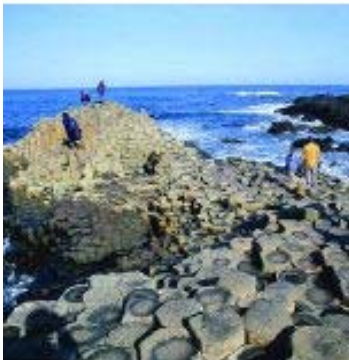




Annual Audit Letter

Issued by the Local Government Auditor



Fermanagh District Council
2014-15

To the Members of
Fermanagh and Omagh
District Council

Louise Mason
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

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1. Introduction

I have been designated the Local Government Auditor for Fermanagh District Council by the Department of the Environment with the consent of the Comptroller and Auditor General for Northern Ireland.

As an auditor independent of the audited body, I seek to examine that the body has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for.

This report provides a summary of the findings from my 2014-15 audit. The audited body no longer exists due to the implementation of Local Government Reform from 1 April 2015 so the report is issued to the Members of Fermanagh and Omagh District Council which is the relevant successor council.

Local Government Reform

Under the Local Government Act (Northern Ireland) 2014 (The Act) the number of local councils in Northern Ireland reduced from twenty six to eleven on 1 April 2015. Fermanagh District Council was amalgamated together with Omagh District Council into Fermanagh and Omagh District Council.

The Act now forms the legislative framework for Northern Ireland's eleven councils. This includes how decisions are made, how positions of responsibility are shared across political parties, how improvements in the delivery of council functions can be achieved to reflect the needs of local communities, and how effectively and efficiently council services are delivered to people. It provides for statutory governance in councils and introduces a new ethical standards framework which includes a mandatory code of conduct for councillors.

Every aspect of the governance, management and provision of local government services has been impacted. The new councils have now taken the lead in community planning and are expected to deliver high quality services in an effective and efficient manner under a new performance improvement framework. Powers such as planning have transferred from central government to the new councils. The Act also sets out arrangements for the transfer of staff, assets and liabilities to the new councils.

The Local Government (Transitional, Supplementary, Incidental Provisions and Modifications) Regulations (Northern Ireland) 2014 made transitional provision with respect to local government reorganisation including positions of responsibility within the new council for the winding up and final accounts of existing councils.

Fermanagh and Omagh District Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Fermanagh and Omagh District Council was operational to a limited extent during the 'shadow' period, I am required to audit the accounts of this body for the 2014-15 period. This is the subject of a separate letter to the Fermanagh and Omagh District Council Audit Panel.

As well as additional audit work required in relation to the new councils operating in shadow form and the audit of statutory transition committees in the transitional year of 2014-15, the Act provides that I will undertake improvement audits and assessments each year for each of the new councils. These will specifically entail:

- undertaking improvement audits, to review whether councils have discharged their duties for publishing improvement planning and performance information;
- carrying out improvement assessments, to determine whether councils are likely to comply with legal requirements to make arrangements to secure continuous improvement in the exercise of their functions; and
- reporting on improvement audit and assessment work.

In preparation for this extra work I have been engaging with relevant external stakeholders. I have established a team to manage and develop a best practice audit approach and methodology which will enable my staff to carry out their work with independence, integrity and objectivity, in accordance with the key principles set out in my 'Code of Audit Practice'.

2. Financial Statements

Summary of Audit Findings

Fermanagh District Council

The accounts of Fermanagh District Council must be prepared in accordance with International Financial Accounting Standards as interpreted for Local Government in the 'The Code of Practice on Local Authority Accounting in the United Kingdom'. This code sets out the accounting treatment and disclosures for all normal transactions of local authorities.

The financial statements were signed by the Chief Financial Officer of Fermanagh and Omagh District Council on 23 June 2015. This is within the statutory timeframe of 30 June. Following the audit, the accounts were re-signed on 26 October and published on the website of Fermanagh and Omagh District Council on 28 October 2015 in accordance with the regulations.

For the year ended 31 March 2015 I gave the following unqualified opinion on the financial statements.

In my opinion

- the financial statements give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, of the financial position of Fermanagh District Council as at 31 March 2015 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Department of the Environment directions issued thereunder.

