



September 22nd, 2016

Notice Of Meeting

You are invited to attend the Audit Committee Meeting to be held on **Thursday, 22nd September 2016** at **2:00 pm** in the **Mourne Room Downshire Estate Downpatrick.**

Councillor P Brown

Councillor C Casey

Councillor L Devlin

Councillor C Enright

Councillor T Hearty

Councillor M Murnin

Councillor P Ó'Grínbín

Councillor G Sharvin

Councillor J Trainor

Councillor M Ruane

Agenda

1) Apologies and Chairman's remarks.

Cllr M Murnin

Ms M Ward Director ERT

Cllr T Hearty

Cllr M Ruane

2) Declarations of Interest.

3) Action Sheet arising out of Minutes of Audit Committee Meeting held on Monday 4 July 2016. (Copy enclosed)

[ACTION SHEET - July 2016.pdf](#)

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Financial Statements

4) Statement of Accounts. (Copy enclosed)

[Statement of Accounts part 1.pdf](#)

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[Item 4 Report re Statement of Accounts 2015-16.pdf](#)

Page 41

[Statement of Accounts part 2.pdf](#)

Page 42

5) NIAO Draft Report to Those Charged with Governance. (Copy enclosed)

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating to the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

[Item 5 - NIAO RTTCWG.pdf](#)

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6) Internal Audit - Summary Report. (Copy enclosed)

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - Information relating to the financial or business affairs of any particular person (including the Council holding that information) and the public may, by resolution, be excluded during this item of business.

Item 6 IA Summary Report.pdf

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7) Draft Internal Audit Report - Trade Waste. (Copy enclosed)

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - Information relating to the financial or business affairs of any particular person (including the Council holding that information) and the public, may by resolution, be excluded during this item of business.

Item 7 Draft IA Rpt re Trade Waste Management.pdf

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8) Verbal update re: Community Centre Audit.

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - information relating to the financial or business affairs of any particular person (including the Council holding that information) and the public, may be resolution, be excluded during this item of business.

9) Correspondence from Department of Finance re Internal Audit Opinions and Prioritisation of Recommendations. (Copy enclosed)

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014 - Information relating to the financial or business affairs of any particular person (including the Council holding that information) and the public, may by resolution, be excluded during this item of business.

Item 9 Dept of Finance re Internal Audit-Prioritisation of Recs.pdf

Page 124

10) Update re Internal Audit Recommendation. (Copy enclosed)

This item is deemed to be exempt under Paragraph 3 of Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014- information relating to the financial or business affairs of any particular person (including the Council holding that information), and the public may, by resolution, be excluded during this item of business.

11) Corporate Risk Register. (Copy enclosed)

Item 11 Corporate Risk Register.pdf

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12) Fraud & Whistleblowing. (Copy enclosed)

Item 12 Fraud and Whistleblowing.pdf

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NIAO

13) Verbal update re: Performance Improvement Audit.

14) NIAO National Fraud Initiative Northern Ireland. (Copy enclosed)

Item 14 NIAO - The National Fraud Initiative NI (FOR NOTING SECTION).pdf

Page 165

**14) (a) NIAO Local Government Auditors Report - 2016. (Copy enclosed)
- FOR NOTING ONLY**

For noting only.

Item 14 (a) NIAO Local Gov Auditors Rpt 2016.pdf

Page 217

For Noting

**15) To discuss process re: Audit Committee Self Assessment
Check List. (Copy enclosed)**

Item 15 Report re Audit Committee self-assessment checklist.pdf

Page 273

16) Circulars for noting. (Copies enclosed)

Department for Communities - Circular LG14/2016 re Consolidated Councillor Allowance
Circular - updated July 2016.

Department for Communities - Circular LG16/2016 re Scheme of Emergency Financial
Assistance to District Councils - Flooding.

Department for Communities - Circular LG18/2016 re Scheme of Emergency Financial Assistance.

Item 16 Circular LG14-2016.pdf

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Item 16 Circular LG16-2016.pdf

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Item 16 Circular LG18-2016.pdf

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**17) Council Decision Making Processes - Updated Process Maps.
(Copy enclosed)**

Item 17 - Council Decision Making Processes - Updated Process Maps.pdf

Page 347

**18) To discuss process re: Assessment of Performance of
Chairperson of Audit Committee. (Copy enclosed))**

Item 18 Report re Assessment of Performance of AC Chairperson.pdf

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Invitees

Cllr Terry Andrews	terry.andrews@downdc.gov.uk
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Cllr Patrick Brown	patrick.brown@nmandd.org
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Mr Gerard Byrne	gerard.byrne@nmandd.org
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Cllr John Trainor	john.trainor@nmandd.org
Cllr William Walker	william.walker@nmandd.org
Mrs Marie Ward	marie.ward@downdc.gov.uk

ACTION SHEET- AUDIT COMMITTEE – MONDAY 4 JULY 2016

AGENDA ITEM	SUBJECT	DECISION	FOR COMPLETION BY DIRECTOR – including actions taken/date completed or progress to date if not yet completed
AC/50/2016	Action Sheet - Minutes of Special Audit Committee Meeting- 19 April 2016	<p>It was agreed that items contained on the Action Sheet from Minutes of the Special Audit Committee Meeting held on Tuesday 19 April 2016 be forwarded to the appropriate Council Committee for action and therefore be removed from the Audit Committee action list going forward.</p> <p>(1) Renewable Energy at new Down Leisure Centre It was agreed to note a meeting would be held with the Architect engaged on this project at which the issues raised by Councillor C Enright regarding the provision of renewable energy at the new Down Leisure Centre would be raised. A report would be tabled at an appropriate Committee meeting of Council in due course.</p> <p>(2) Negative variance in former Down District Council – Management Accounts It was agreed to accept that the provision of Wind Turbines in former Down District Council Management Accounts would be taken forward via the Regulatory & Technical Services Committee, as required.</p> <p>It was agreed to note that the review of the format of the Council's Management Accounts would be reported back to a future meeting of the Audit Committee in due course.</p>	<p>Report not yet available.</p> <p>Noted.</p> <p>In progress.</p>

AGENDA ITEM	SUBJECT	DECISION	FOR COMPLETION BY DIRECTOR – including actions taken/date completed or progress to date if not yet completed
		<p>(3) Shuttle Bus between Down Civic Campus and Downpatrick Bus Station</p> <p>It was agreed Councillor C Enright and Councillor D Curran be provided with the legacy Down District Council motion and decision and resultant management response relating to this matter, to enable them to provide the Trust with information regarding shuttle bus provision between Downshire Civic Campus and Downpatrick Bus Station.</p>	All information provided to Cllrs Enright and Curran by E. Curtis.
AC/51/2016	Action Sheet – Minutes of Audit Committee Meeting – 28 April 2016	It was agreed to note the Action Sheet arising out of the Minutes of the Audit Committee Meeting held on Thursday 28 April 2016.	Noted.
AC/52/2016	Commencement times – Audit Committee Meetings	At the Council Meeting held on Monday 1 August 2016 it was agreed to approve the original schedule of meetings for Audit Committee Meetings for 2016/17, and that these meetings to commence at 2pm.	L Dillon updated Master Diary and Minute Pad and advised relevant Councillors/Officers via e-mail 10/06/16.
AC/53/2016	Training for Members of Audit Committee	<p>It was agreed that should any Member of the Audit Committee wish to avail of the On Board Training on The Effective Audit Risk Committee, that they contact Ms Louise Dillon Democratic Services Officer.</p> <p>It was also agreed that should a significant number of Members request to attend this training and/or should the date not be suitable, Officers</p>	Bookings completed.

AGENDA ITEM	SUBJECT	DECISION	FOR COMPLETION BY DIRECTOR – including actions taken/date completed or progress to date if not yet completed
		to contact the training provider to establish if this training could be held 'in house'.	
AC/55/2016	Annual Accounts 2015-16	It was agreed that should any Member require a full set of the draft Annual Accounts, this to be arranged.	Noted.
AC/56/2016	Corporate Risk Register	It was agreed details regarding issues raised in relation to the Council's communications and staff levels would be forwarded to Cllr G Sharvin.	Actioned. Cllr G Sharvin provided with requested information.
AC/57/2016	Review of Whistleblowing Policy	It was agreed no adjustments were required to the Newry Mourne & Down Council Whistleblowing Policy in respect of Elected Members.	Noted.
AC/58/2016	Procurement Direct Award Contracts	Closed Session Item Councillors to be provided with the justification for the procurement by Direct Award Contracts in future reports.	Noted. SMT and procurement staff have been advised accordingly.

AGENDA ITEM	SUBJECT	DECISION	FOR COMPLETION BY DIRECTOR – including actions taken/date completed or progress to date if not yet completed
AC/59/2016	Procurement EU Tendering - Waste	Closed session item It was agreed to note Report dated 4 July from Mr D Barter Procurement Manager regarding EU Tendering in respect of waste and this item was now completed.	Noted.
AC/60/2016	Internal Audit – Summary Report	Closed Session Item The commencement of audit fieldwork on IT Security and Systems to be raised at the next Senior Management Team Meeting as the Committee felt now may not be the appropriate time to commence work on this particular area and that the audit on IT and Security Systems could be substituted with audit work on another area within Council.	It was agreed with ASM to defer the IT Security & Systems review to later in the year, bringing forward the internal audit review of waste management.
AC/61/2016	Internal Audit – Follow up Review	Closed Session Item Management would arrange to include the recommendations identified by NIAO as Priority One onto the Council's Audit recommendation schedule. A further Internal Audit Follow up Review to be tabled at the Audit Committee Meeting in September 2016.	Completed – agenda item. Completed – agenda item.

AGENDA ITEM	SUBJECT	DECISION	FOR COMPLETION BY DIRECTOR – including actions taken/date completed or progress to date if not yet completed
AC/65/2016	Council Decision Making Process	Management to examine amending the decision making process templates to include the process for including in Capital and Revenue budgets and arrange to have a paper tabled at the next meeting of the Audit Committee to be held on Thursday 22 September 2016.	Completed – agenda item.
AC/66/2016	NIAO Audit Strategy 2016-17 Improvement Audit and Assessment	At the request of Councillor Enright it was agreed Management keep the Audit Committee advised on issues regarding the former Drumnakelly Landfill Site in light of the EU Referendum vote to exit the EU, and the fact this site would no longer be the subject of a waste tax payment.	Noted. Drumanakelly Landfill Site stopped taking residual waste at the start of May 2016 and therefore no longer incurs landfill tax at the site.
AC/68/2016	Media Report re Council Payments	It was agreed a review of methods to issue payments to suppliers to be included in the programme of work of the Efficiencies Working Group.	Noted. To be tabled at Efficiency Working Group meeting of 26 September 2016.

STATEMENT OF ACCOUNTS

Newry, Mourne and Down District Council

For the year ended 31st March 2016

Narrative Report

Introduction

The Council's financial performance for the year ended 31st March 2016 is as set out in the Comprehensive Income and Expenditure Statement and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom for the year ended 31st March 2016 (the Code) and the Department of the Environment Accounts Direction, Circular LG 04/2016. It is the purpose of this narrative report to explain, in an easily understandable way the financial facts in relation to the Council.

This Statement of Accounts explains Newry, Mourne and Down District Council's finances during the financial year 2015/16 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Newry, Mourne and Down District Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

The Movement in Reserves Statement

This Statement, as set out on page 20, shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Local Tax purposes. The 'Net increase /Decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

The Comprehensive Income and Expenditure Statement

This statement, as set out on page 21, shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

The Balance Sheet, as set out on page 22 shows the value as at the Balance Sheet date of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Financial Report

For the year ended 31 March 2016, the Council increased its General Fund reserve by £311k to £7,234k. The Council operated a balanced budget for the year ie. expenditure equal to income.

Expenditure on capital projects during the year amounted to £4.6m, the most significant spend was on vehicles and equipment £790k, Newry Leisure Facility £1.3m, Mourne Esplanade £266k and Victoria Lock £806k.

The extensive schedules and notes which make up this report help the user to ascertain most of the major items which go to make up these accounts. Items of particular note will be drawn attention to in the notes which follow.

In the current year a revaluation decrease of £490k has been charged to reflect the revaluation of the Strangford Road Offices.

The Council participates in the Northern Ireland Local Government Officers' Pension Fund administered by the Northern Ireland Local Government Officers' Superannuation Committee. Transactions relating to retirement benefits are included in note 21 to these Statement of Accounts.

The Revaluation Account on the Balance Sheet has had a revaluation uplift by £5.4m to reflect the increase in value of Fixed Assets which were revalued upwards using indices provided by Land and Property Services.

The Council has a £5 million overdraft facility with the Danske Bank for short term needs. For capital spend the Council borrows monies from the Government Loans Fund. During the year the Council borrowed monies from the loan fund amounting to £6.2 million and repaid £4.6 million. At the 31 March 2016 the total amount outstanding on external loans was £58.05 million.

The Council commenced its strategic objective with phase 2 of the Leisure Centre in Newry and the replacement of the Down Leisure Centre in Downpatrick.

Statement of the Council's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Council's Responsibilities

Under Section 1 of the Local Government Finance Act (Northern Ireland) 2011 a council shall make arrangements for the proper administration of its financial affairs. A council shall designate an officer of the council as its chief financial officer and these arrangements shall be carried out under the supervision of its chief financial officer.

Under Regulation 7 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 the Council, or a Committee, is required by resolution, to approve the accounts.

These Accounts were approved by the Audit Committee on 22nd September 2016.

The Chief Financial Officer's Responsibilities

Under Regulation 8 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, the Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in the form directed by the Department of the Environment (now Department for Communities).

The accounts must give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

In preparing this Statement of Accounts, the Chief Financial officer is required to:

- observe the Accounts Direction issued by the Department of the Environment including compliance with the Code of Practice on Local Authority Accounting in the United Kingdom
- follow relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis, and
- make judgements and estimates that are reasonable and prudent.

The Chief Financial Officer is also required to:

- keep proper accounting records that are up-to-date, and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

NORTHERN IRELAND LOCAL GOVERNMENT BODIES'**ANNUAL GOVERNANCE STATEMENT****Scope of Responsibility**

Newry, Mourne and Down District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Newry, Mourne and Down District Council also has a duty under Local Government Act (Northern Ireland) 2014 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newry, Mourne and Down District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Newry, Mourne and Down District Council is required to prepare an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Newry, Mourne and Down District Council meets the requirements of Regulation 4 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the local government body is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the local government body's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newry, Mourne and Down District Council for the year ended 31 March 2016 and up to the date of approval of the financial statements.

The Governance Framework

The key elements of the systems and processes that comprise Newry, Mourne & Down Council's governance arrangements including arrangements for:

- ***Identifying and communicating Newry, Mourne & Down Council's vision of its purpose and intended outcomes for citizens and service users.***

Council's primary channel of communication with its citizens and service users is its Corporate Plan. The current Corporate Plan spans the period 2015 to 2019 and has been widely disseminated, both online and in hard copy. The Corporate Plan was informed by a variety of internal and external engagements which sought to involve all relevant stakeholders. The Corporate Plan also benefitted from considerable Member input prior to it being formally adopted by Council. Council completed its first annual review of the Corporate Plan in June 2016, informed by a series of consultation workshops with a range of stakeholders.

A key focus of 2015-16 has been on Community Engagement with the establishment of District Electoral Area (DEA) Foras who play a key role in communicating corporate messages throughout the district. DEAs meet bi-monthly and are chaired by an elected member from the area. The development of Thematic Delivery Groups in 2016 will further enhance communication, with membership made up of partner agencies, community and voluntary sector representatives and elected members.

- ***Reviewing Newry, Mourne & Down Council's vision and its implications for Council's governance arrangements.***

The Corporate Plan for the period 2015 to 2019 sets out the Council's vision and the Corporate Risk Register identifies the main risks associated with achievement of Council's objectives. Both these documents are kept under review, particularly in the context of Council's statutory performance improvement duty.

A Corporate Risk Management Policy was formally adopted by Council in March 2016. The Policy outlines the key governance arrangements to ensure Council effectively manage the risks faced in achieving its objectives. This Corporate Risk Register is reviewed by Senior Management Team bi-monthly and by Audit Committee quarterly. During 2016-17, the risk management arrangements will be further enhanced to ensure that the Corporate Risk Register will be informed by directorate and service risk registers.

- ***Measuring the quality of services for users through the Citizen Satisfaction Survey, for ensuring they are delivered in accordance with Council's objectives and for ensuring that they represent the best use of resources.***

Council strives to operate in an efficient, effective, economic and ethical manner. It has established arrangements to secure continuous improvements in line with the Local Government Act (NI) 2014. Council has complaints procedures in place across its services.

Council measures the quality of its services through a variety of means including:

- Market research techniques, surveys, formal consultation processes;
- Mystery shopping visits;
- Feedback;
- Leisure customer surveys;
- Complaints;
- Reporting & Benchmarking.

- ***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.***

The main decision making committee is full Council. Council meetings are led by the Council Chair and Council meets on a monthly basis. Their work is supported by a Committee structure with decisions taken by Committees subject to ratification by full Council. The Constitution sets out the rules and procedures to be followed by Council and Committees when conducting their business in accordance with the law. It contains the standing orders and schemes of delegation which delineates areas of delegated authority.

- ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.***

Council defined the standards of behaviour for Members and staff within its standing orders, Member's Code of Conduct and Employee Code of Conduct. The Members and staff must comply with their respective Codes of Conduct. A number of briefing sessions were held for staff to inform them of the revised Code of Conduct and induction training was provided to Members during the year. All Members and Senior Management Team complete a declaration of conflicts of interest. The Register of Members Interests is published on the website to aid transparency. All policies are available on the Council's intranet and refresher training will be provided as these are updated.

- ***Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.***

Council has a Constitution which is regularly reviewed and revised, as and when required to reflect changes brought forward by the Department for Communities (formerly the Department of Environment) or any internal Council reviews. The Constitution is available on the Council's website.

The Constitution contains schemes of delegation which clearly outlines areas of delegated authority.

Council approved a risk management policy in March 2016 which outlines the key processes to be undertaken to effectively manage risk.

- ***Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities.***

The Audit Committee comprises ten Members of Council and is chaired by an independent Chairperson.

The Audit Committee produced an annual report in relation to the work undertaken by the Committee during 2015/16.

The independent Internal Audit service operates in compliance with the Public Sector Internal Audit Standards. The Audit Committee operates in compliance with the CIPFA Audit Committee guidance notes issued in 2013 and undertakes an annual review of its effectiveness and performance. Training and updates were provided to members of the Committee, with further training for new members planned for 2016-17.

- ***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.***

Compliance with laws and regulations is primarily ensured through operation of internal policies and procedures. Council also has access to advice from a range of sources, including in house legal advice and more specialist advice from the Council's Solicitor. All Officers and elected Members are required to act in compliance with their respective Codes of Conduct while carrying out their duties and to declare any conflicts of interest.

- ***Whistle-blowing and for receiving and investigating complaints from the public.***

Council has a whistle blowing policy designed for employees to raise concerns in the knowledge that they will be protected by the safeguards of the Public Interest Disclosure (Northern Ireland) Order 1998. Many public concerns are also addressed through the elected Members who bring the issues to Council for review. The whistleblowing policy was reviewed in 2016 and is maintained on the Council's internal network and is available to all staff.

The Council has a complaints procedure in place across its various activities. Complaints management training is being provided in 2016 to staff.

- ***Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.***

Council delivered an elected Members' capacity building programme throughout 2015-16, which included topics such as training in relation to planning functions which transferred to Council, Community Planning minutepad and IT training, how to chair Committee and Council meetings and standing orders. This will be further enhanced in 2016-17. The Council also has an Elected Member accredited training programme which facilitates Members interested in undertaking courses of study to enhance their own individual learning. During 2015-16 four members obtained the advanced Diploma in Civic Leadership through this programme. The Council has an elected Member Development Working Group, with cross party/independent membership. This meets quarterly and is a dedicated working group to ensure a Member led forum to inform on Councillors' development needs. The reports of the working group are tabled directly to Council. Council has achieved the Elected Member Development Charter and will be re-applying for accreditation in 2016/17. The Development of senior officers in relation to their strategic roles was considered by an independent assessors, with opportunities provided to senior officers for training required. Council also avails of Member and Senior Officer personal development training from the LGTG programme as required.

- ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

Council ensures that clear channels of communication are in place and engages in regular meetings with the community and voluntary sector and with the public. It both welcomes and encourages feedback from stakeholders. In addition to the monthly meeting of full Council, Special Meetings of Council are also held monthly focused specifically on presentations from external bodies. All minutes of public meetings of the Council and its committees are available on the website, with audio recording of committees introduced in 2016-17 to further enhance transparency and accountability.

The Local Government Act (NI) 2014 legislated the Council's general power of competence enabling the Council to take any action it considered appropriate provided the action was not prohibited by any other legislation. Councils have been provided with the ability to act in their own interests and to develop innovative approaches to addressing issues in their borough.

Review of Effectiveness

Newry, Mourne & Down Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The effectiveness of the governance framework has been maintained and reviewed as follows:

- By Members. The main decision making body is full Council of elected Members who are ultimately responsible for ensuring effective governance arrangements are in place in order for Council to achieve its goals and objectives. Council meets monthly in statutory meetings. Council has established sub-Committees of Council to consider in further detail its operations in line with specific areas of responsibility, as set out in the Constitution. These Committees of elected members are informed by Council officers.
- By Officers. The Chief Executive ensures that all Council services and activities are delivered in accordance with the aims of the Council's Corporate Plan. The Chief Executive is supported by a Senior Management Team who meet at least monthly to monitor strategic direction and good governance across the District. From January 2016, a meeting of the Corporate Management Team (Assistant Directors), chaired by the Deputy Chief Executives takes place monthly. Directors meet regularly with senior members of their Directorates to ensure that all staff are aware of Council's priorities and that risks are being appropriately managed.
- By the Audit Committee. The Audit Committee provides an important source of assurance to those charged with governance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. The Audit Committee has an Independent Chairperson and met on five occasions during 2015/16.
- By Internal Audit. The Internal Audit function is carried out by an independent firm in accordance with Public Sector Internal Audit Standards. It provides assurance and advisory service to assist Council achieve its objectives and improve the effectiveness of internal control, risk management and governance processes. Seven internal audit assignments were carried out in 2015/16.

