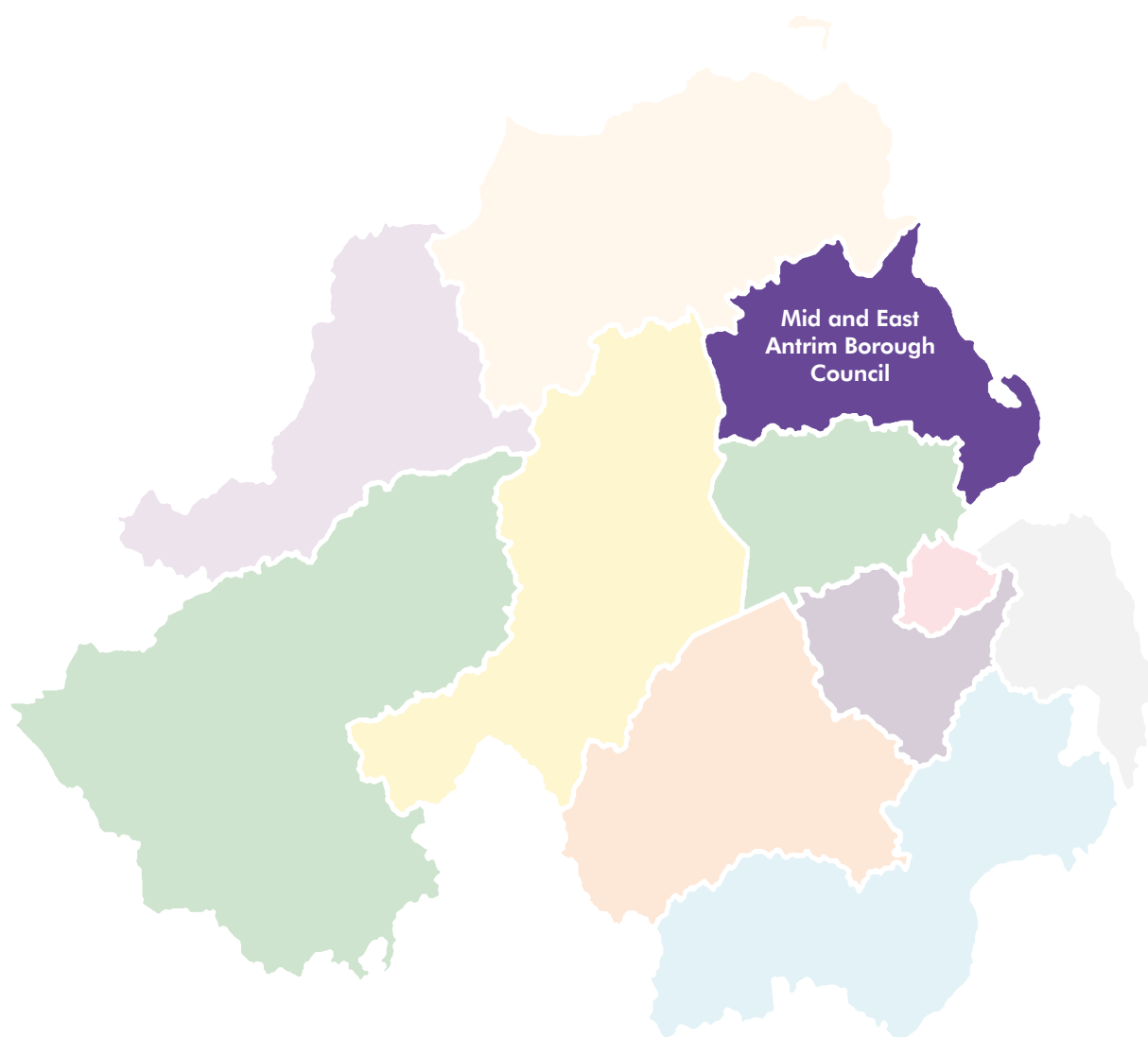




Northern Ireland Audit Office

Annual Audit Letter

Mid and East Antrim Borough Council 2016-17



Louise Mason

Local Government Auditor
Northern Ireland Audit Office
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Audit of Financial Statements

- The 2016-17 financial statements were certified without qualification as outlined in my audit report.

