



Northern Ireland Audit Office

Our purpose...

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

- Integrity
- Equality
- Openness
- Innovation

To make a difference for the people of Northern Ireland.

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

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ARMAGH CITY, BANBRIDGE AND CRAIGAVON BOROUGH COUNCIL

AUDIT AND ASSESSMENT REPORT 2016-17

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

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Section 1

Introduction and status of this report

Introduction

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

The Improvement audit

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

The improvement assessment

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

Status of this report

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

Other performance improvement reports by the Local Government Auditor

The Annual Improvement Report on the Council

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

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

Section 1

Introduction and status of this report

Special inspections and statutory recommendations

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

Section 2

Matters required to be reported on

Matters required to be reported on

Improvement audit and improvement assessment

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

Special inspections and statutory recommendations

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

Other matters

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

Section 3

Key audit and assessment findings

Key audit and assessment findings

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

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Section 3

Key audit and assessment findings

1. General duty to improve

The Council is required to make arrangements to secure continuous improvement in the exercise of its functions and it has begun to put arrangements in place. The Council was able to demonstrate that its arrangements were constructed within the seven relevant criteria set out in legislation and that the current functions prioritised and selected for improvement are currently aligned to its corporate objectives. For 2016-17, these functions relate to economic development, planning and enforcement, waste management, leisure facilities, parks, community development and customer services. These functions were selected on the basis of identified priorities to support some of the Council's corporate objectives.

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

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

- linking the forthcoming community plan, and the ongoing processes that underpin it, with the Council's future corporate objectives and improvement plan; and within this, ensuring that the process by which functions are prioritised and selected for improvement and improvement objectives developed are transparent and well documented;
- given the statutory nature of the framework, expand upon the current corporate performance management framework to develop a performance improvement policy; and
- greater linkage and co-ordination between the departmental business plans, through which performance improvements are delivered, and improvement planning arrangements, including greater detail on the activities/projects through which improvements are to be achieved.

Going forward the Council will need to continue to ensure that the process by which functions are prioritised and selected is transparent, well documented and subject to appropriate levels of scrutiny.

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Key audit and assessment findings

2. Governance Arrangements

It is important that the Council's governance arrangements support robust and effective decision making in relation to its statutory responsibility to have arrangements in place to secure continuous improvement in its functions. The Council has begun to establish governance arrangements to assist it in meeting its performance improvement responsibilities, although these remain to be fully developed and implemented.

The Council has assigned responsibility for the development and approval of its performance improvement objectives and performance improvement plan to its Governance, Policy and Resources Committee, while the Performance and Audit Committee has responsibility for monitoring and oversight of progress against performance improvement objectives. In addition, there is scrutiny and monitoring of functional committees as part of the Council's wider strategic planning framework.

While the Performance and Audit Committee was informed of progress in the development of the Council's performance improvement objectives, as a result of time constraints, it did not formally approve this year's performance improvement objectives or plan. The 2016-17 improvement plan was, however, approved by Council on 27 June 2016.

To date, there has been little evidence of scrutiny and monitoring of the Council's performance improvement arrangements or progress against targets, a mid-year report on progress against the performance improvement plan was presented to the Performance and Audit Committee on 10 November 2016. This, however reflects the Council's current position in the performance improvement cycle.

The strategic planning framework, including a performance management system, remains in draft and the related cycle of performance and risk management processes have yet to be fully and consistently applied across the Council. In particular, while departmental business plans do cross reference to the Council's performance improvement plan and targets, there is little specific linkage that provides detail on the activities and projects through which improvement objectives are to be addressed and targets achieved.