Other:

- By reviews of Health and Safety by professionally qualified officers, the Corporate Health and Safety Committee, and various Health and Safety sub committees established in 2016.
- The NIAO provides an external audit opinion on the accounts and may comment on the Annual Governance Statement if they do not consider its contents to be consistent with their understanding.
- We have been advised on the review of effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Role of Chief Financial Officer

The Council's financial management arrangements do not conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In line with the disclosure required by the Application Note to Delivering Good Governance in Local Government: A Framework (2010), it is noted that the Chief Executive is not a professionally qualified accountant but is considered suitably experienced and has access to advice and support from professionally qualified accountants.

Significant Governance Issues

Four internal audit reviews conducted in 2015/16 received a limited assurance rating. These were in relation to planning, programme management, procurement and contract management, and off street parking. Satisfactory assurance was obtained in reviews of leisure services, grants management and corporate governance.

The Internal Audit Plan for 2015/16 was completed in full. The annual opinion of the Head of Internal Audit was limited 'specifically in relation to those limited assurance reviews and the lack of risk management developed across the Council during the period 1 April 2015 to 31 March 2016'.

In addition to those areas noted by Internal Audit above, the following governance issues have been identified:

- Transferred Functions - The challenges of successfully integrating new functions such as planning, off street car parking and community planning continued in the period.
- Delivery of Capital Programme (particularly Leisure Centres) and the long term financial sustainability of the Council continue to be economically challenging.
- Information Technology - ensuring our IT systems and IT security are sufficiently robust and meet the needs of the organisation.
- Other Governance Arrangements - developing and embedding robust risk management arrangements including ensuring the organisation has effective systems and procedures in place over key strategic priorities and areas of statutory responsibility.

A risk management policy was approved by Council in March 2016 and a Newry, Mourne and Down corporate risk register was developed in June 2016. Plans are in place to further enhance the risk management procedures in 2016/17. A schedule of actions to progress internal audit recommendations, including those relating to internal audit reviews carried out in the legacy councils, is being actively monitored by management. Follow up reviews will also be undertaken by Internal Audit.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Date 26th September 2016

Signed

Date 26th September 2016

On behalf of (the committee) of Newry, Mourne and Down District Council or the members of the body meeting as a whole and by the Chief Executive.

NORTHERN IRELAND LOCAL GOVERNMENT BODIES'**REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2016****INTRODUCTION**

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 require larger local government bodies to prepare a remuneration report as part of the statement of accounts.

ALLOWANCE AND REMUNERATION ARRANGEMENTS**COUNCILLORS**

Allowances are payable by councils to councillors and committee members under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and The Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012, which came into operation on 1 April 2012.

Following a review of allowances, carried out by an independent Councillors' Allowances Remuneration Panel, which was appointed in May 2013, the Minister of the Environment advised the Northern Ireland Assembly in a written statement of the new levels of allowances applicable for councillors from 1 April 2015.

Guidance and determinations on Councillors' Allowances applicable from 1 April 2015 were issued by the Department of the Environment on 24 February 2015 (Circulars LG 04/2015 and LG 05/2015 respectively). The determinations and rates have been updated in LG 29/2015 due to the increase in Dependents' Carer's Allowance from 1 October 2015. Details of the allowances paid to individual councillors are published on council websites.

Following local elections on 22 May 2014, 462 councillors were elected to the 11 new councils for a four year term. Newry, Mourne and Down District Council had 41 councillors in 2015/16.

SENIOR EMPLOYEES

The remuneration of senior employees employed by the Council is determined by the Council in line with that determined by the National Joint Council (NJC) for Local Government Services. Senior staff are those staff who are members of the Executive Management Team/Senior Management Team.

Council appointments of employees are made in accordance with the Local Government Staff Commissions' Code of Procedures on Recruitment and Selection, which requires appointment to be on merit and on the basis of fair and open competition.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended.

ALLOWANCES PAID TO COUNCILLORS

The total amount paid to Councillors by way of allowances in 2015/16, under Part 3 of the Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012 was:

Table 1: Total Allowances paid to councillors in 2015/16 (audited information)

Allowance	Total Allowances £	Number of Councillors receiving Allowance
Basic Allowance	582,198	41
Special Responsibility Allowance	70,001	20
Chairperson	15,628	1
Vice Chairperson	10,312	1
Mileage Allowance	70,741	41
Other Travel Allowance	9,122	24
Public Transport	-	-
Subsistence	7,897	10
Courses/ Conferences Visits	6,393	20
Dependents' Carers Allowance	-	-
TOTAL ALLOWANCES	772,292	

Details of the allowances paid to individual councillors in 2015/16 are published on the council website at www.newrymournedown.org/remunerationreport.

REMUNERATION OF SENIOR MANAGEMENT TEAM

The remuneration of senior employees covers the Senior Management Team comprising the Chief Executive and Directors. The following table provides details of the remuneration paid to senior employees in 2015/16:

Table 2 : Remuneration of Senior Management (audited information).

Officers	2015/16			
	Salary Band (Full year equivalent in brackets where applicable)	Bonus Payments £'000	Benefits in kind (to nearest £100)	Total Band £'000
Mr Liam Hannaway Clerk & Chief Executive	110 - 115	0	100	110 - 115
Mr Eddie Curtis Director of Strategic Planning & Performance	85 - 90	0	400	85 - 90
Mr Michael Lipsett Director of Active Health & Communities	75 - 80	0	100	75 - 80
Mr Canice O'Rourke Director of Regulatory & Technical Services	75 - 80	0	100	75 - 80
Mrs Marie Ward Director of Enterprise, Regeneration & Tourism (from 01/05/2015)	70 - 75 (75 - 80 full year equivalent)	0	100	70 - 75 (75 - 80 full year equivalent)
Mr Robert Dowey Director of Finance	75 - 80	0	200	75 - 80
Mr John Farrell Director of Environmental Health	75 - 80	0	200	75 - 80
Mr Gerard McGivern Director of District Development (until 31/12/2015)	55 - 60 (75 - 80 full year equivalent)	0	200	55 - 60 (75 - 80 full year equivalent)

Councils are required to disclose the relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the Councils workforce.

The remuneration of the highest paid member of the Senior Management Team in the financial year 2015/16 was £111,707. This was 5.83 times the median remuneration of the workforce, which was £19,167.

Table 3: Relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the Councils workforce (audited information)

	2015/16
Banded Salary of highest paid member of SMT	£110 - £115k
Median Total Remuneration	£19,167
Ratio	5.74

Mr Robert Dowey retired in April 2016 and Mrs Dorinnia Carville was appointed as Director of Corporate Services on 1 April 2016.

In 2015/16, no employees received remuneration in excess of the highest paid member of the Senior Management Team.

Total remuneration includes salary, bonus payments and benefits in kind.

Salary

"Salary" includes gross salary, overtime, and any gratia payments

Bonus Payments

Bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015/16 relate to performance in 2015/16.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Exit Packages for staff

The number of exit packages provided to all staff by the Council during 2015/16, together with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Table 4: Exit Packages in 2015/16 (audited information)

Severance Package Cost Band	Number of Compulsory Redundancies	Number of Other departures agreed	Total Number of Exit Packages in each Cost Band	Total Cost of Packages in each Cost Band
£20,001 - £40,000	0	0	1	28,543
£40,001 - £60,000	0	0	4	209,138
£60,001 - £80,000	0	0	4	263,830
£80,001 - £100,000	0	0	5	445,200
£100,001 - £150,000	0	0	2	234,542
£150,001 - £200,000	0	0	1	156,977
£200,001 - £250,000	0	0	3	678,568
Total	0	0	20	2,016,798

Pension Benefits

The Local Government Pension Scheme (Northern Ireland) (the Scheme) which is a funded defined benefit pension scheme, which provides retirement benefits for council employees on a "career average revalued earnings" basis from 1 April 2015. Prior to that date benefits were built up on a "final salary" basis.

From 1 April 2015, a member builds up retirement pension at the rate of 1/49th pensionable pay for each year. Pension benefits in relation to membership between 1 April 2009 and 31 March 2015 were built up at the rate of 1/60th pensionable pay for each year of membership. There is no automatic lump sum provided in respect of membership after 31 March 2009. Pension benefits in relation to any membership before 1 April 2009 were built up at the rate of 1/80th (pension) and 3/80ths (tax-free lump sum) of pensionable pay for each year of membership up to 31 March 2009. At retirement, members may give up some pension for additional lump sum, subject to HM Revenue and Customs (HMRC) limits. The conversion rate is £12 additional lump sum for every £1 of pension given up.

Councillors have been able to join the Scheme since May 2011. The Scheme application is modified to reflect the fact that councillors hold an elected office. Councillor members have always accrued pension on a career average basis. Prior to 1 April 2015 pension was accrued at a rate of 1/60th and thereafter at a rate of 1/49th.

The Scheme is funded by contributions made by both employees/councillors and employers. Prior to 1 April 2009, a member's contribution rates were fixed at 6% of their pensionable remuneration (except for those who were entitled to contribute to the Scheme at 5% before 1 February 2003 and have remained in continuous employment). Tiered member contribution rates, determined by the whole-time equivalent rate of pay, were introduced from 1 April 2009. From 1 April 2015, the member contribution rates are determined on the actual rate of pay.

The ranges for the bands for tiered contribution rates are revised by the Department of the Environment in April each year in accordance with the increase applied to a pension in payment. The bands, effective from 1 April 2015, were as follows:

Table 5: Employee Contribution Rates

Band	Range	Employee Contribution Rate
1	£0 - £14,000	5.50%
2	£14,001 - £21,300	5.80%
3	£21,301 - £35,600	6.50%
4	£35,601 - £43,000	6.80%
5	£43,001 - £85,000	8.50%
6	More than £85,000	10.50%

Employers' contribution rates are determined by the fund's actuary every three years at the triennial valuation. The 2013 triennial valuation was undertaken as at 31 March 2013 and an employer contribution rate of 20% for those employers whose participation in the Scheme is deemed to be indefinite has been set for the following three years, effective from 1 April 2014:

Table 6: Employer Contribution Rates

Year	Employer Contribution Rate
1 April 2014 - 31 March 2015	20%
1 April 2015 - 31 March 2016	20%
1 April 2016 - 31 March 2017	20%

The Local Government Pension Scheme Regulations (Northern Ireland) 2014 were made on 27 June 2014 and The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 were made on 30 June 2014. Both sets of regulations are effective from 1 April 2015.

Councillors have been able to join the Scheme since May 2011 and therefore have not accrued significant benefits thus far. However, the in-year pension contributions made by the Council for all councillors during 2015/16 was £129,263.

The value of pension benefits of the most senior management of the Council accrued during the year was as follows:

Table 7: Pension Benefits of Senior Management in 2015/16 (audited information)

Officers	Accrued Pension at pension age as at 31/3/16 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/16 * £'000	CETV at 31/3/15 * £'000	Real increase in CETV £'000
Mr Liam Hannaway Clerk & Chief Executive	50 - 55 plus lump sum of 115 - 120	2.5 - 5.0 plus lump sum of 5.0 - 7.5	1,001	901	88
Mr Eddie Curtis Director of Strategic Planning & Performance	35 - 40 plus lump sum of 75 - 80	0.0 - 2.5 plus lump sum of (-0.0) - (-2.5)	715	684	23
Mr Michael Lipsett Director of Active Health & Communities	30 - 35 plus lump sum of 65 - 70	7.5 - 10.0 plus lump sum of 12.5 - 15.0	504	380	117
Mr Canice O'Rourke Director of Regulatory & Technical Services	10 - 15 plus lump sum of 10 - 15	2.5 - 5.0 plus lump sum of 0.0 - 2.5	221	157	58
Mrs Marie Ward Director of Enterprise, Regeneration & Tourism (from 01/05/2015)	5 - 10 no lump sum	2.5 - 5.0 no lump sum	84	55	23
Mr Robert Dowe Director of Finance	30 - 35 plus lump sum of 65 - 70	0.0 - 2.5 plus lump sum of (-0.0) - (-2.5)	667	674	-14
Mr John Farrell Director of Environmental Health	35 - 40 plus lump sum of 80 - 85	0.0 - 2.5 plus lump sum of 0.0 - 2.5	705	654	44
Mr Gerard McGivern Director of District Development (until 31/12/2015)	20 - 25 plus lump sum of 50 - 55	0.0 - 2.5 plus lump sum of 0.0 - 2.5	471	454	17

* Using 16/03/2016 factors

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Chief Executive
September 2016

Certificate of the Chief Financial Officer

I certify that:

- (a) the Statement of Accounts for the year ended 31st March 2016 on pages 20 to 23 has been prepared in the form directed by the Department of the Environment and under the accounting policies set out on pages 24 to 44.
- (b) in my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year ending 31st March 2016.

Chief Financial Officer

Date 26th September 2016

Council Approval of Statement of Accounts

These accounts were approved by resolution of the Council on 26th September 2016.

Chairperson

Date 26th September 2016

Independent Auditor's Report to the Members of the Newry, Mourne and Down District Council

I have audited the statement of accounts of the Newry, Mourne and Down District Council for the year ended 31st March 2016 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and related notes. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Members of the in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities issued by the Chief Local Government Auditor.

Respective responsibilities of the Chief Financial Officer and the independent auditor

As explained more fully in the Statement of the Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year. My responsibility is to audit the statement of accounts in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice issued by the Chief Local Government Auditor. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by ; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion

In my opinion:

- the financial statements gives a true and fair view. In accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom of the financial position of the ,('Standing Data'ID4), as at 31st March 2016 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department of the Environment directions issued thereunder.

Opinion on other matters

In my opinion the information given in the Narrative Report for the financial year ended 31st March 2016 is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement
 - o does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16,
 - o does not comply with proper practices specified by the Department of the Environment,
 - o is misleading or inconsistent with other information I am aware of from my audit, or

- adequate accounting records have not been kept; or
- the Statement of Accounts is not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit.

Certificate

I certify that I have completed the audit of the accounts of the ,in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice issued by the Chief Local Government Auditor.

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

Dated:

Newry, Mourne and Down District Council
Movement in Reserves Statement for the year ended 31 March 2016

	General Fund Summary £	Other Fund Balances and Reserves £	Capital Receipts Reserve £	Total Usable Reserves £	Total Unusable Reserves £	Total Council Reserves £
Balance as at 1 April 2014	-	-	-	-	-	-
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(14,125)	-	-	(14,125)	-	(14,125)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	(14,125)	-	-	(14,125)	-	(14,125)
Adjustments between accounting basis & funding under regulations	14,125	-	-	14,125	(14,125)	-
Net increase before transfers to Statutory and Other	-	-	-	-	(14,125)	(14,125)
Transfers to / from Statutory and Other Reserves	-	-	-	-	-	-
Increase/ Decrease in year	-	-	-	-	(14,125)	(14,125)
Balance as at 31 March 2015	-	-	-	-	(14,125)	(14,125)
Balance at 1 April 2015	6,923,193	1,255,113	-	8,178,306	53,316,929	61,495,235
Movement in reserves during the year						
Surplus/ (Deficit) on the provision of services	(1,628,316)	-	-	(1,628,316)	-	(1,628,316)
Other Comprehensive Income and Expenditure	-	-	-	-	12,018,136	12,018,136
Total Comprehensive Income and Expenditure	(1,628,316)	-	-	(1,628,316)	12,018,136	10,389,820
Adjustments between accounting basis & funding under regulations	1,939,243	-	-	1,939,243	(1,939,244)	(0)
Net increase before transfers to Statutory and Other	310,927	-	-	310,927	10,078,892	10,389,820
Transfers to / from Statutory and Other Reserves	-	-	-	-	-	-
Increase in year	310,927	-	-	310,927	10,078,892	10,389,820
Balance as at 31 March 2016	310,927	-	-	310,927	10,078,892	10,389,820
Balance as at 31 March 2016	7,234,120	1,255,113	-	8,489,233	63,395,821	71,885,055

Newry, Mourne and Down District Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

		2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	Notes	£	£	£	£	£	£
Service Expenditure							
Leisure and Recreational Services	2	25,019,493	(5,059,847)	19,959,646	-	-	-
Environmental Services	2	24,393,107	(2,313,036)	22,080,071	-	-	-
Planning and Development Services	2	6,726,472	(4,022,074)	2,704,398	-	-	-
Highways and Transport Services	2	532,506	(557,822)	(25,316)	-	-	-
DRM and Corporate Management	2	2,510,578	(69,833)	2,440,745	-	-	-
Other Services	2	5,726,550	(1,379,594)	4,346,956	1,463,004	(1,448,879)	14,125
Cost of Services on Continuing Operations		64,908,706	(13,402,206)	51,506,500	1,463,004	(1,448,879)	14,125
Other Operating Expenditure	7	-	-	-	-	-	-
Financing and Investment Income and Expenditure	8	3,082,383	82,634	2,999,749	-	-	-
Surplus or Deficit on Discontinued Operations				-			-
Net Operating Expenditure		67,991,089	(13,484,840)	54,506,249	1,463,004	(1,448,879)	14,125
Taxation and Non-Specific Grant Income	9	-	(52,877,933)	(52,877,933)	-	-	-
Surplus/(Deficit) on the Provision of Services		67,991,089	(66,362,773)	(1,628,316)	1,463,004	(1,448,879)	(14,125)
Surplus/(Deficit) on revaluation of non-current assets	11			5,376,894			-
Surplus/(Deficit) arising on revaluation of available-for-sale financial assets	26			-			-
Remeasurements of the Net Defined Benefit Liability (Asset)	21			6,641,242			-
Other Comprehensive Income and Expenditure				12,018,136			-
Total Comprehensive Income and Expenditure				10,389,820			(14,125)

Newry, Mourne and Down District Council
Balance Sheet as at 31 March 2016

	Note	31st March 2016	31st March 2015
		£	£
Fixed Assets	11	147,797,978	-
Long Term Investments	16	-	-
Investment in Associates and Joint Ventures		-	-
Long Term Debtors	15	690,169	-
LONG TERM ASSETS		148,488,147	-
Short Term Investments	16	-	-
Inventories	14	349,951	-
Short Term Debtors	15	6,363,888	261,012
Cash and Cash Equivalents	26	12,946,658	-
Assets Held for Sale	11	-	-
CURRENT ASSETS		19,660,497	261,012
Bank Overdraft	26	1,275,301	237,783
Short Term Borrowing	17	5,204,471	-
Short Term Creditors	18	10,180,051	37,355
Provisions	19	146,343	-
CURRENT LIABILITIES		16,806,166	275,138
Long Term Creditors	18	-	-
Provisions	19	3,669,565	-
Long Term Borrowing	17	52,997,858	-
Other Long Term Liabilities	5,21	22,790,000	-
Donated Assets Account	22	-	-
Capital Grants Receipts in Advance	23	-	-
LONG TERM LIABILITIES		79,457,423	-
NET ASSETS		71,885,055	(14,126)
USABLE RESERVES			
Capital Receipts Reserve	27	-	-
Capital Grants Unapplied Account	27	-	-
Capital Fund	27	1,255,113	-
Renewal and Repairs Fund	27	-	-
Other Balances and Reserves	27	-	-
General Fund	27	7,234,120	-
		8,489,233	-
UNUSABLE RESERVES			
Capital Adjustment Account	27	48,301,310	-
Financial Instruments Adjustment Account	27	-	-
Revaluation Reserve	27	38,351,670	-
Available for Sale Financial Instruments Reserve	27	-	-
Pensions Reserve	27	(22,790,000)	-
Capital Receipts Deferred Account	27	-	-
Accumulated Absences Account	27	(467,158)	(14,125)
Landfill Regulations Reserve	27	-	-
Provisions Discount Rate Reserve	27	-	-
		63,395,821	(14,125)
NET WORTH		71,885,055	(14,125)

Newry, Mourne and Down District Council
Cash Flow Statement at 31 March 2016

	Note	2015/16 £	2014/15 £
Net Deficit on the provision of services		(1,628,316)	(14,125)
Adjustment for non-cash movements	26a	11,124,959	(223,657)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26a	(1,851,535)	-
Net cash flows from operating activities		7,645,108	(237,782)
Cash flows from Investing Activities	26d	(778,493)	-
Net Cash flows from Financing Activities	26e	1,295,837	-
Net increase or decrease in cash and cash equivalents		8,162,452	(237,782)
Cash and cash equivalents at the beginning of the reporting period		(237,783)	-
Opening 1 April Newry and Mourne & DDC Cash Balances		3,078,202	
Cash and cash equivalents at the end of the reporting period	26b	11,002,871	(237,783)

**Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016**

1 Accounting Policies

a General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts in a form directed by the Department of the Environment in accordance with regulations 3 (7) and (8) in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 also requires disclosure in respect of:

Summary of Significant Accounting Policies

i) Accruals of Income and Expenditure

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

ii) **Acquisitions**

The transfer of Off-Street Car parking from the Department for Regional Development to Councils resulted in a transfer of corresponding assets. This included Land and Buildings, Plant and Machinery and outstanding Penalty Charge Notice Debt and debt provisions.

iii) **Provision for Single Status, Job Evaluation and Pay and Grading Reviews**

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its Single Status Policy.

iv) **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in [specified period, no more than three months] or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v) **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

vi) **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

vii) **Discontinued Operations**

There were no discontinued operations during the financial year.

viii) **Employee Benefits**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of:

- a) when the offer cannot be withdrawn or
- b) when the related restructuring costs are incurred.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Northern Ireland Local Government Officers' Pension Fund administered by the Northern Ireland Local Government Officers' Superannuation Committee. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Northern Ireland Local Government Officers' Pension Fund

The Northern Ireland Local Government Officers' Pension Fund is accounted for as a defined benefits scheme.

