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

- Integrity
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- Openness
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To make a difference for the people of Northern Ireland.

The Local Government (Northern Ireland) Order 2005 provides that the Department for Communities (formerly Department of the Environment) 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.

For further information please contact:

Colette Kane
Director
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Tel: 028 9025 1064

Email: Colette.kane@niauditoffice.gsi.gov.uk

Causeway Coast and Glens Borough Council AUDIT OF 2015-2016 FINANCIAL STATEMENTS

DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE

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Introduction

1. This report summarises the key matters arising from our audit of the 2015-16 financial statements for the benefit of those charged with governance¹. This is the first audit of the 11 new Councils with their full operational functions from 1 April 2015. The 11 Councils were established under Local Government (Boundaries) Act (Northern Ireland) 2008. The provisions contained in the Local Government Act (Northern Ireland) 2014 came fully into effect in 2015-16. From 1 April 2015 the Councils have new powers and duties including planning, community planning, off street parking, general power of competence and performance improvement. The Act in Part 12 on performance improvement requires improvement audits and assessments which we report to those charged with governance separately per the timetable prescribed in the legislation. In addition regulations contained in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 require a shorter timeframe for the audit of the financial statements.
2. We would like to thank the Chief Financial Officer and their staff for their co-operation during the audit process.
3. The examination of the 2015-16 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Board (APB), taking into account the UK Auditing Practice Board's Practice Note 10 (Revised); Audit of Financial statement 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 Audit Committee in March 2016.
4. This report has been prepared for the sole use of 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 place on this report.
5. In accordance with regulation 8 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, the Council must no later than 30 September following the end of the financial year publish (which must include publication on the local government body's website) the statement of accounts together with the audit report. Where an audit of accounts has not been concluded before 30 September the Council must publish (which must include publication on the local government body's website) as soon as reasonably practicable on or after 30 September a notice stating that it has not been able to approve the accounts and the reason for this being the case.
6. When publication of the accounts is made via the website the published accounts should be in pdf format and be an exact copy of the audited accounts. Our approval is required prior to publication and a copy of the document to be published should therefore be sent to us in advance for our consideration.
7. In addition, as soon as reasonably possible after conclusion of an audit, a local government body must give notice by publication on its website 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

8. Those charged with governance are invited to review the findings set out in this report, including the draft letter of representation and proposed audit report included in Annex A and Annex B respectively.
9. Those charged with governance should consider whether they recommend to the Chief Executive correcting the unadjusted misstatements set out in Section 3 within the final financial statements. We would not propose to

¹ In accordance with ISA 260, those charged with governance are those individuals accountable for ensuring that the Council achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

Executive Summary

qualify the audit opinion on the truth and fairness of the financial statements if these misstatements remain unadjusted. There are no unadjusted errors in the 2015/16 financial statements.

Status of audit

10. Our audit is nearing completion. At the time of preparing this draft letter some review and responses to a few queries are still outstanding. We will update the audit committee on these matters.

Overall conclusion and opinion

11. The Local Government Auditor will provide her audit opinion in the format set out in Annex B – Proposed 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.
12. We anticipate recommending to the Local Government Auditor that she certifies the 2015-16 financial statements with an unqualified audit opinion, without modification.

Audit judgements

13. In reaching our opinion we have made the following key audit judgements:
 - A number of items totalling £746k were included within provisions which we felt did not fully meet the spirit of the accounting standard (IAS 37), these have now been reclassified as reserves.

