



January 9th, 2018

Notice Of Meeting

You are invited to attend the Audit Committee Meeting to be held on **Thursday, 11th January 2018** at **2:00 pm** in **Mourne Room Downshire.**

The Members of the Committee are:

Mr Joe Campbell (Independent Chairperson of Audit Committee)

Councillor Patrick Brown

Councillor Charlie Casey

Councillor Laura Devlin

Councillor Jarlath Tinnelly

Councillor Terry Hearty

Councillor Mark Murnin

Councillor Glyn Hanna

Councillor Michael Ruane

Councillor Gareth Sharvin

Councillor John Trainor

Agenda

1.0 Introduction and Apologies

2.0 Declarations of Interest

3.0 Action Sheet arising from Audit Committee Meeting held on 29 June 2017 (copy attached)

 *Audit Action Sheet - 26092017.pdf*

Page 1

Chairperson of Audit Committee

4.0 Audit Committee Self-Assessment (copy attached)

 *Audit Committee Self Assessment Cover Sheet.pdf*

Page 5

 *Audit Committee Self Assessment Checklist.pdf*

Page 7

5.0 Annual Review of Chairperson's Performance (copy attached)

 *Assessment of Chairmans Performance.pdf*

Page 35

Corporate Services

6.0 Corporate Risk Register (copy attached)

 *~8827164.pdf*

Page 36

 *CRR - December 2018.pdf*

Page 38

 *RM Policy - final.pdf*

Page 52

7.0 Fraud & Whistleblowing Update (copy attached)

 *Fraud and Whistleblowing Cover Sheet.pdf*

Page 69

 *Summary Fraud and WB Register 17-18.pdf*

Page 70

8.0 Direct Award Contracts (copy attached)

 *DAC cover sheet.pdf*

Page 72


 *STAs Q3.pdf*

Page 73

9.0 Update on Audit Recommendations (copy attached)	
<i>Update on Audit Recommendations.pdf</i>	Page 75
<i>2015-16 IA Follow Up Tracker.pdf</i>	Page 77
10.0 Update on Procurement (copy attached)	
<i>Update on Procurement.pdf</i>	Page 82
<i>Procurement Policy version 1.pdf</i>	Page 84
11.0 Prompt Payments (copy attached)	
<i>Prompt Payment cover sheet.pdf</i>	Page 108
12.0 NIAO Bribery Good Practice Guide (copy attached)	
<i>Managing the Risk of Bribery and Corruption Cover Sheet.pdf</i>	Page 110
<i>Managing the Risk of Bribery and Corruption Good Practice Guide.pdf</i>	Page 112
<i>Managing the Risk of Bribery and Corruption Self-assessment Checklist.pdf</i>	Page 170
13.0 Improvement Audit and Assessment Report 2017-2018 (copy attached)	
<i>Cover Report Improvement Audit and Assessment.pdf</i>	Page 182
<i>Appendix 1 Cover Letter from NIAO.pdf</i>	Page 186
<i>Appendix 2 S95 Report for NMDDC.pdf</i>	Page 187
<i>Appendix 3 Audit Certificate.pdf</i>	Page 204
14.0 NIAO Change Letter (copy attached)	
<i>NIAO Change Letter.pdf</i>	Page 206
<i>Letter to councils - designation of LGA.pdf</i>	Page 207

NIAO (CLOSED SESSION)

15.0 Report to Those Charged with Governance 2016-17 (copy attached)	
<i>RTTCWG.pdf</i>	Not included

 *NMD 2016-17 RttcwG.pdf*

Not included

16.0 Audit Strategy 2017-18 (copy attached)

 *NMD 2017-18 Audit Strategy.pdf*

Not included

17.0 Annual Audit Letter 2016-17 (copy attached)

 *Annual Audit Letter NMDDC 2016 17.pdf*

Not included

 *NMD 2016-17 Annual Audit Letter.pdf*

Not included

Internal Audit - Items to be considered with press and public excluded

18.0 Internal Audit Summary Report (copy attached)

 *201718 NMDDC Summary progress report to Audit Committee - January 2018 to Council.pdf*

Not included

 *NMDDC 1718 Review of Rural Development Programme - Final report.pdf*

Not included

 *201718 NMDDC Payroll - FINAL report.pdf*

Not included


 *2017 18 NMDDC - SPU Governance of grants - Final Report.pdf*

Not included

 *201718 NMDDC Estates Management and Security - Final report.pdf*

Not included

19.0 Big Screen Lessons Learned Report (copy attached)

 *NMDDC Big Screen - key lessons learned - for Audit Committee 110118 to Council.pdf*

Not included

20.0 Mid Year Progress Report - Performance Improvement Plan 2017/18 (copy attached)

 *Cover Report - Mid Year Progress Report.pdf*

Not included

 *PIP Mid Year Progress Report April-September 2017.pdf*

Not included

 *Appendix 1.pdf*

Not included

 *Appendix 2.pdf*

Not included

FOR NOTING Items Restricted in accordance with Part 1 of Schedule 6 of the Local Government Act (NI) 2014

21.0 VOSA Report (copy attached)

📄 *VOSA Cover Sheet.pdf*

Not included

📄 *VOSA Audit Report.pdf*

Not included

Invitees

Cllr Terry Andrews	terry.andrews@nmandd.org
Cllr Naomi Bailie	naomi.bailie@nmandd.org
Cllr Patrick Brown	patrick.brown@nmandd.org
Cllr Robert Burgess	robert.burgess@nmandd.org
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Mr Gerard Byrne	gerard.byrne@nmandd.org
Mr Joe Campbell	josephb.campbell@outlook.com
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Cllr William Walker	william.walker@nmandd.org
Mrs Marie Ward	marie.ward@nmandd.org
Mr Adam Wilkinson	adam.wilkinson@nmandd.org

ACTION SHEET – AUDIT COMMITTEE MEETING**THURSDAY 29 JUNE 2017**

Minute Ref	Subject	Decision	Lead Officer	Actions taken/ Progress to date	Remove from Action Sheet Y/N
AC/033/2017	Prompt Payments	To note a report on Prompt Payments for quarter ending 30 June 2017 will be reported to the Audit Committee Meeting in September 2017.	KM	Prompt payments for quarter ending 30 June 2017 on agenda.	N
AC/21/2017	Internal Audit Re: Big Screen Review	To note (Draft) Report from Internal Audit regarding Big Screen Review.	GB	Noted	N
END					

ACTION SHEET – AUDIT COMMITTEE MEETING**TUESDAY 26 SEPTEMBER 2017**

Minute Ref	Subject	Decision	Lead Officer	Actions taken/ Progress to date	Remove from Action Sheet Y/N
AC/50/2017	Action Sheet of Audit Committee Meeting 29 June 2017	Noted.	ALL	Noted	Y
AC/51/2017	Corporate Risk Register	Noted.	DC	Noted	Y
AC/52/2017	Prompt Payments	Noted.	KM	Noted	Y
AC/53/2017	Fraud and Whistleblowing	Noted.	GB	Noted	Y
AC/54/2017	Direct Awards	Noted.	KM	Noted	Y
AC/55/2017	Update on Internal Audit Recommendations Including Procurement	Noted.	GB	Noted	Y
AC/56/2017	Performance	Noted.	JMcB	Noted	Y

	Improvement Plan				
AC/57/2017	Update on Self Assessment of the Audit Committee 2016-17	Agreed: Chairman of Audit Committee to lead on the self-assessment exercise of the Audit Committee, results of which to be tabled at the January 2018 Audit Committee Meeting.	DC	Completed Agenda item.	Y
AC/58/2017	Procurement Update	Noted.	KM	Noted	Y
AC/59/2017	Code of Conduct for Employees	Noted.	GB	Noted	Y
AC/60/2017	Statement of Accounts 2016/17	Statement of Accounts 2016/17 including the Annual Governance Statement approved.	KM	Noted	Y
AC/61/2017	Internal Audit Summary Report	Noted.	ASM	Noted	Y
AC/62/2017	Internal Audit Asset Management Report	Noted.	ASM	Noted	Y
AC/63/2017	Internal Audit Community Planning Report	Noted.	ASM	Noted	Y
AC/64/2017	NIAO Draft Report to those Charged	Noted.	NIAO	Noted	Y

	with Governance				
AC/65/2017	Audit Strategy for Performance Improvement	Noted.	NIAO	Noted	Y
AC/66/2017	Local Government Annual Report 2017	Noted.	NIAO	Noted	Y
END					

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Audit Committee Self-Assessment 2017/18
Reporting Officer (Including Job Title):	Joe Campbell, Independent Chair Of Audit Committee
Contact Officer (Including Job Title):	Joe Campbell, Independent Chair Of Audit Committee

Decisions required: Members are asked to consider and approve the contents of this report.

1.0	Purpose and Background:
1.1	<p>It was agreed at the Audit Committee meeting of 26th September 2017 that the Committee would review its own effectiveness with the Chairman leading the review and tabling the results to the next meeting of the Audit Committee.</p> <p>The Chairman completed the review using the National Audit Office best practice questionnaire and circulated his assessment in draft to Elected Members for comment on 23rd November 2017. Attached for consideration and approval is the completed final self-assessment checklist (Section II: Role of the Chair has been left blank as this was assessed independently of the Chairman and is a separate report).</p> <p>Members can take reassurance from the number of good practice questions that have been answered 'yes' demonstrating that the Audit Committee is following best practice and operating effectively.</p> <p>The Chairperson also provides annual assurance that the Audit Committee terms of reference continues to adequately encompass the work of the Audit Committee and are aligned with good practice and business needs.</p>
2.0	<p>Key issues:</p> <p>Having completed the self-assessment checklist, a small number of improvements are recommended:</p> <p>Principle 3: Skills</p> <p>(a) After next year's AGM, an External Provider is appointed to deliver an In House Training Course covering the main functions of an Audit Committee.</p> <p>(b) Parties to again give consideration to appointing Elected Members for a term greater than one year where possible to build up knowledge and skills, (term appointment referred to in Principle 2, Question 9).</p>

	<p>Section III: Committee Support</p> <p>(c) Officers to continue to strive to ensure that all papers are provided on a timely basis to Democratic Services so that papers are issued in compliance with standing orders so that Members have sufficient time to review.</p>
3.0	Recommendations:
3.1	Members are asked to approve the contents of this report.
4.0	Resource implications
4.1	None.
5.0	Equality and good relations implications:
5.1	None.
6.0	Appendices
	Appendix 1: Completed self-assessment checklist



National Audit Office

GOOD PRACTICE

The Audit Committee self-assessment checklist

2nd edition January 2012

Financial Management and Reporting

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of more than £1 billion in 2011.



National Audit Office

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Introduction

1 This Checklist¹ has been designed to help Audit Committees in central government assess how well they apply good practice. The criteria we have used are derived largely from the Audit Committee Handbook (March 2007)² published by HM Treasury.

2 The Handbook highlights five good practice principles which aim to answer the following key questions:

- **Principle 1: The Role of the Audit Committee** – Does the Audit Committee effectively support the Board and the Accounting Officer by reviewing the completeness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?
- **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?
- **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?
- **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?
- **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board, and other stakeholders?

3 For each principle, we have developed a series of Good Practice Questions to help Audit Committees conclude whether they are meeting these principles. These are set out in **Section I** of this checklist.

4 In addition, the role of the Chair and the provision of appropriate secretariat support are key for an effective Audit Committee. The Handbook details Good Practice Questions on these two roles. **Sections II** and **III** of this checklist include questions that will enable the Audit Committee to determine if they currently meet this guidance.

¹ This Checklist was originally published in November 2009 and has been updated (January 2012) to reflect the requirement for departments, their executive agencies and arm's length bodies to produce a Governance Statement in place of the Statement on Internal Control in their annual report and accounts for 2011-12 onwards. Guidance on the Governance Statement is set out in the revised Chapter 3 of Managing Public Money (HM Treasury, 2011).

² *Corporate governance in central government departments: Code of good practice* (HM Treasury, July 2011) provides that Audit Committees should be established and function in accordance with the *Audit Committee Handbook* (HM Treasury, March 2007).

How to use this Checklist

5 To help Audit Committees conclude as to whether they are meeting the Principles highlighted above, we have developed Good Practice Questions to inform the thinking process. These Questions are phrased to identify 'yes', 'no' or 'not applicable' responses.

6 We recognise, though, that organisations and their Audit Committees vary considerably in their size and in the complexity of issues that they deal with. In some circumstances, it may therefore be more appropriate to only use the more important Questions to help inform debate – and we have highlighted these in **bold**.

7 Also, the checklist is not exhaustive, and should the Audit Committee or their organisation feel that they have experience of other good working practice that will make the Committee work more effectively, they should not be deterred from implementing these practices, after consulting with the Board, if appropriate.

NAO Facilitated Workshops

8 To help Audit Committees use this checklist, the National Audit Office, as part of its performance improvement work, offers **Facilitated Workshops** for Audit Committees to help them use a tailored version of this checklist and draw conclusions as to their effectiveness. In this way, the workshop provides an opportunity for individual Audit Committees to work together, away from their normal business, to assess how well they work and establish areas to develop further. The workshop is followed up with an Action Plan that draws from the decisions and actions raised. This Action Plan will be owned by the Audit Committee, and act as the means by which decisions are implemented and reviewed.

9 If you would like the NAO to facilitate a workshop for your Audit Committee, please ask your usual NAO contact or Client Lead.

10 This checklist is also available as a Word document to enable Audit Committees to record their responses electronically.

National Audit Office

November 2009

Section I

Good practice principles for Audit Committees

Principle 1: The role of the Audit Committee

The Audit Committee should support the Board and the Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

Good Practice Questions

Terms of Reference	Yes	No	N/A
1 Have all executive responsibilities, and making or endorsing of decisions been excluded from the roles and responsibilities of the Audit Committee members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the Audit Committee follow up recommendations regarding its effectiveness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Does the Audit Committee's role include monitoring and reviewing the executive's processes for assessing, reporting and owning business risks and their financial implications?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Has the role and responsibilities of the Audit Committee been clearly defined and communicated to all Audit Committee members, along with details of how the Committee supports the Board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Are the Terms of Reference reviewed at least annually by the Board and the Audit Committee, to ensure that the work of the Audit Committee is aligned with good practice and business needs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Do the Terms of Reference include rules for a quorum?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Does the Audit Committee meet regularly (at least four times a year), and do meetings coincide with key dates in the financial reporting and audit cycle?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

The terms of reference of all Committees including the Audit Committee were reviewed and updated by Council on 7th November 2016 and the next full review will be undertaken within 3 months of the new term of Council.

Conclusions

Do we achieve **Principle 1: The Role of the Audit Committee** – Does the Audit Committee support effectively the Board and the Accounting Officer by reviewing the comprehensiveness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?

What do we need to do to enhance the Audit Committee?

It is recommended that the Audit Committee receives annual assurance that the AC terms of reference continues to adequately encompass the work of the Audit Committee and are aligned with good practice and business needs.

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 2: Membership, Independence, Objectivity and Understanding

The Audit Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member.

Good Practice Questions

Independence	Yes	No	N/A
8 Is the Chair of the Audit Committee different from the Chair of the Board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Are the Audit Committee members either independent non-executive Board members or independent external members, and have they been appointed for an appropriate period of time (e.g. three years)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Relationship with the Executive			
10 Are the Executive members of the organisation invited to attend Audit Committee meetings, participate in discussions, and provide information to the Audit Committee as and when the Audit Committee deems it necessary?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Participants			
11 Where appropriate, does a representative from the sponsoring body attend the Audit Committee meetings (e.g. if an Executive Agency, does a member of the Sponsoring Department attend the meeting)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12 Does the Accounting Officer, Finance Director, Head of Internal Audit and the External Auditor routinely attend the Audit Committee, or attend at the request of the Audit Committee members?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Are the numbers attending the Audit Committee meetings sufficient to deal adequately with the agenda, but not too many to blur issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conflict of Interest			
14 Is the first agenda item of every meeting a request for the Audit Committee members to declare any potential conflict of interest with any of the business items on the Audit Committee's agenda?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Conflict of Interest (continued)		Yes	No	N/A
15	In instances where there is a declaration of interest in any of the agenda business items, are appropriate actions taken, e.g. is the member asked to leave the meeting while the business item is being discussed?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	In instances where the conflict of interest is likely to last for a long time, has the Audit Committee member been asked to relinquish his or her membership?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Are the Audit Committee members required to declare their interest in a register of interests?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terms of Appointment				
18	Do all Audit Committee members have a clear understanding of what is expected of them in their role, set out in a letter of appointment, including:			
	a. their appointment and purpose;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	b. the support and training that they will receive;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	c. the commitment required;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	d. their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	e. conflict of interest procedures;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	f. expected conduct;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	g. duration of appointment and how often it may be renewed;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	h. how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance; and	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	i. termination conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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Section I The Audit Committee self-assessment checklist

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Additional Comments:

The Independent Member received a formal letter of appointment fulfilling the requirements of Question 18. Elected Members are nominated annually by their party groupings to serve on the Audit Committee and therefore a formal letter of appointment is not applicable.

Conclusions

Do we achieve **Principle 2: Membership, Independence, Objectivity and Understanding** – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?

What do we need to do to enhance the Audit Committee?

No recommendation made as the Audit Committee is fully adhering to applicable good practice questions in Principle 2.

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 3: Skills

The Audit Committee should collectively possess an appropriate skills mix to perform its functions well.

Good Practice Questions

Range of Skills		Yes	No	N/A
19	Are there formal assessment criteria for the appointment of the Audit Chair, including attitudes to non-executives, strength of personality, experience of chairing, and time commitment?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Do the assessment criteria of Committee members include, or expect Audit Committee members to acquire as soon as possible after appointment:			
	a. understanding of the objectives of the organisation and current significant issues for the organisation;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. understanding of the organisation's structure, including key relationships such as that with a sponsoring department or major partner;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	c. understanding of the organisation's culture;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	d. understanding of any relevant legislation or other rules governing the organisation; and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	e. broad understanding of the government environment, particularly accountability structures and current major initiatives?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Does the Audit Committee ensure that there are areas of collective understanding, including:			
	a. accountancy – with at least one member having recent and relevant financial experience;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	b. governance, assurance and risk management;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	c. audit;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	d. technical or specialist issues pertinent to the organisation's business;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	e. experience of managing similar sized organisations;	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	f. understanding of the wider environments in which the organisation operates; and	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	g. detailed understanding of the government environment and accountability structures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Additional Skills		Yes	No	N/A
22	Do the Audit Committee members feel empowered to:			
a.	co-opt members for a period of less than one year to provide specialist skills that the members do not have to be an effective Committee;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	procure specialist advice at reasonable approved expense to the organisation, on an ad-hoc basis to support them in relation to particular pieces of Committee business.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development				
23	Is there an induction checklist for new Audit Committee members that details key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	Do all new members of the Audit Committee attend an induction training course for Audit Committee members run by the National School of Government, or other sector-related organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Does the Audit Committee ensure that new members have sufficient knowledge of the business to identify the key risk areas and to challenge both line management and internal and external auditors on critical and sensitive issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	Does the Audit Committee and the Chair make recommendations to the Board on the Committee's and individual members training needs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	Does the Audit Committee keep abreast of best practice and developments in corporate governance in central government and more widely?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

Elected Members are nominated annually to serve on the Audit Committee by their party groupings and therefore a formal assessment of requisite skills is not applicable. However Elected Members do have the requisite knowledge of the areas listed in Question 20 through serving on other Council Committees and attending Full Council meetings.

The Council has also appointed an Independent Member to the Audit Committee who has the requisite skills listed in Question 21.

Induction Training on an one to one basis is organised for new members of the Audit Committee.

Conclusions

Do we achieve **Principle 3: Skills** – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?

What do we need to do to enhance the Audit Committee?

Some of the good practice questions on skills have been answered as 'not applicable' as Elected Members are nominated annually to serve on the Audit Committee by their party groupings.

Recommendations

(a) Members individual training needs continue to be surveyed on an annual basis. To address Question 21, it is recommended after next year's AGM that an External Provider is appointed to run an In House Training Course covering the main functions of an Audit Committee.

(b) Political Parties to give consideration to appointing Elected Members for a term greater than one year where possible to build up knowledge and skills, (term appointment referred to in Principle 2, Question 9).

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 4: Scope of Work

The scope of the Audit Committee's work should be defined in its Terms of Reference, and encompass all the assurance needs of the Board and Accounting Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of External Auditor, and Financial Reporting issues.

Good Practice Questions

Relationship with Internal Audit		Yes	No	N/A
28	Does the Audit Committee consider the independence and effectiveness of Internal Audit?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	Does the Audit Committee consider that the experience, expertise and professional standard of the Internal Audit team are appropriate for the size, complexity, and inherent risk of the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	Does the Audit Committee consider that the scope of Internal Audit work, the available resources at its disposal, and their access to information and people allow it to address significant risks within the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Does the Audit Committee review and approve the Internal Audit plan before they commence any work and make suggestions regarding risk and problem areas that the audit could address in the short and long term?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Does the Audit Committee receive regular progress reports on studies/work undertaken by Internal Audit?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Does the Audit Committee review internal audit reports and management responses to issues raised, and monitor the progress made on Internal Audit's recommendations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship with External Audit				
34	Where relevant, does the Audit Committee consider the independence, objectivity, and effectiveness of the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
35	Does the Audit Committee periodically obtain the views of the External Auditor on the work and effectiveness of the Audit Committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Relationship with External Audit (continued)		Yes	No	N/A
36	Is the Audit Committee informed by the External Auditors on an annual basis as to their quality control procedures and compliance with applicable UK ethics guidance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	Does the Audit Committee consider the External Auditor's Audit Strategy before they commence work, and make suggestions regarding risk and problem areas the audit could address in the short and long term?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38	Do the External Auditors inform the Audit Committee of key developments and issues at key stages of the audit?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39	Where relevant, does the Audit Committee review the audit fees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40	Does the Audit Committee consider the management letter and other relevant reports (e.g. the NAO's Value for Money work), and the management's response, and monitor the progress made on the recommendations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship between Internal Audit and External Auditors				
41	Does the Audit Committee consider whether there are areas where joint working between Internal Audit and the External Auditors would be beneficial?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42	Does the Audit Committee seek confirmation from Internal Audit and the External Auditors on the effectiveness of the relationship?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fraud				
43	Does the Audit Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating effectively?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44	Does the Audit Committee consider whether there is a code of conduct and its distribution to employees?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45	Does the Audit Committee consider whether management arrangements for whistle-blowing are satisfactory?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Internal Control		Yes	No	N/A
46	Does the Audit Committee consider whether corporate governance is embedded throughout the organisation, rather than treated as a compliance exercise?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47	Does the Audit Committee consider whether the system of internal reporting gives early warning of control failures and emerging risks?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48	Does the Audit Committee consider whether the Governance Statement is sufficiently comprehensive and meaningful, and the evidence that underpins it?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
49	Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50	Does the Audit Committee consider whether financial control, including the structure of delegations, enables the organisation to achieve its objectives and achieve good value for money?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
51	Does the Audit Committee monitor whether the organisation's procedures for identifying and managing business risk have regard for the relevant legislation and regulation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Reporting				
52	Does the Audit Committee review the first draft of the annual accounts before the External Auditors start work on them?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
53	Before the Accounting Officer signs off the Annual Report and Financial Statements, does the Audit Committee consider:			
a.	that the accounting policies in place comply with relevant requirements, particularly the Treasury's Financial Reporting Manual and Accounts Direction;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	that there has been a robust process in preparing the accounts and annual report;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Financial Reporting (continued)		Yes	No	N/A
c.	whether the accounts and annual report have been subjected to sufficient review by management and by the Accounting Officer and/or Board;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	that when new or novel accounting treatments arise, whether appropriate advice on accounting treatment has been taken;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	whether there is an appropriate anti-fraud policy in place, and whether losses are suitably recorded;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f.	whether suitable processes are in place to ensure accurate financial records are kept;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	whether suitable processes are in place to ensure regularity and propriety is achieved; and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	whether issues raised by the External Auditors have been given appropriate attention.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
54	Where the accounts have been qualified, does the Audit Committee consider the action taken by the Board to deal with the causes of the qualification?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
55	Does the Audit Committee satisfy itself that the annual financial statements represent fairly the financial position of the organisation, regardless of the pressures on executive management?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
56	Before the Accounting Officer signs off the Letter of Representation, does the Audit Committee review it and give particular attention to non-standard issues of representation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

During the past year, the Audit Committee satisfied itself that the scope of work listed in Principle 4 was defined in its terms of reference and encompassed all the assurance needs required??

The Audit Committee also considered reports from Internal Audit, External Audit, reviewed both the draft financial statements and the final audited financial statements, and considered reports on risk, performance improvement, fraud and whistleblowing.

Conclusions

Do we achieve **Principle 4: Scope of Work** – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?

What do we need to do to enhance the Audit Committee?

No recommendation made as the Audit Committee is fully adhering to applicable good practice questions in Principle 4.

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Principle 5: Communication

The Audit Committee should ensure it has effective communication with the Board, the Head of Internal Audit, the External Auditor, and other stakeholders.

Good Practice Questions

Reporting to the Board		Yes	No	N/A
57	Does the Audit Committee send regular reports or provide oral updates to the Board that they review at their meetings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
58	Does the Audit Committee provide an Annual Report to the Board, timed to support preparation of the Governance Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
59	Does the Annual Report of the Audit Committee present the Committee's opinion about:			
a.	the comprehensiveness of assurances in meeting the Board and Accounting Officers needs;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b.	the reliability and integrity of these assurances;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c.	whether the assurance available is sufficient to support the Board and Accounting Officer in their decisions taken and their accountability obligations;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d.	the implication of these assurances for the overall management of risk;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e.	any issues the Audit Committee considers pertinent to the Governance Statement, and any long-term issues the Committee thinks the Board and/or Accounting Officer should give attention to;			
f.	financial reporting for the year;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g.	the quality of both Internal and External Audit and their approach to their responsibilities; and	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h.	the Audit Committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

The minutes of each meeting are reported to Full Council, the Independent Chairperson on behalf of Audit Committee produces an annual report each year and the Committee reviews its own effectiveness annually..

Conclusions

Do we achieve **Principle 5: Communication** – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board and other stakeholders?

What do we need to do to enhance the Audit Committee?

No recommendation made as the Audit Committee is fully adhering to applicable good practice questions in Principle 5.

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Section II

The role of the Chair: good practice

The Chair of the Audit Committee has particular responsibility for ensuring that the work of the Audit Committee is effective, that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders.

Good Practice Questions

Agenda Setting	Yes	No	N/A
60 Is the Board Secretary different from the Audit Committee Secretary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
61 Does the Chair of the Audit Committee meet with the Committee Secretary before every meeting to discuss and agree the business for the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
62 Are inputs on Any Other Business formally requested in advance from Committee members and attendees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
63 Are outline agendas planned one year ahead to cover core activities and specific issues on a cyclical basis?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
64 Does the agenda exclude executive business, so that there is no overlap with the work of the Board whilst linking to the main elements of the organisation's business?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
65 Are the meetings set for a length of time which allows all business to be conducted, yet not so long that the meeting becomes ineffective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
66 Does the Chair encourage full and open discussion and invite questions at the Audit Committee meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Communication			
67 Does the Chair of the Audit Committee have open lines of communication with the Board, Head of Internal Audit, and the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
68 Does the Chair encourage all Committee members to have regular interface with the organisation and its activities to help them understand the organisation, its objectives, and business needs and priorities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
69 Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
70 Does the Audit Committee issue guidelines concerning the format and content of the papers to be presented to the Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Monitoring Actions		Yes	No	N/A
71	Does the Chair or the Secretariat ensure that all action points from Committee meetings are appropriately acted upon?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
72	Does the Chair or the Secretariat ensure that members who have missed a meeting are appropriately briefed on the business conducted in their absence?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
73	Is a report on matters arising made and minuted at the Audit Committee's next meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appraisal		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
74	Does the Chair ensure that the Committee members are provided with an appropriate appraisal of their performance as a Committee member?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
75	Does the Audit Committee Chair seek appraisal of their personal performance from the Accounting Officer or Chair of the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
76	Are Audit Committee meetings well attended, with records of attendance maintained and reviewed annually by the Board?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appointments		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
77	Is the Chair involved in the appointment of new Committee members, including providing advice on the skills and experience required of the new individual?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

This section has been left blank as it is completed separately by the Chief Executive and an Elected Member as part of the Chairperson Appraisal Process

Conclusions

Do we meet **Good Practice: the Role of the Chair** – Is the Committee appropriately resourced, work planned in advance as far as possible, and effective communication with stakeholders maintained?

What do we need to do to enhance the Audit Committee?

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Section III

Committee support: good practice

The Audit Committee should be provided with appropriate Secretariat support to enable it to be effective. This is more than a minute-taking function – it involves providing proactive support for the work of the Committee, and helping its members to be effective in their role.

Good Practice Questions

Does the Audit Committee Secretariat:		Yes	No	N/A
78	Commission papers as necessary to support agenda items?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
79	Circulate meeting documents to all Committee members, Internal Audit and External Auditors in good time before each meeting, to allow members time to study and understand the information e.g. at least one week before the meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
80	Arrange for Executives/senior management to be available as necessary to discuss specific agenda items with the Audit Committee during meetings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
81	Keep records of meetings and minutes after they have been approved by the Audit Chair and circulate them to Committee members, Head of Internal Audit, External Auditors, Board, and the Accounting Officer on a timely basis e.g. within one week of the meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
82	Ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Audit Committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
83	Ensure that the minutes clearly state all agreed actions, the responsible owner, when they will be done by and any advice given from any stakeholders?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Does the Audit Committee Secretariat: (continued)		Yes	No	N/A
84	Ensure action points are being taken forward between meetings?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
85	Support the Chair in the preparation of Audit Committee reports to the Board?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
86	Arrange the Chair's bilateral meetings with:			
	a. the Accounting Officer, the Head of Internal Audit, Director of the External Auditors;	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. the Chair of the Board of sponsored NDPBs.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
87	Keep the Chair and members in touch with developments and relevant background information about developments in the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
88	Maintain a record of when members' terms of appointment are due for renewal or termination?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
89	Ensure that appropriate appointment processes are initiated when required?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

The Chairperson is very appreciative of the excellent secretariat support provided by Democratic Services.

Conclusions

Do we meet **Good Practice: Support for the Committee** – Does the Committee receive appropriate support from its secretariat?

What do we need to do to enhance the Audit Committee?

In general, the Audit Committee is adhering to recommended good practice questions in Section III

Recommendation

(c) Officers to strive to ensure that all papers are provided on a timely basis to Democratic Services so that papers are issued in compliance with standing orders so that Members have sufficient time to review.

Where we have carried out the self-assessment before, the audit committee has improved its performance against:

- 1 none of the good practice questions.
 - 2 some of the good practice questions.
 - 3 most, if not all of the good practice questions.
-

Where to find out more

The National Audit Office website is

www.nao.org.uk

Links to other websites

www.hm-treasury.gov.uk/audit_committee_handbook.htm

www.hm-treasury.gov.uk/d/mpm_annex3.1.pdf

If you would like to know more about
the NAO's work in this area please email

Z5-FMGP@nao.gsi.gov.uk

www.nao.org.uk/financial-management

Twitter: [@NAOorguk](https://twitter.com/NAOorguk)

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Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Assessment of Chairman's Performance
Reporting Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services
Contact Officer (Including Job Title):	Liam Hannaway, Chief Executive

Decisions required: Members are asked to note the contents of this report.

