

# CAUSEWAY COAST AND GLENS BOROUGH COUNCIL

## 2019-20 Report to Those Charged with Governance



1 March 2021

Contents	Page
<b>1. Key Messages</b>	3
<b>2. Audit Scope</b>	6
<b>3. Significant Risks</b>	7
<b>4. Audit Findings</b>	9
<b>5. Appendices</b>	25

*We have prepared this report for Causeway Coast and Glens Borough 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

---

This report summarises the key matters from our audit of the 2019-20 Causeway Coast and Glens Borough Council's financial statements which we report to the Audit Committee, as representatives of those charged with governance. We would like to thank the Chief Finance Officer and his staff for their assistance during the audit process.

We consider that we comply with the Financial Reporting Council (FRC) ethical standards and that, in our professional judgment, we are independent and our objectivity is not compromised.

### Status of the Audit

Following resolution of the Audit Committee on 10 March 2021 the Chief Financial Officer will sign the Statement of Accounts together with a letter of representation, the proposed wording of which is included in Appendix One.

The total audit fee to be charged for the financial audit is in line with that set out in our Audit Strategy.

### Proposed Audit Opinion

It is proposed that the Local Government Auditor (LGA) will report on the 2019-20 financial statements with an unqualified audit opinion, without modification.

### Proposed Audit Certificate

It is also proposed that the Local Government Auditor will certify completion of the audit of accounts of the Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. The audit certificate closes the audit and marks the point when the Local Government Auditor's statutory responsibilities in respect of the audit of the accounts for the period covered by the certificate have been discharged.

### Audit Findings

During the audit we reviewed internal controls; accounting systems; and procedures to the extent considered necessary for the effective performance of the audit. We have identified eight priority one<sup>1</sup> recommendations in relation to the internal control environment.

---

<sup>1</sup> A priority one recommendation is defined as, "significant issues for the attention of senior management which may have the potential to result in material weakness in internal control."

## Audit Judgements

In reaching our opinion we made the following key audit judgements:

- The landfill provision of £13 million in respect of future closure and aftercare costs for three landfill sites, appears to be a reasonable estimate based on the information provided by the Council.
- As a result of Covid-19, Land and Property Services have referred to uncertainties in their valuation report due primarily to market conditions at 31 March 2020. The Council has included this disclosure in note 11 of the financial statements. We have not identified any material uncertainty in relation to the valuation of land and buildings in the Council's Statement of Accounts.

## Audit Adjustments

The net effect of audit adjustments on the Comprehensive Income and Expenditure Statement and Balance Sheet was £70,000. Uncorrected misstatements would increase spend and decrease net assets by a further £9,000. A full list of adjustments, including client adjustments, is provided on page 18.

## Proper Arrangements

Under the Local Government (Northern Ireland) Order 2005, the Local Government Auditor should be satisfied that a Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A questionnaire was issued and completed by the Council. We have reviewed the responses and the supporting documentation. A number of issues were noted and they are set out in the audit findings table at Section 4.

## Management of information and personal data

The Council is required to comply with the Data Protection Act 2018 and the General Data Protection Regulations in the handling and storage of personal data and those charged with governance should ensure they have made sufficient enquiries of management to form a view on whether there were any significant specific data incidents which should be disclosed in the Governance Statement. We are unaware of any data handling incidents during the year. Confirmation of this will be sought within the letter of representation (Appendix One).

During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 2018 and the General Data Protection Regulations.

## Performance Improvement

The outcome from our work in respect of Part 12 of the Local Government Act (Northern Ireland) 2014 on Performance Improvement will be reported separately to those charged with governance.

### Actions for the Audit Committee

The Audit Committee should:

- Review the findings set out in this report, including the draft letter of representation and audit certificate at Appendices One and Two respectively; and
- Consider whether the unadjusted misstatements, set out in the identified misstatements section (page 22), should be corrected. The Audit Committee minutes should provide written endorsement of management's reasons for not adjusting misstatements.

DRAFT

---

## 2. Audit Scope

---

We have completed our audit of the 2019-20 financial statements in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council and with the Audit Strategy presented to the Audit Committee in March 2020.

We have also read the content of the draft Narrative Report, Remuneration Report and Governance Statement to confirm:

