

2016

**National Oversight and Audit
Commission**

NOAC ANNUAL REPORT

2016

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Chairman's Statement:



This is the third annual report of the National Oversight and Audit Commission (NOAC), covering the period 1st January – 31st December 2016. NOAC was established in 2014 as an independent statutory body to provide oversight of the local government sector in Ireland. It is a key element of the local government reform agenda that sprang from the proposals set out in the Action Programme for Effective Local Government and is underpinned by the Local Government Reform Act 2014.

2016 saw an expansion of the work carried out by NOAC with seven sub-groups in operation in the areas of performance indicator reporting in local authorities, customer surveys, financial performance, housing studies, Local Enterprise Offices (LEOs), reporting under the Public Spending Code (PSC) and the oversight of efficiency reform implementation through the PMO Projects subgroup established in 2016.

The combined work of the sub-groups resulted in the publication of eight reports in 2016 consisting of the Report on Performance Indicators in Local Authorities for 2015, a report on the performance of Private Rented Sector functions, Public Spending Code - Local Authority Quality Assurance Reports for both 2014 and 2015, Local Authority Rates Collection 2013 – 2014, Financial Performance of Local Authorities 2013 – 2015, Local Government Efficiency Review Reforms Report and a report on the Local Government Shared Services Projects. NOAC's reports are all published on its website.

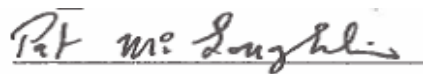
During the year NOAC initiated new actions that will come to fruition in 2017. These include a study on local authority customer engagement, a review of the performance of audit committees and a review of the local authority internal audit function. It also progressed a review of the maintenance and management of local authority housing stock while putting on hold a look at the operation of the LEO service level agreements pending a completion of

a review of the terms of the agreements by the Department of Jobs, Enterprise and Innovation.

2016 also saw progress with regard to the development of a working relationship between the Local Government Audit Service (LGAS) and NOAC and this will be further advanced in 2017.

NOAC continues to receive substantial support and assistance from the Local Government Management Agency (LGMA), the Housing and Sustainable Communities Agency (HSCA) and from various support areas within the Department of Housing, Planning, Community and Local Government.

On behalf of NOAC, I wish to extend sincere gratitude to all agencies/bodies that supported NOAC throughout 2016 and to the Chief Executives, liaison officials and performance indicator coordinators of the 31 local authorities for complying with the various requests for information made by NOAC during the year.

A handwritten signature in cursive script that reads "Pat McLoughlin". The signature is written in black ink and is positioned above a thin horizontal line.

Pat McLoughlin
Chairman

26 April 2017

Executive Summary

NOAC was established in 2014 to independently oversee the local government sector by reviewing the financial and operational performance of bodies within its remit. It also oversees implementation of national local government policy and works to identify opportunities for best practice. A list of NOAC's functions is included in its strategy reproduced at Appendix 2.

The majority of NOAC's work is carried out by sub-groups set up to further various projects. In 2016 there were seven sub-groups operating. The Performance Indicators, Customer Survey and Financial Performance groups operate on a permanent basis with ongoing work requirements, while the Housing, Local Enterprise Offices (LEOs), Public Spending Code (PSC) and PMO Projects sub-groups will remain in place for the duration of their specific projects.

Work progressed in 2016 included the completion of the 2015 Report on Local Authority Performance Indicators and a review of six authorities with regard to the accuracy and reliability of a subset of indicators. The Customer Survey Sub-Group initiated a study on local authority customer engagement that will conclude in 2017. Through the work of the Financial Performance Sub-Group two reports were published in 2016, the first entitled Financial Performance of Local Authorities 2013 to 2015 and the second dealt with Local Authority Rates Collection 2013 to 2014. This group also commenced a review on the working of local authority audit committees that will be finalised in 2017.

The Housing Sub-Group progressed its reviews of the performance of functions by local authorities under the private rented housing regulations and the maintenance and management of local authority housing. Analysis of the data obtained from the authorities for the reviews and its compilation into draft reports was undertaken by the Housing Agency on NOAC's behalf. The report entitled A Review of Local Authority Performance of Private Rented Houses Regulations was published by NOAC in October 2016. The report on the maintenance and management of local authority housing will be published in 2017.

Other work progressed in 2016 included the compilation of the 2014 and 2015 composite Quality Assurance (QA) reports for the local government sector as part of the requirements

of the Public Spending Code (PSC), the publication of the Local Government Efficiency Review Reforms Report and the Local Government Shared Services Projects Report. A review of the local authority internal audit function initiated in 2016 will be progressed in 2017.

The Chairman made a number of presentations in 2016 to local authority audit committees on the work of NOAC. These presentations provided an opportunity for information exchange and for NOAC to interact directly with the committees with regard to the carrying out of their roles.

NOAC has taken steps to establish a working relationship with the Local Government Audit Service (LGAS). In 2016 a number of meetings took place between the two bodies. The VFM role was discussed with a view to NOAC providing input to study topics. The working relationship between NOAC and the LGAS will be further progressed in 2017.

NOAC members bring a variety of expertise to their work, including from the legal, consumer, audit and local government elected member and management perspectives. NOAC reports and recommendations are presented to key decision makers in the local government sector including the relevant Joint Committee of the Houses of the Oireachtas.

Indications of the impact of NOAC's work began to emerge in 2016. The follow-up to the 2014 Performance Indicator Report indicates that NOAC's recommendations are being acted on by local authorities and that the Performance Indicator process is being used to monitor and compare performance. Significant improvement was also noted with regard to the timely preparation and receipt of annual financial statements. 2016 saw NOAC's position further established in the sector as an influencer and driver of change.

NOAC Membership

NOAC's membership is statutorily prescribed as a minimum of 6 and a maximum of 9 members. There is provision for the Minister for Housing, Planning, Community and Local Government to increase by order the number of members to 12 for a period of up to two years. S.I. No. 298 was made by the Minister on 1 July 2014 and increased the number of members to 12 for the period up to 30 June 2016. On 19 October 2016, the Minister made a further order (S.I. No. 536 of 2016) amending the number of members to 11 for the following two year period.

