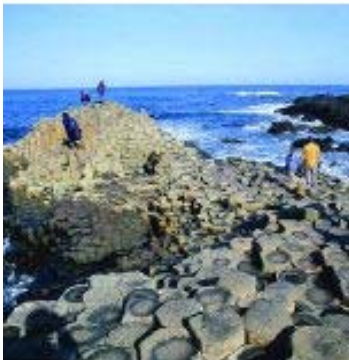




Annual Audit Letter

Issued by the Local Government Auditor



Carrickfergus Borough
Council 2014-15

To the Members of
Mid and East Antrim
Borough Council

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1. Introduction

I have been designated the Local Government Auditor for Carrickfergus 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 Mid and East Antrim 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. Carrickfergus Borough Council was amalgamated together with Ballymena Borough Council and Larne Borough Council into Mid and East Antrim 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.

Mid and East Antrim Borough Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Mid and East Antrim 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

Carrickfergus Borough Council

The accounts of Carrickfergus 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 Mid and East Antrim Borough Council on 29th June 2015. This is within the statutory timeframe of 30th June. Following the audit, the accounts were re-signed on 26th October and published on the website of Mid and East Antrim Borough Council on 28th October 2015 in accordance with the regulations.

For the year ended 31 March 2015 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 2014-15, of the financial position of Carrickfergus 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 Mid and East Antrim 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 Mid and East Antrim Borough Council Statutory Transition Committee

The Mid and East Antrim Borough Council Statutory Transition Committee (STC), consisting of 5 members from each of Ballymena, Carrickfergus and Larne Borough Councils, was formed through regulation¹ to ensure that the Mid and East Antrim 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.

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 Mid and East Antrim Borough Council STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Carrickfergus Borough Council shows that during the year ended 31 March 2015 the Council spent £16.54m on the provision of services. It also received income of £15.75m.

The major items of expenditure were

- | | |
|------------------------|---------------------------------|
| • Recreation and Sport | £4,055,471 (2013-14 £4,136,660) |
| • Community Services | £1,265,616 (2013-14 £1,222,002) |
| • Waste Disposal | £1,762,036 (2013-14 £1,600,495) |

Specifically the major items of expenditure were:

- Of the total expenditure in the year £6,457,505 or 39 per cent related to staff costs; £1,086,445 or 6.6 per cent was on the payment of interest and similar charges; with a further £1,355,559 or 8.2 per cent related to depreciation all of which are in the Comprehensive Income and Expenditure.

The major areas of income were

- £11,357,474 or 72.1 per cent was received in respect of district rates with a further £936,230 or 6 per cent in respect of revenue grants.

At 31 March 2015 Carrickfergus Borough Council had net non-current assets of £42,240,890. The majority of these non-current assets are in the Land and Buildings category. Total loans outstanding were £22,669,510.

At 31 March 2015 Carrickfergus Borough Council had usable reserves of £956,569 as set out in the table below.

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

Usable Reserve	£
General Fund	527,248
Capital Receipts	216,240
Capital Grants Unapplied	39,306
Renewal and Repairs Fund	173,775
Total	956,569

Legislation² placed a duty on the Chief Financial Officer to make arrangements for the proper administration of Carrickfergus 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

The Carrickfergus 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 issue in its Governance Statement.

The lack of a formal Business Continuity Plan or IT Disaster Recovery Plan which has been adopted by Council has been identified late in the financial year 2015 as an area of exposure. However significant work has been undertaken to date in the preparation of extensive draft plans in both matters.

Furthermore additional IT personnel resources have been provided and a failover site established in the Marina. It is expected Mid and East Antrim Borough Council will ensure a Business Continuity Plan or IT Disaster Recovery Plan are in place.

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

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. Carrickfergus Borough Council had an outsourced Internal Audit function.

The Council has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors. The Internal Auditor normally provides an annual report on work performed in the financial year.

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 Carrickfergus Borough Council met 5 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 Carrickfergus 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, Asset Management and Procurement based on my risk assessment of the Council.

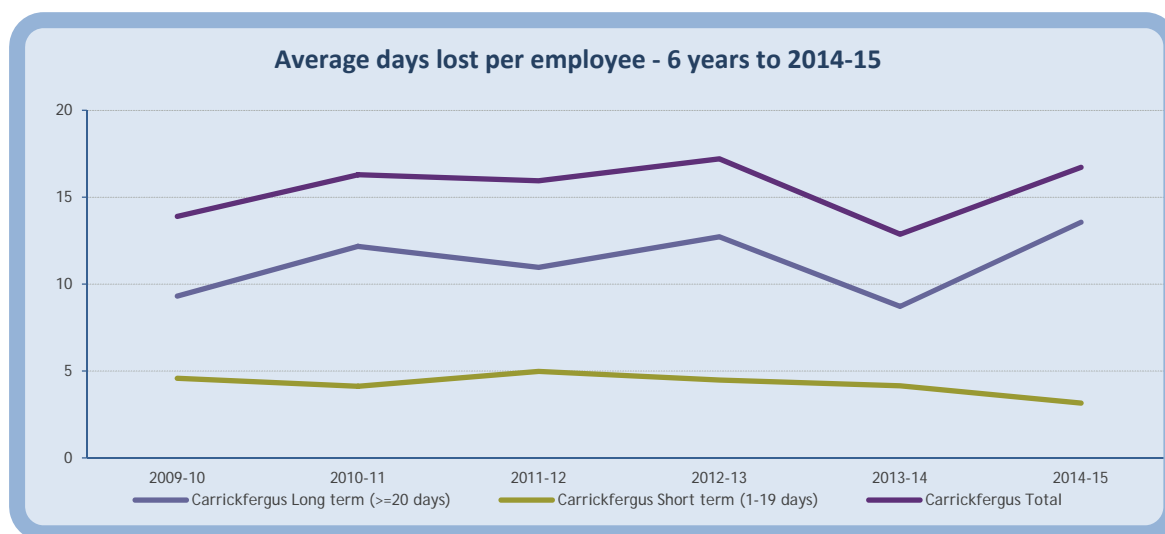
On the basis of my work I am satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

⁷ Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

The 2014-15 absenteeism figure for Carrickfergus Borough Council is 16.72 days. This represents an increase of 3.85 days on the previous year. The Council has told me that while the 2014/15 short term absence has reduced to 3.16 days compared to 4.15 days in 2013/14, long term absence has deteriorated significantly to 13.56 days compared to 8.72 days in 2013/14. This has been due to an increase in the number and severity of specific long term cases. The trend over the years 2009-10 to 2014-15 is shown below.



Joint Committees

Carrickfergus Borough Council was a member of:

- Arc21 Joint Committee which is established for the purposes of managing waste. During the year Carrickfergus Borough Council advanced £57,447 towards funding the expenditure of the Joint Committee;
- GROW Rural Development Joint Committee which is the delivery mechanism for the Northern Ireland Rural Development Programme 2007-13; and
- CAN Peace III Joint Committee under which Peace III and INTERREG IVA funding is available from the Special EU Programmes Body. This Partnership ceased on 31 March 2015.

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 Carrickfergus Borough Council is addressed to the Members of Mid and East Antrim 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 Finance Officer of Mid and East Antrim Borough Council.

Both Carrickfergus Borough Council and subsequently Mid and East Antrim 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 Mid and East Antrim Borough Council Audit Committee by my staff. I have also asked the Chief Finance Officer to provide a copy to all Members of the Council.

Louise Mason

Local Government Auditor

22 December 2015