



## Northern Ireland Audit Office

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Promoting better use of public money, through independent professional scrutiny, underpinned by our commitment to:

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To make a difference for the people of Northern Ireland.

The Local Government (Northern Ireland) Order 2005 provides that the Department for Communities (formerly Department of the Environment) may, with the consent of the Comptroller and Auditor General, designate persons who are members of the Northern Ireland Audit Office as Local Government Auditors. Louise Mason, Assistant Auditor General, is the designated Local Government Auditor for all local government bodies in Northern Ireland.

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## Causeway Coast and Glens Borough Council AUDIT OF 2015-2016 FINANCIAL STATEMENTS

### **DRAFT** REPORT TO THOSE CHARGED WITH GOVERNANCE

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## Section 2 – Audit Findings

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### Introduction

1. This report summarises the key matters arising from our audit of the 2015-16 financial statements for the benefit of those charged with governance<sup>1</sup>. This is the first audit of the 11 new Councils with their full operational functions from 1 April 2015. The 11 Councils were established under Local Government (Boundaries) Act (Northern Ireland) 2008. The provisions contained in the Local Government Act (Northern Ireland) 2014 came fully into effect in 2015-16. From 1 April 2015 the Councils have new powers and duties including planning, community planning, off street parking, general power of competence and performance improvement. The Act in Part 12 on performance improvement requires improvement audits and assessments which we report to those charged with governance separately per the timetable prescribed in the legislation. In addition regulations contained in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 require a shorter timeframe for the audit of the financial statements.
2. We would like to thank the Chief Financial Officer and their staff for their co-operation during the audit process.
3. The examination of the 2015-16 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Board (APB), taking into account the UK Auditing Practice Board's Practice Note 10 (Revised); Audit of Financial statement in Public Sector Bodies in the United Kingdom and the Code of Audit Practice issued by the Local Government Auditor. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Audit Committee in March 2016.
4. This report has been prepared for the sole use of Causeway Coast and Glens Borough Council. Our prior consent should be sought before any distribution (including web publication) either in full or in part is made. The Northern Ireland Audit Office (NIAO) does not accept responsibility to any third party for losses arising from reliance being place on this report.
5. In accordance with regulation 8 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, we can confirm that the Council has published the statement of accounts together with the audit report on its website. However we note that the council has not yet given notice by publication on its website that the audit has been concluded and that the statement of accounts is available for inspection by any member of the public.

### Actions for those charged with governance

6. The audit committee reviewed the first draft of this report on the 21<sup>st</sup> September. Those charged with governance are invited to review the final findings set out in this report, including the letter of representation and audit report included in Annex A and Annex B respectively.

### Status of audit

7. Our audit is complete. The accounts were certified on 28<sup>th</sup> September 2016.

### Overall conclusion and opinion

8. The Local Government Auditor provided her audit opinion in the format set out in Annex B –Audit Report. The audit report includes an opinion as to the truth and fairness of the financial statements and that certain

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<sup>1</sup> In accordance with ISA 260, those charged with governance are those individuals accountable for ensuring that the Council achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

## Section 2 – Audit Findings

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information given in the Narrative Report is consistent with the financial statements. The audit report also includes an opinion on whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

9. The Local Government Auditor certified the 2015-16 financial statements with an unqualified audit opinion, without modification.

### Audit judgements

10. In reaching our opinion we have made the following key audit judgements:

- A number of items totalling £746k were included within provisions which we felt did not fully meet the spirit of the accounting standard (IAS 37), these have now been reclassified as reserves.
- The total landfill provision of £11.5m in respect of future closure and aftercare costs for the 3 landfill sites, appears to be a reasonable estimate.

### Audit findings

11. In Section 2 we outline the quality, effectiveness and transparency of Causeway Coast and Glens Borough Councils financial reporting and its accounting policy selection, and our audit findings including any issues identified relating to the internal control environment.
12. The first set of accounts presented for audit was in a format which differed significantly from the accounting standards and the pro-forma accounts per the Department's accounts direction. We appreciate that Council had prepared these accounts with the purpose of providing an increased understanding to the users of the accounts. Once the accounts were adjusted no further issues were identified on the quality, effectiveness and transparency of financial reporting and accounting.
13. The accounting policies were considered appropriate.
14. There were no significant issues identified regarding proper arrangements.
15. Significant control weaknesses identified during our audit related to bank, management accounts and Vat returns. Further detail on these is included in Section 2 of this report.
16. The first draft of the Annual Governance Statement required substantial adjustment to the significant governance issues section. Following adjustment, we were satisfied with the completeness and adequacy of the disclosures in the final Governance Statement.
17. Further issues of interest are set out in the Other Matters of Governance Interest section.

### Identified misstatements

18. In the course of the audit misstatements were identified which have been adjusted in the financial statements, as detailed in Identified Misstatements in Section 3. The net effect of these adjustments on the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet (BS) was £231k

## Section 2 – Audit Findings

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19. Section 3 also details uncorrected misstatements, there were no uncorrected misstatements in the financial statements.

