

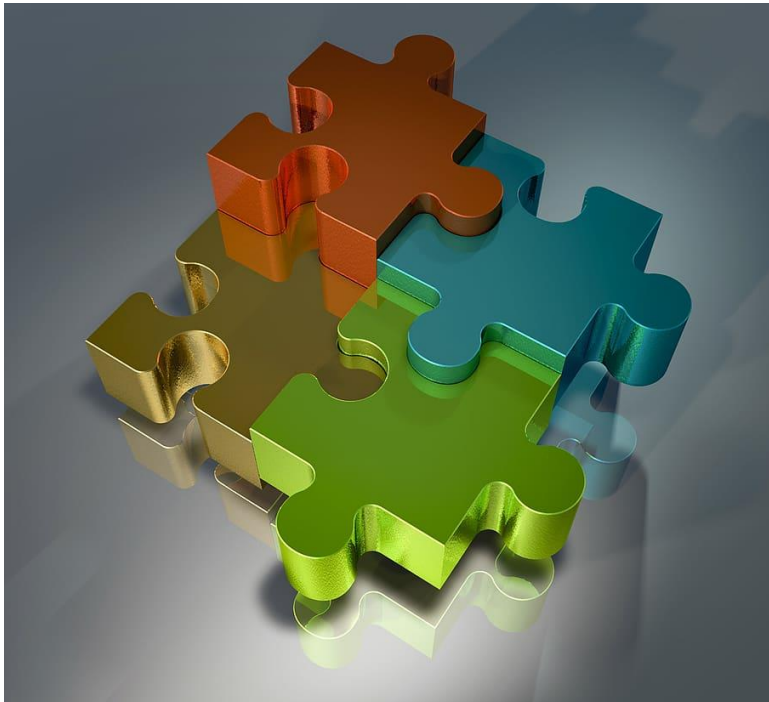


Northern Ireland Audit Office

Audit Strategy

Causeway Coast and Glens Borough Council

2021-22



February 2022

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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

Background

The Local Government Auditor is the independent external auditor of Causeway Coast and Glens Borough Council's ("the Council") Statement of Accounts under the Local Government (Northern Ireland) Order 2005. In addition to the audit of the financial statements, the Local Government Auditor has a statutory duty to be satisfied the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of its resources.

The Local Government Auditor (LGA) is also required to conduct an improvement audit and assessment each year under Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) and the statutory 'Guidance for Local Government Performance Improvement 2016', (the Guidance).

Purpose

The purpose of this document is to highlight to the Chief Financial Officer and the Audit Committee of Causeway Coast and Glens Borough Council:

- how we, on behalf of the Local Government Auditor (LGA) [plan to audit](#) the financial statements for the year ending 31st March 2022, including how we will be addressing [significant risks](#) of material misstatement to transactions and balances;
- how we, on behalf of the LGA, plan to audit the [proper arrangements](#) in place for securing economy, efficiency and effectiveness in the use of resources for the year ending 31st March 2022;
- how we, on behalf of the LGA, plan to conduct an [improvement audit and assessment](#);
- the planned [timetable, fees and audit team](#);
- relevant [updates to the Code](#); and
- matters which we are required to communicate to you under International Standards on Auditing (ISAs), including the [scope of the audit](#), our [respective responsibilities](#), and [how we maintain independence and objectivity](#).

Materiality

When setting materiality, we consider both qualitative and quantitative aspects that would reasonably influence the decisions of users of the financial statements. [The overall account materiality](#) is £1,137,580.

Significant Audit Risks

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances. We have identified the following [risk](#) which has the most significant impact on our audit approach:

- Management override of controls.

Proper Arrangements

We will issue a questionnaire on proper arrangements to Council. We will review the Council's responses and perform additional work in areas considered to be higher risk. The main financial

audit work will also feed into the risk assessment and conclusions of arrangements in place.

Conclusions regarding proper arrangements will be noted in the Report to those charged with Governance including any recommendations for improvement.

Performance Improvement

The LGA will undertake a full assessment of whether the Council is likely to comply with its performance improvement responsibilities under the Act in 2022. In preparation for this, the Council should ensure that:

- it has established adequate performance improvement arrangements;
- it has substantive evidence to demonstrate improvement; and
- it has addressed any outstanding Proposals for Improvement made by the LGA in previous years.

Audit Team and Fee

Colette Kane will be responsible for the overall audit. The full engagement team is presented in [Section 4](#).

Our audit [fee](#) for this year is £84,000 for the financial audit and £22,000 for the performance improvement audit and assessment.

