

# Annual Audit Letter

## Ballymena Borough Council

Year to 31 March 2007

Issued by  
Stephen Knox  
Local Government Auditor (NIAO)

## 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.

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 of this report

This report is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.

The report 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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## Financial management

- 1 As your statutory appointed auditor I issued my audit opinion on the Statement of Accounts on 26 October 2007. I gave an unqualified opinion on your accounts.

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

- 2 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. The Council's annual accounts were signed by the Acting Chief Financial Officer on 21 June 2007. Members of the Finance, Estate and ICT Committee approved the accounts on 27 June 2007 which was within statutory guidelines. Following a number of minor amendments the accounts were authorised for issue by the Acting Chief Financial Officer on 26 October 2007.
- 3 There were no material amendments made to the accounts.

### *Financial standing*

- 4 The Council is currently under-funded in that it has net current liabilities of over £7 million, largely due to £14.5 million of short term loans, and also capital expenditure is under-funded by over £2.5 million, as indicated by note 11 in the financial statements. The Council needs to either repay its short term loans or convert part of same to long term Government Loans Fund borrowing. Income from capital sales would also improve the Council's financial standing.
- 5 The district fund balance at £604k represents 4.2% of the net operating expenditure. The average for the 26 district Councils is 14.4% (based on the accounts presented for audit).

### *District fund spending and balances*

- 6 The financial position improved considerably with the District Fund balance increasing by £545k. The Council has a total net worth as at 31 March 2007 of £33.2m. The Council has reserves as follows;

Renewals and Repairs	£2.09m
Useable Capital Receipts Reserve	£5.69m

## Capital Programme

- 7 The Council has Fixed Assets totalling £71.4m with loans outstanding of £34m. The Statement of Accounts reports that at 31 March 2007 Council has future capital commitments amounting to £6.6m.

## Systems of internal financial control

- 8 I was able to place reliance on the Council's internal control environment for the purposes of forming my opinion on the financial statements.

## *Internal Audit*

9. As part of my evaluation of the general control environment I assessed the quality of the Internal Audit function in accordance with ISA 500. The Council has contracted out this function.

## How is the Council performing?

### Scope of my audit

- 9 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.”*

- 10 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”.
- 11 A review of the Council’s corporate governance and VFM arrangements for 2006-07 was carried out. The finding from the review was included in my audit file and a summary report, prepared for me, was copied to the Chief Executive. This corporate governance and VFM arrangements review provided no evidence that the Council does not have proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 12 I noted the following from the corporate governance and VFM arrangements review:
- The Council has yet to prepare a fully documented Business Continuity Plan.
  - The Corporate Plan which expired in March 2006 is unlikely to be replaced until April 2008. Business Plans for all parts of the Council are similarly not expected before 2008-09.
  - The insurance brokerage service has not been tendered in the last ten years.
  - The Council does not currently have a procurement officer who is solely responsible for procurement across the organisation.

## **Absenteeism**

- 13** The Chief Local Government Auditor may, in accordance with the Local Government (Northern Ireland) Order 2005, undertake and publish studies which examine the provision of services by local government bodies. A study of absenteeism in Northern Ireland Councils was completed in respect of 2005-06. Similar unpublished absenteeism reviews had been undertaken for several years by the Chief Local Government Auditor. This data enabled the 2005-06 report to address absenteeism performance beyond that year for each Council, and for the sector as a whole.
- 14** In his 2005-06 report, published in March 2007, the Chief Local Government Auditor analysed absenteeism for each Council over a three year period and an average annual absenteeism rate was derived for this period. This analysis counters the impact of annual fluctuations in absenteeism which would distort the findings, particularly within smaller Councils.
- 15** The Chief Local Government Auditor recommends that Councils monitor their absenteeism regularly as part of an ongoing process of absenteeism management. To facilitate this I attach at Annex A annual absenteeism data which includes 2006-07 figures. Also included is the three yearly data from the Chief Local Government Auditor's 2005-06 report. The 2006-07 data will be included in a revised three yearly derived absenteeism rate which will be part of the Chief Local Government Auditor's 2006-07 report on all Councils.
- 16** The 2006-07 absenteeism figure for the Council is 12.23 days. This represents a decrease of 0.8 days or 6.1% on the prior year.
- 17** The Council has experienced a half day increase in its absenteeism rate over the two periods from 9.51 days in 2000-03 to 10.06 days in 2003-06. The Council continues however to have significantly low absenteeism rates when compared with the Northern Ireland council average.
- 18** Had the Council's 2003-06 absenteeism rate matched that of Fermanagh District Council, annual productivity gains of £50,000 would have been possible according to the Chief Local Government Auditor's report of March 2007.