Work on economy, efficiency and effectiveness

- Despite a number of areas for improvement, 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 standards.

Other areas of audit interest

- The Whole of Government Accounts annual return has been submitted for HM Treasury's consolidation process.
- The latest National Fraud Initiative exercise, using 2016-17 data, was commissioned in January 2017.
- The audit work was completed within the estimated fee quoted.
- The Local Government Auditor's Report for 2017 was published in July 2017.
- Performance improvement work and my associated audit responsibilities continue to be phased in.

Outlook

- Update on the transfer of services.
- Impact of Local government reform.
- Community Planning for Councils.
- Telling the Story in next year's accounts.

Introduction

1. The results of my statutory responsibilities for the audit of the Statement of Accounts and my work on proper arrangements in 2016-17 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 ways in which statutory audit functions 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 and are expected to have effective governance arrangements in place to deliver the Council's 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 directions;
 - 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' directions.
4. There are a range of various other 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 work on the Council's arrangements for securing economy, efficiency and effectiveness of resources, and my work on 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, my comments should not be regarded as a comprehensive record of all deficiencies that may exist or all 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 '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 2017. Following the audit, the Statement of Accounts were approved by the Council and certified by me within the statutory deadline of 30 September 2017. The Statement of Accounts are published on the Council's website.
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 Accounts. The audit certificate and opinion are contained within the Statement of Accounts.

Audit Opinion

4. For the year ended 31 March 2017, 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 2016-17, of the financial position of the Council as at 31 March 2017, 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 the 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. There were no significant issues noted within the 2016-17 Report.

Payments to senior staff at the Legacy Larne Borough Council

6. In my 2015-16 Annual Audit Letter I raised concerns relating to payments made to the former Chief Executive and a member of senior staff in the legacy Larne Borough Council which I considered had been made without proper consideration of the facts. At that time the former Chief Executive had indicated that she intended in principle to repay the payment she had received and I had recommended that this was pursued by the Council. Since then the Council has been in contact with the former Chief Executive and I understand that while discussions are ongoing no monies have yet been received. It is important that the Council continue to pursue this matter and reach a satisfactory settlement. I intend to continue to monitor the situation and will report on the outcome in due course.

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 in place proper arrangements 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, 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 to secure economy, efficiency and effectiveness in the use of its resources. However, as in the previous year I have noted a number of areas for improvement and made recommendations on good practices and these are included in our Report to those charged with Governance.

Governance

Key Principles

1. The “Delivering Good Governance in Local Government: Framework,” issued by CIPFA has been updated and came into effect for the 2016-17 financial year. Whilst the new Framework is similar in content to the 2007 edition there is a shift in emphasis. As a result there are now seven key principles, as follows:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - Developing the entity’s capacity, including the capacity of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Annual Governance Statement

2. The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Council 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 2016-17;
 - does not comply with proper practices specified by the Department for 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’s Annual Governance Statement included the following significant governance issues:
 - In response to significant procurement issues identified by NIAO in their current and prior year audits, senior management commissioned an internal audit review. The resulting recommendations were implemented by the Council in order to strengthen internal controls

and mitigate such an issue happening again. A revised Procurement Policy, Officer Procedures and Training Plan are scheduled to be implemented across the Council early in 2017-18.

- Management identified an isolated issue in relation to a PCSP grant funding claim during 2016-17. As a result of this an internal review was carried out into the specific issue and a number of recommendations were made and are being implemented to ensure such instances do not happen again.
- The Council intend to take steps to address the above matters to further enhance its governance arrangements. The Council are satisfied that these steps will address the need for improvements that were identified in their review of effectiveness and will monitor their implementation and operations as part of their next annual review.

Internal Audit

5. The 2015 Regulations also require 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 a contracted out Internal Audit function that conducted a review on the effectiveness of the systems of internal controls in place during 2016-17. The findings of this work were presented to the Council's Audit Committee for review and considered by me as part of the audit process.

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 2016-17 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 undertaken every two years that is designed to highlight savings for the public sector as a whole.
4. NFI data matches for the 2016-17 exercise were issued to the Council on 31 January 2017. The Council has until March 2018 to complete its NFI investigation work.
5. The latest report, based upon 2014-15 data, was published in July 2016 and is available on the NIAO website. The next report is due to be published in 2018.