### Significant risks

- 1.1. In our Audit Strategy issued in March 2016, our assessment of the Causeway Coast and Glens Borough Council's operations and control environment identified three significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.
- 1.2 No new risks were identified since the Audit Strategy was issued.
- 1.3 The table below describes how we addressed these matters through our audit process.

### Significant risks of material misstatement

<b>Risk 1: Reorganisation</b>
Council has undergone organisational change during the year which impacts upon its financial results including opening balances and transferred functions.
<b>Audit Response</b>
We will consider how council has gained assurance over these changes and we will test accordingly. We will further consider any changes which may impact upon the financial accounts and the local government auditors opinion.
<b>Outcome</b>
As regards the year end accounts, the Council appears to have, for the most part, satisfactorily managed the impact of the local government reform process. We note work is on-going within council re other aspects of the amalgamation of the 4 legacy councils e.g. Human resource polices

<b>Risk 2: Landfill Provision</b>
There is an existing provision in the accounts relating to the landfill sites within the Council area. The two closed landfill sites are subject to compliance notices from the NIEA. Until NIEA are fully satisfied as to closure arrangements for these two 'dilute and disperse' sites there remains some uncertainty as to the adequacy of the landfill provision.
<b>Audit Response</b>

## Section 2 – Audit Findings

We will review the basis of the provision and the relevant supporting documentation, including any correspondence from the NIEA.

### Outcome

Based on current information the monetary value of the total landfill provision appears adequate. However the Northern Ireland Environment Agency (NIEA) has still to review the financial adequacy of 2 of the landfill closure plans. One is now with the NIEA for review and the other has still to be submitted.

### Risk 3: Bank Reconciliations

The completion of timely and accurate bank reconciliations is a key internal control for all organisations. An unreconciled difference in the initial accounts provided by one of the legacy Council's resulted in a certification delay of that Council's accounts in 2014/15. With significant structural changes in 2015/16, bank reconciliations procedures have not yet been fully embedded within the new Council e.g. we understand bank reconciliations have now only been performed to May 2015.

### Audit Response

We will review bank reconciliations completed in year and test the year end bank reconciliations on a sample basis.

### Outcome

Issues remain within the bank reconciliation process, see our observation raised in section 2 of this report.

## Reporting and Accounting Policies

2.1 The Financial Statements are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom and in accordance with the Accounts Direction issued by the Department for Communities (formerly Department of the Environment).

2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Narrative Report.

2.3 A number of presentational adjustments were required to the financial statements submitted for audit.

The Department stated in the Accounts Direction 2015-16 Circular:

“As the New Councils are created under a transfer by absorption of the functions of predecessor councils, functions between New Councils as a result of boundary changes and transfers of functions from Central Government, the Code of Practice on Local Authority Accounting states that the notes to the accounts of the New Council shall include an opening Balance Sheet which should be clearly identified as the opening balance on the creation of the New Council, not the previous year's Balance Sheet. The Financial Statements for 2015/16 have limited comparative figures as the Code states that for New Councils created under a transfer by absorption at the beginning of the financial year, no corresponding amounts for the previous year will be required in the financial year. As such only Shadow Council balances are required for 2014/15 comparative figures. For the Comprehensive Income and Expenditure Statement, these balances will be disclosed under DRM and Corporate Management.”

## Section 2 – Audit Findings

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We have audited the figures in the opening balance sheet and are content that they are presented appropriately and that all transferred balances are in line with the new boundary, agree to central government records and have been agreed by all parties.

### 2.4 During the audit:

- The accounting policies were considered appropriate to the particular circumstances of the Council, judged against the objectives of relevance, reliability, comparability and understandability.
- Based on our sample testing, other than very minor cut off errors, all transactions were correctly recorded in the correct period.
- Other than some “other provision” amounts not in our view meeting the spirit of the accounting standards (ultimately re-classified as reserves) no issues arose from the review of the appropriateness of accounting estimates and judgements in relation to provisions, including the consistency of assumptions and degree of prudence reflected in the recorded amounts.
- There are no material risks which have a potential effect on the financial statements which have not been disclosed in the financial statements.
- The financial statements are not affected by any unusual transactions including non-recurring profits and losses recognised during the period.
- There are no apparent misstatements in the other information in the document containing the audited financial statements or material inconsistencies between it and the audited financial statements.
- There were no significant difficulties encountered during the audit.

### Review of information in the Narrative Report

2.5 We review information in the Narrative Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Narrative Report is not subject to our audit opinion.

2.6 The Narrative Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

### Internal Control

2.9 Other than the weaknesses identified at paragraph 15 of the Executive Summary above, which has been set out in ‘Observations and Recommendations’ below, no material weaknesses in the design and implementation of internal control have come to our attention during the

2.10 We have reviewed the revised Governance Statement and in our opinion, it now fairly reflects our understanding of the state of internal control systems within the entity during the year and the changes made to the Governance Statement during the course of the audit.

### Remuneration Report

## Section 2 – Audit Findings

- 2.11 We have reviewed the Remuneration Report and in our opinion it has been properly prepared in accordance with Department for Communities (formerly Department of Environment) directions issued under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

### Observations & Recommendations

- 2.12 This section outlines the findings arising from our audit, as well as management's response and target date for implementation to these recommendations.

