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The Local Government (Northern Ireland) Order 2005 provides that the Department for Communities may, with the consent of the Comptroller and Auditor General, designate persons who are members of the Northern Ireland Audit Office as Local Government Auditors. Louise Mason, Assistant Auditor General, is the designated Local Government Auditor for all local government bodies in Northern Ireland.

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**CAUSEWAY COAST AND GLENS BOROUGH
COUNCIL
AUDIT OF 2016-2017
FINANCIAL STATEMENTS**

**REPORT TO THOSE CHARGED WITH
GOVERNANCE**

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Executive Summary

Introduction

1. This report summarises the key matters arising from our audit of the 2016-17 financial statements for the benefit of those charged with governance. We would like to thank the Chief Financial Officer and their staff for their co-operation during the audit process.
2. The examination of the 2016-17 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Boards (APB) taking into account the UK Auditing Practice Board's Practice Note 10 (Revised); Audit of Financial statements in Public Sector Bodies in the United Kingdom and the Code of Audit Practice issued by the Local Government Auditor. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Performance and Audit Committee in March 2017.
3. This report has been prepared for the sole use of the Causeway Coast and Glens Borough Council. Our prior consent should be sought before any distribution (including web publication) either in full or in part is made. The Northern Ireland Audit Office (NIAO) does not accept responsibility to any third party for losses arising from reliance being placed on this report.
4. Causeway Coast and Glens Borough Council has now published its audited accounts on its website along with a note stating that the audit has been concluded and that the statement of accounts is available for inspection by any member of the public and including the matters set out in regulation 16 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Actions for those charged with governance

5. Those charged with governance are invited to review the findings set out in this report, including the letter of representation and audit report included in Annex A and Annex B respectively.

Status of audit

6. Our audit is complete. The financial statements were certified on 28th September 2017.

Overall conclusion and opinion

7. The Local Government Auditor provided her audit opinion in the format set out in Annex B – Audit Report. The audit report includes an opinion as to the truth and fairness of the financial statements and that certain information given in the Narrative Report is consistent with the financial statements. The audit report also includes an opinion on whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.
8. The Local Government Auditor certified the 2016-17 financial statements with an unqualified audit opinion, without modification.

Audit judgements

9. In reaching our opinion we have made the following key audit judgements:
 - The total landfill provision of £12.6m in respect of future closure and aftercare costs for the 3 landfill sites, appears to be a reasonable estimate.

Audit findings

10. In Section 2 we outline the quality, effectiveness and transparency of Causeway Coast and Glen Borough Council's financial reporting and its accounting policy selection, and our audit findings including any issues identified relating to the internal control environment.
11. A number of narrative and financial changes were required to the first draft of the accounts.
12. The accounting policies were considered appropriate.
13. There were no significant issues identified regarding proper arrangements.
14. Significant control weaknesses were identified during our audit in relation to management accounts, debtors and bank. Further details on these are included within Section 2 of this report.
15. We are satisfied with the completeness and adequacy of the disclosures in the Governance Statement.
16. Further issues of interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

17. In the course of the audit misstatements were identified which have been adjusted in the financial statements, as detailed in Identified Misstatements in Section 3. The net effect of these adjustments on the Comprehensive Income and Expenditure Statement (CIES) and/Balance Sheet (BS) was £84k.
18. Section 3 also details uncorrected net misstatements which would increase income and increase net assets by a further £7k. Management have not corrected these misstatements as they do not consider them material in the context of the financial misstatements as a whole.

Section 1 Audit Risks

Significant risks

- 1.1. In our Audit Strategy issued in March 2017, our assessment of the Causeway Coast and Glens Borough Council's operations and control environment identified a number of significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.
- 1.2 The table below describes how we addressed these matters through our audit process.

Significant risks of material misstatement

Risk 1: Landfill Provision
NIEA have issued compliance notices to the Council, in relation to 2 landfill sites. Factors which contribute to difficulties in calculating accurate landfill, closure and aftercare provisions include:- <ul style="list-style-type: none">• the 'dilute and disperse' nature of these sites.• Land ownership issues in respect of one of the sites. NIEA has still to confirm whether it is content with the monetary landfill provision estimates for these 2 sites.
Audit Response
We will review the landfill provision workings as part of our audit including any formal communications with NIEA and the land owners.
Outcome
Based on current information the monetary value of the total landfill provision appears adequate.

