

**Annual Audit
Letter**

Mid and East Antrim Borough Council
2021-22

Date Issued:

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We have prepared this report for Mid and East Antrim Borough Council's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

1. Key Messages

Audit of Financial Statements

The 2021-22 financial statements were certified without qualification as noted in my audit report. Key statistics from the accounts are outlined.

Work on economy, efficiency and effectiveness

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 and standards.

Other Areas of interest

- Absenteeism figures for 2021-22.
 - The latest National Fraud Initiative.
 - The Local Government Auditor's Report for the year to 31 March 2021 was published on 21 December 2021.
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Outlook

- COVID-19 considerations.
- Any specific matters for Council

2. Introduction

1. As Local Government Auditor, I have a statutory responsibility to provide an opinion on the Council's financial statements. The results of my audit of the 2021-22 Statement of Accounts are summarised in this report.
2. 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 on 1 April 2021, 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.
3. 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.
4. 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 income and expenditure for the year then ended;
 - the financial statements have been prepared in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions thereunder;
 - the parts of the remuneration report to be audited have been properly prepared in accordance with the Department for Communities' directions; and
 - the information given in the Narrative Report is consistent with the financial statements.
5. There is 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 our work on performance improvement.

6. This report is solely based upon those matters that have come to my attention as a result of normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or all improvements that could be made.

3. 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 on 20 December 2022. Following the audit, the Statement of Accounts were approved by the Council and certified by me on 23 December 2022. 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 the audit is complete and to give an opinion on the statement of the accounts. The audit certificate and opinion are contained within the Statement of Accounts.
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Audit Certificate and Opinion

4. For the year ended 31 March 2022, 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 2021-22, of the financial position of the Council as at 31 March 2022, 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 and Scrutiny Committee. The Report to those Charged with Governance in respect of the 2021-22 audit identified significant weaknesses in the Use of Direct Award

Contracts, Procurement and Contract Management and the Introduction of a new Finance IT System.

6. We note that Council's Usable Reserves has increased from £13.8m at 31 March 2020 to £22.9m at 31 March 2021 and then to £28.5m at 31 March 2022, primarily due to funding received as a result of the pandemic. We note that Council have made efforts to put in place plans for the utilisation of these reserves but due to the timing of some funding received it may take a period of time before other schemes and programmes are in place. We also note ongoing discussions with employees regarding pay settlements are taking place. In addition, we note the impact of increased energy and other costs will affect Council activities. It is therefore essential that detailed financial projections and the careful monitoring of spend is given priority.

4. Key Statistics

Income / Expenditure	2021-22 £000's	2020-21 £000's	Variance £000's
Total Income	78,044	83,747	-5,703
Total Expenditure	81,725	78,901	2,824
Net Expenditure chargeable to the General Fund (reflects adjustments between Accounting Basis and Funding Basis)	167	45	122

	2021-22 £000's	2020-21 £000's	Variance £000's
Capital Expenditure in year	8,105	7,267	838

Capital / Reserves	2021-22 £000's	2020-21 £000's	Variance £000's
Useable Reserves	28,477	22,925	5,552
Long Term Assets	222,773	217,625	5,148
Loans Outstanding	54,742	60,668	-5,926

Staff			
Staff numbers (FTE)	726	715	11

	2021-22 £000's	2020-21 £000's	Variance £000's
Staff Costs (including Agency costs)	32,881	31,450	1,431
Staff Absence Total	15.21 days	4.69 days	10.52days
• short term	2.38 days	3.49 days	1.11 days
• long term	12.83 days	1.19 days	11.64 days

5. 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. The Council is 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 safeguard assets, deliver objectives and generate value for money; and
 - A framework to manage the workforce 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, my review identified a number of areas for improvement and these were included in the Report to those Charged with Governance.

6. Governance

Annual Governance Statement

1. 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.

 2. 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 2020-21;
 - 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.