Actions for the Audit Committee

The **Audit Committee** should discuss:

- whether our assessment of the risks of material misstatement to the financial statements is complete;
- whether management has plans in place to address the risks identified by NIAO and whether these plans are adequate;
- our proposed audit response to address these risks; and
- whether they have knowledge of any
 - actual, suspected or alleged fraud affecting Causeway Coast and Glens Borough Council; or
 - instances of non-compliance with laws and regulations that could be expected to have a fundamental effect on the operations of Causeway Coast and Glens Borough Council;and communicate details to the audit team.

2. MATERIALITY

Basis for overall materiality calculation	• £75,838,000 [2020-21 Gross expenditure]
Overall account materiality (1.5%)	• £1,137,570
Error reporting threshold	• We report to you all misstatements, whether adjusted or unadjusted, above £11,376

A matter is material if its omission or misstatement would reasonably influence the decisions of the users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of misstatement.

The concept of materiality recognises that absolute accuracy in financial statements is rarely possible. An audit is therefore designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. We apply this concept in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial statements when forming the audit opinion. This includes the statistical evaluation of errors found in samples which are individually below the materiality threshold but which, when extrapolated, suggest material error in an overall population. As the audit progresses our assessment of both quantitative and qualitative materiality may change.

In areas where users are particularly sensitive to inaccuracy or omission, we may treat misstatements as material even below the principal threshold. These areas include:

- the remuneration and staff report;
- movements on reserves;
- the legality of expenditure;
- our audit fee;
- prior year figures; and
- specific legal settlements or amounts which should be agreed to other accounts.

3. AUDIT APPROACH

Audit Approach

The NIAO audit approach is risk-based, informed by a good understanding of the operations of Causeway Coast and Glens Borough Council and an assessment of the risks associated with the financial statements and the regularity of underlying transactions. For all significant audit areas, we will use a variety of audit techniques, including analytical procedures and sampling of transactions. We will review other accounting systems and management controls operated by the Causeway Coast and Glens Borough Council only to the extent we consider necessary for the effective performance of the audit.

Independence

We are independent of Causeway Coast and Glens Borough Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard. We have fulfilled our ethical responsibilities in accordance with these requirements and have developed important safeguards and procedures in order to ensure our independence and objectivity.

NIAO quality standards and independence can be found at

<https://www.niauditoffice.gov.uk/publications/niao-quality-standards-and-independence>

Management of Personal Data

During the course of our audit we have access to personal data to support our audit testing. The NIAO has appointed a Data Protection Officer and has implemented a Data Protection Policy which ensures that personal data (and other sensitive data) used in connection with the audit is requested, transferred, controlled, processed and destroyed in accordance with the UK General Data Protection Regulation.

Using the work of Internal Audit

We liaise closely with internal audit throughout the audit process and seek to take assurance from their work where their objectives cover areas of joint interest.

Using specialised skills

We will rely on the work of the following:

- Land and Property Services (LPS) in respect of the valuation of the land and buildings; and
- The actuary in respect of the pension valuation.

Changes to the Code in 2021-22

The key accounting changes introduced by the *2021-22 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) include:

- Reframing the Code requirements in terms of UK-adopted standards rather than EU adopted standards, reflecting the United Kingdom's withdrawal from the European Union.
- Amendments to confirm the existing adaptation in the Code for standards issued but not yet adopted.
- Augmentations to the reporting of estimation uncertainty.

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- Confirmation of the reporting requirements for interest rate benchmark reform.

Audit Scope

The scope of our audit and respective responsibilities can be found at:

<https://www.niauditoffice.gov.uk/publications/scope-financial-audit-respective-responsibilities-and-other-matters>

The Code of Audit Practice issued by the Local Government Auditor extends to not only the audit of financial statements but also to aspects of financial and corporate arrangements to secure the economic, efficient and effective use of resources. The Code can also be viewed on the NIAO website at <https://www.niauditoffice.gov.uk/publications/code-audit-practice-2016>.

Respective Responsibilities in the preparation of the financial statements

In line with Auditing Standards we are required to agree the respective responsibilities of the Local Government Auditor, the Council's Chief Financial Officer and the NIAO. These responsibilities are set out in the Statement of Responsibilities of Local Government Auditors and Local Government Bodies issued by the Local Government Auditor. The Statement of Responsibilities can be viewed on the NIAO website at <https://www.niauditoffice.gov.uk/publication/statement-responsibilities-local-government-auditor-and-local-government-bodies>.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Proper Arrangements in place to secure economy, efficiency and effectiveness

Under the Code of Audit Practice we are also required to perform an initial assessment of significant risks to the conclusion on proper arrangements in place to secure economy efficiency and effectiveness in the use of its resources.

