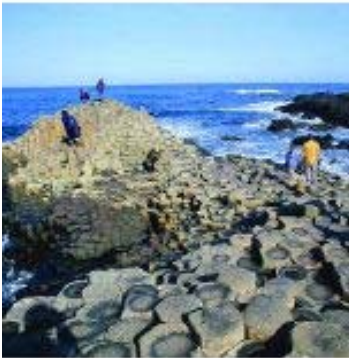


Issued by the Local Government Auditor
12th February 2009



Lisburn City Council

Two Years to 31 March 2008

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 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 his Annual Audit Letter on the NIAO website at 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.

No separate letter was issued following certification of the accounts for the year to 31 March 2007 due to delay in completing that year's accounts. The initial financial statements presented to audit were not of a high enough standard and had not embraced all the changes required per the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice. While the revised financial statements received in October 2007 were of a high standard, following external quality control, due to a number of accounting issues and audit staffing constraints these were not certified until June 2008. The audit of the 31 March 2008 accounts went smoothly.

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Audit of Accounts

- 1 As your statutory appointed auditor I reported my audit opinion on the 2006/07 Statement of Accounts on 25th June 2008 and the 2007/08 accounts on 31 October 2008. 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.
- 3 The Council's 2006/07 annual accounts were signed by the Chief Financial Officer on 11th June 2007 and Acting Chairman of the Corporate Services Committee on 18 June 2007. Following a number of minor and material adjustments from the audit, the accounts were authorised for issue by the Chief Financial Officer on 17th June 2008.
- 4 The Council's 2007/08 annual accounts were signed by the Chief Financial Officer on 27th June 2008 and the Chairman of the Council on 27th June 2008. Following a number of minor amendments and one material adjustment arising from the rates finalisation, the accounts were authorised for issue by the Acting Chief Financial Officer on 30th October 2008.
- 5 In both years a number of narrative and financial adjustments were made as a result of our audit findings.

Financial standing

- 6 As a measure of prudence, a council should retain a sufficient balance in its District Fund to cover unexpected revenue expenditure or an unexpected drop in income in the foreseeable future. In recent years relevant examples of these include unforeseen costs associated with employment issues and reduced rates income from that estimated at the start of the year.
- 7 The 2007/08 district fund balance at £5,278k represents 23.2% of the net operating expenditure. The average for the 26 Councils is 12.9% (based on the accounts presented for audit). As such while the Council's financial standing would appear to be satisfactory the need for such a large balance should be reviewed in association with capital expenditure still to be funded of £1.8 million as shown in note 23 to the accounts.
- 8 It should be noted that the Council's accounts do not reflect debtors of unpaid rates at the 31 March 2008. These are carried by the Land and Property Services (an agency of the Department of Finance and Personnel) in their Statement of Rate Levy and Collection. The Council is therefore vulnerable to later adjustment in respect of uncollectible rates. The Statement of Rate Levy and Collection was the subject of a Public Accounts Committee hearing on 18 September 2008 and report on 6 November 2008.

- 9 The 2007/08 “final penny product” finalisation adjustment for the year was notified to the Council after the completion of the accounts and has been adjusted for before audit certification (the rates debtor estimated in the accounts presented for audit was found to be overstated by £204k). It should be noted that when the estimates for the year were prepared they were based on an “estimated penny product” and thus when final figures are received from Land and Property Services this can lead to additional funds or clawback adjustment.

District fund spending and balances

- 10 The overall financial position remains stable. In 2007/08 the Council increased the District Fund by £226k, leaving the District Fund balance at £5,277k as at March 2008.
- 11 In addition, the Council has the following earmarked reserves :

Funds	Balance at 31 March 2008
Capital Fund	£ nil
Renewal & Repairs Fund	£ 2,554,416
Useable Cash Receipts Reserve	£ 1,045,141
Other reserves – ground maintenance	£192,913
General Reserves – Trust funds	£121,115

Capital Programme

- 12 The Council has Fixed Assets totalling £69.1m with loans outstanding of £20.9m. Details of capital commitments are not disclosed.

Annual Governance Statement

- 13 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.

- 14 The Annual Governance Statement was approved by the Chief Executive. 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 Council. I noted no Governance Statement matters in my report but paragraphs 21 and 22 of this Audit Letter, includes matters I considered.

Internal Audit

- 15 The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 also required Councils 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 Council has its own in-house internal audit function. The Council reviewed the effectiveness of its internal audit and the findings of the review were considered by the Corporate Services Committee on 10th June 2008.