- 2.13 We have included the significant, important and best practice findings arising from our audit which are defined as:

- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
- Priority 2 – important issues to be addressed by management in their areas of responsibility.
- Priority 3 – issues of a more minor nature which represent best practice.

Other issues of a more minor nature have been reported to the Chief Financial Officer.

- 2.14 As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

### Index of recommendations

#### Issues raised

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### 1. Bank

<b>Observation</b>
<p>Bank reconciliations are one of the important custodial controls over the validity, recording , cut-off and valuation of transactions.</p> <p>We noted the following:-</p> <ul style="list-style-type: none"> <li>(i) Bank reconciliations were not fully completed during the year, with a small number of un-reconciled items carried forward each month.</li> <li>(ii) At year end the bank had an un-reconciled difference of £2,823.58.</li> <li>(iii) Four bank accounts were missed from the yearend financial statements. 3 had very small balances; however one had a balance of £25k. These were subsequently reflected in the final accounts.</li> </ul>
<b>Implication</b>
<p>Potential errors within the financial statements, including those arising from un-reconciled differences, may not be identified.</p> <p>Potential loss to Council should unusual transactions, including those through fraud or error, not be challenged / identified.</p>
<b>Priority Rating</b>
1
<b>Recommendation</b>
<p>The Council should ensure that bank reconciliations are completed on a timely basis and evidenced as reviewed by the financial accountant. Any differences should be promptly investigated and reconciled.</p> <p>The Council should ensure that all bank accounts are included within the financial statements at year end.</p>
<b>Management Response</b>
<p>Accepted – work is currently ongoing regarding the completion of monthly bank recs and it is anticipated these will be up to date by December 2016.</p>
<b>Target for Implementation</b>
December 2016

## Section 2 – Audit Findings

### 2. Management Accounts

<b>Observation</b>
Management accounts were not produced until September 2015 for SMT and April 2016 for Council members. The management accounts are still in development stage and liaison continues with users to ensure that their needs will be met.  To date no management accounts have been produced in 16/17.
<b>Implication</b>
Management accounts are an important monitoring control. In their absence :- - budgets re individual spend categories may be over spent and unchallenged - there is reduced assurance for senior management / councillors over the validity, valuation, recording, cut off, completeness and presentation of the systematic processing of transactions  Further without comprehensive accompanying explanations re variances / activity levels and changes to forecast spend, then the users potentially have a much reduced understanding of the council's activity for that period
<b>Priority Rating</b>
1
<b>Recommendation</b>
The Council should produce detailed management accounts for the SMT and Council members on a regular basis. Agreement of final users' requirements should be finalised as soon as possible.
<b>Management Response</b>
Accepted - More detailed management accounts are being produced for the 2016/17 financial year. At time of writing Q1 is with SMT for approval to release to members, Q2 to follow shortly thereafter
<b>Target for Implementation</b>
October 2016

### 3. VAT Return

<b>Observation</b>
No VAT returns were submitted during the year to substantiate the year end VAT debtor of £3.7m .We understand council's delay was due to uncertainty as to the precise values of output VAT; as there was a concern VAT penalties could be levied on any incorrect output declarations.  We are advised that the vat claim for the quarter ended June 2015 was submitted in August 2016 and is currently under scrutiny by HMRC.
<b>Implication</b>
Delay in receiving income from VAT debtor could potentially affect cash management within the council.
<b>Priority Rating</b>
1

## Section 2 – Audit Findings

Recommendation
Council should complete their VAT returns in a timely manner and implement any system changes as needed to ensure VAT returns can be finalised within the specified time scales for submission.
Management Response
Accepted - The VAT returns could not be submitted due to uncertainty around the accuracy of output vat. The first VAT return has been submitted but was subject to a review by HMRC, this review has now been completed and the funds paid to Council, subsequent returns being submitted late October/early November 2016
Target for Implementation
Nov 2016

### 4. Income Controls

Observation
<p><b>(1) Debtors listing</b> - for most of 15/16 there was no complete debtors listing available e.g. including invoices raised manually at leisure centres. Invoicing was only brought into the finance function in Feb 16.</p> <p><b>During our audit we visited a number of external council sites. We have the following observations:-</b></p> <p><b>(2) Roe valley Membership fees</b> There are un-reconciled differences between Council records of the Membership fees due compared with the 3rd party organisation's records including collection of direct debts on Council's behalf. In January 2016 the unreconciled difference was £688.</p> <p><b>(3) Roe Valley LS –Shop</b> No Stock take has occurred and there are no gross profit margin reports . Total sales recorded in year are £28,078.</p> <p><b>(4) Roe Valley – vending machine sales</b> There were discrepancies in vending machine print out and actual cash receipts. Over/under/float level is reviewed; however, a more precise record should be maintained. For example a reconciliation of float, cash received and sales should be provided to ensure vending receipts are accurate. Total sales recorded in year are £36,811.</p> <p><b>(5) Ballycastle Harbour – Fuel</b> There are no reconciliations of fuel bought (stock) and sales figures. There is no monitoring by a second party. Total sales recorded in year are £11,217.</p> <p>Potentially fuel could be dispensed and not properly receipted as there is no read out from the fuel dispensing system to reconcile fuel dispensed with cash receipted.</p> <p>There is no high level monitoring by a second party over the completeness, valuation and recording of fuel transactions.</p> <p><b>(6) Lodgements and cash controls</b> We noted that in some cases were lodgements are taken to either council offices or banking institutions by council staff which potentially increases the risk of theft and error. We also noted a number of instances where cash boxes are not stored securely.</p>

