



**LOCAL GOVERNMENT AUDIT SERVICE**

**Statutory Audit Report**

**to the**

**Members of the Southern Regional Assembly**

**for the**

**Year Ended 31 December 2015**



**Comhshaol, Pobal agus Rialtas Áitiúil**  
Environment, Community and Local Government

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**AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN  
REGIONAL ASSEMBLY**

**1 Introduction**

I have audited the annual financial statement of Southern Regional Assembly (the Assembly) for the year ended 31 December 2015.

My main statutory responsibility is to express an independent audit opinion on the AFS of the Assembly, as to whether it presents fairly the financial position at 31 December 2015 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 3 of the AFS.

The Assembly is by law, responsible for the maintenance of all accounting records including the preparation of the AFS. It is my responsibility, based on my audit, to form an opinion on the statement and to report my opinion to you. I conducted my audit in accordance with the Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the AFS. It also includes an assessment of the significant estimates and judgements made by the Assembly's management in the preparation of the financial statement and of whether the accounting policies are appropriate to the Assembly's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

**1.1 Accounting Code of Practice**

The Assembly continued to prepare its annual accounts on an accrual basis pending the publication of an accounting code of practice specific to the regional assemblies. It has been recommended during previous audits that the Assembly should work with the relevant stakeholders to introduce new accounting guidelines to regularise this practice.

It is important that this matter be addressed as, at present, the Assembly's annual financial statements do not fully conform to either the Local Authority Accounting Code of Practice (ACOP) or Generally Accepted Accounting Principles (GAAP) per the Notes to the Accounts.

**Director's Response:**

This is something we have previously raised with Department and had envisaged that would have been developed at time of establishment of new Assemblies. The Director of Audit may wish to take up with Local Government Division.

## **2 Changes in Assembly Structure**

The Local Government Reform Act, 2014 made legal provision for the reform of the Assembly.

Statutory Instrument No. 573 of 2014 - Local Government Act 1991 (Regional Assemblies) Establishment Order 2014 provided for the dissolution of the Southern and Eastern Regional Assembly, and all assets and liabilities were transferred to the new successor Southern Regional Assembly and the Eastern and Midland Regional Assembly with effect from 1 January 2015.

## **3 Financial Standing**

### **3.1 Revenue Account for the year ending 31 December 2015**

The net revenue deficit for the year 2015 amounted to €1.8m mainly due to a modification in the funding arrangements for the Ireland Wales Programme.

### **3.2 Ireland Wales Programme (2007-2013)**

An annual deficit arose mainly due to a decision by the EU Commission in December 2015 to comply with Article 80 of Council Regulation (EC) No. 1083/2006 which ensures that the Programme does not receive more European Regional Development Funds (ERDF) than is required to meet current expenditure.

This modification resulted in a change to the timing of funds being released to the Assembly and in significantly less monies being received in 2015 than was originally envisaged.

However, as the Ireland Wales Programme already held advance funding of more than €2.5m at year end 2015, anticipated future expenditure has already been financed. Formal closure of the programme is 31<sup>st</sup> March 2017. In the meantime the Assembly will continue to fund all projects and submit recoupment claims to the Commission during that period but will not receive any additional funding until the Programme has been formally closed.

I am assured that all funds due to the Assembly on foot of payments made to projects will be received from the EU Commission on formal closure of the Programme.

Director's Response:

The final 5% of ERDF due to Programme will be paid to Assembly on formal closure of the Programme.

## **4 Purchase of new Assembly building**

During 2015 the Assembly purchased adjacent premises for €360,000 following ministerial approval. The purchase of this building was funded by the Assembly's own resources and will result in rental savings of approximately €80,000 per annum when the Assembly moves from its current locations.

Revenue budgetary provision approved by the Members for 2015 and 2016 of €309,000 and €200,000 respectively are being used primarily to fund the purchase and refurbishment of the building.

#### **4.1 Balance Sheet Reserves**

Closing reserves of €4.87m were recorded at year end and mainly comprised €3.64m of State and EU funds obtained in advance, pending claims being presented to the Assembly by third parties. The advance funding has not been recorded as deferred income in the annual financial statement.

Over the past number of years the Assembly has increased its own reserves to €1.23m, funded by local authority contributions. Consideration should be given to a review, by the Members, of the amounts to be demanded from contributing local authorities and the level of reserves held by the Assembly.

#### **Director's Response:**

The purchase and refurbishment of the adjoining building is a once off cost which will be funded entirely from the accumulated reserves of the Assembly, together with the revenue provision of €200,000 in the 2016 budget.

Once the refurbishment work is complete and paid for later this year, this will return the reserves held by the Assembly to modest levels to cover pension and other unforeseen liabilities.

#### **5 Acknowledgement**

I would like to thank the Director and the staff of the Assembly for their courtesy and co-operation during the audit.



**Colin Nolan**  
**Local Government Auditor**  
**29 March 2016**