The Council's Performance and Audit Committee has responsibility to ensure that arrangements for good governance are in place and operating effectively. While we note that its terms of reference have been revised to take account of its role in relation to performance improvement, to date, this Committee's focus has been on financial accounting governance and controls. It now needs to discharge its wider remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions, as this framework is subject to a statutory audit and reporting. This involves exercising greater oversight and monitoring of its performance improvement responsibilities, assuring itself that a comprehensive suite of plans and policies that support improvement are in place, up-to-date and operating effectively. The Committee needs to ensure that the Governance, Policy and Resources Committee, other functional/service committees and the senior management team are subjecting the Council's priorities, improvement objectives, activities, projects, risks and performance to appropriate scrutiny, challenge and evaluation.

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

- consideration of the need to revise terms of reference for the Governance, Policy and Resources Committee to fully reflect its role in respect of the Council's performance improvement arrangements;
- as part of the wider strategic planning and performance management system, further explore and determine the role of, and timing of reporting on performance matters to, Council committees (service committees, Governance, Policy and Resources Committee and Performance and Audit Committee);
- facilitate Members of both Committees with training and support to discharge the performance improvement responsibilities;
- the Performance and Audit Committee should monitor the activity of the other Council committees charged with the scrutiny of performance improvement;

Section 3

Key audit and assessment findings

- ensure that both Governance, Policy and Resources Committee and Performance and Audit Committee are provided appropriate performance improvement documentation to perform their scrutiny and monitoring functions; and
- consideration of the role of the Council's internal audit in providing assurance on the integrity and operation of the Council's performance improvement processes and progress against performance improvement targets.

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Key audit and assessment findings

3. Improvement Objectives

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

The Council has selected four improvement objectives, details of which are set out in its published performance improvement plan. These objectives are linked to the Council's corporate priorities as set out in its Corporate Plan (2015-17), with functions for improvement deriving from those corporate priorities. We understand that the Council's improvement objectives will become better informed by and linked to the outworking of the forthcoming Community Plan.

Each improvement objective is legitimate and clear, with the exception of performance objective 1 to 'Support and assist economic growth and investment across the borough'. This wording would allow the Council to achieve its objective without anyone being better off. A more outcome focused wording would be more appropriate, for example to 'Increase economic growth and investment across the borough'.

The Council's performance improvement plan identifies a number of key actions associated with each improvement objective, together with a brief description of what success would look like i.e. improvement targets. The Council does not, however, identify how local citizens and stakeholders will be better off as a result of the achievement of its improvement objectives and targets. Also, while key actions are outlined, the performance improvement plan lacks detail on what the actions entail and how they are to be delivered. For example, how does it intend to 'attract investment' and 'protect jobs'? In addition, as improvement targets are particularly focused towards statutory performance indicators, there are a number of the key actions included in the performance improvement plan for which no measure/target has been identified.

As a result of the lack of detail within the improvement plan on improvement activities and how they are to be delivered, together with the fact that, at the time of the audit, performance management systems and arrangements (inc business planning) continue to be developed and fully implemented across the Council (e.g. the mid-year progress report), it was not possible to assess whether improvement objectives are clear and deliverable.

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

- ensuring that each improvement objectives is focused on outcomes for citizens, detailing how citizens will be better off where the Council improves as intended;
- providing more specific and transparent detail within the improvement plan on what key actions entail and how they are to be delivered; and
- expanding improvement targets to provide a wider coverage of improvement objective elements and key actions.

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Key audit and assessment findings

4. Consultation

The Council carried out extensive consultation on its improvement objectives, covering trade unions, elected representatives, residents, community/voluntary groups, local businesses and representative business organisations, section 75 and other statutory consultees. It also placed adverts in local papers and placed details of the consultation on its website. The website also provides contact details encouraging individuals or organisations to submit views at anytime during the year. The Council, therefore, complied with its statutory duty to consult on its improvement objectives.

The Council, however, received only four responses in relation to the consultation exercise. Given the effort and resources put into the exercise we appreciate that this level of engagement must have been disappointing. This low response rate may result from the fact that performance improvement, as a new area for Councils, has a very low public profile. It may also reflect the contracted consultation period for response of only four weeks.