## Section 2 – Audit Findings

<b>(7) Documentation of income procedures</b> - There are no income procedures documented by the CC&G Council.
<b>Implication</b>
The absence of effective control procedures over income and debtors may result in loss to the council through error, non collection or theft.
<b>Priority Rating</b>
2
<b>Recommendation</b>
The Council should examine all income collection and debtor procedures to ensure they are adequate and that sufficient control is being exercised.
<b>Management Response</b>
Accepted – Staff are currently following their legacy council income procedures. It is anticipated that CCAG procedures will be compiled during the Autumn.
<b>Target for Implementation</b>
December/January

### 5. High Level Monitoring controls over the completeness of income at outstations

<b>Observation</b>
Currently Council does not perform formal reasonableness checks re completeness of income. Such checks could include:-  <ol style="list-style-type: none"> <li>(1) Caravan parks – income expectation by reference to number of statics on site and monthly reports of touring caravan occupancy, including review of whether these occupancy level reports look reasonable.</li> <li>(2) Harbours – by reference to occupancy statistics, does the occupancy level itself and the income deriving there-from look reasonable.</li> <li>(3) Leisure – income expectation by reference to users; further a separate review of the number of concessionary members for reasonableness.</li> </ol>
<b>Implication</b>
Income through fraud or error may be incomplete.
<b>Priority Rating</b>
2
<b>Recommendation</b>
We recommend that Council consider implementing reasonableness monitoring checks as one of its controls to ensure that income appears complete.
<b>Management Response</b>
Partially accepted – during the estimates process estimated income levels are checked and compared to actuals
<b>Target for Implementation</b>

## Section 2 – Audit Findings

2017/18 Rates setting process

### 6. Duplicate Payments

<b>Observation</b>
During the year Council identified 8 duplicate payments with the largest being £46,700. Refunds/credit notes have now been received.
<b>Implication</b>
Payments made for goods and services not received.
<b>Priority Rating</b>
2
<b>Recommendation</b>
Council should ensure that appropriate checks are implemented to ensure that duplicate payments do not occur in the future.
<b>Management Response</b>
Accepted – Council had identified all duplicate payments and requests for refunds were all successfully completed during the year. Procedures are now in place that should help to prevent the possibility of duplicate payments.
<b>Target for Implementation</b>
Already implemented.

### 7. Declaration of interests

<b>Observation</b>
It was noted from review of declarations of interests, that 2 Councillors have not completed a declaration of interests form.  Further during the year Senior Management were not required to complete a declaration of interests form. However, in line with a policy introduced after year end, senior managers now have to complete these forms.
<b>Implication</b>
Conflicts of interest may go undetected and present a possible reputational risk for the Council
<b>Priority Rating</b>

## Section 2 – Audit Findings

2
<b>Recommendation</b>
The Council should ensure that declaration of interests are received from each Council member, senior management and those involved in operational activities dealing with third parties (e.g. procurement).
<b>Management Response</b>
Accepted – Senior management have now completed and submitted register of interests which are centrally held.
<b>Target for Implementation</b>
Already implemented

### 8. Draft Account submitted to audit

<b>Observation</b>
The 1 <sup>st</sup> draft of the financial statements submitted to the Department (DfC) and NIAO contained additional information which was contrary to the accounts direction and the financial reporting framework. A number of other adjustments were required in relation to the notes of the accounts.
<b>Implication</b>
Increased time spent on audit.
<b>Priority Rating</b>
2
<b>Recommendation</b>
The Council should quality review the financial statements before submission to NIAO and DfC to ensure that they meet the requirements of the accounts direction.
<b>Management Response</b>
Partially accepted – the accounts direction is a required minimum submission, council’s initial submission gave additional information above and beyond that required under guidance. In addition the official proforma being used by Councils to submit accounts did not balance therefore CCAG decided to make the submission in the alternative format since the accounts balanced, this was highlighted to NIAO before commencement of the audit adding that council intended to complete the official accounts in the recommended format once the errors had been identified and corrected. Final accounts were in the required format
<b>Target for Implementation</b>
Already implemented

### 9. IT

<b>Observation</b>
<p>(1) From discussions with management we note that passwords are not required to be changed on a regular basis. Currently it is every 6 months.</p> <p>(2) Access controls for finance staff, to ensure there is appropriate segregation of duties over the functions these staff have been allocated permissions for e.g. payroll / payables, have not yet been reviewed/ confirmed as being in order.</p>

## Section 2 – Audit Findings

(3) There is no formal IT strategy.
<b>Implication</b>
Poor IT controls could lead to information loss/ breaches or even financial loss through error or fraud  The absence of an IT strategy could lead to nugatory expenditure.
<b>Priority Rating</b>
2
<b>Recommendation</b>
The Council should ensure that IT controls are strengthened and that an IT strategy is put in place as soon as possible.
<b>Management Response</b>
Accepted – software has been updated to enforce password changes, ICT working on a new ICT strategy.
<b>Target for Implementation</b>
Already implemented, Target for new ICT strategy - ????