We will issue a Proper Arrangements Questionnaire to the Council. We will review the Council's responses and the documentary evidence provided in support of the responses. We will follow-up on recommendation for improvement identified in previous years.

Performance Improvement

The Local Government (Northern Ireland) Act 2014 prescribes responsibilities for the Local Government Auditor regarding the audit and assessment of performance improvement arrangements in Councils. This work will be conducted in accordance with the Act, the Guidance, the Local Government Code of Audit Practice 2016 and the LGA's Statement of Responsibilities, and includes:

- an improvement audit for the purposes of determining:
 - (a) whether the Council has, during the year, discharged its duties under section 92 of the Act; and
 - (b) the extent to which the Council has, during the year, acted in accordance with any guidance issued by the Department about any Council duties under section 92;
- an improvement assessment for the purpose of determining whether the Council is likely, during the year, to comply with the requirements of Part 12 of the Act; and

- issuing a report, or reports, in respect of the Council to the Council and the Department, under section 95 of the Act; and
- producing and publishing an annual improvement report under section 97 of the Act.

The Act also allows the LGA to:

- carry out an assessment for the purpose of determining whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent financial years; and
- carry out a special inspection of the Council's compliance with the requirements of Part 12 if the LGA is of the opinion that the Council may fail to comply with the requirements of Part 12 of the Act.

The audit team will request access to all relevant documents and Council officers. Sharing our 'audit work programme' in advance of the audit will assist the Council in preparing for the audit fieldwork. We suggest the Council prepares a file of audit evidence in advance of the fieldwork stage, cross referenced to specific paragraphs or sections of the documents providing the necessary evidence. This should help us deliver a more efficient audit.

Significant Audit Risks

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.

Under ISA (UK) 240, there is a presumed risk of fraud in revenue recognition, albeit rebuttable. We do not believe the risk of fraud in revenue recognition is material to the financial statements. However, our work will include identifying income streams received in the form of cash, the controls in place over cash and cyclical testing of the main income areas.

The following is a presumed risk.

Significant Risk 1 Management override of controls

Under ISA (UK) 240, there is a presumed significant risk of material misstatement due to fraud through management override of controls.

Audit Response

As required by ISA (UK) 240, we will:

- Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud;
- Consider significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

Other risk factors

In addition to the significant presumed risk we have identified above, we have also identified a number of other risk factors. We do not consider these to represent a significant risk of material misstatement in the financial statements but are matters which we will continue to monitor and respond to as appropriate throughout the audit. These areas include:

Procurement

In previous audits we raised issues in relation to procurement. We noted that procurement procedures had not been followed, including the completion of direct award contract documentation. We will review a sample of contracts awarded in year by the Council, including direct award contracts.

Leases

In prior years issues have been raised in relation to the Council not renewing leases or conducting rent reviews on leases which have expired. We will review Council's leases to ensure appropriate rent reviews have been completed and leases have been renewed on a timely basis.

Financial Resilience

The Covid 19 pandemic continues to impact council finances significantly and may do for some time in the future. Whilst funding has been received from central government, we recognise 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 and 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 will:

- consider the Chief Financial Officer's assessment of the going concern basis for the preparation of the accounts;
- examine financial projections and plans prepared by Council; and
- consider the detailed disclosures regarding the financial position included within the 2021- 22 Statement of Accounts.

4. AUDIT TIMETABLE, FEES AND STAFFING

Timetable for Financial Audit

The timetable comprises an interim visit commencing on 28th February 2022 for 4 weeks and a final visit commencing 4th July 2022 with certification planned for 30th September 2022.

Interim audit testing commences	•28th February 2022
Electronic version of draft financial statements provided to NIAO	•30th June 2022
Final audit testing commences	•4th July 2022
Audit Committee Meeting	•21st September 2022
Council Meeting to approve final accounts	•26th September 2022
Signed financial statements and Letter of Representation provided to NIAO	•27th September 2022
Financial statements certified by LGA	•30th September 2022
Provisional Report issued for management response	•16th September 2022
Final Report to those charged with Governance issued	•28th October 2022
Annual Audit Letter issued	•30th November 2022

Submission of Accounts

The Council is required to submit its accounts to the Department for Communities by 30th June following the year end. The Department then forwards on a hard copy of the accounts to NIAO for audit. It would assist the audit process hugely if an electronic version of the accounts, along with the excel spreadsheet underpinning them, were forwarded to NIAO at the same time as being sent to the Department.