Further during the audit, Council identified an asset that should be impaired and we agreed with this accounting treatment. This is highlighted in adjusted errors at a value of £1,383k

Audit findings

14. In Section 2 we outline the quality, effectiveness and transparency of Causeway Coast and Glens Borough Councils financial reporting and its accounting policy selection, and our audit findings including any issues identified relating to the internal control environment.
15. The first set of accounts presented for audit was in a format which differed significantly from the accounting standards and the pro-forma accounts per the Department's accounts direction. We appreciate that Council had prepared these accounts with the purpose of providing an increased understanding to the users of the accounts. Once the accounts were adjusted no further issues were identified on the quality, effectiveness and transparency of financial reporting and accounting.
16. The accounting policies were considered appropriate.
17. There were no significant issues identified regarding proper arrangements.
18. While no significant internal control weaknesses were identified, we did identify 3 priority '1' management letter points and these are highlighted in section 2.

Executive Summary

19. The revised Annual Governance Statement has been reviewed for completeness and adequacy of disclosures and appear satisfactory.
20. Further issues of interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

21. 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 £231k
22. Section 3 also details uncorrected misstatements, there were no uncorrected misstatements in the financial statements.

Provisional Audit Findings

Section 1 – Audit Risks

Significant risks

- 1.1. In our Audit Strategy issued in March 2016, our assessment of the Causeway Coast and Glens Borough Council's operations and control environment identified one significant risk. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.
- 1.2 No new risks were identified since the Audit Strategy was issued.
- 1.3 The table below describes how we addressed these matters through our audit process.

Significant risks of material misstatement

Risk 1: Reorganisation
Council has undergone organisational change during the year which impacts upon its financial results including opening balances and transferred functions.
Audit Response
We will consider how council has gained assurance over these changes and we will test accordingly. We will further consider any changes which may impact upon the financial accounts and the local government auditors opinion.
Outcome
As regards the year end accounts, the Council appears to have satisfactorily managed the impact of the local government reform process. We note work is on-going within council re other aspects of the amalgamation of the 4 legacy councils e.g. Human resource polices

Risk 2: Landfill Provision
There is an existing provision in the accounts relating to the landfill sites within the Council area. The two closed landfill sites are subject to compliance notices from the NIEA. Until NIEA are fully satisfied as to closure arrangements for these two 'dilute and disperse' sites there remains some uncertainty as to the adequacy of the landfill provision.
Audit Response
We will review the basis of the provision and the relevant supporting documentation, including any correspondence from the NIEA.
Outcome
Based on current information the monetary value of the total landfill provision appears adequate. However landfill closure plans for 2 of the 3 landfill sites have still to be finalised and then submitted for review by the Northern Ireland Environment Agency for financial adequacy.

Section 1 – Audit Risks

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Risk 3: Bank Reconciliations

The completion of timely and accurate bank reconciliations is a key internal control for all organisations. An unreconciled difference in the initial accounts provided by one of the legacy Council's resulted in a certification delay of that Council's accounts in 2014/15. With significant structural changes in 2015/16, bank reconciliations procedures have not yet been fully embedded within the new Council e.g. we understand bank reconciliations have now only been performed to May 2015.

Audit Response

We will review bank reconciliations completed in year and test the year end bank reconciliations on a sample basis.

Outcome

Issues remain within the bank reconciliation process in Causeway Coast & Glens Borough Council, see our observation raised in section 2 of this report.

Provisional Audit Findings

Provisional Audit Findings

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 (formerly Department of the Environment).

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 adjustments were required to the financial statements submitted for audit.

The Department stated in the Accounts Direction 2015-16 Circular:

“As the New Councils are created under a transfer by absorption of the functions of predecessor councils, functions between New Councils as a result of boundary changes and transfers of functions from Central Government, the Code of Practice on Local Authority Accounting states that the notes to the accounts of the New Council shall include an opening Balance Sheet which should be clearly identified as the opening balance on the creation of the New Council, not the previous year’s Balance Sheet. The Financial Statements for 2015/16 have limited comparative figures as the Code states that for New Councils created under a transfer by absorption at the beginning of the financial year, no corresponding amounts for the previous year will be required in the financial year. As such only Shadow Council balances are required for 2014/15 comparative figures. For the Comprehensive Income and Expenditure Statement, these balances will be disclosed under DRM and Corporate Management.”

