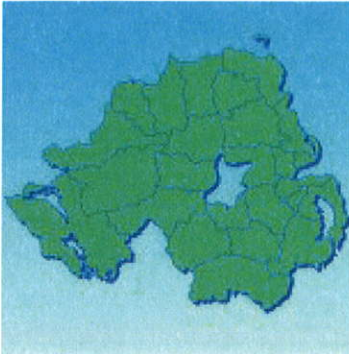


Issued by the Local Government Auditor  
2010



## Southern Organisation for Action in Rural Areas Joint Committee

Year to 31 March 2010

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## Joint Committee Background - Rural Development

The Local Government (Constituting a Joint Committee) Order (Northern Ireland) 2009 provided for district councils to establish seven rural development joint committees to deliver Axes 3 and 4 of the Northern Ireland Rural Development Programme 2007-2013. The Order also outlines the functions that these joint committees will perform on behalf of the Department of Agriculture and Rural Development (DARD) including:

- The appointment of local action groups to deliver rural development strategies.
- The oversight, monitoring and guidance of such groups.
- The approval of their proposals in relation to financial assistance towards projects in accordance with the Programme.
- The joint committee's governance arrangements including a requirement to comply with the Rural Development (Financial Assistance) Regulations (Northern Ireland) 2008.

Southern Organisation for Action in Rural Areas Joint Committee comprises the following councils:

- Armagh City & District Council
- Craigavon Borough Council
- Newry & Mourne District Council

Craigavon Borough Council is the lead council for the Southern Organisation for Action in Rural Areas Joint Committee.

The Local Government (Northern Ireland) Order 2005 sets out the accounting and audit requirements for local government bodies. The Order defines local government bodies as district councils or joint committees of district councils. Consequently this joint committee is required to prepare a statement of accounts, as directed by the Department of Environment (DoE), for each financial year and that these accounts are audited by a local government auditor.

Under the Order the DoE issued an Accounts Direction in connection with the form, preparation and certification of the 2009-10 accounts.

## Introduction

The DoE may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate persons who are members of the staff of the Northern Ireland Audit Office as local government auditors (Article 4(3) of the Local Government (Northern Ireland) Order 2005). For the year ending 31 March 2010 I have been designated the local government auditor for the Joint Committee.

As an auditor independent of the audited body I seek to examine that the body has managed its affairs having regard to a combination of economy, efficiency and effectiveness and that public money is properly spent or in the case of income properly accounted for.

## Status and Availability of this Annual Audit Letter

This Annual Audit Letter is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The Regulations require the local government body to publish this Annual Audit Letter as soon as reasonably possible. The local government auditor will place a copy of this Annual Audit Letter on the NIAO website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk).

The Audit Letter is addressed to members and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

# Audit of Accounts

- 1 As your statutory appointed auditor I reported my audit opinion on the Statement of Accounts on 20 October 2010. I gave an unqualified opinion on your accounts.
- 2 The Local Government (Northern Ireland) Order 2005 requires that in auditing accounts a local government auditor must by examination of the accounts or otherwise satisfy himself that:
  - (a) they are prepared in accordance with regulations;
  - (b) they fully comply with the requirements of all other statutory provisions applicable to the accounts;
  - (c) proper practices have been observed in the compilation of the accounts; and
  - (d) the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## ***Matters arising from the final accounts audit***

- 3 The published accounts are an essential means by which the Joint Committee reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. The Joint Committee's annual accounts were signed by the Chief Financial Officer of the lead council on 21<sup>st</sup> June 2010 and members of the Joint Committee approved the accounts on 21<sup>st</sup> June 2010. These were within the statutory guidelines which requires this to be completed by 30 June. Following minor adjustments from the audit the accounts were authorised for issue by the Chief Financial Officer of the lead council on 19<sup>th</sup> October 2010.
- 4 We have attached an appendix detailing the issues for the attention of management at Annex A. We have also attached a schedule of adjusted and unadjusted errors at Annex B. The most significant adjustments to the accounts made as a result of our audit findings were regarding formatting.

## ***Financial standing***

- 5 The Joint Committee received £356,000 of administration funding from DARD. Following the payment of £356,000 on administration costs a net balance of £nil was generated for 2009–10.
- 6 Following the Joint Committee's recommendation DARD issued Letters of Offer totalling £410,000 to successful applicants.

## ***Annual Governance Statement***

- 7 The Local Government (Accounts and Audit) (Amendment) Regulations (Northern Ireland) 2006 and DOE Circular No: LG/04/08 required local government bodies to conduct a review at least once in a financial year of the effectiveness of its governance framework (including its system of internal control) and then approve an Annual Governance Statement.
- 8 The Annual Governance Statement was approved by the Southern Organisation for Action in Rural Areas Joint Committee Chairman on behalf of the Joint Committee on 21<sup>st</sup> June 2010 and the Acting Chief Executive of the lead council on 21<sup>st</sup> June 2010. My opinion on the accounts includes the Annual Governance Statement. I am required to report if the Governance Statement is inconsistent with the guidance provided by DOE or if disclosures in the Statement are inconsistent with my understanding of the Council. I noted no Governance Statement matters in my report.