### 10. Property, Plant & Equipment

<b>Observation</b>
A number of issues have been identified from the testing of Property Plant and Equipment:- <ul style="list-style-type: none"> <li>• no physical verification of fixed assets has been completed in 15/16.</li> <li>• a number of assets are being held at zero value.</li> <li>• Disposals - Arising from a due diligence exercise before a major refurbishment, Council discovered that it did not actually own a specific social centre building; this building had wrongly been on the council's fixed asset register for a number of years with Council spending £25k on this building in 14/15.</li> <li>• The fixed asset register does not record physical locations for all assets.</li> <li>• Council do not have a formalised capitalisation financial threshold.</li> <li>• Potentially there may be inconsistencies in the categorisation of assets for indexation valuation purposes e.g. we note one leisure centre is categorised as a specialised building but another leisure centre is valued on existing use.</li> </ul>
<b>Implication</b>
Property plant and equipment may be inadequately recorded and may not be properly secured.
<b>Priority Rating</b>
2
<b>Recommendation</b>

## Section 2 – Audit Findings

<p>The Council should review its controls in respect of property plant and equipment to ensure properly recorded and securely controlled.</p> <p>A review should be undertaken to ensure that any potential inconsistencies in the treatment of properties for indexation across the 4 legacy council sites are addressed, with input from LPS as required.</p>
<p><b>Management Response</b></p> <p>Partially accepted, physical verification of receipt of goods/capital work does take place under procurement procedures and under completion stage billing and certification procedures. However, internal spot checks could also be introduced as an additional safeguard. As assets reach the end of their useful lives their net book value will reduce to zero. At this point, if the asset continues in use it will necessarily remain in the fixed asset register with a value of zero. However, a review of fixed assets on the register at zero value, which are no longer in use is needed.</p>
<p><b>Target for Implementation</b></p> <p>Review of fixed asset records and locations along with physical spot checks of assets to commence in 2016/17.</p>

### 11. Expenditure

<p><b>Observation</b></p> <p>From our tests of detail of a sample of expenditure the following issues were noted:-</p> <ol style="list-style-type: none"> <li>(1) A number of invoices did not have accompanying purchase orders attached</li> <li>(2) 2 payments were by way of copy invoices rather than originals, contrary to best practice</li> <li>(3) For a number of invoices we were not provided with evidence that the price paid agreed to the tender / quotation</li> <li>(4) An invoice was not formally signed as being approved by the relevant spending department</li> <li>(5) Contrary to the procurement rules, several invoices in excess of £1k did not have 3 quotations</li> <li>(6) No open competition took place to appoint a solicitors firm for employment cases, instead under a longstanding agreement a specific solicitors firm was used.</li> <li>(7) VAT was not included in relation to outlay expenses on a solicitors invoice. Hence potentially an amount of £1,900 is due to council in respect of vat.</li> <li>(8) It was noted from the testing of an invoice for signs that 50 % was paid in advance of goods being received. Payment in advance is contrary to the council's procurement rules</li> </ol>
<p><b>Implication</b></p> <p>Non adherence of procurement procedures, including by way of fraud or error, could result in loss to council.</p>
<p><b>Priority Rating</b></p> <p>2</p>
<p><b>Recommendation</b></p> <p>The Council should ensure that procurement procedures are adhered to at all times.</p>
<p><b>Management Response</b></p>

## Section 2 – Audit Findings

Accepted – With the further population of organisational structure the procurement policy is to be revised taking into account the additional staff now in post in positions of responsibility with a view to updating the thresholds where appropriate
Target for Implementation
Dec 2016

### 12. Risk Management

Observation
It was noted from discussions with management that solicitors based within the Council are not involved within the risk management process.
Implication
Potentially input from solicitors in respect of lessons learnt / issues arising from legal claims against council may not be applied to future risk management, which may result in appropriate preventive action not being taken to avoid similar legal claims occurring.
Priority Rating
2
Recommendation
The Council should ensure that all relevant staff are included within the risk management process.
Management Response
Accepted
Target for Implementation
January 2017 – Establish an Internal Review Group

### 13. Prompt Payment

Observation
During 2015-16 Council processed 83% of all its invoices within 30 calendar days and 48% of all invoices were paid within 10 working days.