Revaluation of Land and Buildings – 2008/2009 Accounts

- 16 The Council has instructed the District Valuer to revalue the council's land and buildings at 1 April 2008 for the 2008/2009 accounts. The accounting for these revaluations will be examined as part of next year's audit.

Transition to International Financial Reporting Standards (IFRS)

- 17 In central government, International Financial Reporting Standards (IFRS) applies to 2009/10 accounts. The Central Government 2008/2009 accounts will be prepared on a normal Financial Reporting Standard basis in June 2009 then again on a shadow IFRS basis in September 2009 which audit will check before the end of December 2009.

For Local Government the Chartered Institute of Public Finance Accountancy (CIPFA) website outlines the latest position regarding the development of the "IFRS - based Code of Practice on Local Authority Accounting which will apply to local authority accounts from 1 April 2010". Councils will need to start considering the implications of the transition to IFRSs.

Council Performance

Scope of my audit

- 18 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.”

- 19 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”. Part of the way Councils monitors this is by benchmarking aspects of its financial data against other Council’s and this information is also provided to the Department of the Environment.
- 20 A review of the council’s corporate governance and VFM arrangements for 2007-08 was carried out separately from the audit of the accounts. The finding from the review was included in my audit file and a summary report, prepared for me, was copied to the Chief Executive. I used this information, together with information obtained during the course of the audit of the accounts, to examine the Governance Statement.
- 21 The Council noted the following in its Governance Statement as significant governance issues
- Internal audit to undertake specific audits to ensure that both financial and operational processes produce complete, accurate and timely information
 - Feedback from consultation to be considered as part of development of all major Council projects and service delivery
 - All services operate to a recognised standard or are covered by appropriate targets ensuring optimum delivery
 - Development of meaningful performance indicators
 - Internal audit to undertake audit of effectiveness of main Partnership arrangements within council and a VFM review of outsourced contracts
 - A database to monitor agreed actions to be established to collate all Internal audit and External audit recommendations and other Inspection agencies

- 22 I noted a number of additional issues from the corporate governance and VFM arrangements review including:
- The whistleblowing policy should be revised to include reference to an employee's ability to approach Internal Audit, the local government auditor or the police service, with appropriate contact details given
 - I will examine progress on plans for the renewal or extension of the Corporate Strategy in my forthcoming audit
 - The Council should consider the introduction of an audit committee
 - The Council should continue to monitor the impact of the self insurance programme on an ongoing basis

Absenteeism

- 23 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 2006-07. Similar absenteeism reviews had been undertaken for several years by the Chief Local Government Auditor. This data enabled the 2006-07 report to address absenteeism performance beyond that year for each council, and for the sector as a whole.
- 24 In his 2007-08 report the Chief Local Government Auditor has analysed absenteeism for each council over the three year period to March 2008 and has derived an average annual absenteeism rate for this period. This analysis counters the impact of annual fluctuations in absenteeism which would distort the findings, particularly within smaller councils
- 25 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 Annex A which contains the most recent absenteeism rates for your Council.
- 26 The 2007-08 absenteeism figure for the Council is 8.69 days. This represents a decrease of 1.69 days on the previous year.
- 27 Lisburn City Council's absenteeism rate has decreased by 1.73 days from 2002-05 to 2005-08 and is still lower than the Northern Ireland average for this latter three year period.

Other Audit Work

Joint Committee

- 28 The Council is a member of the Arc21 Joint Committee which is established for the purposes of waste management. During the year the Council advanced £2,521,562 towards funding the expenditure of the Joint Committee (largely Council's landfill waste disposal costs).
- 29 The Arc21 Joint Committee is a partnership of eleven councils established to collaborate in implementing the Waste Management Plan to develop an integrated network of regional waste management facilities which would be cost effective to the public. Total expenditure by the Committee for the year was £23.5 million and the Committee's Accounts identify longer term capital expenditure in the region of £300 million.
- 30 The Joint Committee accounts for its funding by the provision of a statement of accounts which is prepared under the Local Government (Northern Ireland) Order 2005 and subject to statutory audit by a local government auditor.
- 31 The Council is in the process of setting up a Joint Committee for the purpose of participation in programmes funded by the European Union. Under this arrangement Peace III and INTERREG IVA funding will be available from the Special EU Programmes Body and the Department of Agriculture and Rural Development through to 2013.