Section 1 Audit Risks

Financial Reporting and Accounting Policies

- 2.1 The Financial Statements are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom and in accordance with the Accounts Direction issued by the Department for Communities.
- 2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Narrative Report.
- 2.3 A number of presentational and financial adjustments were required to the financial statements submitted for audit.
- 2.4 During the audit:
- The accounting policies were considered appropriate to the particular circumstances of the Council, judged against the objective of relevance, reliability, comparability and understandability.
 - Based on our sample testing, a few errors were noted within transaction cut off in the correct period, these have been included within section 3.
 - No issues arose from the appropriateness of accounting estimates and judgements in relation to provisions, including the consistency of assumptions and degree of prudence reflected in the recorded amounts.
 - There are no material risks which have a potential effect on the financial statements which have not been disclosed in the financial statements.
 - The financial statements are not affected by any unusual transactions including non-recurring profits and losses recognised during the period.
 - There are no apparent misstatements in the other information in the document containing the audited financial statements or material inconsistencies between it and the audited financial statements.
 - There were no significant difficulties encountered during the audit.

Review of information in the Narrative Report

- 2.5 We review information in the Narrative Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Narrative Report is not subject to our audit opinion.
- 2.6 The Narrative Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

Internal Control

- 2.7 Other than the weaknesses identified at paragraph 14 of the Executive Summary above, which has been set out in 'Observations and Recommendations' below, no material weaknesses in the design and implementation of internal control have come to our attention during the audit.
- 2.8 We have reviewed the amended Governance Statement and in our opinion, it fairly reflects our understanding of the state of internal control systems within the Council during the year and the changes made to the Governance Statement during the course of the audit.

Section 2

Audit Findings

Remuneration Report

- 2.9 We have reviewed the Remuneration Report and in our opinion it has been properly prepared in accordance with Department for Communities directions issued under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Observations & Recommendations

- 2.10 This section outlines the findings arising from our audit, as well as management's response and target date for implementation to these recommendations.

- 2.11 We have included the significant, important and best practice findings arising from our audit which are defined as:

- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
- Priority 2 – important issues to be addressed by management in their areas of responsibility.
- Priority 3 – issues of a more minor nature which represent best practice.

Other issues of a more minor nature have been reported to the Chief Financial Officer.

- 2.12 As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Index of recommendations

Issues raised

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Section 2

Audit Findings

1. Management Accounts

Observation
<p>Last year we highlighted that management accounts were in the development stage and that they were not being produced in a timely basis. While there has been some improvement this year, delays in their preparation continues in that period 10 (January 17) management accounts were only presented to the senior management team (SMT) at the end of March and to Council on 16th May 2017. Further the monthly management accounts are not accompanied with written explanations for variances.</p> <p>Additionally there is no formal procedures for budget setting and little audit trail of the process.</p>
Implication
<p>Budget overspends and potential errors in the financial statements may not be identified in a timely basis.</p> <p>Reduced assurances for senior management and Councillors over Council's income and expenditure.</p> <p>Without comprehensive explanations for variances / activity levels and changes to forecast spend, potentially users have a much reduced understanding of the council's activity for that period.</p>
Priority Rating
1
Recommendation
The Council should produce detailed management accounts, inclusive of formal explanations for variances, for the SMT and Council members on a regular and timely manner.
Management Response
<p>Agreed – More detail around variances, etc will be included with future management accounts</p> <p>With regards budget setting a set of Financial Regulations has been produced within which budget setting is included.</p>
Target for Implementation
Dec 17

Section 2 Audit Findings

2. Debtors

Observation
<p>During our audit we identified a number of issues:-</p> <ul style="list-style-type: none"> • This year doubtful debts of £410,579 were written off and removed from the debtors ledger. While we understand that Council are aware, of this level of bad debts, at time of audit there was no formal approval to write off these debts. The process of obtaining approval is now underway. • There is no bad debt provision in the 2016-17 accounts. This is despite a number of debtors remaining unpaid since 2015. Further some of these 2015 debts and other debtors may be doubtful especially since the report to Policy and Resources Committee in February 2017 included 8 legal action notices and also 35 letters were submitted for small claims action in May 2017. • There is no credit controller in post and no member of staff has complete responsibility to identify and follow up outstanding debts. As a consequence there is currently no formal process for reviewing debts to establish if the debt is doubtful and no register is being kept to record action taken to recover debts and to show what stage recovery action is at. • There are a large number of debts on the aged debtors report with values less than £1 and a number of credit balances. Further some of the debts (£33.5k) on this report were not allocated to a time period. • A year end debtor for £34k had been receipted as paid on 31/3/17, however not lodged until 31/5/17 due to it being in an employee's drawer. • As part of our cut-off testing we sampled 20 of the sales invoices raised in April; out of this sample there was a high error rate with 7 errors noted. While the invoices had been raised in April they related to March activity. This resulted in an adjusted error of £37k and an unadjusted error, noted in section 3.6 is £15k.
Implication
<p>The bad debt policy not operating as designed</p> <p>Current debt collection procedures are not protecting council funds.</p> <p>Income recorded in the wrong period.</p>
Priority Rating
1
Recommendation
<p>In line with the Council's bad debt policy bad debts to be written off should be appropriately approved.</p> <p>Further Council should:-</p> <ul style="list-style-type: none"> • review its current debt collection procedures including agreeing areas where these can be strengthened. • ensure a full review of the Aged Debtors Report is undertaken including checking that all debts are accurately aged. As needed where there is doubt as to recovery of individual debts, then these should be added to the bad debts provision. • Review its debtor cut off procedures to ensure that current cut off weaknesses are addressed
Management Response

Section 2

Audit Findings

Agreed – Process to appoint staff including a Credit Controller to take place asap.

