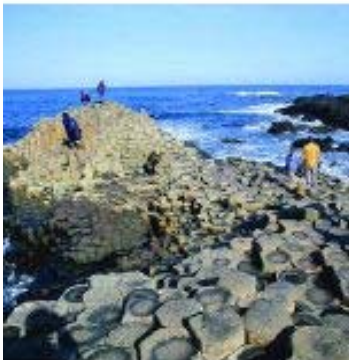


Issued by the Local Government Auditor



Ballymena Borough Council 2014-15

To the Members of
Mid and East Antrim
Borough Council

Louise Mason
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Contents

1.	Introduction	3
	Local Government Reform	3
2.	Financial Statements	5
	Summary of Audit Findings	5
	Financial Performance.....	6
3.	Governance.....	8
	Annual Governance Statement	8
	Internal Audit.....	9
	Audit Committee	9
4.	Proper arrangements.....	11
5.	Other Audit Work	12
	Absenteeism	12
	Joint Committees.....	12
6.	Closing Remarks.....	13

1. Introduction

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

Ballymena Borough Council

The accounts of Ballymena 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 29 June 2015. This is within the statutory timeframe of 30 June. Following the audit, the accounts were re-signed on 26 October and published on the website of Mid and East Antrim Borough Council by 31 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 Ballymena 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 was presented separately to your Audit Committee.

The Mid and East Antrim Statutory Transition Committee

The Mid and East Antrim Statutory Transition Committee (STC), consisting of 15 members from each of Ballymena, Larne and Carrickfergus 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

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

the Local Government Code of Audit Practice. I gave an unqualified opinion on the 2014-15 financial statements of the Mid and East Antrim STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Ballymena Borough Council shows that during the year ended 31 March 2015 the Council spent £26.5m on the provision of services. It also received income of £27.7m.

The major items of expenditure were

- Recreation and Sport £5.8m;
- Waste Collection £3.3m;
- Culture and Heritage £2.6m; and
- Waste Disposal £2.4m.

The major areas of income were

- District Rates £20.8m;
- General Revenue Grants £1.6m; and
- Culture and Heritage £1.3m.

At 31 March 2015 Ballymena Borough Council had net assets of £59.9m. The majority of these are non-current assets in the Land and Buildings category. Total loans outstanding were £23.7m.

At 31 March 2015 Ballymena Borough Council had usable reserves of £13.5m as set out in the table below.

Usable Reserve	£
General Fund	£1,608,643
Capital Fund	£8,505,000
Renewal and Repairs Fund	£2,212,957
Other balances and reserves	£1,153,478
Total	£13,480,078

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

Ballymena 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:

- Local Government Reform

Under Local Government Reform Ballymena Borough Council, Carrickfergus Borough Council and Larne Borough Council amalgamated and became one of eleven new Council districts known as Mid and East Antrim Borough Council. The new Council came into existence on 26th May 2014 and operated in shadow form until they took over full responsibility for local government on 1st April 2015 when the twenty six existing councils ceased to exist. The final accounts for Ballymena Borough Council were therefore for the 2014-15 financial year. This reform brought a number of challenges to Ballymena Borough Council as well as presenting many opportunities. The Council became responsible for extra functions transferred from central to local government, as part of the reform programme. However,

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

the reform programme also presents an opportunity for increased partnership and collaborative working to achieve even more efficient and effective service delivery. Ballymena Borough Council continued to engage with Carrickfergus Borough Council and Larne Borough Council at a corporate decision making level through the Transition Management Team / Senior Management Team in order to achieve a consistent approach going forward. During 2014-15 Council Officers supported the Mid and East Antrim Shadow Council in progressing the reform activities in line with the Local Government Reform Implementation Plan in order to achieve a smooth transition into the new Council in April 2015.

