

Issued by the Local Government Auditor



Belfast City Council
(operating in shadow form)

2014-15

To the Members of
Belfast City Council

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

Contents

1.	Introduction	3
	Local Government Reform	3
2.	Financial Statements	5
	Summary of Audit Findings	5
	Financial Performance.....	6
3.	Governance.....	7
	Annual Governance Statement	7
	Internal Audit.....	9
	Audit and Risk Panel.....	9
4.	Proper arrangements.....	10
5.	Closing Remarks.....	11

1. Introduction

I have been designated the Local Government Auditor for Belfast City Council by the Department of the Environment (the Department) 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 2014-15 audit. The New Belfast City Council was created as a result of legislation as part of the implementation of Local Government Reform and this report is issued to the Members of Belfast City Council.

Local Government Reform

Under the Local Government Act (Northern Ireland) 2014 (The Act) the number of local councils in Northern Ireland reduced from twenty six to eleven on 1 April 2015. The legacy Belfast City Council with some functions attached to areas transferring from Lisburn City and Castlereagh Borough legacy councils and central government was amalgamated into the New Belfast City Council.

The Act now forms the legislative framework for Northern Ireland's eleven councils. This includes how decisions are made, how positions of responsibility are shared across political parties, how improvements in the delivery of council functions can be achieved to reflect the needs of local communities, and how effectively and efficiently council services are delivered to people. It provides for statutory governance in councils and introduces a new ethical standards framework which includes a mandatory code of conduct for councillors.

Every aspect of the governance, management and provision of local government services has been impacted. The new councils have now taken the lead in community planning and are expected to deliver high quality services in an effective and efficient manner under a new performance improvement framework. Powers such as planning and community development have transferred from central government to the new councils. The Act also sets out arrangements for the transfer of staff, assets and liabilities to the new councils.

The Local Government (Transitional, Supplementary, Incidental Provisions and Modifications) Regulations (Northern Ireland) 2014 made transitional provision with respect to local government reorganisation including positions of responsibility within the new council for the winding up and final accounts of existing councils.

Belfast City Council struck the 2015-16 rates and approved business and financial plans in advance of 1 April 2015. As Belfast City Council was operational to a limited extent during the 'shadow' period, I am required to audit the accounts of this body for the 2014-15 period.

As well as additional financial audit work required in relation to the new councils operating in shadow form and the financial audit of statutory transition committees in the transitional year of

2014-15, Part 12 of the Act provides that I will undertake performance improvement audits and assessments each year for each of the new councils. Once Part 12 of the Act has commenced in full, this programme of work will specifically entail:

- undertaking improvement audits, to review whether councils have discharged their duties for publishing improvement planning and performance information;
- carrying out improvement assessments, to determine whether councils are likely to comply with legal requirements to make arrangements to secure continuous improvement in the exercise of their functions; and
- reporting on improvement audit and assessment work.

In advance of full commencement of Part 12 of the Act, the Department issued statutory guidance for the 2015-16 financial year setting out both the council's and my responsibilities in this introductory year. I was responsible for reporting to the New Council and the Department whether, in my opinion, it had made arrangements to secure continuous improvement in the exercise of its functions. This work has been completed and my opinion has been reported to you and the Department separately. In future years the programme of work will be amended to reflect changes in the guidance as it becomes aligned to the full statutory requirements of Part 12 of the Act.

In preparation for full commencement, I continue to engage with relevant external stakeholders and have established a team to manage and develop a best practice audit approach and methodology. This enables my staff to carry out their work with independence, integrity and objectivity, in accordance with the key principles set out in my new draft 'Code of Audit Practice' which is currently being consulted upon and which will be published by 1st April 2016.

2. Financial Statements

Summary of Audit Findings

Belfast City Council

The accounts of Belfast City Council must be prepared 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. As there was limited activity DOE has directed that new councils will not be required to observe all relevant accounting and disclosure requirements detailed in the code between 26 May 2014 and 31 March 2015 (the shadow period).

The financial statements were signed by the Chief Financial Officer of Belfast City Council on 19th June 2015. This is within the statutory timeframe of 30th June. Following the audit, the accounts were re-signed on 15th October and published on the website of Belfast City Council on 31st October 2015 in accordance with the regulations.

For the year ended 31 March 2015 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 2014-15 as required, of the financial position of Belfast City Council as at 31 March 2015 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, addressed to the Chief Executive of Belfast City Council, on the results of the audit, noting the most significant issues. That report is presented separately to your Audit and Risk Panel.

The Belfast City Council Statutory Transition Committee

The Belfast City Council Statutory Transition Committee (STC), consisting of 21 members from Belfast City Council, 2 members from Castlereagh Borough Council and 2 members from Lisburn City Council), was formed through regulation¹ to ensure that the Belfast City Council was able to adopt its full range of powers and functions from 1 April 2015. The STC was set up to gather information, consider and advise on matters relevant to moving to the new Council, to prepare a draft budget and to prepare a draft corporate and business plan. The other regulatory role of the STC was to appoint a clerk of the new Council, as well as any other staff it deemed appropriate. Under regulation the STC ceased to exist on 19 June 2014, following the election held in May 2014 to determine the Members of the new Council.