The appointed members bring a variety of expertise to their work, including from the legal, consumer, audit and local government elected member and management perspectives. At the end of 2016 there were 11 members of NOAC. The terms of office of Padraig McNally, Martina Moloney and Michael Nolan expired in June 2016 while Kevin Baneham's term expired in July 2016. On 21 October 2016 the Minister for Housing, Planning, Community and Local Government, Simon Coveney, TD, re-appointed Martina Moloney for a further five year term, and appointed David Holohan, Michael McGreal and Sharon O'Connor as new members. The current members and their appointment dates are as follows:

Chairman	Pat McLoughlin	1/7/2014
Members	John Buckley	1/7/2014
	Tara Buckley	1/7/2014
	Connie Hanniffy	1/7/2014
	David Holohan	21/10/2016
	Paul Lemass	2/9/2014
	Michael McGreal	21/10/2016
	Martina Moloney	1/7/2014
	Sharon O'Connor	21/10/2016
	Colleen Savage	1/7/2014
	Henry Upton	1/7/2014

Member Biographies

Pat McLoughlin, Chairman:



Pat McLoughlin, B.A, L.L.B., M.B.A., worked as a management consultant before he became Chief Executive Officer of the Alzheimer Society of Ireland in late 2016. He was Chief Executive of the South Eastern and Eastern Health Boards. He left the health sector in 2006 having served as Head of Hospitals and Deputy CEO of the HSE. He was CEO of the Irish Payment Services Organisation until December 2013. He has assisted Government, on a pro bono basis, on reviews of public expenditure, childcare, health insurance and justice. He has served on the Boards of a number of voluntary bodies.

John Buckley:



John Buckley is an accountant and a Barrister-at-Law. Prior to his appointment to the Commission he served as Comptroller and Auditor General. He has over 40 years' experience in public audit and was the first Director of Value for Money Audit in the Office of the Comptroller and Auditor General. He also serves on the Council of the Economic and Social Research Institute and chairs its Audit Committee.

Tara Buckley:



Tara Buckley is Director General of RGDATA (Retail Grocery Dairy & Allied Trades Association) which represents the interests of 4,000 Irish family-owned shops, convenience stores and supermarkets. Tara is a member of the High Level Group on Better Regulation, the Retail Consultation Forum and the National Payments Plan Steering Committee.

Constance Hanniffy:



Constance Hanniffy is a graduate of NUI Galway and holds a BA (Hons) in Community and Family Studies. She was an elected member of Offaly County Council from 1974 to 2014 and a member of the Midlands Regional Authority from 1994 to 2014. She was also a member of the Irish delegation to the Committee of the Regions from 1998 to 2014. She is a past member of the National Economic and Social Forum (NESF) and of the Taoiseach's Devolution Commission (1995-97) which made recommendations to Government on local government reform and a member of the D/ECLG's Consultative Committee on the Local Government Reform Green Paper.

David Holohan:



David Holohan (BCOMM, MBA, APA, M.Inst.D, CMgr FCMI, Chartered FCSI) is Chief Investment Officer at Merrion Capital and was appointed to the Board of the HPRA by the Minister for Health in January 2016. Before joining Merrion in 2010, he was a Partner at a Dublin based investment firm and previously worked for a multi-billion dollar European hedge fund situated in London. David holds an MBA with merit from Imperial College London, is a Chartered Fellow of the Chartered Institute for Securities & Investment (UK), also a Chartered Fellow of the Chartered Management Institute (UK) and a Member of the Institute of Directors (Ireland). David is Chairman of the Governing Body of IADT and is a Director and Treasurer of the charity One in Four and the Dublin City Childcare Committee.

Paul Lemass:



Paul Lemass is an Assistant Secretary in the Department of Housing, Planning, Community and Local Government with responsibility for the Local Government Division. Prior to this he was Ireland's Environment Counsellor in Brussels from 2010 – 2014, including the period of the Irish Presidency in 2013. He holds a primary degree in Mechanical Engineering from UCD, and a Masters in Business Administration from Northwestern University, Chicago, and has worked in private, non-profit and public sector roles throughout his career.

Michael McGreal:



Michael McGreal is the Company Deputy Chairman of IPB Insurance CLG and Chairman of the Board Remuneration and Nomination Committee. He is a former member and Chairman of Roscommon County Council, the West Regional Authority and the BMW Regional Assembly. He was a member of the Board of Inland Fisheries Ireland from 2010 to 2014.

Martina Moloney:



Martina Moloney was a career official in Irish Local Government for almost thirty-seven years. She holds a BA and MA in Public Management and a Doctorate in Governance and is a member of the Institute of Accounting Technicians. She worked in eight Local Authorities and held the post of Director of Community and Enterprise and Corporate Services in Galway City Council, before being appointed as County Manager in County Louth and subsequently as County Manager in Galway prior to her retirement in July 2014.

Sharon O'Connor:



Sharon O'Connor is chair of the Northern Ireland Education Authority since April 2015 and was previously Chief Executive of Derry City Council from 2011 to 2015. She has had over 20 years' experience as a Chartered Director, Non-Executive Director, Vice Chair, Committee Chair and Board Member and in 2009/10 was the Institute of Directors, Public Sector Director of the Year.

Colleen Savage:



Colleen Savage is a consultant in consumer insight and marketing strategy using a combination of quantitative and qualitative research skills. She has worked across the private sector, bringing the consumer perspective to strategy and communication development. She has also conducted research on citizen perceptions on public policy areas such as equality and human rights, voting intentions and effectiveness of government strategy. She was a member of the National Consumer Agency for two years, before it became part of the Competition Authority. As a board member she focuses on bringing her experience in both market research and data analysis to ensure that the consumer first elements of local government reform are reflected.

Henry Upton:



Educated in Templeogue College followed by UCD where he graduated with a B. Comm. in 2003, Henry Upton was an Administrator in the ASTI Credit Union where he worked from 2006 until 2014. He was elected to Dublin City Council in June 2009. As a Councillor he was a member of the Audit Committee and the Arts, Sport and Culture Sub Committee. He was a member of the Dublin Regional Authority from 2011 to 2014 and served as Deputy Lord Mayor of Dublin City in 2013/14.

