 10 day target in both years, improving performance against the target by four per cent between 2011-12 and 2012-13 to 76 per cent. The 10 day performance noted by the education bodies has increased by four per cent from 55 to 59.

7.18 Whilst the health sector showed a decline in its performance against the 30 day target, it showed a slight improvement in its performance against the 10 day target in 2012-13. On average 56 per cent of valid invoices were paid within 10 working days, one per cent more than in 2011-12.

7.19 Councils have reported a significant improvement at the 10 day target, paying 10 per cent more valid invoices within 10 days in 2012-13 than in 2011-12. However, with an average of 37 per cent of all valid council invoices being paid within 10 working days, the performance falls well behind other sectors.

Average Number of Invoices Paid Per Body

7.20 **Figures 13 and 14** summarise the average number of invoices paid in 2011-12 and 2012-13, per body, in each sector.

7.21 In both years, bodies in the health and education sectors paid the highest number of invoices on average, per body. Councils on average paid significantly fewer invoices, per body, than the other organisations, yet had the lowest performance at both prompt payment targets compared to the other sectors.

Part Seven: Prompt Payment

Figure 13: Annual invoices paid on average per body in each sector 2011-12

	Average Annual No. Of Invoices Paid per Body
Central government bodies	18,289
ALBs	41,168
Health bodies	79,110
Education bodies	94,984
Councils	11,096

Source: General Report by the Comptroller and Auditor General for Northern Ireland 2013

Figure 14: Annual invoices paid on average per body in each sector 2012-13

	Average Annual No. Of Invoices Paid per Body
Central government bodies	16,632
ALBs	42,230
Health bodies	81,657
Education bodies	86,649
Councils	11,371

Source: General Report by the Comptroller and Auditor General for Northern Ireland 2013

Councils' Performance

Performance against 30 day Target

7.22 **Figure 15** sets out councils' performance against the 30 day target.



Figure 15: Percentage of valid invoices paid within 30 days by councils

Council	Invoices Paid within 30 Days (%) 2011-12	Invoices Paid within 30 Days (%) 2012-13	Movement
Antrim ¹	32	54	+22
Ards	89	87	-2
Armagh	91	95	+4
Ballymena	91	89	-2
Ballymoney ¹	36	81	+45
Banbridge ¹	63	66	+3
Belfast ⁴	80	80	-
Carrickfergus	Not available ²	67	N/A
Castlereagh	Not available ²	96	N/A
Coleraine	64	80	+16
Cookstown	98	98	-
Craigavon ¹	48	68	+20
Derry	69	75 ³	+6
Down	51	80	+29
Dungannon & S Tyrone	90	94	+4
Fermanagh	84	77	-7
Larne	68	71	+3
Limavady	58	84	+26
Lisburn	83	87	+4
Magherafelt ¹	99	97	-2
Moyle	48	75	+27
Newry & Mourne	48	72	+24
Newtownabbey	77	87	+10
North Down	83	85	+2
Omagh	75	78	+3
Strabane	89	84	-5

Source: Northern Ireland Councils (Unaudited figures)

- 1 These Councils calculated their 2011-12 figures using the invoice date rather than received date.
- 2 Figures are unavailable as Councils' finance systems were not capable of running a report for the necessary prompt payment information.
- 3 2012-13 figure based on working days rather than calendar days.
- 4 Belfast City Council has no way of distinguishing between disputed / non disputed invoices therefore figures may be negatively affected by inclusion of disputed invoices in the calculations.

Part Seven: Prompt Payment

7.24 Most councils have improved or maintained their performance in paying valid invoices within 30 calendar days. The higher performing councils across both years were Cookstown (98 per cent in both 2011-12 and 2012-13) and Magherafelt (99 per cent in 2011-12 and 97 per cent in 2012-13).