The liabilities of the Northern Ireland Local Government Officers' Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of -1.8% (based on the indicative rate of return on high quality corporate bonds on the iBoxx Sterling Corporate Index, AA over 15 years with recently re-rated bonds removed from the index).

The assets of the Northern Ireland Local Government Officers' pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- property – market value
- unitised securities – current bid price

The change in the net pensions liability is analysed into seven components:

Within the Cost of Services

Current Service Cost – the increase in the present value of the defined benefit obligation (liabilities) resulting from employee service in the current period.

Past Service Cost – (where applicable) the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction in the number of employees covered by the plan).

Any Gains or Losses on Settlement – (where applicable) arising where a council enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

Within Financing and Investment Income and Expenditure

Net Interest on the Net Defined Benefit Liability (Asset) – the change in the net defined benefit liability (asset) that arises from the passage of time,

Within Other Comprehensive Income and Expenditure (Remeasurements)

The Return on Plan Assets – excluding amounts recognised in the Net Interest on the Net Defined Benefit Liability (Asset). This includes interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of managing plan assets, and any tax payable by the plan itself other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

Actuarial Gains and Losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions.

Any change in the Effect of the Asset Ceiling – (where applicable) excluding amounts included in the Net Interest on the Net Defined Benefit Liability (Asset).

Within the Movement in Reserves Statement Appropriations

Contributions by Scheme Participants – the increase in scheme liabilities and assets due to payments into the scheme by employees (where increased contribution increases pension due to the employee in the future).

Contributions by the Employer - the increase in scheme assets due to payments into the scheme by the employer.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the Northern Ireland Local Government Officers' pension fund.

ix)

Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- a. those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- b. those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

The financial statements may subsequently be adjusted up to the date when they are authorised for issue. This date will be recorded on the financial statements and is usually the date the Local Government Auditor issues her certificate and opinion. Where material adjustments are made in this period they will be disclosed.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

x)

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

xi) **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xii) **Financial Instruments**

Most financial instruments held by Councils would fall to be classified into just one class of financial liability and two classes of financial assets:

Financial Liabilities
Amortised Cost

Financial Assets
Loans and Receivables
Available for Sale

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the District Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- a. loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- b. available-for-sale assets – that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the District Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- a. instruments with quoted market prices – the market price
- b. other instruments with fixed and determinable payments – discounted cash flow analysis
- c. equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for -Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the sections on Provisions, Contingent Liabilities and Contingent Assets.

xiii) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiv) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- a. the Council will comply with the conditions attached to the payments, and
- b. the grants or contributions will be received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xv) **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the District Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

xvi) **Inventories & Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the [FIFO/weighted average] costing formula.

Long Term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

xvii) **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the District Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

xviii) **Landfill Allowance Scheme**

The Landfill Allowances Scheme operates under the Landfill Allowances Scheme (Northern Ireland) Regulations 2005. Local Authorities are allocated annual target figures for the maximum amount of biodegradable municipal waste that can be sent to landfill but there are no tradable allowances. It is not a 'cap and trade' scheme since landfill allowances are not tradable. For this reason, landfill allowances are not recognised as assets on the Balance Sheet.

xix) **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

The Council as Lessee - Finance Lease

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Report to:	Audit Committee
Date of Meeting:	22 September 2016
Subject:	Statement of Accounts 2015-16
Reporting Officer (Including Job Title):	Ken Montgomery, Assistant Director of Finance
Contact Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services

Decisions required: Members are asked to consider the audited Statement of Accounts for 2015-16, including the Annual Governance Statement, and approve for signature by the Chief Executive and Council.

1.0	Purpose and Background:
1.1	At the Audit Committee meeting of 4 July 2016 members were advised that draft accounts of Newry, Mourne and Down District Council were submitted to the NIAO to be audited. The NIAO audit is now nearing completion and an audited Statement of Account 2015-16 is now presented for consideration.
2.0	Key issues:
2.1	<p>Year End Accounts submitted 30 June 2016 were amended to reflect material adjustments recommended by the NIAO as follows:</p> <p>(a) Severance costs of £2.0m were changed to the CIES – this has no effect on the Reserves of the Council of £7.2m.</p> <p>(b) An adjustment affecting the Bank Account and Creditors/Debtors of £4.4m. This was a presentational correction with no effect on the net worth of Council.</p>
3.0	Recommendations:
3.1	<p>Members are asked to:</p> <ul style="list-style-type: none"> - Note the status of the audit of the 2015-16 Statement of Accounts. - Approve the audited accounts, including the Annual Governance Statement for signature by the Chief Executive and Council.
4.0	Resource implications
4.1	None.
5.0	Equality and good relations implications:
5.1	None.
6.0	Appendices
	Appendix I: Statement of Accounts 2015-16

Lease payments are apportioned between:

- a. a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- b. a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise district rates to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by a revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Council as Lessor - Finance Lease

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a. a charge for the acquisition of the interest in the property – applied to write down the lease asset (long term debtor) together with any premiums received, and
- b. finance income (credited to the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset (debtor). At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council as Lessor - Operating Lease

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx)

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Additional policy detail required where a Council is carrying a disposal group as an Asset Held for Sale.

If assets no longer meet the criteria to be classified as Held for Sale, they are reclassified back to non-current assets and valued at the lower of its carrying amount before they were classified as Held for Sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be decommissioned i.e. abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against district rates, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xxi) **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- a. Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- b. Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing

xxii) **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- a. the purchase price
- b. any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- c. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, where the asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2008 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- a. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), with any excess charged to the service line in the Comprehensive Income and Expenditure Statement.
- b. where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

The same accounting treatment is applied to revaluation losses as a result of a general fall in asset prices across the board as opposed to a consumption of economic benefit specific to an asset as is in the case of impairment losses.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- buildings and infrastructure assets are depreciated on their value at the most recent valuation over the estimated remaining life of the asset as advised by the valuer; depending on the type of building, installation or fitting the maximum useful life will be in the range 1 to 55 years.
- vehicles are depreciated on historic cost on a straight line basis over a period of 7 years;
- plant and equipment, excluding IT equipment, are depreciated on historic cost on a straight line basis over a period of 5 years;
- I.T. equipment including software is depreciated on historic cost on a straight line basis over a 3 year period;
- A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Componentisation is only applicable to larger value land and buildings or equipment assets.

Revaluations

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xxiii)

Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations they would be held by this authority in pursuit of our overall objectives in relation to the maintenance of heritage.

xxiv)

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

xxv)

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against District Rates for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant note to the accounts.

xxvi) **Charges to Revenue for Non-Current Assets**

Charges to revenue for non-current assets e.g. services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- a. depreciation attributable to the assets used by the relevant service
- b. revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- c. amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise District Rates to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance]. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by minimum revenue provision [MRP] in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

xxvii) **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of District Rates.

xxviii) **Value Added Tax**

All expenditure and income, irrespective of whether it is revenue or capital in nature, is shown net of Value Added Tax, unless it is irrecoverable.

xxviii) **The Carbon Reduction Commitment Scheme (CRC)**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is currently in the last year of its introductory phase, which ends on 31st March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is produced (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

xxix) **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- * Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- * Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- * Level 3 – unobservable inputs for the asset or liability.

b Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)

In November 2013 the IASB issued its amendments to IAS 19. CIPFA/LASAAC considered the options in the standard for accounting for employee contributions are concluded that if the amount of the contributions is independent of the years of service a council is permitted to recognise such contributions as a reduction to service cost in the period in which the related service is rendered. This is consistent with the approach currently adopted and therefore there will not be any significant change in accounting practice for the council.

Annual Improvements to IFRS 2010 - 2012 Cycle and 2012 - 2014 Cycle

The IASB carries out cyclical work to identify and implement improvements in IFRS's. The 2010 - 2012 cycle was issued in November 2013 and the 2012 - 2014 cycle was issued in December 2013. These amendments have not yet been endorsed by the European Union and this endorsement would be required to be adopted into the Code. There are no significant issues affecting the council emanating from the annual improvements work.

Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

When the acquisition of an interest in a joint operation in which the joint operation constitutes a business, as defined by IFRS 3, it shall apply, all of the principles on business combinations accounting in IFRS 3 and disclose the information required. This is applicable to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business. The exception of the principles that conflict with guidance in IFRS

Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

These changes apply to local authorities though CIPFA/LASAAC considers that local authorities do not use the depreciation and amortisation methods prohibited by the amendments to the standard. This amendment clarifies the treatment as it is the IASB's view that the restatement of the accumulated depreciation is not always proportionate to the change in the gross carrying amount. The amendment sets out that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

Under the IASB Disclosure Initiative, in December 2014 changes were published on IAS 1 Financial Statements. The presentation of financial statements has amended the reporting requirements for the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. Improvements in the presentation of the financial statements will take effect in 2016/17 Code.

d Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

(i) Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

(iii) Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

2 Segmental Reporting

a Segmental Reporting Analysis

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Reporting Code of Practice. The segmental reporting notes within the financial statements are based on the summary first page of the General Fund – Service Income and Expenditure Analysis in the Department of Environment's Accounts Direction.

The General Fund – Service Income and Expenditure Analysis as presented to the Department of Environment is as follows:

Services	2015/16			2014/15		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Culture and Heritage	3,069,101	(270,970)	2,798,131	-	-	-
Recreation and Sport	13,122,467	(2,539,280)	10,583,187	-	-	-
Tourism	4,564,136	(1,173,879)	3,390,257	-	-	-
Community Services	4,263,789	(1,075,718)	3,188,071	-	-	-
Leisure and Recreational Services	25,019,493	(5,059,847)	19,959,646	-	-	-
Cemetery, Cremation & Mortuary	561,784	(50,411)	511,373	-	-	-
Environmental Health	3,857,033	(623,272)	3,233,761	-	-	-
Flood Defence and Land Drainage	-	-	-	-	-	-
Public Conveniences	453,997	(7,836)	446,161	-	-	-
Licensing	210,633	(104,983)	105,650	-	-	-
Other Cleaning	3,350,344	(1,587)	3,348,757	-	-	-
Waste Collection	12,335,264	(1,179,174)	11,156,090	-	-	-
Waste Disposal	2,951,092	(325,450)	2,625,642	-	-	-
Other Community Assets	-	-	-	-	-	-
Minor Works	672,960	(20,323)	652,637	-	-	-
Environmental Services	24,393,107	(2,313,036)	22,080,071	-	-	-
Community Planning	-	-	-	-	-	-
Economic Development	2,059,701	(909,020)	1,150,681	-	-	-
EU Rural Development	-	(2,664)	(2,664)	-	-	-
Urban Regeneration and Community Development	407,575	(315,816)	91,759	-	-	-
Planning Policy	2,366,128	(1,736,511)	629,617	-	-	-
Development Control	-	-	-	-	-	-
Building Control	1,893,068	(1,058,063)	835,005	-	-	-
Environmental initiatives	-	-	-	-	-	-
Planning and Development Services	6,726,472	(4,022,074)	2,704,398	-	-	-
Off-street Parking Services	532,506	(557,822)	(25,316)	-	-	-
Highways and Transport Services	532,506	(557,822)	(25,316)	-	-	-
Democratic Representation and Management	1,108,872	(25,401)	1,083,471	-	-	-
Corporate Management	1,401,706	(44,432)	1,357,274	-	-	-
DRM and Corporate Management	2,510,578	(69,833)	2,440,745	-	-	-
Trading Services	292,505	(77,285)	215,220	-	-	-
Non Distributed Costs	3,952,557	(12,318)	3,940,239	1,463,004	(1,448,879)	14,125
Central Services to the Public	1,481,488	(1,289,991)	191,497	-	-	-
Other Services	5,726,550	(1,379,594)	4,346,956	1,463,004	(1,448,879)	14,125
CONTINUING OPERATIONS	64,908,706	(13,402,206)	51,506,500	1,463,004	(1,448,879)	14,125

b Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	2015/16	2015/16	2014/15	2014/15
	£	£	£	£
Net Cost of Services in Service Analysis		51,506,500		14,125
Items excluded from Service Analysis:				
Add amounts not reported in Service Analysis but included in Net Cost of Services in the Comprehensive Income and Expenditure Statement	-		-	
Remove amounts reported in Service Analysis but not included in Net Cost of Services in the Comprehensive Income and Expenditure Statement	-		-	
		-		-
Cost of Services on Continuing Operations in the Comprehensive Income and Expenditure Statement		51,506,500		14,125
Items included in Net Operating Expenditure excluded from Service Analysis:				
Other Operating Expenditure	-		-	
Financing and Investment Income and Expenditure	2,999,749		-	
Surplus or Deficit on Discontinued Operations	-		-	
		2,999,749		-
Net Operating Expenditure per the Comprehensive Income and Expenditure Statement		54,506,249		14,125

3 Adjustment between an Accounting Basis and Funding Basis under Regulations

- a Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:

		2015/16	2015/16	2014/15	2014/15
	Notes	£	£	£	£
Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:					
Revaluation increases/decreases taken to					
Surplus/Deficit on the Provision of Services	11	(1,330,631)		-	
Depreciation charged in the year on non-current assets	11	6,626,165	5,295,534	-	-
Net Revenue expenditure funded from capital under statute	11		2,016,802		-
Net charges made for retirement benefits in accordance with IAS 19	21		6,395,000		-
Capital Grants and Donated Assets Receivable and Applied in year	9b		(1,851,535)		-
Adjustments in relation to Short-term compensated absences	18		77,536		14,125
Amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included when determining the Movement on the General Fund Balance for the year					
Statutory Provision for the financing of Capital Investment	26		(5,585,336)		-
Employers contributions payable to the NILGOSC and retirement benefits payable direct to pensioners	21		(4,408,758)		-
Total adjustments			1,939,243		14,125

4 Cost of Services on Continuing Operations

a General Power of Competence

Prior to Local Government Reform on 1st April 2015, expenditure for special purposes was limited under Section 40 of the Local Government Finance Act (Northern Ireland) 2011. This section was repealed by Schedule 10 of the Local Government Act (Northern Ireland) 2014.

Under Section 79 of the Local Government Act (Northern Ireland) 2014, the Council has the power to do anything that individuals generally may do. Councils have the power to do this with or without charge. The power of competence is not limited to benefitting the area or its residents nor is it limited by existing powers.

The actual expenditure under the power of competence amounted to £5,340 during 2015/16.

b External Audit Fees

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors.

	2015/16	2014/15
	£	£
External Audit Fees - Current Year	65,000	-
Other Fees - under provision for 2014/15	19,700	-
	84,700	-

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above.

5 Operating and Finance Leases

Council as Lessor

a Finance Leases (Council as lessor)

The present value of lease payments receivable under the finance lease arrangements is recognised as a receivable and included in both short and long term debtors. The difference between the gross amount receivable and the present value of the amounts receivable is recognised as unearned finance income.

b Operating Leases (Council as lessor)

Rental income recognised in the Comprehensive Income and Expenditure Statement in the current year amounts to £290,451. No contingent rents were recognised.

	2015/16		2014/15	
	Land and Buildings £	Vehicles, Plant and Equipment £	Land and Buildings £	Vehicles, Plant and Equipment £
Minimum lease rentals receivable:				
No later than 1 year	208,679	-	-	-
Later than 1 year and no later than 5 years	783,000	-	-	-
Later than 5 years	836,877	-	-	-
	1,828,556	-	-	-

Council as Lessee

c Finance Leases (Council as lessee)

The Council's vehicles are held under finance leases. The net carrying amount of the vehicles held under finance lease arrangements is £99,258. The assets are included under Vehicles, Plant & Equipment which form an integral part of property, plant and equipment (see Note 10c-leased assets). The rentals paid for vehicles held under finance leases totalled £171,879.

	Within 1 year £	1 to 5 years £	After 5 years £	Total £
2015/16				
Finance leases payments	91,678	80,201	-	171,879
Less: finance charges	(12,057)	(8,973)	-	(21,030)
Net present value	79,621	71,228	-	150,849

Included in the Balance Sheet as:	2016 £	2015 £	2014 £
Current liabilities	79,621	-	-
Long term liabilities	71,228	-	-
Total	150,849	-	-

d Operating Leases (Council as lessee)

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2015/16		2014/15	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Minimum lease payments	229,702	-	-	-
Contingent rentals	-	-	-	-
Less: Sublease payments receivable	-	-	-	-
Total	229,702	-	-	-

The future minimum lease payments due under non-cancellable operating leases in future years are set out below:

	2015/16		2014/15	
	Land and Buildings	Vehicles, Plant and Equipment	Land and Buildings	Vehicles, Plant and Equipment
	£	£	£	£
Minimum lease rentals payable:				
No later than 1 year	99,156	-	-	-
Later than 1 year and no later than 5 years	330,335	-	-	-
Later than 5 years	1,281,867	-	-	-
Total	1,711,358	-	-	-

6 Employee Costs and Member Allowances

a Staff Costs	2015/16	2014/15
	£	£
Salaries and Wages	22,084,620	-
Employers NIC	1,353,289	-
Employers Superannuation	4,291,590	-
Total staff costs	27,729,499	-

In addition, agency costs during the year amounted to £1,862,088

The Council's current contribution rate to NILGOSC scheme is 20%. At the last actuarial valuation, dated 31 March 2013, the Fund's assets as a whole were sufficient to meet 91% of the liabilities accrued up to that date.

Average Number of Employees - where FTE represents fulltime equivalent employees

b Average Number of Employees		2015/16	2014/15
		FTE	FTE
Leisure and Recreation Services		287	-
Environmental Services		348	-
Planning and Development Services		51	-
Highways and Transport Service		-	-
Other		165	-
Total Number		851	-

	2015/16	2014/15
	Actual Numbers	Actual Numbers
Full-time numbers employed	740	-
Part-time numbers employed	214	-
Total Number	954	-

c Senior Employees' Remuneration		2015/16	2014/15
		£	£
£50,001 to £60,000		12	-
£60,001 to £70,000		-	-
£70,001 to £80,000		5	-
£80,001 to £90,000		1	-
£90,001 to £100,000		-	-
£100,001 to £110,000		-	-
£110,001 to £120,000		1	-
Total Number		19	-

d Members' Allowances		2015/16	2014/15
		£	£
Basic allowance		582,198	-
Mayor's & Deputy Mayor's Allowance		25,940	-
Special Responsibility Allowances		70,001	-
Employer costs		169,329	-
Mileage		70,741	-
Conferences and Courses		6,393	-
Travel & Subsistence Costs		17,019	-
Miscellaneous Costs		11,534	-
Total		953,155	-

e Northern Ireland Civil Service Pension Arrangements

As a result of Reform on 1st April 2015, staff transferred from Central Government to the Council are members of the Northern Ireland Civil Service Pension Scheme.

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Department of the Environment is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31/3/2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2016.

For 2015-16, employers' contributions of £263,326 were payable to the NICS pension arrangements at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31/3/2012 was completed by the Actuary during 2015-16. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

No staff retired early on ill-health grounds.