- **ARC21 Residual Waste Treatment Project**

Ballymena Borough Council was part of ARC21, which is a well established partnership of eleven Councils who agreed to collaborate in implementing waste management initiatives and develop an integrated network of waste management facilities which were cost effective to the public. Such facilities required for the treatment of residual waste, Mechanical Biological Treatment (MBT) and Energy from Waste (EfW), were substantial in cost and complexity and brought with them extremely challenging procurement processes. However this process was necessary to develop the waste management infrastructure for ARC21 partner Councils to meet EU Landfill Directive targets which limited the amount of biodegradable municipal waste that could be landfilled. Substantial fines payable for Councils failing to meet statutory targets set under Directive, coupled with the increasing burden of landfill tax, were strong economic drivers for Councils to divert waste from landfill. As a constituent Council of the ARC21 Waste Group, Ballymena Borough Council continued to work proactively and collaboratively in order to progress the challenging issue of the residual waste treatment project.

- **Other Governance Issues**

During 2014-15, internal audit conducted 10 assurance reviews in which the Council attained a satisfactory level of assurance overall. One audit of Council Managed Community Centres received an assurance level of Limited. Following this review, a number of new internal controls were put in place to improve assurance levels within this area.

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 Ballymena Borough Council Internal Audit function was externally sourced. A review of the effectiveness of the system of internal audit was carried out during 2014-15 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 Ballymena 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 Ballymena 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 Workforce Management based on my risk assessment of the Council.

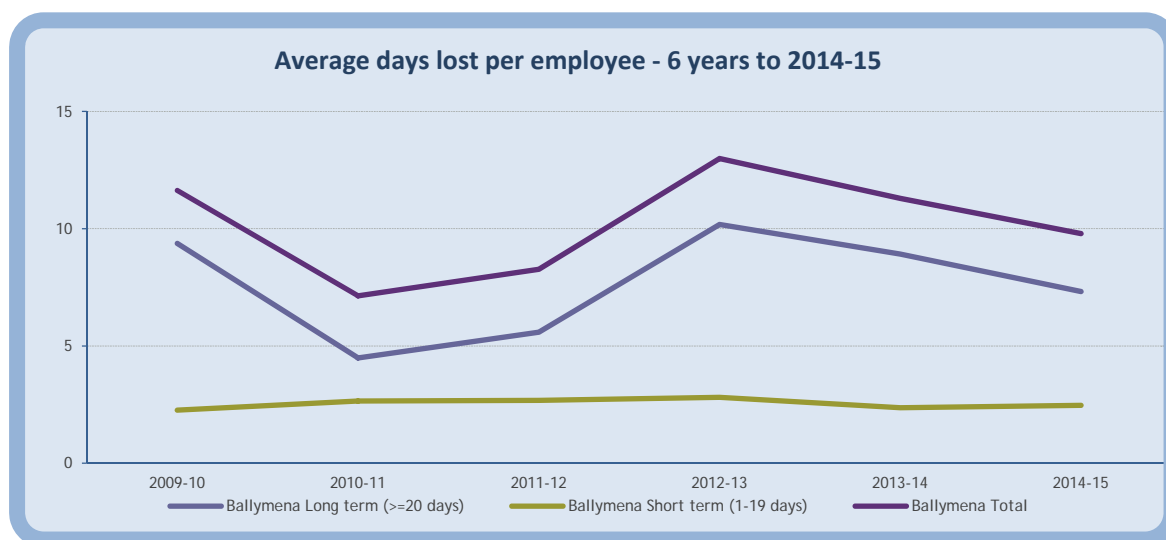
On the basis of my work I am satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

⁷ Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

The 2014-15 absenteeism figure for Ballymena Borough Council is 9.79 days. This represents a decrease of 1.5 days on the previous year. The Council told me that this is due to 4 employees leaving the organisation as a result of ill health retirement. The trend over the years 2009-10 to 2014-15 is shown below.



Joint Committees

Ballymena Borough Council was a member of:

- the North East Partnership Joint Committee which was established as a delivery mechanism for the INTERREG IVA Programme 2007-2013. During the year Ballymena Borough Council advanced £2,000 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 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 Ballymena 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 Executive of Mid and East Antrim Borough Council.

Both Ballymena 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 and Scrutiny 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

15 December 2015