



Annual Audit Letter

Issued by the Local Government Auditor



2013-14

To the Members of
Lisburn City Council

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1. Introduction

I have been designated the Local Government Auditor for Lisburn City 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 2013-14 audit.

2. Financial Statements

Summary of Audit Findings

Lisburn City Council

Lisburn City 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 23 June 2014. This is within the statutory timeframe of 30th June. Following the audit, the accounts were re-signed on 28th October and published on the website of Lisburn City Council on 31st October in accordance with the regulations.

For the year ended 31 March 2014 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 2013-14, of the financial position of Lisburn City Council as at 31 March 2014 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.

The Council's Annual Governance Statement refers to an investigation undertaken in 2013-14 (see page 8 below). Part of the investigation considered contracts and matters of procurement. My Report to those Charged with Governance contained recommendations on procurement and governance.

The Lisburn City and Castlereagh Borough Statutory Transition Committee

The Lisburn City and Castlereagh Borough Statutory Transition Committee (STC), consisting of 16 members from Lisburn City and 8 members of Castlereagh Borough Councils, was formed through regulation¹ to ensure that the new Lisburn and Castlereagh District Council is 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

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

ceased to exist on 19 June 2014, following the election held in May 2014 to determine the Members of the new Council.

The STC is a statutory local government body and I therefore have responsibility to audit the 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 2013-14 financial statements of the STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Lisburn City Council shows that during the year ended 31 March 2014 the Council spent £33.0m on the provision of services. It also received income of £37.0m.

The major items of expenditure were:

- Recreation and Sport £10.3m (2012/13 £10.5m)
- Waste Disposal £4.8m (2012/13 £4.7m)

The major areas of income were:

- District Rates £28.0m (2012/13 £27.1m)
- Revenue Grant £1.9m (2012/13 £1.8m)

At 31 March 2014 the Council had net non-current assets of £86.7m (£73.0m 2012/13). The majority of these non-current assets are in the buildings category. Assets under construction include a range of schemes including the Public Realm Improvement Scheme, external works at the Irish Linen Centre, acquisition of land at Castle Street, IT infrastructure upgrade, regeneration of Moira Demesne, works at Magheraberry Community Centre and scheme to upgrade a number of playgrounds. Total loans outstanding were £17,997,172 (18,996,932 2012/13).

At 31 March 2014 the Council had usable reserves of £12,555,928 made up of:

Usable Reserve	£
Capital Receipts	1,075,582
Renewal and Repairs Fund	1,121,044
Other balances and reserves	185,762
General Fund	10,173,540

Total	12,555,928
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Legislation² places a duty on the Chief Financial Officer to make arrangements for the proper administration of Lisburn City Council's financial affairs, including the submission to the Council of a report on the adequacy of any proposed financial reserves. CIPFA and the Local Authority Accounting Panel (LAAP) provides guidance to Councils on financing capital expenditure and the establishment and maintenance of local authority reserves and balances in the CIPFA Prudential Code and a recent LAAP Bulletin³.

² The Local Government Finance Act (Northern Ireland) 2011

³ LAAP Bulletin 99 *Local Authority Reserves and Balances*, July 2014

3. Governance

The Good Governance Standard for Public Services⁴ 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 Statement⁵.

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 2013-14;
- 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;

- A Corporate Governance Review was undertaken by the Head of Audit using, as a basis for the review, the Framework Addendum to the document “Delivering Good Governance in Local Government published by CIPFA/SOLACE in December 2012. This document replaced the Application Note published in April 2011 which was used by the Head of Audit in undertaking the 2012-13 Governance Review.
- The Review demonstrated that the Council's practices and procedures are in line with the vast bulk of the Framework Addendum. Any deficiencies in Best Practice (as espoused by the document) will be considered by Management/Committee bearing in mind the impact

⁴ The Good Governance Standard for Public Services, OPM and CIPFA, 2004

⁵ Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

of Local Government Reform in that a new Council will be in place from April 1st 2015 with a Governance Structure as yet to be finalised.

- Five Internal Audit reports contained limited and unacceptable ratings were noted:
 - Fleet Management (Governance – Reporting Framework & Decision taking)
 - Fleet Management (Governance – Assurance Process)
 - Peace 3 Expenditure (Governance – Assurance Process)
 - Environmental Services Department (Governance – Compliance with Accounting Manual Requirements in respect of Quotation procedures)
 - Fleet Management (Risk Management – Service Continuity Plan)
- During 2013-14 an investigation was undertaken by an externally appointed consultant to examine allegations made by a whistle-blower (external third party). Of the eleven allegations made, four identified “Issues of Concern” and seven concluded that there was “No evidence to support the allegation”.
Of the four identifying “Issues of Concern” three related to contract management and the fourth related to staffing arrangements relating to use of a major Council Leisure facility by a private club.
The Council proposes over the coming year to take steps to address the above matters to further enhance their governance arrangements.
- The new councils came into existence on 26 May 2014, operating in shadow form until they take over full responsibility for local government on 1 April 2015 when the 26 existing councils cease to exist.

