

# **Annual Audit Letter**

**Strabane District Council**

**Year to 31 March 2007**

**Issued by**

**Alfred Knox**

**Local Government Auditor (NIAO)**

## 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 of this report

This report is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.

The report 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.

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## Financial management

- 1 As your statutory appointed auditor I issued my audit opinion on the Statement of Accounts on 27<sup>th</sup> September 2007. 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. The Council's annual accounts were signed by the Chief Financial Officer on 27 June. Members of the Audit and Staff Committee approved the accounts on 27 June 2007 which was within statutory guidelines. Following minor adjustments from the audit the accounts were authorised for issue by the Chief Financial Officer on 25<sup>th</sup> September 2007.
- 3 A number of minor adjustments were noted during our audit.

### *Financial standing*

- 4 As a measure of prudence, a council should retain a sufficient balance in its District Fund to cover unexpected revenue expenditure in the foreseeable future. The district fund balance at £1,251k represents 16.8% of the net operating expenditure. The average for the 26 Councils is 14.4% (based on the accounts presented for audit). As such the Council's financial standing would appear to be satisfactory.

### *District fund spending and balances*

- 5 The overall financial position remains stable. The Council increased by £147k the District Fund in 2006/07, leaving the District Fund balance at £1,251k as at March 2007.
- 6 The Council has earmarked funds of £1.16m within the Capital Fund account to meet the expected future costs of building a new Depot. The Council has also a Useable Cash Receipts Reserve of £534k and a Renewal and Repairs Fund of £269k.

### ***Capital Programme***

- 7 The Council has Fixed Assets totalling £14.7m with loans outstanding of £2.6m. The Statement of Accounts reports a capital programme totalling £0.42m in the course of or planned for delivery.

### ***Systems of internal financial control***

- 8 I was able to place reliance on the Council's internal control environment for the purposes of forming my opinion on the financial statements.

### ***Internal Audit***

- 9 As part of my evaluation of the general control environment I assessed the quality of the Internal Audit function in accordance with ISA 500. The Council contracted out its internal audit to a private sector firm.

# Council Performance

## Scope of my audit

- 10 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.”*

- 11 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”.
- 12 A review of the council’s corporate governance and VFM arrangements for 2006-07 were carried out. The finding from the review was included in my audit file and a summary report, prepared for me, was copied to the Chief Executive. This corporate governance and VFM arrangements review provided no evidence that the Council does not have proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 13 I noted the following issues from the corporate governance and VFM arrangements review:
- The Council does not have a Whistleblowing policy. However, the Council has stated that the senior management team will consider producing a Whistleblowing policy in the 07/08 financial year.
  - There is no hospitality policy in place. Council has not given any consideration into developing a hospitality policy, but they are not opposed to creating one.

- The Council does not have an Audit committee. We regard such a Committee as playing a key role in the enhanced Corporate Governance responsibilities that will apply to Northern Ireland Councils from 2007-08 in accordance with the Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006. At 31 December 2006 over half Northern Ireland Councils had established Audit Committees. We note that Council have stated that the Risk Management Working Group will take steps to establish a formal audit committee during the next twelve months.
- Internal audit does not prepare an annual report.
- The Council has adopted a formal procurement policy in June 2007.
- The Council does not at present have a formal policy on Economic Appraisals due to staff shortages. They have stated that the Finance Department has plans to develop one in the 2007-08 financial year.

## **Absenteeism**

- 14 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 2005-06. Similar unpublished absenteeism reviews had been undertaken for several years by the Chief Local Government Auditor. This data enabled the 2005-06 report to address absenteeism performance beyond that year for each council, and for the sector as a whole.
- 15 In his 2005-06 report, published in March 2007, the Chief Local Government Auditor analysed absenteeism for each council over a three year period and an average annual absenteeism rate was derived for this period. This analysis counters the impact of annual fluctuations in absenteeism which would distort the findings, particularly within smaller councils.
- 16 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 at Annex A annual absenteeism data which includes 2006-07 figures. Also included is the three yearly data from the Chief Local Government Auditor's 2005-06 report. The 2006-07 data will be included in a revised three yearly derived absenteeism rate which will be part of the Chief Local Government Auditor's 2006-07 report on all councils. The report will be published later this year.
- 17 The 2006-07 absenteeism figure for the Council is 13.95days. This represents an increase of 1.91 days on the previous year.

