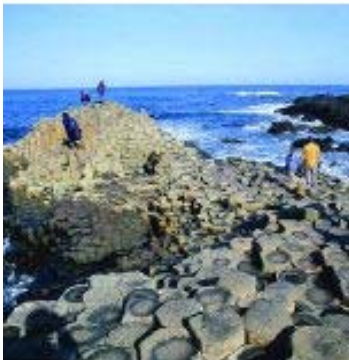


Issued by the Local Government Auditor



Coleraine Borough Council 2014-15

To the Members of
Causeway Coast and Glens Borough
Council

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1. Introduction

I have been designated the Local Government Auditor for Coleraine Borough Council by the Department of the Environment with the consent of the Comptroller and Auditor General for Northern Ireland.

As an auditor independent of the audited body, I seek to examine that the body has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for.

This report provides a summary of the findings from my 2014-15 audit. The audited body no longer exists due to the implementation of Local Government Reform from 1 April 2015 so the report is issued to the Members of Causeway Coast and Glens Borough Council which is the relevant successor council.

Local Government Reform

Under the Local Government Act (Northern Ireland) 2014 (The Act) the number of local councils in Northern Ireland reduced from twenty six to eleven on 1 April 2015. Coleraine Borough Council was amalgamated together with Moyle District Council, Ballymoney Borough Council and Limavady Borough Council into the Causeway Coast and Glens Borough Council.

The Act now forms the legislative framework for Northern Ireland's eleven councils. This includes how decisions are made, how positions of responsibility are shared across political parties, how improvements in the delivery of council functions can be achieved to reflect the needs of local communities, and how effectively and efficiently council services are delivered to people. It provides for statutory governance in councils and introduces a new ethical standards framework which includes a mandatory code of conduct for councillors.

Every aspect of the governance, management and provision of local government services has been impacted. The new councils have now taken the lead in community planning and are expected to deliver high quality services in an effective and efficient manner under a new performance improvement framework. Powers such as planning have transferred from central government to the new councils. The Act also sets out arrangements for the transfer of staff, assets and liabilities to the new councils.

The Local Government (Transitional, Supplementary, Incidental Provisions and Modifications) Regulations (Northern Ireland) 2014 made transitional provision with respect to local government reorganisation including positions of responsibility within the new council for the winding up and final accounts of existing councils.

Causeway Coast and Glens Borough Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Causeway Coast and Glens Borough Council was operational to a limited extent during the 'shadow' period, I am required to audit the accounts of this body for the 2014-15 period. This is the subject of a separate letter to the Audit Committee.

As well as additional audit work required in relation to the new councils operating in shadow form and the audit of statutory transition committees in the transitional year of 2014-15, the Act provides that I will undertake improvement audits and assessments each year for each of the new councils. These will specifically entail:

- undertaking improvement audits, to review whether councils have discharged their duties for publishing improvement planning and performance information;
- carrying out improvement assessments, to determine whether councils are likely to comply with legal requirements to make arrangements to secure continuous improvement in the exercise of their functions; and
- reporting on improvement audit and assessment work.

In preparation for this extra work I have been engaging with relevant external stakeholders. I have established a team to manage and develop a best practice audit approach and methodology which will enable my staff to carry out their work with independence, integrity and objectivity, in accordance with the key principles set out in my 'Code of Audit Practice'.

2. Financial Statements

Summary of Audit Findings

Coleraine Borough Council

The accounts of Coleraine Borough Council must 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'. This code sets out the accounting treatment and disclosures for all normal transactions of local authorities.

The financial statements were signed by the Chief Financial Officer of Causeway Coast and Glens Borough Council on 29th June 2015. This is within the statutory timeframe of 30th June. Following the audit, the accounts were re-signed on 14th October and published on the website of Causeway Coast and Glens Borough Council on 29st October 2015 in accordance with the regulations.

On 27 October 2015 I gave the following unqualified opinion on the financial statements for the year ended 31 March 2015

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 2014-15, of the financial position of Coleraine Borough Council as at 31 March 2015 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) 2006 and the Department of the Environment directions issued thereunder.

At the end of the audit I issued a Report to those charged with Governance, addressed to the Chief Executive of the Causeway Coast and Glens Borough Council, on the results of the audit, noting the most significant issues, making recommendations and seeking comments. That report is presented separately to your Audit Committee.

The Causeway Coast and Glens Statutory Transition Committee

The Causeway Coast and Glens Statutory Transition Committee (STC), consisting of 5 members from each of Ballymoney, Coleraine, Limavady and Moyle Councils, was formed through regulation¹ to ensure that the Causeway Coast and Glens Borough Council was able to adopt its full range of powers and functions from 1 April 2015. The STC was set up to gather information, consider and advise on matters relevant to moving to the new Council, to prepare a draft budget and to prepare a draft corporate and business plan. The other regulatory role of the STC was to appoint a clerk of the new Council, as well as any other staff it deemed appropriate. Under regulation the STC ceased to exist on 19 June 2014, following the election held in May 2014 to determine the Members of the new Council.