At the end of the audit I issued a Report to those charged with Governance, addressed to the Chief Executive of Fermanagh and Omagh District Council, on the results of the audit, noting the most significant issues, making recommendations and seeking comments. That report will be presented separately to Fermanagh and Omagh District Council Audit Panel.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Fermanagh District Council shows that during the year ended 31 March 2015 the Council spent £21.2m on the provision of services. It also received income of £5.1m.

The major items of expenditure were

- Recreation and Sport - £4,686,144
- Waste Disposal - £2,976,517
- Waste Collection - £2,099,209

The major area of income was:

- Recreation and Sport - £1,152,252
- Tourism - £952,357
- Economic Development - £682,333

At 31 March 2015 the Council had net non-current assets of £52.6m. The majority of these non-current assets are in the Land & Buildings category. Large capital projects that are under construction include Belleek MUGA, Castle Basin, Drummeel Landfill Site, Duke of Westminster Site, Killyvilly Depot and Enniskillen Castle. Total loans outstanding were £3.1m. The Council told me that it plans to purchase additional capital items of £13.1m. It plans to fund the additional capital expenditure by revenue contributions to capital, grants and receipts from investing activities.

At 31 March 2015 Fermanagh District Council had usable reserves of £4.8m as set out in the table below.

Usable Reserve	£
General Fund	1,173,339
Capital Receipts	63,835
Capital Grants Unapplied	1,038,942
Renewal and Repairs Fund	1,269,683
Other balances and reserves	1,251,557
Total	4,797,356

Legislation¹ placed a duty on the Chief Financial Officer to make arrangements for the proper administration of Fermanagh District Council's financial affairs, including the submission to the Council of a report on the adequacy of any proposed financial reserves. The Chartered Institute of Public Finance and Accountancy (CIPFA) and its Local Authority Accounting Panel (LAAP), which includes representatives from UK local authorities and audit institutions, provide guidance on finance and accounting issues relevant to councils. Specific guidance on financing capital expenditure and the establishment and maintenance of local authority reserves and balances is included in both the CIPFA Prudential Code² and a recent LAAP Bulletin³.

¹ The Local Government Finance Act (Northern Ireland) 2011

² The Prudential Code for Capital Finance in Local Authorities (2011 Edition)

³ LAAP Bulletin 99 *Local Authority Reserves and Balances*, July 2014

3. Governance

The Good Governance Standard for Public Services⁴ sets out the following key principles of good governance. Good governance means

- focusing on the organisation's purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

Annual Governance Statement

The Fermanagh District Council is required 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 to then approve an Annual Governance Statement⁵.

I am required to report if the Annual Governance Statement

- does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15;
- does not comply with proper practices specified by the Department of the Environment; or
- is misleading or inconsistent with other information I am aware of from my audit.

I have no inconsistencies to report as a result of my review.

The Council noted the following significant governance issues in its Governance Statement.

- Waste Management - developments in recycling and waste education are ongoing but issues still remain in the processing and diversion of residual waste from landfill.
- Having obtained independent legal advice the Council is taking steps against the Council's specialist contract advisors with a view to recovering the Council's losses as a result of a court of appeal decision taken on 18 June 2014 in relation to the outcome of the dispute between the Council and the contractor for the development of the Drummeel Waste Management Facility.

⁴ The Good Governance Standard for Public Services, OPM and CIPFA, 2004

⁵ Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

Internal Audit

The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 requires 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. Fermanagh District Council had an in-house Internal Audit Department. A review of the effectiveness of the system of internal audit was carried out during 2014-15 by the Council and the findings of the review were considered by the Audit Committee.

Audit Committee

It is essential that Members exercise effective scrutiny of the internal control processes and procedures in place within the Council. One way that Members carry out this function is through the Audit Committee. The Audit Committee of Fermanagh District Council met 3 times in the year and the agenda items included:

- Review of Internal Audit reports
- Review of Corporate Risk Action Plans
- Effectiveness of the Audit Committee

4. Proper arrangements

Legislation requires me to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources⁶.

My review of Fermanagh District Council's arrangements for securing value for money can cover the following ten areas which are referred to in my Code of Audit Practice.