1.0	Purpose and Background:
1.1	<p>It was agreed at the Audit Committee meeting of 22nd September 2016 that Councillor Casey and the Chief Executive would review the performance of the Chairman using the agreed NAO best practice checklist.</p> <p>On 21 November 2017, the Chief Executive and Director of Corporate Services met with the Chairman to provide him with feedback on his performance arising from the completed assessment and thank him for his services to date.</p>
2.0	Key issues:
2.1	It was agreed that Mr Campbell has demonstrated performance aligned to best practice in carrying out the role of independent Chairman of the Newry, Mourne and Down District Council Audit Committee.
3.0	Recommendations:
3.1	Members are asked to note the contents of this report.
4.0	Resource implications
4.1	None.
5.0	Equality and good relations implications:
5.1	None.
6.0	Appendices
	none

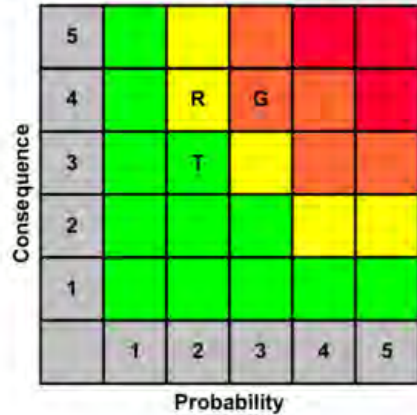
Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Corporate Risk Register
Reporting Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services
Contact Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services

Decisions required:	
For consideration and noting.	
1.0	Purpose and Background:
1.1	<p>Corporate Risk Register: The SMT routinely review the Corporate Risk Register on a quarterly basis. On the 30 November 2017 a Risk Management Workshop was held to carry out a detailed review of the Corporate Risk Register by the SMT. This was a focused workshop concentrating on the Corporate Risk Register, Directorate Risk Registers, Directorate Assurance Statements and also SMT feedback on the Risk Management Process. Following this review, a number of changes were made to reflect the changing risk environment, as well as updating any actions taken to date in the period.</p> <p>Update on the Development of the Risk Management Framework: Directorate Risk Registers are live and are on the GRACE Risk Management System.</p> <p>Assurance statements are due for the quarter ending December 2017 in January 2018. Reminders have been sent out to all Assistant Directors and Directors.</p> <p>The Risk Management Policy has also been updated in line with an Internal Audit in 2016/17. Internal Audit stated that the Councils Risk Management Strategy appeared to be "over engineered" for the Council's needs and that some of the requirements within the Risk Management Strategy are not currently required by the Council. A revised Risk Management Policy was approved by SP&R on the 12 October 2017, and ratified by Council in November 2017.</p>
2.0	Key issues:
2.1	<p>From the SMT Risk Workshop a number of key changes were made to the CRR:</p> <ul style="list-style-type: none"> • A risk appetite has been added for each risk in line with the Councils new Policy (GRACE template to be updated in January 2018). • CR. 03 – Risk previously contained on Corporate Risk Register "Failure to deliver and implement a Community Plan to empower and support our community" has been deescalated to the Chief Executive Directorate Risk

	<p>Register. The Community Plan has now been published and is being implemented in accordance with the plan.</p> <ul style="list-style-type: none"> • CR. 04 – The Non Compliance with legislative requirements risk has now been made into two separate risks. Breaching procurement legislation is now a stand-alone risk (CR. 03) due to the current issues and the importance on which management have placed on rectifying previous control failures. • CR. 06 – Up-dated to reflect the emphasis on the timeliness of planning decisions. • CR. 08 – IT Services do not support the statutory, strategic or operational requirements of the Council has now been split into two risk so the actions are easier to identify and track. New risk is CR. 09 Transformation of Services (TOM) • CR. 10 – Previous risk "Ineffective Corporate Communications " has been deescalated to the Corporate Services Directorate Risk Register. No longer regarded as a corporate risk. • CR.11 and CR. 12 – It was felt that both these risks were reflecting the same root causes, controls and actions. Therefore, the two risks have been merged. The title of the new risk is 'Failure to implement an economic development programme to regenerate the district and attract inward investment due to financial uncertainties caused by the current economic and political climate.' • CR. 13 – Previous risk "The Council may not prevent or detect fraud, bribery &/or corruption leading to financial loss and reputational damage" has been deescalated to the Corporate Services Directorate Risk Register. No longer regarded as a corporate risk due to a number of new polices becoming effective in the last 6 months and all staff attending a mandatory awareness session on their responsibilities with regards to the new policies. • Numerous other minor changes were made including new actions, updating the progress of actions and new detail included within certain risks. These can be evidenced on the Corporate Risk Register attached.
3.0	Recommendations:
3.1	For consideration by the Audit Committee on a quarterly basis.
4.0	Resource implications
4.1	None
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	<p>Appendix I: NMD Corporate Risk Register – December 2017 Appendix II: NMDDC Risk Management Policy</p>

1. Corporate Risk Register NMDDC

Risk CR. 01 - Failure to develop and improve our tourism offering



Risk Categories Business operational/reputational

Risk Description Failure to attract visitors and be considered a top destination in Ireland.
Risk Appetite - Open

Potential Root Cause Failure to engage stakeholders (public & private sector)
Lack of central government buy in
Lack of cohesive political buy in North & South
Failure to identify appropriate market segments

Consequence Loss of Civic pride and negative PR
Negative economic impact on the borough
failure to deliver objectives of the tourism strategy
Reduced visitor number and spend

Risk Owners Marie Ward

Gross/Inherent Risk Amber 12

Residual Risk Yellow 8

Target Risk Level Green 6

Last Review 30/11/2017

Next Review 01/03/2018

Objectives

1. Become on of the premier tourism destination on the island of Ireland
2. Attracted Investment and supported the creation of new jobs.
5. Lead the regeneration of our urban and rural area

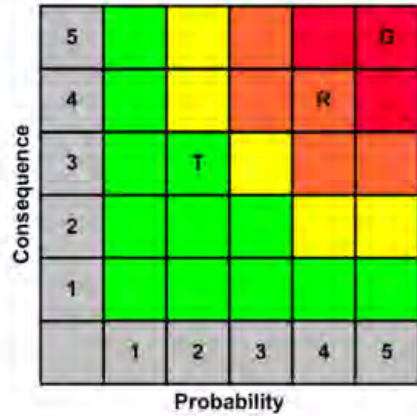
Key Controls Identified

1. Effective engagement and collaboration political backing
2. Dedicated tourism team in place
3. Tourism Elected Members Task and Finish Group in place
4. Regular scrutiny of budget variances by SMT and within Directorates
5. Tourism Strategy Launched

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Tourism Forum	Establishment of a Tourism forum incorporating private and public sector stakeholders	In Progress	Marie Ward	31/05/2018	In progress - forming naturally, the visitor experience plans are driving the structures - Visitor Experience Plans went to ERT committee in November 2017.
Visitor Experience	To Develop two visitor experience plans, one for the Mournes and one for Slieve Gullion.	In Progress	Marie Ward	31/05/2018	Outline was presented to Tourism T&F group in November 2017. Plan now complete but now have to implement experiences.

Risk CR. 02 - Failure to deliver the capital investment programme for the District



Risk Categories Buildings / Engineering / Environment
Business operational/reputational
Financial

Risk Description Failure to adequately resource the capital programme
Failure to effectively manage capital contracts
Risk Appetite - Neutral

Potential Root Cause Contractors on key projects failure to deliver on time and on budget
Consultant Collusion
Procurement failures
Absence of adherence to policies and resources
Lack of awareness in staff and managers
Lack of resources -Economic downturn / Recession
Brexit - Lack of match funding

Consequence Impact on service delivery
Financial impact - Loss of funding (i.e. SIF projects)
Legal challenge / Negative PR
Impact on quality/cost of projects

Risk Owners Dorinnia Carville; Michael Lipsett

Gross/Inherent Risk Red 25 **Last Review** 30/11/2017

Residual Risk Amber 16 **Next Review** 01/03/2018

Target Risk Level Green 6

Objectives

1. Become on of the premier tourism destination on the island of Ireland
2. Attracted Investment and supported the creation of new jobs.
3. Supported improved health and wellbeing outcomes
5. Lead the regeneration of our urban and rural area
8. Transform and modernise the Council, providing accessible as well as value for money services

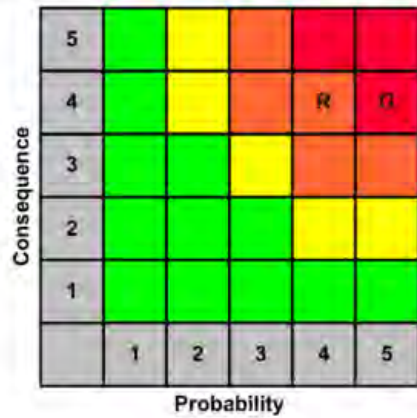
Key Controls Identified

1. Monthly review of spend against budget
2. Dedicated project management teams
3. Professionally qualified and experienced staff
4. monthly site progress meetings which are minuted
- 5 Project risk register in place for major projects - i.e. new leisure centres
6. Large projects are project managed by external consultants who report to the estates team.
7. Four year capital plan
8. Capital plan Annually approved at Council

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Asset Management Strategy	To identify surplus assets to sell and use sale proceeds to assist funding in the capital programme.	In Progress	Dorinnia Carville	31/05/2018	Strategic Projects Working Group will identify which assets are surplus
Business Cases	A business case specification is currently being developed. This will link in the Councils new Procurement Policy (approved at SP&R in December 2017). Therefore every item of capital spend will need to be approved via a business case proportionate to the value and a number of options will be assessed.	In Progress	Dorinnia Carville	31/03/2018	AD of estates is finalising templates for spend of varying values.
SIF Projects	Implement Sufficient cost and change control measures so projects are delivered within budget. The project board will continue to meet as and when required to update project risk register	In Progress	Michael Lipsett	31/03/2018	Three risk registers now in place. One for each project Cost are significantly higher than estimated (communications group underestimated) Executive Office are resubmitting business case to DOF with revised costings.
Structure and Training	Ensure the Capital / Estates structure is in place with the right number of resources and skill set	In Progress	Dorinnia Carville	31/03/2018	AD of estates is now in place - Estates structure is now being developed / JDs evaluated and ready for meeting to develop future resource need.

Risk CR. 03 - Breach of legislation in relation to the procurement



Risk Categories Financial
Impact on individuals (staff or public)
Quality of Service
Statutory Duty (Legal/Regulatory)

Risk Description Breach of legislation in relation to the procurement of goods and services and works
Risk Appetite - Averse

Potential Root Cause Lack of awareness of legislation
Lack of compliance to Council procurement policy
Lack of training of staff
Lack of a comprehensive policy for the new Council

Consequence Negative PR
Financial Loss to the Council
Litigation

Risk Owners Dorinnia Carville

Gross/Inherent Risk Red 20

Residual Risk Amber 16

Target Risk Level Yellow 8

Last Review 30/11/2017

Next Review 01/03/2018

Objectives

8. Transform and modernise the Council, providing accessible as well as value for money services

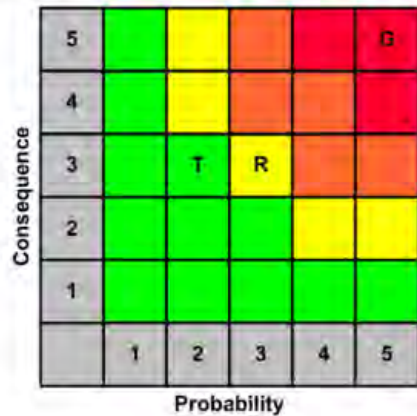
Key Controls Identified

1. Procurement team
2. Financial regulations and procurement policy in place
3. Use of regional and national frameworks
4. Specialist legal advice available
5. Single Tender Actions list

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Contracts Register	Development of a Council contracts register, this should be maintained and reviewed by the procurement team.	Audit Recommendation	Ken Montgomery	30/04/2018	In progress
Purchasing Policy	Development of a new Procurement Policy with the policy to be reviewed on an annual basis. This will include thresholds and who has responsibility for what level of purchasing.	Audit Recommendation	Ken Montgomery	02/02/2018	Revised Procurement Policy passed through SP&R in December 2017. This is a more user friendly version for all staff involved in purchasing. Some links to templates still to be finalised. To be ratified in Council in January 2018.
Training	Formal training to be rolled out to all relevant officers on e-hub, the purchasing policy and general best practice on procurement.	Audit Recommendation	Ken Montgomery	31/03/2018	AD of Finance to organise training for all staff involved in purchasing from January to March 2018.

Risk CR. 04 - Non-compliance with legislative requirements



Risk Categories Business operational/reputational
Impact on individuals (staff or public)
Statutory Duty (Legal/Regulatory)

Risk Description Failure to have the necessary policies and procedures in place with staff adequately trained to comply with the necessary legislation.
Risk Appetite - Averse

Potential Root Cause Failure to understand legal requirements in relation to H&S & Information Management (GDPR)
Lack of resources
Untrained staff

Consequence Non-compliance leading to prosecution
Reputational Damage
Reduced trust and public confidence
Increased number of complaints and queries

Risk Owners Dorinnia Carville; Michael Lipsett; Adam Wilkinson

Gross/Inherent Risk Red 25 **Last Review** 30/11/2017

Residual Risk Yellow 9 **Next Review** 01/03/2018

Target Risk Level Green 6

Objectives

- 3. Supported improved health and wellbeing outcomes
- 4. Protect our natural and built environment
- 8. Transform and modernise the Council, providing accessible as well as value for money services

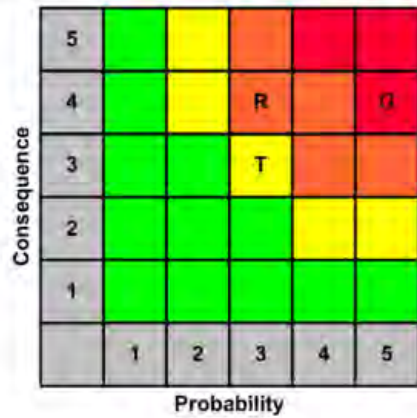
Key Controls Identified

- 1. Policies and procedures in place
- 2. Dedicated skilled teams in place for:
 - Health and Safety
 - HR
 - Legal (including information management)
- 3. Health and Safety Committees in place and ongoing programme of training in place

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
GDPR	The General Data Protection Regulation will apply in the UK from 25 May 2018. The principles are similar to those in the DPA with added detail at certain points and a new accountability requirement which will require the Council to show how it complies with the principles of the DPA 1998 eg. by documenting the decisions it takes about a processed activity. The ICO has been advising since March 2016 that organisations should be taking steps to comply with the new Regulation.	In Progress	Alison Robb	25/05/2018	A GDPR audit will be carried out to identify steps for GDPR compliance. Procurement exercise to be undertaken to identify specialist service provider.

Risk CR. 05 - Failure to effectively manage waste



Risk Categories Buildings / Engineering / Environment
Quality of Service
Statutory Duty (Legal/Regulatory)

Risk Description Failure to effectively manage waste
Risk Appetite - Averse

Potential Root Cause Insufficient resources
Market forces enable commercial operators to increase prices
Failure to plan effectively for future (including financial planning)
Historic contract arrangements which are not providing the Council with VFM
Potential loss of operators licence
Future changes to waste management arrangements

Consequence Reputational Issues
Lower customer satisfaction
impact on service delivery and lost productivity

Risk Owners Adam Wilkinson

Gross/Inherent Risk Red 20 **Last Review** 30/11/2017

Residual Risk Amber 12 **Next Review** 01/03/2018

Target Risk Level Yellow 9

Objectives

- 1. Become on of the premier tourism destination on the island of Ireland
- 4. Protect our natural and built environment
- 8. Transform and modernise the Council, providing accessible as well as value for money services

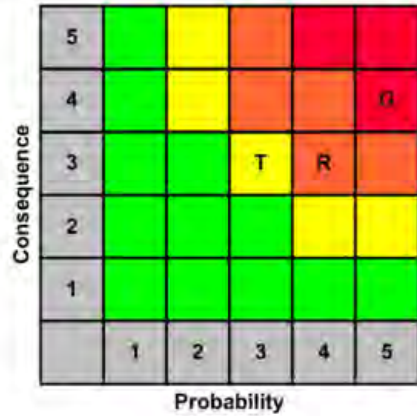
Key Controls Identified

- 1. Long term waste strategic plan in place
- 2. Partnership working with key stakeholders
- 3. Strategic waste group meets quarterly. Members include the RTS Director, AD of Waste plus councillors

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Education Programme	To ensure the education programme with regards to recycling and targets reaches a wider audience	In Progress	Adam Wilkinson	01/06/2018	AD of waste to implement education programme
Long term strategic plan	Implementation of long term strategic plan	In Progress	Joe Parkes	31/03/2019	The LT strategic plan refers to the Councils 9 point plan. Each of these 9 points has a separate action and target date.
RTS Resources	Review of the adequacy of resources within RTS in light of the rise in complaints	In Progress	Adam Wilkinson	31/03/2018	RTS Director to complete review and put action plan in place

Risk CR. 06 - Failure to provide timely planning decisions



Risk Categories Business operational/reputational
Financial

Risk Description Failure to provide timely planning decisions
Risk Appetite - Averse

Potential Root Cause Significant back log in planning decisions inherited from DoE
Ineffective and/or inadequate resources
Insufficient capacity building for members
Cultural inertia
Ineffective technology – EPIC system changes

Consequence Litigation
Reputational issues
Lower Customer satisfaction
Impact on service delivery and lost productivity
Financial implications resulting in budget constraints

Risk Owners Adam Wilkinson

Gross/Inherent Risk Red 20

Residual Risk Amber 12

Target Risk Level Yellow 9

Last Review 30/11/2017
Next Review 01/03/2018

Objectives

- 1. Become on of the premier tourism destination on the island of Ireland
- 2. Attracted Investment and supported the creation of new jobs.
- 4. Protect our natural and built environment
- 5. Lead the regeneration of our urban and rural area
- 8. Transform and modernise the Council, providing accessible as well as value for money services

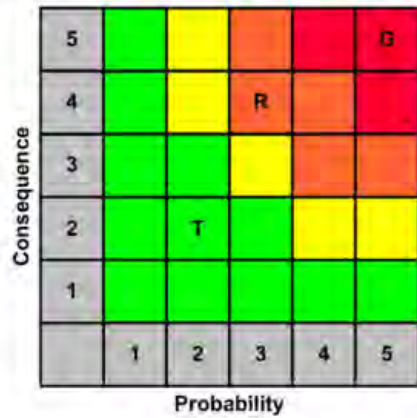
Key Controls Identified

- 1. Dedicated Planning Committee in operation
- 2. Programme in place to build officer and member capacity
- 3. Action plan in place to reduce backlog
- 4. Ongoing training for officers and members
- 5. Increase in numbers in the enforcement team

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Backlog cases	Implement action plan to reduce backlog in line with timeframe set	In Progress	Anthony Mckay	30/06/2018	The backlog has reduced from 1600 case to approximately 800 as at end of December 2017. Dedicated team in place to reduce back log - to be complete by October 2017
Delivery of a new Development Plan	The target is to issue a local development plan in March 2018. From this point it will be a 40 month programme. There are 5 dedicated officers including a manager working on the development plan.	Completed	Anthony Mckay	31/03/2018	In Progress
IT	Upgrade of technical IT infrastructure (EPIC Replacement)	In Progress	Anthony Mckay	30/09/2018	All Council will be getting their IT infrastructure upgraded at the same time. AD meets other Councils regularly to discuss options/issues.

Risk CR. 07 - Failure to have necessary staffing structures and resourcing to deliver efficient and effective services



Risk Categories Business operational/reputational
Impact on individuals (staff or public)
Quality of Service

Risk Description Failure to have necessary staffing structures and resourcing to deliver efficient and effective services
Risk Appetite - Neutral/Averse

Potential Root Cause Due to TUPE protection of the T&C's of transferred employees, a range of T&C's exist which reflect different contractual arrangements -Length of hour contracts, Annual Leave, Public holidays and job roles and descriptions need consistency.
Failure to have an effective working relationship with Trade Unions
Failure to attract and retain employees
Cultural differences between the two legacy Councils and a resistance to change
Restructuring the number of Directorates from five to four - SPP no longer exists

Consequence Low staff morale and increase in absenteeism
Industrial Action
Increase in use of overtime and also increase in the use of agency staff
Negative impact on service delivery and lost productivity
Negative PR for the Council

Risk Owners Dorinnia Carville

Gross/Inherent Risk Red 25

Residual Risk Amber 12

Target Risk Level Green 4

Last Review 30/11/2017

Next Review 01/03/2018

Objectives

- 2. Attracted Investment and supported the creation of new jobs.
- 6. Advocate on your behalf specifically in relation to those issues which matter to you
- 8. Transform and modernise the Council, providing accessible as well as value for money services

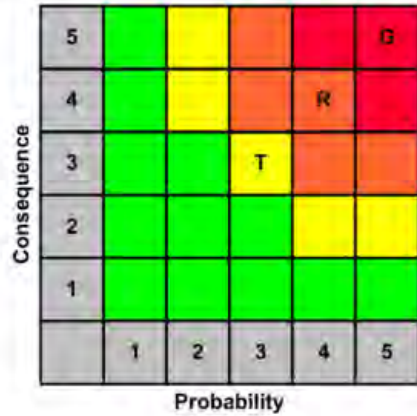
Key Controls Identified

- 1. Policies and procedures in place
- 2. Monitoring of absenteeism by SMT
- 3. Qualified HR, IT & Finance professionals in place
- 4. Detailed budgeting process in operation
- 5. Member led efficiency working group
- 6. Processes in place for specifying and filling posts (Matching, trawling, public advert)
- 7. Dedicated Learning and Development Policy in place
- 8. SMT managed the transition of the restructuring the number of Directorates from five to four

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
New Structures	Engage independent advice to review senior structures and to cost potential new structures	In Progress	Liam Hannaway	28/02/2018	Independent consultant to be procured to report in Council in January 2018.
Organisation Design	Embedding org. design -Commence Tier 4 appointments process -Commence Tier 5 appointments process	In Progress	Catrina Miskelly	30/06/2018	Tier 4 now almost complete - Tier 5 in progress.
Succession Planning	Succession planning to be completed for replacement RTS Director	Completed	Liam Hannaway	30/06/2018	Interim RTS Director now in place until March 2018. The RTS Director post has also been advertised and the recruitment process was unsuccessful. To be advertised in 2018.

Risk CR. 08 - IT Services do not support the Statutory, Strategic or Operational requirements of Council



Risk Categories Business operational/reputational
Impact on individuals (staff or public)
Quality of Service

Risk Description Failure to provide an effective IT Service
Failure to respond to and recover from a major incident within, or impacting upon, the Council
Failure to predict service requirements
Risk Appetite - Neutral

Potential Root Cause Resistance to change both internally and externally
Lack of resources for new IT system / network
Lack of staff with specialist expertise

Consequence Resources not used effectively
Poor service delivery
IT system becoming obsolete

Risk Owners Dorinnia Carville

Gross/Inherent Risk Red 25 **Last Review** 30/11/2017

Residual Risk Amber 16 **Next Review** 01/03/2018

Target Risk Level Yellow 9

Objectives

8. Transform and modernise the Council, providing accessible as well as value for money services

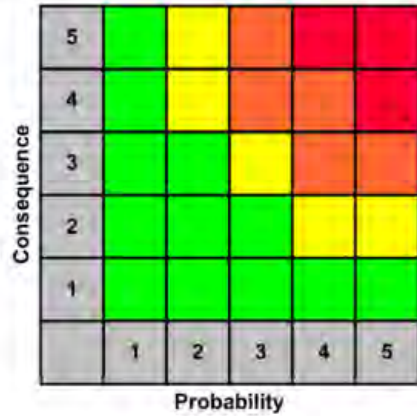
Key Controls Identified

1. IT Strategy now in place
2. Clustered and/or replicated server and storage architecture
3. off site back ups
4. Business Continuity Plans
5. IT project Boards in operation
6. Leisure Services System introduced

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
IT Disaster Recovery/Business Continuity Plans	Identify and address gaps in IT Disaster Recovery/Business Continuity Plans and Increase resilience of legacy IT systems until IT Strategy is fully implemented	In Progress	Gavin Ringland	30/09/2018	work ongoing
IT Strategy	Implement the Councils IT strategy and review regularly	In Progress	Gavin Ringland	31/03/2020	On target

Risk CR. 09 - IT - Transformation of Services (TOM)



Risk Categories Business operational/reputational
Financial
Impact on individuals (staff or public)
Quality of Service

Risk Description UNDER DEVELOPMENT

Potential Root Cause UNDER DEVELOPMENT

Consequence UNDER DEVELOPMENT

Risk Owners Dorinnia Carville

Gross/Inherent Risk

Residual Risk

Target Risk Level

Last Review 30/11/2017
Next Review 15/01/2018

Objectives

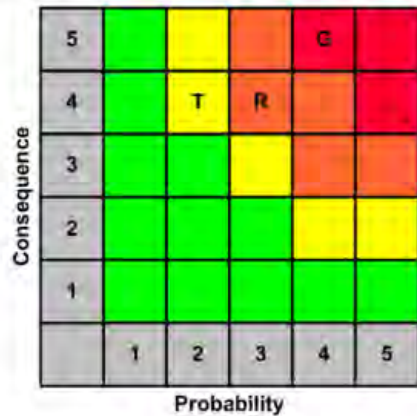
8. Transform and modernise the Council, providing accessible as well as value for money services

Key Controls Identified

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
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Risk CR. 10 - Failure to adequately react to a major incident



Risk Categories Buildings / Engineering / Environment
Business operational/reputational
Impact on individuals (staff or public)
Statutory Duty (Legal/Regulatory)

Risk Description In the event of a disaster or an emergency, the Council may not respond in a way which minimises any negative consequences/impact
Risk Appetite - Averse

Potential Root Cause Natural disasters
Camlough Reservoir
Localised flooding
Harbour disasters
Fire
Significant IT failure

Consequence Reputational damage through inadequate civic leadership to provide adequate community emergency support
Loss of income
Litigation - civil/criminal
increased insurance premiums

Risk Owners Dorinnia Carville

Gross/Inherent Risk Red 20

Residual Risk Amber 12

Target Risk Level Yellow 8

Last Review 30/11/2017

Next Review 01/03/2018

Objectives

- 3. Supported improved health and wellbeing outcomes
- 4. Protect our natural and built environment
- 6. Advocate on your behalf specifically in relation to those issues which matter to you

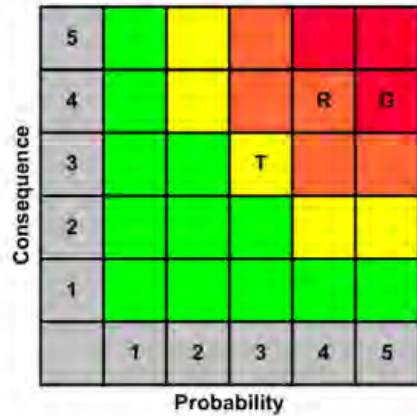
Key Controls Identified

- 1. Business Continuity Plan in place
- 2. Emergency planning measures in place, including:
-Flood risk plan
-Inter-agency group
- 3. Dedicated Emergency Planning team and professionally trained and experienced staff
- 4. Member of Southern Region Emergency Planning Group
- 5. Annual Winter resilience plan in place

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Drills/testing of plans on a regular basis	In Progress	Ian Sands	31/01/2019	ongoing

Risk CR. 11 - Failure to implement an economic development programme to regenerate the district and attract inward investment due to financial uncertainties caused by the current economic and political climate



Risk Categories Impact on individuals (staff or public)
Quality of Service

Risk Description Failure to implement an economic development programme to regenerate the district and attract inward investment due to financial uncertainties caused by the current economic and political climate

Potential Root Cause Failure to engage stakeholders (public and private sector)
Lack of resources
Reduction in rates income
Economic downturn and economic uncertainty
Impact of Brexit on funding
Impact of City Deals
Reduced funding from Central Government due to lack of a NI Executive
The fall and continuing weakness in sterling driving inflation expectations higher

Consequence Lack of investment and economic activity
Loss of confidence from the private sector
Negative PR
Poor service delivery

Risk Owners Liam Hannaway; Marie Ward

Gross/Inherent Risk Red 20 **Last Review** 30/11/2017

Residual Risk Amber 16 **Next Review** 01/03/2018

Target Risk Level Yellow 9

Objectives

- 2. Attracted Investment and supported the creation of new jobs.
- 5. Lead the regeneration of our urban and rural area

Key Controls Identified

- 1. Economic development and investment strategy in place
- 2. Establishment of Economic Forum including public and private sector stakeholder
- 3. Rural Development Programme in place
- 4. Engagement with other Councils, The NI Executive, NILGA and the Private Sector through the Chamber of Commerce

Action Plans

	Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments
Brexit	Continue to closely monitor effects of Brexit on on-going funding	In Progress	Liam Hannaway Jonathan McGilly	30/07/2018	Various initiatives ongoing
City Deals	Actively engage in Belfast Region City Deals process planning	In Progress	Liam Hannaway	30/12/2018	Engagement and planning ongoing



Newry, Mourne and Down District Council

Risk Management Policy



Effective Date: October 2017

Version 1.0

Policy Control

Policy Title	Risk Management Policy
Departmental Ownership	Corporate Services
Document Owner	Dorinnia Carville, Director of Corporate Services
Officer Responsible	Gerard Byrne, Audit Services Manager
Date of Approval	SP&R – Council –
Date of Last update	October 2017
Updated by	Gerard Byrne, Audit Services Manager
Date of next Review	October 2021
Location where document is held and referenced	Shared Drive and NMDDC Website

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Statement

1. Risk Management is about managing threats and opportunities so that the Council is in a stronger position to deliver its objectives and is an essential business tool that encourages innovation and enterprise, not risk adversity. Risk Management includes identifying and assessing risks and then responding to them to ensure effective controls are in place. Failure to manage risk effectively may result in financial losses, disruption to services, bad publicity or claims for compensation.
2. All organisations face risk or obstacles to achieving their objectives. In order for Newry, Mourne and Down District Council (NMDDC) to deliver its vision of serving and leading the people of the District it is vitally important to:
 - Understand the nature of the risks we face;
 - Be aware of the extent of these risks;
 - Identify the level of risk that we are willing to accept;
 - Assess our ability to control or reduce the risk; and
 - Implement corrective actions.
3. Risk can be defined as an uncertain event that, should it occur, will have an effect on the Council's objectives and/or reputation. It is the combination of the probability of an event (likelihood) and its effect (impact).

Aims

4. Risk management should be explicitly linked to the business planning process to ensure it is embedded across the Council. An effective risk management process will:
 - Improve service delivery;
 - Support business planning;
 - Improve decision making;
 - Improve performance and promote continuous improvement;
 - Enhance communication between Departments; and
 - Improve accountability and reassure stakeholders

Scope

5. This document defines NMDDC's Risk Management Policy, and describes the process for identifying and managing risk within the Council. It draws on the principles and approach set out in '[Orange Book, Management of Risk – Principles and Concepts](#)', issued by HM Treasury and the [NIAO 'Good Practice in Risk Management'](#) (June 2011).



6. The Local Government Regulations (NI) 2006 (Accounts and Audit) requires the Council to have in place adequate and effective arrangements for the management of risk and to report on these arrangements within the annual governance statement, which forms part of the statutory accounts and which must be considered and approved by Council.
7. Risks will be managed at one of three levels:
 - Corporate Risks - High level risks which could have a major impact on the Council's corporate plan objectives. These risks will be managed primarily by the Senior Management Team (SMT) and will be subject to challenge by the Audit Committee.
 - Directorate Risks – Risks which could impact on the delivery or timescale of activities or deliverables at Directorate level. These risks will be managed by the Assistant Directors and may be escalated to corporate level as appropriate. The Audit Service Manager will contact Directors quarterly on whether they believe any of their directorate risks should be escalated to a corporate level. Directors can at any point bring forward a Directorate Risk which they feel has got to such a level that it should be Corporate Risk. This will then be discussed at SMT and if necessary brought onto the Corporate Risk Register.
 - Project Risks - will be managed by the appropriate Project Officer (s). The mechanisms in place for monitoring and reporting risk will vary according to the size and complexity of the project, ranging from the use of a risk register to the appointment of a risk manager.
8. NMDDC have decided that risk will be managed through the GRACE risk Management system. Corporate, Directorate and Project risk registers will be held and updated on GRACE by action and risk owners. The Audit Services Manager will be the administrator of GRACE.

Related Policies

9. This policy should be read in conjunction with the following NMDDC documents:
 - Code of Conduct for Local Government employees;
 - The Northern Ireland Local Government Code of Conduct for Councillors;
10. The policy applies and impacts on employees, agency staff, elected members, contractors, consultants, suppliers and service users.

Risk Management Process

11. The diagram below demonstrates the key elements of the risk management process.



Risk Identification

12. Risk identification is the process of identifying risks which may impact on the Council's ability to achieve its objectives. The aim is to identify what, when, where, why and how events could prevent, degrade, delay or enhance achievement of objectives. These objectives can be at a corporate, directorate or project level. All risks within the Council need to be linked back to objectives.
13. **Appendix 1** is drawn from a 2004 review (by Treasury) of main departments' risks and offers a summary of the most common categories or groupings of risk with examples of the nature of the source and effect issues; this table will help management within the Council to check if they have considered the range of potential risks which may arise.
14. Risks should be related to objectives as set out in the Corporate, Directorate and Project Plans as appropriate. Some risks may be relevant to more than one objective. However, risk identification and assessment should not be confined to the process of drawing up Plans.
15. In identifying risks, managers should not just consider threats to the achievement of their objectives but also consider, missed opportunities for improved performance and enhanced capacity.
16. Risk identification should be approached in a methodical way to ensure that all significant activities within the Council have been identified and all risks flowing from these activities defined. Risk should always be related to objectives. The Council can use a number of methods for identifying risks including facilitated workshops, brainstorming, using past experience, audit reports such as internal audit, NIAO and other audit institutions.

17. The standard format Risk Register is illustrated at **Appendix 2**. This is a template driven by the GRACE risk management system. Once identified all risks are recorded in a risk register. Included within the standard template is the title of the risk, the risk category, the risk description, the risk owner, the link to objectives, the gross risk, the controls currently in place, the residual risk, the actions to mitigate the risk, the net risk score and the monthly risk review.
18. A **risk owner** must be allocated and recorded against each risk on the risk register. Such accountability helps ensure 'ownership' of the risk is documented and recognised.
19. The following people are assigned Risk Owners:
 - Corporate Risks – Chief Executive and SMT;
 - Directorate Risks – Assistant Directors; and
 - Project Risks - Owners allocated by the Project Director/Manager
20. Risk Owners will have authority to assign resources to manage key risks. They are responsible for managing assigned risks by ensuring controls are in place and properly actioned at all levels throughout their section. They are also responsible for communicating progress, identifying control weaknesses and recommending remedial actions and ensuring that a suitable system of internal control operates in their area of responsibility.
21. The SMT and CMT will be responsible for ensuring that the risk management processes become embedded in the culture of the Council through provision of roll out training and facilitation by the Audit Services Manager.

Risk Assessment

22. The next step in the process is to assess the **"inherent"** risk to the Council's activity. Inherent risk can be described as the exposure arising from a specific risk before any action is taken to manage it. This involves assessing the 'likelihood' of a risk occurring and its potential 'impact' on the relevant business objective. The impact and likelihood of risks occurring will be reassessed later in the risk management process to reflect how the risk exposure has changed as a result of the risk response. This is referred to as **"residual"** risk and can be described as the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.
23. A risk matrix is used to evaluate the risks so that there is an understanding of the risk exposure faced, which in turn influences the level of risk treatment that should be applied to manage/reduce/prevent the risk from occurring. The matrix used for evaluating risk is shown in the diagram below. Risk analysis is primarily concerned with quantifying risk in terms of frequency and severity.
24. The Council will adopt a consistent approach to evaluating the likelihood and impact of key risks in terms of both:
 - Likelihood – The chance of the risk materialising
 - Impact – The effect of the risk should it materialise



25. The likelihood and impact of each risk should be evaluated on a scale of 1 to 5. The definitions agreed by Council are set out in **Appendix 3** (likelihood) and **Appendix 4** (impact) to arrive at the overall risk rating.

Risk Assessment Matrix			PROBABILITY				
			Rare	Unlikely	Possible	Likely	V. Likely
		Score	1	2	3	4	5
CONSEQUENCES	Fundamental	5	5	10	15	20	25
	Major	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Not significant	1	1	2	3	4	5

Risk Appetite

- 26. The Council’s risk appetite is the extent of exposure to risk that is judged tolerable for the Council.
- 27. Some risks are unavoidable and it is not always within the Council’s ability to manage risk to a tolerable level – for example, the Council has to accept that there are risks arising from terrorist activities, extreme weather, industrial action etc which we cannot control. In this case the Council needs to make contingency plans to minimise any potential negative impact of a risk maturing.
- 28. The risk assessment should then be compared to the risk appetite for each risk type. While the Council deems any unacceptable risks intolerable it is envisaged that all other risks will be managed in accordance with the risk appetite.
- 29. The risk appetite sets out the level of risk that management is prepared to accept, tolerate or be exposed to at any point in time. The risk appetite may vary depending on the category of risk. In some areas the Council may take more risk in order to support innovative thinking, in other areas the Council may take less risk to ensure legal compliance or to maintain public confidence.
- 30. Our approach to risk taking will be dependent upon the nature of the risk. Particular care is needed in taking action that could:
 - Impact on the reputation of the Council;
 - Impact on performance;
 - Results in censure/fines by regulatory bodies; and
 - Results in financial loss/fraud

31. The target level of risk score will depend on whether the Council is risk averse, risk neutral or risk open.

Risk Appetite	Definition
Risk Averse	Avoidance of risk and uncertainty or for safe options that have a low degree of inherent risk and may only have limited potential for reward is a key objective. Avoid mitigate its exposure to risk.
Risk Neutral	Willing to consider all options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward. Moderate appetite to accept exposure to risk.
Risk Open	Eager to be innovative and to choose option based on potential higher rewards (despite greater inherent risk). Accepts the impact of potential risk in materialising.