 3. My review did not highlight any inconsistencies.
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Internal Audit

4. The 2015 Regulations also require councils to undertake an adequate and effective internal audit of its accounting records and of its systems of risk management, internal controls and governance processes using current internal auditing standards. The Council has an out-sourced Internal Audit function that conducted a review on the effectiveness of the systems of internal controls in place during 2020-21. The findings of this work were presented to the Council's Audit and Scrutiny Committee for review and considered by me as part of the audit process.
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Audit and Scrutiny Committee

5. It is essential that Members exercise effective scrutiny of the internal controls processes and procedures in place within the Council. One way that Members carry out this function is through the Audit and Scrutiny Committee.

6. The Audit and Scrutiny Committee is also invited to review my audit reports and my staff attend meetings to present audit findings.

7. Other areas of audit interest

Absenteeism

1. For the twelve months to the end of March 2022, the average number of day's sick absence in the Council was 15.21 days per full time employee as compared to 4.69 days in 2020-21. The Council has reported that this is due to several factors including the effect of Covid-19 both directly and indirectly and the delays in staff being able to access suitable treatment for ongoing health issues with record waiting lists having a particular impact. The Council added that ongoing employee relations matters have also led to higher than average levels of absence in some areas.
2. The Local Government Auditor produced a good practice guide on Managing Attendance in Central and Local Government on 23 November 2020. The report provides an overview of sickness absence across central and local government in Northern Ireland and sets out key principles for managing attendance that are consistent across the public sector.

Local Government Auditor's Report – 2021

3. The annual [Local Government Auditor's Report](#) was published on 21 December 2021 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work in the year to 31 March 2021.
4. 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.

Performance improvement audit and assessment

5. 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.
6. Each year councils are required to produce an Annual Improvement Plan for the year ahead and a self-assessment report for the year just past. The Local Government Auditor is required to audit the prior year self-assessment report and the incoming Annual

Improvement plan and assess whether the Council is likely to have complied with the legislation.

7. Due to the pandemic, the requirement to publish an improvement plan for 2020-21 was set aside. As a result, the audit of the 2020-21 self-assessment report did not include a review of performance of improvement objectives for that year.
8. My Annual Improvement Report for 2021-22 was published on 31 March 2022 and concludes that Council met its statutory duties in relation to publication of the 2020-21 self-assessment report and 2021-22 Annual Improvement Plan. Given the impact of the pandemic on council services, however, I was unable to conclude on an assessment of whether the council was likely to meet their performance improvement responsibilities under legislation for the 2021-22 year.

WGA

9. 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 2020-21 where additional audit procedures were not required.
10. The Whole of Government Accounts annual return for 2020-21 has been submitted for HM Treasury's consolidation process.

NFI

11. 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.
12. The report summarising the results of the data matching for the period 1 April 2020 to 31 March 2022 was published on 19 July 2022 and is available on the NIAO website.

Audit Fee

13. The audit fee for the financial audit increased to £95,000. This increase was as a result of delays encountered by the audit team due to the absence of key finance staff and the additional work

necessitated by issues highlighted in ongoing and completed investigations.

8. Outlook

Ongoing impact of COVID-19 pandemic

1. The COVID-19 pandemic has had a significant impact on society and on the economy since 2020. Councils had to adapt quickly to ensure continued provision of their key critical services such as waste collection and disposal, community support, and registrations of deaths and burial services. Additionally, Councils suffered losses in income from the closure of their income-generating facilities and services such as leisure centres.
2. In May 2021 the Finance Minister announced further COVID 19 funding to address a range of ongoing pressures. This included £10 million to Councils to ensure the continued delivery of local public services, as well as £3 million to support council-managed community development and advice services via the Community Support Programme.
3. There continues to be wide reaching impacts from the pandemic and challenges for councils to deliver a balanced budget, even with central government support. It is extremely important that the Council has detailed medium term financial plans which are regularly monitored and updated.
4. A second report by the Comptroller and Auditor General on the NI Executive's response to the COVID-19 Pandemic was published on 8 June 2021.

And finally.....

5. I would like to thank the Council for its continued co-operation during the audit. My staff and I look forward to working with Council during the year in preparation for next year's audit.