

# Annual Audit Letter

## Ballymoney 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 29 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 Chief Financial Officer on 25 June 2007. Members of the Corporate and Central Services Committee approved the accounts on 29 June 2007 which was within statutory guidelines. Following a number of minor and one material amendment the accounts were authorised for issue by the Chief Financial Officer on 26 October 2007. The background to the material amendment is outlined in Annex A.

### *Financial standing*

- 3 The Council's financial position remains generally stable; however financial pressures continue to present the Council with challenges. The Council recognises these challenges and continues to maintain levels of reserves to help manage future pressures.
- 4 The District Fund balance at £1.88m represents 34% 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*

- 5 The financial position remains relatively stable. The Council contributed £291k to district fund reserves in 2006/07. The Council has reserves as follow;

Capital fund	£832k
Useable Capital Receipts	£1,669k

## Capital Programme

- 6 The Council has Fixed Assets totalling £20.9m with loans outstanding of £8.3m. The Statement of Accounts reports that the Council had £5.9m of work in progress at 31 March 2007. The Council had no significant capital commitments at 31 March 2007.

## Systems of internal financial control

- 7 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

- 8 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 had no internal audit function during 2006/7 but has since contracted out the service with work commencing September 2007. An Audit Committee was established in June 2006.

## 9 How is the Council performing?

### **Scope of my audit**

10 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.”*

11 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”.

12 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.

13 I noted the following from the corporate governance and VFM arrangements review:

- During 2007/08 Senior Management and Heads of Service are to review the risk register and plans are being developed in house to address the risks identified.
- The council has a Corporate & Central Services Committee who meet regularly to interrogate and review budget variances.
- The Internal Audit function has been contracted to an external accounting firm. The internal auditors will report directly to the Chief Executive and the Audit Committee.

- An Audit Committee was set up during the year. They met several times and have agreed terms of reference which detail the Committee's role with respect to internal and external audit plans and reports. An Audit Committee is recognised across both the public and private sectors as a key mechanism by which an organisation monitors its systems of corporate governance. By December 2006 Audit Committees had been established by more than half of the councils in Northern Ireland.

## **Absenteeism**

- 14** 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.
- 15** 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.
- 16** 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 B 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
- 17** The 2006-07 absenteeism figure for the Council is 14.26 days. This represents a fall of 0.29 days or 2% on the prior year.
- 18** With a 2003-06 absenteeism rate of 15.12 days, Ballymoney Borough Council's rate is above the Northern Ireland council average. However, the council has reduced its rate by half a day which is a small improvement on the 2000-03 average of 15.91 days.
- 19** Had the Council's 2003-06 absenteeism rate matched that of Fermanagh District Council annual productivity gains of £77,000 would have been possible as suggested in the Chief Local Government Auditor's March 2007 report.

## Grant claims

- 20 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.
- 21 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

- 22 This letter has been discussed and agreed with the Chief Executive.
- 23 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

- 24 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  
24<sup>th</sup> January 2008

## ANNEX A MATERIAL AMENDMENTS TO DRAFT ACCOUNTS

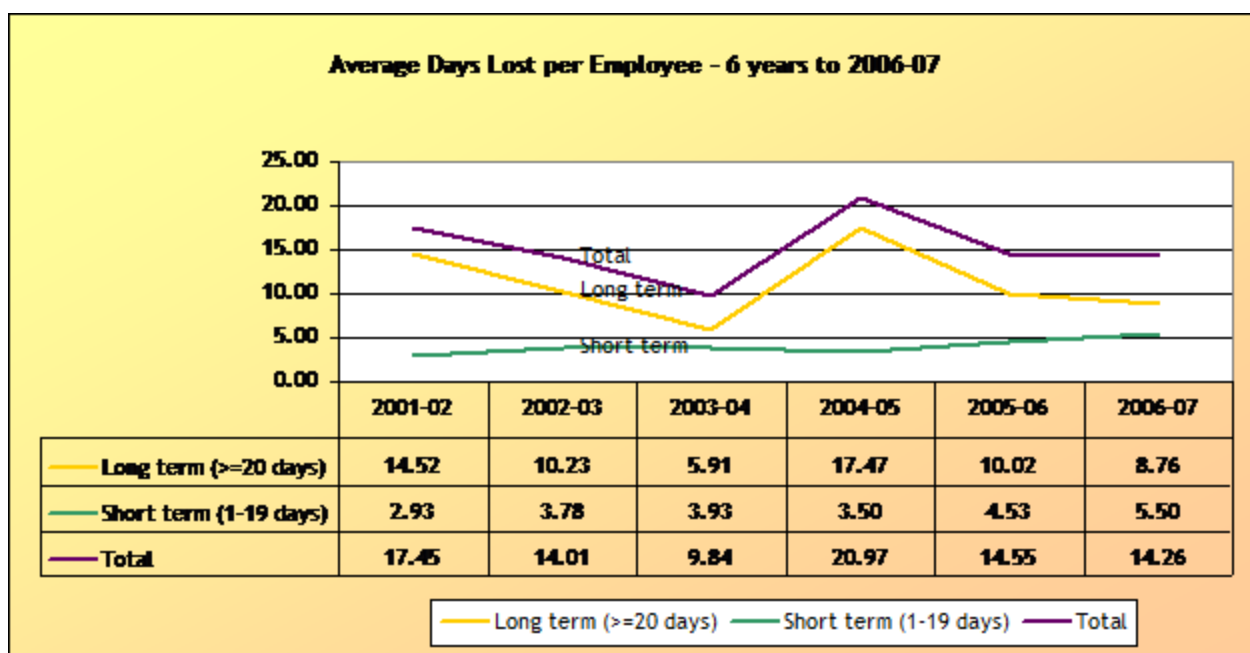
	<b>Issue</b>	<b>Value of misstatement</b>	<b>Effect on District Fund</b>
1	Under accrual for capital accruals	£250k	No effect

## ANNEX B

# Ballymoney 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\*

	Ballymoney	NI Councils	Variance	Variance %
Average total days lost per employee	14.26	13.81	0.45	3%

\* 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

	Ballymoney	NI Councils	Variance	Variance %
Average total days lost per employee	15.12	14.28	0.84	6%

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