32. Any risk that has a residual risk score assessed to be low will be considered to be acceptable and will require no further action other than to ensure that the existing controls are operating effectively.

Addressing the Risk

33. There are four standard traditional responses to addressing risk. The choice of approach taken will depend on factors such as cost, feasibility, probability and potential impact. By addressing the risks identified, the Council can constrain threats and take advantage of opportunities. The level and type of treatment for each risk will depend on the level of residual risk and the tolerance to the specific risk.

Terminate the Risk

34. Terminating the risk means ceasing the activity because modifying it or controlling it would not reduce the risk to an acceptable level. This is when the risk outweighs the possible benefits, the risk can be terminated by doing things differently and thus removing the risk, where it is feasible to do so.

Tolerate the Risk

35. It may be appropriate to tolerate or accept the risk without any further action for example due to either a limited ability to mitigate the risk or the cost of mitigation may be disproportionate to the benefit gained. This option may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.



Transfer the Risk

36. Transfer the risk means using an insurer or third party to cover the cost or losses and share the risk should a risk materialise. This is where another party can take on some or all of the risk more economically or more effectively. Not all risks are (fully) transferrable, in particular, reputational risk cannot be transferred out even if a service is contracted out.

Treat the risk

37. Treating the risk means identifying additional actions to be taken that will reduce the likelihood and/or the impact if the event occurred. This is when the risk is mitigated. It is anticipated that the greatest number of risks will fall into this category. See **Appendix 5** which demonstrates four different types of controls which can be used when mitigating risks.
38. HM Treasury's '[Orange Book](#)' emphasises that in designing controls, *"it is important that the control put in place is proportional to the risk. Apart from the most extreme undesirable outcome (such as loss of human life) it is normally sufficient to design controls to give reasonable assurance of confining likely loss within the risk appetite of the Council. Every control action has an associated cost and it is important that the control action offers value for money in relation to the risk that it is controlling. Generally speaking the purpose of control is to constrain risk rather than eliminate it."*
39. Taking account of the controls that have been put in place, the Council should repeat the earlier risk assessment in terms of likelihood and impact to identify the "residual" risk. This risk assessment will generally result in a lower rating for likelihood. The impact of a risk maturing can be reduced by putting in place a contingency plan that will address how the risk will be dealt with in the event of it maturing.
40. The selected risk response will be captured in the additional 'action' section of the risk register template. The Risk Owner should ensure that responsibility for each action in is assigned to a named individual along with realistic target dates. Additional actions highlighted in the risk register templates should link with the actions set out in the individual business plans.

Recording and reviewing risk

41. The Council's Risk Registers are an integral part of the Assurance Process and reporting thereof is the means by which the Council and Audit Committee can assess the effectiveness of the controls and assurances given for the management of the risks identified.
42. Risk management should be a continuous process which identifies new risks, changes in existing risks and risks which are no longer relevant. The Councils Risk Registers are therefore live documents.
43. The risk registers should be reviewed on a Quarterly basis and updated accordingly, taking cognisance of the outcome of completed risk actions and any resultant change in risk score or risk classification. Risk actions that have been completed should be transferred to controls.



44. A summary report of Directorate Risk Registers will be periodically reviewed by SMT as appropriate. This will help to promote consistency between risk registers and identify any risks that may need to be escalated to the Corporate Risk Register.
45. Evidence to assess effectiveness of controls should be detailed in the risk register template. This enables an opinion on the adequacy and effectiveness of the control and provides assurance on the management of these risks and highlights where additional control actions are required.
46. Risk Registers are created and maintained on the Councils Risk Management Software 'GRACE'. This enables the Council to create a corporate risk profile, record and manage any risks in a consistent way, map risks to objectives and risk types, monitor and review risks and produce meaningful management reports. GRACE is the software for facilitating risk management, however Council Officers will be responsible for recording the risk.

Assurance Statements

47. In order to assist the Chief Financial Officer in fulfilling his responsibilities, the Council have put in place a process for stewardship reporting. The assurance statements should reflect any significant internal control issues in the relevant Directorate or Service Area and is be timed to support the Accounting Officer in his preparation of the Annual Governance Statement.
48. It is essential that a sound system of internal control and governance is in place to support the achievement of NMDDC's policies, aims and objectives. At the end of each financial year the Chief Financial Officer of the Council is required to sign a governance statement providing a comprehensive explanation of how internal governance has worked and summarised how the Council has managed key risks.
49. Assurance Statements are intended to provide the Chief Financial Officer with an assurance that effective internal controls are in place within each Council Officers area and the key risks are being managed to enable the achievement of the Councils Strategic and Directorate objectives. They are also designed to provide a formal early warning system of what risks have crystallised or are expected to crystallise.
50. The Assurance Statement must be signed on a quarterly basis at both Director and Assistant Director level in relation to their Department and Service area respectively. This is providing assurance to the Chief Financial Officer that the public funds for which we are responsible for are safe guarded and have been managed with propriety and regularity.
51. Assurance statements should be completed, applying the thinking that **'hearing good news is nice, but we need to hear bad news quicker'**. However, Directors / Assistant Directors should immediately bring significant issues to the attention of the Chief Executive and or the Senior Management Team, rather than waiting to disclose in the quarterly Assurance Statement.
52. Assurance statements should be sent to the Chief Executive / Directors on a quarterly basis. The Audit Services Manager should will also require the Director and Assistant Directors Assurance Statements quarterly to help assist with the management of risk within NMDDC. The Director



will be a standing agenda item at SMT. The Assistant Director Assurance statements will be discussed quarterly at Directorate meetings and may be discussed at SMT on request.

53. Assistant Directors will need to complete their Assurance Statements within 10 Days of the quarter end. The Directors will complete their Assurance Statements within 30 days of period end as they will rely on the information from their Assistant Directors.

Roles and Responsibility

54. To ensure risk management is effectively implemented, all Council employees should have a level of understanding of the Councils risk management approach and regard risk management as part of their responsibilities. **Appendix 6** highlights the roles and responsibilities of different groups within Council.

Policy Review Date

55. The policy will be reviewed in line with the Council's agreed policy review cycle i.e. every 4 years (as per Council's Equality Scheme commitment 4.31), or sooner, to ensure it remains reflective of legislative developments."
56. Staff wishing to receive clarification on this policy and/or suggest improvements should contact the Audit Services Manager.

Equality Screening

57. Having screened the Risk Management Policy, the decision is that it should not be subject to an Equality Impact Assessment (EQIA) with no mitigating measures required. A copy of the equality screening is available from the Head of Corporate Policy.

Version 1.0



Checklist for Risk Identification

Appendix 1

CATEGORY OF RISK	Illustration / issues to consider
1. External (arising from the external environment, not wholly within the organisation's control, but where action can be taken to mitigate the risk)	
<i>[This analysis is based on the "PESTLE" model – see the Strategy Survival Guide at www.strategy.gov.uk]</i>	
1.1 Political	Change of government, cross cutting policy decisions (e.g. – the Euro); machinery of government changes
1.2 Economic	Ability to attract and retain staff in the labour market; exchange rates affect costs of international transactions; effect of global economy on UK economy
1.3 Socio cultural	Demographic change affects demand for services; stakeholder expectations change
1.4 Technological	Obsolescence of current systems; cost of procuring best technology available, opportunity arising from technological development
1.5 Legal/regulatory	EU requirements / laws which impose requirements (such as Health and Safety or employment legislation)
1.6 Environmental	Buildings need to comply with changing standards; disposal of rubbish and surplus equipment needs to comply with changing standards
2. Operational (relating to existing operations – both current delivery and building and maintaining capacity and capability)	
2.1 Delivery	
2.1.1 Service/product failure	Fail to deliver the service to the user within agreed / set terms
2.1.2 Project delivery	Fail to deliver on time / budget / specification
2.2 Capacity and capability	
2.2.1 Resources	Financial (insufficient funding, poor budget management, fraud) HR (staff capacity / skills / recruitment and retention) Information (adequacy for decision making; protection of privacy) Physical assets (loss / damage / theft)
2.2.2 Relationships	Delivery partners (threats to commitment to relationship / clarity of roles) Customers / Service users (satisfaction with delivery) Accountability (particularly to Parliament)
2.2.3 Operations	Overall capacity and capability to deliver
2.2.4 Reputation	Confidence and trust which stakeholders have in the organisation
2.3 Risk management performance and capability	
2.3.1 Governance	Regularity and propriety / compliance with relevant requirements / ethical considerations
2.3.2 Scanning	Failure to identify threats and opportunities
2.3.3 Resilience	Capacity of systems / accommodation / IT to withstand adverse impacts and crises (including war and terrorist attack). Disaster recovery / contingency planning
2.3.4 Security	Of physical assets and of information
3. Change (risks created by decisions to pursue new endeavours beyond current capability)	
3.1 PSA targets	New PSA targets challenge the organisation's capacity to deliver / ability to equip the organisation to deliver
3.2 Change programmes	Programmes for organisational or cultural change threaten current capacity to deliver as well as providing opportunity to enhance capacity
3.3 New projects	Making optimal investment decisions / prioritising between projects which are competing for resources
3.4 New policies	Policy decisions create expectations where the organisation has uncertainty about delivery

Example Risk Register on GRACE

Appendix 2

Risk **CR / DR 001 - Example risk template**

5					
4					
3					
2					
1					
	1	2	3	4	5

Probability

Risk Categories

Risk Description

Potential Root Cause

Consequence

Risk Owners

Gross/Inherent Risk

Residual Risk

Target Risk Level

Last Review

Next Review 22/11/2017

Objectives

Key Controls Identified

Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Action Plan Action Date	Comments

Risk Type with Associated Impact

Appendix 3

		Risk Type (with associated impact)					
		Impact on individual(s) – staff or public.	Statutory Duty.	Business / Operational	Buildings/ Environmental	Engineering/ Quality of Service	Finance
Consequence	Score						
Fundamental	5	• Death	• Multiple breach of statutory legislation and prosecution.	• Litigation > £500k expected.	• Critical Environmental Impact.	• Severe impact on customer satisfaction.	• Significant financial impact (over 5% of total directorate budget)
				• National Media Interest	• Service closed for unacceptable period.	• Gross failure to meet professional / national standards	• Theft / loss >£250k
				• Severe loss of confidence and reputation			
Major	4	• Major injury/ill health (reportable)	• Multiple breach of statutory legislation and improvement notice issued.	• Litigation >£250k to <£500k expected.	• Major/significant environmental impact	• Major impact on customer satisfaction.	• Major financial impact (between 2% - 5% of total directorate budget).
		• Major clinical intervention		• Adverse publicity	• Severe disruption to service	• Failure to meet professional / national standards	• Theft / loss between £100k - £250k
		• Permanent incapacity		• Impact on reputation			
Moderate	3	• Temporary Incapacity	• Single breach of statutory legislation and Improvement Notice issued.	• Litigation >£50k - <£250k possible.	• Moderate environmental impact	• Formal complaint expected.	• Moderate financial impact (between 1% and 2% of total directorate budget)
		• Short term monitoring		• Potential for adverse publicity, avoidable with careful handling	• Moderate disruption to services	• Failure to meet internal standard	• Theft / loss between £50k - £100k
		• Additional medical treatment up to 1 year		• Potential to impact on reputation.			
Minor	2	• First Aid/ self treatment	• Breach of statutory legislation.	• Litigation <£50k	• Localised environmental impact	• Possible complaint.	• Minor financial impact (up to 1% of total directorate budget)
		• Minor injury		• Impact on reputation – internal awareness.	• Disruption to service perceived as inconvenient.	• Single failure to meet internal standard.	• Theft / loss between £1 - £50k
		• Minor ill health up to 1 month					
		• Near miss (small cluster)					
Not significant	1	• Near miss (single)	• Near breach of statutory legislation.	• Possible litigation due to settlement is <£5k.	• Minimal impact to environment.	• Customer initially unhappy.	
		• No adverse outcome.	• Minor breach of guidance or legislation.		• Minimal disruption.	• Minor non-compliance with internal standard.	
		• No injury or ill-health.					



Qualitative Measures of Likelihood

Appendix 4

Likelihood of Event or Incident occurring		
Likelihood Descriptor	Score	Probability / Likelihood (of event or incident occurring over lifetime of Corporate Plan).
Almost Certain	5	<ul style="list-style-type: none"> The event is more likely than not to occur.
Likely	4	<ul style="list-style-type: none"> The event is likely to occur.
Possible	3	<ul style="list-style-type: none"> There is a reasonable chance of the event occurring.
Unlikely	2	<ul style="list-style-type: none"> The event is unlikely to occur.
Rare	1	<ul style="list-style-type: none"> The event will occur only in exceptional circumstances.



Appendix 5

Types of Control

Preventative controls are designed to limit the possibility of an undesirable outcome being realised. The majority of controls implemented belong to this category. Examples include password access to computers, supervisory checks and independent authorisations on payments made to suppliers.

Directive controls are designed to ensure that a particular outcome is achieved. Examples include a requirement that protective clothing be worn during the performance of dangerous duties, or that staff are trained before being allowed to work unsupervised.

Corrective controls (reversibility) are designed to correct undesirable outcomes which have been realised. Applied after the event, these may consist of contractual remedies to recover overpayments or obtain damages or a detailed contingency plan that will be triggered by an event (e.g. disaster recovery or business contingency plans).

Detective controls are designed to identify occasions of undesirable outcomes having been realised. By definition these are after the event, so they are only appropriate when it is possible to accept the loss or damage incurred. Examples of detective controls include stock or asset checks, reconciliations, post implementation reviews.



Risk Management Roles and Responsibilities

Appendix 6

Accounting Officer / Chief Executive	<ul style="list-style-type: none"> Retains ultimate responsibility for the organisation’s system of internal control and ensures that an effective risk management process is in place and is regularly reviewed Provides clear direction to staff Establishes, promotes and embeds an organisational risk culture Reports to the Audit Committee
Audit Committee	<ul style="list-style-type: none"> Endorses the Council’s risk management strategy/policy Takes responsibility for the oversight of the risk management process Reviews the Corporate risk register quarterly to provide challenge and advice Ensures appropriate monitoring and management of significant risks by management Challenges risk management to ensure that all key risks have been identified
SMT	<ul style="list-style-type: none"> Determine the Council’s approach to risk management Implement policies on risk management and internal control Discuss and approve issues that significantly affect the Council’s risk profile or exposure Continually monitor the identification and management of significant risks and ensure that actions to remedy control weakness are implemented Annually review the organisation’s approach to risk management and approve changes or improvements to key elements of its processes and procedures Report to the Audit Committee on risk management matters Provides quarterly assurance statements to the Accounting Officer and Audit Services Manager. The Corporate Risk Register is discussed in detail bi-monthly at SMT. Bi-monthly SMT will review a Directorate Risk Register on a rotational basis.
CMT	<ul style="list-style-type: none"> Provides quarterly assurance statements to their relevant Director and Audit Services Manager.
Risk Owner	<ul style="list-style-type: none"> Identifies and assesses individual risks Decides whether a risk is sufficiently serious to be escalated to the next level of the organisation Ensures that actions to treat or control the risk are carried out and informs the risk manager of any consequent updates to the risk register Reviews the risk rating and the necessity to keep the risk on the register
Audit Services Manager	<ul style="list-style-type: none"> Maintains the risk register under the direction of risk owners and updates or amends the risk register as necessary Regularly reviews the content of risk registers with a view to ensuring that risk actions are being completed and that all details on the risk register are correct and comparable to detail listed in quarterly assurance statements Maintains the GRACE Risk Management system The Audit Service Manager can provide guidance to any staff member on how to identify risks or any part of the risk management process.
Staff	<ul style="list-style-type: none"> Carry out risk actions identified and delegated by the risk owners Maintains awareness of the organisation’s risk management strategy and the key risks faced by the organisation Ensures that duties relating to controls are carried out
Internal Audit	<ul style="list-style-type: none"> Provides independent opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and internal control to the Accounting Officer (and Audit Committee)

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Fraud and Whistleblowing
Reporting Officer (Including Job Title):	Gerard Byrne, Audit Services Manager
Contact Officer (Including Job Title):	Gerard Byrne, Audit Services Manager

Decisions required: For Noting	
1.0	Purpose and Background:
1.1	<ul style="list-style-type: none"> To Notify the Audit Committee of any suspected Fraud and Whistleblowing cases since the last meeting until the 5 January 2018. To Notify the Audit Committee of any developments from previous Fraud and Whistleblowing Cases since the last meeting until 5 January 2018. To notify the Audit Committee of the completed Governance training for all staff.
2.0	Key issues:
2.1	<ul style="list-style-type: none"> Two new whistleblowing cases since the last Audit Committee. See Appendix for more details. 12 compulsory Governance Awareness Sessions have taken place at various sites across the Council during October and November 2017. Each of these sessions were introduced by a member of SMT to demonstrate the 'tone at the top' and commitment of Senior Management in driving a culture of openness and accountability within the Council. The awareness sessions covered; Fraud, Corruption and Bribery, Whistleblowing, Gifts and Hospitality and Conflicts of Interest. Since the training sessions have been completed a copy of the presentation slides and the associated policies have been emailed out to all staff for any who could not attend a scheduled session. At the end of the session there was a chance for the attendees to ask questions. The NIAO also delivered a more detailed awareness session on Fraud, Corruption and Bribery, Whistleblowing and Conflicts of Interest on the 21 December 2017 to SMT and CMT. Councillors were also invited to attend.
3.0	Recommendations:
3.1	Fraud and Whistleblowing cases for consideration by the Audit Committee on a quarterly basis.
4.0	Resource implications
4.1	None
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	Appendix I: Summary fraud and whistleblowing register

Summary Fraud Register – 2017/18 Financial Year

<i>Reference no.</i>	<i>Directorate</i>	<i>Sender / Notifier</i>	<i>Brief Summary</i>	<i>Latest update</i>	<i>Date Audit Services Manager was Informed</i>	<i>Date Audit Committee was informed</i>
F003	SPP	Staff Member from Corporate Services	Allegation that a Council Officer was falsifying documentation and not complying with the Councils Retention and Disposal Policy of information.	The Council Internal Auditors are carrying out an independent investigation. Investigation report will then be passed to HR. Case ongoing. Internal Audit to bring a procurement lessons learned report to the January 2018 Audit Committee.	22 February 2017	27 April 2017

Summary Whistleblowing Register – 2017/18 Financial Year

<i>Reference no.</i>	<i>Directorate</i>	<i>Sender / Notifier</i>	<i>Brief Summary</i>	<i>Latest update</i>	<i>Date Audit Services Manager was Informed</i>	<i>Date Audit Committee was informed</i>
WB 11	Legacy Council	Internal	Suspected irregularities around procurement procedures in Legacy Newry and Mourne.	Internal investigation underway. The Fraud Response Group has had one meeting and has decided to carry out further investigatory work around the allegations. Investigation on-going.	14/08/2017	26/09/2017
WB 12	AHC	Internal	Allegation of a number of Health and Safety concerns in Newry Leisure Centre.	A full independent investigation has been completed by a company who specialise in leisure centre H&S. Awaiting final report with associated recommendations. Management have been made aware of the concerns raised.	21/09/2017	11/01/2017
WB 13	CS/AHC	Internal	Allegations that some officers were possibly using work time to complete a piece of private work.	Investigation completed. Allegations made could not be substantiated. Case closed.	12/12/2017	11/01/2018

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Direct Award Contract (DAC) Register
Reporting Officer (Including Job Title):	Gerard Byrne, Audit Services Manager
Contact Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance

Decisions required:	
For Consideration and noting.	
1.0	Purpose and Background:
1.1	<p>Direct Award Contracts (DAC's) or Single Tender Actions (STA's) occur when any partly or fully funded contract over £5k is awarded to a contractor/supplier without a competition, or where there is a material change to an existing contract.</p> <p>It is considered good practice to bring Direct Award Contracts to the attention of the Audit Committee.</p>
2.0	Key issues:
2.1	<p>In the third quarter of the 2017-18 financial year, the Council awarded 10 contracts by way of Direct Award (with a value greater than £5k). The total value of these contracts was £157,545.19.</p> <p>In rolling out training on the new Procurement Policy, special attention will be given to ensuring that officers are aware of the requirements around DAC's.</p>
3.0	Recommendations:
3.1	For noting by the Audit Committee
4.0	Resource implications
4.1	None
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	Appendix 1: DAC Report 22 September 2017 to 21 December 2017 (3 rd Quarter).

STA Report from 1 Apr 2017 - 31 March 2018										
	Product	Cost Code Name / Project / Location	STA Total Price	Reasoning Provided	Company	Requisitioner	PO	PO Total Price	Date of PO	Authoriser
3RD	QUARTER									
31	Provision of Canal Trips City of Merchants	1154/E034/3361	5,000.00	The company is based in Newry and were the only available with local expertise.	Silvery Light Sailing	Charlotte Anderson	121284	5,200.00	22.09.17	Marie Ward
33	Theatre Conference Facility Study	9025/9192/8006	19,480.00	Three companies were asked to submit a return. Only one company responded.	Charcoal Blue Ltd	Marie Ward	121358	19,480.00	26.09.17	Marie Ward
34	Tascomi Te-Build System (Software as a service)	1202/Z/3090	32,284.00	winning contract for the provision of Building control Software as tendered in 2008.	Tascomi	Gavin Ringland	121364 / 121324 / 119922	32,284.00		Dorinnia Carville
35	Communication Company For Newry Civic Centre Development.	9025/9192/8006	16,000.00	Five companies were asked to submit a return. Only two companies responded.	Lanyon Communications	Marie Ward	121998	16,000.00	18.10.17	Marie Ward
36	HP Equipment for IT from BT	9025/9185/8009	17,400.00	winning tender provided wrong tablets. HP through BT provided the correct tablets at a reduced price.	British Telecom NI	Gavin Ringland	122036	17,400.00	19.10.17	Dorinnia Carville
38	Conservation of Nicholas Bagenal Portrait	9025/9167/2378	5,500.00	Unique and rare painting to be preserved. Sole Supplier with this experience.	Siobhan Conyngham	Amanda McKinstry	122060	5,500.00	20.10.17	Andy Patterson
39	NLC Deep Clean	9025/9302/8001	6,300.00	Contract to undergo a competition process due to time constraints, needed to be performed prior to phase two opening.	Joseph Hughes Ltd	Eugene Reilly	122186	6,300.00	24.10.17	Roland Moore
41	BE Active Branding for Indoor leisure	9025/9320/8008	11,602.09	Delay in finalising leisure framework and requirement to complete indoor leisure branding before the launch of NLC phase 2.	Alliance Leisure Services	Eugene Reilly	122331	11,602.09	31.10.17	Roland Moore
42	NLC Gymaid Trampolines	9025/9320/8012	20,988.00	needed competition specification for upcoming event - time pressures and specialised piece of equipment.	Gymaid Ltd	Eugene Reilly	122760	20,988.00	17.11.17	Michael Lipsett
45	Refurbishment of submersible moving floor - Kilkeel LC (DEM Supplier)	9025/Z/9214	22,791.10	Urgent refurbishment work required due to H&S reasons and to prevent injury. Original supplier used.	PPF Servicing Ltd	John Davis	123610	22,791.10	18.12.17	Roland Moore
			157,345.19					157,545.19		

Tascomi 2017

Product	Cost Code Item / Project / Location	STA Total Price	Reasoning Provided	Company	Requisto ner	PO	PO Total Price	Date of PO	Authorise r
Te-License Annual Maintenance and Support from 19/10/2017 - 18/10/2018	1202/Z/3090			Tascomi	Gavin Ringland	119922	4,228.20	31.7.17	Gavin Ringland
Annual Support and Maintenance for Tascomi T-Dogs [4061.42]	1202/Z/3090			Tascomi	Gavin Ringland	121324	4,061.42	22.10.17	Dorinnia Carville
Annual Renewal and Maintenance of Tascomi Te-Environment System	1202/Z/3090			Tascomi	Gavin Ringland	121364	15,868.50	5.11.17	Dorinnia Carville
							24,158.12		
Tascomi Te-Build System (Software as a service)	1202/Z/3090	32,284.00	Awaiting STA Form	Tascomi	Gavin Ringland				Dorinnia Carville
					Total above:		56,442.12		

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Update on Audit Recommendations
Reporting Officer (Including Job Title):	Gerard Byrne, Audit Services Manager
Contact Officer (Including Job Title):	Gerard Byrne, Audit Services Manager

Decisions required:

Members are asked to note the report.

1.0 Purpose and Background:

1.1 At the Audit Committee meeting of 27 April 2017, it was agreed that the Audit Committee would concentrate on monitoring internal audit recommendations which have been made since NMDDC has formed. Therefore the detail below relates to recommendations realised in the 2015-16 financial year.

The legacy recommendations from Newry and Mourne District Council and Down District Council will continue to be implemented and overseen by the Audit Service Manager.

At the Audit Committee on the 26 September 2017, it was agreed that the Audit Committee would also review an update on NIAO recommendations from 2015/16.

2.0 Key issues:

2.1 The table below demonstrates a breakdown of the 2015/16 Audit Recommendations by priority rating and their status. This was at tabled in the April 2017 Audit Committee.

April 2017

	Fully Implemented	Partially implemented	Not implemented	N/A	Unable to test	Not yet due for implementation	Total
Priority 1	3	3	1	1	2	1	11
Priority 2	15	5	0	1	0	0	21
Priority 3	8	1	1	0	0	0	10
Total	26	9	2	2	2	1	42

The table below demonstrates the progress made to December 2017.

December 2017

	Fully Implemented	Partially implemented	Not implemented	N/A	Not yet due for implementation	Total
Priority 1	6	2	1	3	1	13
Priority 2	16	2	0	1	0	19
Priority 3	8	1	0	1	0	10
Total	30	5	1	5	1	42

The April Audit Committee will provide an update on the progress made against the 2016/17 Internal Audit Recommendations.

NIAO Recommendations**2015/16**

	Fully Implemented	Partially implemented	Not implemented	N/A	Not yet due for implementation	Total
Priority 1	2	1				3
Priority 2	4	1	1			6
Priority 3	1	1				2
Total	7	3	1	0	0	11

2016/17

	Fully Implemented	Partially implemented	Not implemented	N/A	Not yet due for implementation	Total
Priority 1		2				2
Priority 2	1				4	5
Total	2	1	0	0	4	7

3.0 Recommendations:

3.1 Audit Committee members to note column headed 'Status at December 2017' as an indication of progress being made and actions being taken to address recommendations as noted by management.

4.0 Resource implications

4.1 A number of the recommendations contain significant resource implications, both officer time and, in some cases capital cost.

5.0 Equality and good relations implications:

5.1 None

6.0 Appendices

Appendix 1: 2015/16 Follow up tracker
Appendix 2: NIAO recommendations

ASM REF	Recommendation	Priority	Management Comment	Status	Responsibility	Timeframe	At March 2017	Status at 21 September 2017
Off Street Car Parking - RTS - Limited Assurance Rating								
A5	We recommend that the Working Group establishes a time bound action plan addressing the Council's responsibilities in respect of setting a policy for off street car parking, over the short, medium and longer term.	1	The Working Group will make initial proposals to the SMT, in terms of a time bound action plan.	Partially Implemented	Collie Jackson	Mar-16	Our review identified that while the Council did not develop a time bound action plan, we note that the Council signed a 3 year extension to the Agency Agreement with TransportNI, effective from 1 November 2016. In the short and medium term, the Council are therefore "locked" into these arrangements. In the longer term, a sub-committee of the working group has been established to take forward proposals for an exit strategy after the 3 year extension period, ending in October 2019.	PI - No LT can be developed until the Agency Agreement with TransportNI ceases in October 2019.
C4	We recommend that in addition to recommendation at A5 above, that once a decision is taken in respect of charging, that the Council's role, or support role, in enforcement is defined and agreed.	1	We are unlikely to be in a position to take this decision for some considerable time as the charging issues will be integral to our Economic Development and Tourism strategies.	Not Yet due for Implementation	Collie Jackson		Our review identified that the responsibility for enforcement remains with TransportNI until October 2019, at which point a decision will need to be taken by the Council in respect of charging, and the related need for enforcement.	PI - No LT can be developed until the Agency Agreement with TransportNI ceases in October 2019.
F6	We recommend that the Council carry out an assessment of the car park signage to ensure that all car park signage is changed to the Council's branding.	2	Council need to decide on suitable signage and pass to TransportNI for implementation.	Partially Implemented	Collie Jackson	Mar-16	We note that the Council's Car Park Manager intends to prepare a report for Council by the end of March 2017, outlining the signage requirements for all sites that were transferred from TransportNI. We understand that this will be accompanied by an assessment of associated costs for any replacement signage.	N/A. TransportNI signage will remain to the agreement ends in 2019 as they are responsible for maintenance, therefore it is appropriate that TransportNI contact details remains on the signage presently.
C4	We recommend that in addition to recommendation at A5 above, that once a decision is taken in respect of charging, that the Council's role, or support role, in enforcement is defined and agreed.	1	We are unlikely to be in a position to take this decision for some considerable time as the charging issues will be integral to our Economic Development and Tourism strategies	Not Yet due for Implementation	Collie Jackson	Oct-19	Our review identified that the responsibility for enforcement remains with TransportNI until October 2019, at which point a decision will need to be taken by the Council in respect of charging, and the related need for enforcement.	not yet due for implementation
Corporate Governance - CS - Satisfactory Assurance Rating								
A4	We recommend that the Articles detailed in the Constitution are reviewed at the end of the 2015/16 year to ensure they continue to remain appropriate. Going forward, we consider that there should be a target review date for all governance related documents.	2	Articles of the Council's Constitution are currently under review and a redrafted Constitution will be presented to Council prior to December 2016. A target review date for all governance documents will be added.	Partially Implemented	Eileen McParland	Dec-16	We note that the Council's Constitution was reviewed during November and December 2016. We note that the revised Constitution was approved by the Council's Strategy, Policy and Resources Committee during December 2016, and ratified by Council on 9 January 2017. We note that while some governance related documents have been updated since our initial review and now include a target review date (e.g. Scheme of Allowances Payable to Councillors), there are a number of governance related documents that have not been updated and therefore do not currently include a target review date (e.g. Planning Committee Operating Protocol).	PI - The Democratic Service Manager has arranged for the requirement for a review date to be advised to all Directors and Assistant Directors to ensure this is activated on all such documents in the future.
A6	We recommend that the Council ensures that all policy related documents included in the Constitution document are reviewed to ensure they are final documents approved by the Council, that they are appropriate for the Council and that they are up to date.	2	This will be addressed in the review of the Council's constitution taking place during 2016.	Partially Implemented	Eileen McParland	Dec-16	Our review identified that the Anti-Fraud and Anti-Corruption Policy and Procedures have been updated to remove the logos of the legacy Council, and documents that are no longer applicable have been removed from the Constitution. However, we note that the Purchasing Policy in the Constitution still needs to be updated.	FI - Purchasing Policy ratified at Council on the 8 January 2018.
Leisure Services - AHC - Satisfactory Assurance Rating								

A5	We recommend that the Council's website is utilised to provide information on the available leisure services, including prices. We consider that the use of the legacy Council's websites may not be the most appropriate communication channel.	2	On the completion of the new website, this information should be included	Partially Implemented	Roland Moore	Jan-17	We note that the Council's new website has not yet been completed. However, our review identified that while information on leisure services, including prices is available, visitors to the Council website will continue to be directed to the legacy Council's websites to access the appropriate guidance.	PI - New website still not complete. However an Interim Website detailing all legacy information should be operational by the end of the summer.
C4	We recommend that the Council considers the availability and financial viability of an integrated software solution which can provide centralised control of pricing at each Leisure Centre	3	This Matter is under consideration	Partially Implemented	Roland Moore	Jan-17	We note that the Council have established a Corporate IT Strategy. As part of this, we note that the Leisure Management System Project, which aims to provide an integrated software solution across all leisure centres, received authorisation to proceed, from the Senior Management Team on 10 January 2017.	PI - Equity have currently put this out to tender. Tenders are being evaluated presently and hope to award within the next month. By the time Newry Leisure Centre opens at the end of the summer, a centralised pricing software solution will be operational.