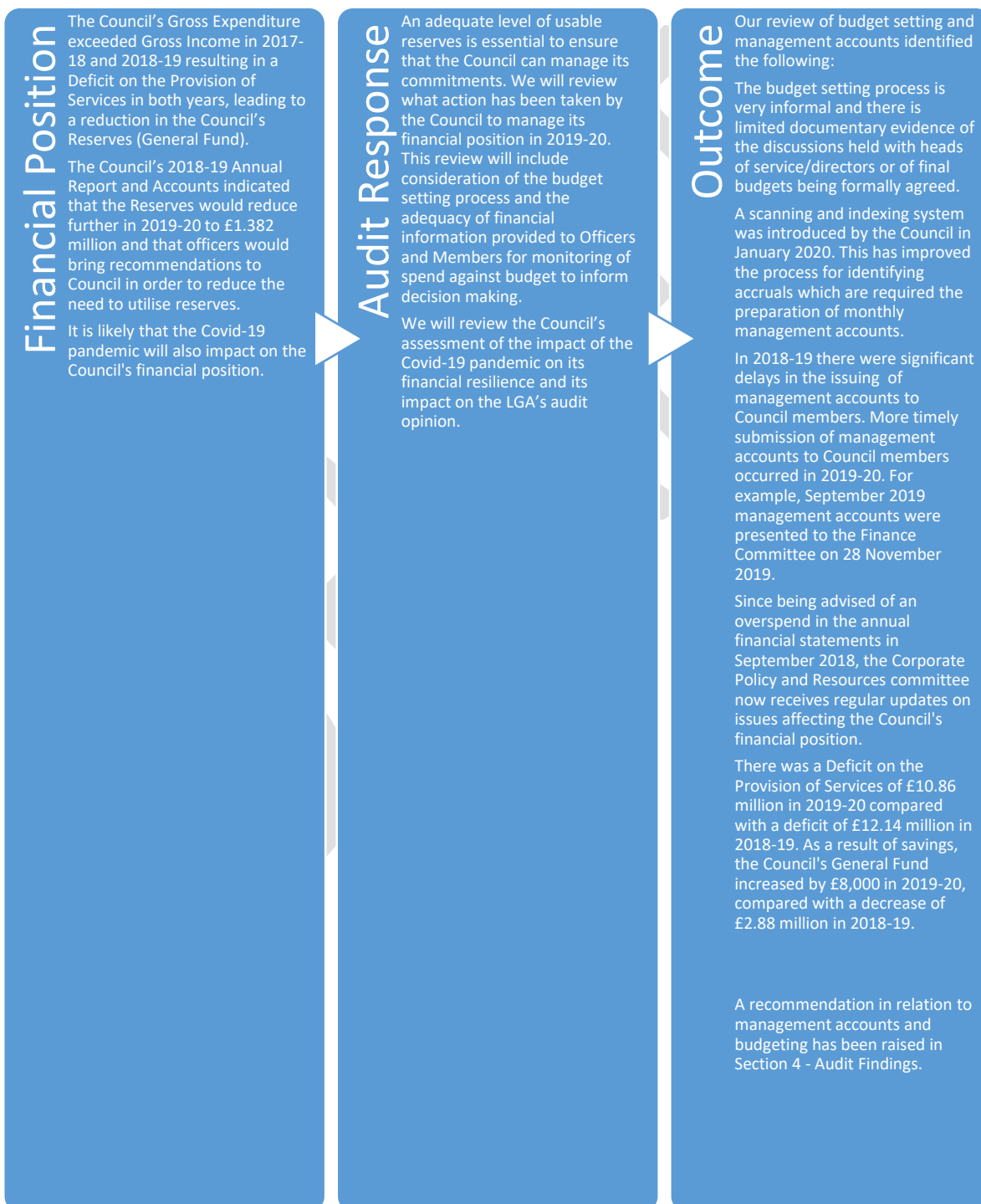
- their consistency with the financial statements and our understanding of the business;
- that the audited part of the Remuneration Report has been properly prepared; and
- that the Governance Statement has been prepared in accordance with Department for Communities' guidance.

As part of our audit, we assessed:

- whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Financial Officer; and
- the overall presentation of the financial statements.

### 3. Significant Risks

In our Audit Strategy, our assessment of the Council’s operations and control environment identified a significant risk in relation to financial position. A further significant risk, financial resilience, was notified to the Council on 14 August 2020. A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgement, requires specific audit consideration. The significant risks were addressed as follows:



## Financial Resilience

The Covid 19 pandemic continues to impact council finances significantly and may do for sometime in the future.

Councils received funding from central government but it is recognised there are continuing challenges for councils to deliver a balanced budget within the current environment.

Council accounts are required to be prepared on a going concern basis of accounting. The Chief Financial Officer is required to assess the basis for the preparation of the accounts .

In recognition of the financial pressures Councils are facing we consider there is a risk Councils may be unable to continue as financially resilient entities.

## Audit Response

We will consider the Chief Financial Officer's assessment of the going concern basis for the preparation of the accounts.

We will consider the detailed disclosures regarding the financial position included within the 19/20 Statement of Accounts.

We will examine the recovery plan Council has produced as a consequence of the Covid 19 pandemic.

We will examine cash flows and projections for 20/21 and beyond.

We will consider the impact of our assessment on the LG Auditors audit opinion.

## Outcome

Finance staff provided an assessment of the going concern basis for the preparation of the accounts and advised that regular, informal meetings were held with the Chief Executive regarding the Council's financial position.

A detailed three year financial recovery plan was been prepared and agreed by the Finance Committee on 8 September 2020.

Cashflow projections were prepared by Finance staff at the start of the covid pandemic. Finance staff advised that cash balances are discussed with the Senior Leadership Team at regular, informal meetings.

Our review of documentation, including 2020-21 management accounts, currently indicate a positive financial position for the Council. This is due to a number of things, including: previously planned cost savings; reduced costs eg. leisure centres are currently closed; furlough of Council staff; and receipt of Covid grant funding from central government.



## 4. Audit Findings

### Financial Reporting and Accounting Policies

In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgments and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period.