Fees

The annual fee payable to those members of NOAC who did not waive payment is below:

Member	€7,695
Chair	€11,970

NOAC implements the one person one salary principal in respect of the payment of member fees for Irish public servants.

Travel and subsistence expenses incurred are paid at standard Civil Service rates. The rates applicable in 2016 are available at <http://www.revenue.ie/en/tax/it/leaflets/it51.html> and at <http://www.revenue.ie/en/tax/it/leaflets/it54.html#appendix1>.

A table listing the attendance of members at NOAC meetings in 2016 is at Appendix 1. NOAC thanks the RTB and LGMA who provided venues for these meetings.

Presentations

During 2016 a number of requests were made to NOAC to give presentations on its work. It had been agreed at the first NOAC meeting that the Chairman would, where possible, perform the role of NOAC spokesperson and the Chairman gave the following presentations:

- Dún Laoghaire Rathdown County Council Audit Committee – February 2016
- IPA Workshop for Local Government Audit Committees – February 2016
- Louth County Council Audit Committee – March 2016
- Southern Region Audit Committee workshop – April 2016
- Cork City Council Audit Committee – September 2016

In addition, the Chair of the Performance Indicators Sub-Group gave a presentation to the LGMA's NOAC Performance Indicators Workshop for Local Authority Co-ordinators in April 2016.

NOAC Sub-Groups

NOAC has established a number of sub-groups to take responsibility for progressing various projects, with regular reporting back to the full NOAC when key decisions are required. The nature of NOAC's statutory functions means that there will be an on-going requirement for some sub-groups, while others may only exist for the duration of a particular project. The sub-groups conduct much of their work via email as well as by meetings. The membership of the sub-groups during 2016, with the name of the Chair listed first, and a summary of the work conducted by each sub-group throughout the year are below:

Permanent sub-groups:

- Performance Indicators – Martina Moloney, Constance Hanniffy and Pdraig McNally
- Customer Survey – Colleen Savage, Paul Lemass and Micheál Nolan and also Tara Buckley from July 2016
- Financial Performance – John Buckley, Tara Buckley, Paul Lemass, Martina Moloney and Henry Upton

Project Specific sub-groups:

- Housing – Paul Lemass, Kevin Baneham, John Buckley and Pdraig McNally, with Pat McLoughlin from July 2016
- Local Enterprise Offices (LEOs) – Constance Hanniffy, Tara Buckley, Maurice Coughlan and Colleen Savage
- Public Spending Code (PSC) – Henry Upton, John Buckley, Paul Lemass and Martina Moloney;
- PMO Projects – Kevin Baneham, Pat McLoughlin, Martina Moloney and Micheál Nolan.

Performance Indicators

Meetings: 28 January, 24 February, 28 June, 9 September, 18 October & 14 December 2016

Role: The Performance Indicator Sub-Group's mandate is to recommend appropriate performance indicators in respect of local authority activity and to oversee the data collection, verification, compilation and publication of a report on those indicators annually.

As a follow-up to the 2014 Performance Indicator report, the Chair of the Performance Indicators Sub-Group wrote to the 31 local authorities on 24 March 2016 to establish progress in relation to the implementation of the NOAC recommendations in the Report and to identify any learning in relation to the contributory factors that led to performance that varied significantly from the median in a number of cases. The responses indicate that NOAC's recommendations are being taken forward by local authorities and that progress is being made in the majority of local authorities to use the Performance Indicator process in a meaningful manner in monitoring and comparing organisational performance.

NOAC published the 2015 Report on Local Authority Performance Indicators on 7 November 2016. It is available at <http://noac.ie/wp-content/uploads/2016/12/2015-PI-Report.pdf>. The report was presented to the Minister for Housing, Planning, Community and Local Government and to the Oireachtas Joint Committee on Housing, Planning, Community and Local Government. A summary of the report is on pages 19-22.

The sub-group visited six local authorities to carry out an assessment of the accuracy and reliability of a subset of the indicators as follows:

- **Dublin City Council** reviewed on 22 July 2016 by Paul Lemass and John Buckley, with Declan Grehan of the secretariat;
- **Laois County Council** reviewed on 22 July 2016 by Martina Moloney and John Buckley, with Declan Grehan of the secretariat;
- **Kildare County Council** reviewed on 26 July 2016 by Martina Moloney and Paul Lemass, with Paul Furey of the secretariat;

- **Leitrim County Council** reviewed on 26 July 2016 by Constance Hanniffy and John Buckley, with Declan Grehan of the secretariat;
- **Galway City Council** reviewed on 27 July 2016 by Constance Hanniffy and Paul Lemass, with Paul Furey of the secretariat;
- **Waterford City & County Council** reviewed on 29 July 2016 by Martina Moloney and Paul Lemass, with Paul Furey of the secretariat.

The decision on which authorities to review was arrived at having regard to such factors as the urban/rural mix, scale of authority and those reviewed in the recent past.

The 2015 indicators selected for review were:

- Housing - H1: Social Housing Stock
- Housing - H5: Private Rented Sector Inspections
- Waste/Environment - E1: No/% of Households with access to a 3 bin service
- Planning - P1: New Buildings Inspected
- Youth & Community - Y2: Groups associated with the Public Participation Network (PPN)
- Corporate - C4: Overall cost of ICT provision per WTE

As well as confirming the validity and robustness of the data provided by the local authorities, views were obtained on the usefulness of the indicators and related issues. In addition, the outcome of the 2014 report follow-up and the performance indicator process generally was discussed with the relevant Chief Executives. The sub-group also met with the National Waste Collection Permit Office on 6 September 2016 and with the EPA (Environmental Protection Agency) on 14 December 2016.

Customer Survey

Meetings: 3 August and 10 October 2016

Role: The role of the Customer Survey Sub-Group is to initiate and oversee customer surveys that NOAC commissions. This relates to its functions under section 126C(1)(a) of the 2001 Local Government Act to scrutinise local authority performance against relevant indicators that relate to customer service and under section 126C(1)(c) to support the development and enhancement of best practice. The group recommends the activities or functions that should be the subject of surveys, develops requests for proposals and reviews questionnaires.