Target for Implementation

Anticipated that staff including credit controller will be in place by February 2018

3. Bank – Savings Account / General Revenue account

Observation

Savings Account

Council staff operated a staff savings account, which until May 2017 was off balance sheet. However from May 2017 the bank balance was transferred to Causeway's main account resulting in these funds no longer being ring-fenced. While this was post year end, the key issues for this financial year were that:-

- during the year the cheque signatures for the savings bank account, which was then off balance sheet, were off sick. Consequently funds were released from the Council bank account resulting in a debtor from the savings bank account of £207k and a creditor of £80k at year end
- an unreconciled difference of £1,545 has occurred.
- The savings account scheme is not open to all staff

Other Bank accounts

Last year we raised the issue of the control over bank accounts including that not all bank accounts were included in the accounts, an unreconciled difference of £2838 and bank reconciliations not being fully completed during the year. Whilst during the year Council has improved its bank reconciliation process, we note that a small number of issues remain:-

- at the time of the March bank reconciliations cheques to the value of £15048 are outstanding for over 6 months. Consideration should be given to writing these off?
- A small reconciled difference of £85 remains.
- Despite 2 bank accounts being closed in the year, they were still wrongly included within the year end bank balance at a value of £138, when this should have been nil.

Implication

Savings Account

There is an added administrative burden on council associated with the staff savings account, which also adds an added risk of potential loss to council should monies go astray. In the absence of a ring fenced bank account it may be difficult to identify losses should these occur. Further the legality of council being able to operate this savings scheme does not appear to have been queried.

Other Bank accounts

Controls over bank accounts are not being adequately adhered to thus risking funds.

Priority Rating

1 re savings account
3 re other bank accounts

Recommendation

Council should ensure that it has the legal authority to administer a staff savings account, especially since currently not open to all staff. Further Council should evaluate whether given the risk of loss and also the administrative burden whether it still wants to operate this scheme.

Council should continue with its improved bank reconciliation process and also consider whether cheques over 6 months old should be written off.

Section 2

Audit Findings

Management Response
Agreed – Savings scheme closure has been communicated to staff affected in Oct 2017 with a view to closure at end of 2017
Target for Implementation
December 2017

4. Declarations of interest

Observation
At time of audit, despite 2 reminders sent by Council, 14 Councillor declarations of interest remain outstanding. This position has deteriorated from last year when 2 Councillor declarations were outstanding.
Implication
Conflict of interest may go undetected and present a possible reputational risk for the Council.
Priority Rating
2
Recommendation
The Council should ensure that declaration of interests are received from each Council member in time for the accounts closure.
Management Response
The Declarations of Interest are updated on an annual basis, and regular reminders are issued. Currently there are 6 outstanding updates, which are being progressed, with the last reminder issued 7 th September. A proposal will be suggested to Audit Committee (December 2017), that an update is reported on a quarterly basis, commencing March 2018.
Target for Implementation
Quarterly update to Audit Committee – March 2018

Section 2

Audit Findings

5. IT

Observation
We note the following:- <ul style="list-style-type: none">- There is no formal IT policy in place- There is no written policy on user access, to ensure appropriate segregation of duties- At time of audit no live test has been completed on the disaster recovery plan
Implication
In the absence of an IT policy, nugatory expenditure could be incurred Poor IT controls could lead to information loss/breaches or even financial loss through error or fraud. In the absence of testing of the disaster recovery plan, inherent weaknesses in the policy may go unnoticed
Priority Rating
2
Recommendation
The Council should ensure that IT controls are strengthened and that an IT policy is put in place as soon as possible.
Management Response
Accepted – staff appointments will be completed by November 2017, allowing focus to shift to strategic ICT priorities.
Target for Implementation
March 2018

