



Consultation on the Draft Code of Audit Practice for Local Government Bodies in Northern Ireland 2016.

To: All Northern Ireland Contacts

For information: All contacts in England, Scotland and Wales

Key issues

Opportunity for local authorities to comment on future role Local Government Auditor in Northern Ireland
Draft CoP details role for Local Government Auditor to determine council is complying with improvement duty
Links between continuous improvement duty and performance management arrangements within councils

1. Introduction

The Local Government Auditor from the Northern Ireland Audit Office is seeking views from the sector on the Draft Code of Audit Practice for Local Government Bodies in Northern Ireland 2016 issued on 2nd September 2015. It can be found [here](#).

Comments received from APSE members will be incorporated into our response to the paper.

2. Context

The consultation document begins by outlining the nature of the work of the Local Government Auditor and NIAO as external auditors of local government with an important role in improving public services and helping people hold users of public money to account. It goes on to state that the draft Code of Audit Practice aims to provide clarity for the public in the work of the auditor, sets a framework within which they will operate and forms an important part of local government audit, set out in the Local Government (NI) Order 2005 and the Local Government Act (NI) 2014. The Code must be reviewed every 5 years and will be published by 1st April 2016.

3. Response to questions

Q5. Does Chapter One of the draft Code identify the correct general principles?

1.11 Professionalism and proportionality

Point 1.11 states that "Auditors should ensure that each audit is concluded economically, efficiently, effectively and in as timely away as possible". Funding remains the most significant issue facing local government. Keeping the cost of audits to a minimum is to be welcomed and this links to the point made in the document about the relations between internal and external auditors and below in this briefing.

If trust exists between external and internal audit functions and in the sources of data used are accepted as robust and accurate then the time allocated to this element of the audit should be reduced which will have an impact on cost.

1.15 / 1.16 Coordination and integration

Point 1.15 notes that auditors should establish effective co-ordination arrangements with internal audit and seek to place reliance on the work of internal audit whenever possible. Clearly the audit process is more likely to function better if effective arrangements are in place. This needs to be developed to the point where relationships between internal and external auditors are such that they trust each other to add value at every opportunity. For example, it could be that internal auditors feel it appropriate to invite external auditors in to support the work they are doing on a specific issue, rather than awaiting an annual visit, knowing that they can add value by pointing to examples of good practice elsewhere.

The next point, 1.16, states that “Auditors should adopt an integrated approach, where the knowledge gathered and work carried out in support of each of the Local Government Auditor’s statutory and reporting obligations inform his/her judgements and conclusions as a whole.” This is of course an appropriate principle to put in place but it needs to be taken further so that such knowledge is passed on across the sector. The statement should clearly describe the approach which is that knowledge gathered should be viewed as a local government resource and so shared across the local government sector as widely as possible.

1.17 Constructive approach

The document states that “Auditors should adopt a constructive and positive approach to their work”. It goes on to talk about discussions on the audit plan and recommendations arising from the audit.

A constructive approach should pervade all aspects of the audit process and be intrinsic to the Code of Practice. Those auditors who lead audits of local council should be experienced and knowledgeable. They perform an important service which is a vital element in the democratic process. Although their role is independent, it is not in opposition to that of the local authority and as such one of the principles guiding their work should be to share their experience and expertise with colleagues in local government at every opportunity.

External auditors will see good and bad practice at a range of other local authorities and public sector bodies as they carry out their work and will be made aware of further examples through the NIAO. It is important that this knowledge is shared across the local government sector. Such knowledge may for example include an approach taken to governance, how fraud or other investigations may be undertaken, methods for improving service delivery or good practice for contract management amongst many possible others.

There will be many opportunities for auditors to have an input in and make a positive and constructive contribution to the functions of local government and this is a chance to add extra value and provide support through the audit process. Equally they should be proactive in feeding back those issues raised by local authorities through the audit process to the NIAO and the Department.

The case studies included in the Local Government Auditor’s Report 2015 are an example of a method which could be used to take this forward. Similar examples can be included in the formal element of the audit process such as the audit report or recommendations and informally through interaction between auditors and local authority officers and elected members.

Q7. Does Chapter Three of the draft Code address clearly the Local Government Auditor’s statutory duties in respect of his/her work on proper arrangements?

