



# Annual Audit Letter

Issued by the Local Government Auditor



2012-13

To the Members of  
Antrim Borough Council

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## Contents

1.	Introduction .....	3
2.	Financial Statements .....	4
	Summary of Audit Findings .....	4
	Financial Performance.....	5
3.	Governance.....	6
	Annual Governance Statement .....	6
	Internal Audit.....	7
	Audit Committee .....	7
4.	Proper arrangements.....	8
5.	Other Audit Work .....	9
	Absenteeism .....	9
	National Fraud Initiative (NFI) .....	9
	Joint Committees.....	9
	Grant Claims .....	10
6.	Local Government Reform.....	11
7.	Closing Remarks.....	12

## 1. Introduction

The Department of the Environment may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate persons who are members of the staff of the Northern Ireland Audit Office as local government auditors<sup>1</sup>. I have been designated the Local Government Auditor for the Council.

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 2012-13 audit.

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<sup>1</sup> Article 4 (3) of the Local Government (Northern Ireland) Order 2005).

## 2. Financial Statements

### Summary of Audit Findings

Antrim Borough Council must prepare its accounts 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 Executive on 27<sup>th</sup> June 2013. This is within the statutory timeframe of 30<sup>th</sup> June. Following the audit, the accounts were re-signed on 28<sup>th</sup> October and published on the website of Antrim Borough Council on 31<sup>st</sup> October in accordance with the regulations.

For the year ended 31 March 2013 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 2012-13, of the financial position of Antrim Borough Council as at 31 March 2013 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 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.

## Financial Performance

The Statement of Comprehensive Income and Expenditure of Antrim Borough Council shows that during the year ended 31 March 2013 the Council spent £23.5m on the provision of services. It also received income of £25.6m.

The major items of expenditure were;

- Leisure and Recreational Services      £8,481,642
- Environmental Services                      £8,386,866

The major areas of income were:

- Leisure and Recreational Services      £2,366,565

The Council currently has net non-current assets of £50,035,830. The majority of these non-current assets are in the Land and Buildings category. Total loans outstanding is £19,500,282. A 'sinking fund' has been established for repayment of interest only loans. This fund has a balance of £1,949,180. A Loans Repayment Reserve has been established to repay the NIHE loans within the Government Loans Fund portfolio. This Reserve has a balance of £1,200,430. During the year the Council incurred £1,125,329 on loan charges and interest payments.

At 31 March the council has usable reserves of £12,025,406 made up of:

<b>Usable Reserve</b>	<b>£</b>
Capital Receipts	410,245
Capital Fund	4,399,553
Renewal and Repairs Fund	385,370
Other Balances and Reserves	3,150,244
General Fund	3,679,994
<b>Total</b>	<b>12,025,406</b>

### 3. Governance

The Good Governance Standard for Public Services<sup>2</sup> 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

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<sup>3</sup>.

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 2012-13;
- 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 of the Statement.

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

- As a result of Internal Audit work during the year one area was identified as not being controlled to an acceptable level. Weaknesses were identified within the Council’s Fleet Hire & Vehicle Repairs, in particular the application of the Council’s Financial Regulations. Another significant internal control issue identified relates to a Council contract which is currently being dealt with through appropriate legal action. Steps have been taken to ensure that control weaknesses identified in relation to this contract have been improved or mitigated.
- Any control weaknesses identified by internal audit reviews have been addressed or are in the process of being addressed and have been included in the 2013-14 Internal Audit plan for follow up review. The Council continues to use the National Fraud Initiative matches to

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<sup>2</sup> The Good Governance Standard for Public Services, OPM and CIPFA, 2004

<sup>3</sup> Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

identify improvements to internal controls. In addition to the measures outlined above, the Corporate Governance framework is constantly evolving and recent improvements include the updating of the Council's Anti-Fraud Policy and Fraud Response Plan.

- We propose over the coming year to take steps to further enhance our governance arrangements including the achievement of the governance excellence accreditation. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our annual review.

