

# Annual Audit Letter

**Lisburn and Castlereagh City Council**  
2021-22

**Date**

July 2023

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*We have prepared this report for Lisburn and Castlereagh City Council's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.*

# **1. Key Messages**

## **Audit of Financial Statements**

The 2021-22 financial statements were certified without qualification as noted in my audit report. Key statistics from the accounts are outlined.

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## **Work on economy, efficiency and effectiveness**

The Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

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## **Governance**

The governance statement reflects compliance with relevant guidance and standards.

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## **Other Areas of interest**

- Absenteeism figures for 2021-22.
  - The latest National Fraud Initiative.
  - The Local Government Auditor's Report for the year to 31 March 2021 was published on 21 December 2021.
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## **Outlook**

- COVID-19 considerations.

## **2. Introduction**

1. As Local Government Auditor, I have a statutory responsibility to provide an opinion on the Council's financial statements. The results of my audit of the 2021-22 Statement of Accounts are summarised in this report.
2. The legislative role for the Local Government Auditor is contained in the Local Government (Northern Ireland) Order 2005 and the Local Government (Northern Ireland) Act 2014. In addition, the Code of Audit Practice, published on 1 April 2021, prescribes the ways in which statutory audit functions are to be carried out. The Code of Audit Practice is supported further by a Statement of Responsibilities of Local Government Auditors and Local Government Bodies. Both of these documents are published on the NIAO website.
3. Management have specific responsibilities regarding the production of financial statements and are expected to have effective governance arrangements in place to deliver the Council's corporate objectives. The publication of the financial statements is an essential means to account for the stewardship and use of public money each year.
4. As external auditor, it is my responsibility to form an opinion on whether:
  - the financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year then ended;
  - the financial statements have been prepared in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions thereunder;
  - the parts of the remuneration report to be audited have been properly prepared in accordance with the Department for Communities' directions; and
  - the information given in the Narrative Report is consistent with the financial statements.
5. There is a range of various other matters which can be reported by exception and they are outlined in the Code of Audit Practice. One of these items relates to the information published with the audited financial statements, such as the governance statement. I report if the governance statement is not consistent with the information gathered during the audit including that gained from carrying out work on the Council's arrangements for securing economy, efficiency and effectiveness of resources, and our work on performance improvement.

6. This report is solely based upon those matters that have come to my attention as a result of normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or all improvements that could be made.

### **3. Audit of Financial Statements**

#### **Statement of Accounts**

1. The accounts should be prepared in accordance with International Financial Accounting Standards as interpreted for Local Government in the, 'Code of Practice on Local Authority Accounting in the United Kingdom'.
2. The financial statements were signed by the Chief Financial Officer and submitted for audit on 22 September 2022. Following the audit, the Statement of Accounts were approved by the Council and certified by me within the statutory deadline of 30 September 2022. The Statement of Accounts are published on the Council's website.
3. On conclusion of the audit, the 2005 Order requires me to issue a certificate stating the audit is complete and to give an opinion on the statement of the accounts. The audit certificate and opinion are contained within the Statement of Accounts.

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#### **Audit Certificate and Opinion**

4. For the year ended 31 March 2022, 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 2021-22, of the financial position of the Council as at 31 March 2022, 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) 2015 and the Department for Communities' directions issued thereunder.
5. At the end of the audit I issue a Report to those charged with Governance, addressed to the Chief Executive of the Council, on the results of the audit, noting the most significant issues, making recommendations and seeking comments. That report is presented separately to the Governance and Audit Committee.
  6. As a result of exceptional and material funding received from various government departments in response to the COVID-19 pandemic, Council's usable reserves have increased from £36,456k at 31st March 2021 to £39,770 at 31st March 2022, an increase of £3,314k. It is important that there are clear plans to utilise these reserves in the future.

7. We note ongoing discussions with employees regarding pay settlements are taking place. We also note the impact of increased energy and other costs will affect Council activities. It is therefore essential that detailed financial projections and the careful monitoring of spend is given priority.
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## 4. Key Statistics

<b>Income / Expenditure</b>	<b>2021-22 £000's</b>	<b>2020-21 £000's</b>	<b>Variance £000's</b>
Total Income	72,519	75,458	(2,939)
Total Expenditure	79,508	70,273	9,235
Net cost of services on continuing operations	56,874	45,035	11,839

	<b>2021-22 £000's</b>	<b>2020-21 £000's</b>	<b>Variance £000's</b>
<b>Capital Expenditure in year</b>	2,122	474	1,648

<b>Capital / Reserves</b>	<b>2021-22 £000's</b>	<b>2020-21 £000's</b>	<b>Variance £000's</b>
Useable Reserves	39,770	36,456	3,314
Tangible Fixed Assets	147,558	150,544	(2,986)
Loans Outstanding	22,387	24,242	(1,855)

<b>Staff</b>	<b>2021-22 £000's</b>	<b>2020-21 £000's</b>	<b>Variance £000's</b>
Staff numbers (FTE)	710	713	(3)
Staff Costs (including Agency costs)	30,743	29,193	1,550
Staff Absence Total	13.6 days	11.5 days	2.1 days
• short term	3.5 days	1.2 days	2.3 days
• long term	10.1 days	10.3 days	(0.2) days