During 2016 the group initiated a study on local authority customer engagement. The exercise will continue into 2017 and consists of three main steps. Step 1 involved the conducting of a desk top review of what information is easily accessible on local authority websites. The group agreed a list of key topics against which each local authority website was assessed to see if the requisite information was available. Step 2 will involve an assessment of the implementation by local authorities of certain requirements laid out in Putting People First – Action Programme for Effective Local Government. Key items to be examined here include requirements regarding customer charters, the appointment of customer service officers, means through which services are delivered and how local authorities assess their own performance.

Further steps will include assessment of how efficient customer service is in local authorities and will also consider customer feedback mechanisms. The final part of the review will consider the level of engagement between local authorities and other public bodies with the findings of the study to be published by NOAC in 2017.

Financial Performance

Meetings: 13 April, 31 May, 6 July and 24 October 2016

Role: The Financial Performance Sub-Group was established in September 2015 to progress NOAC's function under section 126C(1)(b) of the Local Government Act 2001 to scrutinise the financial performance, including in relation to value for money, of local authorities in respect of their financial resources.

In 2015 NOAC decided to conduct a review of local authority financial performance to include LGAS audit reservations, significant revenue deficits, rates collection performance and timeliness of the production of Annual Financial Statements.

These reviews resulted in the publication by NOAC of the following two reports in April 2016;

- Financial Performance of Local Authorities 2013-2015: Deficits, Audit Opinion and Financial Statements;
- Local Authority Rates Collection 2013-2014.

A summary of the reports is on pages 24-26.

The sub-group's meeting of 6 July 2016 was attended by Richard Murphy, Principal Auditor of the Local Government Audit Service (LGAS) and Sinéad Kehoe, chair of the General Accounts Working Group (GAWG), who briefed the members on the work of the GAWG and several aspects of the accounting treatment applicable to local authorities, particularly in relation to the revenue and capital accounts and unfunded balances. Members of the sub-group also looked at the treatment of unfunded balances in the six local authorities visited for the purpose of validating the performance indicators.

The sub-group decided to seek from the chairs of the local authority audit committees their reports of their consideration of the Local Government Auditor's report on their 2014 Annual Financial Statements. These reports and the items discussed with the Auditors were being reviewed by the group at end 2016 and will be the subject of a short report in 2017.

Housing

Meetings: 10 February, 9 March, 23 June and 7 September 2016.

Role: The Housing Sub-Group was established in October 2014 to review the performance of local authorities with regard to their housing functions. In 2016 the group sought to progress the reviews initiated in 2015 relating to the maintenance and management of local authority housing and the performance of functions by local authorities under the private rented housing regulations. These thematic reviews relate to NOAC's function under section 126C(1)(c) of the Local Government Act 2001 to support the development and enhancement of best practice in the performance by local authorities of their functions.

The information gathering aspects of these reviews was initiated in 2015 with the support of a Focus Group of local authority housing officials. The information was assessed in 2016 leading to the identification of practices and procedures in place among the various local authorities regarding both their maintenance and management functions and private rented sector functions.

Analysis of the data obtained from these surveys and compilation into draft reports was undertaken by the Housing Agency for NOAC. The report – A Review of Local Authority Performance of Private Rented Houses Regulations was published by NOAC in October 2016 and a summary is on pages 22-24. The report on the maintenance and management of local authority housing will be published in 2017.

Local Enterprise Offices (LEOs)

Meetings: 26 January, 23 March, 25 April and 31 May 2016

Role: LEOs were established in 2014 to act as a local first stop shop for new enterprises, existing micro-enterprises (10 or less employees) and small business owners through which all information on State supports for small and micro businesses can be accessed. LEOs operate under the aegis of the Department of Jobs, Enterprise and Innovation (D/JEI) and are supported by Enterprise Ireland (EI).

NOAC's LEO Sub-Group was set up in April 2015 and was charged with exploring options for examining the performance of LEOs in the implementation of national policy. The work plan for 2016 also included an assessment of the workings of the service level agreements (SLAs) that underpin the operation of LEOs.

The sub-group also met with the Heads of LEOs for Carlow, Donegal, Leitrim, Roscommon and South Dublin on 23 March. The subgroup's meeting of 25 April was with Chambers Ireland, the Irish Small and Medium Enterprises Association, the Small Firms Association and IBEC. The purpose of these interactions was both to gain insight into the activities of stakeholders and to help decide on future performance indicators. These sessions were also designed to help NOAC members decide on content and timing of a thematic review of LEOs.

The sub-group recommended the inclusion of additional performance indicators for activity in 2016 and later years in relation to the Trading Online Vouchers scheme operated by LEOs and the cost per job created.

A review of the LEO SLA was initiated by D/JEI in 2016 through a working group made up of representatives from D/JEI, EI, local authorities and the LEOs themselves. Pending the outcome of this review, NOAC decided to postpone its evaluation of LEO adherence to the agreements in case the outcome resulted in significant changes to the operation of the SLAs. This exercise is expected to conclude in April 2017 after which NOAC will decide on the direction its' evaluation will take.

Public Spending Code

Role: The Public Spending Code (PSC) requires annual Quality Assurance (QA) reports to be submitted to the Department of Public Expenditure and Reform (D/PER) in respect of all public expenditure. NOAC has the function of compiling a composite QA report for the local government sector from the 31 individual local authority QA reports.

The QA report is made up of the following 5 Steps:

- 1) Provide an inventory of projects/programmes at different stages of the project life cycle,
- 2) Confirm publication on the local authority's website of procurements exceeding €10m,
- 3) Complete 7 self-assessment checklists contained in the PSC,
- 4) Conduct a more in-depth review of a selection of projects/programmes, and
- 5) Complete a short summary report for NOAC of the preceding steps and of the local authority's judgement of the adequacy of the appraisal/planning, implementation or review work examined, the reasons why it formed that judgment and its proposals to remedy any inadequacies found during the entire quality assurance process.

NOAC's role in this process is to verify that each step has been completed by each local authority and to compile the composite report. This work is overseen by the sub-group and the composite report, as well as being submitted to D/PER, is published on the NOAC website annually. The process in relation to the QA report for 2014 commenced in March 2015 and the 2014 composite QA report was published in February 2016. This was immediately followed by the request to local authority Chief Executives to submit their individual 2015 QA reports and the 2015 composite QA report was published by NOAC in July 2016.