7 Other Operating Expenditure

a Surplus/Deficit on Non-Current Assets (excl Investment Properties)

	2015/16	2014/15
	£	£
Proceeds from sale	-	-
Carrying amount of non-current assets sold (excl Investment Properties)	-	-
	-	-

b Other Operating Income/Expenditure

	2015/16	2014/15
	£	£
Income	-	-
Expenditure	-	-
	-	-

Other Operating Expenditure	2015/16	2014/15
	£	£
(Surplus) / Deficit on Non Current Assets	-	-
Other Operating (Income) / Expenditure	-	-
	-	-

8 Financing and Investment Income and Expenditure

a Interest Payable and Similar Charges

	2015/16	2014/15
	£	£
Loan interest	2,251,426	-
	<u>2,251,426</u>	<u>-</u>

b Interest and Investment Income

	2015/16	2014/15
	£	£
Bank Interest	10,920	-
	<u>10,920</u>	<u>-</u>

c Pensions interest costs

	2015/16	2014/15
	£	£
Net interest on the net defined benefit liability (asset)	809,000	-
	<u>809,000</u>	<u>-</u>

e Income, Expenditure and changes in Fair Value of Investment Properties

	2015/16	2014/15
Income/Expenditure from Investment Properties:	£	£
Income including rental income	(71,714)	-
Expenditure	21,957	-
Net income from investment properties	<u>(49,757)</u>	<u>-</u>

Financing and Investment Income and Expenditure	2015/16			2014/15		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£	£	£
Interest Payable and Similar Charges	2,251,426	-	2,251,426	-	-	-
Interest and Investment Income	-	10,920	(10,920)	-	-	-
Pensions interest cost	809,000	-	809,000	-	-	-
Other investment income	21,957	71,714	(49,757)	-	-	-
	<u>3,082,383</u>	<u>82,634</u>	<u>2,999,749</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 Taxation and Non Specific Grant Income

a Revenue Grants

	2015/16	2014/15
	£	£
General	(4,433,217)	-
	(4,433,217)	-

b Capital Grants and Donated Assets - Applied

	2015/16	2014/15
	£	£
Government & Other Grants - Conditions met and applied in year	(1,851,535)	-
	(1,851,535)	-

d District Rates

	2015/16	2014/15
	£	£
Current year	(46,012,246)	-
Finalisation - previous year	(580,935)	-
	(46,593,181)	-

Taxation and Non Specific Grant Income	2015/16	2014/15
	£	£
District Rate Income	(46,593,181)	-
Revenue Grants	(4,433,217)	-
Capital Grants and Contributions	(1,851,535)	-
	(52,877,933)	-

10 Acquired and Discontinued Operations

Local Government reform was implemented on 1st April 2015, when 11 New Councils took over from the previous 26 Councils. As a result of reform

A number of functions which were previously delivered by NI Executive departments are now carried out by local councils. These include:

Planning

local development plan functions
development control and enforcement

Roads

off-street parking (except Park and Ride)

Local economic development

Start a Business Programme and Enterprise Shows
Youth entrepreneurship
social entrepreneurship
Investing for Women
neighbourhood renewal funding relating to enterprises initiatives

Local tourism

small-scale tourism accommodation development
providing business support including business start-up advice
providing advice to developers on tourism policies and related issues

Heritage

control of alterations, extension and demolition of listed buildings
conservation area designation and management
listed building enforcement notices
compensation where listed building consent has been revoked or modified
issuing of Building Preservation Notices
issuing notices to require Urgent Works to preserve a building
community listing of buildings of special architectural or historic interest

Other services

Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

11 Fixed Assets

Cost or Valuation	Land	Buildings	Infrastructure Assets	Landfill Sites	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E	Heritage Assets	Investment Properties	Intangible Assets	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2015	23,602,544	101,539,552	216,780	5,501,137	18,174,085	57,668	16,304,682	3,272,139	168,668,587	1,371,786	2,650,139	566,166	173,256,678
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2015	23,602,544	101,539,552	216,780	5,501,137	18,174,085	57,668	16,304,682	3,272,139	168,668,587	1,371,786	2,650,139	566,166	173,256,678
Additions	-	3,074,066	-	-	259,060	-	1,275,101	-	4,608,227	-	-	-	4,608,227
Revaluation increases/ decreases to Revaluation Reserve	(53,269)	5,901,619	-	-	-	-	-	-	5,848,350	-	-	-	5,848,350
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	-	1,428,494	-	-	-	-	-	-	1,428,494	-	-	-	1,428,494
Reclassifications & Transfers	207,626	11,161,065	-	-	544,251	-	(11,912,942)	-	-	-	-	-	-
Balance as at 31 March 2016	23,756,901	123,104,796	216,780	5,501,137	18,977,396	57,668	5,666,841	3,272,139	180,553,658	1,371,786	2,650,139	566,166	185,141,749
Depreciation and Impairment													
	£	£	£	£	£	£	£	£	£	£	£	£	£
Balance as at 1 April 2015	-	9,716,945	49,674	5,271,132	14,625,001	-	-	-	29,662,752	-	-	485,535	30,148,287
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1 April 2015	-	9,716,945	49,674	5,271,132	14,625,001	-	-	-	29,662,752	-	-	485,535	30,148,287
Depreciation Charge	-	5,401,019	21,160	65,001	1,109,849	-	-	-	6,597,029	-	-	29,136	6,626,165
Depreciation written out on Revaluation Reserve	-	471,456	-	-	-	-	-	-	471,456	-	-	-	471,456
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	-	97,863	-	-	-	-	-	-	97,863	-	-	-	97,863
Balance as at 31 March 2016	-	15,687,283	70,834	5,336,133	15,734,850	-	-	-	36,829,100	-	-	514,671	37,343,771
Net Book Values													
Balance as at 31 March 2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2016	23,756,901	107,417,513	145,946	165,004	3,242,546	57,668	5,666,841	3,272,139	143,724,558	1,371,786	2,650,139	514,671	147,797,978

Valuations
The last valuation of freehold and leasehold properties was carried out as at 1 April 2013 by an independent valuer from Land and Property Services. Please refer to Note 1(xxii) for further information on revaluation and depreciation policies.

Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

11 d Investment Properties

Investment Properties				31/03/2016
				£
	Rental Income from Investment Activities			71,714
	Direct Operating expenses arising from investment properties			(21,957)
	Net gain/(loss)			49,757

g Long-Term Assets - Leased Assets

		Vehicles	Equipment
		£	£
Cost or Valuation			
At 1 April 2015		2,618,982	564,778
Additions		-	-
Disposals		-	-
At 31 March 2016		2,618,982	564,778
Depreciation			
At 1 April 2015		2,520,329	457,794
Disposals		-	-
Provided for year		98,653	7,726
At 31 March 2016		2,618,982	465,520
Net Book Value		-	99,258

12 Capital Expenditure and Capital Financing

NOTE: The total Capital Expenditure incurred in the year (and comparative year) is shown below - including the value of assets acquired under finance leases and PFI/PPP contracts together with the resources that have been used to finance it. Where Capital Expenditure is to be financed in future years by charges to revenue as assets are used, the expenditure results in an increase in the CFR, a measure of the Capital Expenditure incurred historically by the Council that has yet to be financed.

Capital Expenditure				2015/16	2014/15
				£	£
Opening Capital Financing Requirement				61,956,840	-
Capital Investment					
Property, Plant and Equipment	11a			4,608,227	-
Revenue Expenditure Funded from Capital under Statute	3			2,016,802	-
Sources of Finance					
Government Grants and Other Contributions	9b			(1,851,535)	-
Sums set aside from Revenue:					
Minimum Revenue Provision				(5,585,336)	-
Closing Capital Financing Requirement				61,144,998	-

13 Future Capital Commitments

The Council has an ongoing programme of capital works and the estimated cost of the schemes is as follows:

		Gross Cost	Grant Aid	Net Cost
		£	£	£
Schemes underway		27,783,000	-	27,783,000
Other Commitments		125,000	-	125,000
Total		27,908,000	-	27,908,000

14 Inventories		2015/16	2014/15
		£	£
Central Stores		200,080	-
Other		149,871	-
Total		349,951	-

15 Debtors		2015/16	2014/15
a Long Term Debtors		£	£
Employee car loans		51,813	-
Loans and advances		70,266	-
Trade debtors		568,090	-
Total Long-Term Debtors		690,169	-

b Short Term Debtors		2015/16	2014/15
		£	£
Government Departments		715,173	261,012
Other Councils		111,941	-
Employee car loans		40,786	-
Revenue Grants		2,988,999	-
Loans and advances		88,635	-
Value Added Tax		1,373,085	-
Prepayments		182,627	-
Other		260,618	-
Trade receivables		871,158	-
Impairment loss - Trade receivables		(269,134)	-
Total Short-Term Debtors		6,363,888	261,012

Total Debtors		7,054,057	261,012
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16 Investments

The Council has no Short Term Investments.

17 Borrowings		2015/16	2014/15
a Short Term Borrowing		£	£
Loans re-payable within one year		5,124,850	-
Finance Lease Principal		79,621	-
Total Short Term Borrowing		5,204,471	-

b Long Term Borrowing		2015/16	2014/15
		£	£
Between 1 and 2 years		5,001,429	-
Between 2 and 5 years		12,206,827	-
Between 5 and 10 years		15,650,753	-
In more than 10 years		20,067,621	-
Government Loans Fund		52,926,630	-
Total Borrowing		58,131,101	-

Interest rates on Government Loans range between 1.51% and 15.875%.

18 Creditors			
a Short Term Creditors			
		2015/16	2014/15
		£	£
Government Departments		898,318	-
Other Councils		104,281	-
Remuneration due to employees		456,038	-
Accumulated Absences		467,158	14,125
Receipts in advance		928,907	-
Trade creditors		6,632,399	-
Other		692,950	23,230
Total Short Term Creditors		10,180,051	37,355
Total Creditors		10,180,051	37,355

c Payment of Invoices

The Council has a target of paying supplier invoices within 30 calendar days. During the year the Council paid 22,003 invoices totalling £40,370,445.

The Council paid:

14,476(66%) invoices within 30 calendar days;
2000 (9%) invoices within 10 working days; and
7527 (34%) invoices outside of the 30 day target.

The average number of days taken to pay suppliers during the year was 29 days.

19 Provisions						
Provisions	Balance as at 1 April 2015	Increase in provision during year	Utilised during year	Unused amounts reversed	Interest cost and/or discount rate changes	Balance as at 31 March 2016
	£	£	£	£	£	£
Landfill Sites	3,854,750	-	-	-	(185,185)	3,669,565
Single Status	180,735	-	34,392	-	-	146,343
Total	4,035,485	-	34,392	-	(185,185)	3,815,908

Current Provisions	180,735	-	34,392	-	-	146,343
Long Term Provisions	3,854,750	-	-	-	(185,185)	3,669,565
Total	4,035,485	-	34,392	-	(185,185)	3,815,908

The discount rate used is that supplied by the Council's Treasury Advisers Arling Close.

20 Financial Instruments

The Council has no material exposure to any of the risk types identified below in its dealings with Financial Instruments.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The provision for bad and doubtful debts reflects the Council's assessment of the risk of non-payment by trade debtors and, as such, there is no further additional estimated exposure to default and inability to collect.

Trade debtors, inclusive of VAT, can be

	£
Less than three months	350,709
Three to six months	46,268
Six months to one year	252,501
More than one year	174,029
Total	823,507

Liquidity Risk

As the Council has ready access to borrowings from the Department of Finance and Personnel's Consolidated Fund, there is no significant risk that it will be unable to raise finance to meet its commitments under Financial Instruments. The maturity analysis of financial liabilities is included in notes 16 to 18. All trade and other payables are due for payment within one year.

Market Risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no material exposure to loss arising from movements in exchange rates.

Fair Value of Soft Loans and Government Loans

The Council is in receipt of loans from the Department of Finance and Personnel that differ from the prevailing market rates. The fair value of these

	£
Government Loans	68,802,504
Market Loans	-
Total	68,802,504

Voluntary Body in Receipt of Loan	Amount £	Repayment Due
Hilltown Farmers' Mart	8,431	01/04/2017
Longstone Community Association	65,141	01/04/2034
St. Patrick's Visitor Centre	79,500	01/04/2017

Valuation Techniques

There has been no change in the valuation techniques used during the year for Financial Instruments.

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders below current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

21 Retirement Benefits

a Participation in the Northern Ireland Local Government Officers' Pension Fund.

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Northern Ireland Local Government Officers' Pension Fund administered by the Northern Ireland Local Government Officers' Superannuation Committee. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

b Transactions relating to retirement benefits - Comprehensive Income and Expenditure Statement Charges:

The Council recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against district rates is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement.

	Note	2015/16	2014/15
		£	£
Net cost of services:			
Current service cost		5,427,000	-
Past service cost/(gain)		159,000	-
Net operating expenditure:			
Net Interest on net defined benefit Liability (asset)		809,000	-
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		6,395,000	-
Movement in Reserves Statement:			
Reversal of net charges made for retirement benefits in accordance with IAS 19 and the Code		(6,395,000)	-
Actual amount charged against the general fund balance for pensions in the year:			
Employers' contributions payable to scheme		4,408,758	-
Net charge to the Comprehensive Income and Expenditure Statement		(1,986,242)	-

	Note	2015/16	2014/15
		£	£
Remeasurements recognised in Other Comprehensive Income and Expenditure			
Liability gains/(losses) due to change in assumptions		(5,944,647)	-
Liability experience gains/(losses) arising in the year		(1,104,000)	-
Actuarial gains/(losses) on plan assets		407,405	-
Total gains/(losses) recognised in Other Comprehensive Income and Expenditure		(6,641,242)	-

c Assets and liabilities in relation to retirement benefits

	Note	2015/16	2014/15
		£	£
Reconciliation of present value of the scheme liabilities:			
Balance as at 1 April		150,100,000	-
Current service cost		5,427,000	-
Interest cost		4,772,000	-
Contributions by members		1,263,000	-
Remeasurement (gains) and losses:			
Actuarial gains/losses arising from changes in financial assumptions		(5,944,647)	-
Actuarial gains/losses arising on liabilities from experience		(1,104,000)	-
Past service costs/(gains)		159,000	-
Estimated unfunded benefits paid		(91,353)	-
Estimated benefits paid		(3,253,000)	-
Balance as at 31 March		151,328,000	-

Reconciliation of present value of the scheme assets:	Note	2015/16	2014/15
		£	£
Balance as at 1 April		122,655,000	-
Interest Income		3,963,000	-
Contributions by members		1,263,000	-
Contributions by employer		4,317,405	-
Contributions in respect of unfunded benefits		91,353	-
Remeasurement gain/(loss)		(407,405)	-
Unfunded benefits paid		(91,353)	-
Benefits paid		(3,253,000)	-
Balance as at 31 March		128,538,000	-

The Council's share of the Net Pension Liability (included in the Balance Sheet):

	31/03/2016	31/03/2015	31/03/2014
	£	£	£
Fair Value of Employer Assets	128,538,000	-	-
Present value of funded defined benefit obligation	(152,626,000)	-	-
Pension asset/(liability) of Funded Scheme	(24,088,000)	-	-
Present Value of unfunded defined benefit obligation	1,298,000	-	-
Net asset/(liability) arising from the defined benefit obligation	(22,790,000)	-	-
Amount in the Balance sheet:			
Liabilities	(151,328,000)	-	-
Assets	128,538,000	-	-
Net Asset/(Liability)	(22,790,000)	-	-

d Scheme history

Analysis of scheme assets and liabilities	31/03/2016	31/03/2015	31/03/2014
	£	£	£
Fair Value of Assets in pension scheme	128,538,000	-	-
Present Value of Defined Benefit Obligation	(151,328,000)	-	-

Surplus/(deficit) in the Scheme	(22,790,000)	-	-
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Amount recognised in Other Comprehensive Income and Expenditure:	31/03/2016	31/03/2015	31/03/2014
	£	£	£
Actuarial gains/(losses)	6,641,242	-	4,655,000
Remeasurements recognised in Other Comprehensive Income and Expenditure	6,641,242	-	4,655,000
Cumulative actuarial gains and losses	11,296,242	4,655,000	4,655,000
Long-term expected rate of return on assets in the scheme:		2015/16	2014/15
		%	%
Equity investments		71.9%	0.0%
Bonds		12.1%	0.0%
Property		13.2%	0.0%
Cash		2.3%	0.0%
Other		0.5%	0.0%
Mortality assumptions:			
<i>Longevity at 65 current pensioners:</i>	Years	Years	
Men	22.3		0
Women	24.8		0

* A rating of +1 year means that members are assumed to follow the mortality pattern of the base table above for an individual that is 1 year older than that.

g Northern Ireland Civil Service Pension Arrangements

The Northern Ireland Civil Service Pension arrangements are unfunded multi-employer defined benefit schemes but the Council is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2013. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2016.

22 Donated Assets Account

The Council does not have any donated assets for which conditions have not been met.

23 Capital Grants Received in Advance

The Council has no capital grants received in advance.

24 Contingencies

A legal claim has been lodged by a land owner from whom the Council previously leased land for the purpose of refuse disposal. The refuse disposal took place a number of years ago. At this stage the Council disputes the validity of the claim and no provision has been made in the accounts. Since 1996 the Council has had its own arrangements in place for refuse disposal.

The Arc 21 Joint Committee has, with the approval of their participant Councils, entered into a Contingent Liability undertaking with the bidding consortium in the procurement for the Residual Waste Treatment Project and Down District Council has agreed its share of the contingent liability. Payments made, if any, in accordance with this undertaking will be funded by the participant Councils. No further information on this agreement can be disclosed due to the commercial sensitivity of the procurement process.

Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

25 Opening Balance Sheet Note as at 1st April 2015

	Newry and Mourne District Council	Down District Council	Eliminatio n of inter council balances	Shadow Council	Transfers as a result of Boundary change	Transfers from Central Governmen t	Balance as at 1 April 2015
	£	£		£	£	£	£
Property Plant & Equipment	61,864,229	73,420,909	-	-	163,971	3,556,726	139,005,835
Heritage Assets	739,534	632,252	-	-	-	-	1,371,786
Investment Properties	2,650,139	-	-	-	-	-	2,650,139
Intangible Assets	45,631	35,000	-	-	-	-	80,631
Long Term Debtors	790,039	-	-	-	-	-	790,039
LONG TERM ASSETS	66,089,572	74,088,161	-	-	163,971	3,556,726	143,898,430
Short Term Investments	-	3,126,805	-	-	-	-	3,126,805
Inventories	215,236	250,466	-	-	-	-	465,702
Short Term Debtors	4,782,667	4,707,573	-	-	-	499,701	9,989,941
Cash and Cash Equivalents	6,085,275	222,004	-	-	-	-	6,307,279
CURRENT ASSETS	11,083,178	8,306,848	-	-	-	499,701	19,889,727
Bank Overdraft	2,602,076	627,002	-	-	-	-	3,229,078
Short Term Borrowing	2,872,358	2,009,025	-	-	-	-	4,881,383
Short Term Creditors	5,027,712	5,170,322	-	-	-	499,701	10,697,735
Provisions	180,726	-	-	-	-	-	180,726
CURRENT LIABILITIES	10,682,872	7,806,349	-	-	-	499,701	18,988,922
Provisions	1,901,164	1,953,586	-	-	-	-	3,854,750
Long Term Borrowing	24,881,581	27,122,659	-	-	-	-	52,004,240
Other Long Term Liabilities	17,662,000	9,783,000	-	-	-	-	27,445,000
LONG TERM LIABILITIES	44,444,745	38,859,245	-	-	-	-	83,303,990
NET ASSETS	22,045,133	35,729,415	-	-	163,971	3,556,726	61,495,245
USABLE RESERVES							
Capital Fund	-	1,255,113	-	-	-	-	1,255,113
General Fund	3,556,916	3,366,277	-	-	-	-	6,923,193
TOTAL USABLE RESERVES	3,556,916	4,621,390	-	-	-	-	8,178,306
UNUSABLE RESERVES							
Capital Adjustment Account	22,305,812	19,988,573	-	-	72,599	3,556,726	45,923,710
Revaluation Reserve	14,072,620	21,063,849	-	-	91,372	-	35,227,841
Pensions Reserve	(17,662,000)	(9,783,000)	-	-	-	-	(27,445,000)
Accumulated Absences Account	(228,226)	(161,396)	-	-	-	-	(389,622)
TOTAL UNUSABLE RESERVES	18,488,206	31,108,026	-	-	163,971	3,556,726	53,316,929
NET WORTH	22,045,122	35,729,416	-	-	163,971	3,556,726	61,495,235

Newry, Mourne and Down District Council
Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2016

26 Other cash flow disclosures

a Analysis of Adjustments to Surplus/Deficit on the Provision of Services

Adjustment to surplus or deficit on the provision of services for noncash movements	Notes	2015/16	2014/15
		£	£
Depreciation	10b	6,626,165	-
Impairment & downward revaluations (& non-sale derecognitions)	10c	(1,330,631)	-
(Increase)/Decrease in Stock		115,751	-
(Increase)/Decrease in Debtors		4,042,338	(261,012)
Increase/(decrease) in impairment provision for bad debts		156,877	-
Increase/(Decrease) in Creditors		(266,332)	37,355
Payments to NILGOSC	20	1,986,242	-
Contributions to Other Reserves/Provisions		(205,451)	-
		11,124,959	(223,657)

The current asset movements have been done with reference to the Balance Sheet at 1 April 2015.

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Notes	2015/16	2014/15
		£	£
Capital grants included in "Taxation & non-specific grant income"		(1,851,535)	-
		(1,851,535)	-

b Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

	2015/16	2014/15	2013/14
	£	£	£
Cash and Bank balances	8,415,730	-	-
Short Term Deposits (considered to be Cash Equivalents)	4,530,928	-	-
Bank Overdraft	(1,275,301)	(237,783)	-
	11,671,357	(237,783)	-

d Cash flows from Investing Activities	2015/16	2014/15
	£	£
Purchase of PP&E, investment property and intangible assets	(5,544,553)	-
Proceeds from Short Term Investments (not considered to be cash equivalents)	3,126,805	-
Capital Grants and Contributions Received	1,639,255	-
Net Cash flows from Investing Activities	(778,493)	-

e Cash flows from Financing Activities		2015/16	2014/15
		£	£
Cash Receipts from Short and Long Term Borrowing		6,177,220	-
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts		(121,076)	-
Repayment of Short and Long Term Borrowing		(4,760,307)	-
Net Cash flows from Financing Activities		1,295,837	-

27 Usable Reserves

c Capital Fund

This fund was established under section 56 of the Local Government Act (NI) 1972, however this section of the act was repealed under the Local Government Finance Act (Northern Ireland) 2011. Councils should disclose details where any of these reserves are earmarked for specific purposes.

Capital Fund	Notes	31/03/2016	31/03/2015
		£	£
At 1 April		1,255,113	-
At 31 March		1,255,113	-

f General Fund

This reserve shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from District Rates. Councils raise rates to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

General Fund	Notes	31/03/2016	31/03/2015
		£	£
At 1 April		6,923,193	-
Applied Capital Grants	3, 22, 24	(1,851,535)	-
Depreciation and Impairment adjustment	3	5,295,534	-
Statutory Provision for financing Capital Investment	3	(5,585,336)	-
Net Revenue expenditure funded from capital under statute	3, 12	2,016,802	-
Surplus/(Deficit) on the Provision of Services	CIES	(1,628,316)	(14,125)
Net movements on Pension Reserve	3, 21	1,986,242	-
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		77,536	14,125
At 31 March		7,234,120	-

g Other Usable Reserves

Other Usable Reserves	Notes	31/03/2016	31/03/2015
		£	£
Net movements on Pension Reserve	3, 21	(4,655,000)	-
At 31 March		(4,655,000)	-

28 Unusable Reserves**a Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to an historic cost basis.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2008, the date that the Revaluation Reserve was created to hold such gains.