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. Recommendations emanating the 2012/13 External Peer Review continued to be implemented during 2013/14.

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 three times in the year. The function of an Audit Committee is exercised in the Council by Special Meetings of the Strategic Policy Committee.

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 resources⁶.

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.

For 2013-14, I examined the areas of Workforce Management, Asset Management, Governance and Procurement based on my risk assessment of the Council.

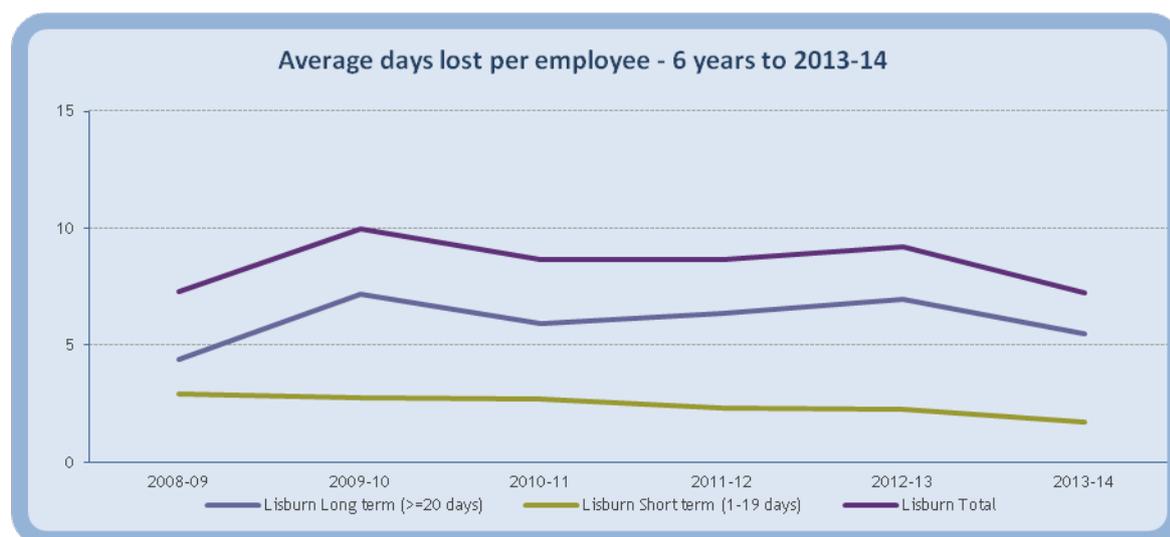
On the basis of my work I am satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

⁶ Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

The 2013-14 absenteeism figure for the Council is 7.2 days. This represents a decrease of 2 days on the previous year. The trend over the years 2008-09 to 2013-14 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 were involved in the recent NFI exercise and the Comptroller and Auditor General for Northern Ireland published a report on its outcomes on 17 June 2014. A copy can be obtained from the Northern Ireland Audit Office's website.

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 £3,564,037 towards funding the expenditure of the Joint Committee; and
- the Lagan Rural Development Joint Committee which is the delivery mechanism for the Northern Ireland Rural Development Programme 2007-13; and
- the Lisburn Castlereagh Peace III Joint Committee under which Peace III and INTERREG IVA funding is available from the Special EU Programmes Body.

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 where required grant claims of the Council and reported my findings to the relevant funding body.

6. Local Government Reform

The Local Government Act (Northern Ireland) 2014 (The Act) provides for a reduction in the number of local councils from twenty six to eleven on 1 April 2015. Lisburn City Council will be amalgamated into Lisburn and Castlereagh District Council.

The Act forms the legislative framework for Northern Ireland's eleven new 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 will be impacted. 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. Powers will transfer from central government such as planning, roads, urban regeneration and community development 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.

The new Lisburn and Castlereagh District Council elected in May 2014 and operating in shadow form from that date until 1 April 2015, has been appointing senior staff and will strike rates and approve business and financial plans in advance of 1 April 2015.

As well as additional audit work required in relation to the 'shadow' councils and statutory transition committees in the transitional year, 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 begun a process of engagement with relevant external stakeholders and 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'.

7. Closing Remarks

The letter is addressed to the Members of Lisburn City 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 Financial Officer

The Council facilitated the audit in a positive and constructive way. 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. I have also asked the Chief Financial Officer to provide a copy to all Members of the Council.

Louise Mason

Local Government Auditor

12 January 2015