Further to a request from the local authority Heads of Finance referred by NOAC to D/PER, an extension of the deadline to 31 May for submission of the annual QA report was agreed for the local authority sector. This should result in publication of the annual composite report before the end of July each year.

PMO Projects Sub-Group

Meeting: 13th April 2016

NOAC's PMO Projects Sub-Group was established in February 2016 to continue the oversight work of efficiency reform implementation. The sub-group oversaw the finalisation of NOAC's April 2016 reports on implementation of the Local Government Efficiency Review Reforms and the Local Government Shared Services Projects summarised on pages 26 to 28. It will also review any progress reports produced by the Public Sector Reform Oversight

Group, as they are made available, in relation to the shared services projects with lead local authorities.

Arising from the Local Government Shared Services Projects Report, NOAC decided that the PMO Projects Sub-Group should undertake a more in-depth review of the local authority internal audit function to clarify whether there is an internal audit function in operation in each local authority, if it is in-house or contracted out, performed by staff trained for that purpose and the type of reports being produced. The commencement of the review was deferred in 2016 pending clarification of the future working relationship between the LGAS and NOAC and it will be undertaken in 2017.

Other Activities

Financial Oversight Workshop 10th March 2016

A workshop on NOAC's financial oversight role was held for the NOAC members on 10th March 2016 and facilitated by Aidan Horan of the IPA. The objective was to consider and clarify how NOAC should carry out its function of overseeing the financial performance of local government bodies and to consider what issues should be examined and why. The conclusions of the workshop have been fed into NOAC's business planning process.

VFM Unit's Report No. 29 – The oversight role of local authorities in the provision of housing by Approved Housing Bodies

The authors of the report from the VFM Unit of the LGAS gave a presentation to NOAC at its meeting of 26th April 2016 highlighting its key findings and recommendations. The meeting was also attended by officials from the Approved Housing Body Regulation Unit of the Department's Housing Division who expressed the view that some of the recommendations contained in the VFM report were more suited to implementation by the AHB Regulator and centrally by the Department rather than by the local authorities. The members invited the

interim Regulator, Pat Fitzpatrick, to attend a future meeting (on 28th June 2016) to discuss the issues of concern in the sector from his perspective.

At that meeting Pat Fitzpatrick advised that the new statutory regulatory framework due to come into force in 2017 should address some of the issues around governance and regulation of AHB accounts. He welcomed some of the recommendations in the report such as the register of mortgages, tracking of voids and issuing of annual loan balance statements. He indicated that the AHBs who have signed up to the interim Voluntary Regulatory Code (VRC) arrangements represent over 90% of the AHB housing stock and that the impending statutory provisions will include performance management, the submission of annual accounts to local authorities and the transfer of an AHB's stock to another AHB in certain circumstances.

NOAC decided it would revisit the issue when the statutory regulation arrangements are in operation and would explore then the option of putting in place a suitable performance indicator.

Interactions with the LGAS

The NOAC meeting of 31 May considered the Local Government Audit Service (LGAS) 2016 Overview report of its audits of the 2014 local authority financial statements. Following the appointment of Níamh Larkin as Director of Audit in mid-2016, the Chairman met with her on two occasions to discuss the working relationship between the two bodies. She also attended a meeting on 18 October with the Chairman and a subset of the NOAC members. At this meeting Níamh Larkin provided the NOAC representatives with a summary of her review of the operations of the audit service and her future plans as head of the service. The VFM role was discussed with a view to NOAC providing input to the topics for VFM studies. NOAC's working relationship with the LGAS will be further clarified in early 2017.

Publications

NOAC published the following reports on its website in 2016:

- Performance Indicators in Local Authorities 2015;
- Private Rented Sector Review
- Public Spending Code - Local Authority Quality Assurance Report 2015;
- Local Authority Rates Collection 2013 – 2014;
- Financial Performance of Local Authorities 2013 – 2015;
- Local Government Efficiency Review Reforms Report
- Local Government Shared Services Projects;
- Public Spending Code - Local Authority Quality Assurance Report 2014

All reports can be found at: <http://noac.ie/noac-reports/>. A summary of the reports follows:

Performance Indicators in Local Authorities 2015

This report is the second performance indicators report published by NOAC and outlines the activity in 2015 of local authorities in respect of performance indicators prescribed by NOAC. The 31 indicators used in the report cover a wide range of the functions carried out by local authorities in the areas of Housing (6), Economic Development (1), Water (1), Waste/Environment (3), Fire Service (3), Planning (4), Roads (3), Library/Recreation (2), Youth/Community (2), Corporate (4) and Finance (2). The indicator in the Water area is confined to private drinking water supplies in light of Irish Water's responsibility for the public supplies. The indicators bring together a wide range of information about how all the local authorities perform in delivering services to local communities. The data on performance was collected from local authorities by the Local Government Management Agency.

NOAC's report also sets out details of its quality assurance review of six of the indicators carried out in six local authorities and highlights key messages and conclusions emerging

from the data. The report is available at <http://noac.ie/wp-content/uploads/2016/11/2015-PI-Report.pdf>. The following is a snapshot of just some of the overall indicator data:

Housing

- 9,081 additional social housing units under the various schemes were provided in 2015 (a substantial increase on the equivalent 2014 figure of 3,820); however, only 961 of those additional units were directly provided by the local authorities
- overall, 3.5% of local authority houses were vacant at the end of 2015, compared to 3.8% at end 2014, while Cavan, Dún Laoghaire-Rathdown, Kilkenny, Monaghan, South Dublin and Wexford had an end year vacancy rate of less than 1%
- the average house re-letting time was 29.46 weeks, also an improvement on the equivalent 2014 figure of 31.43 weeks; however the average cost of preparing a unit for re-letting increased to €13,378 from €11,535 in 2014.
- at the end of 2015, there were 3,508 homeless adults in emergency accommodation, an increase of 32.4% on the number at end 2014
- although registrations of private tenancies in 2015 increased by 8.3%, local authority inspections declined by 6% overall, notwithstanding Kerry County Council's 185% increase in its level of inspections