## Section 2 – Audit Findings

In line with the Northern Ireland Executive’s policy on prompt payment, Public Sector bodies should aim to pay all their invoices within 30 calendar days and at least 90% of valid invoices within 10 working days. Although this doesn’t strictly apply to Councils, we would encourage them to apply this good practice.
<b>Implication</b>
The Council is not achieving prompt payment targets.
<b>Priority Rating</b>
3
<b>Recommendation</b>
We would encourage the Council to improve its payment of invoices record, particularly in relation to the percentage paid within 10 working days. We understand that the Council has medium term plans to introduce a fully automated, electronic purchase ordering system. This should assist the Council in tracking invoices which may help in achieving improved prompt payment rates and also help address the issue of purchase orders not always being raised.
<b>Management Response</b>
Accepted – Council has included prompt payment as part of its performance improvement plan for the current year. Procedures are currently being looked and being revised to allow for more efficient flow of invoices and payments
<b>Target for Implementation</b>
Jan 2016

- 2.15 In accordance with International Standards on Auditing we have to consider significant weaknesses identified in our prior year audit. We have therefore reviewed management’s implementation of Priority 1 recommendations made in our prior year Report to those charged with Governance. Our findings are set out in Annex C – Implementation of Prior Year Recommendations. The Audit Committee should continue to track progress on all recommendations, including Priority 2 and Priority 3 points.



## Section 3 – Identified Misstatements

- 3.1 This section contains details of adjustments made to the financial statements during the course of the audit. There were no unadjusted errors.
- 3.2 We do not consider that the adjusted misstatements indicate a significant weakness in accounting or control which needs to be reflected in the Governance Statement.

### Significant adjustments made to the financial statements

- 3.3 As a result of our audit and also matters subsequently identified by council, adjustments were made to the financial statements presented for audit. The adjustments are shown below. The presentation of this information enables those charged with governance to assess the extent to which the financial statements presented for audit have been subject to change as a result of the audit process.
- 3.4 The audit adjustments made to the initial financial statements presented for audit are noted in the table below. The net effect of the adjustments on the Comprehensive Income and Expenditure Statement was to increase expenditure by £231k and to increase net assets in the Balance Sheet by £231k.

### Audit adjustments<sup>2</sup>

Reason adjustment is required	Proposed by	Account area	CIES		BS	
			Debit	Credit	Debit	Credit
			£'000	£'000	£'000	£'000
Impairment of Dunluce Centre	Council	CIES	1,383			
		CAA			1,383	2,293
		CIES (Note 3)		1,383		
		PPE			910	
		Surplus Assets				
Bank account not included in financial statements	NIAO	Bank			25	
		Creditors				24
		Expenditure		1		
Overstated capital grant	Council	Capital grant income	71			
		Capital grant creditors				71
Correct opening balance	Council	Revaluation reserve				50
		Capital Adj Account			50	
Reclassify grant income	Council	Grant income	23			
		Creditors – receipts in advance				23
Credit note included as invoice	NIAO	Waste disposal costs	79			
		Trade receivables				79

<sup>2</sup> Above the clearly trivial threshold of £9,000 defined in the Audit Strategy.

### Section 3 – Identified Misstatements

Caravan income for 16/17 included in 15/16 income	NIAO	Income Receipts in advance	59			59
Car parking income included as o/s lodgement, but not requested until April 2016	NIAO	Bank Debtors			65	65
Reclassification of surplus assets	Council	Surplus Assets Land Buildings			7,113 649	7,762
Reclassification of provisions	NIAO	Provisions Other usable reserves			746	746
Overall Total			<b>1,615</b>	<b>1,384</b>	<b>10,941</b>	<b>11,172</b>
Net Effect				<b>231</b>	<b>231</b>	

- 3.5 We have also made a number of other suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Code of Practice on Local Authority Accounting.

#### Unadjusted misstatements or uncertainties arising from the audit

- 3.6 We are obliged to bring to your attention the misstatements found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £9,000.

All errors that came to our attention above £9k have been adjusted for.

Provisional Audit Findings

## Section 4 – Other Matters of Governance Interest

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- 4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

### Fraud

- 4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances during our testing.
- 4.3 In addition, we are not aware of material weaknesses in the design or implementation of internal controls to prevent and detect fraud/ we detailed material weaknesses in the design or implementation of internal control to prevent and detect fraud in Section 2, Audit Findings.
- 4.4 In the course of our audit we have not identified any suspected or non-compliance with the laws and regulations.

### Going concern

- 4.6 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the Council's ability to continue as a going concern.

### Management of personal data

- 4.7 The Causeway Coast and Glens Borough Council is required to comply with the Data Protection Act 1998 in the handling and storage of personal data and those charged with governance should ensure they have made sufficient enquiries of management to form a view on whether there were any significant specific data incidents which should be disclosed in the Governance Statement. We are unaware of any data handling incidents during the year. Confirmation of this is sought within the letter of representation (Annex A).

### Statement on personal data

- 4.8 During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 1998.

### Disagreements with management

- 4.9 There are no audit disagreements with management, about matters that individually or in aggregate could be significant to the financial statements to report.

### Co-operation with other auditors

#### Internal Audit

- 4.10 We continue to liaise closely with Internal Audit and seek to take assurance from their work where their objectives cover areas of joint interest. Whilst we have not placed direct reliance on their work during the audit we have used their findings to inform and direct our approach and inform our review of the Governance Statement for completeness. We have followed up with them any issues emerging that were of relevance or interest to our audit of the annual accounts.