Section 2

Audit Findings

6. Income

Observation
<p>A number of issues were identified from the sample testing of income:</p> <p>Late Lodgement - Portrush Harbour</p> <ol style="list-style-type: none"> Lodgement for w/ending 10/7 wasn't lodged until 26/7 <p>Waterworld</p> <ol style="list-style-type: none"> Written cash handling procedures were not available at time of audit. <p>Benone Caravan parks</p> <ol style="list-style-type: none"> There was a lack of documentation for managing vending and gaming machines income in 16/17, however it has been noted that the procedures have been revised for 2017/18. Income walkthroughs have shown that the £1,500 cash limit for the safe is regularly breached. It was further noted that large sums of cash are being lodged at Limavady by Centre staff, rather than being collected by a secure cash collection firm <p>Income Building Control</p> <ol style="list-style-type: none"> There is no documented specific policy over Building Control income. Instead Building Control admin staff follow the general invoicing and debt management policy, however this has not been updated since 2002. The cash box is kept in a safe in the strong room in the basement which can only be accessed by authorised keyholders, Whist this is a secure location, Building Control admin staff leave the cash box in the strong room for the caretakers to lock in the safe each evening. The Finance department receipt all monies received through the TOTAL system. However we understand that as BC Admin are not receiving regular income reports from the Finance department then the BC Tascomi system is not always kept up to date with one of the consequences being that it is more difficult to reconcile lodgements and manage outstanding debts. Lodgements are not signed and dated to evidence who has prepared the lodgement and who has checked it. 11 out of the sample of 15 lodgements do not reconcile to the "Report on Payments Received" from the Tascomi system. It is not clear how lodgements are reconciled. (£1,104 difference was noted from our testing).
Implication
Weaknesses in cash handling procedures could result in financial loss to council
Priority Rating
2
Recommendation
<p>The Council should ensure that lodgements are made in a timely manner and also consider using a cash collection service to avoid staff lodging large sums of cash.</p> <p>Updated cash handling procedures should be issued to each outstation.</p> <p>The Finance department should send a weekly report to Building Control Admin to detail which monies have been received so the Tascomi system can be updated efficiently and thereby outstanding debts are clearly identifiable for follow up.</p> <p>Lodgement cover sheets should be prepared to clearly state who has prepared and checked the lodgement and also reconcile to the report of payments received.</p>

Section 2

Audit Findings

Management Response
Accepted – Cash in transit contract to be reviewed therefore additional locations may be added. Cash handling procedures to be updated as part of our finance procedure manual. Council currently progressing Tascomi building control interface with Total mobile which would alleviate many of the building control issues.
Target for Implementation
Feb/Mar 2018

7. Credit card expenditure

Observation
<p>The credit card policy states that “The Finance Department will prepare a journal/return and the journal is checked, and certified by the Chief Finance Officer”. There was no evidence of this approval from our sample testing.</p> <p>We also noted an instance where there was no receipt attached for a transaction of £665.29.</p>
Implication
Potential loss to Council through lack of challenge.
Priority Rating
2
Recommendation
Expenditure should be accompanied by a credit card approval voucher. This would represent good practice as it signifies approval by the head of department, certification by the finance officer and provides account codes to ensure expenditure is appropriately coded. It is recommended that these vouchers are attached to all statements going forward.
Management Response
Agreed – control now in place
Target for Implementation
October 2017

Section 2

Audit Findings

8. Leases

Observation
<p>Council do not have a system in place, whereby the rent and leases due for renewal are highlighted 6 months before renewal.</p> <p>Signed agreements for 2 leases where the Council is the lessor and 2 other lease agreements where the Council is the lessee could not be located.</p>
Implication
<p>Rent/lease reviews may be missed.</p> <p>The Council may not have legal agreements in place in for all its leases.</p>
Priority Rating
2
Recommendation
<p>The Council should introduce a system to highlight rent and leases due for renewal.</p> <p>Council should ensure that it has a signed agreement in place for each of its leases</p>
Management Response
<p>Council has established a Land and Property Sub-committee, which reports to Corporate Policy and Resources. Work is progressing in terms of developing policies and procedures in this area, including the appointment of a Land and Property Officer in January 2018. This is an area of work which will be addressed as a priority</p>
Target for Implementation
June 2018

Section 2

Audit Findings

9. Heritage assets not reflected in the accounts

Observation
There are a number of museum exhibits held in the basement of Cloonavin which are not reflected in the accounts and also may be uninsured. We understand that there is no inventory of these exhibits and that their value is also not known.
Implication
Reduced custodial control over a number of heritage assets, which may go unnoticed if lost or misappropriated. Understatement of the Council's net worth
Priority Rating
2
Recommendation
The Council should ensure that these items are listed as soon as possible and insurance values obtained as necessary.
Management Response
Accepted. A complete review of heritage inventory in conjunction with adoption of capitalisation policy for items with a value of £10k or greater to be completed by March 2018, including revision of insurance covers.
Target for Implementation
March 2018

Section 2

Audit Findings

10. Journals Authorisation and Audit Trail

Observation
<p>Currently journals are prepared and posted by one of the accountants. In one of the sample tested the journal was prepared and posted by another member of the finance team.</p> <p>The journals are organised by batch numbers that are not held consecutively in the filing system, making it impossible to tell if any journal entries are missing.</p>
Implication
Lack of audit trail.
Priority Rating
2
Recommendation
<p>As a control over the visibility of the completeness of journals, Council should ensure that all journals are both numbered and filed consecutively.</p> <p>The Council should further ensure that all journals are prepared by one member of staff, approved for posting by a senior member of finance and then posted by another member of staff.</p>
Management Response
Agreed – journal numbering to be formalised and procedure established/updated
Target for Implementation
November 2017

