



# Annual Audit Letter

Issued by the Local Government Auditor



2013-14

To the Members of  
North West Region Waste  
Management Group Joint  
Committee

**Louise Mason**  
Local Government Auditor  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU

## Contents

1.	Introduction .....	3
2.	Financial Statements .....	4
	Summary of Audit Findings .....	4
	Financial Performance.....	4
3.	Governance.....	6
	Annual Governance Statement .....	6
	Internal Audit.....	7
	Audit Committee .....	8
4.	Proper arrangements.....	9
5.	Other Audit Work .....	10
	National Fraud Initiative (NFI) .....	10
6.	Local Government Reform.....	11
7.	Closing Remarks.....	12

## **1. Introduction**

I have been designated the Local Government Auditor for North West Region Waste Management Group (NWRWMG) Joint Committee by the Department of the Environment 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 2013-14 audit.

## 2. Financial Statements

### Summary of Audit Findings

#### North West Region Waste Management Group Joint Committee

The NWRWMG Joint Committee must prepare its accounts 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.

The financial statements were signed by the Chief Executive of the lead council, Derry City Council, and approved on behalf of the NWRWMG Joint Committee on 4<sup>th</sup> June 2014. This is within the statutory timeframe of 30<sup>th</sup> June. Following the audit, a number of presentational adjustments were required and the accounts were revised and re-signed on 24<sup>th</sup> October 2014 and published on the website of Derry City Council as the Joint Committee's lead council on 31<sup>st</sup> October in accordance with the regulations.

For the year ended 31 March 2014 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 2013-14, of the financial position of NWRWMG Joint Committee as at 31 March 2014 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 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.

### Financial Performance

The Statement of Comprehensive Income and Expenditure of NWRWMG Joint Committee shows that during the year ended 31 March 2014 the Joint Committee spent £455,601 on the provision of services. It also received income of £455,601.

The main item of expenditure was:

- Employee Costs amounting to £123,512

The main area of income was:

- Government Grants amounting to £282,363

At the year end, the NWRWMG Joint Committee was owed grant income of £139,285.

At 31 March 2014 the Joint Committee had no usable reserves. The Joint Committee is fully funded by either government grants or contributions from the seven councils.

### 3. Governance

The Good Governance Standard for Public Services<sup>1</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 Joint Committee 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>2</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 2013-14;
- 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 Joint Committee noted the following governance issues in its Governance Statement:

The North West Region Waste management Group Joint Committee comprises Ballymoney Borough Council, Coleraine Borough Council, Derry City Council, Limavady Borough Council, Magherafelt District Council, Moyle District Council and Strabane District Council. There are no significant governance issues that affect the North West Region Waste Management Group Joint Committee.

The legal issues that presented during the 2012/2013 year consisting of two legal writs challenging the Regional Waste Infrastructure Project procurement were properly disposed of at the beginning of the 2013/2014 financial year and offered no attendant risks. The Audit process both internal and external identified no areas of concern. The internal audit provided a substantial level of assurance. Risk management is nonetheless embedded across all of the activities of the Joint Committee and is

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<sup>1</sup> The Good Governance Standard for Public Services, OPM and CIPFA, 2004

<sup>2</sup> Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

a continuous and evolving process which is monitored closely by the Audit and Risk Committee and Internal Audit. A project risk register and corporate risk register are now in place for all of the activity of the North West Region Waste Management Group Joint Committee.

In common with all Councils in Northern Ireland, there is a continuing risk that the Councils of the Group could incur fines for non-achievement of Waste Management targets. However, the Councils of the Group have continued to take all appropriate measures to address this risk and to demonstrate that the Councils are making "Best Endeavours" both individually and in collaboration with the NWRWMG to secure adequate waste treatment infrastructure facilities.

During the year the Joint Committee continued to focus on the delivery of the residual waste infrastructure procurement project and has been attempting to achieve financial close since the appointment of the preferred bidder, however, it has been unable to do so because the bidder has indicated that it may/will have to make a number of changes to the original bid since its appointment as preferred bidder such that it has become unclear whether it would be possible successfully to conclude a contract on terms which were commercially acceptable to the Authority and which did not involve an unlawful departure from the basis of the original bid. These circumstances created a considerable degree of uncertainty regarding the project and called into question whether the project would be deliverable either at all or at a price and on terms which would be acceptable to the Authority.