Capital Adjustment Account		Notes	31/03/2016	31/03/2015
			£	£
At 1 April			45,923,710	-
Applied Capital Grants	3, 22, 24		1,851,535	-
Depreciation & Impairment adjustment	11		(5,295,534)	-
Statutory Provision for financing Capital Investment	3		5,585,336	-
Net Revenue expenditure funded from Capital under statute	3, 12		(2,016,802)	-
Other Movements			2,253,065	-
At 31 March			48,301,310	-

c Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The reserve is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2008, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The purpose of this account is to build up a balance based on the revaluation (upwards or downwards) of individual assets. All such revaluations (excluding impairment losses that have been debited to Surplus/(Deficit) on the Provision of Services in the) are mirrored in Other Comprehensive Income and Expenditure. It is a fundamental principle of this account that it never becomes negative. If an asset was held at current value when derecognised, the balance held on the Revaluation Reserve is written off to the Capital Adjustment Account.

Revaluation Reserve	Notes	31/03/2016	31/03/2015
		£	£
At 1 April		35,227,841	-
Revaluation & Impairment	11, 21	5,376,894	-
Other Movements		(2,253,065)	-
At 31 March		38,351,670	-

e Pension Reserve

Pension Reserve	Notes	31/03/2016	31/03/2015
		£	£
At 1 April		(27,445,000)	-
Net Movements on Pension Reserve	3, 21	(1,986,242)	-
Revaluation & Impairment	11, 21	6,641,242	-
At 31 March		(22,790,000)	-

g Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. staff annual leave entitlement carried forward at the end of the financial year. Statutory arrangements are expected to require that the impact on the General Fund is neutralised by transfers to or from this Accumulated Absences Account

Accumulated Absences Account	Notes	31/03/2016	31/03/2015
		£	£
At 1 April		(389,622)	-
Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		(77,536)	(14,125)
At 31 March		(467,158)	(14,125)

29 Significant Trading Operations

The Council has no significant trading operations.

30 Agency Services

The Council provides no agency services.

31 Related Party Transactions

A Related Party Transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related Party Transaction exclude transactions with any other entity that is a related party solely because of its economic dependence on the Council or the Government of which it forms part. A related party is one that has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes cases where the related party entity and another entity are subject to common control but excludes providers of finance in the course of their normal business with the Council and Trade Unions in the course of their normal dealings with the Council. In addition where the relationship with the Council and the entity is solely that of an Agency (see note 30) these are not deemed to be Related Party Transactions.

Transactions with related parties not disclosed elsewhere in these financial statements are set out below, where a description of the nature, the amount of the transaction and the amount of the outstanding balance is as follows. Note that related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.

Councillors have direct control over the Council's financial and operating policies. In the 2015/16 financial year the Council commissioned no works and services from companies in which Councillors have an interest. The Council entered into these contracts in full compliance with the Council's standing orders and codes of conduct.

The Council also paid grants of £381,507 to a number of organisations in which Councillors and Council officers had an interest. These grants were made with proper consideration of declaration of interests.

Arc 21, a joint committee organisation is a waste management group in Northern Ireland representing Councils in the east of the province. This Council's contribution in the current year was £103,836.

The Council paid an additional £451,984 to Arc 21 for various services provided during the year including the use of the Material Recycling Facility.

32 Events after the Reporting Period

There were no events occurring after 31 March 2016 which require adjustment to the Council's financial statements or additional disclosures.

33 Date of authorisation for issue

The Chief Financial Officer authorised these financial statements for issue on 26th September 2016.

Report to:	Audit Committee
Date of Meeting:	22 September 2016
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:	
Members are asked to consider the updated Corporate Risk Register and note the changes since the date of the last meeting.	
1.0	Purpose and Background:
1.1	<p>Corporate Risk Register The SMT review the Corporate Risk Register on a bi-monthly basis, with the last review in August 2016. Following this review, certain changes were made to reflect the changing risk environment, as well as updating any actions taken to date in the period.</p> <p>Attached is a tracked changes version of the Corporate Risk Register with changes since the date of the previous Audit Committee highlighted in red so members can see how risks have developed since the last meeting.</p> <p>Update on development of the risk management framework Since the date of the last Audit Committee, a Directorate Assurance Statement has also been developed and agreed by SMT. This will initially be completed quarterly by each Director and presented to the Chief Executive.</p> <p>Directorate Risk Registers are currently being developed. ERT, RTS and CS Directorate Assurance statements are currently developed. Meetings have been scheduled with the AHC and SPP lead teams to discuss their risks over the next week. The Directorate Risk Registers form an important part of the risk management framework and will be used to support and drive the Corporate Risk Register going forward.</p>
2.0	Key issues:
2.1	One new risk has been added to the Corporate Risk Register since the last Audit Committee. This is 'CR 14 - The unknown implication of the possible negative effects of Brexit on NMDDC'. This is considered as a significant risk to the Council at this stage given the potential impact on future funding.
3.0	Recommendations:
3.1	For consideration and noting.
4.0	Resource implications
4.1	None

5.0	Equality and good relations implications:
5.1	None
6.0	Appendices
	Appendix I: NMD Corporate Risk Register – September 2016



Comhairle Ceantair
**an Iúir, Mhúrn
agus an Dúin**

**Newry, Mourne
and Down**
District Council

Newry, Mourne & Down Council

Corporate Risk Register

September 2016

Version Control

	Date
Last reviewed by SMT - <i>Next review due</i>	6 August 2016 <i>4 October 2016</i>
Last reviewed by Audit Committee - <i>Next review due</i>	4 July 2016 <i>22 September 2016</i>
Last reviewed by Council - <i>Next review due</i>	< <i>TBC</i> >

Risk Matrix

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

Likelihood of Event or Incident Occurring

Likelihood of Event or Incident occurring		
Likelihood Descriptor	Score	Probability / Likelihood (of event or incident occurring over lifetime of Corporate Plan).
Very Likely	5	The event is more likely than not to occur.
Likely	4	The event is likely to occur.
Possible	3	There is a reasonable chance of the event occurring.
Unlikely	2	There event is unlikely to occur.
Rare	1	The event will occur only in exceptional circumstances.

Risk Categories and Risk Appetite

Risk Categories	Risk Appetite / Attitude
Statutory Duty (Legal/Regulatory)	Low
Financial	Low
Quality of Service	High
Buildings/Engineering/Environmental	Low
Impact on individuals (staff or public)	Low
Business operational/reputational	Medium

Risk Overview

Risk	Risk Title	Residual Risk			Movement Since last review	Risk Owner
		Impact	Likelihood	Weighted Score		
1	Failure to develop and improve our tourism offering	3	3	9	↔	Director ERT
2	Failure to implement and manage a capital investment programme for the district	3	4	12	↔	Director SPP
3	Failure to provide our elected members with adequate support	2	2	4	↔	Chief Executive
4	Failure to empower and support our communities and to implement a community plan to improve the district	3	3	9	↔	Director AHC
5	Non-compliance with legislative requirements	3	3	9	↔	Director CS
6	Failure to effectively manage waste	4	4	16	↔	Director RTS
7	Failure to provide accurate and timely planning decisions	3	4	12	↔	Director RTS
8	Failure to have necessary resourcing (people/systems /budget) to deliver efficient and effective services.	4	5	20	↔	Director CS
9	Inadequate plans for new powers and responsibilities resulting in failure to adequately deliver services.	2	3	6	↔	Chief Executive
10	Fraud, bribery and corruption impacting on services.	4	2	8	↔	Director CS
11	Failure to adequately plan for a major incident.	5	3	15	↔	Director CS
12	Ineffective corporate communications (internal and external) impacts significantly on services and on reputation.	2	4	8	↔	Director SPP
13	Failure to implement an economic development programme to regenerate the district and attract inward investment	3	2	6	↔	Director ERT
14	The unknown implication of the possible negative effects of Brexit on NMDDC	4	5	20	NEW	Director SPP

CR.1 Failure to develop and improve our tourism offering					Risk Owner: Director of ERT				
Link to strategic objective: 1, 2, 5					Risk Category: Business Operation/Reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Insufficient resources to deliver tourism strategyFailure to engage stakeholders (public & private sector)Lack of central government buy inLack of cohesive political buy in North & South	4	3	12	<ul style="list-style-type: none">Effective engagement and collaboration securing political backingDedicated Tourism Team in placeTourism Elected Members Task and Finish Group in placeDetailed budgeting process in operationRegular scrutiny of budget variances by SMT and within Directorates	3	3	9	<ul style="list-style-type: none">Adoption and Implementation of Tourism strategy. Tourism Strategy under development with Industry engagement workshops currently taking place. Draft Strategy to be completed in Oct 2016Establishment of a Tourism forum incorporating private and public sector stakeholders	<div>October 2016</div> <div>January 2017</div>

CR.2 Failure to implement and manage a capital investment programme for the district				Risk Owner: Director of SPP					
Link to strategic objective: 1, 2, 3, 5				Risk Category: Financial/Business Operational					
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Failure to adequately resource the capital programmeLack of cohesive political supportFailure to effectively manage capital contracts	4	5	20	<ul style="list-style-type: none">Monthly review of spend against budgetDedicated project management teamsProfessionally qualified and experienced staff	3	4	12	<ul style="list-style-type: none">Annual review and update of capital plan as part of rates budgeting process.Training and capacity building for teamsDevise four year capital plan in accordance with Prudential code indicators	<div>Dec 2016</div> <div>Autumn 16 – March 17</div> <div>Dec 16</div>

CR.3 Failure to provide our elected members with adequate support					Risk Owner: Chief Executive				
Link to strategic objective: All					Risk Category: Statutory Duty/Financial/Business Operational/Reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Members have inadequate capacity to fulfil roles as decision makersOfficers not providing adequate professional advice and informationMembers do not have adequate administrative support.	5	4	20	<ul style="list-style-type: none">Dedicated Democratic Services unit in placeElected member development working group established, with tailored training programmePackage of technical and administrative member support in placeProfessionally qualified staff to provide information and adviceInduction meetings for new Councillors	2	2	4	<ul style="list-style-type: none">On-going development of member support programmeInduction meetings for new CouncillorsInformation booklet to be prepared for all Councillors with contact details of staff membersNM&DDC to be recredited to the Elected Member Development Charter	<div>On-going</div> <div>June 2016</div> <div>November 2016</div> <div>December 2016</div>

CR.4 Failure to empower & support our communities and to implement a community plan to improve the district				Risk Owner: Director of AHC					
Link to strategic objective: 3, 7				Risk Category: Quality of Service, Impact on Individuals, Business Operational/Reputational					
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Failure to engage stakeholders (private and public sector)Insufficient resources/lack of financeFailure to build capacity among community groupsDissatisfaction of communities causing reputational damage	4	5	20	<ul style="list-style-type: none">Dedicated Teams in placeAdequate funding in place via financial assistance programmeProfessionally qualified teams in placeCommunity Engagement Strategy developed and presented to Active and Healthy Committee, subsequently ratified at Council during March 2016	3	3	9	<ul style="list-style-type: none">Implement Community Engagement PlanImplement capacity building programmeDelivery of financial assistance programme	<div>Oct 16</div> <div>Ongoing</div> <div>Ongoing</div>

CR.5 Non-compliance with legislative requirements					Risk Owner: Director of CS				
Link to strategic objective: 4, 8					Risk Category: Statutory Duty, Business Operational/Reputational, Impact on Individuals				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">• Failure to understand legal requirements• Lack of resources• Untrained staff• Non-compliance leading to prosecution	5	5	25	<ul style="list-style-type: none">• Policies and procedures in place• Dedicated skilled teams in place for:<ul style="list-style-type: none">- Health and Safety- Procurement- HR- Legal (including information management)- Planning• Health and Safety Committees in place <u>and ongoing programme of training in place</u>	4	5	20	<ul style="list-style-type: none">• Review and update policies and procedures• Staff training in the following areas:<ul style="list-style-type: none">Health and Safety- Procurement- Information management- Planning• Finalise establishment of all Health and Safety sub-committees	<div>March 17</div> <div>June16</div> <div>Sept 16</div> <div>Sept 16</div> <div>June 16</div> <div>July 16</div>

CR.6 Failure to effectively manage waste					Risk Owner: Director of RTS				
Link to strategic objective: 1, 4 8					Risk Category: Statutory Duty, Buildings/Engineering/Environment, Quality of Service.				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Insufficient resourcesMarket forces enable commercial operators to increase pricesFailure to plan effectively for future (including financial planning)	4	5	20	<ul style="list-style-type: none">Long term waste strategic plan in placePartnership working with key stakeholdersNecessary resources in placeStrategic waste group in place which meets quarterly. Members include the Directors of RTS, the AD of Waste Management and a number of Councillors	4	4	16	<ul style="list-style-type: none">Implementation of long term strategic planEstablish strategic policy group	<div>March 2017</div> <div>August 2016</div>

CR.7 Failure to provide accurate and timely planning decisions					Risk Owner: Director of RTS				
Link to strategic objective: 1, 2, 4, 5, 8					Risk Category: Finance, Business Operational/Reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">• Ineffective and/or inadequate resources• Insufficient capacity building for members• Cultural inertia• Ineffective technology• Political interference	4	5	20	<ul style="list-style-type: none">• Dedicated Planning Committee in operation• Programme in place to build officer and member capacity• Cultural change programme on-going• Action plan in place to reduce backlog	3	4	12	<ul style="list-style-type: none">• Rollout of training programme for officers and members• Implement action plan to reduce backlog in line with timeframe set• Upgrade of technical infrastructure	Sept 2016 <u>August 2016</u> <u>Ongoing</u> Completion Sept 2018

CR.8 Failure to have necessary resourcing (people/systems/budget) to deliver efficient and effective services				Risk Owner: Director of CS					
Link to strategic objective: All				Risk Category: Finance, Impact on individuals, Quality of Service					
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">AbsenteeismFailure to attract and retain employeesIT infrastructure not adequate to support servicesFailure to effectively plan and manage finances in line with statutory and other requirementsLow staff morale	5	5	25	<ul style="list-style-type: none">Policies and procedures in placeMonitoring of absenteeism by SMTProcesses in place for specifying and filling posts (Matching, trawling, public advert)Qualified HR, IT & Finance professionals in placeDetailed budgeting process in operationMember led efficiency working groupRegular scrutiny of budget variances by SMT and within Directorates.Independent Audit Committee in placeDevelopment of IT strategy	4	5	20	<ul style="list-style-type: none">Embedding org. design- Phase 2 Commence Tier 4 appointments process- Phase 3 Commence Tier 5 appointments processDevelopment of IT strategyAgree budget and timetable for delivery of IT strategyDelivery efficiency projects in line with agreed timetables of Efficiency working groupCarry out detailed budget process for 2017-18 and beyondProduce fully costed medium term financial plan	Aug 2016 Dec 2016 June 2016 Aug 2016 October 2016 March 2017 Feb 2017 Dec 2016

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CR.9 Inadequate planning for new powers and responsibilities resulting in failure to adequately deliver services.					Risk Owner: Chief Executive				
Link to strategic objective: 8					Risk Category: Finance, Impact on Individuals, Business Operational/ Reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Failure to plan effectively for transfer of electoral servicesFailure to effectively plan for transfer of regeneration powers	3	4	12	<ul style="list-style-type: none">On-going engagement with NIOEngaging with DFC and updating our plans and projections accordinglyProactive collaborative working by SOLACE group in respect of functions transferred to sector	2	3	6	<ul style="list-style-type: none">Continue to engage and monitor developments in this area	On-going

CR.10 Fraud, Bribery and Corruption impacting on services					Risk Owner: Director of CS				
Link to strategic objective: 4, 8					Risk Category: Statutory Duty, Finance, Business Operational/ Reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Transfer of planning powers gives more opportunity for fraud and briberyMajor changes in organisational environment increasing fraud riskChanges in people and procedures resulting in inadequate systems and procedures	4	3	12	<ul style="list-style-type: none">Professionally qualified planning staffTraining for members involved in Planning CommitteeGovernance arrangements in place including:<ul style="list-style-type: none">- Audit Committee- Code of Conduct- Declarations of InterestFraud and Bribery policy in placeIndependent Internal Auditors in placeDedicated staff member with responsibility for fraud <p><u>Members register of interests published online</u></p>	4	2	8	<ul style="list-style-type: none">Bribery and Fraud training for members and staffRoll out of Declarations of Interest across wider staffRegister of Interests of members to be made publicly available on internetPolicies to be reviewed and updated	<p>Sept 16</p> <p>Sept 16</p> <p>Aug 16</p> <p>Oct 16</p>

CR.11 Failure to adequately plan for major incident				Risk Owner: Director of CS					
Link to strategic objective: 4, 3, 6				Risk Category: Statutory Duty, Impact on Individuals, Business Operational/ Reputational , Buildings/Engineering/Environment					
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none">Natural disastersCamlough ReservoirLocalised floodingHarbour disastersFireSignificant IT failure	5	4	20	<ul style="list-style-type: none">Business Continuity Plan in placeEmergency planning measures in place, including:<ul style="list-style-type: none">Flood risk planInter-agency groupDedicated Emergency Planning teamProfessionally trained and experienced staffMember of Southern Region Emergency Planning Group	5	3	15	<ul style="list-style-type: none">Staff awareness training on Emergency Planning and Business Continuity PlanDrills/testing of plansUpdate Business Continuity Plan<u>Design winter resilience plan</u>	<div>July-September 2016</div> <div>Dec 2016</div> <div>July/Aug 2016</div> <div>Nov 2016</div> <div>Sept-16 Dec 2016</div> <div>October 2016</div>

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CR.12 Ineffective corporate communications (internal & external) impacts significantly on services and on reputation					Risk Owner: Director of SPP					
Link to strategic objective: All					Risk Category: Impact on individuals, Quality of Service					
Risk Description/ potential root cause		Gross/Inherent Risk		Key Controls Identified	Residual Risk		Action Plan	Target Date		
		Impact	Likelihood		Weighted	Impact			Likelihood	Weighted
<ul style="list-style-type: none">Failure to effectively engage media										
<ul style="list-style-type: none">Size of new organisation and geographical split (four main sites and mobile workers)		4	4	16	<ul style="list-style-type: none">Dedicated communications team and professional staffRegular meetings with pressMonthly Corporate newsletter and six monthly staff briefings by Chief ExecutiveCommunications/media policies in placeTwitter/Facebook presence of NMDLCNF/Joint forumIT strategy in place to improve IT systems	2	4	8	<ul style="list-style-type: none">Increase staff numbers in communications teamIT strategy to improve IT systemsMedia training for members and staff	On-going June 16 Sept 16 – March 17
<ul style="list-style-type: none">Cultural change means not operating on corporate arrangements										
<ul style="list-style-type: none">Not keeping abreast of growth in										

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				private sector stakeholder					
CR.14 The unknown implication of the possible negative effects of Brexit on NMDDC					Risk Owner: Director of SPP				
Link to strategic objective: 2, 5, 7 & 8					Risk Category: Financial, Quality of Service, Impact on individuals (staff or public) & Business operational/reputational				
Risk Description/ potential root cause	Gross/Inherent Risk			Key Controls Identified	Residual Risk			Action Plan	Target Date
	Impact	Likelihood	Weighted		Impact	Likelihood	Weighted		
<ul style="list-style-type: none"> Article 50 being invoked Failure to secure European Funding for Council related activities from 2018 Possible reduction in staff due to loss of funding and SME's relocating Possible change in compliance as EU Directives in areas such as procurement, employment law and environmental 	5	5	25	<ul style="list-style-type: none"> Economic development and investment strategy in place Economic Forum in operation Engagement with other Councils, the NI Executive, NILGA and the private sector through the Chamber of Commerce 	4	5	20	<ul style="list-style-type: none"> Establishment of a high level consultation paper with partners along the North and South Border Corridor to consider the full impacts of Brexit and develop solutions The delivery of a Cross Border Conference in Newry on the impact of Brexit to a range of Stakeholders. Recommendations will be agreed to minimise the impact and to ensure the Councils voice is heard at a national level 	<p>December 2016</p> <p>December 2016</p>

Report to:	Audit Committee
Date of Meeting:	22 September 2016
Subject:	Fraud and Whistleblowing
Reporting Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services
Contact Officer (Including Job Title):	Gerard Byrne, Audit Services Manager

Decisions required:	
Members are asked to note to contents of this report.	
1.0	Purpose and Background:
1.1	<ul style="list-style-type: none"> To notify the Audit Committee of any suspected fraud cases since the last meeting To notify the Audit Committee of any new Whistleblowing cases since the last meeting
2.0	Key issues:
2.1	<ul style="list-style-type: none"> One suspected fraud case was identified since the last Audit Committee. This was in relation to the claiming of grant income from the Council and was highlighted as a result of the internal checks performed by the grants team. Further investigations were undertaken by the Audit Services Manager. No payment has been made therefore there is no loss of Council funds. Investigation concluded. Two new Whistleblowing complaints have been received. Both related to allegations of misconduct of employees. One was referred to the PSNI and the second is being investigated in accordance with internal disciplinary procedures. Both investigations are currently underway.
3.0	Recommendations:
3.1	For consideration and 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



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The National Fraud Initiative: Northern Ireland



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
7 July 2016



Northern Ireland Audit Office

The National Fraud Initiative: Northern Ireland

Published 7 July 2016

This report is being published under Article 4E of the Audit and Accountability (Northern Ireland) Order 2003.

K J Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

7 July 2016

The Comptroller and Auditor General is the head of the Northern Ireland Audit Office. He and the Northern Ireland Audit Office are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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Abbreviations

BBIS	Blue Badge Improvement Service
BSO	Business Services Organisation
C&AG	Comptroller and Auditor General
DDRI	Disclosure of Death Registration Information
DfC	Department for Communities
DfI	Department for Infrastructure
DoF	Department of Finance
DPA	Data Protection Act
DWP	Department for Work and Pensions
GRO	General Register Office
LPA	Lone Pensioner Allowance
LPS	Land and Property Services
NFI	National Fraud Initiative
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIHE	Northern Ireland Housing Executive
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
SSA	Social Security Agency
UK	United Kingdom
VAT	Value Added Tax

Foreword

Foreword

Public sector organisations in Northern Ireland continue to face ever tighter budget constraints. Fraud impacts on the level of funding available for front line services, so fighting fraud must remain a key element in ensuring that limited public funds for the provision of goods and services are maximized. Fraud affects us all and we all pay the price. It is up to each public sector body to remain committed to challenging those who seek to abuse public funds by fraudulent means.