Section 2

Audit Findings

11. Expenditure

Observation
<p>A number of issues were identified from the review of a sample of expenditure in year:-</p> <p>Quotations not being sought as per council procurement policy In three instances there was no evidence of alternative quotations being sought in spite of this being appropriate ie the value of expenditure was in excess of £1500 (over which procurement policy states at least three written quotes be obtained).</p> <p>Lack of Supporting Evidence</p> <ul style="list-style-type: none"> • three instances of agency costs being paid without supporting timesheets. • one waste invoice being paid without any weightslips attached to the invoice. • fuel delivery costs being paid without a delivery docket being attached to the invoice. • On another invoice there was reference to an attached breakdown yet this breakdown was missing. <p>Goods Received Note In 10 out of 21 instances where a goods received note would have been reasonably expected this was not in evidence. This equates to 48% of the sample tested.</p> <p>Purchase Orders In 14 out of 24 instances where it would have been deemed appropriate there was no evidence of a purchase order being raised. This equates to 58% of the sample. In some instances the purchase order was raised after the date of the invoice. Some improvement was seen at final testing with only 20% of expected purchase orders missing or late (2/10).</p>
Implication
The expenditure custodial controls are not fully operating as designed, which could result in financial loss to the council
Priority Rating
2
Recommendation
The Council should review its expenditure controls to ensure that they operate as designed including the attachment of appropriate audit evidence to the invoices.
Management Response
Agreed – Procurement policy under review, will carry out a refresh with implementation of new policy
Target for Implementation
March 2018

Section 2

Audit Findings

12. Agency staff costs

Observation
Council has extremely large costs in relation to agency staff- £5.4m representing 23% of total wage costs (2015/16 £4.3m and 16% of wages costs). Other than the need for summer staff due to the council's number of external locations, which accounts for some of the agency cost in year, the main key contributing factor is the delay in finalising the organisational structure through job matching, the Council are unable to recruit for anything but newly created positions whilst the organisational structure remains incomplete.
Implication
Lack of staff continuity of service Potential for increased cost
Priority Rating
2
Recommendation
Council should endeavour to address their organisational structure issues as a matter of urgency to ensure that normal recruitment practices can commence.
Management Response
Council are progressing with implementing the organisation structure as agreed by Council and significant progress has been made. Legacy Councils were mindful of the LGR process, in terms of making permanent appointments, which accounts for a number of posts currently being filled by Agency Staff. In order to ensure service delivery, agency staff will remain until structures are populated and at the same time service reviews completed.
Target for Implementation
Ongoing – process will be kept under review until the organisation structure is populated and service reviews complete. It is anticipated that the need for agency staff will reduce significantly on completion of both of these processes.

Section 2

Audit Findings

13. Procurement

Observation
<p>The following issues were identified during the audit:-</p> <ul style="list-style-type: none"> • we understand that there is currently no guidance on Single Tender Actions and a list of STA's in 16/17 could not be provided to audit. • It was noted from testing that there are no contracts in place for 2 large fuel suppliers supplying £307k and £129k of fuel in year and also a professional firm for some of the £86k of fees in year • a contract for agency staff was extended by CX until 1 Dec 16, however as the new contract was not awarded until Feb 17, then there was no formal approval for this extra 3 month contract extension • for another agency staff contract in which £545k was spent in year, Council were unable to provide a tender report. We understand that this arrangement was carried over from the legacy Councils, • There is only 1 procurement officer in the Council and he has no easy access to specialist advice for complex procurement issues. • The Council do not currently review all supplier payments over £30k to ensure that contracts are in place. • Soon after the year end Council settled a claim from an architect's firm relating to works instructed by a legacy council in the latter period of its existence. This case highlighted a number of procurement weaknesses including:- <ul style="list-style-type: none"> - this architect's firm continued to be used beyond the terms of the last tender which expired in 2005 - despite the arrangement with this firm being that it would receive no fees if their preliminary works did not extend beyond stage D and their actual works do not appear to have extended beyond stage D, the legacy Council placed itself in a difficult position to defend paying no fee. This was because the legacy Council appointed a second firm to review some parts of their works thereby potentially breaching the no fee until at stage D arrangement - The new council's ability to negotiate on this claim for £63k, was greatly reduced due to a minute from the legacy council whereby the legacy council agreed to approve up to £50k to cover any costs up to and including stage 1 <p>The claim was ultimately settled by council for £55k, and this has been accrued in the year and accounts.</p>
Implication
<p>Value for money may not be achieved. Council's procurement policy is not being fully adhered to Potential loss to council through poor contract management by the legacy council</p>
Priority Rating
2
Recommendation
<p>The Council should ensure that they procure services in line with guidance. The Council should issue guidance on the use of single tender actions and keep an up to date list of any single tender actions awarded. The Council should ensure that it applies the lessons learnt from the weaknesses in the management of this contract.</p>
Management Response
<p>Accepted. The Council's Procurement Policy and Procedures to be revised and reissued by March 2018 to include guidance on single tender actions.</p>
Target for Implementation
March 2018

