

Issued by the Local Government Auditor
January 2012



North West Region Waste Management Group

Year to 31 March 2011

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). For the year ending 31 March 2011 I have been designated the local government auditor for the Joint Committee.

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 and Availability of this Annual Audit Letter

This Annual Audit Letter is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The Regulations require the local government body to publish this Annual Audit Letter as soon as reasonably possible.

The Audit Letter 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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Audit of Accounts

- 1 As your statutory appointed auditor I reported my audit opinion on the Statement of Accounts on 28th October 2011. I gave an unqualified opinion on your accounts.
- 2 The Local Government (Northern Ireland) Order 2005 requires that in auditing accounts a local government auditor must by examination of the accounts or otherwise satisfy himself that:
 - (a) they are prepared in accordance with regulations;
 - (b) they fully comply with the requirements of all other statutory provisions applicable to the accounts;
 - (c) proper practices have been observed in the compilation of the accounts; and
 - (d) the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Matters arising from the final accounts audit

- 3 The published accounts are an essential means by which the Joint Committee reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. The Joint Committee's annual accounts were signed by the Chief Financial Officer on 27th June 2011 and members of the Joint Committee approved the accounts on 27th June 2011 which was within the statutory guidelines which requires this to be completed by 30 June. Following our audit, there were no adjustments required and the accounts were authorised for issue by the Chief Financial Officer on 26th October 2011.
- 4 At the conclusion of our audit we issue a Report to those charged with Governance on the audit results to management noting the most significant audit issues making recommendations and seeking comments. The most significant points noted in our Report to those charged with Governance are summarised below:
 - Procurement of service contracts had led to significant proportions of 'uncapped' expenditure; and
 - NWRWMG does not have its own governance arrangements in place.

Financial standing

- 5 The Joint Committee has adequate financial management arrangements overall.
- 6 As a measure of prudence, a Joint Committee should retain a sufficient balance in its General Reserves to cover unexpected revenue expenditure or an unexpected drop in income in the foreseeable future.
- 7 The General Reserves balance is £nil as the Joint Committee is financed through Derry City Council. As such the Joint Committee's financial standing would appear to be satisfactory.

Capital Programme

- 8 The Joint Committee has no Fixed Assets or loans. There was no expenditure on capital projects during 2011-11.

Annual Governance Statement

- 9 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 and DOE Circular No: LG/04/08 required Councils 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 then approve an Annual Governance Statement.
- 10 The Annual Governance Statement was approved by the Group Chairperson and the City Treasurer on behalf of the joint committee on 27th June 2011. My opinion on the accounts includes the Annual Governance Statement. I am required to report if the Governance Statement is inconsistent with the guidance provided by DOE or if disclosures in the Statement are inconsistent with my understanding of the Joint Committee. I noted no inconsistencies in the Governance Statement. However in my Report to those charged with Governance on audit results I noted:
 - The Group does not have its own governance arrangements in place but rather relies on the internal controls that exist within Derry City Council; and
 - The Governance Statement presented in the approved accounts was a summary of Derry City Council's own statement. This did not reflect the particular circumstances of the group.

Internal Audit

- 11 The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 also required the Joint Committee 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 has stated that it relies mainly on the internal controls and procedures that exist within Derry City Council, including its internal audit coverage.

Joint Committee Performance

Scope of my audit

- 12 My audit is conducted in accordance with a Code of Audit Practice (the Code). 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.”

- 13 A review of the Joint Committee’s corporate governance statement for 2010-11 was carried out as a separate exercise this year. This was principally on an exception basis using issues highlighted in the 2009-10 Audit letter and on matters arising from the review. The Statement was also reviewed against the pro-forma LG 04/08.
- 14 The Joint Committee noted in its Governance Statement that it relies mainly on the internal controls and procedures that exist within Derry City Council for its governance. The joint Committee intends to put in place its own governance arrangements and not to rely solely on those that exist for Derry City Council.

Looking Ahead

Prudential Code

- 15 A major development in the financial powers available to Councils and Joint Committees is the introduction of the Local Government Finance Act (Northern Ireland) 2011, which will be in effect for the 2012-13 accounts. This modernises the legislative framework for local government finance, with a focus on greater freedom for Councils and Joint Committees. The Act covers budgeting, reserves and funds, borrowing powers and capital receipts and expenditure. The key change is that it gives Councils and Joint Committees more freedom to manage their finances without the need to obtain consent from the Department of the Environment. More emphasis will therefore be placed on the Chief Financial Officers' assessment of affordability by applying the principles and requirements of the Prudential Code.

Conclusion

- 16 The factual accuracy of this Audit Letter has been agreed with the Chief Financial Officer.
- 17 The Joint Committee has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the Joint Committee's assistance and co-operation.

Louise Mason

Local Government Auditor