## Section 4 – Other Matters of Governance Interest

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### Deficiencies in internal control

- 4.12 No deficiencies in internal control were brought to the attention of the audit team that have not been disclosed in the Annual Governance Statement or included in this report or in the minor issues sent to Chief Finance Officer.

### Independence, integrity & objectivity of auditors

- 4.14 The NIAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.
- 4.15 We have complied with APB Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and Causeway Coast and Glens Borough Council that we consider to bear on our objectivity and independence.

### Reliance on other experts

- 4.16 We have relied upon the work and expertise of
- Land and Property Services in respect of land and property valuation
  - An Actuary for the valuation of the pension scheme liabilities
  - A civil engineering firm for the costs included in the landfill site provisions
  - A firm of Treasury Advisors re the discount rate applied to landfill site provision

### Proper Arrangements

- 4.17 Under the Local Government (Northern Ireland) Order 2005, the Local Government Auditor should be satisfied that a Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. There are no significant issues to report in relation to proper arrangements and no points have been raised in Section 2.

### Other matters of interest

- 4.18 Part 12 of the Local Government Act (Northern Ireland) 2014 covers 'Performance Improvement'. The Act requires an improvement audit and an improvement assessment. The outcome from this work will be reported separately to those charged with governance as set out in the timetable in the 'Improvement Audit and Assessment Strategy 2016-17' issued in June 2016.

### Complaints procedure

- 4.19 NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper "What Public Sector Bodies can expect from their Auditors".

NIAO also wishes to gauge public sector bodies' perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.

Failing resolution of the problem to the satisfaction of the complainant, the Chief Executive of the audited body can then write directly to the Comptroller and Auditor General. He will ensure that a further review of the case will be undertaken.

### [Client Letterhead]

The Local Government Auditor  
Northern Ireland Audit Office  
106 University Street  
BELFAST  
BT 7 1EU

#### **LETTER OF REPRESENTATION: Causeway Coast and Glens Borough Council 2015-16**

As Chief Executive of Causeway Coast and Glens Borough Council, I acknowledge my responsibility for discharging the functions of Causeway Coast and Glens Borough Council which include preparing accounts that give a true and fair view of the state of affairs, income and expenditure and cash flows of the Causeway Coast and Glens Borough Council for the year ended 31<sup>st</sup> March 2016.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department for Communities formerly Department of the Environment, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and prepare the accounts on a going concern basis on the presumption that the Causeway Coast and Glens Borough Council will continue in operation.

I confirm that for the financial year ended 31<sup>st</sup> March 2016:

- having considered and enquired as to the Causeway Coast and Glens Borough Council compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Causeway Coast and Glens Borough Council to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Causeway Coast and Glens Borough Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- all Related Parties and Related Party Transactions involving Councillors and senior staff of the Causeway Coast and Glens Borough Council have been properly disclosed.

All material accounting policies as adopted are detailed in note 1 to the accounts.

#### **INTERNAL CONTROL**

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

## Annex A – Letter of Representation

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I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with Department for Communities (formerly Department of Environment) guidance on the Governance Statement.

### FRAUD

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

Other than the case already communicated to you, I am not aware of any fraud or suspected fraud affecting the Causeway Coast and Glens Borough Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

### ASSETS

#### General

All assets included in the Balance Sheet were in existence at the reporting period date and owned by the Causeway Coast and Glens Borough Council and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Balance Sheet includes all long term assets owned by the Causeway Coast and Glens Borough Council.

Assets transferred from legacy Councils and central government have been reviewed and aligned to the Council's accounting policies. An impairment review of the assets has been conducted and the accounts adjusted where appropriate.

I am content that the year end vat debtor is fully recoverable

#### Long Term Assets

Land and Property assets valuations are carried out every five years by an independent valuer and are revalued annually using indices provided by Land and Property Services. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Causeway Coast and Glens Borough Council operations.

#### Current Assets

On realisation in the ordinary course of the Causeway Coast and Glens Borough Council's operations the other current assets in the Balance Sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to Causeway Coast and Glens Borough Council which are known, or may be expected, to be irrecoverable.

### LIABILITIES

#### General

All liabilities have been recorded in the Balance Sheet. There were no significant losses in the year and no provisions for losses were required at the year end.

Liabilities transferred from legacy Councils and central government have been reviewed and the amounts agreed with the relevant parties.

## Annex A – Letter of Representation

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### Provisions

Provision is made in the financial statements for:

- Landfill provision of £11,273,396.
- Rent associated with landfill site of £265,400.

I am content that the landfill provision of £11,273,396 is a reliable estimate, based on current information of the estimated capping and closure costs for the 3 sites.

#### **Crosstagherty**

As regards Crosstagherty there are no major pollution concerns.

I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

#### **Drumaduff**

While there is a lagoon with leachate at Drumaduff, due to the existence of a natural weed-bed there are currently no major pollution concerns. Further negotiations are on-going in respect of obtaining ownership of this site and we are content that the estimated cost of back rent due of £265,400 is reasonable.

I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

I consider that the costs of the vesting of the land on which the landfill is sited will not be material.

#### **Craigahulliar**

I consider the period of 60 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

- Severance payments provision – I am satisfied with the severance payments provision of £316,041.