<b>Narrative Report</b>	The Narrative Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.
<b>Accounting policies and financial reporting</b>	The accounting policies were considered appropriate.
<b>Legality, propriety and losses</b>	We found no legal issues or impropriety during our audit.
<b>Internal Control</b>	Significant control weaknesses were identified during our audit, a number of which were also raised in our 2018-19 and previous years' audit findings. Further details on these are included in Section 4 of this report.
<b>Remuneration Report</b>	The Remuneration Report has been properly prepared in accordance with DfC directions issued under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.
<b>Governance Statement</b>	The Governance Statement is compliant with the Code of Practice on Local Authority Accounting in the UK 2019-20 and directions from DfC. It is consistent with other information we are aware of from our audit.
<b>Financial Statement Disclosures</b>	We have made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Code of Practice on Local Authority Accounting and other relevant guidance. A number of financial changes have also been required to the first draft of the accounts submitted for audit.

This section outline the findings arising from our audit, as well as management's response and target date for implementation. Our findings are defined as:

- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
- Priority 2 – important issues to be addressed by management in their areas of responsibility.
- Priority 3 – issues of a more minor nature which represent best practice.

Other issues of a more minor nature have been sent to the Financial Accountant.

Finding	Priority Rating	Recommendation	Management Response (including target date)
<p><b>1. Draft Annual Financial Statements and backup documentation</b></p> <p>The Council formally submitted draft Annual Financial Statements to the Department for Communities (DfC) and the Northern Ireland Audit Office (NIAO) on 7<sup>th</sup> August 2020. However, a revised set of accounts, which included client adjustments, was subsequently passed to the audit team on 30<sup>th</sup> August 2020, prior to the audit commencing. There was little evidence that either draft of the accounts had been reviewed prior to submission. As a result a significant number of amendments were required to the accounts, in terms of narrative changes and financial adjustments.</p> <p>Significant issues, which are to be adjusted in the final accounts, included:</p> <ul style="list-style-type: none"> <li>• Creditors and debtors were both overstated by £1.2m as the general ledger had been kept open for April 2020 payments. Certain payments made in the month were incorrectly disclosed as prepayments in the 2019-20 draft accounts.</li> <li>• Future capital commitments were materially understated as they did not include any commitments in respect of Assets under Construction.</li> </ul> <p>Whilst acknowledging the impact of the Covid-19 pandemic and reduced resources in the senior Finance team, there were significant delays in the provision of audit information. For example,</p>	<p>1</p>	<p>Council should ensure that the Finance team is suitably resourced to enable a thorough review of the accounts before they are submitted to audit.</p> <p>Council should ensure that its procedures are updated to prevent recurrence of the issues identified during the 2019-20 audit.</p> <p>Council staff should be reminded that all audit requests should be dealt with in a prompt manner.</p>	

<p>information requested in March 2020 was not provided until August and later.</p> <p>In addition, at the time of audit Council staff were unable to provide a suitable explanation and documentary evidence of how the £40k accrual for legal expenses included in the accounts had been derived. We received further details of this on 25/2/21.</p> <p>Documentation issues were also identified in relation to Procurement and Prompt Payments (see points 7 and 13 below).</p>		<p>Sufficient documentary evidence should be obtained and retained for all accounting entries and transactions.</p>	
<p><b>2. Agency Costs</b></p> <p>In previous years' audits we noted that the Council has significant spend in relation to Agency staff. In 2019-20, these costs accounted for 33% of the total wage bill compared with 31% in 2018-19.</p> <p>Council agreed with our recommendation in the 2018-19 Report to those Charged with Governance (RTTCWG) that it should identify its permanent staff requirement and commence recruitment as appropriate. We note Agency staff costs had increased by 7% from £7.3m in 2018-19 to £7.8m in 2019-20.</p>	<p>1</p>	<p>Council should identify its permanent staff requirement and commence recruitment as appropriate as soon as possible.</p>	
<p><b>3. Land Registration</b></p> <p>In the 2018-19 RTTCWG we advised that 80% of the land and property owned by the Council had yet to be registered with Land and Property Services (LPS).</p> <p>We note an additional staff member has been recruited to address this issue, appropriately, however 50% of the Council's land</p>	<p>1</p>	<p>Council should ensure that all land and property owned is registered with LPS as soon as possible.</p>	

<p>and property has still not been registered.</p>			
<p><b>4. Leases</b></p> <p>Our review of leases identified that:</p> <ul style="list-style-type: none"> <li>• two rent reviews were outstanding;</li> <li>• three leases had expired at year-end; and</li> <li>• a further six leases due to expire after the financial year-end, had not been renewed.</li> </ul> <p>Similar issues were identified in the 2018-19 RTTCWG and the Council agreed to allocate sufficient resources to ensure that rent reviews and leases renewals were dealt with as soon as they are due.</p>	<p>1</p>	<p>Council should ensure all rent reviews and leases renewals are dealt with as soon as they are due.</p>	
<p><b>5. Management accounts and budgeting</b></p> <p>As reported in prior years, the variance analysis produced as part of the monthly management accounts process is very limited.</p> <p>In addition, we noted that the management accounts continue to be produced on a net balance basis, and do not disclose income and expenditure separately for locations. In response to the 2018-19 RTTCWG the Council indicated that a fundamental requirement identified for the proposed new finance system was the ability of preparing management accounts which report income and expenditure separately.</p> <p>We noted from a review of the budget setting process that it is very informal and that there is limited documentary evidence of the discussions held with heads of</p>	<p>1</p>	<p>Council should ensure that a detailed variance analysis is submitted with each month's management accounts.</p> <p>In advance of the purchase of a new system, Council should explore whether it is possible to prepare management accounts which identify income and expenditure separately.</p> <p>Council should strengthen the documentation surrounding its budget setting process, ensuring it a more robust and transparent process.</p>	