In light of the fact that the Authority was unable to determine a realistic timetable for the project or confirm the cost of the Project and having sought appropriate senior counsel advice, the Joint Committee reluctantly took the step of recommending to the member Councils the abandonment of the project. The member Councils accepted this recommendation and the project was formally abandoned on the 16th June 2014.

The Joint Committee continues to work to deliver appropriate waste contracts to ensure that all its member councils remain compliant and fulfil their statutory obligations. The current review of Public Administration concludes with the establishment of new Councils on the 1st April 2015. The future of the Joint Committee as a going concern is therefore the subject of consideration by the current member Councils and the shadow Councils and will be taken forward by the new Councils once they are established. The North West region Waste Management Group continues to monitor the position closely and engage actively with the Department and Councils to ensure that there is a smooth transition of the Joint Committee from the current situation to the new structure.

## **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 Joint Committee's internal audit service is provided by Derry City Council's in-house Internal Audit. A review of the effectiveness of the system of internal audit was carried out during 2013-14 by the Joint Committee 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 Joint Committee. One way that Members carry out this function is through the Audit Committee. The NWRWMG Joint Committee has an Audit and Risk Committee which met on a quarterly basis. The agenda items included:

- External audit reports;
- Internal audit reports;
- Risk register;
- Fraud; and
- Financial statements



## 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>3</sup>.

My review of the Joint Committee's arrangements for securing value for money can cover the following ten areas which are referred to in my Code of Audit Practice:

- a) **Financial Planning.** Planning finances effectively to deliver strategic priorities and secure sound financial health.
- b) **Financial Performance.** Having a sound understanding of costs and performance and achieving efficiencies in activities.
- c) **Financial Reporting.** Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
- d) **Procurement.** Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
- e) **Data to support decision making and manage performance.** Producing relevant and reliable data and information to support decision making and manage performance.
- f) **Good governance.** Promoting and demonstrating the principles and values of good governance.
- g) **Risk.** Managing risks and maintaining a sound system of internal control.
- h) **Natural Resources.** Making effective use of natural resources.
- i) **Asset Management.** Managing assets effectively to help deliver strategic priorities and service needs.
- j) **Workforce Management.** Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

For 2013-14, I examined the areas of Workforce Management, Data to support decision making and manage performance, Financial Performance and Risk based on my risk assessment of the Joint Committee.

On the basis of my work I am satisfied that the Joint Committee had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

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<sup>3</sup> Local Government (Northern Ireland) Order 2005

## 5. Other Audit Work

### Absenteeism

Employees within NWRWMG Joint Committee are employees of Derry City Council and are therefore included within the absenteeism figures of Derry City Council.

### National Fraud Initiative (NFI)

In the current economic climate with unprecedented budgetary pressures on public services, it is essential that public bodies use every means at their disposal to prevent and detect fraud and error. The NFI exercise, which is carried out every two years, is a highly effective tool which helps public bodies identify potentially fraudulent and duplicate transactions using sophisticated computer based data matching techniques. The Serious Crime Act 2007 inserted provisions dealing with data matching exercises into the Audit and Accountability (Northern Ireland) Order 2003. Local councils were involved in the recent NFI exercise and the Comptroller and Auditor General for Northern Ireland published a report on its outcomes on 17 June 2014. A copy can be obtained from the Northern Ireland Audit Office's website.

## 6. Local Government Reform

The Local Government Act (Northern Ireland) 2014 provides for a reduction in the number of local councils from twenty six to eleven on 1 April 2015.

The NWRWMG Joint Committee continues to work to deliver appropriate waste contracts to ensure that all its member councils remain compliant and fulfil their statutory obligations. The current review of Public Administration concludes with the establishment of new councils on 1 April 2015. The future of the Joint Committee as a going concern is therefore the subject of consideration by the current member Councils and the shadow councils and will be taken forward by the new councils once they are established. The NWRWMG continues to monitor the position closely and engage actively with the Department and Councils to ensure that there is a smooth transition of the NWRWMG Joint Committee from the current situation to the new structure.

## 7. Closing Remarks

The letter is addressed to the Members of the Joint Committee 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.

The factual accuracy of this Audit Letter has been agreed with the Chief Executive of the lead council of the Joint Committee.

The Joint Committee facilitated the audit in a positive and constructive way. I would like to take this opportunity to express our appreciation for the Joint Committee's assistance and co-operation.

This letter will be presented to your Audit Committee by my staff and I have also asked for copies to be sent to all members.

**Louise Mason**

Local Government Auditor

23 December 2014