	Recommendation	Priority	Management Comment	Status	Responsibility	Timeframe	As At January 2018	
2015-16 RTTCWG								
1	Year End Accounts	Clear lines of responsibility for the accounts process should be established from the outset. A clear plan / time-table should be established, including allocation of key areas of responsibility. The Council should satisfy itself that its current finance arrangements are satisfactory. The Council should give consideration to the Finance and Personnel functions being centralised.	1	Accepted	Fully Implemented	Ken Montgomery	Apr-17	Detailed Project Plan put in place for the preparation of the 2016/17 Accounts. Presented at the April 2017 Audit Committee. No recommendation from NIAO in this years RTTCWG.
2	Risk Management	Whilst we acknowledge recent actions by Council to improve its governance arrangements e.g. tracking of progress in implementing prior internal audit recommendations, we suggest that the Council should review its current risk management procedures and address any weaknesses.	1	Accepted	Fully Implemented	Gerard Byrne	ongoing	During the 2016-17 year, Management continued to develop risk management procedures. The Corporate Risk Register was reviewed quarterly by SMT and Audit Committee. A risk register was developed for each Directorate, and Assurance statements completed quarterly by both Assistant Directors and Directors to support the governance arrangements in relation to risk. A review of risk management was carried out by internal audit in the period, achieving a satisfactory rating. Recommendations for improvement were accepted by management and have been put in place to strengthen procedures further.
3	IT Controls	The Council should address weaknesses in its IT controls as a matter of urgency by reviewing the adequacy of the current arrangements and putting more robust controls in place where weaknesses are identified.	1	Accepted	Partially Implemented	Gavin Ringland	ongoing	Council approved an IT Strategy during 2016-17 which is a four year project to strengthen controls and transform the IT service provision of the Council. Year 1 is focused on addressing the key weaknesses in the IT environment and in doing so, improving IT controls. Governance arrangements have been established around the programme and key projects completed or underway to date are the renewal of MS licensing, WAN, LAN and WIFI replacement. These projects are key in laying suitable foundations to improve the control environment and to enhance our IT services.
4	Fixed Assets	We recommend that Council reviews whether the recording methodology for its fixed asset register is appropriate or if it could be made less complicated.	2	Accepted	Fully Implemented	Ken Montgomery	Feb-17	NMDDC introduced the Real Asset Management (RAM) system for the recording of fixed assets and this assisted the Council in ensuring the accuracy and completeness of fixed assets and their individual carrying values.
5	Year End Cut Off Procedures	The Council should revisit its year end cut-off procedures with respect to expenditure and income and ensure that all transactions are being recorded in the correct financial year.	2	Accepted	Fully Implemented	Ken Montgomery	Mar-17	Cut of procedures were amended to ensure correctly treated for 16/17 Accounts. No cut off issues raised by NIAO in 2016/17.
6	Absence of Supporting Documentation	The Council should ensure that all amounts recorded in the accounts are supported by the appropriate documentation.	2	Partially Accepted	Fully Implemented	Ken Montgomery	Mar-17	No issues in the 2016/17 year Audit. All supporting documentation was retained by staff.
7	Grants Database	The Council should consider maintaining a grants database in respect of grant income due to be received. This database should be reviewed on a periodic basis. The Council should put adequate procedures in place so that it is able to provide an appropriate analysis of the SIF Peace IV balance recorded in the financial statements at any particular time - it should ensure that there is adequate reconciliations being undertaken, at project level, of grants paid out and corresponding monies due to be received.	2	Accepted	not implemented	Ken Montgomery	Mar-17	Management will consider the introduction of a grants database. In addition, a review of procedures in place to provide accurate and regular analysis of SIF and Peace IV balances will be undertaken. In internal Audit of the Strategic Programmes Unit in October 2017 also highlighted the need for a grants database. Management will consider as part of the IT strategy.
8	Banks Reconciliation	We recommend that a review of the bank accounts is carried out to ensure that any unexplained differences are appropriately investigated and corrected - a complete and accurate reconciliation of the bank accounts is considered a fundamental control and should be undertaken on a monthly basis. Additionally, it should be ensured that historic outstanding items are removed from the ledger as necessary, after appropriate investigation.	2	Accepted	Fully Implemented	Ken Montgomery	Mar-17	No issues in the 2016/17 year Audit. A review of all Bank Accounts was undertaken during the year with all reconciling differences addressed.
9	High Level Monitoring controls over the completeness of income at outstations	We recommend that Council consider implementing reasonableness monitoring checks as one of its controls to ensure that income appears complete.	2	Accepted	Partially Implemented	Ken Montgomery	Dec-16	The responsible Directorates have been requested to initiate reasonableness checks as part of the Management Accounting process.
10	Prompt Payment	We would encourage the Council to improve its payment of invoices record, particularly in relation to the percentage paid within 10 working days. We understand that the Council has medium term plans to introduce a fully automated, electronic purchase ordering system. This should assist the Council in tracking invoices which may help in achieving improved prompt payment rates and also help address the issue of purchase orders not always being raised.	3	Accepted	Fully Implemented	Ken Montgomery	ongoing	The Council stats have improved on the percentage of invoices paid within 30 days. Each quarter the prompt payment stats are brought to the Audit Committee.

11	Analytical Review	We suggest that Finance Branch should prepare for both senior management and the audit committee: At Estimates stage – a comprehensive analytical review highlighting variations between the estimates and the prior year actual; and At year end accounts stage – a comprehensive analytical review between the current year and prior year.	3	Accepted	Fully Implemented	Ken Montgomery	Jun-17	Management carried out an analytical review at estimates and at the year end of all material variances with previous year's actuals.
2016/17 RTICWG								
1	Procurement	1. The Council should undertake a comprehensive review of the application of procurement procedures, in particular, the Council should ensure that all applicable expenditure being incurred is supported by formal contracts / service level agreements. It should be ensured that expenditure currently being incurred meets the requirements of the procurement procedures e.g. ideally there should be no instances where payments are on-going but not necessarily supported by a formal contract or which breach council policy as not re-tendered. 2. The Council should consider adopting a rolling contracts register to monitor and evaluate contracts – consideration should be given as to whether this should be maintained centrally or at a Directorate level (and periodically forwarded to procurement manager for review). 3. Council should consider the current level of single tender actions in line with the procurement procedures to ensure every effort is made to seek quotes / tenders where necessary. 4. The Council should prioritise implementation of formal delegated authorities.	1	Accepted	Partially Implemented	Ken Montgomery	Jun-18	1. A revised Procurement policy along with a suite of new procedures and template documents was tabled at the December 2017 SMT and SP&R meetings. This was ratified by Council on the 9 January 2018. Training will be rolled out between January and March 2018 to budget holders focusing on the Councils procurement procedures, how to evaluate tenders and use of the e-Hub system. 2. A rolling contracts register is being developed and will be completed in the summer. 3. Training on the new procurement policy in the new year will reinforce to staff the procedures to be adopted in respect of STAs. 4. Formal delegated authorities were approved by SMT on the 3 May 2017 and are now in operation.
2	Procurement	Council should ensure that its procurement policy is fully followed and that tendering of good /services takes place as required. Indeed expiry dates of all contracts should be known, so that re-tendering can take place before they are expired. Appropriate training of the e-hub should take place.	1	Accepted	Partially Implemented	Ken Montgomery	Apr-18	Similar to the point above. A new procurement policy is effective from mid January 2018. Training will be rolled out from January to March 2018 and a contract register is currently being developed.
3	Waste Charges	The Council should ensure that invoices are only authorised after being reviewed and checked against applicable supporting documentation. The Council should review other areas where costs are dictated by volumes and ensure that the appropriate costs are being incurred. The Council may wish to consider if any rationalisation of the recycling centres would be feasible.	2	Accepted	not yet due for implementation	Ken Montgomery	Mar-18	A revised accounts payable policy will be introduced in December 2017 which will reinforce to staff that invoices are only authorised after being reviewed and checked against applicable supporting documentation and that checks are carried out where costs are dictated by volumes. Council considered this as part of the rates estimates process last year but there was no political appetite at that time. This is something the RTS directorate will keep under review.
4	Fixed Assets	The Council should address the weaknesses in controls which gave rise to the observations identified above (we note from last year that the Council is committed to an asset survey being undertaken in 2017-18 and we will review the findings from this exercise during our 2017-18 audit). The large reconciling differences in Ram from legacy council balance sheets should be investigated with RAM adjusted as needed. The negative balances in assets under construction should be investigated with appropriate accounting entries processed as needed. Both headquarter buildings and the Strangford Road site should be included in the list of assets to be valued in the first set of rolling valuations.	2	Accepted	not yet due for implementation	Ken Montgomery	Mar-18	The Asset Management Internal Audit report finalised in September 2017 raises many of the same issues. A fixed asset action log has been developed and all recommendations which haven't been actioned to date will be acted upon before the end of the financial year.
5	Management Accounts	The Council should undertake a comprehensive review of its management accounts function to ensure it is meeting the expectations (of users) from having a satisfactory management accounts function in place. Following this review formal procedures governing the management accounts function should be put in place.	2	Partially Accepted	not yet due for implementation	Ken Montgomery	Mar-18	Much of the recommendation is already in progress/ in place. A review of management accounts was undertaken and presented to the Audit Committee on the 8 December 2016.

5	Income	We recommend Council consider the controls over income, particularly cash income. Consideration should be given to a bespoke 'box office' style package for ticket sales as it could record the ticket details along with the sales income and remove the duplication of information.	2	Accepted	not yet due for implementation	Nen Montgomery	Jan-18	An Internal Audit report on cash handling in May 2017 recommended that the Council develops a Council wide Cash handling Policy. This will be completed in January 2018 and training rolled out to staff in cash handling positions. A new box office system has already been identified as part of the Councils IT Strategy with work to commence on scoping this in December 2017.
7	Gifts and Hospitality	The Council should ensure all staff are disseminated the gifts and hospitality policy and reminded of their obligations in this regard. The Council needs to be mindful of the perception that may arise when accepting gifts and hospitality whereby Council officials are tasked with decision making on the donor's particular circumstances. The Council should ensure that the gifts and hospitality register is sufficiently complete with regard to the information recorded with regard to gifts / hospitality that is given / received. The Council should consider disclosing the gifts and hospitality register on its website. The Council should disclose all charitable donations in its year end Statement of Accounts.	2	Partially Accepted	Fully Implemented	Gerard Byrne	Jan-18	A new Gifts and Hospitality Policy for Newry Mourne and Down District Council was considered by SP&R Committee in October 2017 and ratified by Council in November 2017. Mandatory 'Governance Awareness' sessions were delivered to all staff during November 2017 in which Gifts and Hospitality was one of the topics covered. Each Directorate secretary now maintains a Gifts and Hospitality Register and staff are now aware that all Gifts and Hospitality received or given over £25 must be declared, together with declarations of gifts refused. It has been agreed with Members to disclose our Gifts and Hospitality Register on the Councils Website, however in line with the Policy the register will be reviewed by the Audit Services Manager on an Annual basis. The format of the CIPFA Council Pro Forma which are used for producing the Councils Accounts does not have a separate section for disclosing charitable donations.

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Update on Procurement
Reporting Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance
Contact Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance

Decisions required:	
Members are asked to note the report.	
1.0	Purpose and Background:
1.1	<p>At the Audit Committee meeting of 29 June April 2017 it was agreed that procurement would be a standing agenda item.</p> <p>The 2015-16 follow up Internal Audit review completed by ASM did not consider the Council's progress in implementing the recommendations made in their 2015/16 report on Purchasing, Procurement and Contract Management due to the limited progress in implementing the recommendations.</p>
2.0	Key issues:
2.1	<p>Work has been on-going over the last number of months to help strengthen the Councils controls in relation to procurement, and to put forward an action plan to implement ASM's recommendations.</p> <p>A working group had been set up to ensure that controls are strengthened around the procurement of works, goods and services within the Council.</p> <p>The working group consists of:</p> <ul style="list-style-type: none"> • The Director of Corporate Services; • Assistant Director of Finance; • Assistant Director of Estates; • Purchasing Manager and procurement staff; and • Audit Services Manager <p>The working group met numerous times since the last Audit Committee in September and a number of actions have been progressed since the last committee including:</p> <ul style="list-style-type: none"> • The NMDDC Procurement Policy and Procedures was approved by the SP&R Committee on the 14 December 2017; subject to Council ratification on 8 January 2018. • The revised policy does not introduce any new procurement practices; rather it aims to make the procurement cycle of NMDDC more user friendly for staff. Within the Policy there are links to a number of new templates (i.e. business cases / tender packs / conflict of interest form) which make

	<p>the procurement process easier to understand for Council Officers and therefore aims to improve the compliance and governance of the procurement procedures. This in turn will leave more time for the procurement team to focus on procurement exercises with a greater value that would have an increased level of risk associated with them. However, the procurement team will retain an oversight role of all purchases made by the Council.</p> <ul style="list-style-type: none"> • Included within the new policy are two key tables (at sections 8 and 9). These two tables are the guiding principles for all staff involved in purchasing and scheduled training planned will be focused around these extracts. • The revised policy which is more user friendly is the first step to ensure all procurement within the Council is carried out in line with the relevant legislation and to ensure the Council is getting value for money. <p>Future Actions which the group will be working to progress over the coming weeks;</p> <ul style="list-style-type: none"> • Training to be arranged for staff on the preparation of business cases, E-hub training, how to evaluate tenders and chair an evaluation panel, contract management and an overview of the new policy; • Contracts register to be revised to make it more informative for management to make purchasing decisions; • Payment / Purchases exercise to be completed to see who the Councils top ten suppliers are in with regards to payments made and purchase orders placed via e-Hub; and • ASM are completing a further review of Purchasing, Procurement and Contract Management review in February 2018. •
3.0	Recommendations:
3.1	Audit Committee members to note progress being made from last committee.
4.0	Resource implications
4.1	A number of the actions contain significant resource implications in officer time.
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	Appendix 1 – NMDDC Procurement Policy and Procedures



Newry, Mourne and Down District Council

Procurement Policy & Procedures



Effective Date: January 2018

Version 1.0

Policy Control

Policy Title	Procurement Policy & Procedures
Departmental Ownership	Corporate Services
Document Owner	Dorinnia Carville, Director of Corporate Services
Officer Responsible	David Barter, Head of Procurement and Logistics
Date of Approval	SP&R –
Date of Last update	January 2018
Updated by	David Barter, Head of Procurement and Logistics
Date of next Review	January 2022
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ABBREVIATIONS COMMONLY FOUND IN PROCUREMENT

Abbreviation	Meaning
ADR	Alternative Dispute Resolution - includes mediation and arbitration.
CN/CAN	Contract Notice - the normal OJEU notice advertising a contract. / Contract Award Notice - the notice issued to OJEU to award the contract.
CCS	Crown Commercial Services - The UK Central Procurement Body https://www.gov.uk/government/organisations/crown-commercial-service
CoE	Centre of Excellence also CoPE Centre of Procurement Excellence – A recognised central collaborative body
Council	This Council – Newry, Mourne and Down District Council
CPD	Central Procurement Directorate www.cpdni.gov.uk
CPV	Common Procurement Vocabulary
DCA /STAN/CA/NC/P	Direct Contract Award – also known as Single Tender Action, Non-competitive Action or Procurement (NCP)
EJC	European Court of Justice
EO	Economic Operative - The generic term for a Contractor, Service Provider or Supplier
ESPD	The European Single Procurement Document (ESPD) is a standard form of documents for use by all EU member states to facilitate easier Tender bidding throughout EU.
FoIA	Freedom of Information Act
ITT	Invitation to Tender
ITT Response	Tender Return or formal offer from an Economic Operator (EO)/Tenderer
KPI	Key Performance Indicator
MI/MIS	Management Information / Management Information System
OCB	Other Contracting Body
OJEU	Official Journal of the European Union www.ted.europa.eu/
MEAT	Most Economical Advantageous Tender
NDPB	Non Departmental Public Bodies – i.e. Local Authorities
NIPP	Northern Ireland Procurement Policy from CPD, which covers Central Government Bodies in NI. www.finance-ni.gov.uk/central-procurement-directorate
PCR2015	Public Contract Regulations 2015 – as amended - http://www.legislation.gov.uk/ukxi/2015/102/contents/made
PIN	Prior Information Notice (for OJEU Tenders)
PGN	Procurement Guidance Notes: http://www.dfpni.gov.uk/content-cpd-policy-procurement-guidance-notes Also: https://www.gov.uk/government/collections/procurement-policy-notes
PPP	Public Private Partnership
PQQ	Pre Qualification Questionnaire – successful EO's produces “candidates”
RFQ/eRFQ	Request for Quotations/ Electronic Request for Quotations
SOPO/LGA - NAG	Society of Procurement Officers /Local Government Association - National Advisory Group for Procurement - https://www.local.gov.uk/
VEAT	Voluntary Ex-Ante Transparency notice see PCR2015 Reg 99(3) and EU Directive 2014/24/EU
VFM	Value for Money
WTO / GPA	The World Trade Organisation and their Agreement of Public Procurement (GPA)

1. STATEMENT FOR NEWRY MOURNE AND DOWN DISTRICT COUNCIL PROCUREMENT POLICY

All procurement must seek to accommodate the core values of local government and be administered to ensure adherence to relevant UK and EU legislation and ultimately provide the best value for money.

The Council procures goods and services with a view to:

- obtaining value for money i.e. ensuring that the Council's business needs and requirements are delivered to the required quality at the best available price;
- demonstrating propriety and good practice;
- complying with legal requirements that apply to public sector procurement activities.

This document is designed therefore to assist Council Officers to determine the most appropriate method of procurement when purchasing goods and services in line with the above provisions.

2. BACKGROUND TO PROCUREMENT

2.1 What is Public Procurement?

The National Procurement Strategy for Local Government defines procurement as “the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the **whole cycle** from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical “make or buy” decision, which may result in the provision of services in-house in appropriate circumstances.

In the context of a procurement process, obtaining “best value for money” means choosing the bid that offers “**the optimum combination of whole life costs and benefits to meet the customer's requirement**”. This is not always the lowest initial price option and requires assessing the ongoing revenue/resource costs as well as initial capital investment. The council's requirement can include social, environmental and other strategic objectives and is defined at the earliest stages of the procurement cycle. The criterion of best value for money is used at the award stage to select the bid that best meets the requirement.

Procurement is also about making choices. The choice that members make about a particular contract or form of partnering is a very clear signal of what type of authority the council wants to be and how it wants to be seen now and in the future.

2.2 Guiding Principles of Procurement

There are 12 guiding principles to govern the administration of public procurement:

1. **Accountability:** effective mechanisms must be in place in order to enable Officers and their equivalents to discharge their personal responsibility on issues of procurement risk and expenditure.
2. **Competitive Supply:** procurement should be carried out by competition unless there are convincing reasons to the contrary.
3. **Consistency:** economic operators should, all other things being equal, be able to expect the same general procurement policy across the public sector.
4. **Effectiveness:** public bodies should meet the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement.
5. **Efficiency:** procurement processes should be carried out as cost effectively as possible. Where possible and allowed, Collaborative procurement is to be encouraged.
6. **Fair-dealing:** suppliers should be treated fairly and without unfair discrimination, including protection of commercial confidentiality where required. Public bodies should not impose unnecessary burdens or constraints on suppliers or potential suppliers.
7. **Integration:** the procurement policy should pay due regard to the Council's other economic and social policies, rather than cut across them.
8. **Integrity:** there should be no corruption or collusion with suppliers or others.
9. **Informed decision-making:** public bodies need to base decisions on accurate information and to monitor requirements to ensure that they are being met.
10. **Legality:** public bodies must conform to the European Community and other legal requirements.
11. **Responsiveness:** public bodies should endeavour to meet the aspirations, expectations and needs of the community served by the procurement.
12. **Transparency:** public bodies should ensure that there is openness and clarity on procurement policy and its delivery.

3. SCOPE / THE LEGAL FRAMEWORK – INTERNATIONAL OBLIGATIONS

Even when a Competition process is not subject to the EU Directives and UK Regulations, for example below threshold or when no cross EU border perceived interest exists, the EU treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality apply and some degree of advertising, appropriate to the scale of the contract, is likely to be necessary to demonstrate transparency. This is also in line with the Government objective of achieving value for money in all public procurement.

3.1 Treaty obligations:

Public procurement is subject to the EU Treaty principles of:

- non-discrimination;
- free movement of goods;
- freedom to provide services; and
- freedom of establishment.

In addition to these fundamental treaty principles, some general principles of law have emerged from the case law of the European Court of Justice. The most important of these general principles of law for you to be aware of in the procurement context are:

- **Equal treatment (non-discrimination/fairness):** Contracting Authorities are obliged to treat both potential and actual tenderers in the same way, without favour or prejudice. When specifying requirements avoid brand names and other references which would favour or eliminate particular providers, products or services and accept equivalence.
- **Transparency (openness):** Some degree of advertising (appropriate to the size of the contract) is likely to be necessary to demonstrate transparency. Must be upfront with tenderers about the conditions for participation, clearly specified requirements, selection criteria, contract details, award criteria and the reasons why they were or (more importantly) were not successful.
- **Proportionality:** Contracting Authorities must ensure that tender requirements are both relevant to the contract being procured and necessary.
- **Mutual recognition:** Member States are required to accept on their territory, products which are legally produced and marketed and services that are legally provided, in other Member States. Also mutual recognition of diplomas, certificates or other evidence of formal qualifications.
- **Confidentiality:** Contracting Authorities are obliged to respect the confidentiality of the information received from tenderers during the procurement process.

3.2 EU Directives:

To support the treaty principles in the field of public procurement and to provide the necessary guidance to buyers in member states, the EU has adopted a series of procurement directives. The 2014 EU Procurement Directives came into force at EU level on 17 April 2014.

Public Sector: Directive 2014/24/EU as amended – (normally thresholds amended each year)

More information can be found on the [European Union](#) website.

3.3 UK Public Contract Regulations:

The Current UK Regulations, which is the transposition of the EU Directives into UK law and which covers Public Procurement in Northern Ireland, as well as England and Wales is:

THE PUBLIC CONTRACT REGULATIONS 2015 - [As amended](#)

The Regulations were developed in response to Procurement Directives issued by the European Union and they set out how the UK has transposed these EU Directives into national law.

3.4 Northern Ireland Public Services Ombudsman

The Northern Ireland Public Services Ombudsman investigates complaints about possible maladministration in the delivery of public services. The Ombudsman's role is to ensure that the people of Northern Ireland are served by a fair and efficient public administration that is committed to accountability, openness, and quality service. For further information see the [NIPSO website](#).

3.5 Best Practice Guidance

Local Government Procurement Strategy can be found here following this [link](#). This has been developed by the Local Government Association for Local Government bodies to share and learn from each other.

Best Practice on the entire process from start to completion of a project/contract can be accessed on the [UK Cabinet Office website](#).

CPDNI sits within DoF, and is responsible for disseminating advice and guidance on the direction and policies on public procurement, determined by the Procurement Board, to the Northern Ireland Public Sector and monitoring their implementation. This it does through the production of [Procurement Guidance Notes](#), which are developed in consultation with its public sector stakeholders. Once endorsed these guidance notes are issued to Permanent Secretaries, Finance Directors and all CoPEs for implementation by bodies covered by Northern Ireland Public Procurement Policy. Procurement Guidance Notes are also placed on the CPD website.

The Council carries out its procurement activities adhering to Council Policy and Procedures. Although the Council is not subject to Northern Ireland Public procurement rules, we would encourage Council Officers to use CPDNI best practice procurement guidance to assist them if they are looking any further guidance when performing procurement exercises.

Failure to follow the procurement procedures set out in the Regulations may result in penalties for non-compliance.

There are three routes under which remedies may be sought: Judicial review, Article 226 proceedings and remedies under the Regulations.

In any case if a challenge is made, the procurement process can be suspended or even cancelled and damages can be awarded.

4. RELATED POLICIES

This policy should be read in conjunction with the following NMDDC documents:

- Code of Conduct for Local Government employees;
- The Northern Ireland Local Government Code of Conduct for Councillors;
- Anti-Fraud Policy
- Gifts and Hospitality Policy
- Freedom of Information Policy
- Data Protection Policy
- Complaints Policy and Procedure

5. PROCUREMENT/PURCHASING OVER EU THRESHOLD VALUES

Almost all public procurement contracts for business worth more than the EU threshold must be published in the supplement of the OJEU (Official Journal of the European Union). The threshold changes every two years and varies according to the type of contract (supplies, works or services) and the public sector entity (Central Government, another public Council or Utility).

The up to date threshold values that apply for the purposes of EU Procurement regulations can be found on the [OJEU website](#). The Council falls under the heading 'other contracting authorities'.

At the 1 January 2016 the following thresholds have been implemented:

Supply, Services and Design Contracts	£164,176
Works Contracts	£4,104,394

5.1 EU Threshold Levels

EU Treaty principles apply to all procurement, but there are specific rules that apply to most contracts where the estimated value exceeds a specified threshold.

In determining the value of a contract, for the purposes of assessing whether it is above the EU threshold, all options and renewals must be taken into consideration. Where the Council has a single requirement for goods, services or works contracts and a number of contracts are to be entered into to satisfy the requirement or the requirement is to be repeated over a period, the figure to be considered is the total value of all the contracts.

Even when a Tender or Quotation process is not subject to the EU legislation, for example the value is below threshold, EU treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality apply and some degree of advertising, appropriate to the scale of the contract, is likely to be necessary to demonstrate transparency. This is also in line with the Executives objective of achieving value for money in all public procurement – not just those covered by the EU procurement directives.

6. TYPES OF PROCUREMENT PROCEDURE

The EU Procurement Directives provide for four main procurement procedures to be used by contracting authorities.

For straightforward procurements, for example of commodity supplies and services, the open or restricted procedures are used. For complex procurements, contracting authorities normally use the Competitive Dialogue procedure. This can be used where a contracting Council wishes to award a particularly complex contract and considers that the open or restricted procedure will not allow the award of that contract. In exceptional circumstances or where other procedures fail to produce a contract the Council may use the Negotiated Procedure.

6.1 Open Procedure

Under the Open Procedure, all interested suppliers who respond to an OJEU advertisement must be invited to tender. This procedure does not allow any form of pre-qualification. If the supplier meets the selection criteria, the Council must consider and evaluate the submitted tender.

6.2 Restricted Procedure

Under the Restricted Procedure, interested suppliers are invited to respond to an OJEU advertisement by submitting an "Expression of Interest" (a completed PQQ) in which they reply against defined selection criteria such as technical capability, financial standing, or experience of supplying similar projects. A shortlist of suppliers is then drawn up and invited to submit tenders (an ITT).

The submitted tenders are then evaluated against the award criteria, e.g. price, quality and time of delivery. The Council will then award the contract to the tenderer that best satisfies all the criteria.

6.3 Other Procedures

For complex procurements, the restricted procedure is usually too inflexible as it allows only limited discussion and dialogue with suppliers. The Council can also use **Competitive Dialogue Procedure**, unless there are exceptional circumstances that would justify the use of the **Negotiated Procedure**. Both of these procedures would be rarely utilised in Council Procurement Processes.

7. NEWRY, MOURNE AND DOWN DISTRICT COUNCIL PROCUREMENT PROCEDURES

Dealing with Suppliers

In all dealings with suppliers or potential suppliers, the Council must endeavour to satisfy the twelve guiding principles which govern the administration of public procurement (as stated previously) and treat suppliers responsibly as follows:

- be fair, efficient and courteous;
- achieve high professional standards in the award of contracts;
- publicise clear procurement contact points;
- make available as much information for suppliers to respond to the bidding process;
- notify the outcome of bids announced promptly (noting EU standards);
- provide feedback to winners and losers on request on the outcome of the bidding process;
- achieve high professional standards in the management of contracts; and
- provide prompt, courteous and efficient responses to suggestions, enquiries and complaints

Best Value for Money

Procurement by the Council of works, supplies and services shall be based on best value for money, i.e. the optimum combination of whole life cost and quality (or fitness for purpose) to meet the Council's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

To maintain competitiveness in the market and provide protection against accusation or the perception of collusion, the Council should avoid inviting the same suppliers repeatedly to bid for procurements.

When supplier categories are being used in the selection process the Council should ensure that such lists are regularly refreshed and provide an easily accessible and transparent process for suppliers who wish to be considered for inclusion on a list.

Competitive procurement involves more than one supplier participating in the procurement process. Conducting price reviews, obtaining quotations, inviting suppliers to bid for work or advertising work will bring about a competitive situation. There are often significant costs associated with procurement. It is therefore vital that the form of competition should be appropriate to the value and complexity of the goods or services to be acquired.

Contracts/ orders should not be artificially split nor should values be under estimated in order to allow an award to be made under procedures appropriate to a lower threshold. Aggregation, i.e. contracts awarded for similar goods or services will be considered as a single contract unless there are persuasive reasons that confirm otherwise. Care needs to be taken when budget lines are split across more than one Budget Holder.

8. PROCUREMENT/PURCHASING THRESHOLD VALUES

The Council's procedures for the normal supply of works, goods and services are noted in the table below:

Value *	Type of Procurement Processes	Template Required
Up to £250	Referred to as a ' low value order ' to assist with a speedy purchase. Raise Purchase Order Requisition on e-Hub which can be approved by the requisitioner.	Completed solely by Council Officer Purchase Order Requisition form
Up to £5,000	Council Officer must demonstrate ' value for money ' has been achieved. Must seek minimum of 3 documented prices / quotations, Documentation must be retained by Council Officer.	Completed by Council Officer. Purchases Requisition then sent to procurement. Purchase Order Requisition form
£5,000 to £30,000 –Construction Works including professional services	' Request for Quotation ' (RFQ) completed by Council Officer. This is then sent to nominated supplier categories on e-Hub by procurement. Council Officer can also request a restricted list (nominated suppliers). Minimum of 4 suppliers invited to participate.	RFQ completed by the Council Officer. Procurement upload details to e-Hub RFQ works template RFQ professional services template
£5,000 to £30,000 – supplies and services	' Request for Quotation ' (RFQ) completed by Council Officer. This is then sent to nominated supplier categories on e-Hub by procurement. Council Officer can also request a restricted list (nominated suppliers). Minimum of 4 invited to participate.	RFQ completed by the Council Officer. Procurement upload details to e-Hub. RFQ template
£30,000 to EU Thresholds – Construction Works including professional services	' Invitation to Tender ' (ITT) to be completed by Council Officer. The tender is then advertised on e-Hub by procurement.	ITT completed by the Council Officer. Procurement upload details to e-Hub. ITT works template ITT Professional Services template
£30,000 to EU Thresholds – supplies services	' Invitation to Tender ' (ITT) to be completed by Council Officer. The tender is then advertised on e-Hub by procurement.	ITT completed by the Council Officer. Procurement upload details to e-Hub. ITT Template
Above EU Threshold Level	EU Directives now apply. Contact Procurement team to initiate process. Advertise on the ' Official Journal of the European Union ' (OJEU).	Council Officer to contact procurement for guidance before starting the procurement process.
Single Tender Action / Direct Award Contract	STA/DAC is the process where a contract is awarded to a supplier without competition. Must have justification and be approved by a Director or Chief Executive.	Completed by Council Officer, approved by Senior Management and forwarded to procurement to raised Purchase Order STA/DAC template form
Frameworks	A procurement framework is an agreement put in place with a provider or range of providers that enables buyers to place orders for services without running lengthy full tendering exercises. Frameworks are based on large volume buying.	Contact procurement team if you wish to purchase through a framework.
Grant Funded Schemes	In certain cases, the Council will have to follow the procurement guidelines of the body who provides funding. Council Officer must ensure that they adhere to the funders advertising rules.	As direct by the funding provider.

*The estimated value should **exclude** value added tax (VAT) but **include** all foreseeable expenses relating to the contract. In general, the estimated value is based on the proposed life of the contract. For goods/ services of the same type that are purchased frequently the estimated value should be over 12 months or over the contract period if that is longer. Where there is uncertainty regarding the value of the contract/ order, the rules that apply to the highest estimate should be applied.

8.1 Low Value Orders (up to £250)

Low Value Orders are in place to assist Council Operational Staff with the opportunity to carry out a speedy purchase. For example, so a Joiner can carry out repairs to a piece of equipment which may be a health and safety hazard. Only a limited amount of Council Officers will have authority to place Low Value Orders. Authority will be given by Assistant Directors on which of their staff can request low value orders. The Assistant Director of Finance will then decide which staff will be allowed low value order permissions on e-Hub.

The Council Officer will raise Purchase Order Requisition on e-Hub which will be immediately self-approved and the Purchase Order will be sent to the supplier. When the supplier forwards the invoice to the accounts payable department the invoice must be approved by the requisitioner and also their line manager to ensure there is segregation of duties at payment stage.

8.2 Value for Money (up to £5,000)

The Council Officer must ensure that all purchases up to £5,000 are subject to value for money considerations.

Council Officers should ensure that:

- (i) the purchase is not covered by a suitable framework agreement (call-off contract);
- (ii) the purchase is a one-off requirement;
- (iii) the total aggregated spend is up to £5,000; and
- (iv) the requirement is clearly specified.

When existing arrangements at (i) are not available, then Council Officers should carry out a price check with **at least three contractors/suppliers** to ensure value for money has been achieved. Price checks (can include internet price comparisons) should be documented and retained on file for audit purposes.

When the Value for Money exercise is completed, the Council Officer will complete a purchase requisition which will be approved by their line manager. When forwarding purchase requisition, the Council Officer must note that the Value for Money exercise has been completed. Procurement will then issue a Purchase Order to the Supplier.

8.3 Request for Quotation

'Request for Quotation' (RFQ) completed by Council Officer. The Council Officer will complete the template RFQ pack (separate packs for works and supplies – see section 8). The Council Officer should ensure the specification is sufficiently detailed to ensure the tenders received are of a high quality.

Once the packs have been completed, the Council Officer then sends the packs to the procurement team who will review the packs. Procurement will then send the RFQ to the nominated supplier categories on e-Hub. The Council Officer can also request a restricted list (nominated suppliers) if they feel the procurement process they are facilitating would benefit from a nominated supplier list (however other companies will still be able to tender). A minimum of 4 suppliers should be invited to participate within a nominated supplier list. The winning supplier will be based on the Most Economically Advantageous Tender (MEAT).

8.4 Invitation to Quote

'Invitation to Tender' (ITT) to be completed by Council Officer. The Council Officer will complete the template ITT pack (separate packs for works and supplies – see section 8). The Council Officer should ensure the specification is sufficiently detailed to ensure the tenders received are of a high quality.

Once the packs have been completed, the Council Officer then sends the packs to the procurement team who will review the packs. Procurement will then send the ITT to the nominated supplier categories on e-Hub.

8.5 OJEU

EU Directives now apply. The Council Officer should contact the procurement team to initiate process. When goods or services are over the EU threshold values the following principles must be used as a guide:

1. Commence with completing a Business Case identifying what is the need to purchase the good or service;
2. Specify it clearly, bearing in mind that it cannot be extended (though it can be narrowed);
3. Make reference to recognised standards, where relevant, making provisions for equivalents to be offered where appropriate;
4. Leave room for innovation, to the greatest extent possible, describe the requirement in terms of what is to be achieved rather than precisely how the outcome should be constituted;
5. Include economic, social and environmental policy objectives where appropriate;
6. Avoid specifying any bias directly or indirectly in favour of UK suppliers;
7. Set out how bids will be evaluated;
8. Keep the costs of the bidding process to the minimum necessary for effective competition;

9. Design a competition which will work for the widest range of sizes and kinds of firms, without discrimination;
10. Publish procurement and project timetables and stick to them;

8.6 Single Tender Action / Direct Award Contract (STA/DAC)

STA/DAC is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. Purchases up to £5,000 awarded without competition are not considered to be STAs/DACs if they are dealt with in accordance with procurement Guidance Note [PGN 04/12: Procurement Control Limits](#).

In light of their exceptional nature, all STAs/DACs should be subject to Chief Executive or Director approval. For an STA/DAC to receive approval the [STA/DAC template form](#) has to be completed. **Approvals must be sought and signed prior to the expenditure being committed.** STAs/DACs are also scrutinised on a quarterly basis via the Audit Committee. Regulation 3214 of the PCR 2015 permits the use of the negotiated procedure without prior publication of an OJEU notice (ie a DAC) in certain circumstances.