- 18 Whilst Strabane District Council's absenteeism rate has increased by 3.12 days from 2003-04 to 2005-06 it is still lower than the Northern Ireland average for this period.

## Grant claims

- 19 The Chief Local Government Auditor has developed a more risk based approach to the certification of grant claims. We plan to reduce our audit scope of these claims and where appropriate we have adopted a controls-based approach on all of the Council's grant claims.
- 20 Central government funding bodies have been advised of the new approach through a Department of Finance and Personnel circular DAO (DFP) 09/07 dated 6 August 2007.

## Conclusion

- 21 This letter has been discussed and agreed with the Chief Executive and Head of Finance.
- 22 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.

## Availability of this letter

- 23 This letter will be published on the Northern Ireland Audit Office's website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk), and also on the Council's website.

Alfred Knox

Local Government Auditor

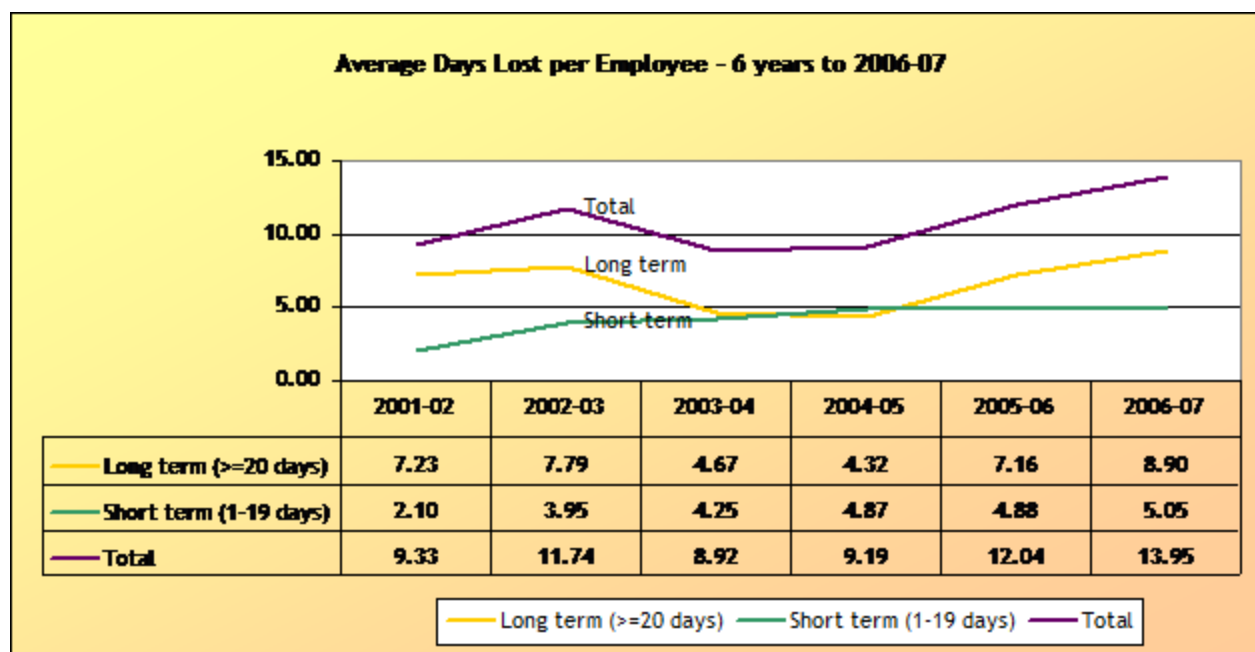
19 November 2007

## ANNEX A

# Strabane Absenteeism

### Annual Absenteeism

The chart below tracks absenteeism for the 6 years to 2006-07 for total days lost per employee.



### 2006-07 absenteeism compared to Northern Ireland councils as a whole\*

	Strabane	NI Councils	Variance	Variance %
Average total days lost per employee	13.95	13.81	0.14	1%

\* The Northern Ireland Council position is derived from figures as at 21/09/07. Final Figures will be included in the Chief Local Government Auditor's report on Absenteeism in Northern Ireland Councils 2006-07. The report is due to be published in December 2007. The 2005-06 report included the following for the period 2003-06:

### 3-year absenteeism (2003-06) compared to Northern Ireland councils as a whole

	Strabane	NI Councils	Variance	Variance %
Average total days lost per employee	10.05	14.28	-4.23	-30%