<p>service/directors or of final budgets being formally agreed.</p>			
<p><b>6. Proper Arrangements</b></p> <p>Our review of the Proper Arrangements questionnaire completed by the Council identified the following issues:</p> <ul style="list-style-type: none"> <li>• The contracts’ register has not been updated since April 2019 and only includes contracts arising from publicly advertised procurement. We also noted that there was no member of staff responsible for procurement in 2019-20, as the Procurement Officer was on secondment until March 2020.</li> <li>• The business continuity plan has not been fully tested for finance or payroll to ensure that these functions can operate from an alternative site should the Coleraine office be unavailable.</li> <li>• A number of Council strategies, policies and codes are out of date or absent:             <ul style="list-style-type: none"> <li>– The Corporate Strategy 2015-19 expired on 31<sup>st</sup> March 2019. Staff advised that preparation of an updated plan was paused and re-worked due to the Covid-19 pandemic. A paper to develop the Corporate Strategy was taken to the CPR Committee on 25<sup>th</sup> August 2020.</li> <li>– The Whistle blowing policy was last updated in 2015 and the named contact is no longer with the Council.</li> </ul> </li> </ul>	<p>1</p>	<p>Council should ensure that the contracts register is kept up-to-date and includes all contracts, regardless of the method of procurement. In addition, Council should ensure that appropriately qualified staff are in post at all times to deal with procurement.</p> <p>Council should ensure that the business continuity plan for finance and payroll is tested fully as soon as possible.</p> <p>Council should ensure that all outstanding strategies, policies and codes are developed and approved as soon as possible. Council should also ensure that policies are reviewed on a regular basis and updated as necessary.</p>	

<ul style="list-style-type: none"> <li>– Council does not currently have an approved scheme of budget delegation in place. We understand that a draft scheme was taken to the Governance working group in June 2019.</li> <li>• Council’s information security arrangements are not ISO 27001 accredited. Council advised that it complies with ISO27001 for certain aspects and that the allocation of additional staff time and budget is required for the full security systems to be in place.</li> </ul>		<p>Council should ensure that its information security arrangements are ISO 27001 compliant and seek accreditation.</p>	
<p><b>7. Procurement</b></p> <p>In the 2018-19 RTTCWG, we advised that the contract for the hire of vehicles had expired and that whilst an EU procurement process had taken place, Council had not awarded a contract. In response, Council advised that a tender was being finalised prior to advertising. However, Council has yet to advertise this tender and is currently using a contract which expired in March 2018.</p> <p>A new bank contract was taken out in 2019-20 for two years with Bank of Ireland. Whilst we note that the contract was approved by the Council, there was no tendering for the contract and a Direct Award Contract was not completed.</p> <p>Further procurement issues were noted during audit testing of Expenditure and Property, Plant and Equipment:</p> <ul style="list-style-type: none"> <li>• The Council was unable to provide tender documentation for the purchase of a transit van costing £21,500.</li> </ul>	<p>1</p>	<p>Council should ensure that a tendering process for the hire of vehicles is completed as soon as possible.</p> <p>Council should ensure that all procurement is completed in accordance with Council’s guidance and that all procurement documentation is retained.</p>	

<ul style="list-style-type: none"> <li>• While the Council was able to provide tenders received for the purchase of bin lorries costing £466,500, it was unable to provide the tender evaluation documentation.</li> <li>• The Council was unable to provide evidence that the required number of quotations had been obtained for a further eight items of expenditure selected for examination by the audit team.</li> </ul>			
<p><b>8. Heritage Assets</b></p> <p>In the 2018-19 RTTCWG we advised that although heritage assets within museums had been revalued in year, civic regalia and artefacts had not been. In addition, Council was unable to confirm the completeness of the heritage asset listing.</p> <p>Although Council advised that a valuation of civic regalia and artefacts would take place in 2019-20, this did not happen.</p>	<p>1</p>	<p>Council should ensure that a valuation is obtained for all civic regalia and artefacts held in Town Halls and Civic Centres, as soon as possible to ensure the completeness and accuracy of the asset register.</p>	
<p><b>9. VAT</b></p> <p>In February and March 2020, Council received payments of static caravan site charges and marina fees for 2020-21, which included VAT at 20%.</p> <p>The HMRC rules require VAT to be reported in the period in which a payment is received, when this occurs prior to invoicing. However, the VAT received of £271k in respect of the advance payments was not included in the Council's VAT return for quarter ending 31<sup>st</sup> March 2020 or paid to HMRC.</p>	<p>2</p>	<p>Council's accounting treatment of VAT should be reviewed and revised as necessary to comply with HMRC guidance, with clarification sought from HMRC as necessary.</p>	