## Grant claims

- 19 The Chief Local Government Auditor has developed a more risk based approach to the certification of grant claims. We plan to reduce our audit scope of these claims and where appropriate adopt a controls-based approach on all of the Council's grant claims.
- 20 Central government funding bodies have been advised of the new approach through a Department of Finance and Personnel circular DAO (DFP) 09/07 dated 6 August 2007.

## Conclusion

- 21 This letter has been discussed and agreed with the Acting Chief Executive and the Acting Director of Finance.
- 22 The Council has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 23 This letter will be published on the Northern Ireland Audit Office's website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk), and also on the Council's website.

Stephen Knox

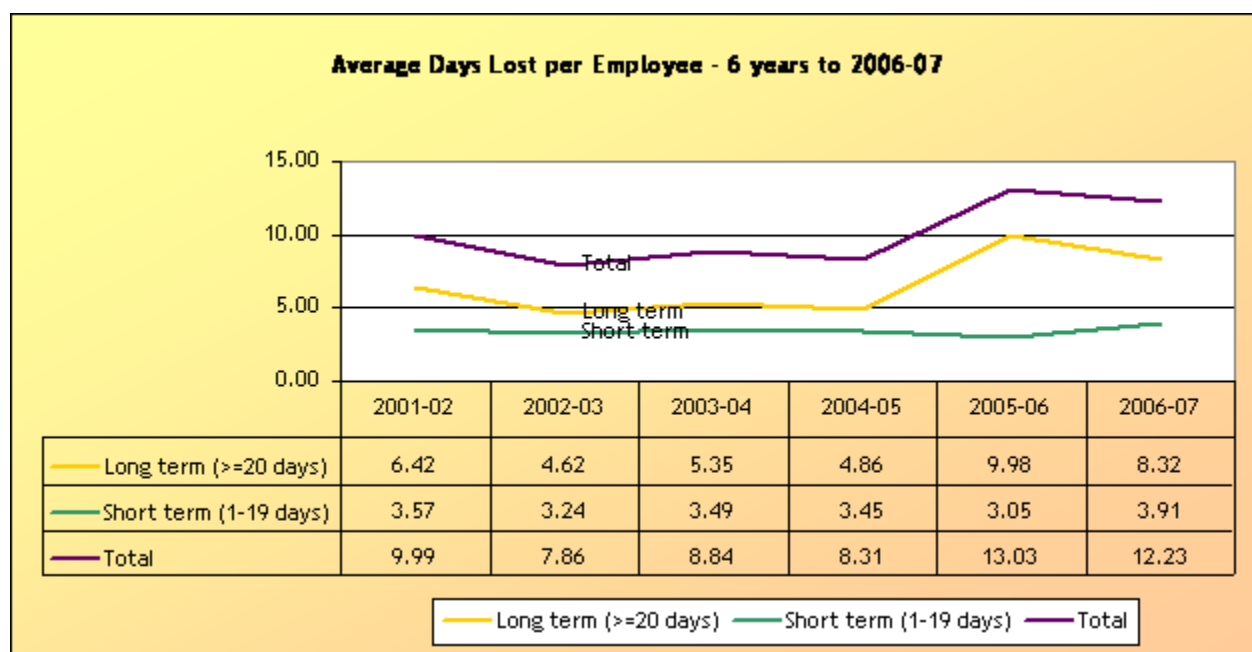
Local Government Auditor

14<sup>th</sup> January 2008

## Ballymena Absenteeism

### Annual Absenteeism

The chart below tracks absenteeism for the 6 years to 2006-07 for total days lost per employee.



### 2006-07 absenteeism compared to Northern Ireland councils as a whole\*

	Ballymena	NI Councils	Variance	Variance %
Average total days lost per employee	12.23	13.81	-1.58	-11%

\* The Northern Ireland Council position is derived from figures as at 21/09/07. Final Figures will be included in the Chief Local Government Auditor's report on Absenteeism in Northern Ireland Councils 2006-07. The report is due to be published in December 2007. The 2005-06 report included the following for the period 2003-06:

### 3-year absenteeism (2003-06) compared to Northern Ireland councils as a whole

	Ballymena	NI Councils	Variance	Variance %
Average total days lost per employee	10.06	14.28	-4.22	-30%