We have audited the figures in the opening balance sheet and are content that they are presented appropriately and that all transferred balances are in line with the new boundary, agree to central government records and have been agreed by all parties.

2.4 During the audit:

- The accounting policies were considered appropriate to the particular circumstances of the Council, judged against the objectives of relevance, reliability, comparability and understandability.
- Based on our sample testing, other than very minor cut off errors, all transactions were correctly recorded in the correct period.
- Other than some “other provision” amounts not in our view meeting the spirit of the accounting standards (ultimately re-classified as reserves) no issues arose from the review of 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.

Section 2 – Audit Findings

- 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

- 2.9 No material weaknesses in the design and implementation of internal control have come to our attention during the audit. Individual findings and recommendations are set out in “Observations and Recommendations” below.
- 2.10 We have reviewed the Governance Statement and in our opinion, it fairly reflects our understanding of the state of internal control systems within the entity during the year and the changes made to the Governance Statement during the course of the audit.

Remuneration Report

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

Observations & Recommendations

- 2.12 This section outlines the findings arising from our audit, as well as management's response and target date for implementation to these recommendations.
- 2.13 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.

- 2.14 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.

Section 2 – Audit Findings

Index of recommendations

Issues raised

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1. Bank

Observation
<p>Bank reconciliations are one of the important custodial controls over the validity, recording , cut-off and valuation of transactions.</p> <p>We noted the following:-</p> <ul style="list-style-type: none"> (i) Bank reconciliations were not fully completed during the year, with a small number of un-reconciled items carried forward each month. (ii) At year end the bank had an un-reconciled difference of £2,823.58. (iii) Four bank accounts were missed from the yearend financial statements. 3 had very small balances; however one had a balance of £25k. These were subsequently reflected in the final accounts.
Implication
<p>Potential errors within the financial statements, including those arising from un-reconciled differences, may not be identified.</p> <p>Potential loss to Council should unusual transactions, including those through fraud or error, not be challenged / identified.</p>
Priority Rating
1
Recommendation
<p>The Council should ensure that bank reconciliations are completed on a timely basis and reviewed by the financial accountant. Any differences should be reconciled on a timely basis.</p> <p>The Council should ensure that all bank accounts are included within the financial statements at year end.</p>
Management Response

Section 2 – Audit Findings

[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]

Target for Implementation

2. Management Accounts

Observation

Management accounts were not produced until September 2015 for SMT and April 2016 for Council members. The management accounts are still in development stage and liaison continues with users to ensure that their needs will be met.

To date no management accounts have been produced in 16/17.

Implication

Management accounts are an important monitoring control. In their absence :-
 - budgets re individual spend categories may be over spent and unchallenged
 - there is reduced assurance for senior management / councillors over the validity, valuation, recording, cut off, completeness and presentation of the systematic processing of transactions

Further without comprehensive accompanying explanations re variances / activity levels and changes to forecast spend, then the users potentially have a much reduced understanding of the council's activity for that period

Priority Rating

1

Recommendation

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.

Management Response

[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]

Target for Implementation

Section 2 – Audit Findings

3. VAT Return

Observation
<p>No VAT returns were submitted in year to substantiate the year end VAT debtor of £3.7m .We understand the delay was due to uncertainty as to the precise values of output VAT; as there was a concern VAT penalties could be levied on any incorrect output declarations.</p> <p>We are advised that the vat claim for the quarter ended June 2015 was submitted in August 2016 and is currently under scrutiny by HMRC.</p>
Implication
<p>Delay in receiving income from VAT debtor could potentially affect cash management within the council.</p>
Priority Rating
<p>1</p>
Recommendation
<p>Council should submit their VAT returns in a timely manner and implement any system changes as needed to ensure VAT returns can be finalised in the correct time scales.</p>
Management Response
<p><i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i></p>
Target for Implementation