## ***Internal Audit***

- 9 The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 also required local government bodies 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. We recognise that it would be impractical for the Joint Committee to have its own internal audit function. We recommend that the Joint Committee ensures its activities are included in the annual internal audit plan for one of its participating councils each year.

## **Transition to International Financial Reporting Standards (IFRS)**

- 10 In central government, International Financial Reporting Standards (IFRS) applied to the 2009-10 accounts and the Central Government 2008-09 accounts were prepared for the last time on the UK Financial Reporting Standard basis in June 2009. For Local Government the change to IFRS will take place a year later (i.e. from 2010-11).
- 11 The DoE commissioned CIPFA (NI) to provide training and support to local government bodies in Northern Ireland to help take forward IFRS issues. A series of training days were held in late 2009 and early 2010. A new IFRS - based Code of Practice on Local Authority Accounting which will apply to local authority accounts from 1 April 2010 has been issued by CIPFA. We expect lead councils to be able to reflect the more limited impact that IFRS will have on Joint Committee accounts in 2010-11 having put in place the more extensive changes in district council accounts.

## **Other Audit Work**

- 12 No other audit work was undertaken in respect of the Joint Committee.

## **Conclusion**

- 13 This Audit Letter has been issued to the Chief Financial Officer of the lead council.
- 14 The Joint Committee has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the council's assistance and co-operation.



John Buchanan

Local Government Auditor

4 November 2010

## Craigavon BC

# Southern Organisation for Action in Rural Areas Joint Committee

## Rural Development Programme

2009-10

## Issues for Attention of Management

### Key to Priorities

- 1 Weakness with serious financial, systemic or reputational consequences and should be addressed immediately.
- 2 Weakness which is not fundamental but should be addressed in the short term (6 months).
- 3 Improvement which represents best practice.

**1: Income reconciliation difference**

<b>Observation</b>
An income reconciliation was performed which resulted in a difference of £5,553. The auditor was informed that this related to disallowed SLA costs (documentation was received from DARD stating that SLA costs of £6,450 were disallowed).
<b>Implication</b>
Potential overstatement of Income and Expenditure in the Accounts.
<b>Priority Rating</b>
2
<b>Recommendation</b>
<p>It is recommended that these costs are analysed and discussed with DARD so that an agreement can be reached as to how these monies should be treated.</p> <p>The Council should ensure appropriate checks are carried out before the Accounts are finalised to ensure all income and expenditure meets the relevant eligibility criteria.</p>
<b>Management Response</b>
At the date of issue a management response had not been received to this audit point.

**2: Bank Overdraft**

<b>Observation</b>
It is noted that a bank overdraft of £134,668 is included within Current Liabilities. As Craigavon BC's own bank account is used for Rural Development payments and receipts it is considered that this balance should be disclosed as a creditor to the Council rather than as a bank overdraft.
<b>Implication</b>
Incorrect disclosure
<b>Priority Rating</b>
3
<b>Recommendation</b>
It is recommended that this balance should be disclosed as a creditor in future years.
<b>Management Response</b>
At the date of issue a management response had not been received to this audit point.

**3: Accounting records**

<b>Observation</b>
Although the Council's accounting system was used for Rural Development transactions, it did not provide accurate backup for the figures included within the accounts and further analysis was required using spreadsheets. The auditor is aware that this issue was due to expenditure being reclassified and moved to different codes. Overall the total expenditure for the Joint Committee accounts agreed to the accounting system.
<b>Implication</b>
Poor accounting records
<b>Priority Rating</b>
2
<b>Recommendation</b>
It is recommended that the Council's accounting system is fully utilized in future and that Rural Development expenditure is posted to the correct sub-codes.
<b>Management Response</b>
At the date of issue a management response had not been received to this audit point.

## Schedule of Adjusted and Unadjusted Audit Differences

### Adjusted Differences

There were no material errors identified and no adjusted audit differences.

### Unadjusted audit differences

Our schedule of the unadjusted audit differences is provided below. The overall net adjustment is not considered material to the accounts.

An audit issue has been included in Annex A in respect of this difference, along with associated audit recommendation.

Description of adjustment	Account Area	Balance Sheet		Income and Expenditure A/c			
		DR	£	CR	DR	£	CR
To adjust for disallowed expenditure included in income from Government Departments.	Income from Govt Depts Participating Councils				5,553		5,553
					5,553		5,553
	<b>Overall Net</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>