7.25 A number of councils have made significant improvements since 2011-12. Ballymoney increased the percentage of valid invoices paid within 30 days in 2012-13 by 45 per cent, paying 81 per cent of valid invoices, a significant turnaround from 2011-12 when it paid 36 per cent. Limavady increased its percentage by 26 per cent, paying 84 per cent of valid invoices within the target compared to 58 per cent in 2011-12. Moyle reported a similar improvement, with a 27 per cent increase, paying 75 per cent of valid invoices within 30 days in 2012-13 compared to 48 per cent in 2011-12.

7.26 Carrickfergus and Castlereagh were unable to provide details of prompt payment performance in 2011-12 in the required format. This information is now being collected and reported.

Performance against 10 Day Target

7.27 Figure 16 outlines the performance of councils at paying valid invoices within the 10 working day target.



Figure 16: Percentage of valid invoices paid within 10 days by councils

Council	Invoices Paid within 10 Days (%) 2011-12	Invoices Paid within 10 Days (%) 2012-13	Movement
Antrim ¹	6	14	+8
Ards	64	53	-11
Armagh ²	32	41	+9
Ballymena ²	28	42	+14
Ballymoney ¹	4	17	+13
Banbridge ¹	36	28	-8
Belfast	47	45	-2
Carrickfergus	Not available ³	24	N/A
Castlereagh	Not available ³	36	N/A
Coleraine ²	6	29	+23
Cookstown ²	53	63	+10
Craigavon ¹	10	19	+9
Derry	39	37	-2
Down	35	30	-5
Dungannon & S Tyrone ²	39	63	+24
Fermanagh ²	30	34	+4
Larne	18	27	+9
Limavady	10	22	+12
Lisburn ^{1 2}	15	43	+28
Magherafelt ^{1 2}	39	52	+13
Moyle	11	30	+19
Newry & Mourne	5	12	+7
Newtownabbey	36	59	+23
North Down	47	68	+21
Omagh	26	44	+18
Strabane ²	23	24	+1

Source: Annual Accounts and information from Northern Ireland Councils

- 1 These Councils calculated their 2011-12 figures using the invoice date rather than received date.
- 2 The 2011-12 10 day figures have been calculated on a calendar day basis rather than working day.
- 3 Figures are unavailable as Councils' finance systems were not capable of running a report for the necessary prompt payment information.

Part Seven: Prompt Payment

7.28 The majority of councils have reported an improved performance in 2012-13 compared to 2011-12. A number of councils improved by more than 20 per cent in 2012-13 – Ballymoney (45 per cent), Lisburn (31 per cent) Coleraine (23 per cent), Dungannon and South Tyrone (24 per cent), Newtownabbey (23 per cent) and North Down (21 per cent).

7.29 The highest performing Councils in 2012-13 were North Down (68 per cent), Dungannon and South Tyrone (63 per cent) and Cookstown (63 per cent). The Councils paying the lowest percentage of valid invoices within the target in 2012-13 were Newry and Mourne (12 per cent), Ballymoney (17 per cent) and Craigavon (19 per cent).

7.30 Ards, which had the best record in 2011-12, reported a decline in 2012-13, paying 53 per cent of valid invoices within 10 working days in 2012-13 compared to 64 per cent in 2011-12.

Number of Invoices Paid by Councils

7.31 Figure 17 shows the number of invoices paid by each council in 2011-12 and 2012-13. Overall the number of invoices paid across the local government sector increased by two per cent to 295,648.



Figure 17: Total number of invoices paid by councils in 2011-12 and 2012-13

Council	Number of Invoices Paid in 2011-12	Number of Invoices Paid in 2012-13	Increase / Decrease (%)
Antrim	10,209	10,193	-1
Ards	12,224	12,034	-2
Armagh	10,043	10,406	4
Ballymena	11,406	11,700	3
Ballymoney	5,315	5,811	9
Banbridge	5,090	6,527	28
Belfast	52,317	53,340	2
Carrickfergus	6,333	6,104	-4
Castlereagh	12,113	11,793	-3
Coleraine	12,306	9,498	-23
Cookstown	6,009	6,231	4
Craigavon	12,806	12,266	-4
Derry	21,826	23,108	6
Down	10,795	13,094	21
Dungannon & S Tyrone	5,546	6,205	12
Fermanagh	9,391	10,301	10
Larne	5,080	5,012	-1
Limavady	6,579	7,238	10
Lisburn	12,634	13,371	6
Magherafelt	6,475	6,355	-2
Moyle	3,172	3,401	7
Newry & Mourne	14,029	13,724	-2
Newtownabbey	15,782	17,332	10
North Down	10,217	10,571	3
Omagh	6,087	5,700	-6
Strabane	4,706	4,333	-8
TOTAL	288,490	295,648	2