Section 2 – Audit Findings

4. Income Controls

Observation
<p>(1) Debtors listing - for most of 15/16 there was no complete debtors listing available to included invoices raised manually at leisure centres. Invoicing was only brought into the finance function in Feb 16.</p> <p>During our audit we visited a number of external council sites. We have the following observations:-</p> <p>(2) Roe valley Membership fees There are un-reconciled differences between Council records of the Membership fees due compared with the 3rd party organisation's records including collection of direct debts on Council's behalf. In January 2016 the unreconciled difference was £688.</p> <p>(3) Roe Valley LS –Shop No Stock take has occurred and there are no gross profit margin reports . Total sales recorded in year are £28,078.</p> <p>(4) Roe Valley – vending machine sales There were discrepancies in vending machine print out and actual cash receipts. Over/under/float level is reviewed; however, a more precise record should be maintained. For example a reconciliation of float, cash received and sales should be provided to ensure vending receipts are accurate. Total sales recorded in year are £36,811.</p> <p>(5) Ballycastle Harbour – Fuel There are no reconciliations of fuel bought (stock) and sales figures. There is no monitoring by a second party. Total sales recorded in year are £11,217.19</p> <p>There is potential for fuel to be dispensed and not properly receipted as there is no read out from the fuel dispensing system to reconcile fuel dispensed with cash receipted. (Potentially - if a receipt wasn't issued or the manual receipt had the incorrect total figures noted).</p> <p>There is no high level monitoring by a second party over the completeness, valuation and recording of fuel transactions.</p> <p>(6) Lodgements and cash controls We noted that in some cases were lodgements are taken to either council offices or banking institutions by council staff which increases the risk of theft and error. We also noted a number of instances where cash boxes are used these are not stored securely.</p> <p>(7) Documentation of income procedures - There are no income procedures documented by the CC&G Council.</p>
Implication
The absence of tight control procedures over income and debtors may result in loss to the council through error, non collection or theft.
Priority Rating
2
Recommendation
The Council should examine all income collection and debtor procedures to ensure they are adequate and that sufficient control is being exercised.

Section 2 – Audit Findings

Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

5. High Level Monitoring controls over the completeness of income at outstations

Observation
Currently Council does not perform formal reasonableness checks re completeness of income. Such checks could include:- <ul style="list-style-type: none"> (1) Caravan parks – income expectation by reference to number of statics on site and monthly reports of touring caravan occupancy, including review of whether these occupancy level reports look reasonable. (2) Harbours – by reference to occupancy statistics, does the occupancy level itself and the income deriving there-from look reasonable.
Implication
Income through fraud or error may be incomplete.
Priority Rating
2
Recommendation
We recommend that Council consider implementing reasonableness monitoring checks as a control to ensure that income appears complete.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Section 2 – Audit Findings

6. Duplicate Payments

Observation
During the year Council identified 8 duplicate payments with the largest being £46,700. Refunds/credit notes have now been received.
Implication
Payments made for goods and services not received.
Priority Rating
2
Recommendation
Council should ensure that appropriate checks are implemented to ensure that duplicate payments do not occur in the future.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Section 2 – Audit Findings

7. Declaration of interests

Observation
It was noted from review of declarations of interests, that 2 Councillors have not completed a declaration of interests. It has been further noted that Senior Management are not required to complete a declaration of interests form.
Implication
Conflicts 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, senior management and those involved in operational activities dealing with third parties (e.g. procurement).
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Provisional Audit Findings

Section 2 – Audit Findings

8. Draft Account submitted to audit

Observation
The 1 st draft of the financial statements submitted to the Department and NIAO contained additional information which was contrary to the accounts direction and the financial reporting framework. A number of other adjustments were required in relation to the notes of the accounts.
Implication
Increased time spent on audit.
Priority Rating
2
Recommendation
The Council should quality review the financial statements before submission to NIAO and DfC to ensure that they meet the requirements of the accounts direction.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Provisional Audit Findings

