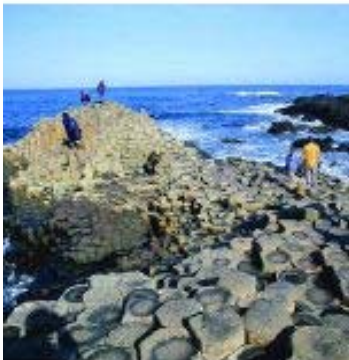


Issued by the Local Government Auditor



Newry, Mourne and Down  
District Council (operating in  
shadow form)

2014-15

To the Members of  
Newry, Mourne and Down  
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 Newry, Mourne and Down 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. Newry, Mourne and Down 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 Newry, Mourne and Down District 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. Newry and Mourne District Council was merged with Down District Council to form Newry, Mourne and Down 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.

Newry, Mourne and Down District Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Newry, Mourne and Down 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 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 will be published by 1st April 2016.

## 2. Financial Statements

### Summary of Audit Findings

#### **Newry, Mourne and Down District Council**

The accounts of Newry, Mourne and Down 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 Newry, Mourne and Down District Council on 26 June 2015. This is within the statutory timeframe of 30 June. Following the audit, the accounts were re-signed on 23 October and published on the website of Newry, Mourne and Down District Council.

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 Newry, Mourne and Down 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 Newry, Mourne and Down District Council, on the results of the audit, noting the most significant issues. That report is presented separately to your Audit Committee.

#### **The Newry, Mourne and Down Statutory Transition Committee**

The Newry, Mourne and Down Statutory Transition Committee (STC), consisting of 12 councillors- 6 members from each of Newry and Mourne District Council and Down District Council, was formed through regulation<sup>1</sup> to ensure that the Newry, Mourne and Down 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

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<sup>1</sup> The Local Government (Statutory Transition Committees) Regulations (Northern Ireland) 2013

regulation the STC ceased to exist 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 Newry, Mourne and Down STC.

## **Financial Performance**

The Statement of Comprehensive Income and Expenditure of Newry, Mourne and Down District Council shows that during the year ended 31 March 2015 the Council spent £1.5m. It also received income of £1.4m.

The major items of expenditure were

- Member Costs £525k;
- Staff Costs £568k; and
- ICT Convergence £118k.

The major areas of income were

- Predecessor Council income £952k; and
- Government Grants Income from DOE £497k.

At 31 March 2015 Newry, Mourne and Down District Council had £nil non-current assets. The Council had no loans outstanding.

At 31 March 2015 Newry, Mourne and Down District Council had nil usable reserves.

### 3. Governance

The Good Governance Standard for Public Services<sup>2</sup> 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 Newry, Mourne and Down 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 Statement<sup>3</sup>.

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.

- Internal Audit reports have highlighted areas where improvements need to be made. Actions required to address these control weaknesses have been prioritised by the Council;
- Absenteeism for 2014/15 has decreased relative to 2013/14. The Council continues to be proactive in seeking to manage absence.

#### 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

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<sup>2</sup> The Good Governance Standard for Public Services, OPM and CIPFA, 2004

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

a financial year of the effectiveness of its system of internal audit. 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 Newry and Mourne District Council met four times in the year and the Audit Committee of Down District Council also met four times in the year.



## 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 resources<sup>4</sup>.

My review of Newry, Mourne and Down 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.

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<sup>4</sup> Local Government (Northern Ireland) Order 2005

## **5. Closing Remarks**

This letter concerning the 2014-15 audit of Newry, Mourne and Down District Council is addressed to the Members of Newry, Mourne and Down 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 Newry, Mourne and Down District Council.

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 Newry, Mourne and Down District Council Audit Committee 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

8 January 2016