<p>Subsequently a partial refund was provided to customers due to Covid-19 closures. However, this should not have prevented the VAT being paid to HMRC in the first instance, with any subsequent refund dealt with when it occurred, and VAT reclaimed as appropriate at that point.</p> <p>Whilst it does not impact upon the 2019-20 financial statements, we also noted that the Council has applied the reduced 5% VAT rate which did not come into effect until 15 July 2020 to caravan site charges from 1 April 2020.</p> <p>The Council advised us that application of the new 5% VAT rate was based on (most verbally) advice from a consultant currently working at the Council. The consultant advised the NIAO that the discussions with the Council did not represent formal VAT advice.</p> <p>Furthermore, two of the four quarterly VAT returns for 2019/20 appear to have been submitted after the return due date (by eight days on each occasion).</p>		<p>Any tax advice received from advisers that will be relied on by Council should be received in writing and retained for future inspection.</p> <p>VAT returns should be submitted in accordance with HRMC's deadlines.</p>	
<p><b>10. Grant schemes monitoring</b></p> <p>During the course of the audit we noted that there has been inadequate monitoring and accounting for capital and revenue grant schemes.</p> <p>Our testing identified £128k of ineligible expenditure which had been included as grant schemes debtors. The 2019-20 accounts submitted for audit are to be adjusted for these debtors.</p> <p>Furthermore, funding received in respect of the EU Peace IV scheme</p>	<p>2</p>	<p>Council should undertake a review of funding for all grant schemes, to ensure that funding received is matched with the corresponding expenditure and any disallowed costs are identified.</p>	



<p>has not been matched with the expenditure incurred and claims submitted. Consequently, a breakdown of the amounts still to be reimbursed is not available. Until this task is completed, there is a risk that the debtor recorded in the 2019-20 accounts includes expenditure which will be disallowed.</p>			
<p><b>11. Corporate Risk Register</b></p> <p>The Corporate Risk Register presented at Audit Committee meeting does not comply with best practice. For example, risk descriptions are missing or not fully articulated; the risk appetite for each risk is not specified; there are inconsistencies in risk scores; and the migrating actions included in the register are a mixture of current controls and actions to be taken to reduce the risk and target dates for the latter are not specified.</p>	<p>3</p>	<p>Council should review and amend the Corporate Risk Register to ensure that it complies with best practice.</p>	
<p><b>12. Journals</b></p> <p>During the testing of financial journals we noted that the same person can raise and post a journal.</p> <p>We noted that Council keeps a register of all journals. However, there is no evidence of senior management reviewing a sample of journals.</p>	<p>3</p>	<p>Council should ensure that where staff resourcing does not allow for adequate segregation of duties, a sample of journals posted is reviewed each month to ensure that they are accurate and appropriate.</p>	
<p><b>13. Prompt Payments</b></p>			

<p>In 2019-20, 79% of invoices were paid within 30 days compared with 82% in 2018-19.</p> <p>Council had not retained the Quarter 1 report from the Total system showing the number of invoices paid within 10 and 30 days.</p>	<p>3</p>	<p>Council should remind staff of the importance of authorising invoices and forwarding to Finance on a timely basis to allow prompt payment to suppliers.</p> <p>Council should also ensure that reports in support of prompt payment performance are retained for audit purposes.</p>	
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

A review of management’s implementation of recommendations made in our prior year Report to those charged with Governance is set out in Appendix Three – Implementation of Prior Year Recommendations.

### Proper Arrangements

A number of observations and recommendations were made as a result of our work on Proper Arrangements. For further details please refer Finding 6 in the table above.

### Audit Adjustments

#### Adjusted misstatements

During the audit process we identified the following misstatements above our clearly trivial threshold of £11,000. These misstatements have been adjusted and the net effect on the Comprehensive Income and Expenditure Statement and Balance Sheet was £70,000.

Area	Issue	CIES		BS	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
Trade Creditors	Overstatement of prepayments and creditors in respect of April 2020 payments for 2020-21 costs.			1,213	
Prepayments					1,213
Infrastructure additions	Reversal of salary costs capitalised to infrastructure				152
Capital projects salaries		152			

Buildings	Reclassification of Killyrammer Community Centre to surplus assets				104
Buildings Revaluation					107
Land					6
Land Revaluation					144
Revaluation Reserve				251	
CAA - Revaluation Increase to CIES				46	
General Fund - T/fer CAA					46
Surplus - PPE				110	
Legal expenses	Prior year legal fees accrual not fully reversed		102		
Accruals				102	
Short term provisions	Reversal of provision to reserves			84	
Earmarked reserves					84
Revenue grant income (CIES)	Revitalise Coleraine & Revitalise Ballymoney grant receivables written back	79			
Revenue Grants debtor					79
Public Sector Creditors	Overstatement of Public Sector Debtors and Creditors in respect of NILGA 2020-21 Annual Subscription.			54	
VAT					9
Public Sector Debtors					45
Capital Grants Received in Advance	Village Renewal grant debtor overstated			49	

Capital Grants due (debtor)					49
Revenue Grants due from public sector (ST debtor)	Understated income & debtor in respect of 2019-20 Rural Development grant funding received post year end.			43	
Revenue Grants Income			43		
Expenditure Accruals	Adjustment to NIAO fee in respect of the Performance Improvement audit		16	16	
<b>TOTAL</b>		<b>231</b>	<b>161</b>	<b>1,968</b>	<b>2,038</b>
<b>NET EFFECT</b>		<b>70</b>			<b>70</b>

### Client adjustments

In addition, to the adjustments identified as a result of our audit procedures, the following adjustments were made by the Council following submission of the accounts for audit on 7<sup>th</sup> August 2020.