Economic Development

- in 2015, businesses assisted by Local Enterprise Offices created 3,152 jobs

Water

- for the second year running, private drinking water supplies in Co. Westmeath achieved a 100% compliance rate with the Drinking Water Regulations
- overall compliance of private drinking water supplies was 97.97%, an improvement on 2014

Litter

- more than a quarter of the area of 5 local authorities had no litter pollution in 2015 (57% of Dún Laoghaire-Rathdown, 44% of Kildare and Longford and 26% of Mayo and Sligo)
- 24 authorities had no gross litter pollution in 2015

Fire Service

- the number of calls to attend fires increased by 7.8% in 2015 over the previous year, while average mobilisation times showed a slight dis-improvement

Planning

- In 2015, Dublin City Council inspected 97% of the new buildings notified by Commencement Notice that year
- only 1 (out of 10) planning decisions by Monaghan County Council was overturned on appeal to An Bord Pleanála in 2015, as compared to half of those appealed in Leitrim, Longford and Westmeath

Roads

- All local authorities showed an increase in the proportion of motor tax transactions conducted online

Library Service

- the number of items borrowed was less than the number of visits to libraries in the case of 13 authorities; the highest ratio of items borrowed to visits was in Sligo at 1.7 and the lowest in Longford at 0.57
- the number of visits to libraries was 150,000 greater in 2015 than in 2014 and the overall per capita cost of operating the service was €30

Community

- a 100% participation rate of second level schools in the Comhairle na nÓg scheme was achieved by 10 authorities

Corporate

- local authority staff numbers decreased by 0.9% on the 2014 end year figure to 26,569 at end 2015
- total medically certified paid sick leave for all authorities was 3.52% of working days – the paid sick leave rate was greater than 3.5% in the case of 15 authorities
- almost 70% of the populations of Waterford City and County and of Cork City follow their local authority on social media sites

Finance

- all 16 local authorities running a Revenue Account balance in deficit at end 2014 reduced their deficit in 2015
- 2015 rates collection performance was 80% or more for 16 authorities with Fingal, Kilkenny and Roscommon exceeding 90%
- improvements in housing loan payment and rent and annuities collection levels were also shown by the majority of local authorities in 2015.

Private Rented Sector Review

This report was published following NOAC's review of the performance by local authorities of their functions under the Standards and Rent Books Regulations applicable to private rented accommodation. It is based primarily on the responses from authorities to a questionnaire dealing with their functions in this area, although data integrity issues relating to the information provided by authorities were encountered.

This report was the first thematic review carried out by NOAC on a particular aspect of local authority functions. The authorities have an important role in ensuring that rented accommodation meets the specified standard and also that landlords comply with the Rent Books requirements. NOAC's overall finding is that the inspection process as currently administered by the local authority sector as a whole is not having a sufficient impact on the standard of rental accommodation.

The report found that inspections are at a low level in a number of local authorities and at less than 2% of registered tenancies in 2014 in the case of Dún Laoghaire-Rathdown, Galway City and Galway County, Limerick, Louth, Meath and Offaly. Only four authorities (Roscommon, Monaghan, South Dublin and Cavan) inspected 20% or more of their registered units. That year, 8,336 or about 55% of inspected dwellings were not compliant with the standards requirements and 1,403 Improvement Notices were issued (mostly by Dublin City and Sligo County Councils) in respect of these dwellings. The most common reason for non-compliance is not meeting fire safety standards or ventilation issues. 19 of the 31 authorities indicated that they do not routinely check for compliance with the Rent Books Regulations when carrying out an inspection.

The Rental Accommodation and Housing Assistance Payment Schemes, while only constituting 6.6% of tenancies, accounted for 29% of the units inspected in 2014 and NOAC has concluded that the increasing use of these schemes is likely to constrain further the resources available for inspecting privately contracted tenancies. In total, just 65 whole-time equivalent local authority staff were working on private rented sector issues in 2014 and 10 of these were in Dublin City. The average cost of an inspection was €178 but the unit cost per local authority ranged from €47 in Mayo to €775 in Louth (which carried out the fewest inspections both absolutely and proportionately).

NOAC is concerned at the high level of non-compliance found and concluded that greater transparency is needed around how issues identified at the inspections are followed up and resolved. It considers that all inspection reports and any subsequent communications with landlords should be made available to the tenants to engage them in the improvement process. The report recommends that the selection of dwellings for inspection should be put on a more systematic basis and should involve an annual experience-based risk assessment. Administratively, there is a need to set a standard for the documentation of the planning, execution, outcome reporting and follow-up of inspections across all authorities and for specific budgetary provisions that align resources to targets. Performance against target data should be included in the monthly reporting by Chief Executives to the elected members of local authorities.

The Residential Tenancies Board's registration numbers show that the number of households living in the rented sector continues to grow each year. With this in mind NOAC proposes to revisit performance in this area in the medium term to review progress.

Public Spending Code Quality Assurance Reports 2014 and 2015

Both reports analysed the extent to which the requirements applicable to the 5 steps had been complied with and summarised the local authorities' judgments of the adequacy of the appraisal/planning, implementation or review work that they examined for the in-depth review, the reasons why they formed those judgments and their proposals to remedy any inadequacies found during the entire quality assurance process. In general compliance was good in both years. Some issues arose in some or several authorities in relation to certification and website publication of the report, omission from the inventories of current expenditure projects under consideration and capital grant scheme projects, non-completion of some of the checklists and no data on in-depth reviews (in the case of three authorities) in the 2014 reports, many of these were substantially addressed in the 2015 QA reports. In particular, all 31 authorities carried out the in-depth check of a selection of projects from their inventories and provided information pertaining to the reviews for the purposes of the summary report for the sector compiled by NOAC.

Rates Collection 2013 – 2014

NOAC decided to review the rates collection performance of local authorities because the rates charged on commercial property are an important source of local authority revenue, with the amount collected representing 28% of total income in 2013 and 32% in 2014. The focus of the review was on local authorities where high amounts of rates arrears had built up and/or where there was a weak rates collection performance.