The circumstances include:

- where the works, supplies or services can be supplied only by a particular supplier for any of these reasons:
 - the aim of the procurement is the creation or acquisition of a unique work of art/ artistic performance;
 - competition is absent for technical reasons¹⁵ (but only where no reasonable alternative or substitute exists);
 - due to the protection of exclusive rights (including intellectual property rights);
- where for reasons of extreme urgency, brought about by unforeseeable events, the time limits for certain procurement procedures cannot be met;
- in the case of a supplies contract where the products involved are manufactured purely for the purpose of research, experimentation, study or development;
- in the case of supplies contracts where additional deliveries are required from the original supplier which are intended as a partial replacement or extension of existing supplies and a change of supplier would mean the supplies acquired would have different technical characteristics and result in incompatibility or
- disproportionate technical difficulties in operation and maintenance. (The DAC cannot exceed three years in duration);
- for supplies quoted and purchased on a commodity market;
- for the purchase of supplies or services on particularly advantageous terms, from either a supplier which is winding up its business activities or the liquidator in an insolvency procedure or an arrangement with creditors or similar procedure;
- for service contracts following a design contest; and

- for the repetition of works/services (provided that those works/services are in conformity with a basic project for which the original contract was awarded and that the basic project indicates the extent of possible additional services and the total estimated cost of the subsequent works/services). Only to be used during the 3 years after the original contract was concluded.
- It should be noted that although it is permissible under the Regulations to award a DAC in the circumstances listed above, a competitive procedure should be the standard method for conducting a procurement. This will help drive efficiencies, fight corruption and obtain fair and reasonable pricing.

An STA/DAC is not justified where better planning would have negated the need for STA or where the award of a limited value consultancy or other contract could lead to further work and possibly give the chosen firm a major advantage at a subsequent stage of tendering.

Further information is published in [PGN 02/10: Award of Contracts without a Competition](#).

8.7 Frameworks

Framework Agreements are put in place with one or more suppliers of the same product or service. The Framework Agreement sets out the general terms and conditions under which specific purchases can be made as and when they are required. They are mainly used when the quantity of supplies, works or services is undetermined.

The competition for awarding a place on a Framework is usually very similar to that for winning an ordinary contract. There may well be a formal pre-qualification process, and/or a tendering stage which suppliers must complete successfully before they can be party to the agreement. Framework Agreements normally last a maximum of four years.

A supplier who has succeeded in being awarded a place on a Framework Agreement, can receive a call-off order directly, or (since a Framework Agreement does not mean an automatic agreement to purchase) may be asked to take part in a mini-competition with other suppliers on the Framework. The formal contract is formed when the customer places a 'call-off' order against the Framework requesting specific delivery of supplies or service

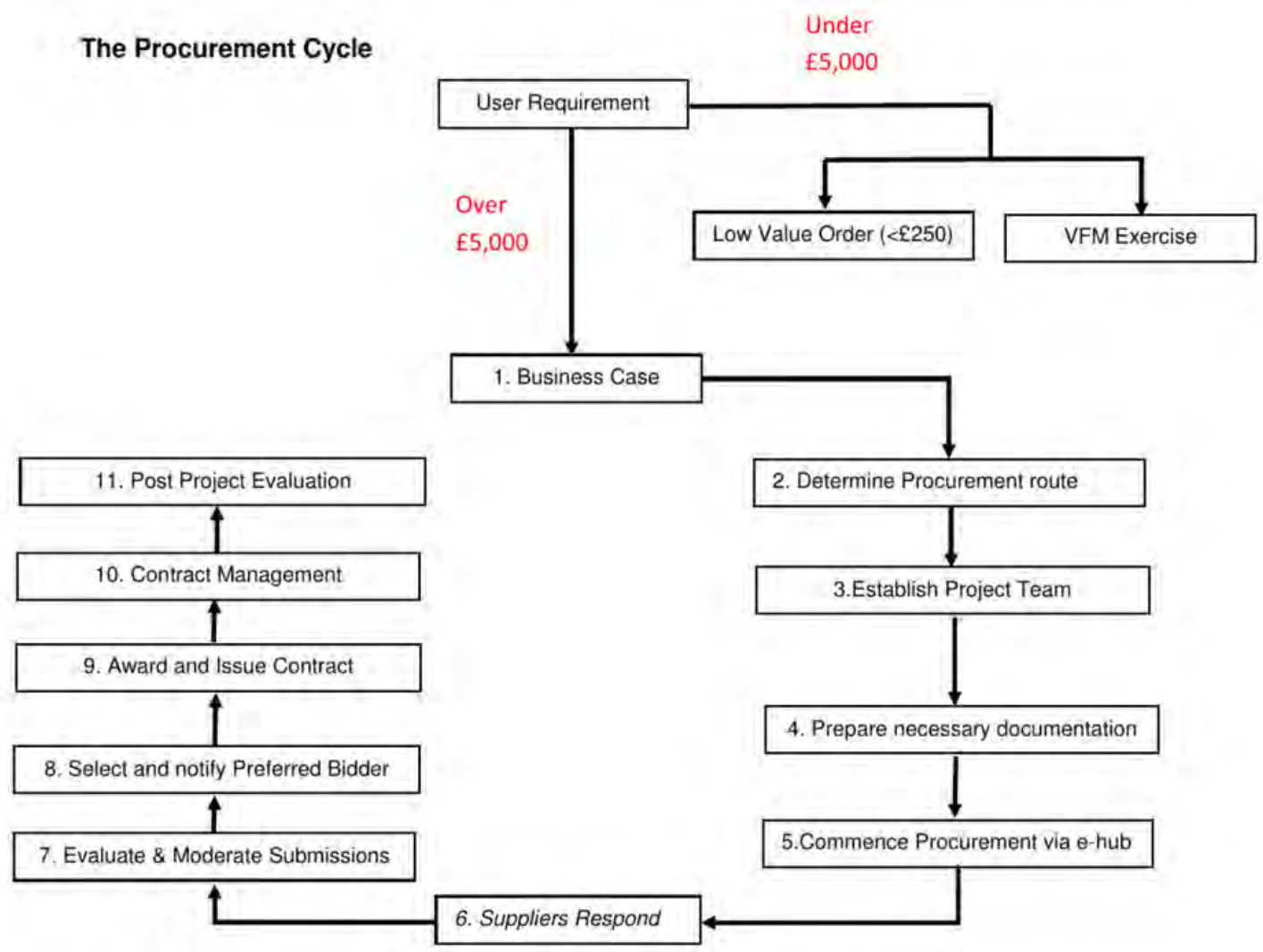
8.8 Grant Funded Schemes

In a number of cases the Council will have to follow the procurement guidelines of the body who is providing the funding. For example, certain projects may have to follow CPD procurement rules (i.e. random selections). For further details see [PGN 01/07: Grant and Procurements](#) is of particular relevance to the Councils activities.



9. THE NEWRY, MOURNE AND DOWN DISTRICT COUNCIL PROCUREMENT CYCLE

The Procurement Cycle



9.1 Business Case

This is the initial stage of any procurement process where the need is identified by means of a business case. The extent of the documentation should be at a level of detail that is appropriate to the importance, cost, size, and complexity of the need for the goods or services. **(include the Business Case templates dependent on value when finalised)**

9.2 Determine Procurement Route

At this stage the Council Officer will have to decide on the both the procurement procedure (section 5.0 - open / restricted / competitive dialogue/ negotiated) and the procurement process (section 7.0 – LVO / VFM / RFQ/ ITT / OJEU / STA / Frameworks / Grant Funded). This will inform the Council Officer which method of procurement is appropriate based on the information supplied within the Business Case. At this stage the officer will also consider if advertising is necessary and liaise with the Corporate Marketing Team as necessary.

9.3 Establish Project Team

At this stage the lead Council Officer will also consider who should be present in the project team. The Evaluation Panel will consist of individuals with the necessary expertise and experience. The size of the panel should be relevant to the size of the procurement and members need to understand the process and act in a consistent manner with regard to the specification, selection and award. Actual or perceived conflicts of interest must be carefully considered when determining panel members.

9.4 Prepare the Necessary Documentation

Based on the procurement route which was appropriate from step 2, the template forms are available at section 7.0.

Award criteria must be based on either lowest price or MEAT, again reflecting the key principles of transparency, non-discrimination and equal treatment, however as public money is being used the price weighting must play a fairly significant part. Other award criteria can include non-technical questions that are open – however it may be better to be specific in questions and provide some hints/tips on the type of information you are after.

Once the Council Officer completes the relevant documents the procurement team performs quality checks of the documentation to ensure the documentation are compliant with the rules and regulations and that a clear requirement has been identified and are appropriately conveyed in the documentation.

9.5 Commence Procurement via e-Hub

Once the necessary documentation has been completed by the Council Officer, the Officer will then pass the documentation to the Procurement team electronically who will upload the documents onto e-Hub when they have been finalised and approved by the Council Officer and their superior if required.

All suppliers are given the same information in regard to closing times and dates via e-Hub and these must be adhered to rigidly, in addition all suppliers will be provided with a set of NMDDC Terms and Conditions of contract at this stage. Any late or incomplete tenders should not be considered unless procurement have been advised of technical difficulties in advance of the closing date.

9.6 Suppliers Respond

It is good practice to develop a summary sheet for the opening of tenders in order to record information, such as, who was present, when it happened, etc. and at least three people should be on the panel.

9.7 Evaluate and Moderate Submissions

When staff are given details of Quotations/Tenders for evaluation they must act in a responsible, accountable, open and transparent manner while also maintaining strict confidentiality of all aspects. The following guidelines must be observed.

- There must be no direct contact with any supplier unless through the Procurement Department, until the award has been made.
- All adjudication members and any support staff attending, must sign the Conflict of Interests declaration - [Conflict of Interest Declaration \(for all procurement exercises\)](#)
- Adjudication team members should not change through the process.

During the evaluation process, it is important the panel use appropriate appraisal techniques to:

- secure best value for money, using relevant and consistent criteria for evaluating the key factors (cost, size, sustainability, design, etc.);
- assess suppliers' economic and financial standing to gain confidence of their capacity to carry out what the purchaser requires and deliver best value for money;
- establish the propriety of candidate suppliers – taking account of the requirement to exclude those convicted of e.g. fraud, theft, fraudulent trading or cheating HMRC.

Other issues to be taken into account include:

- **Cost:** the key factor is whole life cost, not lowest purchase price. Whole life cost takes into account the cost over time, including capital, maintenance, management, operating and disposal costs. For complex procurements, whole-life cost can be very different from initial price.
- **Quality:** paying more for higher quality may be justified if the whole life cost is better, eg taking into account maintenance costs, useful life and residual value. The purchaser should determine whether increased benefits justify higher costs.

Further guidance containing best practice principles is available at – [PGN 04/16 Selection & Tender Evaluation Procedures](#)

Adjudication

The normal accepted process laid down for adjudicating on tenders requires ideally a minimum of 3 suitable (suitable in so far as having the relevant knowledge and technical capability to undertake the adjudication) staff each undertaking their assessments separately but based solely on the clearly defined criteria(s) pre-disclosed in the tender to suppliers as part of the tender process to date. See [Adjudication Assessment template](#) and also the [Sample Tender Scoring Summary Template](#).

There are 3 stages, although the first stage can be done in advance by the Project Officer and then just reviewed by the team:

1. Formal compliance check which would include insurance, financial, word count, professional standing etc. Any failure - the adjudication for that supplier stops here.



2. Any selection criteria requested should be assessed if set out clearly in the tender documentation. Any failure - the adjudication for that supplier stops here.
3. Adjudication of the scored criteria of each tenderer that has progressed to this stage.

When an adjudication stops and a tenderer is disqualified, the full reasons for disqualification will have to be advised to them. We would strongly advise consulting with the Procurement Department before disqualifying any tenderer.

Moderation

The individual panel member can then come together for the moderation process, agreeing and finalising all tenderers scores and comments for release to the tenderers to justify identifying the preferred bidder/tenderer.

It is recommended that a member of the Procurement team is present to act as a moderator during this stage to help ensure the process is fully compliant, the scoring is justified and to help identify where future similar tenders can be improved.

Staff evaluating the Quotations/Tenders, if they are in any doubt as to whether information supplied meets that which is requested by the Council, must consult with the Procurement Department prior to making a decision.

The Procurement Department will advise whether an omission from a Tender is an acceptable omission and therefore does not invalidate the Tender or whether the omission is so grave as to invalidate the Tender, or in some circumstances where further clarification can or should be sought.

Where there is reasonable information to evaluate the Tender then staff as far as possible should try to evaluate the Tender from the information that has been supplied by the Tenderer. In some circumstances it maybe that the Tenderer needs to be approached for matters of clarification or indeed it may be desirable to inspect the goods that the Tenderer is offering. This should only be done through the Procurement Department. Details and transcripts of all such contact with a tenderer must be recorded and copies returned to Procurement Department.

Report

A [tender report](#) needs to be prepared, which will contain an outline of the tender requirement and process to date, the moderated scores and comments - these will also be released to the suppliers and the name and reason why the preferred bidder has been chosen.

Note: this stage has only identified the preferred bidder, the actual award can only take place at a later stage following standstills or when other required steps have been fully addressed and a purchase order or other contract award process has been fulfilled.

9.8 Select and Notify Preferred Bidder

Once the evaluation has concluded and the panel have selected a preferred bidder, both the successful and unsuccessful suppliers will be notified via feedback/standstill letters based on comments provided by the panel in the report at 9.7. See [link to sample letters](#).

For contracts over the **EU Thresholds a minimum standstill period** (Alcatel) refers to the time between a buyer notifying tenderers of the decision to award a contract and contract



signature. This is to allow tenderers time to review the award decision and provides an opportunity for unsuccessful suppliers, to decide whether to seek further information concerning the award decision.

In a normal debriefing situation requests must be fulfilled within 15 days and normally in writing. It is a requirement under the UK Procurement Regulations to provide feedback even when not sought by a supplier.

For Standstill Periods below the EU threshold levels, the Council Officer / Procurement team can use their discretion as to what is appropriate in each separate procurement exercise.

9.9 Award and Issue Contract

The procurement team or officer will identify who has won the competition and advise them that they are the winning supplier. At this stage the Council Officer will advise the winning supplier to sign an acceptance form which will be linked to the Council's Terms and Conditions. Upon receipt of the acceptance form, the Council Officer must arrange for the award to be confirmed via a purchase order.

9.10 Contract Management

Contract management is the phase of the procurement cycle in which the successful tenderer delivers the required supplies, works and services in accordance with the Council's specification. The approach to managing the relationship is critically important to ensuring successful contract delivery and VfM. When things go wrong, the failure can be expensive in human, financial and reputational terms.

Good management of this operational phase of the procurement is therefore critical. It ensures that both parties fully meet their respective obligations as efficiently and effectively as possible, in order to meet the business and operational objectives required from the contract.

To facilitate contract management, the Procurement Team maintains a central Contract Register. The register records detail of current contracts such as name of responsible Council Officer; Supplier name and contact; agreed contract prices; stating whether maintenance is included; contract start and end dates; extensions available and extensions confirmed with supplier see [PGN 01/12: Contract Management Principles and Procedures](#).

9.11 Post Project Evaluations

A Post Project Evaluation (PPE) review should also be carried out by the lead Council Officer to ensure that lessons learned are fed back into the decision making process. The extent of post project evaluation will depend on the nature and contract value of the project. Issues to be considered here include whether the goods/services were delivered:

- on time;
- within budget; and
- to the required standard.

See Council template for Completing a [Post Project Evaluation](#).

10. Policy Review Date

The policy will be reviewed in line with the Council's agreed policy review cycle i.e. every 4 years (as per Council's Equality Scheme commitment 4.31), or sooner, to ensure it remains reflective of legislative developments."

Staff wishing to receive clarification on this policy and/or suggest improvements should contact the Head of Procurement and Logistics.

11. Equality Screening

Having screened the Procurement Policy and Procedures, the decision is that it should not be subject to an Equality Impact Assessment (EQIA) with no mitigating measures required. A copy of the equality screening is available from the Head of Corporate Policy.

Version 1.0

APPENDIX 1

Newry Mourne and Down District Council Delegated Limits

(Approved by Senior Management Team in May 2017)

Grade Role	Approval level
Chief Executive	£30,000 *
Directors	£30,000 *
Assistant Director of Finance	£30,000
Assistant Directors	£15,000
Heads of Service	£10,000
Manager / Officers	£5,000
Supervisors	£500
Identified Staff for Low Value Orders	£250

The approval level refers to both the final approver for Purchase Order Requisitions and all invoices.

The Chief Executive and Directors can approve Purchase Orders / Invoices over £30k as long as the supplies / services / works provided can't be linked to a contract / framework or service level agreement. This should be attached the requisition prior to going to purchasing.

For all other spend Council approval required.



Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Prompt Payment Statistics
Reporting Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance
Contact Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance

Decisions required:

Members are asked to note the report on prompt payments for the quarter ended 30 September 2017.

1.0	Purpose and Background:																				
1.1	<p>'Prompt payment' is the payment of valid supplier invoices within 10 working days by public bodies, as set in government targets.</p> <p>This dataset contains:</p> <ul style="list-style-type: none"> • total amount paid by each Northern Ireland council to suppliers • total number of invoices • number of invoices paid within 10 working days • number of invoices paid within 30 calendar days • number of invoices paid outside 30 calendar days <p>The Stormont Executive's Prompt Payment Policy recommends that government departments should, "aim to pay 90% of valid invoices within 10 working days", with councils encouraged to match that.</p> <p>Adherence to the policy is not mandatory for councils, but in a letter issued to council chief executives in October 2013, the Department of Environment's Local Government Policy Division said that: "District councils are encouraged to pay suppliers as promptly as possible and to endeavour to meet the 10 day prompt payment commitment made by Northern Ireland Executive in response to the current economic position".</p>																				
2.0	Key issues:																				
2.1	<p>1 July 2017 to 30 September 2017</p> <table border="1"> <thead> <tr> <th></th> <th>Paid within 10 Days</th> <th>Paid within 30 Days</th> <th>Paid outside payment period</th> <th>Total Invoices</th> </tr> </thead> <tbody> <tr> <td>Number of Invoices</td> <td>404</td> <td>5013</td> <td>1127</td> <td>6,140</td> </tr> <tr> <td>Percentage</td> <td>7%</td> <td>82%</td> <td>18%</td> <td>100%</td> </tr> <tr> <td>Value</td> <td>£1,536,359</td> <td>£11,731,515</td> <td>£2,479,858</td> <td>£14,211,373</td> </tr> </tbody> </table>		Paid within 10 Days	Paid within 30 Days	Paid outside payment period	Total Invoices	Number of Invoices	404	5013	1127	6,140	Percentage	7%	82%	18%	100%	Value	£1,536,359	£11,731,515	£2,479,858	£14,211,373
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Percentage	7%	82%	18%	100%																	
Value	£1,536,359	£11,731,515	£2,479,858	£14,211,373																	

3.0	Recommendations:
3.1	For noting by the Audit Committee
4.0	Resource implications
4.1	None
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	None

Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Managing the Risk of Bribery and Corruption
Reporting Officer (Including Job Title):	Gerard Byrne, Audit Services Manager
Contact Officer (Including Job Title):	Gerard Byrne, Audit Services Manager

Decisions required: For Noting

1.0	Purpose and Background:
1.1	<p>On the 14 November 2017 the NIAO released a good practice guide for all Northern Ireland Public Sector bodies on 'Managing the risk of Bribery and Corruption'.</p> <p>The Guide aims to help Northern Ireland public sector organisations and individual public officials identify how bribery and corruption may occur, highlight the key risk areas and provide advice on how the risks can be countered, both at an organisational and personal level.</p> <p>Included within the best practice guide is a self-assessment Checklist which has been completed for NMDDC.</p>
2.0	Key issues:
2.1	<p>The Council is largely compliant with the majority of the bribery and corruption checklist, however from completing the checklist we have a list of actions to progress. Once completed these actions will further strengthen our controls around bribery and corruption including:</p> <ul style="list-style-type: none"> • NMDDC need to develop a Conflicts of Interest Policy. The target date for the Policy to be effective is the 31 March 2018. • Both the Request for Quotation (RFQ) and Invitation to Tender (ITT) templates will be updated to ensure there is a link to the NMDDC Anti-Fraud Policy and Fraud Response Plan. The Will be completed in January 2018. • The Head of Legal Administration is currently developing a Standard Terms of Contract for all Contracts within the Council. This document will include a statement on the risk of termination of a contract where bribery or corruption is suspected or proved. The target for completion is March 2018. • Those employees at a higher risk of bribery and corruption (e.g. those who work within procurement, planning or regulatory functions) should be given more detailed, tailored anti-bribery and corruption training – This was also agreed at the SMT/CMT Governance awareness session in December 2017. The target date for completion is July 2017.

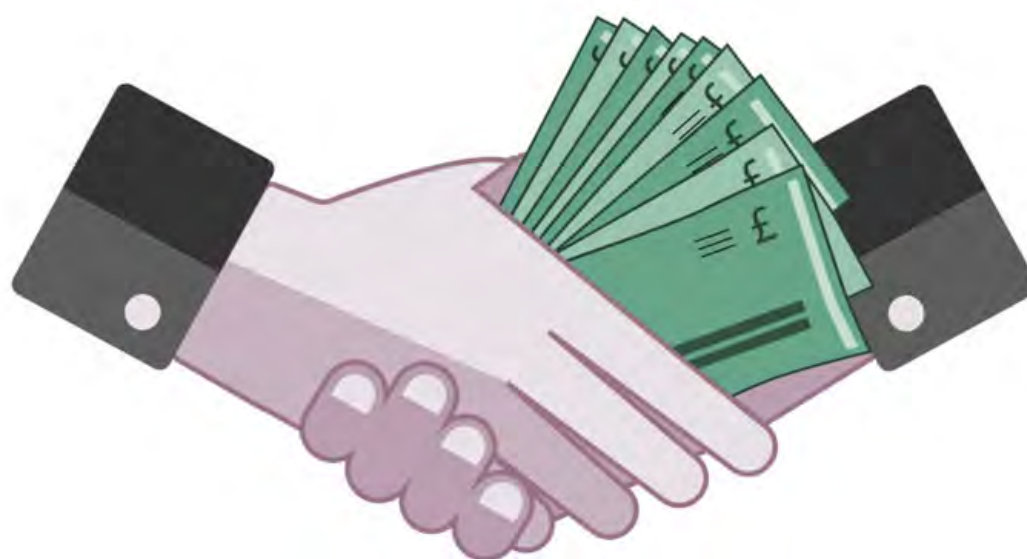
3.0	Recommendations:
3.1	Audit Committee to note the Self-Assessment Checklist for NMDDC and the associated actions. Progress against these actions will be brought to the next Audit committee.
4.0	Resource implications
4.1	None
5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	Appendix I: Managing the Risk of Bribery and Corruption good practice guide Appendix II: Self-Assessment Checklist of NMDDC



Northern Ireland Audit Office

Managing the Risk of Bribery and Corruption

A Good Practice Guide for the
Northern Ireland Public Sector





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Northern Ireland Public Sector

Published 14th November 2017

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Foreword

Sound ethical values are one of the cornerstones of public service. The seven principles of public life, as established by the Committee on Standards in Public Life in 1995, provide a framework for public officials at all levels, and elected representatives, on how they should conduct themselves.

However, the Northern Ireland public sector is not immune to the risk of unethical behaviour. In recent years, the Public Accounts Committee has highlighted this very clearly in its reports, such as The Bioscience and Technology Institute (2012) and the Northern Ireland Events Company (2016). These cases are included as examples within this Guide.

While the risk of bribery and corruption in Northern Ireland may be considered low, it is still present and should not be under-estimated. Complacency carries its own dangers; raising awareness is key.

The nature of much of public sector business carries inherent risks. Functions such as procurement, planning, grant administration and regulatory functions are widely recognised as being open to the risk of bribery and corruption. This Guide provides advice on identifying and mitigating those risks.

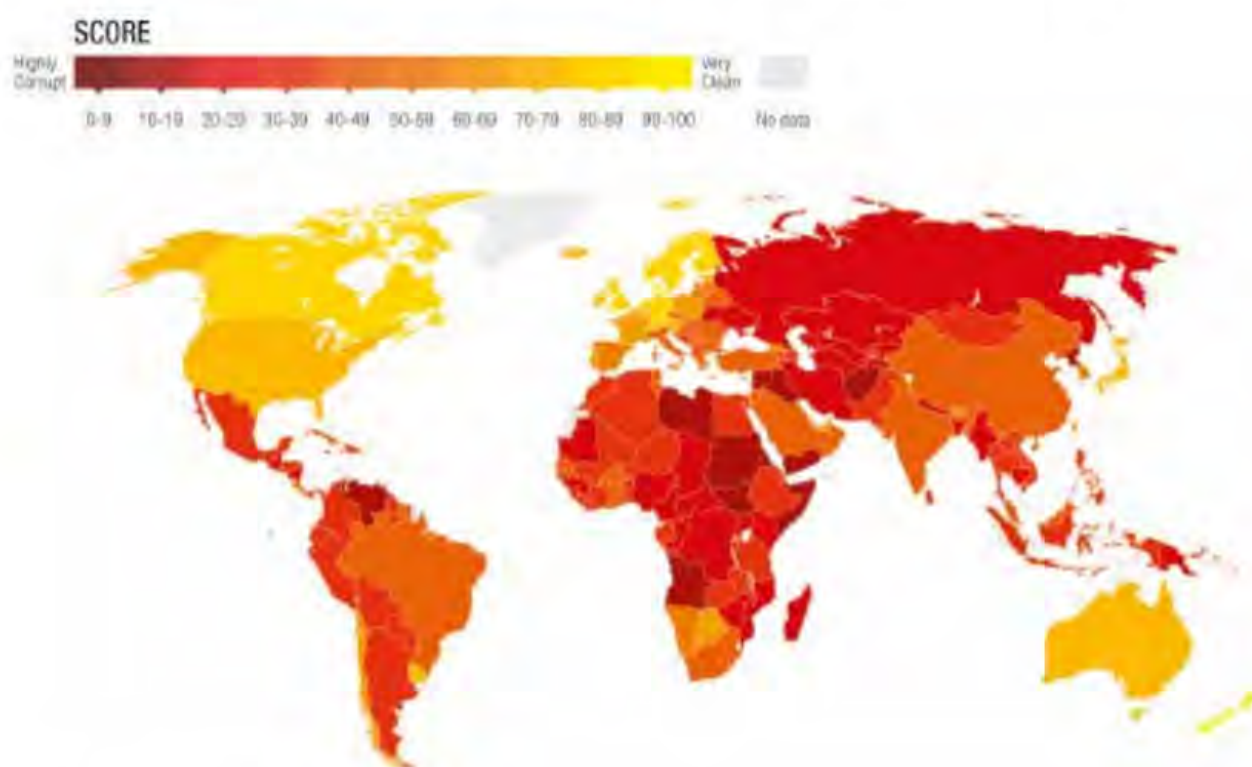
It is essential that all public officials and elected representatives are aware of their responsibilities in countering the risk of bribery and corruption as they undertake their public duties and that all public sector employers embed the principles of this good practice within their organisations.

Kieran Donnelly

Comptroller and Auditor General for Northern Ireland

Introduction

1. Bribery and corruption are illegal. Although the UK is not identified as a particular hot spot for bribery and corruption, the risk is present and should not be under-estimated.
2. Transparency International¹ publishes an annual Corruption Perceptions Index which ranks countries in terms of their perceived level of public sector corruption, with a score of 100 indicating "very clean" and a score of zero indicated "highly corrupt". The 2016 Index ranks the UK in joint tenth place out of 176 countries, with a score of 81. This compares favourably with other western European countries such as France (69), Spain (58) and Italy (47). However, Transparency International has also highlighted a potential lack of awareness of corruption in the UK and a reluctance to accept that it may exist.²



Source: Transparency International

¹ Transparency International is a global organisation aimed at highlighting and tackling corruption and promoting transparency and accountability.

² *Corruption in the UK, Part Two*, Transparency International, June 2011

3. Public officials³ can be at risk, particularly if they have discretion in a decision-making process.⁴ If they perceive that misconduct will not be detected or punished, they can be susceptible to using their public position for their personal gain, or accepting a bribe to influence official business.
4. This Guide will help Northern Ireland (NI) public sector organisations and individual public officials identify how bribery and corruption may occur, highlight the key risk areas and provide advice on how the risks can be countered, both at an organisational and personal level.
5. The Guide is collated from existing and long established guidance currently in the public domain, but is presented in a way that relates more specifically to the NI public sector. **Checklists (see Appendix 1) are included as aide-memoires only and should not be used as a substitute for an open, honest and ethical culture.**
6. **The Guide is principally aimed at those NI public sector organisations which undertake the majority of their business in Northern Ireland and the UK**, where the risk of bribery and corruption may be perceived as low. It seeks to raise awareness of the risk of bribery and corruption at a local level and provide advice on how any risk can be minimised. Organisations should adopt a **proportionate** response to the level of risk identified, in line with the advice in this Guide.
7. Organisations which operate more globally, such as Invest NI and Tourism NI, may face significant bribery and corruption risks in the countries with which they do business and should be aware of the wealth of more detailed guidance available (see Appendix 3).



3 For the purposes of this Guide, the term "public official" includes Ministers, councillors, Board members and employees of public sector organisations.

4 *Corruption in UK Local Government*, Transparency International, 2013 (Page 12)

Part 1: Defining bribery and corruption

- 1.1 The terms “bribery” and “corruption” are often linked. Corruption has a broad definition and in public sector terms relates to someone using public office to further their private and personal interests. Corruption can include, for example, fraud, conflicts of interest and unethical behaviour. Bribery is a specific offence falling within the broad spectrum of corruption.

Definition of Bribery:

The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust.

Definition of Corruption:

The abuse of entrusted power for private gain.

Source: *The Anti-Corruption Plain Language Guide*, Transparency International, July 2009

- 1.2 Bribery and corruption can take many forms such as cash payments, offers of gifts or hospitality, an exchange of favours or facilitation payments (see Appendix 2). Bribes can be offered or requested for a range of purposes such as securing favourable treatment, expediting a lengthy official process or avoiding punitive costs.

The Legal Position

- 1.3 Bribery and corruption offences are defined in two main pieces of legislation:

The Fraud Act 2006

The Act introduced a legal definition of fraud for the first time and outlined three main ways in which fraud may occur:

- fraud by false representation;
- fraud by failing to disclose information; and
- fraud by abuse of position.

The core of all three offences is an improper action leading to personal gain (or loss to another). Such improper actions by a person in a position of trust, for example public office, may amount to corruption.

The Bribery Act 2010

The Act introduced four prime offences:

- offering, promising or giving a bribe (active bribery);
- requesting, agreeing to receive or accepting a bribe (passive bribery);
- bribing a foreign official to obtain or retain business; and
- failure by a commercial organisation to prevent bribery by an associated person.

The core of bribery is the offering or acceptance of an inducement to gain a business advantage or influence the performance of a function.

- 1.4 Section 16 of the Bribery Act makes clear that the Act applies to "individuals in the public service of the Crown". In addition, guidance from the Department of Finance⁵ highlights that while Crown bodies in Northern Ireland may not be "commercial organisations" under the legislation and therefore not liable for prosecution if they fail to prevent bribery by an associated person (this will be a matter for the courts to decide when a relevant case comes before them), they should consider their anti-bribery arrangements as if they were covered by the legislation.

⁵ DAO[DFP] 09/11, The Bribery Act 2010

Part 2: Key risk areas for bribery and corruption

2.1 A number of areas of public sector business have an inherent risk of bribery and corruption:

- ❖ procurement of goods and services;
- ❖ planning;
- ❖ regulatory functions (including inspection, testing, licensing and valuation);
- ❖ grant funding; and
- ❖ partnership working.

Procurement

2.2 The public sector in Northern Ireland procures a wide range of goods and services on a large scale and securing public sector business can be lucrative for contractors and suppliers. Bribery and corruption risks may arise at various stages of the procurement cycle:

Figure 1: Examples of Potential Bribery and Corruption Risks in Procurement

- A public official may be offered, or may request, a bribe to draft tender evaluation criteria to suit a particular contractor or supplier.
- A public official may abuse their position by accepting a late bid from a relative or friend's company.
- A public official may be influenced, by a bribe or other inducement, to make a biased decision at tender evaluation stage.
- A public official may be offered, or may request, a bribe to turn a blind eye to the use of sub-standard materials or provision of sub-standard goods at contract implementation stage.
- A public official may be offered, or may request, a bribe to collude with contractors or suppliers in negotiating changes in price or specification.

Source: *Corruption in UK Local Government*, Transparency International, 2013

Case Example

In November 2013, the NI Public Accounts Committee reported on the Management of Major Capital Projects by the Department of Culture, Arts and Leisure (DCAL).

In the period 2008-11, DCAL had an unprecedented target to deliver £229 million capital investment in the Northern Ireland culture, arts and leisure infrastructure and this resulted in the delivery of a number of capital projects, including the rebuilding of the Lyric Theatre.

In its report, PAC concluded:

"In summary, a number of completely unacceptable departures from long-established principles of good practice were made in awarding the Lyric Theatre rebuild contract.

- *A number of unexplained adjustments were made to the tender submissions, and Central Procurement Directorate (CPD) confirmed that this is not normal practice.*
- *Despite £413,000 being stripped out from one of the tenders, this cost was later paid in full.*
- *The private sector consultants who produced the tender evaluation report destroyed the tendering documentation very promptly after the tender evaluation meeting.*
- *Proper arrangements were not put in place for either the sponsoring bodies (the Department and the Arts Council) or their technical advisors (CPD) to attend the tender evaluation meeting.*
- *The Department, the Arts Council NI and CPD all received a copy of the tender evaluation report but failed to raise any concerns.*
- *The preferred bidder provided a donation of £150,000 to the Lyric Theatre.*

Taking all of the points in the round the Committee is left with a very strong impression that the outcome of the tender process was both rigged and manipulated."

Source: *Report on DCAL: Management of Major Capital Projects*, Public Accounts Committee, November 2013, seventeenth report of Mandate 2011/15

Case Example

Two Edinburgh City Council officers responsible for the award of maintenance contracts pleaded guilty to accepting bribes to favour a particular company. Over a period of almost five years from 2006 to 2010 they accepted cash and hospitality totalling almost £75,000.

The contractors inflated invoices to cover the bribes, so in effect the Council was being charged for the cost of bribing its own officials.

The police investigation took five years. The council officers were each jailed for around four years and two of the contractor's directors were jailed for between two and three years each and disqualified as directors for five years.

The men were described in court as *"acting together in an unholy alliance, stealing from and manipulating the public purse at will"*.