## 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. The Council has an in-house Internal Audit Department. A review of the effectiveness of the system of internal audit was carried out during 2012-13 by the Council and the findings of the review were considered by the Audit Committee. We have made a specific recommendation in the Report to those Charged with Governance that the Internal Audit function would benefit from additional review.

## 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. This Committee met four times in the year and the agenda items included NIAO reports, internal audit reports, risk register and other relevant business.

The Audit Sub Committee is a sub-committee rather than a full committee. It does not report directly to Council. While not mandatory, CIPFA guidance states that best practice from other parts of the public sector is for an Audit Committee to report directly to full Council, therefore making it independent from the executive and scrutiny functions.

I also have recommended that the Audit Sub Committee appoints an independent member.

## 4. Proper arrangements

Legislation requires me, each year to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources<sup>4</sup>.

My review of the 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.

In 2012-13, I examined the areas of Financial Planning, Financial Reporting, Procurement and Good Governance based on my risk assessment of 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. I have made one recommendation to the Council and which is included in my Report to those Charged with Governance.

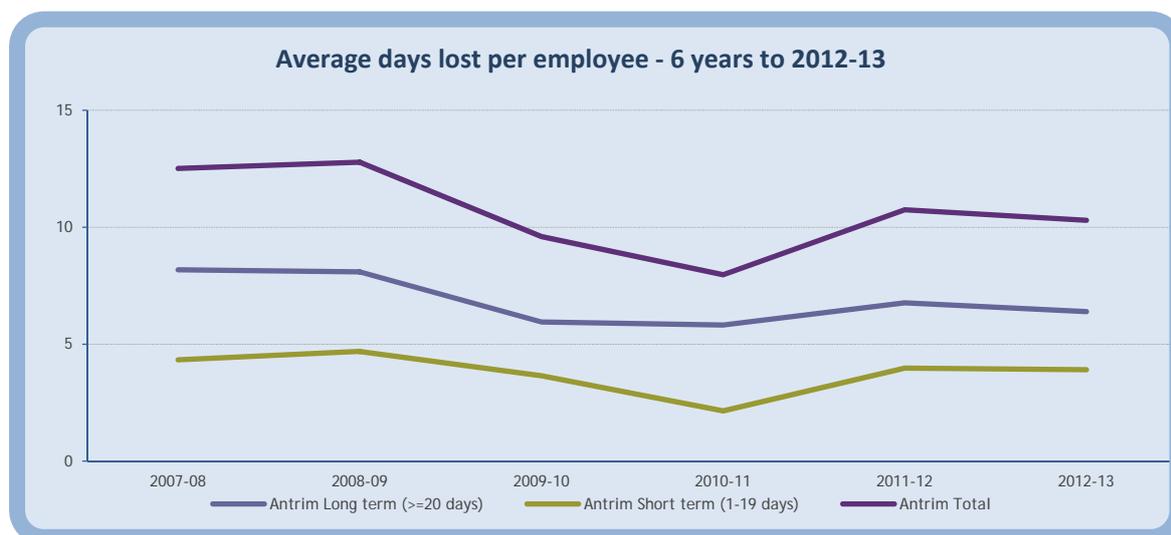
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<sup>4</sup> Local Government (Northern Ireland) Order 2005

## 5. Other Audit Work

### Absenteeism

The 2012-13 absenteeism figure for the Council is 10.3 days. This represents a decrease of 0.4 days on the previous year. The Council have told me that this is due to the impact of serious health issues facing a number of individuals. The trend over the years 2007-08 to 2012-13 is shown below.



