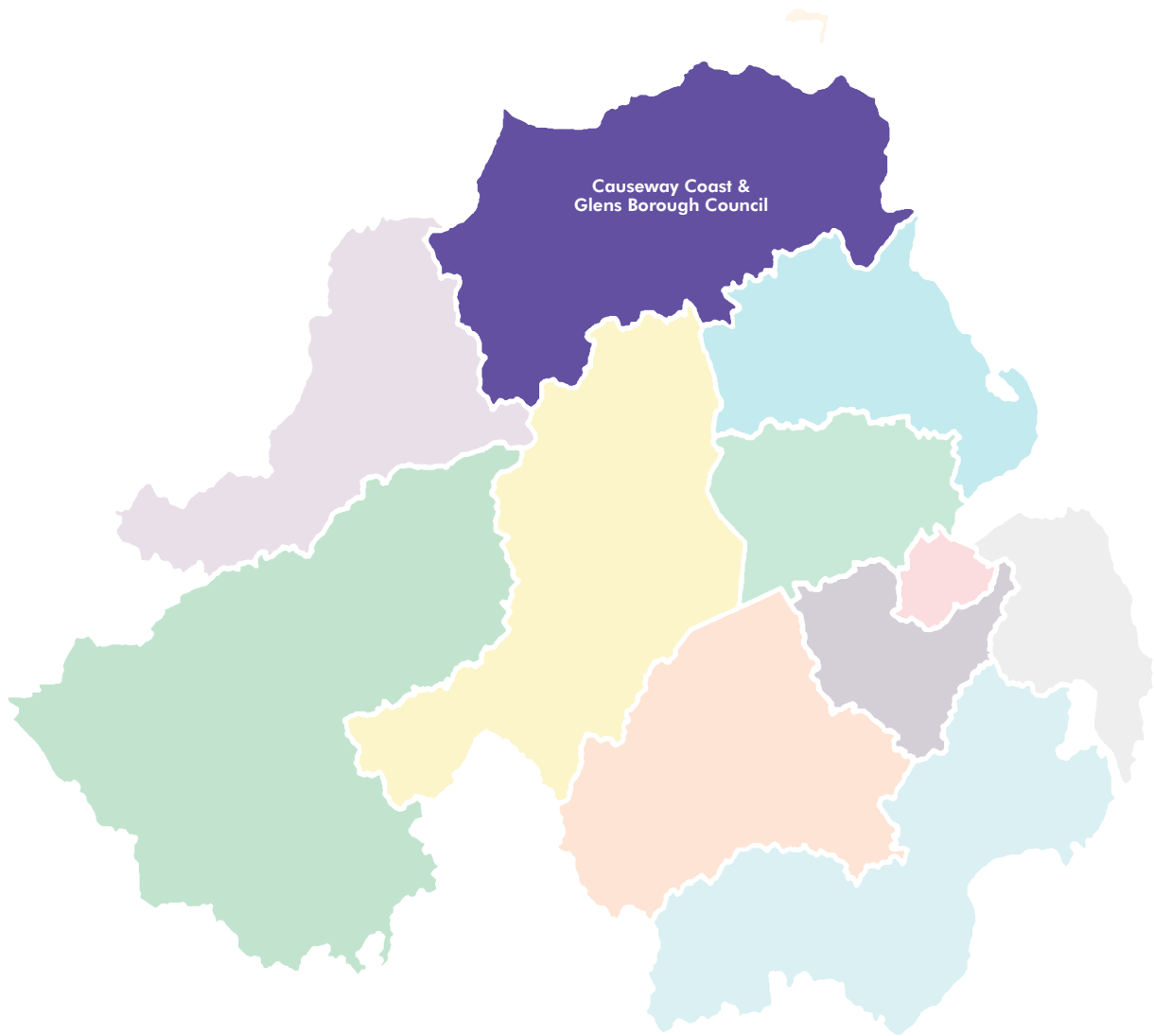




Northern Ireland Audit Office

# Annual Audit Letter

## Causeway Coast & Glens Borough Council 2015-16



**Louise Mason**

Local Government Auditor  
Northern Ireland Audit Office

# Contents

	Page
<b>Key Messages</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>Audit of Financial Statements</b>	<b>5</b>
<b>Audit work on economy, efficiency and effectiveness</b>	<b>6</b>
<b>Governance</b>	<b>7</b>
<b>Other areas of audit interest</b>	<b>9</b>

