

Issued by the Local Government Auditor  
30 November 2009



## SWaMP2008

Year to 31 March 2009

## **Introduction**

The Department of the Environment may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate persons who are members of the staff of the Northern Ireland Audit Office as local government auditors (Article 4(3) of the Local Government (Northern Ireland) Order 2005). For the year ending 31 March 2009 I have been designated the local government auditor for the Joint Committee.

As an auditor independent of the audited body I seek to examine that the body has managed its affairs having regard to a combination of economy, efficiency and effectiveness and that public money is properly spent or in the case of income properly accounted for.

## **Status and Availability of this Annual Audit Letter**

This Annual Audit Letter is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The Regulations require the local government body to publish this Annual Audit Letter as soon as reasonably possible. The local government auditor will place a copy of this Annual Audit Letter on the NIAO website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk) .

The Audit Letter is addressed to members and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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# Audit of Accounts

- 1 As your statutory appointed auditor I reported my audit opinion on the Statement of Accounts in October 2009. I gave an unqualified opinion on your accounts.
- 2 The Local Government (Northern Ireland) Order 2005 requires that in auditing accounts a local government auditor must by examination of the accounts or otherwise satisfy himself that:
  - a. they are prepared in accordance with regulations;
  - b. they fully comply with the requirements of all other statutory provisions applicable to the accounts;
  - c. proper practices have been observed in the compilation of the accounts; and
  - d. the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## ***Matters arising from the final accounts audit***

- 3 The published accounts are an essential means by which the Joint Committee reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. The Joint Committee's Statement of Accounts were signed by the Acting Chief Executive on 25<sup>th</sup> June 2009 and members of the Joint Committee approved the accounts on 25<sup>th</sup> June 2009 which was within the statutory guidelines which requires this to be completed by 30<sup>th</sup> June. Following minor adjustments from the audit the accounts were authorised for issue by the Acting Chief Executive on 8<sup>th</sup> October 2009.
- 4 The most significant adjustment to the accounts made as a result of our audit findings during our audit was the adjustment of £122,656 between the cash/bank balance and the creditors balance.

## ***Financial standing***

- 5 The Joint Committee appears to be adequately developing its financial management arrangements.

- 6 This is the first year SWaMP2008 has produced a Statement of Accounts and turnover for 2008-09 has generated a surplus of £23,216 at the end of the financial year.
- 7 There are three significant balances as at 31 March 2009
  - Debtors £344,854
  - Cash and Bank £139,519
  - Creditors £461,157.

### ***Income and Expenditure and General Reserve Balances***

- 8 The Joint Committee has a General Reserve balance of £23,216 as at March 2009.

### ***Capital Programme***

- 9 The Joint Committee has no Fixed Assets as at 31 March 2009.

### ***Annual Governance Statement***

- 10 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 and DOE Circular No: LG/04/08 required Councils 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 then approve an Annual Governance Statement.

The Annual Governance Statement was approved by the Chair of the Joint Committee on 25<sup>th</sup> June 2009 and the Chief Executive on 25<sup>th</sup> June 2009. My opinion on the accounts includes the Annual Governance Statement. I am required to report if the Governance Statement is inconsistent with the guidance provided by DOE or if disclosures in the Statement are inconsistent with my understanding of the Joint Committee. I noted no Governance Statement matters in my report but paras 12 and 13 of this Audit Letter includes one matter I considered.

### ***Internal Audit***

- 11 The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 also required Joint Committees 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 Joint Committee had no internal audit function in operation during 2008-09.
- 12 My Management Letter to the Chief Executive notes the lack of internal audit work. Consequently, SWaMP2008 have not fully complied with this Corporate Governance requirement. However, this point has been appropriately noted in the Annual Governance Statement and a commitment given to produce an internal audit plan in 2009-10 with full internal audit in operation from 2010-11. I will review progress on this as part of my 2009-10 audit.

### ***Transition to International Financial Reporting Standards (IFRS)***

- 13 In central government, International Financial Reporting Standards (IFRS) apply to the 2009-10 accounts and the Central Government 2008-09 accounts were prepared for the last time on the UK Financial Reporting Standard basis in June 2009. In preparation for the change the 2008-09 accounts of Central Government will be prepared again on a shadow IFRS basis in September 2009 with an audit review to be undertaken before the end of December 2009.
- 14 For Local Government the change to IFRS will take place a year later (i.e. from 2010-11). The Chartered Institute of Public Finance Accountancy (CIPFA) issued a Local Authority Accounting Panel (LAAP) Bulletin 80 in March 2009 on the implementation of IFRS. This included a Project Plan with key steps and dates. The DoE commissioned CIPFA (NI) to provide training and support to local government bodies in Northern Ireland to help take forward IFRS issues. A series of training days will be held in late 2009 and early 2010. A new IFRS - based Code of Practice on Local Authority Accounting which will apply to local authority accounts from 1 April 2010 is being developed by CIPFA. As was the case in Central Government, Local Government Bodies (including SWaMP) will be required to re-state their final UK Financial Reporting Standard based accounts (2010-11) on an IFRS basis and have this subject to audit review.

# Joint Committee Performance

## *Scope of my audit*

- 15 My audit is conducted in accordance with a Code of Audit Practice (the Code) issued by the Chief Local Government Auditor. The Code prescribes the standards, procedures and techniques which comprise a local government audit. The Code notes that due to the special accountabilities attached to public money and the conduct of public business:

*“the scope of auditors’ work is extended to cover not only the audit of financial statements but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources.”*

- 16 Throughout the public sector the economic, efficient and effective use of resources is known as Value for Money (VFM). More particularly in the context of the Local Government (Best Value) Act (Northern Ireland) 2002 “a council shall make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”.
- 17 No review of the Joint Committee’s corporate governance and VFM arrangements for 2008-09 was carried out due to the fact that this was the first year of operation for SWaMP2008. A review will be undertaken in respect of 2009-10.

## Looking Ahead

- 18 The Environment Minister in March 2008 announced as part of the Review of Public Administration in Northern Ireland that the current 26 council areas will be rationalised to create 11 new council areas. The Minister also outlined the functions to transfer to local government. This may result in the current participating councils being amended to include the new boundaries.

## Other Matters

- 19 I note that SWaMP2008 do not disclose contract expenditure in the Statement of Accounts. It would appear from the Accounts Pro-forma within the Accounts Direction that contract expenditure should be included and this is the case for arc21. Further clarification on this matter should be sought by the Joint Committee from DOE for the 2009-10 accounts.

## Conclusion

- 20 This Audit Letter has been discussed and agreed with the Acting Chief Executive.
- 21 The Joint Committee has taken a positive and constructive approach to our first audit. I would like to take this opportunity to express our appreciation for the Joint Committee's assistance and co-operation.

Denver Lynn

Local Government Auditor

30 November 2009