Section 2

Audit Findings

14. Carryover annual leave

Observation
It was noted from a review of the year end accumulated absences calculation that the Chief Executive carried over 17 day's annual leave. We were not provided with any evidence of independent approval of this leave.
Implication
Excess amount of leave could be carried forward each year.
Priority Rating
3
Recommendation
Council should ensure that all annual leave carried over to the next year, is appropriately approved.
Management Response
Accepted.
Target for Implementation
March 2018

- 2.13 In accordance with International Standards on Auditing we have to consider significant weaknesses identified in our prior year audit. We have therefore reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those charged with Governance. Our findings are set out in Annex C – Implementation of Prior Year Recommendations. The Audit Committee should continue to track progress on all recommendations, including Priority 2 and Priority 3 points.

Section 3 Identified Misstatements

- 3.1 This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted misstatements which are not considered material in the context of the financial statements as a whole.
- 3.2 We do not consider that the adjusted or unadjusted misstatements indicate a significant weakness in accounting or control which needs to be reflected in the Governance Statement.

Significant adjustments made to the financial statements

- 3.3 As a result of our audit, adjustments were made to the financial statements presented for audit. The adjustments are shown below. The presentation of this information enables those charged with governance to assess the extent to which the financial statements presented for audit have been subject to change as a result of the audit process.
- 3.4 The audit adjustments made to the initial financial statements presented for audit are noted in the table below. The net effect of the adjustments on the Comprehensive Income and Expenditure Statement was to increase expenditure by £84k and to increase net assets in the Balance Sheet by £84k.

Audit adjustments

Reason adjustment is required	Proposed by	Account area	CIES		BS	
			Debit	Credit	Debit	Credit
			£'000	£'000	£'000	£'000
Income received in 16/17 but expenditure relating to income will be 17/18	Council	Income Deferred revenue grant		18	18	
Income received in 16/17 but expenditure relating to income will be 17/18	Council	Income Deferred revenue grant		18	18	
4 assets included in year as disposals, but not disposed off	NIAO	Vehicles, Plant & Equip Accumulated Depreciation			201	201
3 assets not depreciated in year	NIAO	Buildings Depreciation		21	21	
Movement of Dunluce Centre as sale agreed	NIAO	Surplus Assets Assets Held for sale			910	910

Section 3 Identified Misstatements

Error in impairment of Waterworld	NIAO	Buildings Indexation			100	100
Remove of finance lease – Giants Causeway	NIAO	Debtors Deferred Capital receipts a/c			903	903
Error in calculation of provision – Craighulliar	Council	Expenditure Provisions	10			10
Understated of debtors	NIAO	Income Debtors		37	37	
Heritage assets understated	NIAO	Heritage Assets Revaluation Res			221	221
Overall Total			10	94	2429	2345
Net Effect				84	84	

- 3.5 We have also made a number of other suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Code of Practice on Local Authority Accounting.

Unadjusted misstatements or uncertainties arising from the audit

- 3.6 We are obliged to bring to your attention the misstatements found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £10,000.

Description of adjustments	Account area	CIES		BS	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
Software licence not included in prepayments	Expenditure Receivables		10	10	
Debtors overstated	Debtors Income	18			18
Debtors understated	Debtors Income		15	15	
Prepayments miscalculated	Prepayments Income		10	10	
Accumulated absences miscalculated	Creditors Expenditure	10			10
NI Water bond	Long term debtors			85	

Section 3 Identified Misstatements

	Short term debtors				85
As staff savings account was off balance sheet until May 2017, then there is no need to recognise this matching debtor / creditor pre year end. This is a classification issue.	Debtors Creditors			30	30
Difference in the calculation of indexation of opening depreciation	Accumulated Depn Revaluation Reserve			119	119
Overall Total		28	35	269	262
Net effect			7	7	

Section 4

Other Matters of Governance Interest

- 4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

Fraud

- 4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances during our testing.
- 4.3 In addition, we are not aware of material weaknesses in the design or implementation of internal controls to prevent and detect fraud/ we detailed material weaknesses in the design or implementation of internal control to prevent and detect fraud in Section 1, Audit Findings.
- 4.4 In the course of our audit we have not identified any suspected or non-compliance with the laws and regulations.

Going concern

- 4.5 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the Council's ability to continue as a going concern

Management of personal data

- 4.6 The Causeway Coast and Glens Borough Council is required to comply with the Data Protection Act 1998 in the handling and storage of personal data and those charged with governance should ensure they have made sufficient enquiries of management to form a view on whether there were any significant specific data incidents which should be disclosed in the Governance Statement. We are unaware of any data handling incidents during the year. Confirmation of this is sought within the letter of representation (Annex A

Statement on personal data

- 4.7 During the course of our audit we 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.