¹ The Local Government (Statutory Transition Committees) Regulations (Northern Ireland) 2013

The STC was a statutory local government body and I therefore had responsibility to audit its financial statements, in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. I gave an unqualified opinion on the 2014-15 financial statements of the Causeway Coast and Glens STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Coleraine Borough Council shows that during the year ended 31 March 2015 the Council spent £28.7m on the provision of services. It also received income of £29.7m.

The major items of expenditure were

- Recreation and sport £4.9 million (2013-14: £7.2 million)
- Waste Disposal £5.3 million (2013-14: £8.6 million); and
- Waste Collection £ 2.3 million (2013-14: £ 2.3 million).

The major areas of income were

- Rates £19.1 million (2013-14: £18.7 million
- Tourism £2.2 million (2013-14: £4.9 million);and
- Waste Disposal £1.9 million (2013-14: £3.4 million).

At 31 March 2015 Coleraine Borough Council had net non-current assets of £87.7 million. The majority of these non-current assets are in the Buildings category. Total loans outstanding (including overdraft) were £33.5 million.

At 31 March 2015 Coleraine Borough Council had usable reserves of £6,574,306 as set out in the table below.

Usable Reserve	£
General Fund	£3,945,422
Capital Receipts	£0
Sinking Fund	£2,628,884
Total	£6,574,306

Legislation² placed a duty on the Chief Financial Officer to make arrangements for the proper administration of Coleraine Borough Council's financial affairs, including the submission to the Council of a report on the adequacy of any proposed financial reserves. The Chartered Institute of Public Finance and Accountancy (CIPFA) and its Local Authority Accounting Panel (LAAP), which includes representatives from UK local authorities and audit institutions, provide guidance on finance and accounting issues relevant to councils. Specific guidance on financing capital expenditure and the establishment and maintenance of local authority reserves and balances is included in both the CIPFA Prudential Code³ and a recent LAAP Bulletin⁴.

² The Local Government Finance Act (Northern Ireland) 2011

³ The Prudential Code for Capital Finance in Local Authorities (2011 Edition)

⁴ LAAP Bulletin 99 *Local Authority Reserves and Balances*, July 2014

3. Governance

The Good Governance Standard for Public Services⁵ sets out the following key principles of good governance. Good governance means

- focusing on the organisation’s purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

Annual Governance Statement

Coleraine Borough 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 Statement⁶.

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 2014-15;
- does not comply with proper practices specified by the Department of the Environment; or
- is misleading or inconsistent with other information I am aware of from my audit.

I have no inconsistencies to report as a result of my review.

The Council noted the following significant governance issues in its Governance Statement;

- In October 2013, Council was convicted of 3 offences under the Health & Safety at Work (NI) Order 1978 following the death of a council employee at one of the Council’s Civic Amenity Sites in 2011. The written judgement in the case made a number of recommendations which would result in an improved level of health and safety for persons in employment of the council and for those availing of services provided by the council. Since October 2013 discussions have been ongoing with the Health and Safety Executive for Northern Ireland (HSENI) to consider the implications of the judgement in this case, not only in relation to Coleraine Borough Council but how the entire local government sector in Northern Ireland should respond.

⁵ The Good Governance Standard for Public Services, OPM and CIPFA, 2004

⁶ Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

In December 2013 Council tendered for an independent audit of the current health and safety management systems in place through the council. The Audit report was constructed in a number of sections (Health and Safety policy/organisation/planning/monitoring performance/audit and review) with each section further divided into a number of subsections. The general thrust of the recommendations falls into 4 themes:

1. Governance- a more strategic role for the health and safety committee and the reporting of health and safety audits to the audit committee.
2. Roles and responsibilities- a clear organisational strategy of making line managers responsible for health and safety within their teams and holding them to account. Council's health and safety advisor will take on a role akin to internal health and safety audit. There will be greater awareness at elected member level of health and safety audits.
3. Resources- Health and Safety training for managers and employees should be ring fenced.
4. Corporate risk- Health and Safety is to be regarded as a corporate risk.

Addressing these 4 themes will in turn deal with many of the recommendations made in the various sections of the audit. The remaining recommendations not catered for in this way will be managed as standalone issues.

- In 2014-15, Council received three notices to attend industrial tribunals in relation to unfair dismissal claims. Council officers attended two full hearings and on both occasions, the claims of unfair dismissal were rejected by the Industrial tribunal. The other claim was withdrawn by the applicant. These outcomes are reflective of the robust policies and procedures in place within Council and the effective implementation by Council officers.

Internal Audit

The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 requires councils to maintain an adequate and effective system of internal audit and to conduct a review at least once in a financial year of the effectiveness of its system of internal audit. Coleraine Borough Council had an in-house Internal Audit Department. A review of the effectiveness of the system of internal control was carried out during 2014-15 by the Council and the findings of the review were considered by the Audit Committee.

Audit Committee

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. The Audit Committee of Coleraine Borough Council met 4 times in the year and the agenda items included

- NIAO audit reports;
- internal audit reports;
- risk register review; and
- other relevant business.