Section 2 – Audit Findings

9. IT

Observation
(1) From discussions with management we note that passwords are not required to be changed on a regular basis. Currently it is every 6 months. (2) Access controls for finance staff, to ensure appropriate segregation of duties, have not yet been reviewed. (3) There is no formal IT strategy.
Implication
Poor IT controls could lead to information loss/ breaches. The absence of an IT strategy could lead to nugatory expenditure.
Priority Rating
2
Recommendation
The Council should ensure that It controls are strengthened.and IT strategy is put in place as soon as possible.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Section 2 – Audit Findings

10. Property, Plant & Equipment

Observation
<p>A number of issues have been identified from the testing of PPE:-</p> <ul style="list-style-type: none"> • no physical verification of fixed assets has been completed in 15/16. • a number of assets are being held at zero value. • Disposals - Arising from a due diligence exercise before a major refurbishment, Council discovered that a social centre building did not actually belong to it. This building had wrongly been on the council's fixed asset register for a number of years with Council spending £25k on this building in 14/15. • The fixed asset register does not include locations of assets for all assets. • Council do not have in place a formalised capitalisation threshold. • In some cases the legacy council accounting policies did not align , specifically in regard to the application of indices.
Implication
Property plant and equipment may be inadequately recorded and may not be properly secured.
Priority Rating
2
Recommendation
The Council should review its controls in respect of property plant and equipment to ensure properly recorded and securely controlled.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Section 2 – Audit Findings

11. Expenditure

Observation
A number of procurement/procedure issues were noted:- <ul style="list-style-type: none">(1) No formal contract in place for solicitors. Audit was informed that a longstanding agreement was in place to use these solicitors in respect of employment cases.(2) An Invoice in respect of recruitment not signed as received(3) VAT was not included in relation to outlay expenses on a solicitors invoice. Consequently amount of £1,900 is due to council in respect of vat.(4) It was noted from the testing of an invoice for signs that 50 % was paid in advance of goods being received.
Implication
Procurement procedures not being fully adhered to.
Priority Rating
2
Recommendation
The Council should ensure that procurement procedures are adhered to at all times.
Management Response
<i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i>
Target for Implementation

Section 2 – Audit Findings

12. Prompt Payment

Observation
<p>During 2015-16 the Council processed 83% of all its invoices within 30 calendar days of these 48% were paid within 10 working days.</p> <p>In line with the Northern Ireland Executive's policy on prompt payment, Public Sector bodies should aim to pay all their invoices within 30 calendar days and at least 90% of valid invoices within 10 working days. Although this doesn't strictly apply to Councils, we would encourage them to apply this good practice.</p>
Implication
<p>The Council is not achieving prompt payment targets.</p>
Priority Rating
<p>3</p>
Recommendation
<p>We would encourage the Council to improve its payment of invoices record, particularly in relation to the percentage paid within 10 working days. We understand that the Council has medium term plans to introduce a fully automated, electronic purchase ordering system. This should assist the Council in tracking invoices which may help in achieving improved prompt payment rates and also help address the issue of purchase orders not always being raised.</p>
Management Response
<p><i>[Please confirm if Accepted/Partially accepted/Accepted in principle/Not accepted – then insert further detail on proposed response/rationale if not fully accepting.]</i></p>
Target for Implementation

Section 2 – Audit Findings

- 2.15 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.

Provisional Audit Findings

Section 3 – Identified Misstatements

- 3.1 This section contains details of adjustments made to the financial statements during the course of the audit. There were no unadjusted errors.
- 3.2 We do not consider that the adjusted 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 £231k and to increase net assets in the Balance Sheet by £231k.

