



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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NEWRY, MOURNE AND DOWN DISTRICT 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

Contents

<i>Section 1- Introduction and status of this report</i>	1
<i>Section 2 – Matters required to be reported on</i>	3
<i>Section 3 – Key audit and assessment findings</i>	4
<i>Section 4 - Other matters</i>	12
<i>Annex – Audit opinion and assessment</i>	13

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 Newry, Mourne and Down District 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. It will therefore be written with a non-specialist readership in mind to be accessible and meaningful to members of the public.

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 Audit and Risk Committee should monitor and track their progress.

Index of key findings

No.	Description	Page
1.	General duty to Improve	5
2.	Governance arrangements	6
3.	Improvement objectives	7
4.	Consultation	8
5.	Improvement Plan	9
6.	Arrangements to improve	10
6.	Performance reporting - Statutory performance indicators and standards	11

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 strategic objectives. These relate to leisure and recreation facilities, planning services and the Council's responsibilities in relation to Community Planning. These functions were selected on the basis of identified priorities to support some of the Council's strategic objectives.

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

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

- linking the forthcoming community plan, and the ongoing processes that underpin it, with the Council's future improvement processes;
- use of performance information and other data (for example service data and information) to enable performance measurement and benchmarking. This will help identify those functions/services which would benefit most from improvement;
- given the statutory nature of the framework, expand upon the Council's interim corporate performance management framework to include the development of a performance improvement policy. The purpose of this will define the Council's own interpretation of the new duty; and
- cascade the framework (or policy) and performance improvement responsibilities directly to all employees.

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

Section 3

Key audit and assessment findings

2. Governance Arrangements

It is important the Council's governance arrangements are robust and support effective decision making in relation to its statutory responsibility to have arrangements in place to secure continuous improvement in its functions. The Council has governance arrangements in-place to help it meet these responsibilities, although they are yet to be fully developed, and embedded.

The Council has designated responsibility for oversight of its interim corporate performance improvement framework to the Strategy, Policy & Resources Committee. Although, there was evidence to suggest performance was being monitored at a strategic level by this Committee, this tended to be limited to the approval of key milestone events, for example, improvement objectives and the improvement plan, as well as performance against the Council's three categories of statutory performance indicators. There was also evidence of performance at an operational level being routinely reported to other committees of the Council, for example the monthly reporting of performance to the Regulatory & Technical Services Committee. However, evidence of oversight and monitoring of Council performance by the Audit Committee during the year was limited.

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

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

- the Terms of Reference for both committees should be updated to reflect their respective performance improvement responsibilities. This should include a clearly defined separation between the role of the Strategy, Policy & Resources Committee in managing and scrutinising Council performance and the role of the Audit Committee in providing assurance that the Council's arrangements are operating effectively;
- given the above, performance improvement should feature as a standing item on both committee agendas;
- senior management should also facilitate Members of both committees with training and support to discharge their new performance improvement responsibilities;
- the Audit Committee should actively assist the Council with monitoring the activity of any committee charged with the scrutiny of performance improvement;
- senior management should ensure that both committees are provided appropriate performance improvement documentation to perform their scrutiny and monitoring functions;
- using the internal audit function, where required, to provide the Council with future assurance on the integrity and operation of the Council's performance management framework and to identify and recommend any supplementary areas for improvement; and
- clearly define the relationship between the reporting of performance at a strategic level to the Strategy, Policy & Resources Committee and the reporting of performance at an operational level to other Standing Committees. This may require the interim corporate performance management framework to be expanded upon.

Section 3

Key audit and assessment findings

3. Improvement Objectives

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

The Council has selected three improvement objectives and the details of these are published in its 'improvement plan'. These objectives are closely linked to the functions the Council has chosen to improve and in turn these are linked to its strategic objectives set out in its Corporate Plan. We understand that the Council's improvement objectives will become better informed by and linked to the outworking of the forthcoming Community Plan.

Whilst each objective is legitimate and generally well worded they are foundational in nature, in that if delivered they could form the basis of improvement in future years, rather than in the current year. Whilst this is acceptable in this first full year of the framework, going forward, improvement objectives and their underlying arrangements should attempt to deliver measurable improvement in each year. An example of this is the improvement objective entitled '*Established local structures in support of the development and implementation of the District's Community Plan*'. In addition, it is not clear what functions or services the Council intends to actually improve and local structures could be established without anyone actually being better off. Without additional clarity and transparency in future years, particularly in relation to what improvement will look like and how it will be delivered and measured, it will not be possible to determine if an improvement objective is clear or robust.