The report provides data on the collection performance achieved in 2013 and 2014. While there is evidence of some improvement in a number of the local authorities, the 11

authorities examined had poor collection performance and face a challenge in incrementally improving collection levels.

The 7 authorities with the weakest collection performance fell well short of generating a full year's income, with all cash collected (including that related to opening arrears) constituting around three-quarters of the 2013 rates levy. While continuing to fall well short of generating cash equivalent to the annual rates levy, some of the councils began to show improvement in cash collection in 2014. Details of measures being taken at national and local levels to improve performance are set out in the report, along with information on procedures followed by local authorities in writing-off debts that are considered to be uncollectable.

The report concludes that it is important that compliance with the targets set within the local government sector for improved collection performance is monitored closely. It is also important that work continues on the development of best practice standards for bad and doubtful debt provision and associated write-offs. There is considerable scope for local authorities to share experiences and identify transferable good practice given the wide variety of measures currently being implemented or piloted.

NOAC will monitor the extent to which national measures, and those of individual authorities, are contributing towards the achievement of improved collection performance.

Financial Performance of Local Authorities 2013 – 2015

This report focused mainly on a review of 3 local authorities that had significant cumulative revenue deficits at end 2013 (Offaly, Donegal and Sligo County Councils) and of the timeliness of production of the accounts of local authorities generally - Annual Financial Statements (AFSs).

The report welcomed improvement in the financial position of both Offaly and Donegal County Council in 2014 and 2015 as an early indication that the measures being employed

by these local authorities are beginning to address their financial position. Given the scale of the problems that remain, NOAC considers that there can be no room for complacency and that both Councils must continue to monitor expenditure and income rigorously to ensure that there is no slippage in their progress towards financial equilibrium.

While NOAC considered the agreement reached with the then Department of the Environment, Community and Local Government on Sligo County Council's Financial Plan 2015-19 to be a welcome development, it noted that the Council's financial position remains of concern, particularly since its deficit grew further in 2014. The report noted that the projected deficit reductions contained in the Plan, if achieved, would still mean a cumulative deficit of nearly 23% of projected income in 2019, so the Plan outcomes will need to be monitored on a timely basis.

The review noted that a trend of late preparation and submission of AFSs is continuing - only 16 of the 31 local authorities prepared and submitted to the Department by 31 March 2016 (the relevant statutory deadline) an AFS for 2015 certified by the Chief Executive and Head of Finance.

NOAC considers that local authorities need to assess and address the factors that are delaying submission of their financial accounts to the Department for annual audit. In turn, the Department should ensure that its systems for receipt and recording of the AFSs are robust and can reliably enable identification of non-compliant local authorities so as to facilitate improved monitoring of performance, and better practice, in this area.

LGER Reforms Report

In 2015, NOAC requested a progress report from the Programme Management Office (PMO) of the Local Government Management Agency on the implementation of public service efficiency reforms recommended by the 2010 Local Government Efficiency Review.

The 2010 Efficiency Review made 106 recommendations and identified a range of efficiency savings and other revenue options amounting to €511m annually (€346m in efficiency savings and €165m in improved cost recovery and revenue-raising), of which €93m related to areas that are now the responsibility of Irish Water. The report indicated that by end 2015:

- 69 of the recommendations had been or were being implemented as recommended,
- 15 were being implemented by way of a policy modification of the original recommendation,
- 8 were on hold, and
- in the remaining 14 cases, either no progress had been made or a decision had been taken not to implement the recommendation.

NOAC concluded that this represented a high level of implementation of the reforms and a significant reduction in overhead costs. The increased efficiency and consequential savings achieved were estimated in the report to be €587m a year (with over 80% of this coming from payroll savings) when compared with 2008 local authority payroll costs.

Shared Services Projects

NOAC also sought a report from the PMO on shared services projects, which were among the initiatives implemented in the local government sector as part of the public service efficiency reforms.

The PMO report indicated the status of 19 shared services projects - MyPay, Road Management Office, Procurement, Local Government Portal, Building and Control Management System, ICT Back Office, Library Management System, FixYourStreet.ie, Internal Audit Centre of Excellence, Debt Management, Waste Enforcement Regional Local Authorities, Water Framework Directive, Housing Assistance Payment, Treasury Management, Accounts Payable, Legal Services, Veterinary Services, Laboratory Services and Motor Tax.

The report noted progress in advancing the first 13 of these projects (in some cases in a different manner to that originally envisaged), with delivery not achieved or not progressing on the final 6 projects and explanations for this were provided. The report outlined €43.5m of annual operational costs and €1.3m in year one and/or capital costs incurred on the 13 projects that have advanced to date. It also highlighted estimated annual savings of €5.1m in respect of MyPay and €1.4m from the ICT Back Office project, as well as €3.2m of savings enabled by the Procurement project in 2015 and a reduction of €56m in cumulative rates arrears in 2015 (affected by the level of write-offs as well as collection performance).

Resources

NOAC is supported by a secretariat with 2 full-time staff members who are provided by the D/HPCLG. NOAC is funded from the Local Government Fund and its allocation in 2016 was €200,000. Its 2017 allocation will again be €200,000.

Expenditure

NOAC expenditure for 2016 was €83,846.36, which was incurred as follows;

Member Fees €72,609.03

Training Services €1,800

Travel & Subsistence €9,106.83

Meeting Expenses €330.50

Appendix 1:

Attendance at Meetings

Member	12/1/2016	16/2/2016	24/3/2016	26/4/2016	31/5/2016	28/6/2016	13/9/2016	25/10/2016	6/12/2016
Pat McLoughlin	Y	Y	Y	Y	Y	N	Y	Y	Y
Kevin Baneham*	Y	N	Y	Y	Y	N			
John Buckley	Y	Y	Y	Y	Y	Y	Y	Y	Y
Tara Buckley	Y	Y	Y	Y	Y	Y	Y	Y	Y
Constance Hanniffy	Y	Y	Y	Y	Y	Y	Y	Y	Y
Paul Lemass	Y	Y	N	Y	Y	Y	Y	Y	Y
Padraig McNally*	Y	Y	N	Y	Y	Y			
Martina Moloney	N	Y	Y	Y	Y	Y	N	Y	Y
Micheál Nolan*	N	Y	Y	N	Y	Y			
Colleen Savage	Y	Y	N	Y	Y	Y	Y	Y	Y
Henry Upton	Y	Y	N	Y	Y	N	N	Y	Y
David Holohan#**									Y
Michael McGreal**									Y
Sharon O'Connor**									Y

* Term of membership expired in Summer 2016

** Membership commenced in October 2016

Appendix 2:

NOAC's Strategy

Statutory Mandate

The Local Government Reform Act 2014 gave legislative effect to proposals set out in the *Action Programme for Effective Local Government* for a range of reforms designed to strengthen local government, including its structures, functions, funding, operational arrangements and governance.