Source: Northern Ireland Councils (unaudited figures)

Conclusion

7.32 Overall, councils have made progress in terms of prompt payment performance since 2011-12. However there remains much work to be done in order to reach the standard reported by central government.

Part Eight: Local Government Reform



Part Eight: Local Government Reform

Local Government Reform

- 8.1 The Local Government Bill was introduced into the Northern Ireland Assembly on 23 September 2013. The Second Stage debate was completed in October and subsequently the legislation has proceeded to the Committee Stage.
- 8.2 The Bill provides for a reduction in the number of local councils from 26 to 11. It forms the legislative basis for the local government reform programme that will impact on every aspect of the operation of 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 effectively and efficiently council services are delivered to people. The legislation will introduce new governance arrangements for councils, a new ethical standards regime, new council-led community planning process, a general power of competence, performance improvement to deliver high quality and efficient services, establish a partnership panel and end dual mandate. The Bill provides that I will undertake a new additional external assurance role in establishing if a council has complied with the requirements of the performance improvement framework.
- 8.3 The Bill also makes transitional provisions to provide for the transfer of staff, assets and liabilities etc from the current councils to the new councils, and from departments transferring functions to the new councils.
- 8.4 The Local Government (Statutory Transition Committee) Regulations were approved by the Assembly on 1 July 2013. The role of the Statutory Transition Committees (STC) is to gather information, consider and advise on matters relevant to ensuring that the new councils are able to adopt their full range of powers and functions from 1 April 2015. They will also take forward work on corporate and financial planning, including the preparation of a draft budget and a draft corporate and business plan for the new councils. Each will be required to appoint a Chief Executive for its new council. The STCs will be subject to audit by me in 2014.
- 8.5 Prior to the new councils coming into effect, there will be 'shadow' councils. These 'shadow' councils will appoint senior staff, strike rates and approve business and financial plans for the new councils taking on full powers and responsibilities in April 2015. Elections to the 'shadow' councils are expected to take place in 2014. It is anticipated that the shadow councils will also be subject to audit by me.
- 8.6 My staff continue to engage with the Department of the Environment on the progress and implications of the reform plans and their impact on the role of the Chief Local Government Auditor.

Appendix:



Appendix 1:

Appendix 1

1 The Audit and Accountability (Northern Ireland) Order 2003 established arrangements for the transfer of local government audit staff from the Department of the Environment (DoE) to the Northern Ireland Audit Office (NIAO).

2 In July 2005 the DoE introduced the Local Government (Northern Ireland) Order 2005 which brought a number of changes to 'the principal Act', the Local Government Act (Northern Ireland) 1972. The Order provides that:

- the DoE, with the consent of the Comptroller and Auditor General for Northern Ireland (C&AG), may designate persons who are members of staff of the NIAO as local government auditors - Article 4(1); and
- the DoE may also designate a local government auditor as chief local government auditor - Article 4(3).

3 The Chief Local Government Auditor (CLGA) is empowered to:

- prepare and keep under review a code of audit practice prescribing the way in which auditors are to carry out their functions - Article (5);
- prepare, annually a report on the exercise by local government auditors of their functions - Article 4(4);

- make arrangement for certifying claims and returns in respect of grants or subsidies made or paid by any Northern Ireland department or public authority - Article 25; and
- undertake comparative and other studies designed to enable him to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies - Article 26.

4 This report is the seventh to be prepared under Article 4(4) of the Local Government (Northern Ireland) Order 2005.



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