Northern Ireland Audit Office

Annual Audit Letter

arc21
2025-26

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We have prepared this report for arc21's sole use and we assume no responsibility to any other person.

1. Key Messages

Audit of Financial Statements

1.1. The 2025-26 financial statements were certified without qualification as noted in my audit report. Key statistics from the certified accounts are outlined in section 4.

Work on Economy, Efficiency and Effectiveness

1.2. The Joint Committee has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Governance

1.3. The governance statement reflects compliance with relevant guidance and standards.

Other Areas of Audit Interest

1.4. A number of other areas of audit interest are included below:

- Borrowing figures for 2025-26
- Absenteeism figures for 2025-26
- The Local Government Auditor's Report 2026 for audits of local councils during 2024-25 was published on 9 September 2026
- Whole of Government Accounts (WGA) 2025-26
- Fraud reporting 2025-26
- The National Fraud Initiative and latest published NIAO report
- Audit fee 2025-26

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2. Introduction

2.1. As Local Government Auditor, I have a statutory responsibility to provide an opinion on the Joint Committee's financial statements. The results of my audit of the 2025-26 Statement of Accounts are summarised in this report.

2.2. The legislative role for the Local Government Auditor is contained in the Local Government (Northern Ireland) Order 2005 and the Local Government (Northern Ireland) Act 2014. In addition, the Code of Audit Practice, published on 15 April 2026, prescribes the ways in which statutory audit functions are to be carried out. The Code of Audit Practice is supported further by a Statement of Responsibilities of the Local Government Auditor and Local Government Bodies. Both documents are published on the NIAO website.

2.3. Management have specific responsibilities regarding the production of financial statements and are expected to have effective governance arrangements in place to deliver the Joint Committee's corporate objectives. The publication of the financial statements is an essential means to account for the stewardship and use of public money each year.

2.4. As external auditor, it is my responsibility to form an opinion on whether:

- the financial statements give a true and fair view of the financial position of the Joint Committee and its income and expenditure for the year then ended;
- the financial statements have been prepared in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions thereunder;
- the parts of the remuneration report to be audited have been properly prepared in accordance with the Department for Communities' directions; and
- the information given in the Narrative Report is consistent with the financial statements.

2.5. The Code of Audit Practice outlines a range of other matters that can be reported by exception. One of these items relates to the information published with the audited financial statements, such as the governance statement. I report if the governance statement is

not consistent with the information gathered during the audit including that gained from carrying out work on the Joint Committee's arrangements for securing economy, efficiency and effectiveness of resources.

2.6. This report is solely based upon those matters that have come to my attention as a result of normal audit procedures. Consequently, my comments should not be regarded as a comprehensive record of all deficiencies that may exist or all improvements that could be made.

3. Audit of Financial Statements

Statement of Accounts

3.1. The accounts should be prepared in accordance with International Financial Reporting Standards as interpreted for Local Government in the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

3.2. The Statement of Accounts was signed by the Chief Executive and submitted for audit on 24 June 2026. Following the audit, the Statement of Accounts was approved by the Joint Committee and certified by me within the statutory deadline of 30 September 2026. The Statement of Accounts is published on the Joint Committee's website.

3.3. On conclusion of the audit, the 2005 Order requires me to issue a certificate stating the audit is complete and to give an opinion on the Statement of Accounts. The audit certificate and opinion are contained within the Statement of Accounts. The certificate marks the completion of the audit of the accounts for the year.

Audit Certificate and Opinion

3.4 For the year ended 31 March 2026, 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 2025-26, of the financial position of the Joint Committee as at 31 March 2026 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.

3.5. At the end of the audit, I issue a Report to those Charged with Governance, addressed to the Chief Executive of the Joint Committee, on the results of the audit, noting the most significant issues, making recommendations and seeking management responses. That report is presented separately to the Audit Committee.

4. Key Statistics

Income and Expenditure Figures	2025-26	2024-25	Variance
Income	**52,884,670**	**49,537,000**	**3,347,670**
Expenditure	**52,811,184**	**49,488,663**	**3,322,521**
Surplus on the Provision of Services	**73,486**	**48,337**	**25,149**
Re-measurement of the Net Defined Benefit Liability (Asset)	(13,000)	**(99,000)**	86,000
Total Comprehensive Income and Expenditure	**60,486**	**(50,663)**	**111,149**

Balance Sheet Figures	2025-26	2024-25	Variance
Long Term Assets	**73,213**	**97,617**	**(24,404)**
Total Current Assets	6,418,454	6,147,870	270,584
Total Current Liabilities	5,554,687	5,344,596	210,091
Long Term Liabilities	50,054	74,451	(24,397)
Net Assets	**886,926**	**826,440**	**60,486**
Split Between:			
Usable Reserves	886,926	826,440	60,486
Unusable Reserves	-	-	-
Total Reserves	**886,926**	**826,440**	**60,486**

5. Work on Economy, Efficiency and Effectiveness

Proper Arrangements

5.1. The Local Government (Northern Ireland) Order 2005 requires me to be satisfied that the Joint Committee has in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.