4. Proper arrangements

Legislation requires me to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources⁷.

My review of Coleraine Borough Council's arrangements for securing value for money can cover the following ten areas which are referred to in my Code of Audit Practice.

- a) **Financial Planning.** Planning finances effectively to deliver strategic priorities and secure sound financial health.
- b) **Financial Performance.** Having a sound understanding of costs and performance and achieving efficiencies in activities.
- c) **Financial Reporting.** Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
- d) **Procurement.** Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
- e) **Data to support decision making and manage performance.** Producing relevant and reliable data and information to support decision making and manage performance.
- f) **Good governance.** Promoting and demonstrating the principles and values of good governance.
- g) **Risk.** Managing risks and maintaining a sound system of internal control.
- h) **Natural Resources.** Making effective use of natural resources.
- i) **Asset Management.** Managing assets effectively to help deliver strategic priorities and service needs.
- j) **Workforce Management.** Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

For 2014-15, I examined the areas of Financial Planning and Asset Management based on my risk assessment of the Council.

During audit testing in 2013-14, one issue was noted in that each member of the Senior Management Team reviews the quality of data contained within their own reports before submission to the council.

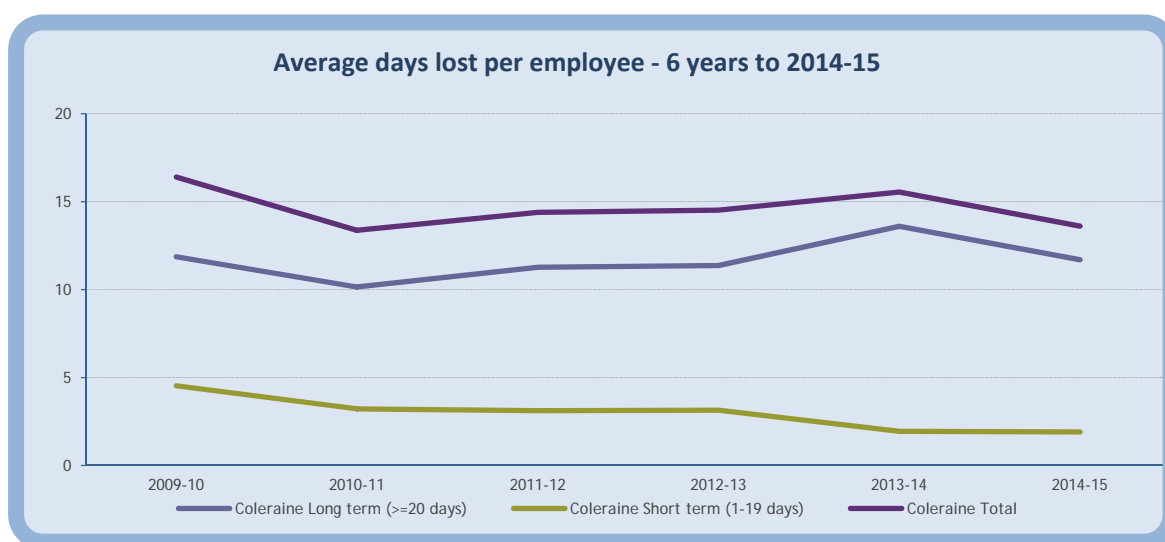
On the basis of my work I am satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

⁷ Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

The 2014-15 absenteeism figure for Coleraine Borough Council is 13.61 days. This represents a decrease of 1.94 days on the previous year. The Council has told me that this is due to a significant reduction in the average days lost per employee due to long term sickness (reduced from 13.60 days in 2013-14 to 11.70 days in 2014-15). The trend over the years 2009-10 to 2014-15 is shown below.



Joint Committees

Coleraine Borough Council was a member of:

- the North West Region Waste Management Group Joint Committee which was established for the purposes of managing waste. During the year Coleraine Borough Council advanced £35,870 towards funding the expenditure of the Joint Committee; and
- the North East Region Rural Development Joint Committee which is the delivery mechanism for the Northern Ireland Rural Development Programme 2007-13; and
- the North East Peace III Joint Committee under which Peace III and INTERREG IVA funding is available from the Special EU Programmes Body.

Separate accounts have been prepared by the Joint Committees and are audited by me. Separate annual audit letters are issued to each Joint Committee.

6. Closing Remarks

This letter concerning the 2014-15 audit of Coleraine Borough Council is addressed to the Members of Causeway Coast and Glens Borough Council and prepared for the sole use of the latter. No responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

The factual accuracy of this Audit Letter has been agreed with the Chief Executive of Causeway Coast and Glens Borough Council.

Both Coleraine Borough Council and subsequently Causeway Coast and Glens Borough Council facilitated the audit in a positive and constructive way. I would like to take this opportunity to express our appreciation for the assistance and co-operation provided.

This letter will be presented to the Causeway Coast and Glens Borough Council Audit Committee by my staff. I have also asked the Chief Executive to provide a copy to all Members of the Council.

Louise Mason

Local Government Auditor

2 December 2015