Audit adjustments²

Reason adjustment is required	Proposed by	Account area	CIES		BS	
			Debit	Credit	Debit	Credit
			£'000	£'000	£'000	£'000
Impairment of Dunluce Centre	Council	CIES	1,383			
		CAA			1,383	2,293
		CIES (Note 3)		1,383		
		PPE			910	
		Surplus Assets				
Bank account not included in financial statements	NIAO	Bank			25	
		Creditors				24
		Expenditure		1		
Overstated capital grant	Council	Capital grant income	71			
		Capital grant creditors				71
Correct opening balance	Council	Revaluation reserve				50
		Capital Adj Account			50	
Reclassify grant income	Council	Grant income	23			
		Creditors – receipts in advance				23
Credit note included as invoice	NIAO	Waste disposal costs	79			
		Trade receivables				79

² Above the clearly trivial threshold of £9,000 defined in the Audit Strategy.

Section 3 – Identified Misstatements

Caravan income for 16/17 included in 15/16 income	NIAO	Income Receipts in advance	59			59
Car parking income included as o/s lodgement, but not requested until April 2016	NIAO	Bank Debtors			65	65
Reclassification of surplus assets	Council	Surplus Assets Land Buildings			7,113 649	7,762
Reclassification of provisions	NIAO	Provisions Other usable reserves			746	746
Overall Total			1,615	1,384	10,941	11,172
Net Effect				231	231	

- 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 £9,000.

All errors that came to our attention above £9k have been adjusted for.

Provisional Audit Findings

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

- 4.6 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

- 4.7 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

- 4.8 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

- 4.9 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

- 4.10 We continue to liaise closely with Internal Audit and seek to take assurance from their work where their objectives cover areas of joint interest. 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 followed up with them any issues emerging that were of relevance or interest to our audit of the annual accounts.

Section 4 – Other Matters of Governance Interest

Deficiencies in internal control

- 4.12 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. We note the ongoing investigation in respect of the procurement of security services is outlined within the Annual Governance Statement.

Independence, integrity & objectivity of auditors

- 4.14 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.
- 4.15 We have complied with APB Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and Causeway Coast and Glens Borough Council that we consider to bear on our objectivity and independence.

Reliance on other experts

- 4.16 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

- 4.17 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 are no significant issues to report in relation to proper arrangements and no points have been raised in Section 2.

Other matters of interest

- 4.18 Part 12 of the Local Government (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 2016-17' issued in June 2016.

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 2015-16

As Chief Executive 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 2016.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department for Communities formerly Department of the Environment, 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 2016:

- 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 Executive 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 (formerly Department of Environment) guidance on the Governance Statement.

FRAUD

I acknowledge as Chief Executive 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.

Assets transferred from legacy Councils and central government have been reviewed and aligned to the Council's accounting policies. An impairment review of the assets has been conducted and the accounts adjusted where appropriate.

I am content that the year end vat debtor is fully recoverable

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.

Liabilities transferred from legacy Councils and central government have been reviewed and the amounts agreed with the relevant parties.

Annex A – Letter of Representation

Provisions

Provision is made in the financial statements for:

- Landfill provision of £11,273,396.
- Rent associated with landfill site of £265,400.

I am content that the landfill provision of £11,273,396 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.

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 £316,041.

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 £23,590,592.

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

There are no unadjusted errors in the 2015/16 financial statements.

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

Reserves

Useable and unusable reserves transferred from legacy Councils have been reviewed and the amounts agreed with the relevant records.

Supplier/Customer

In 2015/16 the Council had a contra agreement in respect of invoices received from a supplier being netted off against invoices raised to that supplier by Council. Despite that company going into administration, I am content that the contra arrangement remained valid.

David Jackson
Chief Executive
Causeway Coast and Glens Borough Council
September 2016

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 2016 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. The 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 2015-16, of the financial position of Causeway Coast and Glens Borough Council as at 31 March 2016 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 (formerly Department of the Environment) 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 2016 is consistent with the financial statements.

Annex B – Proposed Audit Report

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 2015-16 ;
 - 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*

Date

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.		
2.		
3.		

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.

Provisional Audit Findings