Public Notice

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Council to give notice, by publication on its website, of the date from which the accounts and other documents are available for public inspection and the date from which the exercise of rights under Article 17 and 18 of the Order may be exercised. In the current audit timeframe, notice should be placed on websites in early July. The LGA usually writes to councils closer to the time to remind them of this requirement as the audit of the accounts cannot be certified as being completed until the notice period has been executed in full.

Objections

The 2005 Order allows objections to be raised from interested parties concerning the Council's accounts. We will hear and carefully consider representations by, and objections from, any such interested parties. In conducting our audit we may consider the lawfulness of items of account, the conduct of members and officers, instances where it appears a loss may have arisen and our other statutory duties required of the Local Government Auditor.

Improvement Audit and Assessment Timetable

Council publishes Performance Improvement Plan	• Not later than 30th June 2022*
NIAO Planning and Fieldwork	• August to October 2022
Council to publish an assessment and comparison of its performance	• no later than 30th September 2022
Draft S95 report issued to Chief Financial Officer for factual accuracy agreement	• 14th November 2022
Final S95 report issued to the Council and the Department	• 30th November 2022
Publication of Council's Annual Improvement Report	• no later than 31st March 2023

* The Act indicates that councils should publish their Performance Improvement Plan as soon as practical after the start of the financial year to which it relates. The Guidance recommends this is completed by the end of June to enable the LGA to meet the statutory reporting deadline of 30th November.

Fees

The estimated fee for the financial audit is £84,000 for the Council's Statement of Accounts and £22,000 for the performance improvement audit and assessment.

Completion of our audit in line with the timetable and fee is dependent upon:

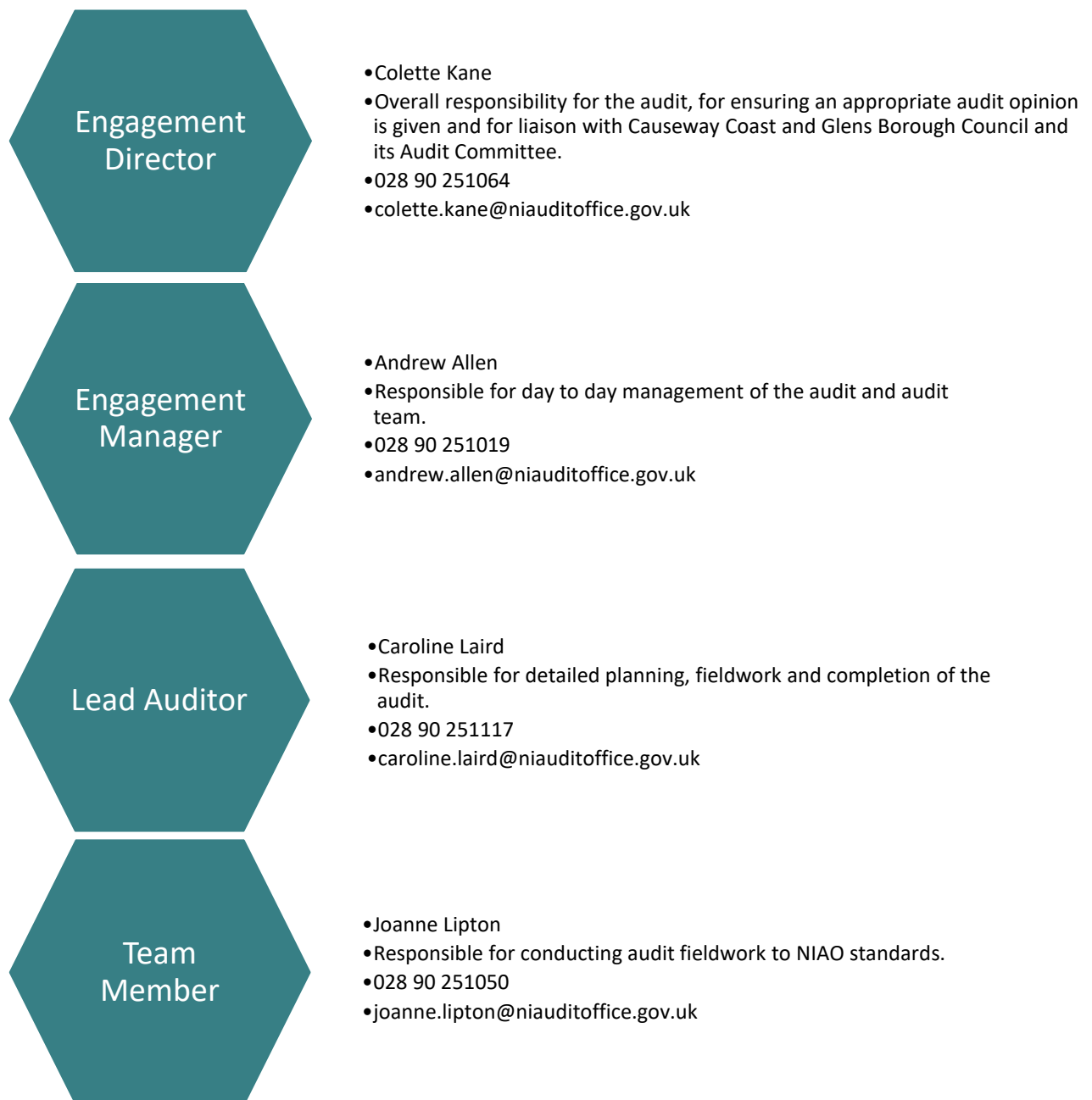
- Causeway Coast and Glens Borough Council delivering on 30th June 2022 a complete Statement of Accounts of sufficient quality that have been subject to appropriate internal review.
- Causeway Coast and Glens Borough Council delivering good quality supporting documentation and evidence, within the agreed timetable for both the financial and improvement audits;
- Appropriate client staff being available during the audit; and