Source: Press reports, May and June 2015

- 2.3 The risk of bribery and corruption in procurement is not confined to the procurement function. For example, responsibility for contract management can lie with the department for which the goods or services were procured. Organisations should not focus solely on the central procurement function when evaluating such risk.
- 2.4 The Public Accounts Committee has also highlighted the risk of collusion between contractors, stating that: *"Those responsible for purchasing functions need to be alert to, and to check for, evidence of collusion between groups of bidders or between bidders and officials who are in a position to influence the placing of orders. It is also important that any concerns about suspected impropriety are investigated thoroughly and promptly."*⁶

Planning

- 2.5 Planning is widely regarded as a key risk area for bribery and corruption.⁷ In April 2015, the majority of planning functions were devolved to the 11 new local councils. They now make decisions about the type and scale of development, planning applications and planning enforcement.

⁶ Report on the Investigation of Suspected Contract Fraud, Public Accounts Committee, 2009, First Report Session 2009-10

⁷ Report on the Performance of the Planning Service, Public Accounts Committee, NI Assembly, January 2010

- 2.6 Planning decisions can have major implications for landowners and developers, with decision-makers at risk of undue pressure to ensure they make the "right" decision. Devolution of planning powers to a local level means that councillors may be deciding on cases where they know the landowners or developers personally, or planning committee members may also be landowners or developers with a potential conflict of interest.⁸

Figure 2: Examples of Potential Bribery and Corruption Risks in Planning

- A planning officer or a planning committee member may influence a planning decision in favour of a particular landowner or developer, in return for a bribe or other inducement.
- A planning officer or planning committee member may be offered, or may request, a bribe to help expedite a planning decision.
- A planning officer may abuse their position by omitting a costly planning condition from an approved application for a relative or friend.
- A planning committee member may influence a planning decision in relation to a business development to which they are connected, without disclosing a conflict of interest.
- Developers may seek to bribe planning officers or committee members to influence a decision on the change of use of a designated piece of land, in order to increase its value.

Sources: *Corruption in UK Local Government*, Transparency International, 2013
DOE Planning: Review of Counter Fraud Arrangements, NIAO, October 2013

Case Example

In March 2002, the former Chair of Planning for Doncaster City Council was sentenced to four years in prison after receiving bribes, including a farmhouse valued at £160,000, from a property developer who also received a five year sentence. A further 21 councillors were convicted of fraud during the police investigation.

The Judge told the court that the scandal had betrayed the public's trust and seen the "worst sort of corruption" – the undermining of previously honest and hard-working elected representatives. The Judge noted: "Public life requires a standard of its own. Power corrupts and corruption in government by those elected by the public strikes at its integrity and at the root of democracy. Fortunately it is rare in this country."

Source: *UK Anti-Corruption Plan*, HM Government, December 2014

8 See *Conflicts of Interest: a Good Practice Guide*, NIAO, March 2015, for detailed guidance

Regulatory Functions

- 2.7 If an individual, organisation or business requires regulation or inspection approval to continue operating, or a licence to commence operating, the public official performing the regulation or inspection function may abuse their position by influencing the approval decision or may be offered an inducement to “turn a blind eye” to any weaknesses in compliance.

Figure 3: Examples of Potential Bribery and Corruption Risks in Regulation and Inspection

- A health and social care inspector may be offered an inducement to overlook weaknesses and give a favourable inspection report to a care facility (see case example at paragraph 4.12).
- An education training inspector may be offered, or may request, a bribe to overlook weaknesses and give a favourable inspection report to a school or training facility.
- A driver and vehicle licensing official may abuse their position by providing a successful MOT outcome to a friend or relative, even though the vehicle has faults which should result in a failed test.
- A rates valuer may be offered, or may request, a bribe to give a modest property valuation, thereby reducing liability for rates.
- A health and safety inspector may overlook weaknesses and give a favourable inspection report in relation to unsafe or unfit premises because of a conflict of interest.
- A council official may be offered, or may request, a bribe to secure the award of an entertainment or street trading licence.

Source: NIAO

Case Example

A local authority licensing officer was offered a bribe of around £300 by a person who failed a taxi driver test, in an attempt to have the decision changed to a pass. The licensing officer refused the bribe and reported the incident to Council management. The Council was able to secure a successful prosecution under the Bribery Act.

Source: Oldham Council media release, December 2012

Case Example

A valuer from Land and Property Services was inspecting a property in connection with a review of the rateable value of the property. The property owner placed a cash sum under the valuer's notebook. The valuer made it clear that he could not accept the money. The valuer left the money and, on returning to the office, informed his manager of the incident.

Source: NIAO, 2016

Grant Funding

- 2.8 Grant funding of voluntary and community sector organisations is an important and integral part of public sector business in Northern Ireland. Grants are allocations of funding to an organisation to be used for an agreed purpose in line with the grant funder's objectives. Grant funding can be essential for a funded organisation's survival.
- 2.9 The Government Funding Database⁹ holds records of over 72,000¹⁰ separate grants paid by government departments and councils to a large and diverse range of organisations across Northern Ireland. The grants range in size from a few hundred pounds to a few hundred thousand pounds.

Figure 4: Examples of Potential Bribery and Corruption Risks in Grant Funding

- A public official may be offered, or may request, a bribe from the funded organisation in return for ensuring the successful award of a grant.
- An elected official with links to a grant-funded organisation may seek to influence a decision-maker who has discretion in the award of a grant to that organisation.
- A public official with links to a grant-funded organisation may request a bribe from the organisation to help prepare a grant application that would be successful.
- An elected member of a local authority may use grants to voluntary and community organisations as bribes to secure electoral support.

Source: *Knowing your Risks*, Independent Commission against Corruption, New South Wales Media reports 2015

⁹ <https://govfundingpublic.nics.gov.uk/Home.aspx>

¹⁰ As at July 2017

Case Example

A public sector organisation reported allegations that one of its employees sought payment from a voluntary organisation to help it prepare a grant application. The employee also sought an additional payment for a colleague, to ensure the application was reviewed favourably.

Source: *Knowing your Risks*, Independent Commission against Corruption, New South Wales

Case Example

The mayor of the London borough of Tower Hamlets was removed from office and barred from standing again after being found guilty of using grants to voluntary sector bodies as bribes to gain electoral support. A fellow councillor was also removed from office. It was found that they had intervened to make sure grants were awarded to voluntary organisations which failed to meet eligibility criteria.

Source: Media reports, April 2015

- 2.10 Given the number and range of grants awarded across the public sector, it is important that both funded and funding organisations are aware of the potential bribery and corruption risks involved.

Partnership Working

- 2.11 Public sector organisations often work in conjunction with private sector or voluntary and community sector organisations to deliver public services, or they may outsource delivery entirely. Partnership working can range, for example, from the delivery of support services to vulnerable groups to maintain independent living, through to major capital projects such as the building of a school or hospital.
- 2.12 Partnership working may operate through the award of grants or contracts for services, so the bribery and corruption risks highlighted for procurement and grants will all apply. There will then be additional risks due to the arms-length nature of the relationship with partners, the inherent complexity of larger scale contracts and the use of sub-contractors creating more links in the supply chain¹¹.

¹¹ *How to Bribe: A Typology of Bribe Paying and How to Stop It*, Transparency International, January 2014, Section 2.2

2.13 Under the Bribery Act, an organisation may be liable if a person “associated” with it offers a bribe to another person with the intention of obtaining or retaining business or a business advantage for that organisation. An associated person is defined as someone who “performs services” for or on behalf of the organisation and may include third parties such as:

- agents;
- subsidiaries; and
- contractors.

A public sector organisation working in partnership must therefore exercise due diligence in its dealings with third parties (see paragraph 3.14).

Consequences of not addressing bribery and corruption risk

2.14 If bribery and corruption risk is not recognised and appropriately addressed, there may be a number of adverse consequences:¹²

- ❖ legal consequences, including criminal prosecution;
- ❖ financial consequences, including potential investigation and legal costs;
- ❖ operational consequences, including possible market distortion and embedding of corruption; and
- ❖ reputational consequences, including loss of confidence in the organisation and increased vulnerability to bribery and corruption.

Summary

2.15 While the Northern Ireland public sector may be considered at low risk from bribery and corruption, this section of the Guide highlights that risks do exist across a wide range of public sector functions. Heightened awareness of the risks means that they can be addressed as part of wider counter fraud and governance arrangements, and adverse consequences can be avoided.

¹² *Countering Small Bribes*, Transparency International, June 2014

Part 3: Countering bribery and corruption risk – Organisations

- 3.1 Organisations must protect themselves against the risk of bribery and corruption. Key UK Government guidance includes:
- Bribery Act guidance published by the Ministry of Justice in 2012;¹³ and
 - Home Office and Cabinet Office guidance published in 2016.¹⁴
- 3.2 Organisations have a defence against potential prosecution for bribery if they can show that they have “**adequate procedures**” in place to prevent bribery. The 2012 guidance establishes six principles in relation to adequate procedures and these principles are reflected in the 2016 guidance in relation to bribery and corruption risks:

- ❖ proportionate procedures;
- ❖ top-level commitment;
- ❖ risk assessment;
- ❖ due diligence;
- ❖ communication and training; and
- ❖ monitoring and review.



Proportionate Procedures

- 3.3 Organisations should adopt **proportionate** procedures to counter identified bribery and corruption risks (see paragraphs 3.8 to 3.13 on risk assessment). Procedures should also be:
- clear;
 - practical; and
 - effectively implemented.
- 3.4 A basic requirement is a policy statement¹⁵ which clearly establishes the organisation’s anti-bribery and corruption stance and intention to foster a culture which minimises the risk of bribery and corruption. Organisations may have a stand-alone anti-bribery and corruption policy or may choose to incorporate anti-bribery and corruption provisions in their counter fraud policy.

13 *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

14 *Bribery and Corruption Assessment Template*, Home Office, December 2016 and *Government Counter Fraud Professional Standards and Guidance: Counter Bribery and Corruption Sub Discipline*, Cabinet Office, 2016

15 CIPFA has produced a model policy, available via CIPFA Better Governance Forum - see Appendix 3 for details.

- 3.5 Procedures adopted should be designed to address the organisation's specific bribery and corruption risks and may be either stand-alone or part of wider guidance, for example on procurement. The procedures will include measures which should already be established in the organisation to strengthen governance and accountability and address wider fraud risks.

Figure 5: Examples of Anti-bribery and Corruption Procedures

- A clear commitment from senior management to preventing bribery and corruption.
- A proportionate bribery and corruption risk assessment.
- Normal system controls, such as separation of duties and delegated authority levels.
- Normal financial controls, such as transparent accounting records with full supporting documentation, and internal and external audit functions.
- A comprehensive set of complementary policies, such as conflicts of interest, gifts and hospitality, anti-fraud and whistleblowing policies.
- A clear route for those wishing to raise concerns about actual or potential bribery and corruption.
- Arrangements for raising and reinforcing bribery and corruption awareness.

Sources: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012
Counter Bribery and Corruption Standard, Cabinet Office, 2016

Top-level Commitment

- 3.6 The 'tone from the top' helps dictate what is expected of employees and third parties and demonstrates the ethical stance of the organisation to wider stakeholders. The Board and senior management are responsible for setting the right tone across an organisation in terms of its ethical values. CIPFA's Code of Practice¹⁶ on managing fraud risk states "*The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.*"
- 3.7 Top-level commitment can be demonstrated by, for example, a formal statement on the organisation's intranet and website making clear that fairness, honesty and openness are highly valued and that any form of fraud and corruption, including bribery, will not be tolerated. The statement could be replicated as a foreword in all relevant policies and must be backed up by appropriate and proportionate measures (see Figures 6 and 7).

¹⁶ *Code of Practice on Managing the Risk of Fraud and Corruption*, CIPFA, December 2014

Figure 6: Components of an Ethical Culture

- The Chair, Board and senior management establish the 'tone from the top' and their commitment to an ethical culture, including anti-bribery measures, through their actions and communications.
- Integrity and ethical values are defined, for example in a Code of Conduct and associated policies, and are considered to be fundamental and non-negotiable.
- All staff within the organisation, and those contracted to work for it, are made fully aware of the organisation's values and policies for integrity and ethics, and understand and abide by them.
- Raising awareness of the risk of fraud and corruption, including bribery, is an ongoing process, for example via staff bulletins on the intranet and tailored training for staff in high risk areas.

Sources: *Countering Small Bribes* - Transparency International, June 2014
Managing Fraud Risk in a Changing Environment: a Good Practice Guide, NIAO, November 2015

Figure 7: Practical Actions for Senior Managers

- Be involved in initiating and developing anti-bribery and corruption procedures, which may form part of wider anti-fraud measures or may be stand-alone.
- Nominate a senior manager with responsibility for overseeing anti-bribery and corruption arrangements.
- Provide leadership and input to key areas such as the code of conduct and raising awareness.
- Quality assure the bribery and corruption risk assessment.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

Case Example

In 2012, the NI Public Accounts Committee reported on the reasons for the failure of a major innovation project, the Bioscience and Technology Institute Limited (BTI). The project secured grant of £2.2 million from four funding bodies - the Department of Enterprise Trade and Investment, two of its agencies (the Industrial Development Board (IDB) and the Industrial Research and Technology Unit) and the International Fund for Ireland. In addition, loan funding was provided by the bank and a private donor.

The Committee reported that *"BTI's corporate governance arrangements were exceptionally weak, with conflicts of interest, in particular, consistently being badly handled. There were several cases of improper behaviour which, the Committee suspects, were fraudulent in intent..... The Committee's impression is of a management culture, at that time, which acquiesced in ignoring the rules and circumventing their own controls."*

"There is also a worrying lack of documentary evidence in a number of areas, most notably around IDB's consideration and approval of funding for BTI..... the Committee has a deep sense of unease over this issue and is concerned that there may have been a deliberate cover-up".

The Committee stated that *"One of the most important messages coming out of this report, therefore, is to stress the particular onus on an organisation's top management to ensure that control procedures are followed and that the ethos of their organisation is fully in keeping with the proper conduct of public business."*

Source: *Report on The Bioscience and Technology Institute*, Public Accounts Committee, May 2012, eighth report of Mandate 2011/15

Risk Assessment

- 3.8 An organisation must first assess the nature and level of its bribery and corruption risk before it can effectively counter the risk. The risk assessment should be proportionate to the size and complexity of the organisation. Small organisations may assess bribery and corruption risk as part of their overall risk assessment. Larger more complex organisations whose activities might be more prone to such risks may require a more detailed stand-alone bribery and corruption risk assessment. Any assessment of risk must be well-informed and documented, and should be subject to periodic review as risks can change over time.

3.9 A range of factors will determine an organisation’s vulnerability to bribery and corruption risk, for example the size and complexity of the organisation, the type of business it undertakes and the environment in which it operates. The risk factors can be either external or internal.

External Risks

3.10 UK Government guidance identifies five potential categories of external bribery and corruption risk.

Figure 8: External Bribery and Corruption Risks

Bribery and Corruption Risk	Comment
Country risk	This Good Practice Guide is aimed at NI public sector organisations which operate largely within the UK where the risk of bribery and corruption is considered low. However, some organisations, such as Invest NI, operate globally and need to be aware that certain countries have a reputation for bribery and corruption. Organisations with business operations in those countries must ensure that their procedures are adequate to deal with the additional risk. [See Appendix 3 for useful sources.]
Sectoral risk	Certain sectors are more prone to bribery and corruption risk than others, for example construction and large scale infrastructure.
Transaction risk	Certain types of transactions can have a higher risk of bribery and corruption, for example public procurement transactions and transactions related to permits/permission (e.g. planning permission) and licences.
Business opportunity risk	Business opportunity risk can arise in, for example, high value or complex projects involving multiple contractors or intermediaries, or projects with no clear legitimate objective.
Business partnership risk	Certain business relationships may involve a higher bribery and corruption risk, for example joint venture or partnership working, or cases involving prominent public officials.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

Internal Risks

3.11 Internal factors can also influence bribery and corruption risk.

Figure 9: Internal Bribery and Corruption Risks

Bribery and Corruption Risk	Comment
Corporate culture	There may be no clear commitment from the top of the organisation to an ethical culture or no clear ethical statement in the form of a code of conduct which employees at all levels must sign up to. There may be a culture of risk taking.
Lack of employee awareness	Employees may be unaware of relevant organisational policies on fraud and corruption risks, gifts and hospitality, conflicts of interest and the need to raise concerns, and may not receive awareness training.
Unclear policies	Employees need to know what is acceptable or not in terms of their behaviour, for example in relation to offering or receiving gifts or hospitality. Lack of clarity increases the risk of improper actions.
Weak internal controls	Sound internal controls help ensure that business is conducted properly. Key controls include, for example, separation of duties, rotation of staff in key posts, authorisation levels, comprehensive accounting records, due diligence in relation to third parties etc. If sound controls are not in place, the risk of bribery and corruption can increase.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

Identifying Risks

3.12 As with any risk assessment, organisations can use a variety of means to identify bribery and corruption risks. The extent to which each is appropriate will depend on the size and complexity of the organisation. Examples include:

- ❖ focus groups or facilitated workshops comprising staff across the full range of functions;
- ❖ interviews with staff in key risk functions, e.g. procurement, planning;
- ❖ self-assessment questionnaires;
- ❖ review of fraud and whistleblowing cases within the organisation, which may highlight system vulnerabilities and potential risks;
- ❖ review of the organisation’s register of interests which may highlight individual employees who may be susceptible to bribery; and
- ❖ seeking advice from professionals such as accountants and auditors.

Source: *Countering Small Bribes* - Transparency International, June 2014

Evaluating Risks

3.13 Organisations must evaluate each identified risk in terms of the likelihood of it occurring and the severity of the impact if it does occur. A risk matrix (see below) can be used to prioritise risks and help inform decisions about implementing mitigating controls.¹⁷

Probability	Very High (5)		10			25
	High (4)					
	Medium (3)			9		
	Low (2)	2				10
	Very Low (1)					
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Impact						

Source: *Policy and Framework for Risk Management*, Department of Finance and Personnel, 2011

¹⁷ Detailed guidance on bribery risk assessment can be found in *Diagnosing Bribery Risk*, Transparency International, July 2013

Due Diligence

- 3.14 Due diligence is an accepted element of wider good governance within an organisation. The application of due diligence in relation to the bribery and corruption risk posed by associated persons (see paragraph 2.13) should be proportionate and risk-based. The level of due diligence required will vary and for many public sector organisations it will be low. At its most basic, due diligence will involve ensuring that the associated person is aware of the principal organisation's ethical values and anti-bribery policies and procedures, and agrees to abide by them.
- 3.15 For higher risk relationships, due diligence may involve a range of measures including:

- ❖ direct enquiries or indirect investigations into background and expertise;
- ❖ investigative research;
- ❖ contract terms requiring compliance with the principal organisation's policies and procedures for countering bribery risk; and
- ❖ contract terms giving the principal organisation the right to inspect the records of the associated person or to terminate the contract where bribery is suspected.

Sources: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012
Countering Small Bribes, Transparency International, June 2014

- 3.16 While due diligence generally applies to third parties, it can also apply to an organisation's own employees, particularly those being recruited to positions of trust, for example within the finance function, or to posts where the risk of bribery and corruption is considered to be more significant, such as procurement or planning. Public sector organisations should review their recruitment and human resources procedures to ensure that appropriate due diligence is applied.
- 3.17 A further aspect of due diligence in the public sector was raised in a report by the Public Accounts Committee on the Northern Ireland Events Company (NIEC).

Case Example

The NIEC was wound up in 2007 with a financial deficit of £1.6 million. The Committee viewed the appointment of a new Chief Executive in January 2004 as "a pivotal moment that set in train a sequence of events that culminated in the financial collapse of the NIEC", noting that the appointee had not met the essential criteria for the post of Chief Executive.

The Committee said:

"It is the responsibility of the principal Accounting Officer in the sponsor Department to approve and appoint the Accounting Officer in its Arm's Length Bodies. The role of the Accounting Officer is vital to the process of public scrutiny and accountability. It is important, therefore, that individuals appointed to these roles are fit to perform the duties required of them and that both the sponsor Department and the Arm's Length Body's Accounting Officer are clear on their respective responsibilities. Given this important role, we view it as essential that sponsor departments carry out robust due diligence checks prior to making Arm's Length Body Accounting Officer appointments."

Source: *Report on the Northern Ireland Events Company*, Public Accounts Committee, February 2016, Thirty-Fourth Report NIA 308/11-16

Communication and Training

- 3.18 Organisations should clearly communicate their ethical stance and zero tolerance of fraud and corruption, including bribery, both internally and externally. Again the type and level of communication should be proportionate to the level of risk identified.
- 3.19 The purpose of communication is to promote awareness and understanding of the organisation's policies and procedures in relation to bribery and corruption and, by so doing, provide a deterrent.

Internal Communication

3.20 Internal communication should:

- ❖ clearly convey to all staff a top-level commitment to fairness, honesty and openness;
- ❖ clarify expectations in terms of employees' compliance with relevant policies;
- ❖ confirm arrangements for any employee wishing to raise concerns about possible bribery and corruption (this may be via whistleblowing arrangements – see paragraph 4.9); and
- ❖ direct employees to where they can seek advice in a confidential and accessible way.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

External Communication

3.21 External communication with third parties will depend on the nature of the relationship, the nature and scale of the third party role and the assessed level of bribery and corruption risk. External communication:

- ❖ should convey the organisation's commitment to fairness, honesty and openness with an expectation that the third party will adhere to the same values;
- ❖ should reassure existing and prospective third party associates as to the organisation's values, which should then act as a deterrent to any associates contemplating an act of bribery or corruption; and
- ❖ may include information on bribery and corruption prevention procedures and controls, particularly in key risk areas such as procurement, as well as sanctions that will be applied.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

Training

3.22 Training on bribery and corruption risk should be proportionate to the level of risk identified for the organisation, but UK Government guidance recommends that some degree of awareness training, regardless of the level of risk, can be effective. Considerations include:

- ❖ For organisations with low risk, bribery and corruption awareness may be covered as part of general awareness training on fraud.
- ❖ For organisations with a high risk level, a more specific focus on bribery and corruption risk may be required.
- ❖ Training may range from raising awareness of the risks with new employees as part of induction arrangements, to specialised training for those in key posts.
- ❖ General awareness training should involve highlighting the policies and procedures in place and the role and responsibilities of employees within those procedures.
- ❖ Specialised training should be provided for key employees within functions such as procurement, planning and regulation, highlighting their potential vulnerability to bribery and corruption risk and their responsibility to act ethically.

Source: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012

Monitoring and Review

- 3.23 An organisation's functions can change over time and therefore risks can also change, highlighting the need for periodic monitoring and review. The scale of change in the Northern Ireland public sector in the last few years clearly demonstrates this point, for example:

- ❖ planning functions were devolved to the 11 new councils from April 2015, thereby affecting councils' bribery and corruption risk;
- ❖ the Department of Agriculture, Environment and Rural Affairs acquired additional environmental regulation powers from May 2016, thereby affecting its bribery and corruption risk; and
- ❖ the Department for Infrastructure assumed responsibility for driver licensing and driver and vehicle testing from May 2016, thereby affecting its bribery and corruption risk.

- 3.24 Monitoring and review arrangements should be proportionate to the size and complexity of the organisation and the level of bribery and corruption risk identified.

Figure 10: Practical Steps for Monitoring and Review

- Monitor the operation of normal system controls and financial controls to help detect changes in bribery and corruption risk. Internal audit work programmes and reports should provide useful information in this regard.
- Periodically review high risk transactions e.g. within procurement.
- Periodically seek confirmation from employees, particularly those working in key risk functions, that they comply with anti-bribery and corruption procedures.
- Periodically review fraud and whistleblowing caseload within the organisation; these may highlight fraud, corruption and bribery risks.
- Periodically review the register of interests to determine whether any new conflicts of interest have arisen which could leave an employee more susceptible to the risk of bribery and corruption.
- Review information from relevant trade bodies or regulators which may highlight new or changing risks.

Sources: *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012
Countering Small Bribes, Transparency International, June 2014

The Role of Internal Audit¹⁸

- 3.25 Internal audit does not have a direct role in detecting fraud and corruption but can provide independent, objective advice to management on fraud and corruption risks and mitigating controls. Internal audit will have a role to play in quality assuring an organisation's "adequate procedures" for countering bribery and corruption risk, for example by ensuring effective implementation of mitigating controls and auditing high risk transactions.

The Audit and Risk Assurance Committee¹⁹

- 3.26 Similarly, the Audit Committee of an organisation has a role in reviewing the organisation's risk assessment, risk management and control environment. This includes the risk of bribery and corruption.

¹⁸ This section is drawn largely from *Managing Fraud Risk in a Changing Environment: A Good Practice Guide*, NIAO, November 2015

¹⁹ This may more commonly be known as the Audit Committee

Figure 11: The Audit Committee and Bribery and Corruption Risk

The Audit Committee should:

- understand the organisation's control environment and risks, including fraud, corruption and bribery risks;
- be familiar with the organisation's policies and procedures relating to bribery and corruption risk;
- ensure that responsibilities for risk management, including bribery and corruption risk, are clearly allocated;
- be aware of the vulnerability of the organisation to particular risks, for example within procurement or planning; and
- critically review and challenge the control environment in place to mitigate the risk of bribery and corruption.

Sources: Adapted from *Audit and Risk Assurance Committee Handbook (NI)*, Department of Finance and Personnel, March 2014 and *Managing Fraud Risk: The Audit Committee Perspective*, Grant Thornton

The Role of External Audit

- 3.27 The role of external audit is primarily to give an opinion on whether the financial statements of an organisation are true and fair and expenditure and income has been applied to the intended purposes. In doing so, external auditors will need assurance that the financial statements are free from material levels of fraud, including the potential impact of bribery and corruption.

Part 4: Countering bribery and corruption risk - Individuals

- 4.1 This section of the Guide looks at how bribery and corruption risk can affect individual public officials and considers the steps individuals should take to protect themselves against such risk.

Ethical Standards

- 4.2 All public officials are expected to adhere to the ethical standards promoted by the Committee on Standards in Public Life, commonly known as the Nolan Principles. The principle of integrity is the most relevant in relation to avoiding the risk of bribery and corruption.

Figure 12: The Nolan Principles

- **Selflessness:** Holders of public office should act solely in terms of the public interest.
- **Integrity:** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.
- **Objectivity:** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability:** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness:** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.
- **Honesty:** Holders of public office should be truthful.
- **Leadership:** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Source: *Committee on Standards in Public Life*

- 4.3 Public sector organisations should have a Code of Conduct embodying these principles, which officials sign up to formally.

Awareness

4.4 Certain public officials will be exposed to a greater bribery and corruption risk because of their responsibilities, for example:

- ❖ officers working in procurement may be offered, or may request, a bribe in relation to the letting of a contract for goods or services;
- ❖ officers or councillors involved in the planning process may have an undeclared conflict of interest which may influence their planning decisions for personal gain; or
- ❖ officers working in regulation and inspection functions may be offered, or may request, a bribe to provide a favourable outcome or turn a blind eye.

4.5 All public officials, and particularly those exposed to greatest risk, should be aware of the potential bribery and corruption risks they face and should be fully informed about all relevant organisational policies and procedures, for example those on bribery, fraud, whistleblowing, gifts and hospitality and conflicts of interest.

Transparency

4.6 Public officials should demonstrate transparency within their organisation, to avoid any perception of bribery and corruption. This applies in particular to:

- declaring any conflicts of interest, or potential conflicts of interest, which could lead to accusations of undue influence;²⁰ and
- recording all offers of gifts and hospitality, whether accepted or declined, in accordance with the organisation's policy.

4.7 Gifts and hospitality can be a sensitive area open to misinterpretation. Public officials in a position to either give or receive gifts and hospitality must ensure that they are familiar with their organisation's policy and must abide by its rules.



20 See *Conflicts of Interest: A Good Practice Guide*, NIAO, March 2015

Figure 13: Gifts and Hospitality

- Gifts and hospitality should be recorded in a register in accordance with your organisation's policy.
- Any gifts or hospitality given or received should be reasonable and justifiable.
- The more lavish the gift or hospitality, the more likely the inference that it is intended to influence behaviour.
- The giving or receiving of gifts or hospitality should not give rise to any obligation or expectations.
- Gifts and hospitality should be given or received openly, as secrecy can give rise to questions.
- Any gifts or hospitality given or received should accord with stakeholders' perceptions and not be open to misinterpretation.

Source: *Invest NI Anti-Bribery Policy*, January 2015

Avoiding Risk

- 4.8 Public officials with responsibilities in high risk areas such as procurement and planning are particularly vulnerable to bribery and corruption risk. These individuals should take practical steps to minimise the risk.

Figure 14: Avoiding Bribery and Corruption Risk

When dealing with contractors, developers or suppliers:

- do not allow over-familiarity;
- do not meet informally outside working hours or away from your organisation's premises;
- do not give out your personal mobile phone number;
- do not accept offers, discounts or other services from suppliers, contractors, developers or other high risk associates;
- do not discuss your private life, or the social and recreational interests of you or your partner; and
- do not do anything that makes you feel obligated or that might be open to misinterpretation.

Source: *When it comes to bribery, prevention is better than cure*, CIPFA Counter Fraud Centre, November 2015

Raising Concerns

- 4.9 Organisations should provide public officials with a means of raising concerns about possible bribery and corruption (see paragraph 3.20). This will generally be by way of a whistleblowing policy and procedures.
- 4.10 Employers, including all public sector organisations, should have a whistleblowing policy in place which clearly describes how any concerns can be raised. Whistleblowing should be welcomed by public sector organisations as an important source of information that may highlight serious risks, potential fraud, bribery and corruption. Workers, including public officials, are often best placed to identify wrongdoing before there are any adverse consequences, so the importance of their role as the 'eyes and ears' of the organisation cannot be overstated.
- 4.11 Public officials who suspect wrongdoing in relation to bribery or corruption should understand that:

- ❖ they are not required to have firm evidence before raising a concern, only a reasonable suspicion of wrongdoing;
- ❖ they are aware of a potential wrongdoing and are merely relaying that information to the employer; and
- ❖ it is the responsibility of the employer to use the information to investigate the issue raised.

Source: *Whistleblowing in the Public Sector: A good practice guide for workers and employers*, Public Sector Audit Agencies, November 2014

- 4.12 Arrangements for raising concerns will only be of value in countering bribery and corruption risk if public officials have confidence in them and make use of them. It is essential that there is a culture of support for whistleblowers within public sector organisations, so that issues of concern are raised promptly and dealt with effectively. Legislation²¹ offers protection to those who raise concerns and suffer victimisation, harassment or detriment as a result, but if organisations adhere to best practice²², the need to rely on the legislation should be greatly minimised.



Case Example

A care home inspector in GB was dismissed for gross misconduct by the Care Quality Commission following allegations by a whistleblower that the inspector was pressurising care home managers into paying bribes for favourable inspection reports. The allegations were substantiated and the case was referred to the police.

Source: Media reports, April 2012

21 Public Interest Disclosure (Northern Ireland) Order 1998

22 *Whistleblowing in the Public Sector: A good practice guide for workers and employers*, Public Sector Audit Agencies, November 2014

Appendix 1: Checklists

The following checklists have been drawn together from a range of sources²³ and are designed to help NI public sector organisations identify and address any bribery and corruption risks they may face. The checklists have been kept reasonably brief and high level for the purposes of this Guide but organisations with significant bribery and corruption risks can access the more detailed checklists from which these have been compiled (see source details at Appendix 3). The checklists are based on the six key principles as described in Part 3 of this Guide.

The checklists are included as aide-memoires only and should not be used as a substitute for an open, honest and ethical culture.

When considering bribery and corruption risk and using the checklists, organisations should ensure that they adhere to the principle of proportionality.

The final checklist on page 44 will help individual public officials determine whether they are familiar with, and adhere to, all relevant policies and procedures.

23 *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012, *Countering Small Bribes*, Transparency International, June 2014, *The 2010 UK Bribery Act Adequate Procedures Checklist*, Transparency International and *Bribery and Corruption Assessment Template*, Home Office, December 2016

Proportionate Procedures

Procedures adopted by an organisation to counter bribery and corruption risk should be proportionate to its level of risk. Procedures may be either stand-alone or part of wider guidance, for example on procurement, and should include measures already in place to strengthen governance and accountability and address wider fraud risks (see paragraphs 3.3 to 3.5).

Good Practice	Y/N	Action Required
This organisation has a formal policy which highlights a zero tolerance of bribery and corruption.		
This organisation has anti-bribery and corruption procedures which are proportionate to the risks identified and the size and complexity of the organisation.		
This organisation has procedures in place for raising and reinforcing awareness, particularly with those open to greater risk of bribery and corruption.		
This organisation has sound system controls in place which will help reduce the risk of bribery and corruption, such as separation of duties and delegated authority levels.		
This organisation has sound financial controls in place which will help reduce the risk of bribery and corruption, such as transparent accounting records and a requirement for full supporting documentation for all transactions.		
This organisation seeks to minimise or avoid the use of cash payments.		
This organisation has strong internal and external audit functions and an effective audit committee.		
This organisation has a comprehensive set of policies in place which address possible bribery and corruption risks, for example conflicts of interest, gifts and hospitality and anti-fraud policies.		
This organisation has clear and effective procedures in place for those wishing to raise concerns about actual or potential bribery or corruption.		
This organisation has effective procedures in place for dealing with any bribery or corruption detected, e.g. a fraud or bribery response plan.		

Top Level Commitment

Those at the top of an organisation are best placed to ensure that it conducts its business in a fair, honest and open way. Clear and visible commitment from senior management is an essential element of an ethical culture (see paragraphs 3.6 and 3.7).

Good Practice	Y/N	Action Required
This organisation has formally committed to business integrity and ethics.		
This organisation has a Code of Conduct or similar document which includes a clear anti-bribery and corruption statement.		
The Chair, Board and senior management of this organisation provide a 'tone from the top' which enhances a culture of integrity and supports an anti-bribery and corruption stance.		
The Chair, Board and senior management of this organisation have clearly assigned responsibility and authority for implementing anti-bribery and corruption arrangements.		
The Board or equivalent body considers bribery and corruption risks as part of wider discussion of fraud and whistleblowing concerns at its meetings.		

Risk Assessment

A risk assessment is key to establishing the bribery and corruption risk faced by an organisation. It will also inform the proportionality of the controls introduced to mitigate risks identified (see paragraphs 3.8 to 3.13).

Good Practice	Y/N	Action Required
The Board or equivalent body has oversight of the risk assessment process.		
The risk assessment process includes consideration of bribery and corruption risk.		
The risk assessment is documented and periodically reviewed.		
The process for identifying bribery and corruption risk ensures that all key risks will be identified (for example, by consulting with staff across all business functions, and particularly those in higher risk areas).		
The business functions at particular risk from bribery and corruption have been identified.		
The employees most likely to be exposed to bribery and corruption risk have been identified by, for example, reviewing the register of interests.		
Assessment of bribery and corruption risk has been used to inform relevant policies and procedures.		
Bribery and corruption risks have been evaluated and prioritised so that mitigating controls can be properly targeted.		