### Contingent Liabilities

There are a number of legal claims or potential claims against the Causeway Coast and Glens Borough Council the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Causeway Coast and Glens Borough Council, and I am not aware of any action which is or may be brought against the Causeway Coast and Glens Borough Council under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

### OTHER LIABILITIES

The net pension liability at the year end is £23,590,592.

Having made appropriate enquiries, I am satisfied with the appropriateness of the actuarial assumptions underlying the valuation of the Council's share of the valuation of the pension scheme liabilities.

Furthermore, I confirm that:

- All significant retirement benefits, including any arrangements that are implicit in the employers' actions, have been identified and properly accounted for; and
- All settlements and curtailments have been identified and properly accounted for.

## Annex A – Letter of Representation

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### OTHER DISCLOSURES

#### Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Causeway Coast and Glens Borough Council, or circumstances of an exceptional or non-recurring nature.

#### Unadjusted errors

There are no unadjusted errors in the 2015/16 financial statements.

#### Events after the Balance Sheet date

Except as disclosed in the accounts, there have been no material changes since the Balance Sheet date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

#### Personal Data Related Incidents

I can confirm there were no data related incidents in the financial year and to date.

#### Other Representations

##### Reserves

Useable and unusable reserves transferred from legacy Councils have been reviewed and the amounts agreed with the relevant records.

##### Supplier/Customer

In 2015/16 the Council had a contra agreement in respect of invoices received from a supplier being netted off against invoices raised to that supplier by Council. Despite that company going into administration, I am content that the contra arrangement remained valid.

##### Legal costs

Several litigation cases are ongoing within Council, it is not expected that the costs of these will be material.

An ongoing planning appeal case has been heard and a report is expected in November. I am satisfied that any potential cost to the Council cannot be estimated at this time.

##### IT

I confirm that there are no concerns with reliability of IT system and I am content that during the year they have facilitated the validity, recording, valuation and completeness of the systematic processing of transactions.

##### Loans

I understand that audit have not received all loan confirmations from the relevant banks. I confirm that as regards Dresdner that Council owed a further £2m.

David Jackson  
Chief Executive  
Causeway Coast and Glens Borough Council  
26<sup>th</sup> September 2016

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAUSEWAY COAST AND GLENS BOROUGH COUNCIL

I have audited the financial statements of Causeway Coast and Glens Borough Council for the year ended 31 March 2016 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the Members of Causeway Coast and Glens Borough Council in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities.

#### Respective responsibilities of the Chief Financial Officer and the independent auditor

As explained more fully in the Statement of Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year. My responsibility is to audit the financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Causeway Coast and Glens Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Causeway Coast and Glens Borough Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion on 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 2015-16, of the financial position of Causeway Coast and Glens Borough Council as at 31 March 2016 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 (formerly Department of the Environment) directions issued thereunder.

#### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and
- the information given in the Narrative Report for the financial year ended 31 March 2016 is consistent with the financial statements.

## Annex B – Proposed Audit Report

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### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if:

- in my opinion:
  - the Annual Governance Statement:
    - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ;
    - does not comply with proper practices specified by the Department for Communities;
    - is misleading or inconsistent with other information I am aware of from my audit; or
  - adequate accounting records have not been kept; or
  - the statement of accounts and the part of the remuneration Report to be audited are not in agreement with the accounting records; or
  - I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under Article 19 to 21 of the Local Government (Northern Ireland) Order 2005.

### Certificate

I certify that I have completed the audit of accounts of Causeway Coast and Glens Borough Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

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

*28<sup>th</sup> September 2016*

## Annex C - Implementation of Prior Year Recommendations

We reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those Charged with Governance. We have summarised the response and provided our evaluation, based on the audit work we have undertaken.

No.	Recommendation	Management Implementation
1.	<p><b>Limavady Legacy Council</b></p> <p><b>Management &amp; Procurement of contracts</b> We recommend that deviations from the procurement process are only permitted in exceptional circumstances which are clearly documented and approved as single tender actions/ direct award contracts. If the Council considers it appropriate not to undertake formal tendering procedures, the rationale for decisions should be clearly documented and approval obtained. The Council's Procurement Policy should clearly outline the instances where single tender actions/ direct award contracts are appropriate and the procedures that should be followed in those circumstances.</p>	<p>While no single tender approval issues were identified this year, a number of other procurement matters were identified – see point 11 in section 2.14.</p>
2.	<p><b>Ballymoney Legacy Council</b></p> <p><b>Bank Reconciliations</b> The Council should ensure that bank reconciliations for all accounts are performed on a monthly basis and subject to review by senior finance management. In addition, controls should be put in place to ensure that wages and salaries expenditure is recorded to the general ledger on a timely basis. Lastly, management should ensure that an appropriate member of senior management reviews bank reconciliations to ensure that these are completed, that they utilise accurate information and reconciling items are fully investigated.</p>	<p>Issues remain within the new Council in relation to bank reconciliations; a priority 1 issue has been raised within section 2 of this report.</p>

The Audit Committee should ensure that it is content that other recommendations made in our prior year Report to those Charged with Governance have been actioned by management. The Audit Committee should also ensure that adequate arrangements are in place to track all recommendations.