Absenteeism

6. For the twelve months to the end of March 2017, the average number of day's sick absence in the Council was 18.32 days per full time employee as compared to 15.22 days in 2015-16. The Council has told me that the increase of 3.1 days has been mainly caused by musculoskeletal problems, with back and neck problems the third highest. Stress, depression, fatigue remains one of the highest reasons for sickness absence.
7. The Council has indicated that steps are being taken to reduce the level of absenteeism. In order to address this cause of absence, a detailed action plan has been devised and approved by the Council. Some of the actions outlined within the plan include the procurement of a Health Care Cash plan that will give employees immediate access to physiotherapy, MRI Scans, etc.
8. In addition, a full review of current processes will be carried out, along with mandatory line managers' training and a consistent approach to return to work interview and formal absence review meetings. A single provider for Occupational Health Services has been appointed and regular case management review will take place with them.

Audit Fee

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

Local Government Auditor's Report - 2017

10. The annual Local Government Auditor's Report was published in July 2017 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work in the financial year to 31 March 2017.
11. The Report highlights areas of strength and areas for improvement within local councils. It also considers important issues that may affect councils in the medium term. The Council and its members should consider this report in the context of its own activities for any improvements that could be made.

Improvement audit and assessment

12. Under the Local Government (Northern Ireland) Act 2014 the Council has a statutory duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year.
13. The 2016-17 financial year was the second year of a three year phased introduction of the performance improvement framework with limited requirements for Councils which in turn limited the scope of my audit and assessment. I completed and issued my Audit and Assessment Report 2016-17 which included my audit certification and opinion to the Council (and the Department for Communities) on 30 November 2016. A summary of this report was published in my Annual Improvement Report which is published on the NIAO website.
14. From 2017-18, the Council is required to publish a self-assessment of its prior year performance, to include where practicable, a comparison of its performance with that in previous years and with other councils. The programme of audit work for 2017-18 is underway and I plan to issue my findings to the Chief Executive and the Department for Communities by 30 November and publish in my Annual Improvement Report thereafter.

Outlook

Transfer of Services

1. The Minister for Communities announced in November 2016 that urban regeneration and community development powers would no longer transfer to local government as planned. Instead the draft Programme for Government 2016-2021 sets out a vision for central and local government working together within the respective legislative remits to create more vibrant places with employment opportunities and better housing, addressing poverty and improving the quality of people's lives.

Impact of Local Government Reform

2. The Council continues to adapt to changes following Local Government Reforms, such as alterations to staff structures, voluntary exit schemes for staff, assimilating systems for new services and generally seeking to generate efficiencies.
3. There is consideration being given to the potential to centralise some of the functions in Local Government. Central government in Northern Ireland has implemented such arrangements in relation to services for payroll, transaction processing, procurement, accommodation, ICT and internal audit.

Community Planning

4. This is a new responsibility for councils where community planning is now designed alongside the Council's long term corporate plans to improve the lives and wellbeing of residents throughout the council's area. It involves working with a wide range of partners including the community and voluntary sector, education, health, Police Service of Northern Ireland and Tourism Northern Ireland.
5. The Local Government Act (Northern Ireland) 2014 requires the council to publish a statement on outcomes achieved and actions taken within two years of the plan being published. In addition, the Council and its partners must carry out a review of the plan before its fourth anniversary.
6. Although an audit of community plans is not required, I assess and report on whether the Council's improvement objectives have links to its community planning, as part of the improvement audit and assessment as outlined above.

Telling the Story

7. Councils will have to prepare the 2017-18 Statement of Accounts in line with the new, "Telling the Story" format. This will involve re-analysing the 2016-17 presentation to match the new format.

8. The change in presentation is aimed at assisting the users' understanding of the accounts and to potentially facilitate better decision making. A key aspect of the format is to record income and expenditure in line with the management accounts classifications.

And Finally.....

9. I would like to thank the Council for its continued co-operation during the audit. I and my staff look forward to working with Council during the year in preparation for next year's audit and specifically in relation to the new presentation for the Statement of Accounts.