Due Diligence

Due diligence is an accepted element of wider good governance within an organisation. The application of due diligence in relation to the bribery and corruption risk posed by associated persons should be proportionate and risk-based. Due diligence can be applied both to third party associates and internal members of staff (see paragraphs 3.14 to 3.17).

Good Practice	Y/N	Action Required
Due Diligence – Third Parties		
Risk-based due diligence is carried out on contractors, suppliers and other associates before appointment and periodically thereafter.		
Contractors, suppliers and other associates are made aware of this organisation's ethical position in relation to bribery and corruption and are expected to act accordingly.		
Where there is a higher risk level, associates are contractually required to comply with our anti-bribery and corruption policy and procedures.		
Where there is a higher risk level, there is contractual provision for access to the associate's records for inspection purposes.		
Where there is a higher risk level, there is provision for termination of the contract where bribery or corruption by the associate is suspected or proven.		
There are procedures for the application of sanctions to third party associates when incidents of bribery or corruption occur.		

Good Practice	Y/N	Action Required
Due Diligence – Employees and other Officials		
This organisation’s recruitment process includes procedures to ensure that it is fair, transparent and free from bribery and corruption.		
This organisation carries out appropriate due diligence when recruiting Board members.		
This organisation carries out appropriate due diligence when recruiting employees, particularly to positions with a higher risk of bribery and corruption or positions of trust.		
Employees must sign up to a Code of Conduct (which should include a clear anti-bribery and corruption statement) when they join this organisation and must continue to be made aware of its provisions.		
Board members and Councillors are required to sign up annually to a Code of Conduct or equivalent statement.		
Employees and other officials (e.g. Board members and Councillors) receive training on bribery and corruption awareness and countering bribery and corruption risk.		

Communication and Training

Communication promotes awareness and understanding of the organisation’s policies and procedures in relation to bribery and corruption and provides a deterrent to acts of bribery or corruption by internal or external associated persons or agents (see paragraphs 3.18 to 3.21). Training may range from raising awareness of the risks with new employees as part of induction arrangements, to specialised training for those in key posts (see paragraph 3.22).

Good Practice	Y/N	Action Required
Internal Communication		
This organisation has a clear anti-bribery and corruption policy and procedures which are communicated in an accessible way to all employees. (Depending on the level of risk, provisions in relation to bribery and corruption may be included in the anti-fraud policy or may be in a stand-alone policy.)		
This organisation provides a secure, confidential and accessible means by which employees can raise concerns or seek advice in relation to bribery and corruption risk, without fear of reprisal.		
External Communication		
This organisation’s anti-bribery and corruption stance is clearly stated and communicated to all third party associates. (This may be, for example, by way of a policy statement and/or code of conduct on the organisation’s website.)		
Every opportunity is taken in external communications to emphasise this organisation’s commitment to fairness, openness and honesty, as a deterrent to improper behaviour.		

Good Practice	Y/N	Action Required
Training		
Bribery and corruption awareness training is given to all staff. (This may be as part of general fraud awareness training.)		
Those employees at a higher risk of bribery and corruption (e.g. those who work within procurement, planning or regulatory functions) are given more detailed, tailored anti-bribery and corruption training.		
Where appropriate, third party associates are included in tailored anti-bribery and corruption training.		
Training is provided to all staff on how they can raise concerns about bribery and corruption risks, or seek advice.		
Training is provided to staff who may receive reports of concerns, so they have the confidence to deal appropriately with concerns raised.		

Monitoring and Review

An organisation's bribery and corruption risks can change over time, for example if it assumes new functions. There is a need to periodically monitor and review anti-bribery and corruption arrangements to ensure they remain adequate and fit for purpose (see paragraphs 3.23 to 3.27).

Good Practice	Y/N	Action Required
Internal financial control systems are subject to periodic review and audit to ensure they remain effective in countering bribery and corruption risk.		
There is periodic review of high risk transactions, for example large scale procurements or significant planning decisions, to ensure compliance with anti-bribery and corruption procedures and controls.		
There is periodic review of fraud and whistleblowing caseload within the organisation, to determine whether the cases highlight any new bribery and corruption risks.		
There is periodic review of the register of interests to determine whether any new conflicts of interest may have arisen which could leave an employee more susceptible to the risk of bribery and corruption.		
Employees, particularly those in high risk functions, are required to confirm periodically that they comply with anti-bribery and corruption arrangements, for example by signing up to a Code of Conduct which includes anti-bribery and corruption provisions.		
The Audit Committee or Board periodically reviews anti-bribery and corruption procedures and controls, and challenges where necessary.		
The results of review activities feed into systems controls reviews and the strengthening of controls where necessary.		

Checklist for Individual Public Officials

Bribery and corruption risk can affect individual public officials. Officials need to be aware of the risks they face and how they can minimise those risks (see Part 4).

Good Practice	Y/N	Action Required
I am aware of the ethical standards required of me in my role as a public official.		
I am aware of, and abide by, the provisions of my organisation's Code of Conduct.		
I am aware of my organisation's policies on: <ul style="list-style-type: none"> • fraud and corruption; • bribery; • gifts and hospitality; • conflicts of interest; and • whistleblowing. 		
I know where to access these policies.		
I am aware of the need to declare any actual or potential conflicts of interest.		
I have declared any such conflicts of interest.		
I am familiar with my organisation's policy on gifts and hospitality.		
I fully comply with the gifts and hospitality policy.		
I am aware of the potential bribery and corruption risks I may face as a public official		
I am aware that the risks are more significant if my responsibilities relate to high risk areas such as procurement, planning or regulation.		
I avoid over familiarity with contractors and suppliers and act in an appropriate way to avoid any sense of obligation.		
I am familiar with the procedures to follow if I need to raise a concern about actual or potential bribery or corruption.		

Appendix 2: How can bribery or corruption occur?

Bribery or corruption can occur in a number of ways²⁴. The main ones likely to affect public sector organisations are set out in this Appendix, along with examples of warning signs (red flags) and appropriate controls. Comprehensive detail on other forms of bribery or corruption can be found in the sources listed in Appendix 3.

Cash

Cash is one of the main ways in which a bribe can be given or received. Cash bribes may take the form of one-off payments or regular repeat payments, often linked to securing or retaining contracts or permits.

Organisations should avoid cash transactions where possible. If they cannot be avoided, organisations should apply stringent controls to any such transactions, to mitigate the risk of bribery.

Red Flags:

- a pattern of repeated cash payments;
- receipts for cash payments not available for inspection;
- a lack of detail on invoices provided;
- excessive use of petty cash;
- cash payments recorded as fees and commissions; and
- evidence of cash received for works or services subsequently identified as not having been performed or delivered.

Controls:

- checks for recurrent cash expenses of similar size;
- checks on cash payments and expenses for rounded sums;
- expense transactions to be supported by information which identifies employee, recipient and purpose;
- supporting documentation for all payments; and
- petty cash floats kept to a minimum or avoided, with any use strictly monitored and access restricted.

Case Example:

A court clerk at Redbridge Magistrates' Court, was sentenced to six years in jail (later reduced to four years on appeal) for using his privileged access to the court system to help more than 50 offenders avoid prosecution relating to driving offences, in exchange for sums of up to £500 a time.

He became the first person to be jailed under the Bribery Act 2010.

Source: Media reports, November 2011

²⁴ Sources: *Countering Small Bribes*, Transparency International, June 2014 and *How to Bribe*, Transparency International, January 2014

Gifts and Hospitality

Offering and receiving gifts and corporate hospitality is an accepted business practice aimed at building and strengthening working relationships. However, when such gifts or hospitality become increasingly lavish or excessive or coincide with, for example, the letting of a major contract, a line can be crossed which takes the practice into the realm of bribery and corruption. Any gift or offer of hospitality should therefore pass a 'reasonable and proportionate' test before it is considered for acceptance.

Red Flags:

- The gift or hospitality could influence the award or continuation of a contract or service.
- Acceptance of the gift or hospitality could be perceived by others (e.g. regulators or media) as being a bribe.
- The gift or hospitality does not fall within policy guidelines.
- The gift or hospitality is excessive in value.
- The recipient of the gift or hospitality is in a position of influence.

Controls:

- a clearly defined gifts and hospitality policy;
- clear personal/annual limits for gifts or hospitality;
- a requirement for all gifts and hospitality to be declared and authorised in advance of acceptance; and
- a requirement for all offers of gifts and hospitality to be recorded in a register.

Case Example

Allegations were made that a Northern Ireland Housing Executive (NIHE) Maintenance Officer had a close relationship with the directors of a major maintenance contractor and had accepted excessive hospitality from the company, including staying at accommodation in the USA owned by a director of the company and going on a Caribbean cruise with the director.

The case was investigated by the NIHE Fraud Unit and it was found that the officer had breached the NIHE Code of Conduct. He was disciplined and was dismissed. However, following appeal, he was reinstated, given a final written warning and offered relocation to another post within NIHE. Subsequently, the officer took a career break and later resigned.

The Public Accounts Committee said that in its view "*staff rotation plays an important role in managing the risk of over-familiarity, impropriety and fraud in contract management. The Committee welcomes the Housing Executive's decision to introduce new arrangements for regular rotation of key staff.*"

Sources: NIHE Management of Response Maintenance Contracts, NIAO, September 2012 and NIHE Management of Response Maintenance Contracts, Public Accounts Committee, February 2013

Favours, Nepotism and Cronyism

Bribery and corruption in the form of exchanging favours can be particularly difficult to identify as often there is no financial transaction. Nepotism (favouring a family member) and cronyism (favouring a friend or associate) are examples where favours, such as jobs or benefits, are given to a decision maker's relatives or friends in order to gain an unfair advantage.

Red Flags:

- Someone associated with, or connected to, the organisation could gain an exclusive advantage through the exchange of favours.
- Normal, fair or regulated selection processes could be circumvented by the exchange of favours.
- Certain business or employment decisions could be made without apparent regard to merit.
- A person could exploit their power and authority by offering privileged access to services.

Controls:

- a robust conflicts of interest policy;
- declaration of interests as appropriate, for example within recruitment or planning processes;
- full disclosure at application stage of relatives already working in the organisation in senior positions;
- not allowing relatives of candidates to sit on their selection panel;
- awareness training for all staff, Board members and councillors in relation to bribery and corruption, fraud and conflicts of interest so they are aware of their responsibilities; and
- sanctions for any breach of the relevant policies and procedures.

Case Example

There were allegations that a council leader in England replaced the planning committee Chairman because the committee had failed to approve a development that would have benefitted the council leader's long-term friend.

The replacement Chairman had previously supported projects by the same development company which was led by the council leader's friend.

Source: *Corruption in UK Local Government*, Transparency International, October 2013

Facilitation Payments

Facilitation payments are small bribes aimed at speeding up a process or securing something that the payer is entitled to anyway. Queue jumping, where bribery can be used to secure favourable treatment such as having a planning or licence application approved without delay, can be tempting. Regardless of the motive, such payments are bribes.

Red Flags:

- A payment is requested or solicited for the purpose of expediting or facilitating a service.
- An organisation or individual gains preferential treatment through making the payment.
- A payment appears to be unofficial or covert.
- A payment is higher than, or over and above, the standard fee for the service being provided.

Controls:

- a clear anti-bribery policy and procedures;
- demands for facilitation payments recorded and reported to senior management; and
- bribery and corruption awareness training for all staff.

Case Example

A drinks distribution company opened a new foreign based distribution office but the General Manager was told it would take twelve months to obtain a phone and broadband connection.

After complaining, the General Manager was told that for a one-off 'unofficial' payment, connection could be made within a week. The manager agreed to pay the amount and the line was connected.

Source: *How to Bribe*, Transparency International, January 2014

Donations

Corporate donations to charities and political parties are commonplace and entirely legal. Charitable donations can benefit communities and good causes. If, however, the donations are made with the intention of influencing a political decision or gaining preferential treatment in contract negotiations, then this can be regarded as corrupt.

Within the Northern Ireland public sector, a scenario might arise where a contractor makes a significant donation to a political party. A Minister or councillor from that party may have the final say in the award of a large contract by their department or council, and their decision could be influenced by the donation made.

Public officials in positions of significant influence, particularly political and elected officials, should be aware of the potential risks around donations and the perception that could arise if the donation became public knowledge.

Appendix 3: Sources and useful references

Bribery Act 2010:

www.legislation.gov.uk/ukpga/2010/23/contents

Bribery Act Guidance:

www.gov.uk/government/publications/bribery-act-2010-guidance

Cabinet Office Counter Bribery and Corruption Standard – not available electronically

CIPFA Better Governance Forum:

<http://www.cipfa.org/services/networks/better-governance-forum>

Fraud Act 2006:

<http://www.legislation.gov.uk/ukpga/2006/35/contents>

Fraud Advisory Panel: Adequate Procedures:

<https://www.fraudadvisorypanel.org/wp-content/uploads/2016/05/Adequate-Procedures-to-Prevent-Bribery-and-Corruption-May2016.pdf>

Fraud Advisory Panel: Bribery and Corruption:

<https://www.fraudadvisorypanel.org/wp-content/uploads/2016/05/Bribery-and-corruption-3rd-edition-May2016.pdf>

Home Office Bribery and Corruption Assessment Template:

<https://www.gov.uk/government/publications/bribery-and-corruption-assessment-template>

Independent Commission Against Corruption (New South Wales):

<https://www.icac.nsw.gov.au/preventing-corruption/known-your-risks>

Public Concern at Work:

www.pcaw.org.uk

Transparency International UK Publications:**Countering Small Bribes:**

<http://www.transparency.org.uk/publications/countering-small-bribes/>

How to Bribe:

<http://www.transparency.org.uk/publications/how-to-bribe-a-typology-of-bribe-paying-and-how-to-stop-it/>

Corruption in UK Local Government:

<http://www.transparency.org.uk/publications/corruption-in-uk-local-government-the-mounting-risks/>



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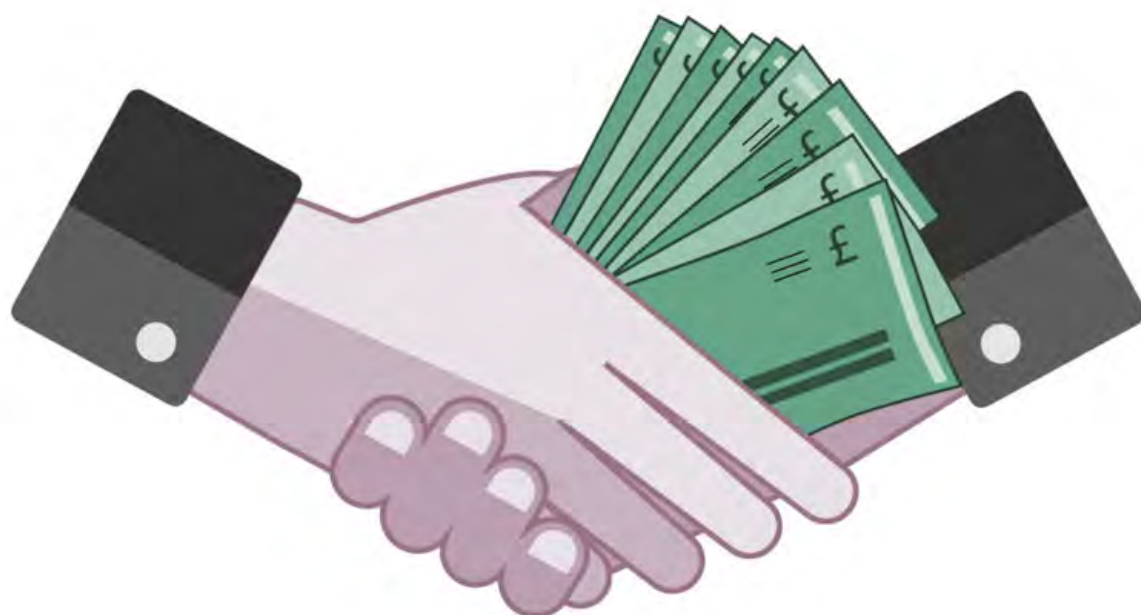




Northern Ireland Audit Office

Managing the Risk of Bribery and Corruption

Self-assessment Checklists



Checklists

Organisations

The following checklists have been drawn together from a range of sources¹ and are designed to help NI public sector organisations identify and address any bribery and corruption risks they may face. The checklists have been kept reasonably brief and high level for the purposes of the Good Practice Guide² in which they appear, but organisations with significant bribery and corruption risks can access the more detailed checklists from which these have been compiled (see source details at Appendix 3 of the Good Practice Guide). The checklists are based on the six key principles as described in Part 3 of the Guide.

The checklists are provided as aide-memoires only and should not be used as a substitute for an open, honest and ethical culture.

When considering bribery and corruption risk and using the checklists, organisations should ensure that they adhere to the principle of **proportionality**.

Individuals

The checklist on page 11 will help individual public officials determine whether they are familiar with, and adhere to, all relevant policies and procedures.

1 *The Bribery Act 2010: Guidance*, Ministry of Justice, February 2012, *Countering Small Bribes*, Transparency International, June 2014, *The 2010 UK Bribery Act Adequate Procedures Checklist*, Transparency International and *Bribery and Corruption Assessment Template*, Home Office, December 2016

2 *Managing the Risk of Bribery and Corruption: a Good Practice Guide for the NI Public Sector*, NIAO, November 2017

Proportionate Procedures

Procedures adopted by an organisation to counter bribery and corruption risk should be proportionate to its level of risk. Procedures may be either stand-alone or part of wider guidance, for example on procurement, and should include measures already in place to strengthen governance and accountability and address wider fraud risks.

Yes No

Good Practice	Y/N	Action Required
This organisation has a formal policy which highlights a zero tolerance of bribery and corruption.	Y	See NMDDC Anti Fraud Policy - Effective from June 2017
This organisation has anti-bribery and corruption procedures which are proportionate to the risks identified and the size and complexity of the organisation.	Y	See NMDDC Anti Fraud Policy - Effective from June 2017
This organisation has procedures in place for raising and reinforcing awareness, particularly with those open to greater risk of bribery and corruption.	Y	Governance Awareness Sessions ran for all staff during October and November 2017. Bribery and Corruption covered within this session.
This organisation has sound system controls in place which will help reduce the risk of bribery and corruption, such as separation of duties and delegated authority levels.	Y	
This organisation has sound financial controls in place which will help reduce the risk of bribery and corruption, such as transparent accounting records and a requirement for full supporting documentation for all transactions.	Y	
This organisation seeks to minimise or avoid the use of cash payments.	Y	
This organisation has strong internal and external audit functions and an effective audit committee.	Y	Internal Audit is contracted out and KPIs reported on annually. External Audit completed annually. Independent Chair of the Audit Committee. Audit Committee Self Assessment Checklist completed
This organisation has a comprehensive set of policies in place which address possible bribery and corruption risks, for example conflicts of interest, gifts and hospitality and anti-fraud policies.	N	Revised Anti Fraud Policy, Fraud Response Plan & Whistleblowing Policies effective from June 2017. Gift and Hospitality Policy Effective from November 2017. Conflicts of Interest Policy to be in place by
This organisation has clear and effective procedures in place for those wishing to raise concerns about actual or potential bribery or corruption.	Y	Fraud Response Plan and Whistleblowing Policy effective from June 2017. A Governance Awareness Session was held for all staff explaining how they should raise concerns in line with the
This organisation has effective procedures in place for dealing with any bribery or corruption detected, e.g. a fraud or bribery response plan.	Y	Revised Fraud Response Plan effective from June 2017

Top Level Commitment

Those at the top of an organisation are best placed to ensure that it conducts its business in a fair, honest and open way. Clear and visible commitment from senior management is an essential element of an ethical culture.

Good Practice	Y/N	Action Required
This organisation has formally committed to business integrity and ethics.	Y	
This organisation has a Code of Conduct or similar document which includes a clear anti-bribery and corruption statement.	Y	There is a Code of Conduct for Local Government Employees as well as Councillors.
The Chair, Board and senior management of this organisation provide a 'tone from the top' which enhances a culture of integrity and supports an anti-bribery and corruption stance.	Y	Roles and responsibilities set out within the Anti-Fraud Policy. An Example of setting the tone from the top was that a member of SMT introduced each of the Governance Awareness sessions to
The Chair, Board and senior management of this organisation have clearly assigned responsibility and authority for implementing anti-bribery and corruption arrangements.	Y	Roles and responsibilities set out within the Anti-Fraud Policy.
The Board or equivalent body considers bribery and corruption risks as part of wider discussion of fraud and whistleblowing concerns at its meetings.	Y	An update on any new fraud or whistleblowing cases is brought quarterly to the Audit Committee. The Council also have a Fraud Response Group.

Risk Assessment

A risk assessment is key to establishing the bribery and corruption risk faced by an organisation. It will also inform the proportionality of the controls introduced to mitigate risks identified.

Good Practice	Y/N	Action Required
The Board or equivalent body has oversight of the risk assessment process.	Y	The Audit Committee review and scrutinize the Corporate Risk Register on a quarterly basis.
The risk assessment process includes consideration of bribery and corruption risk.	Y	
The risk assessment is documented and periodically reviewed.	Y	A revised Risk Management Policy has been effective from October 2017. This is reviewed annually and documents the Risk Management Process.
The process for identifying bribery and corruption risk ensures that all key risks will be identified (for example, by consulting with staff across all business functions, and particularly those in higher risk areas).	Y	
The business functions at particular risk from bribery and corruption have been identified.	Y	
The employees most likely to be exposed to bribery and corruption risk have been identified by, for example, reviewing the register of interests.	Y	The Council uses a combination of voluntary and mandatory disclosures. Directors, Assistant Directors and Heads of Service are all required to complete a mandatory declaration and Council's
Assessment of bribery and corruption risk has been used to inform relevant policies and procedures.	Y	
Bribery and corruption risks have been evaluated and prioritised so that mitigating controls can be properly targeted.	Y	

Due Diligence

Due diligence is an accepted element of wider good governance within an organisation. The application of due diligence in relation to the bribery and corruption risk posed by associated persons should be proportionate and risk-based. Due diligence can be applied both to third party associates and internal members of staff.

Good Practice	Y/N	Action Required
Due Diligence – Third Parties		
Risk-based due diligence is carried out on contractors, suppliers and other associates before appointment and periodically thereafter.	Y	Due Diligence on contractors, suppliers and other associates has been built into the NMDDC Procurement Policy and Procedures which was approved by SP&R on the 14 December 2017.
Contractors, suppliers and other associates are made aware of this organisation's ethical position in relation to bribery and corruption and are expected to act accordingly.	Y	Contractors will have access to the Councils Procurement Policy as all exercises will be completed via e-Hub.
Where there is a higher risk level, associates are contractually required to comply with our anti-bribery and corruption policy and procedures.	N	The Anti Fraud Policy is on the Councils website. However both the RFQ and ITT template will be updated to reference the NMDDC Anti-Fraud Policy and Fraud Response Plan.
Where there is a higher risk level, there is contractual provision for access to the associate's records for inspection purposes.	Y	Included within the Procurement Policy.
Where there is a higher risk level, there is provision for termination of the contract where bribery or corruption by the associate is suspected or proven.	N	Standard terms of contract to be drawn up for all NMDDC contracts - will be included
There are procedures for the application of sanctions to third party associates when incidents of bribery or corruption occur.	Y	Included within anti fraud policy.

Good Practice	Y/N	Action Required
Due Diligence – Employees and other Officials		
This organisation’s recruitment process includes procedures to ensure that it is fair, transparent and free from bribery and corruption.	Y	
This organisation carries out appropriate due diligence when recruiting Board members.	Y	
This organisation carries out appropriate due diligence when recruiting employees, particularly to positions with a higher risk of bribery and corruption or positions of trust.	Y	
Employees must sign up to a Code of Conduct (which should include a clear anti-bribery and corruption statement) when they join this organisation and must continue to be made aware of its provisions.	Y	
Board members and Councillors are required to sign up annually to a Code of Conduct or equivalent statement.	Y	
Employees and other officials (e.g. Board members and Councillors) receive training on bribery and corruption awareness and countering bribery and corruption risk.	Y	

Communication and Training

Communication promotes awareness and understanding of the organisation's policies and procedures in relation to bribery and corruption and provides a deterrent to acts of bribery or corruption by internal or external associated persons or agents. Training may range from raising awareness of the risks with new employees as part of induction arrangements, to specialised training for those in key posts.

Good Practice	Y/N	Action Required
Internal Communication		
This organisation has a clear anti-bribery and corruption policy and procedures which are communicated in an accessible way to all employees. (Depending on the level of risk, provisions in relation to bribery and corruption may be included in the anti-fraud policy or may be in a stand-alone policy.)	Y	The Anti-Fraud Policy, Fraud Response Plan and Whistleblowing Policy are all available on the Councils Internet site and also internally on the Councils 'r' drive.
This organisation provides a secure, confidential and accessible means by which employees can raise concerns or seek advice in relation to bribery and corruption risk, without fear of reprisal.	Y	The revised Whistleblowing policy has been effective from June 2017.
External Communication		
This organisation's anti-bribery and corruption stance is clearly stated and communicated to all third party associates. (This may be, for example, by way of a policy statement and/or code of conduct on the organisation's website.)	Y	The Anti-Fraud Policy, Fraud Response Plan and Whistleblowing Policy are all available on the Councils Internet site.
Every opportunity is taken in external communications to emphasise this organisation's commitment to fairness, openness and honesty, as a deterrent to improper behaviour.	Y	

Good Practice	Y/N	Action Required
Training		
Bribery and corruption awareness training is given to all staff. (This may be as part of general fraud awareness training.)	Y	Governance Awareness sessions were rolled out to all staff during October and November 2017. These sessions were compulsory and covered Fraud, Bribery, Corruption, Whistleblowing, Gifts and
Those employees at a higher risk of bribery and corruption (e.g. those who work within procurement, planning or regulatory functions) are given more detailed, tailored anti-bribery and corruption training.	N	At the SMT / CMT Governance Session which was delivered by the NIAO, Management decided that focused fraud training should be given to those areas at an increased risk such as grant / procurement and planning.
Where appropriate, third party associates are included in tailored anti-bribery and corruption training.	Y	The NIAO were commissioned to give a more Detailed Governance Awareness session to SMT /CMT and Councillors on the 21 December 2017.
Training is provided to all staff on how they can raise concerns about bribery and corruption risks, or seek advice.	Y	Covered in the governance awareness session mentioned above.
Training is provided to staff who may receive reports of concerns, so they have the confidence to deal appropriately with concerns raised.	Y	

Monitoring and Review

An organisation's bribery and corruption risks can change over time, for example if it assumes new functions. There is a need to periodically monitor and review anti-bribery and corruption arrangements to ensure they remain adequate and fit for purpose.

Good Practice	Y/N	Action Required
Internal financial control systems are subject to periodic review and audit to ensure they remain effective in countering bribery and corruption risk.	Y	External Audit is completed annually and internal audit follows a rolling four plan and therefore all areas would be subject to a periodic review.
There is periodic review of high risk transactions, for example large scale procurements or significant planning decisions, to ensure compliance with anti-bribery and corruption procedures and controls.	Y	Both external and internal audit would focus on high risk transactions on an annual basis.
There is periodic review of fraud and whistleblowing caseload within the organisation, to determine whether the cases highlight any new bribery and corruption risks.	Y	The Audit Services Manager brings a quarterly update to the Audit Committee on the status of each fraud and whistleblowing case and informs the committee of any new cases.
There is periodic review of the register of interests to determine whether any new conflicts of interest may have arisen which could leave an employee more susceptible to the risk of bribery and corruption.	Y	The Head of Legal Administration completes a periodic review of the register of interests and sends an update to all the relevant staff to inform them that they must update their declaration if their
Employees, particularly those in high risk functions, are required to confirm periodically that they comply with anti-bribery and corruption arrangements, for example by signing up to a Code of Conduct which includes anti-bribery and corruption provisions.	Y	Every employ has to sign up to adhere to the code of conduct prior to commencing employment in NMDDC. Point 25 in the contract of employment states 'Your continued employment is subject to adherence to the Code of Conduct for Local Government Employees '
The Audit Committee or Board periodically reviews anti-bribery and corruption procedures and controls, and challenges where necessary.	Y	The Anti Fraud Policy, The Fraud Response Plan and the Whistleblowing policy were all revised and became effective in June 2017, The Audit Committee were kept informed of the status of
The results of review activities feed into systems controls reviews and the strengthening of controls where necessary.	Y	All policies are lives documents and subject to change or amendment.

Checklist for Individual Public Officials

Bribery and corruption risk can affect individual public officials. Officials need to be aware of the risks they face and how they can minimise those risks.

Good Practice	Y/N	Action Required
I am aware of the ethical standards required of me in my role as a public official.		
I am aware of, and abide by, the provisions of my organisation's Code of Conduct.		
I am aware of my organisation's policies on: <ul style="list-style-type: none"> • fraud and corruption • bribery • gifts and hospitality • conflicts of interest; and • whistleblowing. 		
I know where to access these policies.		
I am aware of the need to declare any actual or potential conflicts of interest.		
I have declared any such conflicts of interest.		
I am familiar with my organisation's policy on gifts and hospitality.		
I fully comply with the gifts and hospitality policy.		
I am aware of the potential bribery and corruption risks I may face as a public official.		
I am aware that the risks are more significant if my responsibilities relate to high risk areas such as procurement, planning or regulation.		
I avoid over familiarity with contractors and suppliers and act in an appropriate way to avoid any sense of obligation.		
I am familiar with the procedures to follow if I need to raise a concern about actual or potential bribery or corruption.		



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Report to:	Audit Committee
Date of Meeting:	11 January 2018
Subject:	Improvement Audit and Assessment Report 2017-18
Reporting Officer:	Johnny McBride - Assistant Director: Community Planning and Performance
Contact Officer:	Kate Bingham - Head of Performance and Improvement

Decisions Required:	
Members are asked to note the contents of the:	
<ul style="list-style-type: none"> ▪ Improvement Audit and Assessment Report 2017-18, including the proposals for improvement. 	
1.0	<u>Purpose and Background</u>
1.1	The purpose of this report is to provide an overview of the key findings from the recent Improvement Audit and Assessment which was carried out by the Northern Ireland Audit Office (NIAO) on behalf of the Local Government Auditor (LGA). This audit and assessment underpins the general duty to make arrangements to secure continuous improvement in the exercise of functions, which has been placed on Councils through The Local Government (NI) Act (2014). A copy of the report is attached at Appendix 2 .
1.2	As part of the Improvement Audit and Assessment, the LGA has put forward a number of proposals for improvement which may assist the Council in meeting its performance improvement responsibilities in future years. Whilst these are not formal recommendations, future Improvement Audit and Assessments will take into account the Council's progress in implementing the proposals for improvement.
2.0	<u>Key Issues</u>
2.1	<u>Certificate of Compliance</u>
2.2	The LGA has certified that the Council has discharged its performance improvement and reporting duties under Part 12 of the Act, and has acted in accordance with the Guidance issued by the Department for Communities (DfC). The LGA is proposing an unqualified audit and assessment opinion, with no statutory recommendations being made to the Department. A certificate of compliance has been issued.
2.3	The findings from the Improvement Audit and Assessment Report are categorised across seven thematic areas and can be summarised as follows: <u>General duty to improve</u>

	<p>The LGA confirmed that the Council's arrangements to secure continuous improvement are becoming more established and that action had been taken to address the issues raised in the 2016-17 report, which have either been implemented or are being progressed towards full implementation. The following proposals for improvement have been recommended:</p> <ul style="list-style-type: none"> i. The Council should prioritise the development of its electronic performance management system to enable the performance of all functions and services to be measured, to support the identification of those areas which would benefit most from improvement. ii. The Council should take steps to further develop, establish and embed all elements which underpin its Business Planning and Performance Management Framework more fully across the organisation and each of its Directorates. This should ensure that corporate priorities and performance improvement objectives are effectively cascaded to all employees.
2.4	<p><u>Governance arrangements</u></p> <p>The LGA has recognised that, whilst the Council's governance arrangements continue to develop, the roles of both the Strategy, Policy and Resources Committee and Audit Committee in managing performance could be enhanced. Action has been taken to address a number of the issues raised in the 2016-17 report, some of which have not yet been implemented. The following proposal for improvement has been recommended:</p> <ul style="list-style-type: none"> i. The Council needs to ensure that its Strategy, Policy and Resources Committee is subjecting the Council's priorities, improvement objectives, activities, projects, risks and performance to appropriate scrutiny, challenge and evaluation, and that this is monitored by the Audit Committee. To this end, officers must provide the relevant committees with appropriate and timely information in relation to the delivery of the improvement objectives.
2.5	<p><u>Improvement objectives</u></p> <p>The LGA confirmed that the Council's improvement objectives are aligned to the Community Plan, cover a broad range of projects and are focused on delivering positive outcomes for citizens. The Council has taken action to address a number of issues raised in the 2016-17 report, which have been implemented or are being progressed towards full implementation. The following proposals for improvement have been recommended:</p> <ul style="list-style-type: none"> i. The Council should further enhance staff awareness of performance improvement across each Council Directorate, with a view to ensuring that all aspects of performance improvement objectives set become embedded within day to day service provision. ii. The Council should continue to focus on the development and appropriate use of baseline performance data and information within the existing data management system going forward, and set standards for achievement which

	are both challenging and realistic.
2.6	<p><u>Consultation</u></p> <p>The LGA confirmed that the Council has met its statutory duty to consult on improvement objectives and has taken action to implement all proposals for improvement in the 2016-17 report. No further proposals for improvement have been recommended.</p>
2.7	<p><u>Improvement plan</u></p> <p>The LGA confirmed that the level of detail outlined in the Performance Improvement Plan 2017-18 has enhanced the transparency and meaningfulness of the Council's commitment to continuously improve its functions. Whilst no further proposals for improvement have been recommended, the LGA raised a concern regarding ease of access to the Performance Improvement Plan on the Council's website in the 2016-17 report. This issue has not yet been addressed and may potentially limit access to the Plan by citizens and other stakeholders.</p>
2.8	<p><u>Arrangements to improve</u></p> <p>The LGA confirmed that the Council has strengthened its arrangements to secure continuous improvement and delivered measurable improvements during 2016-17. Performance improvement objectives are supported by project management documentation, and arrangements to deliver these objectives have been put in place. Whilst the LGA is unable to determine the likelihood or extent of future improvement activity until a track record of continuous improvement can be demonstrated, it is anticipated that the Council will meet its responsibility to continuously improve over the next few years, as performance improvement arrangements mature and strengthen.</p>
2.9	<p><u>Collection, use and publication of performance Information</u></p> <p>In relation to the collection and use of performance information, the LGA recognises that the Council used a broad range of statutory and local performance indicators to monitor performance, track progress against targets, highlight trends over time and carry out comparisons with other Councils. As the Council's performance management arrangements become more embedded, this will enhance scrutiny and inform decision making around performance improvement and the ongoing development of improvement objectives. The following proposals for improvement have been recommended:</p> <ul style="list-style-type: none"> i. The Council should continue to develop and embed its performance management framework and establish a performance management system as a priority. ii. The Council should continue working with other Councils and the Department to agree a suite of self-imposed indicators and standards. This will enable

	<p>meaningful comparisons to be made and published in line with its statutory responsibility.</p> <p>In relation to the publication of performance information, the LGA confirmed that citizens and stakeholders have benefitted from the transparent approach used to report performance information through the 2016-17 self-assessment. The following proposal for improvement has been recommended:</p> <p>iii. The Council should enhance the transparency of future self-assessments, along with other Council performance information, should be clearly signposted on easily accessible on its website.</p>
3.0	<u>Recommendations</u>
3.1	<p>To note the:</p> <ul style="list-style-type: none"> • Improvement Audit and Assessment Report 2017-18
4.0	<u>Resource Implications</u>
4.1	<p>There are no resource implications contained within this report. However accepting the proposals for improvement may result in additional resource implications for the Council. Examples include the implementation of an electronic performance management system and delivery of performance improvement training, both of which should be integrated into future programmes of work for the Council.</p>
5.0	<u>Next Steps</u>
5.1	<p>The Improvement Audit and Assessment Report will be made available on the NIAO and NMDDC websites in due course.</p> <p>Progress in implementing the proposals for improvement will be monitored and reported through the Assessment of Performance 2017-18.</p>
6.0	<u>Equality & Good Relations Implications</u>
6.1	<p>There are no equality and good relations implications arising from this report.</p>
7.0	<u>Appendices</u>
	<ul style="list-style-type: none"> ▪ Appendix 1 – Cover Letter from NIAO ▪ Appendix 2 – Improvement Audit and Assessment Report 2017-18 for Newry, Mourne and Down District Council ▪ Appendix 3 – Audit Certificate



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Mr Liam Hannaway
Chief Financial Officer
Newry, Mourne and Down District Council
Monaghan Row
Newry
BT35 8DJ

30 November 2017

Dear Liam

Newry, Mourne and Down District Council: section 95 of the Local Government Act 2014

Improvement audit and Assessment - Audit and Assessment Report

I am writing to let you know that the Local Government Auditor has now certified the improvement audit and assessment at the Council with a standard, unqualified opinion.

