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Mr David Jackson  
Chief Financial Officer  
Causeway Coasts & Glens Borough Council  
Cloonavin  
66 Portstewart Road  
Coleraine  
BT52 1EY

15 January 2016

Dear David,

### **Annual Audit Letter: Ballymoney Borough Council 2014-15**

Please find enclosed my Annual Audit Letter which I am required to issue under Regulation 13 of the Local Government (Accounts and Audit) Regulations 2006.

Regulation 13 requires a Local Government Body to:

- a) publish the letter; and
- b) notify the local government auditor of the date of publication.

I would be grateful if you would arrange to include this on the agenda of the next meeting of the Council's Audit and Risk Panel.

Under the Code of Practice I am required to ensure that all members receive a copy. I would be grateful if you would confirm, in due course, that each member has received a copy.

I would like to take this opportunity to thank you and your staff for the assistance and co-operation received throughout the audit.

Yours sincerely

**LOUISE MASON**  
Local Government Auditor



# Annual Audit Letter

Issued by the Local Government Auditor



Ballymoney Borough Council  
2014-15

To the Members of  
Causeway Coast and Glens  
Borough Council

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## Contents

1.	Introduction .....	3
	Local Government Reform .....	3
2.	Financial Statements .....	5
	Summary of Audit Findings .....	5
	Financial Performance.....	6
3.	Governance.....	7
	Annual Governance Statement .....	7
	Internal Audit.....	8
	Audit Committee .....	8
4.	Proper arrangements.....	9
5.	Other Audit Work .....	10
	Absenteeism .....	10
	Joint Committees.....	10
6.	Closing Remarks.....	11

## 1. Introduction

I have been designated the Local Government Auditor for Ballymoney 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 the Causeway Coast and Glens 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. Ballymoney Borough Council was amalgamated together with Coleraine and Limavady Borough Councils and Moyle District Council to form the Causeway Coast and Glens 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.

Causeway Coast and Glens Borough Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Causeway Coast and Glens 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

#### **Ballymoney Borough Council**

The accounts of Ballymoney 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 Causeway Coast and Glens Council on 29 June 2015. This is within the statutory timeframe of 30<sup>th</sup> June. Following the audit, the accounts were re-signed on 17 December and published on the website of Causeway Coast and Glens Council in accordance with the regulations. The statutory audit deadline of 31 October was not achieved on this occasion. The audit could not be certified until a difference of approximately £98,000 in the year end bank reconciliation was resolved. The Council conducted an investigation to establish the cause of the difference. The difference was mainly due to an omission of several salary journal postings to the accounting records. The Council concluded that there was no evidence of misappropriation.

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 Ballymoney 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 Causeway Coast and Glens 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 Causeway Coast and Glens Statutory Transition Committee**

The Causeway Coast and Glens Statutory Transition Committee (STC), consisting of 20 members, 5 from each of Ballymoney, Coleraine, Limavady and Moyle Councils, was formed through regulation<sup>1</sup> to ensure that the Causeway Coast and Glens 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

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<sup>1</sup> The Local Government (Statutory Transition Committees) Regulations (Northern Ireland) 2013

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 Causeway Coast and Glens STC.

## Financial Performance

The Statement of Comprehensive Income and Expenditure of Ballymoney Borough Council shows that during the year ended 31 March 2015 the Council spent £12.2m on the provision of services. It also received income of £12.0m.

The major items of expenditure were:

- Recreation and Sport £3.0m;
- Waste Disposal £1.3m;
- Democratic representation and management £1.1m; and
- Environmental Health £1.1m.

The major areas of income were:

- District Rates £6.6m;
- General and capital grants £2.2m; and
- Recreation and Sport £0.8m.

At 31 March 2015 Ballymoney Borough Council had non-current assets of £27.7m. The majority of these non-current assets are in the Property, Plant and Equipment category. Council buildings make up £26.4m of the balance. Total loans outstanding were £14.8m on which the Council incurred £0.6m on loan charges and interest payments. The Council continued to fund its capital programme through a mix of loans, grants and direct revenue financing.

At 31 March 2015 Ballymoney Borough Council had usable reserves of £1,389,466 which belong almost entirely to the General Fund.

Legislation<sup>2</sup> placed a duty on the Chief Financial Officer to make arrangements for the proper administration of Ballymoney 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 Code<sup>3</sup> and a recent LAAP Bulletin<sup>4</sup>.

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<sup>2</sup> The Local Government Finance Act (Northern Ireland) 2011

<sup>3</sup> The Prudential Code for Capital Finance in Local Authorities (2011 Edition)

<sup>4</sup> LAAP Bulletin 99 *Local Authority Reserves and Balances*, July 2014

### 3. Governance

The Good Governance Standard for Public Services<sup>5</sup> 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 Ballymoney 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 Statement<sup>6</sup>.