Under statutory powers inserted in the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007, I am able to undertake data matching exercises for the purpose of assisting the prevention and detection of fraud. These powers have strengthened the fight against fraud. The main data matching tool used is the National Fraud Initiative (NFI).

The Assembly's Public Accounts Committee has endorsed the NFI as "a key tool in the armoury against fraud and error". The continued commitment of Northern Ireland public sector bodies to the Initiative has helped to maximize its impact and while many organisations do not identify direct outcomes, the inclusion of their data in the NFI contributes to the identification of wider savings for the public sector as a whole.

This is the fourth NFI exercise to be undertaken in Northern Ireland. I wish to publicly thank all those involved in the review and investigation of data matches for the essential work that they do. Once again, that work has proved fruitful in identifying a significant level of fraud and error.

NFI outcomes in Northern Ireland now stand at almost £33 million, representing current and past fraud stopped and potential future fraud averted. Nationally, outcomes from data matching through the NFI stand at over £1 billion.

I continue to implement a strategy for widening the scope of the NFI in Northern Ireland and would encourage all public sector organisations to come forward with proposals for further potential data matches that could help in the prevention and detection of fraud.

Kieran Donnelly
Comptroller and Auditor General

Executive Summary

Executive Summary

Partnership working allows cross-jurisdictional data matching under the NFI

1. The National Fraud Initiative (NFI) is a major data matching exercise undertaken every two years. This is the fourth exercise to be undertaken in Northern Ireland, with over 100 organisations from across central government, local government and the health sector participating.
2. Cross-jurisdictional data matching through the NFI means that the data of over 1,300 organisations across England, Scotland, Wales and Northern Ireland is compared, in order to highlight inconsistencies which could indicate fraud.

The success of the NFI depends on the commitment of participating organisations

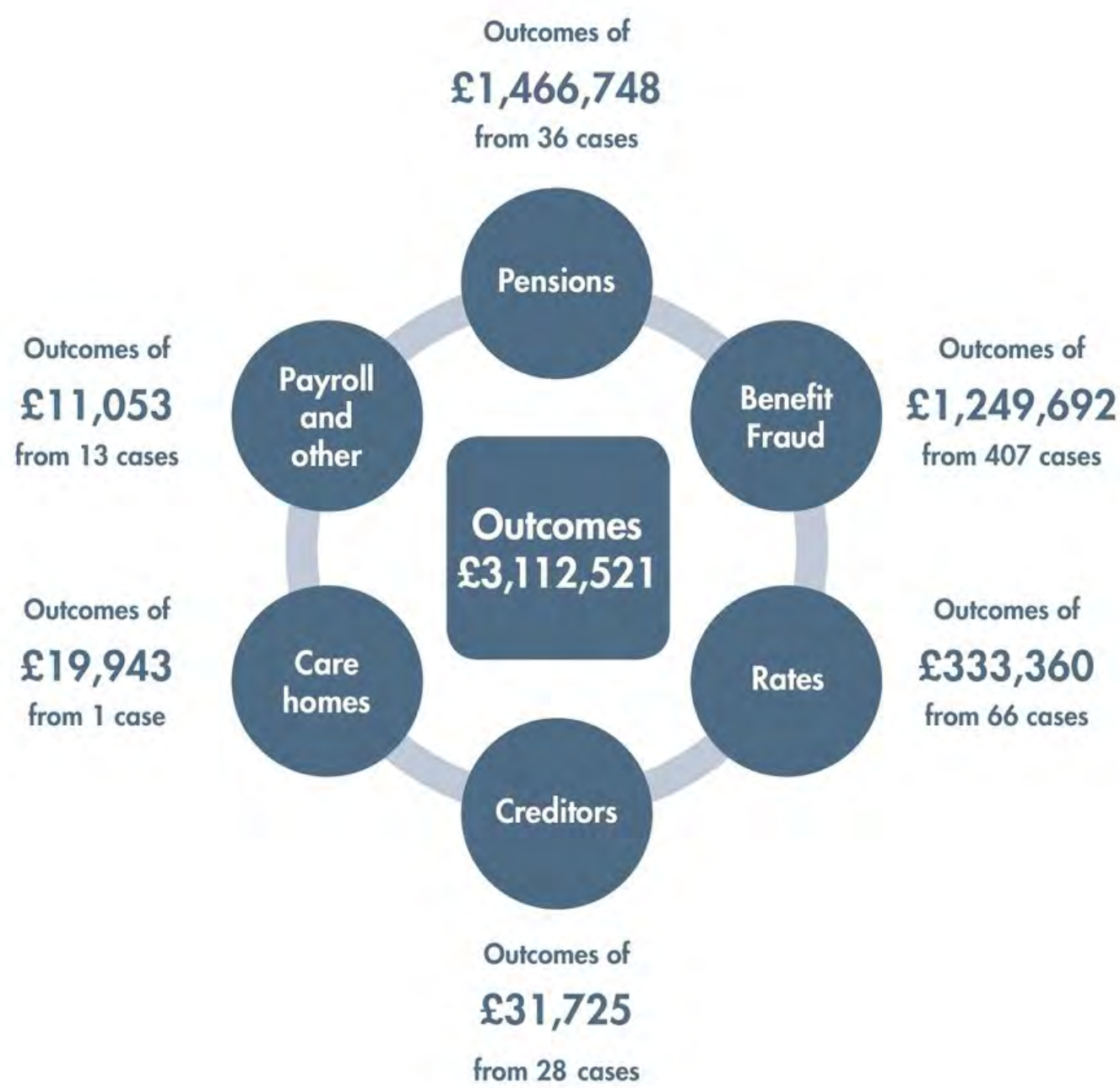
3. Participating organisations in Northern Ireland must be commended for their continued commitment to the NFI.

Outcomes to date show the value of data matching

4. Total NFI outcomes¹ for the first four exercises in Northern Ireland are almost £33 million (see Appendix 1). Between 1 April 2014 and 31 March 2016, local participation in the NFI resulted in outcomes of £3.1 million (see Figure 1), including:
 - almost £1.5 million of pensions fraud and overpayments;
 - over £1.2 million of housing benefit fraud and overpayments; and
 - over £330,000 of rates evasion.
5. The outcomes comprise actual outcomes of over £1.6 million and estimated outcomes of over £1.4 million (see footnote 1).
6. In addition to quantified benefits, the NFI can also highlight duplication or inconsistencies in data which can be corrected by organisations, providing qualitative benefits and leaving bodies less vulnerable to fraud.

¹ Outcomes include the value of incorrect payments (due to fraud or error) which are stopped, and an estimate of future savings achieved by no longer making these incorrect payments.

Figure 1: Key Outcomes from the fourth NFI exercise



Executive Summary

A number of organisations are still over-investigating

7. Most participating organisations have participated in four cycles of NFI data matching and have refined their approach to reviewing and investigating matches, concentrating on high risk areas and recommended matches. However, some organisations are still over-investigating. **Organisations are not expected to investigate all matches but should base their work on a fraud risk assessment and knowledge of key fraud risks.**
8. The Northern Ireland Audit Office (NIAO) continues to monitor the approach of participating organisations through examination of data match reports on the secure NFI website and discussion with key personnel as appropriate.

Many participating organisations continue to embed the NFI in their counter fraud work

9. The following examples of good practice show how some participating organisations use the NFI as part of their counter fraud control environment:
 - the NFI is included as a standing agenda item for the Audit Committee, with reporting to the full Board or Council as appropriate;
 - the NFI investigation plan is approved by the Audit Committee before work commences;
 - NFI results are used to inform Internal Audit plans;
 - the NFI is a standing agenda item for the Counter Fraud Working Group;
 - the NFI, in particular the appropriate review and investigation of matches, is included as a performance objective for the Director of Finance; and
 - NFI results are built into the organisation's overall plans for identifying and minimising potential fraud and duplicate payments.

Areas remain where practice could be improved in some instances

10. Previous NFI reports have identified areas where organisations could be more efficient and effective in how they implement the NFI and these still apply, in particular:

- Over-investigation of matches remains an issue (see paragraph 7). **There is no audit requirement to investigate all matches.** The level of investigation should be guided by a fraud risk assessment. Investigations should not continue if no fraud or error is being found.
- More use could be made of the report comment facility within the NFI web application, to save time entering comments against individual matches where there are no outcomes to record.
- Working offline should be kept to a minimum. Working within the secure web environment is more efficient and does not compromise the security of personal data.
- Key contacts² should regularly review progress on matches and ensure that they are being reviewed, investigated and closed appropriately. There is some evidence of matches being opened and then left for long periods with no activity.
- Key contacts should ensure that outcomes, including qualitative outcomes such as corrections to national insurance numbers, are correctly recorded in the NFI web application so that the full value of the NFI can be reflected in the regional report.
- Key contacts and users should review the comments shared by organisations on the other side of the match. Reviewing and responding to comments in a timely way may be a better use of resources than continuing to investigate matches where no fraud and error is being found.

The NIAO will continue to develop the NFI in conjunction with public audit partners

11. The Cabinet Office NFI Team which administers the Initiative continues to develop the scope of data matching, with an increasing focus on fraud prevention. The NIAO continues to work with participating organisations in Northern Ireland to consider how any developments can be applied locally.
12. In addition, the NIAO has a strategy which sets out how coverage of the NFI can be expanded in Northern Ireland, in terms of both additional participants and inclusion of additional datasets. It continues to take this strategy forward.

2 Key contacts are the individuals primarily responsible for the NFI within participating organisations.

Part One: NFI Outcomes

Part One: NFI Outcomes

Reducing fraud and error makes good business sense

- 1.1 Public sector losses due to fraud and error impact directly on taxpayers, ratepayers and service users by diverting valuable resources away from front line services. Preventing and detecting fraud makes good business sense and is an essential part of maximizing front line resources.
- 1.2 Public sector organisations must protect public funds by having a strong anti-fraud culture and effective strategies for tackling fraud and error. Potential fraudsters must be made aware of this anti-fraud culture and the consequences of any fraudulent activity.

The NFI is a valuable tool for tackling fraud and error

- 1.3 The National Fraud Initiative (NFI) is a major data matching exercise undertaken every two years (see Appendix 2 for more detail). It compares sets of data submitted by a wide range of organisations and highlights inconsistencies which could indicate fraud or error. Participation by organisations in England, Scotland, Wales and Northern Ireland is a major advantage of the NFI, allowing cross-jurisdictional matching.

The range of datasets matched helps to detect fraud and error in a number of key areas

- 1.4 Participating organisations submit a range of datasets including payroll, pensions, trade creditors, housing benefit, blue badges, concessionary travel passes, taxi driver licenses, private supported care home residents and domestic rates.
 - 1.5 Figure 2 gives examples of the types of matches undertaken and the potential fraud or error they may reveal.
-

Figure 2: Examples of data matches

Data match	Potential fraud or error
Payroll to payroll	Employee working elsewhere while on sick leave
Housing benefit to payroll	Claimant not declaring income which may remove or reduce entitlement to benefit
Pensions to death records	Pension fraudulently or erroneously paid where the pensioner has died and pension administrator has not been notified
Blue badges to death records	Fraudulent use of badge where badge holder is deceased
Private supported care home residents to death records	Care home continuing to receive payments after the resident's death

NFI 2014-15 is the fourth NFI exercise in Northern Ireland

- 1.6 NFI 2014-15 involved participation by 110 Northern Ireland public sector organisations (see Appendix 3). Northern Ireland data was matched with data from around 1,200 further organisations in England, Scotland and Wales.
- 1.7 A data match highlights an inconsistency which may require further investigation to confirm that no fraud is present. There may be an acceptable reason for the match. The majority of matches were made available to participating organisations via the secure NFI website in January 2015. Organisations had 12 months to aim to complete any investigative work. Any outcomes from uncompleted investigations will be captured and reported as part of the next NFI exercise.

Organisations should use a risk-based approach when selecting matches for investigation

- 1.8 **Organisations are not expected to investigate all matches. They should base their investigative work on a fraud risk assessment and knowledge of key local fraud risks.** Matches provided to organisations via the NFI are prioritised through the application of parameters, resulting in a number of "recommended filter matches". Ideally, these should be reviewed and investigated where appropriate but participating organisations can reprioritise matches based on their known fraud risks.

Part One: NFI Outcomes

- 1.9 The Northern Ireland Audit Office (NIAO) has recently published a good practice guide on managing fraud risk³ which sets out how organisations should assess, prioritise and address fraud risks (see paragraph 2.9).

Continuing to investigate matches when no fraud and error is being found is an inefficient and ineffective use of resources

- 1.10 A number of organisations continue to over-investigate. If no fraud or error is found after reviewing and investigating the recommended filter matches (see paragraph 1.8), it is unlikely that further work will produce outcomes. If an additional small sample of non-recommended matches produces no outcomes, there is little to be gained by continuing to investigate.

The current NFI exercise has resulted in significant outcomes

- 1.11 Between 1 April 2014 and 31 March 2016, Northern Ireland bodies identified outcomes⁴ of £3.1 million, comprising late outcomes from the previous exercise of over £833,000 and outcomes to date from the current exercise of over £2.2 million⁵.

The most significant monetary outcomes are secured in relation to housing benefit, pensions and rates

- 1.12 The nature of the data being matched means that, as in previous NFI exercises, the majority of outcomes have been secured by those organisations which administer housing benefit, pensions and rates. However, there have also been around £52,000 of outcomes in relation to trade creditors and private supported care home residents.
- 1.13 Many participating organisations secure no direct monetary outcomes from participating in the NFI. However, the inclusion of their data is essential to achieve monetary outcomes in key areas such as housing benefit and pensions, as illustrated in Figure 3.

3 *Managing Fraud Risk in a Changing Environment: A Good Practice Guide*, NIAO, November 2015

4 The outcomes include both actual fraud and error detected plus estimated forward savings where appropriate. Estimates are included where it is reasonable to assume that fraud and overpayments would have continued undetected without NFI data matching. The basis of calculation of these estimated figures is set out at Appendix 4.

5 The Cabinet Office reports every two years on outcomes at the relevant 31 March. This report uses the same basis for Northern Ireland.

Figure 3: Reverse match outcomes

- The data of one organisation which had no direct monetary outcomes contributed to 28 housing benefit outcomes, totalling over £17,000, for the NI Housing Executive and the Department of Finance.
- The data of one organisation which had no direct monetary outcomes contributed to one housing benefit outcome worth almost £10,000, through an address match.
- The data of one organisation which had no direct monetary outcomes contributed to a pension abatement outcome of over £5,000.

Source: NFI 2014-15 web application

Outcomes can also be qualitative and provide positive assurance

- 1.14 Organisations which have few matches, or find no fraud or error in the matches they investigate, can take this as positive assurance in relation to their internal control environment and their Annual Governance Statement.⁶ The NFI also contributes to improved data quality through, for example, the correction of national insurance numbers and the removal of duplicate creditor references, thereby reducing the risk of fraud in the future. In the current exercise, 63 national insurance numbers have been corrected within organisational records.
- 1.15 It is important that qualitative outcomes, such as the correction of national insurance numbers, are properly recorded within the web application. Good quality data is essential for good quality data matching and the NFI plays a valuable role in highlighting where improvements are required.
- 1.16 Organisations' data matches provide invaluable intelligence, and assurance, in relation to counter fraud work, particularly because the cross-jurisdictional coverage of the NFI provides access to data for matching that local organisations would not otherwise have.

Successful prosecutions have been secured against fraudsters

- 1.17 Once again a number of successful and significant prosecutions have been secured as a result of NFI data matching, as outlined in the following case examples:

Case Example 1

An NFI address match identified a person who failed to declare they were living with a partner. Overpayment of benefits amounted to £57,000 over a period of five years. The person was sentenced to six months' imprisonment, suspended for one year. A recovery plan is in place.

Source: Social Security Agency

⁶ The Annual Governance Statement replaced the Statement of Internal Control in 2010-11. All departments, agencies and arm's length bodies must prepare them. They bring together all disclosures relating to governance, risk and control.

Part One: NFI Outcomes

Case Example 2

An NFI data match identified a person with an undeclared occupational pension and an undeclared partner. Overpayment of benefits in a five year period amounted to over £33,000. The claimant was sentenced to 12 months' imprisonment, suspended for three years. A recovery plan is in place.

Source: Social Security Agency

Case Example 3

A data match revealed that a person had been working for a public sector organisation while claiming housing benefit and jobseekers' allowance. Overpayment of benefits in a six year period amounted to more than £22,000. The person was sentenced to a community service order. A recovery plan is in place.

Source: Social Security Agency

Information on successful prosecutions is not routinely shared with fraudsters' employers

- 1.18 If a public servant is convicted of fraud, the onus is on them to notify their employer of this. If the fraud is committed against a public authority, that authority has no obligation to notify the fraudster's employer.
- 1.19 A number of public sector employees have been convicted of significant benefit fraud over the years as a result of the NFI. However there is still no consistent approach to ensure that employers are notified. The main prosecuting authority in relation to benefit fraud in Northern Ireland, the Social Security Agency (SSA)⁷, publicises convictions for benefit fraud on its website and in the local press, but does not share such information directly with employers.
- 1.20 There remains a strong conviction among the key partners in Northern Ireland – the NIAO, the Department of Finance (DoF)⁸ and the Department for Communities (DfC - see footnote 7) – that sharing information about convicted fraudsters is the right thing to do. At present, however, there is no clear guidance as to how this can be done without a breach of legislation. The DfC has particular concerns about data protection and inequality in relation to notifying employers.
- 1.21 While the NIAO has confirmed with the Information Commissioner that the Data Protection Act (DPA) is not a barrier to the sensible disclosure of information such as fraud convictions, the Commissioner's advice is that organisations considering making disclosures would need to consider these on a case by case basis to avoid any unlawful disclosure of information. In these circumstances, it is difficult for the DoF to issue guidance. Consequently, despite considerable efforts on all sides, this matter remains unresolved.

⁷ Following departmental restructuring in May 2016, the Social Security Agency was subsumed into the new Department for Communities (DfC).

⁸ Formerly the Department of Finance and Personnel. Departmental restructuring came into effect on 9th May 2016.

- 1.22 This is deeply unsatisfactory. Without action, the risk remains that a public body may inadvertently continue to employ a convicted fraudster in a position of trust. The C&AG is committed to seeking a solution to this and will engage once more with the DoF, the DfC and the Information Commissioner to resolve the issue.

Significant outcomes continue to be secured in key areas

- 1.23 The following paragraphs summarise key findings in more detail. Outcomes figures include late outcomes from the 2012-13 exercise and estimated forward savings (see footnote 4).

Housing Benefit

- 1.24 People on low incomes may receive help with their rent by way of housing benefit.⁹ Fraud and error can occur when calculations are based on inaccurate information, for example where:

- the claimant does not declare a source of income; or
- the claimant does not declare a change of circumstances, e.g. additional residents at the address.

The NFI matches housing benefit records to datasets such as public sector payroll and pensions, student loans and housing tenancies in order to detect such inaccuracies.

- 1.25 Housing benefit makes up a large proportion of the fraud and error identified through the NFI in Northern Ireland. The current exercise has identified 407 cases of housing benefit fraud, error and overpayment totalling £1.2 million.

Case Example 4

A match between housing benefit records and student loan records identified a person who had been claiming housing benefit and jobseekers allowance but was ineligible for these benefits. Overpayment of benefits amounted to £32,000 over a five year period. The person was sentenced to five months' imprisonment, suspended for two years. A recovery plan is in place.

Source: Social Security Agency

⁹ The Northern Ireland Housing Executive (NIHE) administers housing benefit for those who rent their homes. Land and Property Services (LPS) administers housing benefit for those who own and occupy their own homes

Part One: NFI Outcomes

Case Example 5

An NFI data match revealed a person who had an undeclared occupational pension but was claiming a range of benefits including housing benefit. Further investigation revealed that the person was also working. Overpayments amounted to £19,000 over a five year period. The person was sentenced to 24 weeks' imprisonment, suspended for two years. A recovery plan is in place.

Source: Social Security Agency

Case Example 6

A data match showed that a person was receiving housing benefit in relation to two properties. Investigations revealed that they had vacated one of the properties in 2010. Overpayment of housing benefit amounted to almost £5,500. Recovery is in progress.

Source: Land and Property Services

Case Example 7

A homeowner claiming housing benefit failed to declare student loan income, which affected eligibility. Overpayment of housing benefit amounted to almost £1,500. The amount is being recovered.

Source: Land and Property Services

Social Housing

- 1.26 The cost of social housing tenancy fraud in Northern Ireland has not formally been quantified. In GB it is estimated that two per cent of social housing properties may be occupied fraudulently; this would equate to over 2,000 properties if the same percentage applied in Northern Ireland.
- 1.27 Data matching under the NFI helps to detect tenancy fraud by identifying where a person appears to be resident at two properties and is therefore potentially subletting one property unlawfully. It can also detect where a tenant is unlawfully resident in Northern Ireland and therefore has no entitlement to the property.
- 1.28 In Northern Ireland, the majority of social housing (around 88,000 properties) is owned and managed by the NI Housing Executive (NIHE). The remainder (around 32,000 properties) is managed by 21 registered housing associations.¹⁰ NIHE and two of the biggest housing associations submit their tenancy data to the NFI, accounting for almost 104,000 properties between them.

