



# Annual Audit Letter

Issued by the Local Government Auditor  
December 2011



## Lisburn- Castlereagh Peace III Statutory Joint Committee

Year to 31 March 2011

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## Joint Committee Background Peace III

In late 2008 the Special European Union Programmes Body (SEUPB) provided guidance to district councils with regard appropriate governance arrangements for the management of Peace III funds by Local Authority Clusters. It was considered that districts councils could form a Joint Committee as provided for by Section 19 of the Local Government Act (Northern Ireland) 1972, which permits this to occur for any purpose in which the district councils are jointly interested.

In keeping with the PEACE III Operational Programme each cluster of councils was required to create a partnership group consisting of 50 per cent representation by social partners, the other 50 per cent being made up of council members.

It was envisaged that the partnership group would be responsible for the assessment of project applications and for making recommendations for funding. These recommendations would then be presented to the Joint Committee.

Lisburn-Castlereagh Peace III Statutory Joint Committee consists of:

- Lisburn City Council
- Castlereagh Borough Council

Lisburn City Council is the lead council for the Joint Committee.

The Local Government (Northern Ireland) Order 2005 sets out the accounting and audit requirements for local government bodies. The Order defines local government bodies as district councils or joint committees of district councils. Consequently this joint committee is required to prepare a statement of accounts, as directed by the Department of Environment (DoE), for each financial year and that these accounts are audited by a local government auditor.

Under the Order the Department of the Environment issued an Accounts Direction in connection with the form, preparation and certification of the 2010-11 accounts.

## 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 2011 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 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.

# Audit of Accounts

- 1 As your statutory appointed auditor I reported my audit opinion on the Statement of Accounts on 31 October 2011. 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 annual accounts were signed by the Chief Financial Officer on 17 August 2011 and members of the Joint Committee approved the accounts on 13 October 2011 which was not within the statutory guidelines which requires this to be completed by 30 June. Following a number of presentational adjustments the accounts were authorised for issue by the Chief Financial Officer on 28 October 2011.
- 4 There were no significant adjustments to the accounts made as a result of our audit findings.
- 5 At the conclusion of our audit we issue a Report to Those Charged with Governance on the audit results to management noting the most significant audit issues making recommendations and seeking comments. I would draw the following points to your attention:
  - There is no signed partnership agreement in place between both partner councils for the running of the scheme;
  - The first draft of the account was not submitted until 18 October 2011 more than three months after the 30 June deadline; creating unnecessary pressure to certify the accounts by 31 October 2011;

- The results of SEUPB verification testing in year has shown that the Joint Committee has a high error rating of 58.19% of claims reviewed in year; and
- It was noted in a number of instances that advances were being issued to bodies who had been awarded grants to help get their schemes started. The letters of offer issued by the Joint Committee make no reference to these advance payments or how the Joint Committee would be able to reclaim funding if a body fails to fulfil its agreement.

### ***Financial standing***

- 6 The Joint Committee received £328,297 of funding from SEUPB and £nil from its participating councils. Following the distribution of £183,060 to beneficiaries and £145,237 expenditure on administration costs a £nil balance was generated for 2010-11.
- 7 At year end the joint committee was owed £189,744 from SEUPB and was due to pay £192,568 to the lead council and other beneficiaries for costs incurred in administering the scheme. There was a balance of £2,824 at year end for prior year expenditure disallowed by SEUPB. Agreement has yet to be reached between both partner councils as to how this balance is to be resolved.

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

- 8 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 and DOE Circular No: LG/04/08 required local government bodies 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.
- 9 The Annual Governance Statement was signed by the Chief Financial Officer of the lead council on 17 August 2011 and approved by the Peace III Joint Committee Chairman on behalf of the Joint Committee on 13 October 2011. 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 the Department of the Environment or if disclosures in the Statement are inconsistent with my understanding of the Joint Committee. I noted no Governance Statement matters in my report.

### ***Internal Audit***

- 10 The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 also required local government bodies 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. We recognise that it would be impractical for the Joint Committee to have its own internal audit function. We recommend that the Joint Committee ensures its activities are included in the annual internal audit plan for one of its participating councils each year.

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

- 11 The IFRS - based Code of Practice on Local Authority Accounting applied to 2010-11 Local Authority accounts from 1 April 2010. As was the case in Central Government, Councils were required to re-state their final UK Financial Reporting Standard based accounts (ie 2009-10) on an IFRS basis and have this subject to audit review. The accounts for year ended 31 March 2011 were prepared on the basis of International Financial Reporting Standards.

### ***Other Audit Work***

- 12 No other audit work was undertaken in respect of the Joint Committee.

### ***Conclusion***

- 13 The factual accuracy of this Audit Letter has been agreed with the Chief Executive and the Assistant Director of Corporate Services - Finance & IT.
- 14 The Joint Committee 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.

Louise Mason

Local Government Auditor

20 December 2011