¹ The Local Government (Statutory Transition Committees) Regulations (Northern Ireland) 2013

The STC was a statutory local government body and I therefore had responsibility to audit its financial statements, in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. I gave an unqualified opinion on the 2014-15 financial statements of the Belfast City Council STC.

Financial Performance

The Statement of Comprehensive Income and Expenditure of Belfast City Council shows that during the year ended 31 March 2015 the Council spent £1,077,295. It also received income of £1,077,295; with the Predecessor Council ensuring that break even was achieved through its contribution of £199,710.

The major items of expenditure were

- Members basic allowances (£501,150);
- Other Members allowances (£80,644);
- Members costs - Employers costs – NIC & Superannuation (£142,236); and
- Staff costs supporting Shadow Council (£88,532).

The major areas of income were

- DOE Grant Funding towards Member Costs (£675,180) and other costs (£200,005) including Capacity Building, Change Management and Staff costs; and
- The Predecessor Council contributed £199,710 towards the costs of the New Council. At 31 March 2015 Belfast City Council had no non-current assets.

3. Governance

The Good Governance Standard for Public Services² 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 Belfast City Council 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 Statement³.

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 2014-15;
- 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 Council noted the following significant governance issues in its Governance Statement:

1. Meeting the challenges and maximising the benefits presented by Local Government Reform (Phase II)

New governance and political management arrangements have been successfully introduced in line with legislative requirements and political agreement. Over the next year the Council will focus on the delivery of Phase II (e.g. service redesign, enhanced efficiency and effectiveness, embedding new governance arrangements, etc) in addition to getting ready for the transfer of regeneration and

² The Good Governance Standard for Public Services, OPM and CIPFA, 2004

³ Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

community development powers and a significant asset portfolio from the Department for Social Development on 1 April 2016.

2. The Belfast Agenda

The Council's new power of community planning will be known as the Belfast Agenda and over the coming year steps will be taken to ensure statutory responsibilities with regards to this are met to further enhance governance arrangements.

3. Organisational Development

The Council needs to realign the organisation to ensure it is fit to deliver its new priorities and best practice from the recently completed Peer review challenge process and the Decision Making Accountability work that is being undertaken will provide evidence-based options.

4. Rate setting and the development of its Medium Term Financial Plan

The key financial risk affecting the Council is the pressure on available financial resources. As part of the rate setting process for 2016-17 the Head of Finance and Performance will be responsible for managing the development of a robust plan.

5. European Regional Development (ERDF) Fund projects

Delays in obtaining letters of offer for a number of these schemes has necessarily extended delivery dates with consequent loss of funding as the Council moves outside the eligible period. The Council is actively seeking to improve the level of assurance in place and have commissioned a number of experts to assist in building more robust processes and practices.

6. Waterfront Hall Operating Model

In order to comply with funding conditions set out by Tourism NI and ERDF to meet strategic economic benefits for the Waterfront the Council must consider the establishment and implementation of a new operating model and have developed a risk action plan to address a range of scenarios.

7. Management of leisure contract and capital investment programme

The Council entered into a long-term agreement with the Greenwich Leisure Ltd for the delivery of leisure services and there is a significant risk if this contract is not effectively managed. A risk action plan has been prepared.

8. Information Management

There is a significant governance issue around the need to ensure that the organisation has effective systems and procedures with regard to information management. Mandatory training has been completed by most of the appropriate officers and revised policies on Information Governance are to be prepared.

9. Robinson Centre

A report into health and safety issues at the Centre identified that extensive work would be required to deal with significant levels of legionella and asbestos present in the building to make it safe to use. Demolition has been approved in the event that the Centre remains with the Council.

Internal Audit - Audit Governance and Risk Service (AGRS)

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. Belfast City Council has continued with the AGRS already in place at the Legacy Council. This was operational during 2014-15, but due to the limited nature of the new Council's powers at that time, the scope of work was limited. A review of the effectiveness of the system of AGRS was carried out during 2014-15 by the Council and the findings of the review were considered by the Audit and Risk Panel.

Audit and Risk Panel

It is essential that Members exercise effective scrutiny of the internal control processes and procedures in place within the Council. One way that Members carry out this function is through the Audit and Risk Panel. The Audit and Risk Panel of Council met 5 times in the year.

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 resources⁴.

My review of Belfast City Council Council's arrangements for securing value for money was necessarily limited in scope due to the fact that the Council was operating in shadow form during 2014-15. Rather than covering all the areas referred to in my Code of Audit Practice I focused on specific aspects of finance and governance which the Council was responsible for during that period.

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

⁴ Local Government (Northern Ireland) Order 2005

5. Closing Remarks

This letter concerning the 2014-15 audit of Belfast City Council is addressed to the Members of Belfast City Council and prepared for the sole use of the latter. 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 and Chief Financial Officer of Belfast City Council.

Belfast City Council facilitated the audit in a positive and constructive way. I would like to take this opportunity to express our appreciation for the assistance and co-operation provided.

This letter will be presented to the Belfast City Council Audit & Risk Panel by my staff. I have also asked the Chief Executive to provide a copy to all Members of the Council.



Louise Mason

Local Government Auditor

19th November 2015