¹⁰ Northern Ireland Housing Market Review and Perspectives 2015-18, NI Housing Executive

- 1.29 No monetary outcomes, in terms of value of properties recovered, have been recorded but a significant number of data quality issues have been identified where incorrect national insurance numbers were held and had to be amended. These corrections improve data quality, reduce the risk of fraud and minimise the chance of false matches occurring in future NFI exercises.

Domestic Rates

- 1.30 Domestic rates are a property tax based on the valuation of a residential property and are payable by the occupier (or landlord in certain circumstances). Rates are administered by Land and Property Services (LPS).
- 1.31 Rates records are matched to the electoral register to identify cases where a property may not have been registered for rates, and also cases where there is a significant time difference between the registration dates on both systems, indicating possible rates arrears due.
- 1.32 In the current exercise, 66 cases of rates avoidance were detected, totalling just over £333,000.

Case Example 8

NFI data matching identified a property which was not on Land and Property Services' (LPS) rating system. A bill has been issued to recover outstanding rates dating back to 2007, amounting to more than £11,500.

Source: Land and Property Services

Case Example 9

NFI data matching identified a property which LPS was unaware of. Outstanding rates dated back to 2009 and amounted to around £11,100. The occupant did not dispute this and has repaid the amount in full.

Source: Land and Property Services

Occupational Pensions – Deceased Pensioners

- 1.33 The NFI matches pension information to deceased records provided by the Department of Work and Pensions (DWP), and to Disclosure of Death Registration Information (DDRI) from the General Register Office (GRO). This matching is known as mortality screening.

Part One: NFI Outcomes

- 1.34 Fraud and error in relation to deceased pensioners can occur where relatives do not notify the death of a pensioner and so a pension continues to be paid. Six public sector pension paying bodies¹¹ submitted pension data for mortality screening. Investigation of pensions to deceased matches has highlighted 33 cases of fraud or error resulting in outcomes of just over £1.2 million.

Case Example 10

A pensioner died in February 2014. The pension administrator was not notified and only became aware of the death through an NFI data match. Payments totalling £2,226 had been made by cheque after the date of death. The cheques had not been cashed so when the overpayment was identified, the value of the cheques was reinstated.

Source: NILGOSC

Case Example 11

An NFI data match released in January 2015 showed the date of death of a pensioner as August 2014. Overpayment of pension amounted to almost £3,500. The pension paying body wrote to the family and eventually received confirmation from the pensioner's son, who was the executor of the pensioner's will, that the amount would be repaid in full when the estate was finalised. The full amount has now been repaid.

Source: NICS Pensions

Occupational pensions - Pensioners returning to work

- 1.35 Pension records are matched to payroll records to identify cases of pensioners returning to work without notifying the pension paying body, thereby avoiding a reduction (abatement) in pension. In the current exercise, three such cases were identified, with outcomes totalling over £224,000.

¹¹ Northern Ireland Civil Service (NICS) Pensions; Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC); Teachers' Pensions; Health Pensions; Northern Ireland Fire and Rescue Service Pensions; and Assembly Pensions.

Case Example 12

A data match showed that a former employee of a public sector organisation who was in receipt of an ill health pension had been re-employed in the same sector since 2006, at which date pension eligibility ceased. The pension paying body had not received the necessary notification. Overpayment of pension amounted to almost £75,000. Recovery is ongoing. In a similar case, an ill health pension continued to be paid after re-employment ended eligibility; again the pension paying body had not been notified. Overpayment of pension amounted to £150,000 over a period of almost 10 years. Recovery is ongoing.

Source: Department of Education

- 1.36 Inclusion of pension data in the NFI has also contributed to housing benefit outcomes. Of the 407 housing benefit cases with outcomes (see paragraph 1.25), 148 were as a result of pension income not being declared on the benefit application.

Payroll

- 1.37 The NFI matches payroll data across all participating organisations, and with Home Office information, to identify cases of employment fraud, in particular:
- employees working for one body while on long-term sick leave from another;
 - employees with two jobs where shift patterns overlap, so that it would not be possible to cover both jobs; and
 - employees with no entitlement to live or work in the UK.
- 1.38 Thirteen cases of payroll fraud or error have been identified with outcomes of just over £11,000.
- 1.39 Inclusion of public sector payroll data in the NFI also contributes to housing benefit outcomes. Of the 407 housing benefit cases with outcomes (see paragraph 1.25), 104 were as a result of income being undeclared by a public sector employee or their co-habiting partner.

Part One: NFI Outcomes

Trade Creditors

- 1.40 Trade creditors' data matching within the NFI helps organisations to identify duplicate payments and incorrect VAT calculations. In addition it can highlight cases where system improvements or "housekeeping" are needed, for example the removal of duplicate creditor reference numbers.
- 1.41 In the current exercise, organisations have identified 28 cases involving monetary error totalling over £31,000. In a further 114 cases, action has been taken to correct non-monetary errors, such as a duplicate creditor reference number. Such corrections reduce the chance of fraud and error occurring in future.
- 1.42 Figure 4 sets out examples of creditor outcomes.

Figure 4: Trade Creditor Outcomes

- One department recovered three duplicate payments amounting to £4,500.
- One department recovered a duplicate payment amounting to £2,900.
- One health and social care trust recovered a duplicate payment amounting to £2,800.
- One regional college recovered two duplicate payments amounting to £3,900.

Source: NFI 2014-15 web application

Private Supported Care Home Residents

- 1.43 Health trusts may pay all or part of private care home fees for older people. If care homes fail to notify trusts, either fraudulently or erroneously, that a resident has died, payments may continue after the death. The NFI matches trusts' private care home payments records to death records, in order to identify such cases.
 - 1.44 In the current exercise, one significant error was found where a fee continued to be paid for more than two years after the date of death (see Case Example 13).
-

Case Example 13

An NFI data match between private supported care home residents and death records showed that a client of the Trust had died in June 2013 but the care home had not notified the Trust. The client was a private placement and the Trust paid £100 per week to the home for the client's nursing care, in line with statutory regulations. Contrary to the terms of the contract in place, the home failed to identify on its monthly remittances that the client had died. The resulting overpayment by the Trust was £12,943. The Trust has recovered the full amount.

Source: Western Health and Social Care Trust

Concessionary Travel Passes

- 1.45 Concessionary travel is available to people aged 60 and over for travel in Northern Ireland, aged 65 and over for All Ireland Free Travel, and to others with certain mobility or medical issues (half fare). Concessionary travel passes are issued and administered by Translink.¹²
- 1.46 Matching of travel pass holders to death records reveals cases where a pass is still in circulation, and could therefore potentially be used, after the death of the pass holder. In the current exercise, this matching revealed 2,427 such cases. Translink were already aware of 1,141 of these through monthly information received from the local GRO.
- 1.47 Translink deactivated the remaining 1,286 passes by early March 2015. Only 15 of these had recorded usage, estimated at a value of £1,141, after the date of death but fraud cannot be proven.

Blue Badges

- 1.48 People with severe mobility problems can apply for a blue badge which entitles them to a range of concessions such as free parking in "pay and display" areas and use of parking spaces designated for blue badge holders. The Department for Infrastructure (DfI)¹³ administers blue badges in Northern Ireland.
- 1.49 An NFI match of blue badge holder records to death records, to identify badges potentially still in use after the death of the registered owner, generated 4,285 matches, a 15 per cent reduction on the previous exercise. This reduction may be due in part to the receipt of monthly death records from the GRO, enabling the DfI to cancel badges at the earliest possible date. The 4,285 badges have been flagged on the DfI's database as not for automatic renewal, meaning the badge is effectively cancelled.

¹² Translink is the name under which the bus and rail companies operate. Its parent company is the Northern Ireland Transport Holding Company, which is an Arm's Length Body of the Department for Infrastructure (formerly Regional Development).

¹³ Formerly the Department for Regional Development. Departmental restructuring came into effect on 9th May 2016.

Part One: NFI Outcomes

- 1.50 The DfI prioritised 45 cases for investigation where the badge issue date was after the date of death. These were due to an administrative time lag. No frauds have been confirmed.
- 1.51 The NFI also matches blue badge holders across authorities, to detect people who may be holding more than one badge. This generated 53 matches, 33 of which occurred because either the DfI or the organisation on the other side of the match held an incorrect national insurance number. This emphasises the need for all participating organisations to ensure that they hold accurate data, to minimise the number of false matches.
- 1.52 In a continuing effort to improve the administration of blue badges and minimise fraud, the DfI attempted to establish a formal link with the Department for Transport's Blue Badge Improvement Service (BBIS) in March 2016. However, BBIS contractual arrangements made no provision for the inclusion of Northern Ireland. The DfI has sought confirmation from the Department for Transport that this omission will be rectified when the new BBIS contract is offered in January 2017.
- 1.53 In the meantime, the DfI:
- has created a new blue badge database which will in future link into the GB database;
 - has adopted a new badge design which will be much more difficult for fraudsters to replicate or amend; and
 - introduced a new application form in June 2016 to ensure the capture of complete and accurate information, including national insurance numbers.
- 1.54 The DfI is considering how it might make more use of the increased capacity of traffic attendants' hand-held devices, to give the attendants access to all live badge data, enabling them to confirm the proper use of badges on the spot.

A pilot exercise on Lone Pensioner Allowance produced valuable outcomes and has been incorporated into the main NFI exercise

- 1.55 Three pilot exercises were undertaken during the last NFI exercise, one of which produced valuable outcomes. Lone Pensioner Allowance (LPA) gives a 20 per cent rate rebate to people aged 70 or over who live alone. LPA records were matched to death records, electoral records and state pension records to determine whether the award of LPA was still valid. The pilot produced outcomes of almost £23,000. The matches have been incorporated into the main NFI exercise and over £37,000 of outcomes have been identified so far.

Case Example 14

A data match highlighted that a pensioner in receipt of Lone Pensioner Allowance (LPA) had died. The account was closed and changed to a Rating of Empty Homes account in the name of the personal representatives of the deceased person. Rates, including clawback of LPA amounting to £1,080, have been fully recovered.

Source: Land and Property Services

Two new pilot exercises have been undertaken as part of NFI 2014-15

1.56 Two pilot exercises have been undertaken as part of NFI 2014-15:

- Direct payments (personal budgets) for health and social care were matched to death records to detect cases where a direct payment recipient had died but the health trust had not been notified. There have been no monetary outcomes from the pilot and it is unlikely to remain as a match in the NFI 2016-17 exercise.
- GP patient registration data, administered by the Business Services Organisation (BSO), has been included as a pilot in 2014-15 to help tackle the issue of cross border health fraud, where a person not ordinarily resident in Northern Ireland uses a false address or a relative's address to register with a GP in order to access free health and social care to which they are not entitled. The matches will be used by the BSO to target their counter fraud work. It is too early to judge the success of this pilot but it will be evaluated ahead of the next NFI exercise.

Part Two: Using the NFI more effectively

Part Two: Using the NFI more effectively

The commitment of participating organisations to the NFI is key to its success

- 2.1 The success of the NFI continues to depend on the co-operation of participating organisations and their recognition that effective data matching is a key component of a successful counter fraud strategy. Organisations must be commended for their continued commitment and co-operation.

Organisations must adopt a robust but measured approach to NFI investigations to make the most of finite resources

- 2.2 NFI 2014-15 is the fourth exercise in Northern Ireland. Most participating organisations are now very familiar with the process and have a tried and tested approach to reviewing and investigating matches. However, there are still many examples of organisations continuing to investigate matches when no fraud or error is being found. This is not an effective use of resources.
- 2.3 **There is no audit requirement to investigate all matches.** The time and effort devoted to reviewing and investigating NFI data matches is entirely a matter for participating organisations. However, given that the matches highlight inconsistencies which could indicate fraud and error, organisations must adopt a robust, risk-based approach when deciding how many, and which, matches to investigate.
- 2.4 Key reports and recommended matches are highlighted within the NFI web application to help organisations identify where finite resources should initially be focused but organisations can sort, filter and reprioritise matches in line with local fraud risk assessments.

The value of data matching can be enhanced by effective communication between participating organisations

- 2.5 The NFI web application provides a secure environment for exchanging information on data matches through a shared comment facility. This is the means by which organisations can both seek information from and provide information to the organisation on the other side of the match, to help determine whether a match indicates fraud or error.
- 2.6 There is clear evidence that many organisations are not reading and responding to shared comments on a regular or timely basis. Key contacts should ensure that review of, and response to, shared comments is factored into NFI work. This may be a better use of resources than continuing to investigate matches where no fraud and error is being found (see paragraph 2.2).
-

There is still evidence of inefficiencies in how some organisations undertake their NFI work

- 2.7 Previous NFI reports have highlighted how organisations could be more efficient and effective in relation to the NFI but some of these lessons have not been learnt. Figure 5 reiterates some of these key points:

Figure 5: Using the NFI more efficiently and effectively

Issue	Action
Roles and responsibilities	<ul style="list-style-type: none"> • Key contacts must be appropriate for the role and have the time, commitment and oversight necessary. • Users must know the business area in order to investigate matches effectively.
Planning	<ul style="list-style-type: none"> • Once matches are released, the Director of Finance and Key Contact should agree an approach to the review and investigation of matches and a timetable for completing the work. • Users who will investigate matches should view the relevant on-line training videos and read the latest guidance so they know the most efficient way of working.
Investigating matches	<ul style="list-style-type: none"> • Matches should be followed up promptly once available. • Priority should be given to recommended matches and key reports. • Make use of the sort and filter options within the web application to help prioritise matches. • Work within the secure web application. It is designed to streamline the process, allow easy sharing of information and ensure data security. • Report comments should be used where possible, rather than repeating the same comment on numerous individual matches. This will save time and effort. • You are not required to investigate every match. Use a risk based approach. • Time may be better spent responding to shared comments rather than continuing to investigate. • Provide short but informative comments on matches, as opposed to simply writing "No issue".
Recording and reporting	<ul style="list-style-type: none"> • Outcomes should be recorded promptly and only on the secure NFI web based application. • Ensure that <u>all</u> outcomes are captured, including qualitative ones such as national insurance number corrections. • Use outcomes to inform how controls can be improved. • Senior management, the Board and the Audit Committee should be informed of progress and outcomes. • Positive assurance can be taken from having few matches and no outcomes. • Positive outcomes such as successful prosecutions should be published both internally and externally as a deterrent.

Part Two: Using the NFI more effectively

Fraud risks are constantly evolving and a sound counter fraud strategy, of which the NFI is a part, is essential for all organisations

- 2.8 Fraud risks change as organisations, and the environment in which they operate, change. The Northern Ireland public sector is currently in the middle of a period of unprecedented change, with reductions in the number of local councils and central government departments, replacement of the education and library boards with a single education authority and significant staff losses through a voluntary exit scheme.
- 2.9 It is widely accepted that fraud risk increases in times of change. Organisations must review and revise their fraud risk assessments to take account of changing risks and ensure that their counter fraud strategy is fit for purpose. The NIAO recently published '*Managing Fraud Risk in a Changing Environment: A Good Practice Guide*' aimed at helping organisations to recognise and address the risks and challenges that change presents.
- 2.10 Figure 6 shows some of the ways in which the NFI contributes to counter fraud arrangements.

Figure 6: The NFI as part of a counter fraud strategy



The vast majority of participating organisations have sound arrangements in place in relation to the NFI

- 2.11 The majority of participating organisations are audited by the NIAO. Audit staff have a role in quality assuring each organisation's progress on the NFI, including how they review and investigate matches, record outcomes and report on the NFI internally. Auditors reviewed progress as at November 2015 and applied a **Red** / **Amber** / **Green** rating to each organisation (see Appendix 5 for details). As Figure 7 shows, the progress of 87 per cent of participating organisations was considered satisfactory.

Figure 7: Rating of Organisations' NFI Approach



- 2.12 The three organisations classed as **red** are all local councils. Significant organisational change occurred within the local government sector during this NFI exercise and these three organisations gave the NFI a low priority. One of the three councils completed its review of recommended matches by 31st March 2016, following regular reminders. The two remaining councils had not reviewed all their recommended matches by that date.

There are examples of both good and poor practice by participating organisations

- 2.13 Figure 8 sets out examples of both good and poor practice by participating organisations, as highlighted by audit staff:

Part Two:

Using the NFI more effectively

Figure 8:

Good Practice

- The NFI is included as a standing agenda item for the Audit Committee, with reporting to the full Board as appropriate.
- NFI results are used to inform Internal Audit plans.
- The NFI investigation plan is approved by the Audit Committee before work commences.
- NFI outcomes are included as a Key Performance Indicator in the accountability review process.
- The NFI is recognised in the organisation's risk register as a mechanism for managing fraud risk.

Poor Practice

- The NFI is not given any recognition in the organisation's counter fraud arrangements and is not referred to in their Fraud Policy.
 - NFI results are not reported to the Audit Committee. There is no recognition that few matches and no outcomes represent positive assurance for the organisation.
 - A number of organisations continue to over-investigate. This is a waste of resources.
 - There are examples of organisations working offline. This is not recommended and should not be required in most cases, except perhaps in relation to trade creditors where further analysis is required.
 - Non-monetary outcomes are not always properly recorded. Corrections, such as amending national insurance numbers, are important in that they improve data quality, thereby lessening the chance of fraud happening and preventing false matches in future.
-

Part Three: NFI Developments

Part Three: NFI Developments

Responsibility for the NFI now rests with the Cabinet Office

- 3.1 Following the abolition of the Audit Commission in March 2015, responsibility for the NFI moved to the Cabinet Office. The expertise of the NFI coordinator team and the agent who carries out the data matching has been retained, so in practice the initiative has continued unchanged.

A move towards fraud prevention is a key deliverable for the NFI

- 3.2 While the main NFI exercise every two years still produces useful outcomes, fraud and error prevention is a more efficient and effective solution for organisations, especially at a time of budgetary pressure and decreasing staff resources. Real time data matching using a new NFI product, **AppCheck**, can prevent fraud and error getting into organisations' systems. Key advantages of AppCheck are:
- it is a fraud prevention tool;
 - it provides immediate access to a wide range of datasets, reducing the administrative burden of having to seek confirmation of details on a case by case basis; and
 - it will help reduce the volume of matches in the main NFI exercise, allowing investigative capacity to be targeted more effectively and helping to maximise efficiency.
- 3.3 The NIAO is keen to work with public sector organisations to explore how AppCheck can help them reduce their fraud risk, reduce administrative burden, and help focus investigation resources on areas of greatest benefit.

The NIAO continues to implement its strategy for the development of the NFI in Northern Ireland

- 3.4 It is important that new opportunities are sought to expand and develop the NFI, by securing participation by new organisations and by including new datasets. The current exercise has seen participation by two large housing associations (see paragraph 1.28) and the inclusion of direct payments and GPs' patient registration data for the first time (see paragraph 1.56).

3.5 Looking ahead to NFI 2016-17, there will be a number of developments:

- It is anticipated that a third housing association, with a housing stock of 4,500 properties, will participate in the NFI. If this is confirmed, tenancy data for around 90 per cent of the social housing stock in Northern Ireland will be included in the NFI.
- The Victims and Survivors Service will participate for the first time on a voluntary basis, submitting payroll and creditors data.
- It is anticipated that data on company directors, held by Companies House, will be reintroduced to the NFI to help detect undeclared conflicts of interest.

The scope of the NFI will be extended through pilot data matches

3.6 Pilot data matches will once again be used to extend the scope of the NFI. Areas being considered include:

- Grants – we have been discussing with the NIHE the possibility of using real time data matching in relation to certain grants, to confirm eligibility at application stage, thereby preventing potential fraud or error entering the system (see paragraph 3.2).
- Rating of empty homes exclusions – a legislative change in October 2011 means that all properties, even empty homes, are subject to rates. However, there are a number of exclusions, for example where the empty home is in the possession of a personal representative of a deceased person or where the occupant is in nursing or residential care. In such cases, applications can be made for 100 per cent rates relief. LPS are keen to explore a pilot in this area, to provide confirmation that the empty homes are in fact empty.

The NIAO remains indebted to Cabinet Office NFI colleagues for their support in implementing the NFI in Northern Ireland

3.7 Once again we thank the NFI team, now based in the Cabinet Office, for their invaluable support in the development and operation of the NFI in Northern Ireland.

Appendices:

Appendix 1

(paragraph 4)

Total NFI outcomes in Northern Ireland to date

This is the fourth NFI report for Northern Ireland. Total outcomes to date are set out in the table below.

Dataset	Reporting period 1 April 2008 to 31 March 2010	Reporting period 1 April 2010 to 31 March 2012	Reporting period 1 April 2012 to 31 March 2014	Reporting period 1 April 2014 to 31 March 2016	Total to date
Housing benefit	1,322,864	5,026,800	1,651,977	1,249,692	9,251,333
Pensions	729,160	2,128,393	3,372,325	1,466,748	7,696,626
Rates	979,596	13,219,605	372,835	333,360	14,905,396
Creditors	208,536	386,635	102,868	31,725	729,764
Payroll and other	15,019	5,774	35,250	11,053	67,096
Private supported care home residents	0	14,820	0	19,943	34,763
Total	3,255,175	20,782,027	5,535,255	3,112,521	32,684,978

Outcomes are made up of actual fraud, error and overpayments identified by participating bodies and recorded on their web application plus, where appropriate, an estimated amount using the calculations set out in Appendix 4.

Appendix 2

(paragraph 1.3)

Overview of the National Fraud Initiative

What is data matching?

1. Data matching uses a web-based application to compare sets of data – such as payroll, pensions, benefits and trade creditors - held by public bodies on different financial systems, to uncover possible cases of fraud or error. A match indicates an inconsistency that may require further investigation; it does not mean there is definitely fraud or error.