District Policing Partnership (DPPs)

- 32 Under the Police (Northern Ireland) Act 2000, DPPs have been established by each district council. The Policing Board for Northern Ireland provide a grant equal to three-quarters of approved DPP expenses. The set-up arrangements provide for DPP expenditure to be audited annually by Local Government Auditors.
- 33 The 2007-08 DPP audit, comprising total expenditure of £135,322, was completed in June 2008. The net cost of this service to the council was £33,867.

Grant Claims

- 34 The Chief Local Government Auditor in accordance with Article 25 of the Local Government (Northern Ireland) Order 2005 has made arrangements for the certification of local government body grant claims. These arrangements, which are not an audit but a different form of engagement designed to provide reasonable assurance, apply where their application has been agreed with the grant paying body. The key principle is that the certification of grant should be proportionate to the amounts involved and the associated risks. Specifically financial thresholds apply and grants below £25,000 are not examined.

Looking Ahead

- 35 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.
- 36 This will present many challenges to the Council not only in managing the transition process but also in maintaining effective delivery of services in the interim.

Conclusion

- 37 This Audit Letter has been discussed and agreed with the Chief Executive and Director of Corporate Services.
- 38 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.

Stephen Knox

Local Government Auditor

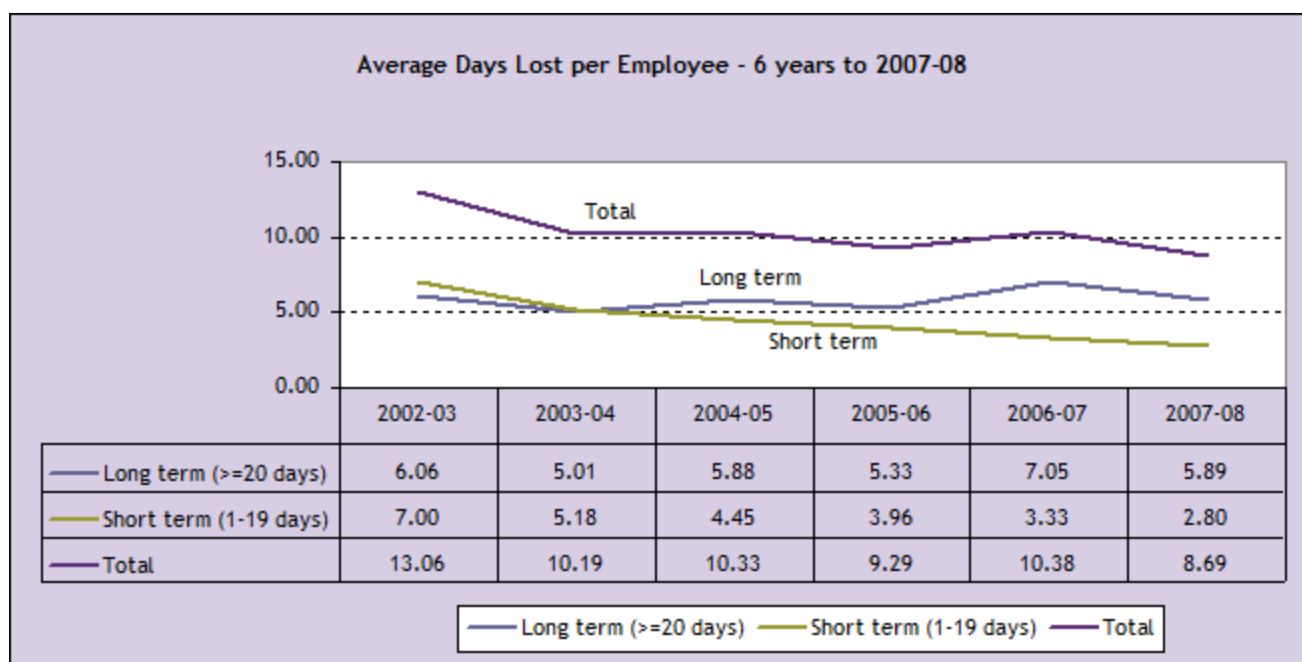
12th February 2009

ANNEX A

Lisburn City Council Absenteeism

Annual Absenteeism

The chart below tracks absenteeism for the 6 years to 2007-08 for total days lost per employee.



2007-08 absenteeism compared to Northern Ireland councils as a whole*

	Lisburn	NI Councils	Variance	Variance %
Average total days lost per employee	8.69	13.70	-5.01	-37%

3-year absenteeism (2005-08) compared to Northern Ireland councils as a whole*

	Lisburn	NI Councils	Variance	Variance %
Average total days lost per employee	9.46	13.75	-4.29	-31%