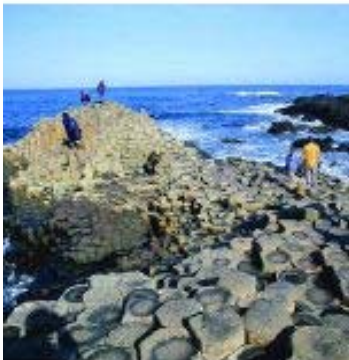




Annual Audit Letter

Issued by the Local Government Auditor



Fermanagh and Omagh
District Council

2014-15

To the Members of
Fermanagh and Omagh
District Council

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1. Introduction

I have been designated the Local Government Auditor for Fermanagh and Omagh District Council by the Department of the Environment (the Department) 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. Fermanagh and Omagh District Council was created as a result of legislation as part of the implementation of Local Government Reform and this report is issued to the Members of Fermanagh and Omagh 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 and community development 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.

As well as additional financial audit work required in relation to the new councils operating in shadow form and the financial audit of statutory transition committees in the transitional year of 2014-15, Part 12 of the Act provides that I will undertake performance improvement audits and assessments each year for each of the new councils. Once Part 12 of the Act has commenced in full, this programme of work 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 advance of full commencement of Part 12 of the Act, the Department issued statutory guidance for the 2015-16 financial year setting out both the council's and my responsibilities in this introductory year. I was responsible for reporting to the New Council and the Department whether, in my opinion, it had made arrangements to secure continuous improvement in the exercise of its functions. This work has been completed and my opinion has been reported to you and the Department separately. In future years the programme of work will be amended to reflect changes in the guidance as it becomes aligned to the full statutory requirements of Part 12 of the Act.

In preparation for full commencement, I continue to engage with relevant external stakeholders and have established a team to manage and develop a best practice audit approach and methodology. This enables my staff to carry out their work with independence, integrity and objectivity, in accordance with the key principles set out in my new draft 'Code of Audit Practice' which is currently being consulted upon and which will be published by 1st April 2016.

2. Financial Statements

Summary of Audit Findings

Fermanagh and Omagh District Council

The accounts of Fermanagh and Omagh 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. As they had limited activity DOE has directed that new councils will not be required to observe all relevant accounting and disclosure requirements detailed in the code between 26 May 2014 and 31 March 2015 (the shadow period).

The financial statements were signed by the Chief Financial Officer of Fermanagh and Omagh District Council on 23rd June 2015. This is within the statutory timeframe of 30th June. Following the audit, the accounts were re-signed on 14th October and published on the website of Fermanagh and Omagh District Council on 28th 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 as required, of the financial position of Fermanagh and Omagh 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 is presented separately to your Audit Committee.

The Fermanagh and Omagh Statutory Transition Committee

The Fermanagh and Omagh Statutory Transition Committee (STC), consisting of 8 members from each of Fermanagh District and Omagh District Councils, was formed through regulation¹ to ensure that the Fermanagh and Omagh District Council was able to adopt its full range of powers and functions from 1 April 2015. The STC was set up to gather information, consider and advise on matters relevant to moving to the new Council, to prepare a draft budget and to prepare a draft corporate and business plan. The other regulatory role of the STC was to appoint a clerk of the new Council, as well as any other staff it deemed appropriate. Under regulation the STC ceased to exist

¹ The Local Government (Statutory Transition Committees) Regulations (Northern Ireland) 2013

on 19 June 2014, following the election held in May 2014 to determine the Members of the new Council.

The STC was a statutory local government body and I therefore had responsibility to audit its financial statements, in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. I gave an unqualified opinion on the 2014-15 financial statements of the Fermanagh and Omagh STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Fermanagh and Omagh District Council shows that during the year ended 31 March 2015 the Council spent £1,709,600. It also received income of £1,797,535.

The major items of expenditure were

- Staff Costs: £550,497
- Members Costs: £460,688
- ICT Convergence: £447,746

The major areas of income were

- Income from Predecessor Councils: £1,229,068
- Government Grants: £568,467

At 31 March 2015 Fermanagh and Omagh District Council had £nil non-current assets. The Council had no loans outstanding.

At 31 March 2015 Fermanagh and Omagh District Council had usable reserves of £130,698 as set out in the table below.

Usable Reserve	£
General Fund	130,698
Total	130,698

3. Governance

The Good Governance Standard for Public Services² 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 and Omagh 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 Statement³.

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.

There were no significant governance issues noted by the Council in its Governance Statement.

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. The Fermanagh and Omagh District Council has now established a hybrid internal audit function comprising both in-house expertise and an external firm of auditors. This was not operational during 2014-15 due to the limited nature of the Council's powers at that time. A review of the effectiveness of each system of internal audit in the predecessor Councils was carried out during 2014-15 and the findings of the review were considered by their respective Audit Committees.

² The Good Governance Standard for Public Services, OPM and CIPFA, 2004

³ Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

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 Committees of Fermanagh District Council and Omagh District Council met three and four times respectively during the 2014-15 year. Agenda items included:

- The presentation of various internal audit reports
- The presentation of the risk registers and the internal audit plan
- Various NIAO reports including the Annual Audit letter and the Report to those charged with Governance;
- Presentation of draft financial statements for approval
- Discussion of fraud and whistleblowing arrangements.

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 resources⁴.

My review of Fermanagh and Omagh District Council's arrangements for securing value for money was necessarily limited in scope due to the fact that the Council was operating in shadow form during 2014-15. Rather than covering all the areas referred to in my Code of Audit Practice I focused on specific aspects of finance and governance which the Council was responsible for during that period.

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.

⁴ Local Government (Northern Ireland) Order 2005

5. Closing Remarks

This letter concerning the 2014-15 audit of Fermanagh and Omagh 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 and Head of Finance of Fermanagh and Omagh District Council.

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

November 2015