## **5. Work on economy, efficiency and effectiveness**

### **Proper Arrangements**

1. The Local Government (Northern Ireland) Order 2005 requires me to be satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.
2. The Council is required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives, while safeguarding and securing value for money from the public funds and other resources at their disposal.
3. My review of the Council's arrangements for securing value for money covered a wide range of areas including:
  - Strategic priorities, financial strategies and policies;
  - Financial reporting systems and sound financial internal controls;
  - Procurement strategies and policies to deliver sustainable outcomes and value for money;
  - Promoting a good governance environment including managing risks and systems of internal control;
  - Asset management strategies and policies to safeguard assets, deliver objectives and generate value for money; and
  - A framework to manage the workforce to effectively support the achievement of strategic priorities.
4. On the basis of my review this year, I am satisfied the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

## **6. Governance**

### **Annual Governance Statement**

1. The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Council 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 Statement.
  2. 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 2020-21;
    - does not comply with proper practices specified by the Department for Communities; or
    - is misleading or inconsistent with other information I am aware of from my audit.
  3. My review did not highlight any inconsistencies.
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### **Internal Audit**

4. The 2015 Regulations also require councils to undertake an adequate and effective internal audit of its accounting records and of its systems of risk management, internal controls and governance processes using current internal auditing standards. The Council has an in-house Internal Audit function that conducted a review on the effectiveness of the systems of internal controls in place during 2021-22. The findings of this work were presented to the Council's Governance and Audit Committee for review and considered by me as part of the audit process.
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### **Governance and Audit Committee**

5. It is essential that Members exercise effective scrutiny of the internal controls processes and procedures in place within the Council. One way that Members carry out this function is through the Governance and Audit Committee.
6. The Governance and Audit Committee is also invited to review my audit reports and my staff attend meetings to present audit findings.

## **7. Other areas of audit interest**

### **Absenteeism**

1. For the twelve months to the end of March 2022, the average number of day's sick absence in the Council was 13.6 days per full time employee as compared to 11.5 days in 2020-21. The Council has told me that the increase of 2.1 days was mainly due to the furlough scheme ending and Covid related absence.
2. The Local Government Auditor produced a good practice guide on Managing Attendance in Central and Local Government on 23 November 2020. The report provides an overview of sickness absence across central and local government in Northern Ireland and sets out key principles for managing attendance that are consistent across the public sector.

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### **Local Government Auditor's Report – 2021**

3. The annual [Local Government Auditor's Report](#) was published on 21 December 2021 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work in the year to 31 March 2021.
4. The Report highlights areas of strength and areas for improvement within local councils. It also considers important issues that may affect councils in the medium term. The Council and its members should consider this report in the context of its own activities for any improvements that could be made.

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### **Performance improvement audit and assessment**

5. Under the Local Government (Northern Ireland) Act 2014 the Council has a statutory duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year.
6. Each year councils are required to produce an Annual Improvement Plan for the year ahead and a self-assessment report for the year just past. The Local Government Auditor is required to audit the prior year self-assessment report and the incoming Annual Improvement plan and assess whether the Council is likely to have complied with the legislation.
7. Due to the pandemic, the requirement to publish an improvement plan for 2020-21 was set aside. As a result the audit of the 2020-21 self-assessment report did not include a review of performance of improvement objectives for that year.
8. My Annual Improvement Report for 2021-22 was published on 31 March 2022 and concludes that Council met its statutory duties in

relation to publication of the 2020-21 self-assessment report and 2021-22 Annual Improvement Plan. Given the impact of the pandemic on council services, however, I was unable to conclude on an assessment of whether the council was likely to meet their performance improvement responsibilities under legislation for the 2021-22 year.

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## **WGA**

9. Whole of Government Accounts (WGA) are consolidated financial statements for the whole of the UK public sector. The National Audit Office audits these accounts and sets the overall audit approach. As such the Council is within the band of organisations in 2021-22 where additional audit procedures were not required.
  10. The Whole of Government Accounts annual return for 2020-21 has been submitted for HM Treasury's consolidation process.
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## **NFI**

11. The Council participates in the National Fraud Initiative, a UK wide data matching exercise undertaken every two years that is designed to highlight savings for the public sector as a whole.
  12. The report summarising the results of the data matching for the period 1 April 2020 to 31 March 2022 was published on 19 July 2022 and is available on the NIAO website.
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## **Audit Fee**

13. The audit fees for the financial audit and performance improvement audit are in line with the estimate.

## **8. Outlook**

### **Ongoing impact of COVID-19 pandemic**

1. The COVID-19 pandemic has had a significant impact on society and on the economy since 2020. Councils had to adapt quickly to ensure continued provision of their key critical services such as waste collection and disposal, community support, and registrations of deaths and burial services. Additionally, Councils suffered losses in income from the closure of their income-generating facilities and services such as leisure centres.
2. In May 2021 the Finance Minister announced further COVID 19 funding to address a range of ongoing pressures. This included £10 million to Councils to ensure the continued delivery of local public services, as well as £3 million to support council-managed community development and advice services via the Community Support Programme.
3. There continues to be wide reaching impacts from the pandemic and challenges for councils to deliver a balanced budget, even with central government support. It is extremely important that the Council has detailed medium term financial plans which are regularly monitored and updated.
4. A second report by the Comptroller and Auditor General was on the NI Executive's response to the COVID-19 Pandemic was published on 8 June 2021.

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### **And finally.....**

5. I would like to thank the Council for its continued co-operation during the audit. My staff and I look forward to working with Council during the year in preparation for next year's audit.