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

- raise the profile and transparency of the performance improvement framework throughout the year on the Council's website and other communication channels for example social media, citizen magazines etc;
- consider other methods of obtaining views (as well as service level feedback) from citizens and organisations, for example, a citizen panel, staff and councillor workshops, focus groups and public meetings;
- the questions in the consultation sought agreement on the objectives and provided an opportunity for comment. From our own experience of consultations we believe that providing additional discussion points and explaining any specific matters the Council wish to obtain comment on, or guide consultees to matters they may wish to reflect upon, encourage more meaningful responses;
- increasing the length of the consultation period; and
- publishing a transparent synopsis of responses together with what impact, if any, these had on improvement objectives would demonstrate to consultees that their views are being considered.

The Council does not yet have a standard consultation policy. Whilst there is no legal requirement to have one we would encourage any public body which regularly consults with the public to develop a flexible, principles based policy based on current good practice.

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Key audit and assessment findings

5. Improvement Plan

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

The Council published a 'Performance Improvement Plan' on 29 June 2016. It is available in electronic format through the Council's website, in hard copy at Council Offices, and is also available in a number of other formats on request. The document contains a high level description of the Council's plan for discharging its statutory performance improvement duties. This includes its annual improvement objectives and highlights high level key actions the Council intends to carry out in order to achieve each of its objectives. The plan also includes a separate section on the statutory imposed performance indicators and standards. In addition, the plan sets out how and why objectives were chosen, together with information on how citizens and stakeholders may propose new objectives during the year. It also provides a statement on the Council's consultation process and the outcome of that process.

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

Section 3

Key audit and assessment findings

6. Arrangements to improve

The Council is required to establish arrangements to deliver on its improvement objectives each year. The Department for Communities' guidance sets out that the Council should be able to understand and demonstrate the impact of their arrangements for continuous improvement on the outcomes for citizens.

In accordance with the Council's strategic planning framework, the actions/activities underpinning the Council's performance improvement plan, are delivered through departmental business plans and budgets and are being managed and have lines of accountability, including risk management, to senior management and Committees/Council members. However, this framework has yet to be approved and finalised and remains in draft, with related processes and procedures yet to be fully developed and embedded consistently across the Council. For instance, at the time of the audit, departmental business plans had not been finalised and the detail contained within those plans reviewed did not clearly identify activities or projects associated with performance improvement objectives or their associated resources/budgets etc. In addition, because of the Council's current position along its performance improvement cycle, there is little evidence of scrutiny and monitoring of the progress against improvement objectives and targets.

As a result, whilst the Council has begun to establish arrangement to secure continuous improvement, it is too early for the Council to demonstrate, or for the Local Government Auditor to determine, the extent of any improvement in the current year. However, over the next couple of years, and with the benefit of a formal track record of performance improvement management and reporting, the Council should be able to demonstrate whether it is meeting its responsibilities in this area.

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Key audit and assessment findings

7. Performance Reporting and Data Collection

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

Our review of the published information noted that:

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

Whilst arrangements are in place to allow the Council to measure its performance against those targets identified in its 2016/17 performance improvement plan, better use could be made of data collected at service level to inform improvement planning decisions. Given the fact that its targets are focused towards statutory indicators and standards, the Council's current performance information gathering processes are unlikely to afford it the opportunity to compare performance (whether year on year or against other Councils) beyond those statutory indicators for economic development, planning and waste management.

Section 4 Other Matters

Other Matters

Statement on personal data

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

Independence, integrity & objectivity of auditors

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

Complaints procedure

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

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

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

Audit and assessment of Armagh City, Banbridge and Craigavon Borough Council's performance improvement arrangements

Certificate of Compliance

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

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

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

Respective responsibilities of the Council and the Local Government Auditor

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

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

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

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

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

Scope of the audit and assessment

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

ANNEX

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

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

Audit opinion

Improvement planning and publication of improvement information

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

Improvement assessment

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

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

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

Other matters

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

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

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22 November 2016