---

## Key Messages

### Audit of Financial Statements

- The 2015-16 financial statements were certified without qualification as outlined in my audit report
- Appropriate balances were brought forward from the legacy councils

### Audit work on economy, efficiency and effectiveness

- The Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources

### Governance

- The governance statement reflects compliance with relevant guidance and government standards

### Other areas of audit interest

- The Whole of Government Accounts annual return was submitted for HM Treasury's consolidation process
- The latest National Fraud Initiative report has been published (July 16)
- The audit work was completed within the estimated fee quoted

# Introduction

1. The results of my statutory responsibilities for 2015-16 are summarised in this report. The legislative role for the Local Government Auditor is contained in the Local Government (Northern Ireland) Order 2005 and the Local Government (Northern Ireland) Act 2014. In addition, the Code of Audit Practice published in March 2016 prescribes the way in which audit functions under the legislation are to be carried out. The Code of Audit practice is supported further by a Statement of Responsibilities of Local Government Auditors and Local Government Bodies. Both of these documents are published on the NIAO website.
2. Management have specific responsibilities regarding the production of financial statements. They are also expected to have effective governance arrangements in place to deliver the corporate objectives. The publication of the financial statements is an essential means to account for the stewardship and use of public money each year.
3. As external auditor, it is my responsibility to form an opinion on whether:
  - the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year;
  - the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction;
  - other information published together with the audited financial statements is consistent with the financial statements; and
  - the part of the remuneration report to be audited has been properly prepared in accordance with the Department for Communities' (formerly Department of the Environment) directions.
4. There is a range of various matters which can be reported by exception and they are outlined in the Code of Audit Practice. One of these items relates to the information published with the audited financial statements, such as the governance statement. I report if the governance statement is not consistent with the information gathered during the audit including that gained from carrying out audit work on the Council's arrangements for securing economy, efficiency and effectiveness of resources and performance improvement.
5. This report is solely based upon those matters that have come to my attention as a result of normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

# Audit of Financial Statements

## Statement of Accounts

1. The accounts should be prepared in accordance with International Financial Accounting Standards as interpreted for Local Government in the 'The Code of Practice on Local Authority Accounting in the United Kingdom'.
2. The financial statements were signed by the Chief Financial Officer and submitted for audit before the statutory deadline of 30 June 2016. Following the audit, the accounts were certified by me on 28 September 2016 and published on the website of the Council.
3. On conclusion of the audit, the 2005 Order requires me to issue a certificate stating that the audit is complete and to give an opinion on the statement of the accounts. The audit certificate and opinion are contained within the Statement of Accounts.
4. 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.
5. At the end of the audit I issue a Report to those charged with Governance, addressed to the Chief Executive of Council, on the results of the audit, noting the most significant issues, making recommendations and seeking comments. That report is presented separately to the Audit Committee.
6. As regards the financial statements I would bring the following matter to your attention:-
  - The Council has significant estimated future closure and aftercare costs of £11.5m for its 3 former landfill sites. Two of the sites, both of which are 'dilute and disperse', are subject to compliance notices from the Northern Ireland Environment Agency (NIEA) and the NIEA has still to review the financial adequacy of these 2 landfill closure plans. One of the plans is now with the NIEA for review and the other has still to be submitted.

## Audit Opinion

4. For the year ended 31 March 2016 I gave the following unqualified opinion on the 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 the Council as at 31 March 2016

# Audit work on economy, efficiency and effectiveness

## Proper Arrangements

1. The Local Government (Northern Ireland) Order 2005 requires me to be satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.
2. Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives, while safeguarding and securing value for money from the public funds and other resources at their disposal.
3. My review of the Council's arrangements for securing value for money covered a wide range of areas including:
  - Strategic priorities and financial strategies and policies;
  - Financial reporting systems and sound financial internal controls;
  - Procurement strategies and policies to deliver sustainable outcomes and value for money;
  - Promoting a good governance environment including managing risks and systems of internal control;
  - Asset management strategies and policies to safe guard assets, deliver objectives and generate value for money; and
  - A framework in place to manage the work force to effectively support the achievement of strategic priorities.