5.2. The Joint Committee is responsible for maintaining effective arrangements that support the achievement of its policies, aims and objectives, while safeguarding and securing value for money from the public funds and other resources at its disposal.

5.3. My review of the Joint Committee's arrangements for securing economy, efficiency and effectiveness in its use of resources covered a wide range of areas, including:

- Strategic priorities, financial strategies and policies;
- Financial reporting systems and sound financial internal controls;
- Procurement strategies and policies to deliver sustainable outcomes and value for money;
- Information technology arrangements, including arrangements for IT security;
- Promoting a good governance environment including managing risks and systems of internal control;
- Asset management strategies and policies to safeguard assets, deliver objectives and generate value for money; and
- A framework to manage the workforce to effectively support the achievement of strategic priorities.

5.4. On the basis of my review this year, I am satisfied the Joint Committee has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

6. Governance

Annual Governance Statement

6.1. The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Joint Committee 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 Statement. My review of the Annual Governance Statement is not a separate opinion on the effectiveness of the Council's governance, risk management or internal control arrangements.

6.2. 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 2025-26;
- does not comply with proper practices specified by the Department for Communities; or
- is misleading or inconsistent with other information I am aware of from my audit.

6.3. My review did not highlight any inconsistencies. The most significant issues for arc21 are listed below and were also declared last year:

- Staff Resources / Human Resources Strategy / Organisational Review
- Residual Waste Treatment Project
- SOLACE Strategic Review of NI Council Waste Management Arrangements

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Internal Audit

6.4. The 2015 Regulations also require councils to undertake an adequate and effective internal audit of their accounting records and systems of risk management, internal control and governance processes, using current internal auditing standards. The Joint Committee has an in-house Internal Audit function. Its work during 2025-26 was reported to the Joint Committee's Audit Committee and was considered as part of my audit, where relevant. Overall, Internal Audit provided a satisfactory opinion in relation to the Joint Committee's framework of governance, risk management and control, based on the audit work completed during 2025-26.

Audit Committee

6.5. It is essential that Members exercise effective scrutiny of the internal control processes and procedures in place within the Joint Committee. One way that Members carry out this function is through the Audit Committee.

6.6. The Audit Committee is also invited to review my audit reports. We are invited to attend all meetings of the Committee, and my staff attend as appropriate to present audit reports and findings.

7. Other Areas of Audit Interest

Borrowing

7.1. Total borrowings at 31 March 2026 were £74,451 (£98,438 at 31 March 2025). These balances related to accounting for Right of Use Assets Held Under Leases. No new loans or lease arrangements were taken out by the Joint Committee in 2025-26.

Absenteeism

7.2. The total average number of full-time equivalent employees during 2025-26 was 8 (as reported in Note 6 to the financial statements). For the twelve months to 31 March 2026, there were no days lost to sickness absence in the Joint Committee per full-time employee as compared to 1.4 days in 2024-25.

7.3. I commend the Joint Committee on its performance and encourage it to maintain its focus on staff wellbeing and a positive working environment.

Local Government Auditor's Report 2026

7.4. The annual Local Government Auditor's Report was published on 9 September 2026 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work during 2024-25 for local councils. My 2027 report will cover the corresponding work undertaken during 2025-26.

7.5. The report highlights areas of strength and areas for improvement within local councils. The Joint Committee and its members should consider this report in the context of its own activities for any improvements that could be made.

WGA

7.6. WGA refers to the consolidated financial statements for the whole of the UK public sector. The National Audit Office audits these accounts and sets the overall audit approach. As such, the Joint Committee is within the band of organisations in 2025-26 where additional audit procedures were not required.

Fraud reporting

7.7. Under Managing Public Money Northern Ireland, central government bodies are required to report any actual, suspected or attempted frauds to both the Comptroller and Auditor General and the Department of Finance. While there is no equivalent mandatory reporting requirement for local government bodies, councils agreed in 2016 to voluntarily report frauds to the Local Government Auditor on the same basis.

7.8. During 2025-26, no actual, suspected or attempted frauds were reported to me by the Joint Committee.

NFI

7.9. The Joint Committee participates in the National Fraud Initiative, a UK-wide data matching exercise undertaken every two years to assist in the prevention and detection of fraud.

7.10. The report summarising the results of the data matching exercise for the period 1 April 2022 to 31 March 2024 was published on 22 October 2024 and is available on the NIAO website.

7.11. The next NFI exercise is currently underway, with data matches expected to be released in late 2026.

Audit Fee

7.12. The audit fee for the financial audit was in line with the amount included in the Audit Strategy presented to the Audit Committee in March 2026.

8. Outlook

8.1. The 2025-26 year was the eleventh year of the current councils since reform in 2015. arc21 continues to operate in a challenging environment, including financial pressures, cyber risk, climate change commitments and increasing expectations around governance, transparency and service delivery. These challenges require strong leadership, effective financial planning and robust governance from both members and officers. While maintaining audit independence, I will continue to engage constructively with arc21 and report relevant findings, recommendations and good practice where appropriate.

And finally….

8.2. I would like to thank the Joint Committee for its continued co-operation during the audit and look forward to working with the Joint Committee during the year in preparation for next year's audit.