Please find attached a copy of our final audit and assessment report, a draft of which you have already seen. This sets out the findings and conclusions from our work and it includes the audit and assessment certificate as an annex. I also attach a scanned copy of the original certificate signed by the Local Government Auditor.

A copy of the attached report will also be issued to the Department for Communities by the end of November as the legislation requires.

I would take this opportunity to thank you and your staff for the assistance and co-operation received throughout the audit.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Neil Gray', is written over a faint, larger version of the signature.

Neil Gray
Director



Northern Ireland Audit Office

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Our purpose...

Promoting better use of public money, through independent professional scrutiny, underpinned by our commitment to:

- Integrity
- Equality
- Openness
- Innovation

To make a difference for the people of Northern Ireland.

The Department for Communities, with the consent of the Comptroller and Auditor General for Northern Ireland, has designated Mrs Louise Mason as the Local Government Auditor. She, and the Northern Ireland Audit Office, are totally independent of Local Government. She certifies the accounts of all Local Government bodies in Northern Ireland and is also responsible for councils' performance improvement audits and assessments.

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NEWRY, MOURNE AND DOWN DISTRICT COUNCIL

AUDIT AND ASSESSMENT REPORT 2017-18

A REPORT TO THE COUNCIL AND THE DEPARTMENT FOR COMMUNITIES UNDER SECTION 95 OF THE LOCAL GOVERNMENT (NORTHERN IRELAND) ACT 2014

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Section 1

Introduction and status of this report

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Introduction

- 1.1 Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) sets out that all councils are under a general duty to make arrangements to secure continuous improvement in the exercise of their functions. It sets out a number of council responsibilities under a performance framework. It also sets out key responsibilities for the Local Government Auditor. The Department for Communities (the Department) has published 'Guidance for Local Government Performance Improvement 2016' (the Guidance) which councils and the Local Government Auditor have to follow.

The improvement audit

- 1.2 Each year the Local Government Auditor has to report whether each council has discharged its duties in relation to improvement planning, the publication of improvement information and the extent to which each council has acted in accordance with the Department's Guidance. The Local Government Auditor's procedures to do so are called "improvement audits".

The improvement assessment

- 1.3 The Local Government Auditor also has to assess annually whether a council is likely to make the required arrangements to secure continuous improvement in that year. This is called the "improvement assessment". The Local Government Auditor also has the discretion to assess and report whether a council is likely to comply with these arrangements in future years (see paragraph 2.5).
- 1.4 Improvement audits and improvement assessments are undertaken in accordance with the Local Government Auditor's statutory responsibilities¹ and the Department's Guidance. They are planned and conducted in accordance with the performance improvement Audit Strategy issued by the Local Government Auditor to councils, her Code of Audit Practice for Local Government Bodies in Northern Ireland and the Statement of Responsibilities.

Status of this report

- 1.5 This report has been produced by staff of the Northern Ireland Audit Office (the NIAO) on behalf of the Local Government Auditor in discharging her duties under section 95 of the Act. It certifies that she has carried out an improvement audit and improvement assessment for 2017-18 and states whether, as a result, she believes that the Newry, Mourne and Down District Council (the Council) has discharged its performance improvement duties.
- 1.6 This report has been prepared for the sole use of the Department and the Council. The Local Government Auditor and NIAO do not accept responsibility to any third party for losses arising from reliance being placed on this report.

¹ Sections 93 and 94 of the Local Government Act (Northern Ireland) 2014

Section 1

Introduction and status of this report

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Other performance improvement reports by the Local Government Auditor

The Annual Improvement Report on the Council

- 1.7 The Act requires the Local Government Auditor to summarise all of her work carried out (in relation to her responsibilities under the Act) at the Council, in an “annual improvement report”. This will be published on the NIAO website in due course, making it publicly available.

Special inspections and statutory recommendations

- 1.8 The Local Government Auditor may also, in some circumstances, carry out special inspections which will be reported to the Council and the Department, and which she may publish, or make statutory recommendations.

Section 2

Matters required to be reported on

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Matters required to be reported on

Improvement audit and improvement assessment

- 2.1 The Local Government Auditor's audit opinions in relation to the improvement audit and her improvement assessment are in the Annex to this report.
- 2.2 In the Annex, the Local Government Auditor certifies that she has performed the improvement audit and improvement assessment for the Council and that, as a result of this work, she is satisfied that the Council has discharged its statutory performance improvement and reporting duties and that it acted in accordance with the Guidance.
- 2.3 She also reports that, as 2017-18 was the second year in which councils were required to implement the new performance improvement framework, the Council's arrangements to secure continuous improvement are, as is to be expected, still in various stages of development and implementation. The Council is strengthening its arrangements to secure continuous improvement, and delivered measurable improvements to its services in 2016-17. However, until the Council's arrangements mature and it can demonstrate a track record of continuous improvement the Local Government Auditor is unable to determine, the extent to which improvements will be made.
- 2.4 The Local Government Auditor anticipates that the Council should be able to demonstrate that it is meeting its responsibility to continuously improve over the next couple of years, with the benefit of mature performance improvement arrangements, particularly in relation to the collection and use of data.
- 2.5 The Local Government Auditor has decided at present not to perform the discretionary assessments of whether councils in Northern Ireland are likely to comply with the requirements in future years. She will keep this decision under review as the new framework establishes itself and the track records of councils accumulate.

Special inspections and statutory recommendations

- 2.6 No special inspections or statutory recommendations were required at the Council this year.

Other matters

- 2.7 Whilst the Local Government Auditor has no statutory recommendations to make and there is no requirement for a special inspection this year there are some areas which could be developed. These are set out under Section 3 'Key audit and assessment findings' of this report.

Section 3

Key audit and assessment findings

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Key audit and assessment findings

- 3.1 This section outlines observations arising from the thematic areas of the Council's audit and assessment. Some findings, where relevant, give rise to proposals for improvement. These are not formal recommendations, which are more significant matters which require action to be taken by the Council in order to comply with the Act or Guidance.
- 3.2 Proposals for improvement include matters which, if accepted, will assist the Council to meet its performance improvement responsibilities. The Local Government Auditor believes that agreed proposals to the Council, should be implemented and will follow them up in subsequent years.
- 3.3 Our procedures were limited to those considered necessary for the effective performance of the audit and assessment. Therefore, the Local Government Auditor's observations should not be regarded as a comprehensive statement of all weaknesses which exist, or all improvements which could be made.
- 3.4 Each year we review progress the Council has made on these findings and it is recommended that the Council's Audit Committee should monitor and track their progress.

Index of key findings

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Section 3

Key audit and assessment findings

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1. General duty to improve

The Council is required to make arrangements to secure continuous improvement in the exercise of all of its functions. These arrangements should enable the Council to understand local needs and priorities, collect performance data and, as a result, use this information to identify and prioritise those functions which will benefit most from improvement. This will enable it to select its improvement objectives and in turn, make best use of its resources and capacity to deliver outcomes.

The Council's arrangements were constructed within the seven relevant criteria set out in legislation and the current functions prioritised and selected for improvement are aligned to its strategic corporate objectives and its recently published Community Plan. The prioritised functions are Leisure, Health and Wellbeing; Economic Development; Tourism and Culture; Urban and Rural Regeneration; Waste Management and Planning and Community Engagement.

The Council engaged with the public through its community planning process, using a variety of meeting formats to strengthen its understanding of community needs. This process fed into its arrangements to secure continuous improvement and has enabled the Council to build and develop its arrangements. The Council's general duty to improve is therefore linked clearly to its community planning outcomes.

The Council's arrangements to secure continuous improvement are becoming more established and continue to be developed. For example, the Council is rolling out and implementing its 'Business Planning and Performance Management Framework' across the organisation, which will be supported by a performance improvement policy and a performance management system. The process by which functions are prioritised and selected continues to develop. Continued consultation and engagement with all stakeholders, together with increased collection and use of a range of performance information and measures, will help inform which functions could benefit most from improvement. In turn, this should assist in delivering measurable and visible outcomes for its citizens.

As the Council's arrangements to meet its general duty develop and mature it is important that in the interests of greater openness and transparency, there is a logical evidence base and documented process to support the general duty to improve and its selection of priority areas for improvement.

The Council has taken action to address a number of issues raised by the Local Government Auditor in last year's report. These have either been implemented or, given their nature, are still being progressed towards full implementation.

To assist the Council we recommend the following proposals for improvement:

- the Council should prioritise the development of its performance management system to enable the performance of all its functions and services to be measured, to support the identification of those areas which would benefit most from improvement; and
- the Council should take steps to further develop establish and embed all elements which underpin its Business Planning and Performance Management Framework more fully across the organisation and each of its Directorates. This should ensure that corporate priorities and performance improvement objectives are effectively cascaded to all employees.

Section 3

Key audit and assessment findings

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2. Governance Arrangements

It is important the Council's governance arrangements support robust and effective decision-making and oversight in relation to its statutory responsibility to have arrangements in place to secure continuous improvement in its functions. Last year, the Council established governance arrangements to assist it in meeting its performance improvement responsibilities. Whilst these are continuing to develop, there is still room for further enhancement, particularly in relation to the level of scrutiny performed by the Strategy, Policy and Resources Committee and the oversight and monitoring role of the Audit Committee.

The Council assigned overall responsibility for oversight of its performance improvement framework to the Strategy, Policy and Resources Committee. Whilst there is evidence to show that performance is scrutinised at a strategic level by this Committee, the focus has been on key milestone approvals, such as performance improvement objectives, the Performance Improvement Plan, and the outcomes against the Council's statutory and self-imposed performance indicators. Performance improvement is also scrutinised at the operational level, being routinely reported through functional Committees.

The Council's Audit Committee has responsibility to ensure that arrangements for good governance are in place and operating effectively. The extent of oversight and monitoring of Council performance by the Audit Committee during the year could be developed further. Last year the Local Government Auditor indicated the oversight role of the Council's Audit Committee on the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. The Audit Committee needs to be assured that the Strategy, Policy and Resources Committee and the Senior Management Team are subjecting the Council's priorities, improvement objectives, projects, risks and performance to appropriate scrutiny, challenge and evaluation.

Whilst the Council has taken action to address a number of issues raised by the Local Government Auditor in last year's report, not all of these have been fully implemented. For example, full roles and responsibilities relating to performance improvement are not included in Audit Committee terms of reference, nor is performance improvement a more regular item on the Strategy, Policy and Resources Committee's agenda.

To assist the Council we recommend the following proposal for improvement:

- The Council needs to ensure that its Strategy, Policy and Resources Committee is subjecting the Council's priorities, improvement objectives, activities, projects, risks and performance to appropriate scrutiny, challenge and evaluation, and that this is monitored by the Audit Committee. To this end, officers must provide the relevant committees with appropriate and timely information in relation to the delivery of the improvement objectives.

Section 3

Key audit and assessment findings

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3. Improvement Objectives

The Council is required to establish improvement objectives each year and we assess these in line with legislation and supporting statutory guidance. Councils are expected to determine their own priorities for improvement based on a thorough understanding of the communities they serve. Improvement, in the context of the legislation, means more than just quantifiable gains in service output or efficiency, or the internal effectiveness of an organisation. It should mean activity that enhances the sustainable quality of life and environment for ratepayers and communities. It also requires improvement objectives to be legitimate, clear, robust and deliverable.

The Council has selected five improvement objectives, with details of these published in its Performance Improvement Plan. These objectives are closely aligned to the functions the Council has chosen to improve and, in turn, to the strategic community objectives set out in the *'Community Plan for Newry, Mourne and Down to 2030'*. The objectives cover a broad range of projects, recognising the need to improve internal arrangements, as well as to ensure positive outcomes for citizens. In this respect, we consider that they are legitimate and clear.

The objectives are supported with high-level underlying information setting out how each one is to be achieved in the form of an overview of the 'supporting actions' and 'measures of success', alongside the intended 'outcomes for local communities and stakeholders'. In some cases, objectives have been set at a strategic level, which will require a number of years to deliver. This is acceptable, given that interim targets have also been incorporated within the 'measures of success' to allow for the achievement of any demonstrable improvements arising from supporting projects which can be measured in the short-term.

Three years into the performance improvement framework, there is clear recognition by the Council, in the formulation of its improvement objectives, of the importance of obtaining baseline performance data and information, against which future improvement can be demonstrated or measured. Appropriate use of its data management system and fully embedding this approach within its service provision will be critical to the Council measuring future improvements.

Last year's improvement objectives were reconfigured and/or realigned within the 2017-18 Performance Improvement Plan to strategically fit with the Council's Community Plan, which was a new requirement for this year. This is acceptable in what is the final phased year of the framework.

The Council has taken action to address a number of issues raised by the Local Government Auditor in last year's report. These have either been implemented or, given their nature, are still being progressed towards full implementation.

To assist the Council, we recommend the following proposals for improvement:

- the Council should further enhance staff awareness of performance improvement across each Council Directorate, with a view to ensuring that all aspects of the performance improvement objectives set become embedded within day-to-day service provision; and
- the Council should continue to focus on the development and appropriate use of baseline performance data and information within the existing data management system going forward, and set standards for achievement which are both challenging and realistic.

Section 3

Key audit and assessment findings

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4. Consultation

We looked at how well the Council involved local people and those that work with and for it, in deciding its priorities for improvement. The Council conducted extensive consultation during its community planning and corporate planning processes to identify and understand community needs. This consultation and engagement activity, along with other previous research undertaken, then informed the development of the 2017-18 improvement objectives.

An eight week consultation and engagement process facilitated by the Council was undertaken, during which meetings were held with staff; elected representatives; Community and Voluntary Groups; local businesses; representative business organisations, along with Section 75 and statutory consultees, using a variety of settings. The Council also placed advertisements in local newspapers; consultation details were available on its website; hard copy documentation and the survey document was made available in the public reception area of the Council's offices and the Ethnic Minority Support Centre, and social media channels were also utilised.

Most issues of importance to people were covered in the Council's draft improvement objectives. A Consultation and Engagement Report prepared following the consultation exercise noted that almost all respondents agreed with the objectives as originally proposed. Other methods of engagement included:

- The council providing its citizens and stakeholders with an opportunity to propose new improvement objectives during the year via its Plan and its website;
- Briefings by the Chief Executive to staff about the Council's future performance improvement plans to promote understanding; and
- Staff with performance improvement responsibilities meeting with colleagues throughout the organisation to emphasise the general duty to improve, and to engage with them in the development of improvement objectives going forward.

The Council has met its statutory duty to consult on its improvement objectives.

Areas currently under development include a consultee database to facilitate further two-way dialogue which will operate alongside existing communication mechanisms with the different stakeholder groups, and a Consultation and Engagement Framework which will be used with key stakeholders to facilitate future discussions.

It is the Council's responsibility to promote and encourage its citizens and stakeholders to engage with it. In last year's report we shared a number of good practice methods for raising the public profile of the concept of performance improvement along with ways to improve the consultation process, which if adopted, should encourage more citizens and stakeholders to participate in future consultations. The Council has taken action to implement these proposals.

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Key audit and assessment findings

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5. Improvement Plan

The Council published its '2017-18 Performance Improvement Plan' in June 2017, and this is available in electronic format on the Council's website in both full and summary formats. The Plan contains a high-level description of the Council's plan for discharging its general duty to deliver continuous improvement and includes its five improvement objectives. It highlights the high-level key actions which the Council intends to carry out in order to achieve each of its objectives, alongside supporting actions, and measures of success and intended outcomes for local communities and stakeholders. The Plan also sets out how and why the improvement objectives were selected; a statement on the consultation process used and the ways in which citizens and other stakeholders may propose new objectives during the year. In addition, a summary version of the Plan was developed, emailed to consultees and other stakeholders, placed on the website and advertised through social media. This level of detail has enhanced the transparency and meaningfulness of the Council's commitment to continuously improve its functions.

Whilst the Council has selected and published a number of local (non-statutory) indicators and standards to measure the success of its improvement objectives, it has not yet published any local indicators and standards in relation to its wider general duty. This is necessary so that it can demonstrate to citizens and stakeholders its commitment to continuously improving all of its functions, and facilitate wider comparisons with other councils. It is hoped that with the development of a performance management system the Council will develop and publish a suite of local indicators reflective of all functions and its general duty to improve.

Good practice suggests that the Council should provide a rationale within its improvement plan for any prior year improvement objectives which have not been brought forward. The Council should also continue to monitor any ongoing improvement delivered by prior year short term improvement objectives and projects (that is, those lasting only one year) as part of its duty to continuously improve. This may be done corporately through the performance management framework and does not necessarily require publication in the Improvement Plan or the Annual Report.

Last year the Local Government Auditor raised a concern about ease of access to the Council's plan from its website. This matter has not yet been addressed and whilst the plan is available in other formats, including social media, the ongoing absence of a search function on the website continues to potentially limit access to the Plan by citizens and other stakeholders.

Section 3

Key audit and assessment findings

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6. Arrangements to improve

The Council is required to establish arrangements to deliver on its improvement objectives each year. The Department for Communities' guidance states that the Council should be able to understand and demonstrate the impact of its arrangements for continuous improvement on the outcomes for citizens.

Each improvement objective is supported by a project development plan led at Director level and supported by a team. Each plan contains a number of underlying projects, which are further supported by key project management documentation, including delivery plans and resourced budgets. Whilst arrangements are in place to deliver its improvement objectives, it is too early in the annual performance improvement cycle to determine the likelihood or extent of any improvement which will be delivered for two key reasons:

- improvement objectives are in the early stages of delivery; and
- the Council does not yet have an audited track record of improvement, which covers more than one year.

Section 3

Key audit and assessment findings

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7. Collection, use and publication of performance information

The collection, use and publication of performance information is critical within the performance improvement framework. It enables the Council to measure and evaluate improvement, assists in the identification of priority areas, facilitates comparison and benchmarking and supports the communication of outcomes and progress with its citizens and other stakeholders.

The Council had additional responsibilities this year specifically, in relation to carrying out a self-assessment of its performance in 2016-17 and reporting this by 30 September 2017.

The type of information required to be collected, used and reported falls under three key areas:

- the general duty to improve – reflected by local, non-statutory performance indicators and standards;
- the improvement objectives – with specific associated performance measures and indicators; and
- statutory indicators and standards.

In relation to local performance indicators and standards, the Council is now also required to make year on year internal comparisons to measure its performance and demonstrate the extent of any improvement, both in relation to its general duty for continuous improvement across all of its functions, and any standards and indicators in relation to its individual improvement objectives. In relation to those local performance indicators and standards associated with the general duty, councils should make comparisons with other councils, where it is reasonably practicable to do so.

Some councils have told us that they are unclear as to the purpose or extent of the collection, use and reporting of local performance information. Clearly, some aspects of this responsibility would benefit from additional clarity and formal guidance from the Department for Communities. This would enhance councils' current understanding of the legislation's requirements and also the Department for Communities' expectations of councils.

The Local Government Auditor's interpretation of this part of the legislation currently is that:

- a council is expected to select a small range of local indicators and to set associated standards across its functions, with baselines and targets established for improvement. This will help to identify its improvement priorities and objectives, and will be required to fully meet its responsibility to collect and use information in relation to the general duty to improve across all of its functions;
- in relation to local performance indicators and standards, a council must publish the results of its performance and provide a year on year comparison within its annual self-assessment report; and
- in relation to comparisons with other councils, the Council must continue to work with the Department for Communities and the other councils to agree a suite of local indicators to facilitate comparison. Until this is agreed and implemented, it will not be practicable to publish meaningful comparisons.

Section 3

Key audit and assessment findings

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This was the first year that councils have been required to meet this responsibility. The Local Government Auditor's current view is that, to encourage councils to comply fully and to allow more time for the framework to mature, she will not issue any statutory recommendations in relation to this matter this year. Instead 'proposals for improvement' will be used to highlight any matters of non-compliance. If not addressed by councils, these may then become statutory recommendations next year.

Performance information

The Council does not yet have a comprehensive performance management system aligned to its Business Planning and Performance Management Framework, which is fully embedded across all of its functions. Development work is, however, underway to address this.

In relation to the collection and use of information the Council has a number of statutory and local indicators and standards in place, along with a range of corporate indicators across a range of functions and at individual project delivery level. This has facilitated the monitoring of performance in a number of ways, for example tracking against targets; highlighting trends over time and, where possible, drawing out comparisons with other Councils' performance. The data and information sources drawn on by the Council are broad-ranging, qualitative and quantitative in nature.

As the performance management framework becomes more fully embedded within the Council and a performance management system is put in place, we would expect these to further enhance scrutiny and inform its decision-making on performance improvement and the ongoing development of improvement objectives.

The Council is liaising with other councils and the Department for Communities to agree a range of local performance indicators to facilitate effective comparison. However, this collaborative work is at a very early stage of development and it is too early to draw any conclusions about the extent to which this will benefit the Council.

The Local Government Auditor is encouraging all councils and the Department to agree a suite of local performance indicators to facilitate effective comparisons as soon as practicable.

The Local Government Auditor makes the following proposals for improvement to enhance the collection and use of information:

- the Council should continue to develop and embed its performance management framework and establish a performance management system as a priority; and
- the Council should continue working with other councils and the Department to agree a suite of self-imposed indicators and standards. This will enable meaningful comparisons to be made and published in line with its statutory responsibility.

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Key audit and assessment findings

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Publication of performance information

The Council is required each year to publish a report, or reports, which includes a self-assessment of its performance during a financial year:

- in discharging its general duty to improve;
- in meeting its improvement objectives for that year;
- by reference to its local and statutory performance indicators; and
- meeting its local and statutory performance standards.

In addition, the Council's assessment of its performance and its published report should include a comparison of its performance with previous years and, where reasonably practicable, with other councils.

The key purpose of the report is to show citizens, and other stakeholders how the Council is discharging its duty under legislation to secure continuous improvement as set out in its 2016-17 Improvement Plan. It enables the Council to communicate progress against its improvement objectives and to highlight what visible improvements it has made to its functions and services.

In September 2017, the Council published its 'Assessment of Performance 2016-17' report. It focused on performance on projects which supported the Council's 2016-17 improvement objectives and includes a section on its performance in relation to the statutory indicators, as well as comparisons against other councils in Northern Ireland. The report was further promoted through, for example, a press release and interview.

The Council's approach to its 2016-17 self-assessment reporting is transparent and its report sets out its improvement objectives and detailed progress with associated 'key actions' and 'measures of success' (targets); wide-ranging comparators and further supporting evidence. Also included are high-level summaries around overall performance and the general duty to improve. Taking the self-assessment report as a whole, citizens and other stakeholders have the benefit of increased transparency from the Council's reporting of outcomes around performance improvement for 2016-17.

The Local Government Auditor has made a number of observations and good practice suggestions for consideration in future self-assessment reports which will be shared with councils as a separate publication later in the year. If adopted, these might further enhance the transparency of councils' performance improvement to citizens and stakeholders.

The Local Government Auditor makes a proposal for improvement to enhance the transparency of future self-assessments, that these, along with other Council performance improvement information, should be clearly signposted and easily accessible on its website.

Section 4

Other matters

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Statement on personal data

- 4.1 During the course of the audit and assessment we may have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 1998.

Independence, integrity and objectivity of auditors

- 4.2 The NIAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.
- 4.3 We have complied with APB Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and the Council that we consider to bear on our objectivity and independence.

Complaints procedure

- 4.4 NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper "What Public Sector Bodies can expect from their Auditors".
- 4.5 NIAO also wishes to gauge public sector bodies' perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.
- 4.6 Failing resolution of the problem to the satisfaction of the complainant, the Chief Executive of the Council can then write directly to the Local Government Auditor who will ensure that a further review of the case will be undertaken.

ANNEX

Audit and assessment of Newry, Mourne and Down District Council's performance improvement arrangements

Certificate of Compliance

I certify that I have audited Newry, Mourne and Down District Council's (the Council) assessment of its performance for 2016-17 and its 2017-18 improvement plan in accordance with section 93 of the Local Government Act (Northern Ireland) 2014 (the Act) and the Code of Audit Practice for local government bodies.

I also certify that I have performed an improvement assessment for 2017-18 at the Council in accordance with section 94 of the Act and the Code of Audit Practice.

This is a report to comply with the requirement of section 95(2) of the Act.

Respective responsibilities of the Council and the Local Government Auditor

Under the Act, the Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. The Council is required to gather information to assess improvements in its services and to issue a report annually on its performance against indicators and standards which it has set itself or which have been set for it by Government departments.

The Act requires the Council to publish a self-assessment before 30 September in the financial year following that to which the information relates, or by any other such date as the Department for Communities (the Department) may specify by order. The Act also requires that the Council has regard to any guidance issued by the Department in publishing its assessment.

As the Council's auditor, I am required by the Act to determine and report each year on whether:

- The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's Guidance in relation to those duties; and
- The Council is likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties.

Scope of the audit and assessment

For the audit I am not required to form a view on the completeness or accuracy of information or whether the improvement plan published by the Council can be achieved. My audits of the Council's improvement plan and assessment of performance, therefore, comprised a review of the Council's publications to ascertain whether they included elements prescribed in legislation. I also assessed whether the arrangements for publishing the documents complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing them.

For the improvement assessment I am required to form a view on whether the Council is likely to comply with the requirements of Part 12 of the Act. My assessment of the Council's improvement responsibilities and arrangements, therefore, comprised a review of certain improvement arrangements within the Council, along with information gathered from my improvement audit.

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The work I have carried out in order to report and make recommendations in accordance with sections 93 to 95 of the Act cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Audit opinion**Improvement planning and publication of improvement information**

As a result of my audit, I believe the Council has discharged its duties in connection with (1) improvement planning and (2) publication of improvement information in accordance with section 92 the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

Improvement assessment

As a result of my assessment, I believe the Council has as far as possible discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

2017-18 was the second year in which councils were required to implement the new performance improvement framework. The Council's arrangements to secure continuous improvement, as is to be expected, are still in various stages of development and implementation. The Council is strengthening its arrangements to secure continuous improvement, and has delivered some measurable improvements to its services in 2016-17. However, until the Council's arrangements further develop and begin to mature and it can demonstrate a track record of ongoing improvement in relation to the framework, I am unable to determine, the extent to which improvements will be made.

I have not conducted an assessment to determine whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent financial years. I will keep the need for this under review as arrangements become more fully established.

Other matters

I have no recommendations to make under section 95 (2) of the Local Government (Northern Ireland) Act 2014.

I am not minded to carry out a special inspection under section 95 (2) of the Act.

Louise Mason

LOUISE MASON
Local Government Auditor
NI Audit Office
106 University Street
Belfast
BT7 1EU

30 November 2017

Audit and assessment of Newry, Mourne and Down District Council's performance improvement arrangements

Certificate of Compliance

I certify that I have audited Newry, Mourne and Down District Council's (the Council) assessment of its performance for 2016-17 and its 2017-18 improvement plan in accordance with section 93 of the Local Government Act (Northern Ireland) 2014 (the Act) and the Code of Audit Practice for local government bodies.

I also certify that I have performed an improvement assessment for 2017-18 at the Council in accordance with section 94 of the Act and the Code of Audit Practice.

This is a report to comply with the requirement of section 95(2) of the Act.

Respective responsibilities of the Council and the Local Government Auditor

Under the Act, the Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. The Council is required to gather information to assess improvements in its services and to issue a report annually on its performance against indicators and standards which it has set itself or which have been set for it by Government departments.

The Act requires the Council to publish a self-assessment before 30 September in the financial year following that to which the information relates, or by any other such date as the Department for Communities (the Department) may specify by order. The Act also requires that the Council has regard to any guidance issued by the Department in publishing its assessment.

As the Council's auditor, I am required by the Act to determine and report each year on whether:

- The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's Guidance in relation to those duties; and
- The Council is likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties.

Scope of the audit and assessment

For the audit I am not required to form a view on the completeness or accuracy of information or whether the improvement plan published by the Council can be achieved. My audits of the Council's improvement plan and assessment of performance, therefore, comprised a review of the Council's publications to ascertain whether they included elements prescribed in legislation. I also assessed whether the arrangements for publishing the documents complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing them.

For the improvement assessment I am required to form a view on whether the Council is likely to comply with the requirements of Part 12 of the Act. My assessment of the Council's improvement responsibilities and arrangements, therefore, comprised a review of certain improvement arrangements within the Council, along with information gathered from my improvement audit.

The work I have carried out in order to report and make recommendations in accordance with sections 93 to 95 of the Act cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Audit opinion

Improvement planning and publication of improvement information

As a result of my audit, I believe the Council has discharged its duties in connection with (1) improvement planning and (2) publication of improvement information in accordance with section 92 the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

Improvement assessment

As a result of my assessment, I believe the Council has as far as possible discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

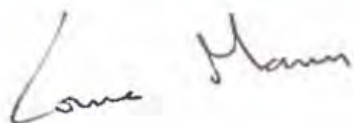
2017-18 was the second year in which councils were required to implement the new performance improvement framework. The Council's arrangements to secure continuous improvement, as is to be expected, are still in various stages of development and implementation. The Council is strengthening its arrangements to secure continuous improvement, and has delivered some measurable improvements to its services in 2016-17. However, until the Council's arrangements further develop and begin to mature and it can demonstrate a track record of ongoing improvement in relation to the framework, I am unable to determine, the extent to which improvements will be made.

I have not conducted an assessment to determine whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent financial years. I will keep the need for this under review as arrangements become more fully established.

Other matters

I have no recommendations to make under section 95 (2) of the Local Government (Northern Ireland) Act 2014.

I am not minded to carry out a special inspection under section 95 (2) of the Act.



LOUISE MASON
Local Government Auditor
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30 November 2017



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Mr Liam Hannaway
Chief Financial Officer
Newry, Mourne and Down District Council
Monaghan Row
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BT35 8DJ

20 December 2017

Dear Liam,

NIAO Director Responsibilities

You may be aware that I am leaving NIAO. This means that from January I will no longer be Local Government Auditor.

The Department for Communities will designate a member of NIAO staff to this role. My successor is likely to be Pamela McCreedy, Chief Operating Officer. Her contact details are as follows;

Telephone 028 90 251076

Email: Pamela.McCreedy@niauditoffice.gov.uk

I would like to take this opportunity to thank you and your colleagues for the professional and courteous manner in which you have conducted our relationship. I have thoroughly enjoyed working with all involved and wish you and your organisation every success in the future.

I would be grateful if you would bring this correspondence to the attention of the Chair of your Audit and Risk Committee.

Yours sincerely

Louise Mason
Local Government Auditor

cc Mrs Pamela McCreedy, NIAO



Chief Executive of each District Council,
 Finance Officer of each District Council,
 Mr D McCallan, Chief Executive, NILGA
 Dr A Kerr, Chief Executive, LGSC,
 Mr D Murphy, Secretary, NILGOSC,
 Ms L Mason, Local Government Auditor,
 Mrs C Kane, Director, NIAO,
 Mr J Quinn, Chief Executive, arc21
 Other interested parties

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 4th Floor
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Date: 9 January 2018

Circular LG 01/2018

Dear Sir/Madam

DESIGNATION OF LOCAL GOVERNMENT AUDITOR

This circular brings to your attention a forthcoming change in the designation of the Local Government Auditor. The detail is set out in the following paragraphs.

Article 4(1) of the amended Local Government (Northern Ireland) Order 2005 (the 2005 Order) provides that the Department may, with the consent of the Comptroller and Auditor General for Northern Ireland (the C&AG), designate a member of staff of the Northern Ireland Audit Office (NIAO) as the local government auditor.

Under Article 4(2) of the amended 2005 Order, the local government auditor may make arrangements with the C&AG for members of the staff of the NIAO to assist in the performance of the local government auditor's functions.

Article 4(3) of the amended 2005 Order further provides that the Department may, with the consent of the C&AG, designate a member of the staff of the NIAO to be known as the deputy local government auditor.

The Department has consulted with the C&AG and, with effect from 1 February 2018, has designated Pamela McCreedy as Local Government Auditor and assigned Pamela to audit the accounts of every local government body.

Yours sincerely

JEFF GLASS