4. On the basis of my review this year, I am satisfied the Council has in place proper arrangements in place to securing economy, efficiency and effectiveness in the use of its resources.

## Performance Improvement

5. The Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. Councils are now required to gather information to assess improvements in the services it provides and to issue a report annually on its performance against indicators set themselves or that have been set by the Department for Communities.
6. It is my responsibility under statute to review the performance improvement plans, and the arrangements made to deliver on those plans, for each financial year.
7. As the 2015-16 financial year was the first cycle of this process, there were limited requirements for Councils and the audit process was aligned accordingly. However, from the next financial year, the results of performance improvement audit work will be published on the NIAO website.

# Governance

## Key Principles

1. The Good Governance Standard for Public Services sets out the key principles of good governance which:
  - focus on the organisation's purpose and on outcomes for citizens and service users;
  - perform effectively in clearly defined functions and roles;
  - promote values for the whole organisation and demonstrating the values of good governance through behaviour;
  - take informed, transparent decisions and manage risk;
  - develop the capacity and capability of the governing body to be effective; and
  - engage stakeholders and make accountability real.

## Annual Governance Statement

2. The Council is required to conduct a review at least once in a financial year of the effectiveness of its governance framework (including its system of internal control) and to then approve an Annual Governance Statement.
3. I am required to report if 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 of Communities; or
- is misleading or inconsistent with other information I am aware of from my audit.

4. My review did not highlight any inconsistencies. The Council outlined the following significant issues in its Governance Statement:-

- Post year end several internal audit reports received 'limited' assurance ratings;
- Financial risk arising from reduced central government grants, changes in the assumptions used in the Estimates process and management accounts only being available on an ad-hoc basis rather than on a monthly or quarterly basis;
- Business continuity and insufficient resources leading to reductions in service delivery;
- Legal issues, including planning/land and property and also a number of on-going legal cases;
- Fraud and whistle-blowing, arising from these a number of operational risks were identified;
- In terms of meeting performance improvement duty, there is a risk that resources required in terms of consultation, staffing and mapping progress regarding implementation of the plan are insufficient;

## Governance

- Waste management risk of not meeting the statutory recycling and diversion from landfill targets.

### Internal Audit

5. The Local Government (Accounts and Audit) Regulations (NI) 2015 requires councils to undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using current internal auditing standards. The Council has an in-house Internal Audit function that conducted a review on the effectiveness of the system of internal audit during 2015-16. The findings of the review were considered by the Council's Audit Committee. Further the work of internal audit is supplemented by allocating specific internal audit assignments to an external firm; this firm reports its findings directly to both senior management and the Audit Committee.

### Audit Committee

6. It is essential that Members exercise effective scrutiny of the internal control processes and procedures in place within the Council. One way that Members carry out this function is through the Audit Committee.
7. The Audit Committee is also invited to review my audit reports and my staff attend meetings to present audit findings.



## Other areas of audit interest

### WGA

1. Whole of Government Accounts (WGA) are consolidated financial statements for the whole of the UK public sector. The National Audit Office audits these accounts and sets the overall audit approach. As such the Council is within the band of organisations in 2015-16 where additional audit procedures were not required.
2. The Whole of Government Accounts annual return has been submitted for HM Treasury's consolidation process.

### NFI

3. The Council participates in the National Fraud Initiative, a UK wide data matching exercise designed to highlight savings for the public sector as a whole.
4. The latest report was published in July 2016 and is available on the NIAO website.

### Absenteeism

5. For the twelve months to the end of March 2016, the average number of day's sick absence in the Council was 14.56 days per full time employee.

### Audit Fee

6. The estimated audit fee is disclosed in note 4 of the financial statements. The final audit cost is in line with the estimate.

### Outlook

7. This financial year has been particularly challenging for Councils and it is the first reporting period in the new eleven council configuration. In addition to restructuring, Councils have taken on several functions from central government, such as new planning powers, off-street car parking, local economic development and heritage responsibilities.
8. It was also envisaged that Councils would have urban regeneration and community development powers from 2016-17. However, the mechanisms to enable this transfer have not been put in place and Northern Ireland Executive approval will be required.