Area	Issue	CIES		BS	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
Leisure income	Client adjustments – adjustments required mainly due to Peace IV, severance adjustments and accumulated absences.		6		
Environmental income			5		
Planning income			1		
Leisure expenditure			6		
Environmental expenditure			10		
Corporate policy expenditure		22			
				6	

Planning expenditure					
Finance & investment expenditure		28			
Surplus on revaluation		1			
PPE				10	
Short term debtors				11	
Cash					5
Short term creditors					27
CAA					6
Crosstagherty Landfill Provision	Client adjustment – works to cap Crosstagherty Landfill			1,458	
Crosstagherty Landfill Closure Plan ongoing					938
Crosstagherty Landfill Site Closure 2020					520
Crosstagherty Landfill Interest Cost				12	21
Crosstagherty Landfill Provision Release		21	12		
Building Maintenance Ballymoney VAT Control	Client Adjustment – VAT unaccounted for in Sales Receipt re	6			6

Report to those charged with Governance

	Cockpit Brae Lighting				
Profit on Sale of FA	Client Adjustment – Moyle civic amenity site – insurance proceeds		4		
Moyle Civic Amenity Sites – Insurance Proceeds			4		
Debtor – Insurance Proceeds Due				8	
General Fund - T/fer CAA				4	
CAA – Profit on sale of FA					4
VAT – Input VAT	Client Adjustment – VAT on grants payments – being reclaimed				94
Debtors – Other				94	
Land – T/fer @ Cost (Drumaduff)	Client Adjustment – Asset Transfer			12	
Drumaduff Asset WIP T/fer @ Cost					12
<b>TOTAL</b>		<b>78</b>	<b>54</b>	<b>1,609</b>	<b>1,633</b>
<b>NET EFFECT</b>		<b>24</b>			<b>24</b>

### Unadjusted misstatements

The table below lists unadjusted misstatements which exceed our clearly trivial threshold of £11,000. Uncorrected misstatements would increase expenditure and reduce net assets by a further £9,000.

Area	Issue	CIES		BS	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000

Trade Creditors	Overstatement of prepayments and creditors in respect of April 2020 payments for 2020-21 costs			61		
VAT					31	
Prepayments						30
Trade Creditors	Cut-off error in respect of HP notebook computers			15		
VAT					2	
Vehicles, Plant & Equipment Additions						13
Bad debt expense (CIES)	Provision for bad debts understated	12				
ST Debtors – Impairment loss – Trade receivables						12
Staff Costs	Accumulated employee absences accrual understated	17				
Employee creditors					17	
Accumulated absences reserve				17		
General Fund						17
Trade Creditors	Vehicle purchased 23 March 2020 but not included in 2019-20 accounts				23	
VAT				4		
Vehicles, Plant & Equipment Additions				19		
Receipts in advance (Short Term Creditors)	No output VAT accounted for on receipts in advance of			271		

Report to those charged with Governance

VAT (Short Term Debtors)	static caravan income and marina fees				271
Trade Creditors	Overstatement of prepayments and creditors in respect of April 2020 payments of 2020-21 fuel costs			12	
VAT Prepayments					2
					10
Accruals	UU Riverside Theatre funding over-accrued			20	
Supplies & Services (CIES)			20		
<b>TOTAL</b>		<b>29</b>	<b>20</b>	<b>419</b>	<b>428</b>
<b>NET EFFECT</b>		<b>9</b>			<b>9</b>



---

## *Appendices*

---



## Appendix One – Letter of Representation

### [Council Letterhead]

The Local Government Auditor  
Northern Ireland Audit Office  
106 University Street  
BELFAST  
BT 7 1EU

#### LETTER OF REPRESENTATION: CAUSEWAY COAST AND GLENS BOROUGH COUNCIL, STATEMENT OF ACCOUNTS 2019-20

I acknowledge as Chief Financial Officer of the Council my responsibility for preparing accounts that give a true and fair view of the state of affairs, total income and expenditure, and cash flows of the Council for the year ended 31 March 2020.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department for Communities (DfC), including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that the Council is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2020:

- having considered and enquired as to the Council's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Council to conduct its business or on the results and Balance Sheet disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and

- the information provided regarding the identification of related parties is complete and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

## INTERNAL CONTROL

I acknowledge as Chief Financial Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with DfC guidance on the Governance Statement.

## FRAUD

I acknowledge as Chief Financial Officer my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

Other than those cases already communicated to you, I am not aware of any fraud or suspected fraud affecting the Council. No allegations of fraud, or suspected fraud, affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

## ASSETS

### General

All assets included in the Balance Sheet were in existence at the reporting period date and owned by the Council and are free from any lien, encumbrance or charge, except as disclosed in the accounts. The Balance Sheet includes all non-current assets owned by the Council.