- Availability of evidence to support our audit work on performance improvement and assessment.

Further matters of interest

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

Audit team – Statement of Accounts and Proper Arrangements



Audit team – Improvement Audit and Assessment work



Engagement
Director

- Colette Kane
- Overall responsibility for the audit and for ensuring an appropriate audit opinion is given.
- 028 90 251064
- colette.kane@niauditoffice.gov.uk



Engagement
Manager

- Andrew Allen
- Responsible for day to day management of the audit.
- 028 90 251019
- andrew.allen@niauditoffice.gov.uk



Lead Auditor

- John Hegarty
- Responsible for planning, fieldwork and completion of the audit.
- 028 90 251104
- john.hegarty@niauditoffice.gov.uk

APPENDIX ONE: GOOD PRACTICE GUIDES

The NIAO has produced a series of good practice guides for Northern Ireland public sector bodies. The following guides have been published in the last five years:

- Grant Fraud Risks
28 October 2021
- A Strategic Approach to the Use of Public Sector Assets A Good Practice Guide for Local Government in Northern Ireland
21 October 2021
- Procurement fraud risk guide
24 November 2020
- Covid-19 fraud risks August 2020
01 September 2020
- Raising concerns: A good practice guide for the Northern Ireland Public Sector
25 June 2020
- Performance improvement in local government - learning the lessons of performance improvement: a good practice briefing
27 September 2019
- Public Reporting Standards (May 2019)
24 May 2019
- Making Partnerships Work
30 April 2019
- Performance Management for Outcomes
15 June 2018
- Managing the Risk of Bribery and Corruption
14 November 2017

These publications can be found at

<https://www.niauditoffice.gov.uk/publications/type/goodPractice>

APPENDIX TWO: PUBLIC REPORTS

Relevant Public Reports over the last three years

While the financial audit team will be mindful of value for money (VfM) throughout the audit, Public Reporting audit teams within NIAO undertake VfM studies across the public sector. VfM studies relevant to Causeway Coast and Glens Borough Council published in the last three years are as follows:

- Planning in Northern Ireland (1 February 2022)
- Managing Attendance in Central and Local Government (24 November 2020)

Current and Planned Public Reporting Activities

There are currently no Causeway Coast and Glens Borough Council specific examinations underway.

Proposals for future studies specific to Causeway Coast and Glens Borough Council are based on gathering an understanding of the Causeway Coast and Glens Borough Council's operations and identifying areas where value for money might be at risk. This requires ongoing completion of routine survey work by the Public Reporting audit team and more detailed analysis of specific areas which show potential as future study topics. The Public Reporting audit team will liaise with Causeway Coast and Glens Borough Council when carrying out this work.

Other ongoing studies with relevance / of interest to the Council

There are no VfM examinations currently underway which are relevant to Causeway Coast and Glens Borough Council.