- a) **Financial Planning.** Planning finances effectively to deliver strategic priorities and secure sound financial health.
- b) **Financial Performance.** Having a sound understanding of costs and performance and achieving efficiencies in activities.
- c) **Financial Reporting.** Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
- d) **Procurement.** Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
- e) **Data to support decision making and manage performance.** Producing relevant and reliable data and information to support decision making and manage performance.
- f) **Good governance.** Promoting and demonstrating the principles and values of good governance.
- g) **Risk.** Managing risks and maintaining a sound system of internal control.
- h) **Natural Resources.** Making effective use of natural resources.
- i) **Asset Management.** Managing assets effectively to help deliver strategic priorities and service needs.
- j) **Workforce Management.** Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

For 2014-15, I examined the areas of Financial Planning and Risk based on my risk assessment of the Council.

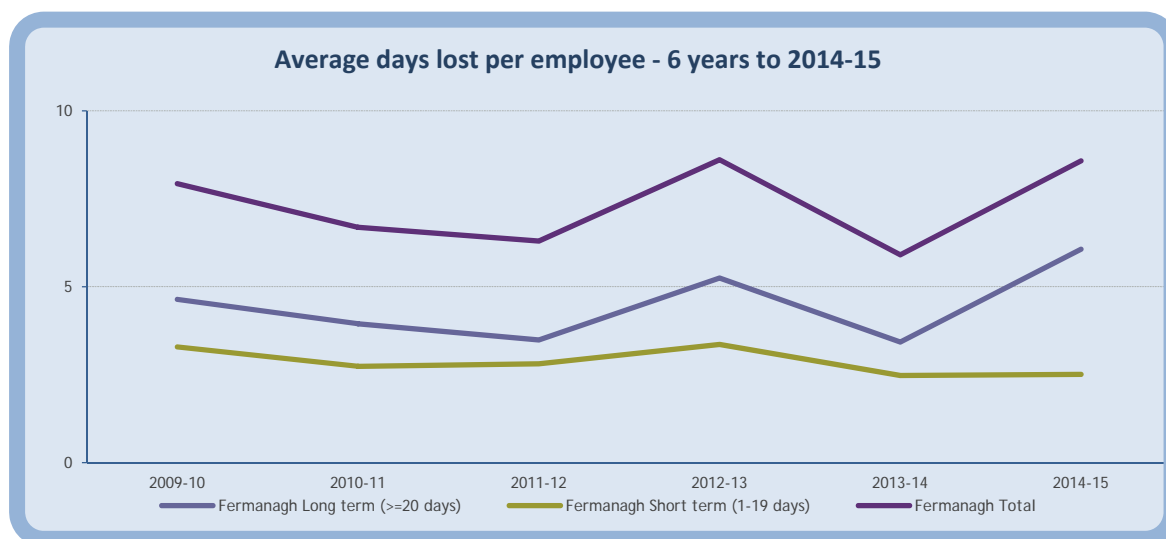
On the basis of my work I am satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

⁶ Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

The 2014-15 absenteeism figure for Fermanagh District Council is 8.58 days. This represents an increase of 2.67 days on the previous year. The Council has told me that this is due to a substantial increase in long-term absences. The trend over the years 2009-10 to 2014-15 is shown below.



Joint Committees

The Fermanagh District Council was a member of:

- the SWaMP2008 Joint Committee which was established for the purposes of managing waste. During the year Fermanagh District Council advanced £32,747 towards funding the expenditure of the Joint Committee; and
- the South West Action for Rural Development Joint Committee which is the delivery mechanism for the Northern Ireland Rural Development Programme 2007-13; and
- the South West Peace III Partnership Joint Committee under which Peace III and INTERREG IVA funding is available from the Special EU Programmes Body.

Separate accounts have been prepared by the Joint Committees and are audited by me. Separate annual audit letters are issued to each Joint Committee.

6. Closing Remarks

This letter concerning the 2014-15 audit of Fermanagh District Council is addressed to the Members of Fermanagh and Omagh District Council and prepared for the sole use of the latter. No responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

The factual accuracy of this Audit Letter has been agreed with the Chief Executive of Fermanagh and Omagh District Council.

Both Fermanagh District Council and subsequently Fermanagh and Omagh District Council facilitated the audit in a positive and constructive way. I would like to take this opportunity to express our appreciation for the assistance and co-operation provided.

This letter will be presented to the Fermanagh and Omagh District Council Audit Panel by my staff. I have also asked the Chief Executive to provide a copy to all Members of the Council.

Louise Mason

Local Government Auditor

13 November 2015