### National Fraud Initiative (NFI)

In the current economic climate with unprecedented budgetary pressures on public services, it is essential that public bodies use every means at their disposal to prevent and detect fraud and error. The NFI exercise, which is carried out every two years, is a highly effective tool which helps public bodies identify potentially fraudulent and duplicate transactions using sophisticated computer based data matching techniques. The Serious Crime Act 2007 inserted provisions dealing with data matching exercises into the Audit and Accountability (Northern Ireland) Order 2003. Local councils are involved in the 2012-13 NFI exercise and the outcome will be reported at a later date. The outcome of the previous NFI exercise can be found in the report produced by the Comptroller and Auditor General for Northern Ireland, published on 26 June 2012. A copy can be obtained from the Northern Ireland Audit Office's website. Suggestions would be welcome for further potential data matches that could help in the prevention and detection of fraud.

### Joint Committees

The Council is a member of:

- The arc21 Joint Committee which is established for the purposes of managing waste. During the year the Council advanced £1,733,003 towards funding the expenditure of the Joint Committee; and

- Joint Committees for the purpose of delivering programmes funded by the European Union. Under this arrangement 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. A separate Annual Audit Letter is issued to each Joint Committee.

- ARC21 financial statements were certified on 31 October 2013 with an unqualified opinion; and
- Generating Rural Opportunities Within South Antrim Joint Committee accounts were certified by me on 30 October 2013 with an unqualified opinion.

## Grant Claims

In accordance with Article 25 of the Local Government (Northern Ireland) Order 2005 I have made arrangements for the certification of local government body grant claims. These arrangements are designed to provide reasonable assurance to the grant paying body. The key principle is that the certification of grant should be proportionate to the amounts involved and the associated risks. Specifically financial thresholds apply. I examined relevant grant claims of the Council and reported my findings to the funding body concerned.

## 6. Local Government Reform

### Local Government Finance Act 2011

The new prudential system for capital finance in Northern Ireland was introduced on 1 April 2012 with the implementation of Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011. The Act and Regulations introduced significant changes to local authority capital financing and accounting in Northern Ireland. This has modernised the legislative framework for local government finance, with a focus on greater freedom for Councils. The Act covers budgeting, reserves and funds, borrowing powers and capital receipts and expenditure. The key change is that it gives Councils more freedom to manage their finances without the need to obtain consent from the Department of the Environment. More emphasis has therefore been placed on the Chief Financial Officers' assessment of affordability by applying the principles and requirements of the Prudential Code.

The Department of the Environment has also issued statutory guidance on the minimum revenue provision, capitalisation directions and local government investments. Councils' financial statements for 2012-13 have included a charge to the general fund for the minimum revenue provision for financing capital expenditure and reflected other changes from the implementation of the Act and Regulations.

### Local Government Reform

The Local Government Bill, currently proceeding through the Northern Ireland Assembly, provides for a reduction in the number of local councils from twenty six to eleven on 1 April 2015. On that date it is planned that Antrim Borough Council will be amalgamated into Antrim and Newtownabbey Borough Council.

The Bill forms the legislative basis for the local government reform programme that will impact on every aspect of the governance, management and provision of local government services. The new councils will take the lead in community planning and will be expected to deliver high quality services in an effective and efficient manner under a new performance improvement framework. The Bill also sets out arrangements for the transfer of staff, assets and liabilities to the new councils.

Statutory Transition Committees (STCs) will ensure that the new councils are able to adopt their full range of powers and functions from 1 April 2015. They will gather information, consider and advise on matters relevant to moving to their new council. They will be responsible for the appointment of the Council Chief Executive, as well as the preparation of a draft budget and a draft corporate and business plan.

Elections are scheduled to be held during 2014 to determine the membership of the new councils. In the period between the elections and 1 April 2015, referred to as the shadow period, the incoming councils will appoint senior staff, strike rates and approve business and financial plans in advance of 1 April 2015.

I anticipate being responsible for auditing the STCs and the incoming councils.

## 7. Closing Remarks

The letter is addressed to the Members of Antrim Borough Council and prepared for the sole use of the audited body. 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 and Director of Corporate Services.

The Council has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the council's assistance and co-operation.

This letter will be presented to your Audit Committee by my staff and I have asked for copies to be sent to all Members.

**Louise Mason**

Local Government Auditor

24 December 2013