Point 3.6 of the document referring to the responsibilities of the auditor notes that if evidence of poor value for money comes to the auditor's attention they should consider the implications of it for their work. There may well be occasions when external auditors come across poor practice, just as they will come across good practice. The auditor's role is such that they are in a position to spread the lessons of these examples and they should be encouraged to do so – highlighting the lessons of poor practice rather than the details (without naming the local authorities concerned) and promoting the good practice and the council involved.

Q8. Does Chapter Four of the draft Code address clearly the Local Government Auditor's statutory duties in respect of his/her work on the performance improvement duties of councils?

APSE welcomes the duties included in the Act regarding continuous improvement as a way of formalising the approach which had developed in some of the previous councils and has been carried through to some of the new ones. This is a topic which all of the new councils are focusing on and working jointly to address. It is the case that each council will have local circumstances which will be reflected in their objectives and priorities meaning that certain elements of their work cannot be directly compared between councils.

However, one of the duties introduced in the Act is for local authorities to compare with others exercising similar functions. There are many functions which are directly comparable and the duty highlights this. Having appropriate information about services is fundamental to good management and when it is compared with other local authorities it will focus managers' attention on particular elements of their service which are doing well or underperforming.

Point 4.5 in the document notes that auditors "will exercise their improvement audit and assessment functions consistently between councils; proportionately so as not to impose an unreasonable burden on councils; and with a view to assisting councils to comply with their duties in relation to securing continuous improvement".

Using an independent model, such as Performance Networks noted below, will enable auditors to achieve these aims accurately and quickly. Using performance management information effectively is a basic element of any large organisation and data benchmarking and process benchmarking will also help auditors to understand the context for and performance of a different functions within the council.

Q9. Does Chapter Five of the draft Code address clearly the Local Government Auditor's statutory duties in respect of their reporting requirements for the different types of audit covered by this Code?

Publicising the Local Government Auditors reports remains important. However the auditor's report is just one of a number of reports reflecting the performance of the council and its' services. Such publications should relate to each other rather than being completely separate. Referring to the same performance data in both reports which also includes summary data from other councils in Northern Ireland (and potentially elsewhere across the UK) would help to make the reports more user friendly, informative and accessible for the public.

The document refers to the power to make written recommendations to the audited body. This provides another tool for the auditor to share the knowledge and experience of what is happening elsewhere. Recommendations should not be limited to issues of poor practice but should also look to highlight how services can be improved, how promoting

4 General comments

4.1 Performance management, benchmarking and continuous improvement.

One method of tracking whether arrangements are in place to "secure continuous performance improvements in the exercise of its function" (Point 1.7), is to use a model which is independently managed yet used by many local authorities.

Performance Networks is the APSE performance management and benchmarking model which has been in place 16 years and is used by over 180 local authorities. It tracks the performance of a range of local authority services by using data submitted from authorities which is checked and analysed prior to a set of reports being produced. These reports compare performance across subjects such as cost, quality and productivity of services. Moreover there is a structure in place which enables the sharing of data and more importantly the operational arrangements which lead to better performance amongst users of the model. Local authority officers are brought together to discuss the policies and practices in place which lead to the performance levels achieved so that others can hear about them, debate them, identify if they are appropriate across the circumstances found in other councils and introduce them.

The model has developed through the input of service managers who are responsible for delivering services and so understand those elements of the service that need to be tracked to reflect the performance of the service. We strongly feel that this kind of model fits very well with local authorities in Northern Ireland in order for them to fulfil their legal responsibilities and undertake effective internal service and financial planning. Some local authorities in Northern Ireland are already using the model.

APSE believes that the Local Government Auditor should promote the use of models which are independent, robust and emerge from the sector as a tool to support local councils and reduce the work load of external and internal auditors. This would also help reduce the cost and duration of external audits as noted above.

14. Response details

If you wish your comments to be included in the APSE response to this consultation paper please send them to Phil Brennan at pbrennan@apse.org.uk. They should reach him by **17th November 2015**. Alternatively, you can submit your response directly to: kyle.bingham@niauditoffice.gov.uk. The closing date for responses is 1st December 2015.

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