### Long Term Assets

All assets capable of being used for a period exceeding one year are capitalised. Land and Property assets are revalued on a 5 year rolling basis with 20% of assets being subject to a physical valuation each year and ensuring that the remaining 80% does not differ materially by providing up to date revaluations at intervals of no more than 5 years. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Council's operations.

Investment properties are capitalised and re-valued annually according to market conditions and are not depreciated. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement

### Current Assets

On realisation in the ordinary course of the Council's operations the other current assets in the Balance Sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Council which are known, or may be expected, to be irrecoverable.

## LIABILITIES

### General

All liabilities have been recorded in the Balance Sheet. There were no significant losses in the year and no provisions for losses were required at the year end.

### Provisions

Provision is made in the financial statements for:

- Landfill provision of £13 million

I am content that the landfill provision of £13 million is a reliable estimate, based on current information of the estimated capping and closure costs for the three landfill sites.

### Crosstagherty

As regards Crosstagherty there are no major pollution concerns. I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

### Drumaduff

Whilst there is a lagoon with leachate at Drumaduff, due to the existence of a natural weed-bed there are currently no major pollution concerns. Further negotiations are on-going in respect of obtaining ownership of this site and we are content that the estimated cost of back rent due of £265,400 is reasonable. I consider the period of 30 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate. I consider that the costs of vesting of the land on which the landfill is sited will not be material.

## Craigahulliar

I consider the period of 60 years for which the provision has been made for aftercare to be appropriate and represents management's best estimate.

## Contingent Liabilities

There are a number of legal claims or potential claims against the Council the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Council, and I am not aware of any action which is or may be brought against the Council under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

## OTHER LIABILITIES

The net pension liability at the year-end was £46,475,000.

Having made appropriate enquiries, I am satisfied with the appropriateness of the actuarial assumptions underlying the valuation of the Council's share of the valuation of the pension scheme liabilities.

Furthermore, I confirm that:

- All significant retirement benefits, including any arrangements that are implicit in the employer's actions, have been identified and properly accounted for; and
- All settlements and curtailments have been identified and properly accounted for.

## OTHER DISCLOSURES

### Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Council, or circumstances of an exceptional or non-recurring nature.

## COVID-19 impact

The impact of COVID-19 is being assessed for the Council and regular updates are being provided to Council. The impact of COVID-19 is monitored and revised on a regular basis as further information becomes available.

## Unadjusted errors

The following unadjusted errors have been brought to my attention:

- Prepayments and creditors have been overstated in respect of payments made in April 2020 for 2020-21 expenditure, amounting to £61,000
- Trade creditors overstated due to a cut-off error in respect of HP notebook computers of £15,000
- Provision for bad debts has been understated by £12,000
- Accumulated employee absences accrual is understated by £17,000
- PPE is understated due to a vehicle which was purchased on 23 March 2020 not being included in 2019-20 accounts, amounting to £23,000
- Output VAT accounted for receipts in advance of static caravan income and marina fees has not been accounted for, amounting to £271,000
- Prepayments and creditors are overstated in respect of April 2020 payments for 2020-21 fuel costs, amounting to £12,000
- UU Riverside Theatre funding over-accrued by £20,000

I consider the effect of these unadjusted errors to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

## Events after the Reporting Period

On 17<sup>th</sup> October 2020, the First-tier Tribunal issued its decision in relation to a dispute concerning the VAT liability of charges paid by members of the public for access to sport and leisure facilities provided by Mid-Ulster District Council. HMRC contended that the charges should bear VAT at the standard rate, while Mid-Ulster District Council contended that the charges in dispute did not attract VAT.

The appeal by Mid-Ulster District Council was allowed and now the quantum has to be agreed between both parties.

However, pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009, any party dissatisfied with the decision has a right to apply for permission to appeal not later than 56 days after the date of this decision.

Therefore, at this stage it is too early to assess the impact of this decision on council finances.

Except as disclosed in the accounts, there have been no material changes since the Balance Sheet date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

## Management of Personal Data

Except as disclosed in the Governance Statement, there have been no personal data related incidents in 2019-20 which are required to be reported.

## Other Representations

### IT

I confirm that there are no concerns with reliability of the IT system and I am content that it has facilitated the validity, recording, valuation and completeness of the systematic processing of transactions.

David Jackson  
Chief Executive  
Causeway Coast and Glens Borough Council

March 2021

DRAFT

## Appendix Two – Audit Report

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAUSEWAY COAST AND GLENS BOROUGH COUNCIL**

#### **Opinion on financial statements**

I have audited the financial statements of Causeway Coast and Glens Borough Council for the year ended 31 March 2020 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 2019-20, of the financial position of Causeway Coast and Glens Borough Council as at 31 March 2020 and its income and expenditure for the year then ended; and
- 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.

#### **Basis of opinion**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Causeway Coast and Glens Borough Council in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- Causeway Coast and Glens Borough Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Causeway Coast and Glens Borough Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Causeway Coast and Glens Borough Council's ability to continue to adopt the going concern basis.