The reforms included the establishment of a National Oversight and Audit Commission. Accordingly, NOAC was established by the Minister for the Environment, Community and Local Government under Part 12A of the Local Government Act 2001 (as amended) on 1 July 2014 to oversee the local government sector at a local, national and regional level.

The functions assigned to it by Part 12A are to:

- a) *Scrutinise the performance of any local government body against relevant indicators as selected by NOAC or as prescribed in regulations by the Minister,*
- b) *Scrutinise financial performance, including value for money, of any local government body in respect of its financial resources,*
- c) *Support best practice (development and enhancement) in the performance by local government bodies of their functions,*
- d) *Monitor and evaluate adherence to service level agreements entered into by any local government body,*
- e) *Oversee implementation by local government bodies of national policy for the local government sector,*
- f) *Monitor and evaluate public service reform implementation by any local government body or generally,*
- g) *Monitor adequacy of corporate plans prepared by regional assemblies or local authorities and evaluate implementation of the plans by any local government body or generally,*

- h) Take steps under its other functions for the purpose of producing any report requested by a Minister under section 126D of the Act,*
- i) Produce reports under its own initiative, in addition to the section 126D requested reports and the section 126K annual report requirement,*
- j) Carry out any additional functions that are conferred by Ministerial Order.*

As part of its strategic planning, NOAC established its vision, mission and values as:

NOAC's Vision

NOAC will contribute positively to the optimisation of the level of service provision in the local government sector through its independent scrutiny of performance and its identification of best practice in the sector.

NOAC's Mission Statement

NOAC will independently oversee the local government sector by reviewing the financial and operational performance of bodies within its remit, overseeing implementation of national local government policy and identifying opportunities for best practice.

NOAC's Values

NOAC is committed to operating to the highest standard of integrity and fairness in discharging its duties. It will adhere to the following core values:

- NOAC and its members will be independent, objective and fair in performing their functions
- NOAC's findings and recommendations will be based on the best available evidence and information
- NOAC will work with local government bodies and utilise available existing resources in carrying out its work
- NOAC will engage with relevant stakeholders in undertaking its work

- NOAC will report its conclusions in an open and transparent fashion

The full Statement of Strategic Intent 2015 – 2016 is set out on NOAC’s website at

<http://noac.ie/wp-content/uploads/2015/01/NOAC-Statement-of-Strategic-Intent.doc>.

Approach and Objectives of NOAC

In implementing its mandate NOAC aims to:

- Forge a working relationship with its stakeholders, including the D/HPCLG, the Chief Executives and elected members of the local authorities and citizens
- Conduct evidence based scrutiny that delivers quality, objective, balanced and relevant reports, which will afford the local government sector the opportunity to improve its performance, enhance the existing culture of continuous improvement and embed best practice within the system as a whole
- Add value to the local government sector and provide recommendations to build on the efficiencies and savings delivered by the sector to date, with a focus on customer service and cost effectiveness
- Establish a collaborative approach with the relevant bodies and agencies at the heart of NOAC’s work
- Identify and focus upon those aspects of local authority functions and activities that are important to the citizen/customer
- Facilitate engagement around improved performance, and
- Monitor the adequacy of local authority corporate plans and assess how well these are being implemented.

Its key output will be reports published by NOAC and presented to relevant Joint Committees of the Houses of the Oireachtas and implementation of NOAC’s recommendations by the relevant local government bodies as reported to NOAC and to the elected members.

Operating Procedures

NOAC is clear that its function in relation to national policy for the local government sector is to oversee implementation of agreed policy and will not in its reports question the merits of policy or policy objectives.

NOAC will independently scrutinise performance by means of thematic reports and, where warranted, oral hearing, on matters falling within its statutory remit. Its focus will be on the wide range of service delivery systems operated and maintained by local authorities and regional assemblies.

NOAC will not deal with cases that in its view fall within the remit of a statutory procedure or body or with matters that are the subject of litigation in the Courts.

While NOAC welcomes suggestions from stakeholders and takes them into account in scoping its work, it will not, in general, scrutinise a lone specific aspect of an individual local government body's performance of a particular function, or investigate the handling of individual cases, save where NOAC determines that a wider investigation may be warranted.

It is envisaged that activities undertaken by NOAC in the period up to end 2016 will relate primarily to matters that have a national or regional relevance.

Operating Environment and Capacity to Deliver

Although NOAC is a statutory body, it does not retain any staffing complement of its own. The secretariat provided to NOAC from the D/HPCLG consists of 2 full-time staff whose functions are to provide support for meetings, communicate with members, discharge formal requirements, etc. and, under the guidance of the Chair, coordinate any research being undertaken on behalf of NOAC and information sought by NOAC. It also has a limited budget for engaging outside expertise. Funding of €200,000 is being made available for the operation of NOAC in 2017.

NOAC will be relying significantly on the LGMA, which is the main resource within the local government sector, and on the regional assembly structures as they develop, to undertake (as is statutorily provided for in Part 12A of the Local Government Act 2001) research,

investigation, analysis and assessment tasks. It will also be relying on the expertise of relevant sections within Government Departments and other agencies that are operating within the local government sector.

While NOAC will have no involvement in directing the statutorily independent LGAS audit function, the outcome of work by its Value for Money Unit will assist NOAC in its scrutiny of performance.

A critical success factor for NOAC will be the extent to which the available resources have the capacity and expertise to provide the reliable data and critical analysis that are essential to NOAC's role.