Disagreements with management

- 4.8 There are no audit disagreements with management, about matters that individually or in aggregate could be significant to the financial statements to report.

Co-operation with other auditors

Internal Audit

- 4.9 We reviewed the work of internal audit. Whilst we have not placed direct reliance on their work during the audit we have used their findings to inform and direct our approach and inform our review of the Governance Statement for completeness. We have discussed with internal audit any outstanding recommendations and assessed the impact on the year end audit.

Section 4

Other Matters of Governance Interest

Deficiencies in internal control

- 4.10 No deficiencies in internal control were brought to the attention of the audit team that have not been disclosed in the Annual Governance Statement or included in this report or in the minor issues sent to Chief Finance Officer.

Independence, integrity & objectivity of auditors

- 4.13 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.
- 4.14 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, Causeway Coast and Glens Borough Council that we consider to bear on our objectivity and independence.

Reliance on other experts

- 4.15 We have relied upon the work and expertise of
- Land and Property Services in respect of land and property valuation
 - An Actuary for the valuation of the pension scheme liabilities
 - A civil engineering firm for the costs included in the landfill site provision
 - A firm of Treasury Advisors re the discount rate applied to landfill site provision

Proper Arrangements

- 4.16 Under the Local Government (Northern Ireland) Order 2005, the Local Government Auditor should be satisfied that a Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. There was a significant delay in obtaining the proper arrangements information from the Council. From our review, there have been no issues noted which has not already been reported under Section 2 of this report.

Other matters of interest

- 4.17 Part 12 of the Local Government Act (Northern Ireland) 2014 covers 'Performance Improvement'. The Act requires an improvement audit and an improvement assessment. The outcome from this work will be reported separately to those charged with governance as set out in the timetable in the 'Improvement Audit and Assessment Strategy'.

Complaints procedure

- 4.19 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 audited body can then write directly to the Comptroller and Auditor General. He will ensure that a further review of the case will be undertaken.

[Client Letterhead]

The Local Government Auditor
Northern Ireland Audit Office
106 University Street
BELFAST
BT 7 1EU

LETTER OF REPRESENTATION: Causeway Coast and Glens Borough Council 2016-17

As Chief Financial Officer of Causeway Coast and Glens Borough Council, I acknowledge my responsibility for discharging the functions of Causeway Coast and Glens Borough Council which include preparing accounts that give a true and fair view of the state of affairs, income and expenditure and cash flows of the Causeway Coast and Glens Borough Council for the year ended 31st March 2017.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department for Communities, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and prepare the accounts on a going concern basis on the presumption that the Causeway Coast and Glens Borough Council will continue in operation.

I confirm that for the financial year ended 31st March 2017:

- having considered and enquired as to the Causeway Coast and Glens Borough Council compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Causeway Coast and Glens Borough Council to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Causeway Coast and Glens Borough Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- all Related Parties and Related Party Transactions involving Councillors and senior staff of the Causeway Coast and Glens Borough Council have been properly disclosed.

All material accounting policies as adopted are detailed in note 1 to the accounts.

INTERNAL CONTROL

I acknowledge as Chief Financial Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

Annex A – Letter of Representation

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with Department for Communities guidance on the Governance Statement.

FRAUD

I acknowledge as Chief Financial Officer my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

Other than the case already communicated to you, I am not aware of any fraud or suspected fraud affecting the Causeway Coast and Glens Borough Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Balance Sheet were in existence at the reporting period date and owned by the Causeway Coast and Glens Borough Council and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Balance Sheet includes all long term assets owned by the Causeway Coast and Glens Borough Council.

Long Term Assets

Land and Property assets valuations are carried out every five years by an independent valuer and are revalued annually using indices provided by Land and Property Services. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Causeway Coast and Glens Borough Council operations.

Current Assets

On realisation in the ordinary course of the Causeway Coast and Glens Borough Council's operations the other current assets in the Balance Sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to Causeway Coast and Glens Borough Council which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the Balance Sheet. There were no significant losses in the year and no provisions for losses were required at the year end.

Provisions

Provision is made in the financial statements for:

- Landfill provision of £12,410,801.
- Rent associated with landfill site of £265,400.

I am content that the landfill provision of £12,410,801 is a reliable estimate, based on current information of the estimated capping and closure costs for the 3 sites.

Crosstagherty

As regards Crosstagherty there are no major pollution concerns.

Annex A – Letter of Representation

I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

Drumaduff

While there is a lagoon with leachate at Drumaduff, due to the existence of a natural weed-bed there are currently no major pollution concerns. Further negotiations are on-going in respect of obtaining ownership of this site and we are content that the estimated cost of back rent due of £265,400 is reasonable.

