Annual Audit Letter

Newry, Mourne and Down District Council
2023-24

Date of issue

06 December 2024

Contents

We have prepared this report for Newry, Mourne and Down District 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 2023-24 financial statements were certified without qualification as noted in my audit report. Key statistics from the accounts are outlined.

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.

Governance

The governance statement reflects compliance with relevant guidance and standards.

Other Areas of interest

- Absenteeism figures for 2023-24
- The latest National Fraud Initiative report covering the two-year period from 1 April 2022 to 31 March 2024
- The Local Government Auditor’s Report 2024 for audits of local councils during 2022-23.

Outlook

- Financial resilience

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 2023-24 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. The Code of Audit Practice outlines a range of other matters that can be reported by exception. 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 28 June 2024. Following the audit, the Statement of Accounts were approved by the Council and certified by me within the statutory deadline of 30 September 2024. 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.

Audit Certificate and Opinion

4. For the year ended 31 March 2024, 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 2023-24, of the financial position of the Council as at 31 March 2024, 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 Financial Officer 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 Audit Committee.

4. Key Statistics

Income and Expenditure	2023-24 £000	2022-23 £000	Variance £000
Total income	(90,367)	(82,368)	(7,999)
Total expenditure	91,172	93,448	(2,276)
Adjustments between accounting basis and funding basis	(5,950)	(11,833)	5,883
Net expenditure chargeable to the General Fund	5,145	3,779	(1,366)

Capital and Reserves	2023-24 £000	2022-23 £000	Variance £000
Capital expenditure in year	11,965	10,502	1,463
Usable Reserves	39,521	35,741	3,780
Long Term Assets	213,347	210,012	3,335
Loans Outstanding	60,274	59,365	909

Staff	2023-24	2022-23	Variance
	FTE	FTE	FTE
Staff numbers	798	828	(30)
	£000	£000	£000
Staff Costs (including agency costs)	41,502	39,511	1,991
Staff Absences	Days	Days	Days
• short term	3.33	5.02	(1.69)
• long term	20.53	18.24	2.29
• total	23.86	23.26	0.6

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 internal financial 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. However, a priority 2 finding was raised during the audit of the 2023-24 financial statements in respect of proper arrangements, to highlight several control weaknesses in the areas of:
   - Procurement, Contract management and award;
   - Monitoring of overtime;
   - Revaluation reserve;
   - Property, Plant and Equipment;
   - Timeliness of management information;
   - Accumulated absences; and

- Recoverability of debtors.

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 2023-24;
   - 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.

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 external Internal Audit function that conducted a review on the effectiveness of the systems of internal controls in place during 2023-24. The findings of this work were presented to the Council's Audit Committee for review and was considered by me as part of the audit process.

Audit Committee

5. 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.

6. The 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 2024, the average number of day's sick absence in the Council was 23.86 days per full time employee as compared to 23.26 days in 2022-23. The Council has told me that the increase of 0.6 days was mainly due to an increase in long term more serious sickness absences of 2.29 days from the previous year.
2. The Local Government Auditor recommends that Council carefully monitors and manages absence levels on a continuous basis to improve operational efficiency and reduce lost productivity.

Local Government Auditor's Report 2024

3. The annual Local Government Auditor's Report was published on 25 October 2024 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work during 2022-23.
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.

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. My Annual Improvement Report for 2023-24 was published on 29 March 2024 and concludes that Council met its statutory duties in

relation to publication of the 2022-23 self-assessment report and 2023-24 Annual Improvement Plan.

WGA

8. 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 2023-24 where additional audit procedures were not required.
9. The Whole of Government Accounts annual return for 2023-24 has been submitted for HM Treasury’s consolidation process.

NFI

10. 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.
11. The report summarising the results of the data matching exercise for the period 1 April 2022 to 31 March 2024 was published on 22 October 2024 and is available on the NIAO website.
12. The 2024-25 data matching exercise has just commenced with data upload in October 2024 and data matches due to be released in late December 2024.

Audit Fee

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

8. Outlook

Financial Resilience

1. There are continuing challenges for councils to deliver a balanced budget within the current restrained financial environment. Costs have increased in multiple areas, such as utilities, construction, and pay settlements.
2. As part of the NIAO audit strategy this year, I examined Council’s financial resilience through examination of their assessment of going concern, financial projections and plans, and also considered the robustness of Council reserves.
3. No issues were identified as a result of my audit, however Council should continue to carefully consider the impact of rising prices on budgets, and closely monitor and forecast future costs and affordability.

And finally.....

4. 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.