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.

- Following an investigation, Council has been able to reconcile an error totalling £98,000 in the Ballymoney Borough Council statement of accounts to allow the Northern Ireland Audit Office to gather sufficient and appropriate audit evidence for the Local Government Auditor to complete the audit on the statement of accounts and give an opinion. Due to the investigation, the Local Government Auditor had not been able to complete the audit and give an opinion before the normal deadline of 31<sup>st</sup> October 2015.
- Due to lack of reserves the Council has capitalised landfill closure and aftercare costs in line with the Department of the Environment (DOE) Circular LG 28/13, dated 24 October 2013, which allows for the mitigation of specific approved costs regarding the landfill site over a set period of time. The agree period of time is six years and at 31 March 2015 the Council

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<sup>5</sup> The Good Governance Standard for Public Services, OPM and CIPFA, 2004

<sup>6</sup> Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

has provided for 50% of the costs. A draft landfill site closure plan produced by the Council's consultants has been forwarded to the Northern Ireland Environment Agency.

- A number of procurement issues were raised with the council by the external auditors. In an attempt to address the matter Council made budgetary provision in 2014/15 to cover its share of the cost of a Procurement Officer across the 4 cluster councils. A procurement Officer was appointed by Coleraine Borough Council in mid-2014.

## 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 Ballymoney Borough Council had appointed external consultants for their Internal Audit service.

## 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 Ballymoney Borough Council met three times in the year and the agenda items included

- NIAO audit reports;
- internal audit reports; 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 resources<sup>7</sup>.

My review of Ballymoney 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, Procurement 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.

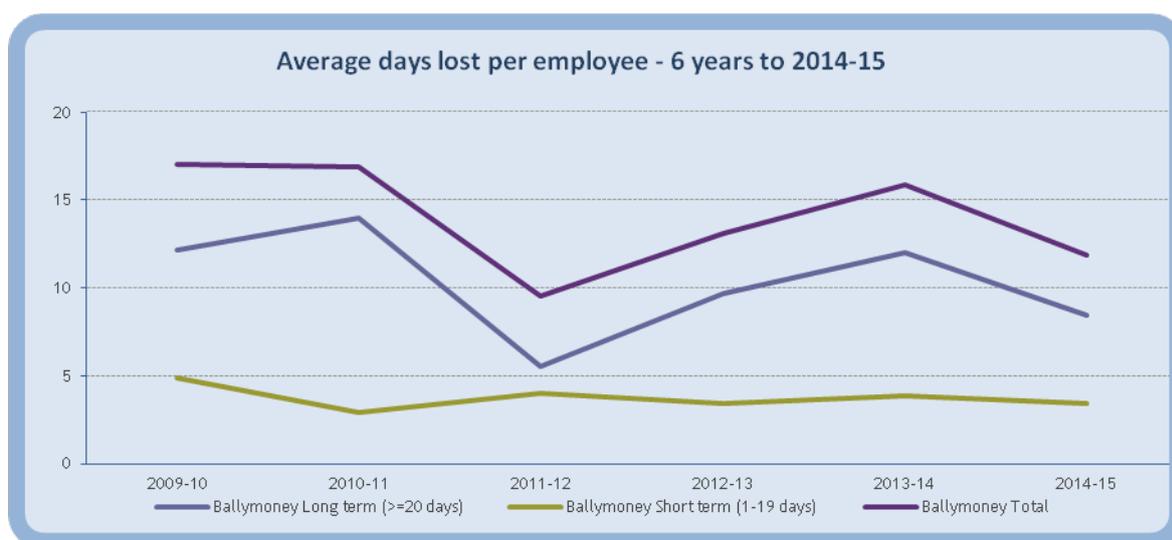
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<sup>7</sup> Local Government (Northern Ireland) Order 2005

## 5. Other Audit Work

### Absenteeism

The 2014-15 absenteeism figure for Ballymoney Borough Council is 11.9 days. This represents a decrease of 4.0 days on the previous year. The Council has told me that this is due to a substantial decrease in staff on long term sick leave. The trend over the years 2009-10 to 2014-15 is shown below.



### Joint Committees

The Ballymoney Borough Council was a member of:

- the North West Region Waste Management Group Joint Committee which is established for the purposes of managing waste. During the year the Council advanced £16,820 towards funding the expenditure of the Joint Committee; and
- the North East Rural Development Partnership 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 and INTERREG IVA 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 Ballymoney Borough Council is addressed to the Members of Causeway Coast and Glens 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 Financial Officer of Causeway Coast and Glens Council.

Both Ballymoney Borough Council and subsequently Causeway Coast and Glens 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 Causeway Coast and Glens Council 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  
15 January 2016