I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

I consider that the costs of the vesting of the land on which the landfill is sited will not be material.

Craigahulliar

I consider the period of 60 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

- Severance payments provision – I am satisfied with the severance payments provision of £308,481.

Contingent Liabilities

There are a number of legal claims or potential claims against the Causeway Coast and Glens Borough Council the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Causeway Coast and Glens Borough Council, and I am not aware of any action which is or may be brought against the Causeway Coast and Glens Borough Council under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

OTHER LIABILITIES

The net pension liability at the year end is £33,196,000.

Having made appropriate enquiries, I am satisfied with the appropriateness of the actuarial assumptions underlying the valuation of the Council's share of the valuation of the pension scheme liabilities.

Furthermore, I confirm that:

- All significant retirement benefits, including any arrangements that are implicit in the employers' actions, have been identified and properly accounted for; and
- All settlements and curtailments have been identified and properly accounted for.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Causeway Coast and Glens Borough Council, or circumstances of an exceptional or non-recurring nature.

Unadjusted errors

The following unadjusted errors have been brought to my attention:

- Prepayments understated by £20k
- Debtors overstated by £18k and understated £15k

Annex A – Letter of Representation

- Accumulated absences creditor understated by £10k
- NI Water bond reallocation to long term debtors £85k
- Debtors and creditors overstatement as staff savings account was off balance sheet until May 2017 – classification issue
- Calculation of indexation on depreciation £119k

I consider the effect of these unadjusted errors to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

Events after the Balance Sheet date

Except as disclosed in the accounts, there have been no material changes since the Balance Sheet date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Personal Data Related Incidents

I can confirm there were no data related incidents in the financial year and to date.

Other Representations

Legal costs

Several litigation cases are ongoing within Council, it is not expected that the costs of these will be material.

IT

I confirm that there are no concerns with reliability of IT system and I am content that during the year they have facilitated the validity, recording, valuation and completeness of the systematic processing of transactions.

Loans & Bank

I understand that audit have not received the loan confirmation from the Dresdner bank. I confirm that as regards Dresdner that Council owes £2m. I understand that audit have not received bank confirmation from a number of banks. I confirm that all bank balances are fairly stated.

David Jackson
Chief Executive
Causeway Coast and Glens Borough Council
26th September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAUSEWAY COAST AND GLENS BOROUGH COUNCIL

I have audited the financial statements of Causeway Coast and Glens Borough Council for the year ended 31 March 2017 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the Members of Causeway Coast and Glens Borough Council in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities.

Respective responsibilities of the Chief Financial Officer and the independent auditor

As explained more fully in the Statement of Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year. My responsibility is to audit the financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Causeway Coast and Glens Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Causeway Coast and Glens Borough Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17, of the financial position of Causeway Coast and Glens Borough Council as at 31 March 2017 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department for Communities' directions issued thereunder.

Opinion on other matters

In my opinion:

the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and

the information given in the Narrative Report for the financial year ended 31 March 2017 is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if:

- in my opinion:
 - the Annual Governance Statement:
 - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 ;
 - does not comply with proper practices specified by the Department for Communities;
 - is misleading or inconsistent with other information I am aware of from my audit; or
 - adequate accounting records have not been kept; or
 - the statement of accounts and the part of the remuneration Report to be audited are not in agreement with the accounting records; or
 - I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under Article 19 to 21 of the Local Government (Northern Ireland) Order 2005.

Certificate

I certify that I have completed the audit of accounts of Causeway Coast and Glens Borough Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

Louise Mason
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

28th September 2017

Annex C - Implementation of Prior Year Recommendations

We reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those Charged with Governance. We have summarised the response and provided our evaluation, based on the audit work we have undertaken.

No.	Recommendation	Management Implementation
1.	<p>Bank</p> <p>The Council should ensure that bank reconciliations are completed on a timely basis and evidenced as reviewed by the financial accountant. Any differences should be promptly investigated and reconciled.</p> <p>The Council should ensure that all bank accounts are included within the financial statements at year end.</p>	<p>The bank reconciliation process has improved in the year – minor control issue on general bank accounts in section 2. A priority 1 comment has been raised on a savings account.</p>
2.	<p>Management Accounts</p> <p>The Council should produce detailed management accounts for the SMT and Council members on a regular basis. Agreement of final users' requirements should be finalised as soon as possible.</p>	<p>Detailed management accounts have not been issued on a timely basis in 16/17 – audit finding included within section 2.</p>
3.	<p>VAT Return</p> <p>Council should complete their VAT returns in a timely manner and implement any system changes as needed to ensure VAT returns can be finalised within the specified time scales for submission.</p>	<p>No issues were noted within the testing of VAT in 16/17.</p>

The Audit Committee should ensure that it is content that other recommendations made in our prior year Report to those Charged with Governance have been actioned by management. The Audit Committee should also ensure that adequate arrangements are in place to track all recommendations.