The Council is already planning and undertaking activities that will contribute to achieving each improvement objective. Within the Council's 'improvement plan', each objective is associated with a distinct and ongoing corporate project/s, along with how success will be measured. The Council should demonstrate how people will be better off if it improves as it intends to. However, the supporting projects and measures of success as set out in the Council's 'improvement plan' plan are set out at a high level and do not show clearly whether anyone will be better off if it achieves its improvement objectives. There are a number of reasons for this which include the absence of any baseline data or information against which future improvement can be demonstrated or measured, an absence of detail around the benefits and some measures of success that have not yet been identified. For example, the measures of success relating to improving the performance of the planning service tend to focus on the quantity of activity rather than the quality of outcomes, so they do not necessarily provide a good basis for demonstrating that citizens will become better off as a result of what the Council does going forward.

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

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

Section 3

Key audit and assessment findings

4. Consultation

The Council carried out extensive consultation on its improvement objectives, covering staff, elected representatives, community/voluntary groups, local businesses, representative business organisations, section 75 and statutory consultees. It also placed adverts in local papers and placed details of the consultation on its website.

The Council received very few 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. The low response rate may have been as a result of performance improvement being a new framework which currently has a very low public profile. 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 performance improvement throughout the year on the Council's website and other communication channels for example social media, citizen magazines, engagement in respect of the Community Plan etc;
- encourage citizens and stakeholders to contribute at any time during the year by providing contact details on the Council website;
- consider other more effective methods of obtaining views (as well as service level feedback) from citizens and organisations, for example, a citizen panel, stakeholder workshops focus groups, e-platforms etc; and
- 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.

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

Section 3

Key audit and assessment findings

5. Improvement Plan

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

An improvement plan should be both transparent and meaningful, setting out how citizens and other stakeholders within the borough will be better off.

The Council published a 'Corporate Plan Update' which incorporated its Performance Improvement Plan for 2016-17 on 29 June 2016. It is available in electronic format on the Council's website. The document contains a high level description of the Council's plan for discharging its duties and includes its improvement objectives. It 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 which it was required to report on later in the year. In addition, the plan sets out why objectives were chosen and a statement on the Council's consultation process on improvement objectives.

Whilst the plan meets the requirements of legislation, the improvement objectives are high level and foundational in nature. 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. The plan itself is currently not easily accessible by members of the public (largely as a result of the functionality of the current website) and this does not promote transparency of the Council's commitment to improve. As a proposal for improvement, the Council should ensure that the plan (and any other information on performance improvement) is more easily accessible on the website and through other channels.

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.

The underlying projects in relation to the improvement objectives are being supported by delivery plans and budgets. These are being project managed and have lines of accountability, including risk management, to senior management and members. Whilst arrangements are in place it is too early in the performance improvement cycle to determine the extent of any improvement which will be delivered this year. We have reached this view for three key reasons:

- the arrangements in relation to leisure facilities and the community planning objectives are foundational in nature. Delivering these outputs may pave the way for improvement in future years, but not in the current year;
- there is insufficient clarity underlying the improvement objectives and it is not always clear what or how improved outcomes for citizens will be measured. As well as the need for additional clarity around the outcomes, where practicable, these outcomes need to be linked to specific measurable indicators that show performance over time. Without such evidence it will be difficult to assess if improvement is being made; and
- the performance improvement responsibilities are new to the Council and it does not yet have fully established or embedded performance improvement arrangements.

Section 3

Key audit and assessment findings

7. Performance Reporting - Statutory performance indicators and standards

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

We reviewed the published information:

- the Council published the required information in its 'Performance Improvement Report' by 30th September 2016 on the Council website and social media;
- the information agrees to the data held by central government which has been subjected to independent validation and audit;
- the Council met one of the three standards in relation to planning;
- the Council met the required standard in relation to economic development;
- the Council met two of the three standards in relation to waste management; and
- whilst not required by the legislation, the Council has provided an explanation for each result and we commend this approach.

As a proposal for improvement, the Council should ensure that the report (as well as other information on the Council's performance) is more easily accessible on the website and other channels.

Another proposal for improvement is giving further consideration to securing a standard format and means for the reporting of performance across the Council to secure consistency in the look and feel of performance reports and to provide key audiences with concise and easily understood information. It was noted the Council does not currently have a corporate performance management system.

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 Newry, Mourne and Down District Council's performance improvement arrangements

Certificate of Compliance

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

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

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

Respective responsibilities of the Council and the Local Government Auditor

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

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

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

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

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

Scope of the audit and assessment

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

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 the Act and has acted in accordance with the Department for Communities' guidance sufficiently, including its guidance on the publication of improvement information in 2016-17.

Improvement assessment

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

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

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

Other matters

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

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

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29 November 2016