#### **Other Information**

The Chief Financial Officer is responsible for the other information included in the Statement of Accounts. The other information comprises the information included in the Statement of Accounts other than the financial statements, the parts of the Remuneration Report described in the report as



having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities' directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and
- the information given in the Statement of Accounts for the financial year ended 31 March 2020 is consistent with the financial statements.

#### **Responsibilities of the Chief Financial Officer for the financial statements**

As explained more fully in the Statement of Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

#### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

This report is made solely to the Members of Causeway Coast and Glens Borough Council in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities of the Local Government Auditor and Local Government Bodies.

#### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if:

- in my opinion:
  - the Annual Governance Statement:
    - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
    - does not comply with proper practices specified by the Department for Communities;
    - is misleading or inconsistent with other information I am aware of from my audit; or
  - adequate accounting records have not been kept; or
  - the statement of accounts and the part of the remuneration Report to be audited are not in agreement with the accounting records; or
  - I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under Article 19 to 21 of the Local Government (Northern Ireland) Order 2005.

#### **Certificate**

I certify that I have completed the audit of accounts of Causeway Coast and Glens Borough Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

On 30 November 2020, in line with Article 22 of the Local Government (Northern Ireland) Order 2005, the Minister for Communities directed me to undertake an extraordinary audit of the accounts of Causeway Coast and Glens Borough Council concentrating on land disposals and easements and related assessment management policies and procedures. This audit is on-going.

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

March 2021

## Appendix Three – Implementation of Prior Year Recommendations

Recommendation	Status
<p><b>Agency Staff Costs</b></p> <p>The Council should undertake an analysis to establish the reasons why Agency staff costs continue to increase year on year.</p> <p>The Council should identify its permanent staff requirement and commence recruitment as appropriate.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 2 in Section 4.</p>
<p><b>Leases</b></p> <p>The Council should ensure that all property leases held are identified and full details recorded on its spreadsheet.</p> <p>The Council should allocate sufficient resources to ensure that rent reviews and leases renewals are dealt with as soon as they are due.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 4 in Section 4.</p>
<p><b>Land and Property Registration</b></p> <p>The Council should ensure that all land and property owned is registered with LPS.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 3 in Section 4.</p>
<p><b>Proper Arrangements</b></p> <p>The Council should ensure that a complete proper arrangements questionnaire is submitted to NIAO on a timely basis in future.</p> <p>A Capital Asset Management Strategy should be developed and approved by the Council as soon as possible.</p> <p>Testing of the Business Continuity Plan should be completed as soon as possible.</p> <p>The Council should ensure that it has a listing of all contracts with suppliers to enable it to undertake appropriate contract monitoring</p>	<p>The recommendation has not been addressed fully. For further details see Finding 6 in Section 4.</p>

<p>and identify when contracts need to be extended or are due to expire.</p> <p>The Council should ensure that it compiles a listing of all Direct Award Contracts.</p>	
<p><b>Procurement</b></p> <p>The Council should complete an assessment to establish if the hire of vehicles is better value for money compared with the purchase. The Council should also document its policy with regards to hiring vehicles.</p> <p>The Council should re-commence the EU tendering process as soon as possible in relation to the hire of vehicles. In addition, staff should be reminded of the need to ensure that where an EU procurement process has commenced, there should be strict adherence to required procedures and timeframes.</p> <p>The Council should ensure that relevant procurement policies are followed and evidence retained for all items of expenditure.</p> <p>The Council should ensure that when a purchase order is required, it is raised before any expenditure is incurred.</p> <p>The practice of reserving purchase order numbers should cease.</p> <p>The Council should ensure that a Procurement Officer is in post as soon as possible.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 7 in Section 4.</p>
<p><b>Management Accounts</b></p> <p>The Council should produce the management accounts on a more timely basis and present these to Council committees along with a detailed variance analysis.</p> <p>The Council should ensure that any new financial system is capable of preparing management accounts which report income and expenditure separately.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 5 in Section 4.</p>

<p>The Council should endeavour to close its ledgers on a monthly basis to avoid the risk of mispostings.</p>	
<p><b>Heritage Assets</b></p> <p>The Council should ensure that a valuation is obtained for all civic regalia and artefacts held in Town Halls and Civic Centres, as soon as possible to ensure the completeness and accuracy of the asset register.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 8 in Section 4.</p>
<p><b>Income</b></p> <p>The Council should review the income procedures at all of their locations and ensure that a consistent and appropriate approach is enforced.</p> <p>The Council should ensure that there is signed contract in place with the retailer for each leisure centre.</p>	<p>Due to restrictions in place because of Covid 19, we were only able to review one of the Council's locations. A minor issue was noted which was discussed with the Financial Accountant.</p>
<p><b>Information provided to Audit Committee</b></p> <p>The Council should ensure adherence to good practice as set out in HM Treasury's Audit Committee Handbook with regards to the information presented at each meeting of the Audit Committee.</p>	<p>A further recommendation has been made in relation to the Corporate Risk Register. For further details see Finding 11 in Section 4.</p>
<p><b>Prompt payments</b></p> <p>The Council should remind staff of the importance of authorising invoices on a timely basis to allow timely payment to suppliers.</p>	<p>The recommendation has not been addressed fully. For further details see Finding 13 in Section 4.</p>