The National Fraud Initiative (NFI)

2. The NFI is a data matching exercise run every two years to detect frauds and incorrect payments. To date, it has identified over £1 billion of outcomes nationally. Under the NFI, there is cross-jurisdictional data matching, so Northern Ireland data are matched with data from England, Scotland and Wales.

Code of Data Matching Practice

3. The NFI is governed by a Code of Data Matching Practice¹⁴ which ensures that data matching exercises comply with the law, in particular the Data Protection Act 1998. The Code lets individuals know why their data is being matched, the standards that apply and where they can find further information. The C&AG has statutory authority to data match and does not require the consent of the individuals concerned.

Who participates in data matching?

4. Bodies whose accounts are audited by the C&AG or a local government auditor¹⁵ may be required to participate in the NFI, where there is reasonable evidence that fraud is likely to be found. Other bodies may participate on a voluntary basis where the C&AG considers it appropriate. See Appendix 3 for a full list of participants.

How is data secured?

5. The NFI uses a secure web-based application for the transmission of data and for the accessing of matches by the participating bodies. The NFI's systems are accredited to handle, store and process information up to the restricted classification level.

¹⁴ Prepared by the C&AG under Article 4G of the Audit and Accountability (Northern Ireland) Order 2003 and available at www.niauditoffice.gov.uk

¹⁵ Local government auditors are designated under the Local Government (Northern Ireland) Order 2005

Appendix 3

(paragraph 1.6)

Participating Bodies – NFI 2014-15

Mandatory Participants

Northern Ireland Departments:

Department of Agriculture and Rural Development
 Department of Culture, Arts and Leisure
 Department of Education
 Department for Employment and Learning
 Department of Enterprise, Trade and Investment
 Department of the Environment
 Department of Finance and Personnel
 Department of Health, Social Services and Public Safety
 Department of Justice
 Department for Regional Development
 Department for Social Development
 Office of the First Minister and Deputy First Minister
 Public Prosecution Service (non-ministerial)

Executive Agencies:

Rivers Agency
 Forest Service
 Driver and Vehicle Agency
 Northern Ireland Environment Agency
 Planning Service
 Social Security Agency
 Land and Property Services Agency
 Northern Ireland Statistics and Research Agency
 Northern Ireland Guardian ad Litem Agency
 Northern Ireland Medical and Dental Training Agency
 Labour Relations Agency

Youth Justice Agency of Northern Ireland
 Forensic Science Northern Ireland
 Northern Ireland Courts and Tribunals Service
 Public Health Agency

Other central government bodies:

Belfast Education and Library Board
 North Eastern Education and Library Board
 South Eastern Education and Library Board
 Southern Education and Library Board
 Western Education and Library Board
 Invest Northern Ireland
 Northern Ireland Assembly
 National Museums and Galleries of Northern Ireland
 Northern Ireland Council for the Curriculum, Examinations and Assessment
 Northern Ireland Fire and Rescue Service
 Northern Ireland Housing Executive
 Northern Ireland Tourist Board
 Arts Council of Northern Ireland
 Sport Northern Ireland
 Livestock and Meat Commission
 Agri-Food and Biosciences Institute
 Libraries Northern Ireland
 Council for Catholic Maintained Schools
 Construction Industry Training Board
 Ulster Supported Employment Ltd
 Belfast Metropolitan College
 South West College
 South Eastern Regional College
 Southern Regional College
 Northern Regional College
 North West Regional College

General Consumer Council
 Health and Safety Executive
 Commissioner for Children and Young People
 Northern Ireland
 Equality Commission Northern Ireland
 Strategic Investment Board
 Northern Ireland Legal Services Commission
 Probation Board for Northern Ireland
 Northern Ireland Authority for Utility Regulation
 Community Relations Council
 Stranmillis University College

Health Services Bodies:

Business Services Organisation
 Health and Social Care Board
 Belfast Health and Social Care Trust
 Northern Health and Social Care Trust
 South Eastern Health and Social Care Trust
 Southern Health and Social Care Trust
 Western Health and Social Care Trust
 Northern Ireland Social Care Council
 Regulation and Quality Improvement Authority
 Northern Ireland Blood Transfusion Service
 NI Ambulance Service HSS Trust

Local Government Bodies:

Antrim Borough Council
 Ards Borough Council
 Armagh City and District Council
 Ballymena Borough Council
 Ballymoney Borough Council
 Banbridge District Council
 Belfast City Council
 Carrickfergus Borough Council

Castlereagh Borough Council
 Coleraine Borough Council
 Cookstown District Council
 Craigavon Borough Council
 Derry City Council
 Down District Council
 Dungannon and South Tyrone District Council
 Fermanagh District Council
 Larne Borough Council
 Limavady Borough Council
 Lisburn City Council
 Magherafelt District Council
 Moyle District Council
 Newry and Mourne District Council
 Newtownabbey Borough Council
 North Down Borough Council
 Omagh District Council
 Strabane District Council
 Northern Ireland Local Government Officers'
 Superannuation Committee
 Arc21

Voluntary participants

Electoral Office
 Northern Ireland Audit Office
 Translink
 Northern Ireland Water
 St Mary's University College
 Helm Housing Association
 OakleeTrinity Housing Association

Appendix 4 (footnote 4 at paragraph 1.11)

Formulae for calculating outcomes, including forward savings

Dataset	Basis of calculation
Housing benefit	Value of fraud or error detected plus forward savings calculated as the weekly benefit reduction multiplied by 21 weeks
Pensions	Cabinet Office formula: annual pension multiplied by the number of years until the pensioner would have reached the age of 85
Creditors	Value of overpayments
Rates	Value of fraud or error detected plus forward savings calculated as the average annual rates bill (£700) multiplied by 2. For Lone Pensioner Allowance, the forward savings are £700 x 2 x 20% for each case, as LPA gives 20% relief.
Payroll	Value of overpayments, plus £5,000 per case where an employee is dismissed or resigns, or £10,000 per immigration case (estimated amounts based on future losses prevented where a fraudulent employee resigns or is removed from post)
Private supported care home residents	Value of fraud or error detected plus forward savings calculated as 13 weeks x average weekly cost (£544), rounded down to £7,000

Appendix 5

(paragraph 2.11)

Audit Assessment of Organisations' NFI Arrangements

RED (High Risk)

- There has been little or no activity and progress on matches.
- There is a significant risk that all planned review and investigation work will not be carried out on time.
- The Key Contact for NFI has been ineffective or has inadequate influence within the organisation.

AMBER (Medium Risk)

- There has been some progress on matches in key reports but not all key reports have been opened and not all recommended matches reviewed.
- There is a risk that all planned review and investigation work will not be carried out on time.
- The Key Contact for NFI is an appropriate person but improvements to NFI arrangements could be made.

GREEN (Low Risk)

- Good progress is being made on all key reports and recommended matches.
 - The organisation is on track to complete all review and investigation work on time.
 - The Key Contact for NFI is effective and experienced in the NFI process.
-



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The National Fraud Initiative: Northern Ireland



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
7 July 2016

Local Government Auditor's Report – 2016





Northern Ireland Audit Office

Report on the exercise of the Local Government Auditor's functions

In the year to 31 March 2016

Published 20 September 2016

The Department for Communities may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate a member of Northern Ireland Audit Office staff as the Local Government Auditor.

The Local Government Auditor has statutory authority to undertake comparative and other studies designed to enable her to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies and to publish her results and recommendations.

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Louise Mason
Local Government Auditor
20 September 2016

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Abbreviations

C&AG	Comptroller and Auditor General
NFI	National Fraud Initiative
NIAO	Northern Ireland Audit Office
Department (the)	the Department of the Environment (now Department for Communities)
Act (the)	Local Government (Northern Ireland) Act 2014

Introduction



Introduction

1. Before 1 April 2015, Northern Ireland's 26 former councils and three waste management joint committees had a key role to play in providing public services to local communities. This same role, with additional functional responsibilities¹, is now performed by 11 new councils and two waste management joint committees.
2. Council services, until 31 March 2015, mainly fell under two broad headings of 'Leisure and Recreation services' and 'Environmental services'. In addition, councils undertook a range of regulatory activities such as building control and environmental health. Councils also had important roles to play in other areas such as economic development, tourism and community development.
3. In providing such a broad range of services, either directly or in partnership with others, councils require substantial resources. In the 2014-15 financial year they spent almost £820 million on services, employed over 9,700 full time equivalent staff and utilised assets worth more than £2,000 million.
4. Councils are independent of central government and are accountable to their local electorate and ratepayers. They consider local circumstances as they seek to make decisions in the best interests of the communities they serve. All councils have the same basic legislative powers, although each council has the discretion to place a different emphasis on the services delivered.
5. In my role as the Local Government Auditor, I was required under statute to audit the accounts and provide audit opinions of the previous 26 councils, 11 Statutory Transition Committees², 11 new Councils in the shadow period, 18 joint committees³, the Local Government Staff Commission, and the Northern Ireland Local Government Officers' Superannuation Committee. In total, audit opinions were issued on 68⁴ sets of financial statements relating to the 2014-15 financial year.
6. I am pleased to report that all 68 audit opinions were unqualified. Whilst my report focuses primarily on the accounts and outputs from the 26 previous councils, it also, for the first time, includes introductory work performed on the new 11 councils in relation to their responsibilities for performance improvement and my statutory responsibility to audit and assess these responsibilities (see **Part 6**).

1 From April 2015 the range of functions and services increased to include local planning functions, off-street parking and local economic development. Further powers on community development and urban regeneration will follow.

2 The Local Government (Statutory Transition Committee) Regulations were approved by the Assembly on 1 July 2013. They were 'made' and came into operation on 2 July, allowing for 11 Statutory Transition Committees (STCs) to be established. STCs led convergence between merging councils and undertook preparatory work for the new councils in advance of the shadow period (which commenced after the local government elections on 22 May 2014).

3 A joint committee is made up of two or more participant councils and may be constituted as a body corporate.

4 The audit of one council was not completed by the statutory date due to additional time needed to resolve a significant difference in a bank reconciliation.

Introduction

7. As part of my audit work I also seek to examine that each council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for. I can, if considered appropriate, make a report in the public interest on any matter coming to my notice in the course of an audit. No public interest reports were made during the year and my audit findings were issued to each council in their annual audit letter.
8. This report provides my perspective on the audits of local councils based on the key messages from audits performed up to 31 March 2016, covering the local government financial accounting period from 1 April 2014 to 31 March 2015 (the 2014-15 financial year) and the performance improvement period from 1 April 2015 to 31 March 2016.
9. My report highlights areas of strength and areas for improvement within local councils. I have also considered several important issues that may affect the new councils in the near future. Both councillors and officers should consider this report and review how their new council is managing the issues I have highlighted.
10. The annual audit letters issued to the previous councils highlight important issues that arose during the course of both the financial and proper arrangement audits. These letters detail how the matters I have set out in my annual reports apply locally and where more actions are required. I expect the 11 new councils to take these actions forward, where appropriate. In relation to my performance improvement work I issued a letter of assurance to each council, indicating whether or not the new council had met its responsibilities for the year.

Part One: Local Government Reform



Part One: Local Government Reform

Overview

- 1.1 The local government sector in Northern Ireland has experienced significant reform and this has a substantial impact on my role as the Local Government Auditor. It impacts on the number of council accounts which required a financial audit for 2014-15 and the complexity of these audits. More significantly, with the introduction of a performance improvement framework for councils, it has expanded my audit and assurance roles and responsibilities.
- 1.2 The Local Government Act (Northern Ireland) 2014 (the Act) provided for a reduction in the number of local councils from 26 to 11 on 1 April 2015. Legislation also defined the boundaries of the 11 new local government districts (see **Figure 1**) and names of the wards into which each new district has been divided.
- 1.3 The Act forms the legislative framework for the new councils. This includes how decisions are made, how positions of responsibility are shared across political parties, how improvements in the delivery of council functions can be achieved to reflect the needs of local communities, and how efficiently and effectively council services are delivered. It provides for statutory governance in councils and introduced a new ethical standards framework which includes a mandatory 'Code of Conduct for Councillors'.
- 1.4 Following local government elections in May 2014, 11 'shadow' councils (which operated in parallel to the 26 previous councils) became operational. These 'shadow' councils were responsible for appointing senior staff, striking rates for 2015-16 and approving business and financial plans prior to them taking on full powers and responsibilities on 1 April 2015.
- 1.5 Every aspect of the governance, management and provision of local government services has been impacted. The new councils are now taking the lead in community planning and are expected to deliver high quality services in an effective and efficient manner under the new performance improvement framework. Powers such as planning and local economic development have transferred from central government and others, such as urban regeneration, will follow.
- 1.6 The Local Government (Transitional, Supplementary, Incidental Provisions and Modifications) Regulations (Northern Ireland) 2014 made transitional provision with respect to local government reorganisation, including positions of responsibility within the new council, and for the winding up and final accounts of previous councils.
- 1.7 The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 introduced a number of significant changes, including a requirement for larger local government bodies to prepare a remuneration report for the 2015-16 statement of accounts. The Regulations also changed the arrangements for approval and certification of the statement of accounts. Audited bodies should refer to the DOE Circular LG 30/2015 for guidance on the Regulations.

- 1.8 A new draft Code of Audit Practice for local government bodies⁵ was issued for consultation in September 2015 to district councils and other appropriate bodies and persons. In line with other UK regions, my new Code is principles-based rather than rules-based. The main change to the Code is the inclusion of a chapter on the Local Government Auditor's work on performance improvement. The Code was published on 31 March 2016 after it was approved by the Northern Ireland Assembly.
- 1.9 During the year I also published a revised 'Statement of Responsibilities of the Local Government Auditor and Local Government Bodies'. This statement is aligned to the new Code and serves as the formal terms of engagement between the Local Government Auditor and local government bodies.⁶

Figure 1: New council districts



Source: NIAO

⁵ I am required to prepare and publish a new Code every five years under Article 5 of the Local Government (Northern Ireland) Order 2005. The Code must be approved by resolution of the Northern Ireland Assembly.

⁶ <https://www.niauditoffice.gov.uk/publication/statement-responsibilities-local-government-auditor-and-local-government-bodies>

Part Two: Managing Resources



Part Two: Managing Resources

- 2.1 This section provides information on how councils managed their resources in the 2014-15 financial year.

Income and Expenditure

- 2.2 Revenue expenditure relates to day-to-day costs involved with providing services. It includes staff costs, waste disposal costs, supplies such as fuel, and materials used for repair and maintenance. Capital expenditure is the cost of acquiring and upgrading assets. It includes building property and acquiring equipment which will be used to provide services to local communities. Capital expenditure is considered further at paragraph 2.8.
- 2.3 In the financial year 2014-15 (see **Figure 2**), councils received income of £833 million from rates, charges and grants. Council expenditure in the same year amounted to almost £818 million. Accounting adjustments and transfers to reserves accounted for the £15 million variance.

Figure 2: Councils' Income and Expenditure 2014-15⁷

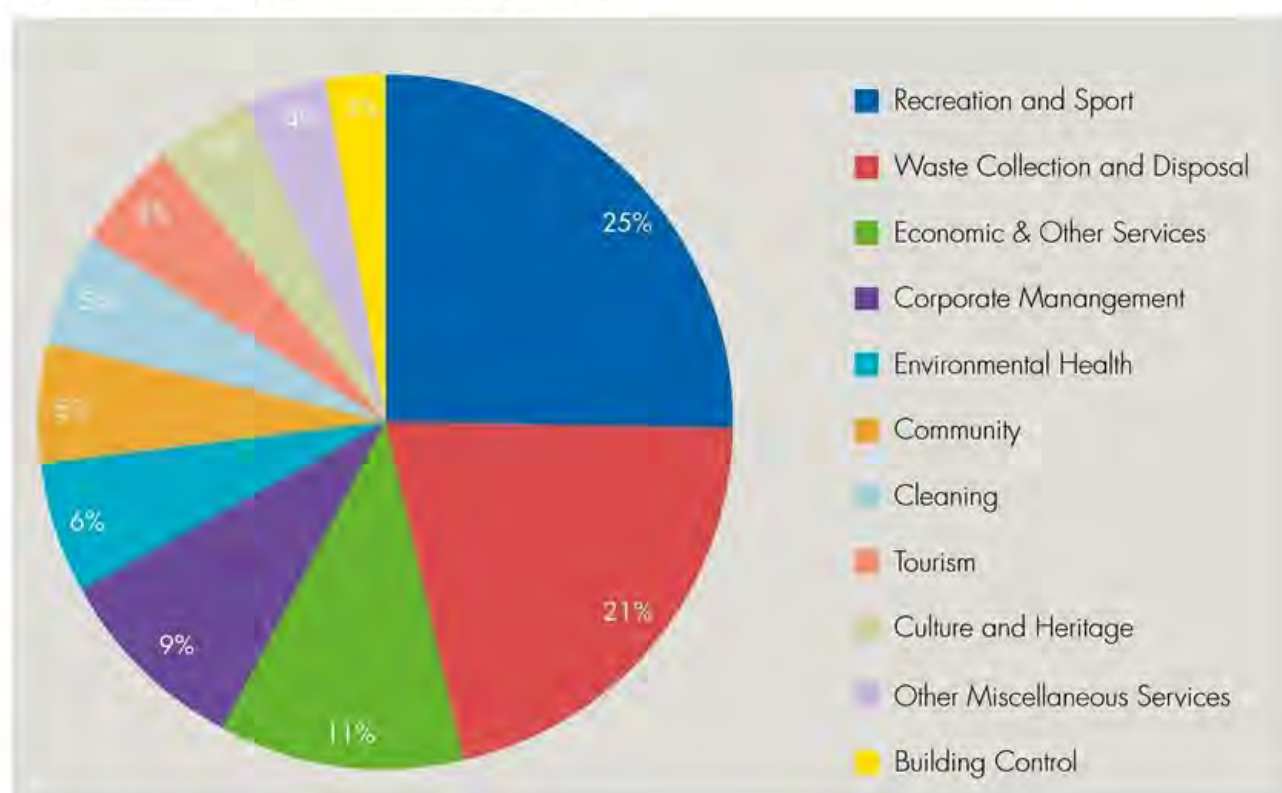
Where the money came from	(£ Million)
General revenue funding from government	45
Service fees and charges	195
Capital grants	48
District Rates	545
Total Income	833
How the money was spent	(£ Million)
Leisure & Recreational Services	316
Environmental Services	304
Corporate Management	71
Other expenditure	86
Finance & Investment	41
Total spending on services	818
Accounting adjustments and transfers to reserves	15
Total expenditure and transfer to reserves	833

Source: Councils' audited financial statements for 2014-15

⁷ **Figure 2** is a high level summary of 26 Councils' 'Comprehensive Income and Expenditure Statements' extracted from the 2014-15 financial statements.

- 2.4 The majority of councils' income, 65 per cent (66 per cent in 2013-14), was received from district rates. Fees and charges, for services such as building control, waste collection and use of leisure facilities, accounted for around 23 per cent (24 per cent in 2013-14) of income over the period. General revenue funding from government⁸ and capital grants accounted for 5 per cent and 6 per cent of income respectively.
- 2.5 **Figure 3** provides additional detail on the categories of expenditure on services incurred by councils in the financial year (excluding Finance & Investment). The largest single area of expenditure related to Recreation and Sport⁹, where councils spent £198 million (£209 million in 2013-14). This category, combined with that of Waste Collection and Disposal, which totalled £165 million (£162 million in 2013-14), accounted for almost half of all expenditure incurred on services by councils.
- 2.6 Other categories of service expenditure included Tourism (£39 million), Culture and Heritage (£37 million), and Building Control (£21 million).

Figure 3: Councils' expenditure by service during 2014-15



Source: Councils' audited financial statements

- 8 General revenue funding from government is paid to compensate councils for the statutory de-rating of certain property and to provide additional resources for those councils whose needs exceed their wealth base.
- 9 By way of example, the 'Recreation and Sport' service is one of a number of 'sub' services, which also include 'Culture and Heritage', 'Community' and Tourism, making up the 'Leisure and Recreational Service's category in **Figure 2**.

Part Two: Managing Resources

Loans

- 2.7 Loans outstanding at 31 March 2015 totalled £498.7 million and are shown in **Figure 4**. This represents an increase from the position as at 31 March 2014 of £27.4 million (5.8 per cent). Total council borrowing was approximately £275 per person (£258 in 2013-14) based on the estimated Northern Ireland population at June 2013¹⁰. The loan amounts vary considerably between councils, with over half of the net increase attributed to increased borrowing by Derry City Council.

Figure 4: Councils' loan position as at 31 March 2015

Council	Loans Outstanding as at 31 March 2014 (£ million)	Loans Outstanding as at 31 March 2015 (£ million)	Change
Antrim	18.9	19.3	0.4
Ards	12.8	12.4	-0.4
Armagh	26.1	25.6	-0.5
Ballymena	24.6	23.7	-0.9
Ballymoney	10.5	14.8	4.3
Banbridge	19.7	19.8	0.1
Belfast	23.9	23.2	-0.7
Carrickfergus	22.8	22.7	-0.1
Castlereagh	18.4	20.0	1.6
Coleraine	31.9	33.3	1.4
Cookstown	1.3	1.2	-0.1
Craigavon	6.3	6.3	0.0
Derry	31.6	46.5	14.9
Down	30.7	29.1	-1.6
Dungannon	4.5	4.0	-0.5
Fermanagh	2.8	3.1	0.3
Larne	19.3	20.9	1.6
Limavady	13.2	15.0	1.8
Lisburn	18.0	17.3	-0.7
Magherafelt	0.0	0.0	0.0
Moyle	8.8	9.7	0.9
Newry	21.7	27.8	6.1
Newtownabbey	43.8	41.4	-2.4
North Down	47.7	45.7	-2.0
Omagh	8.9	9.7	0.8
Strabane	3.1	6.2	3.1
Northern Ireland	471.3	498.7	27.4

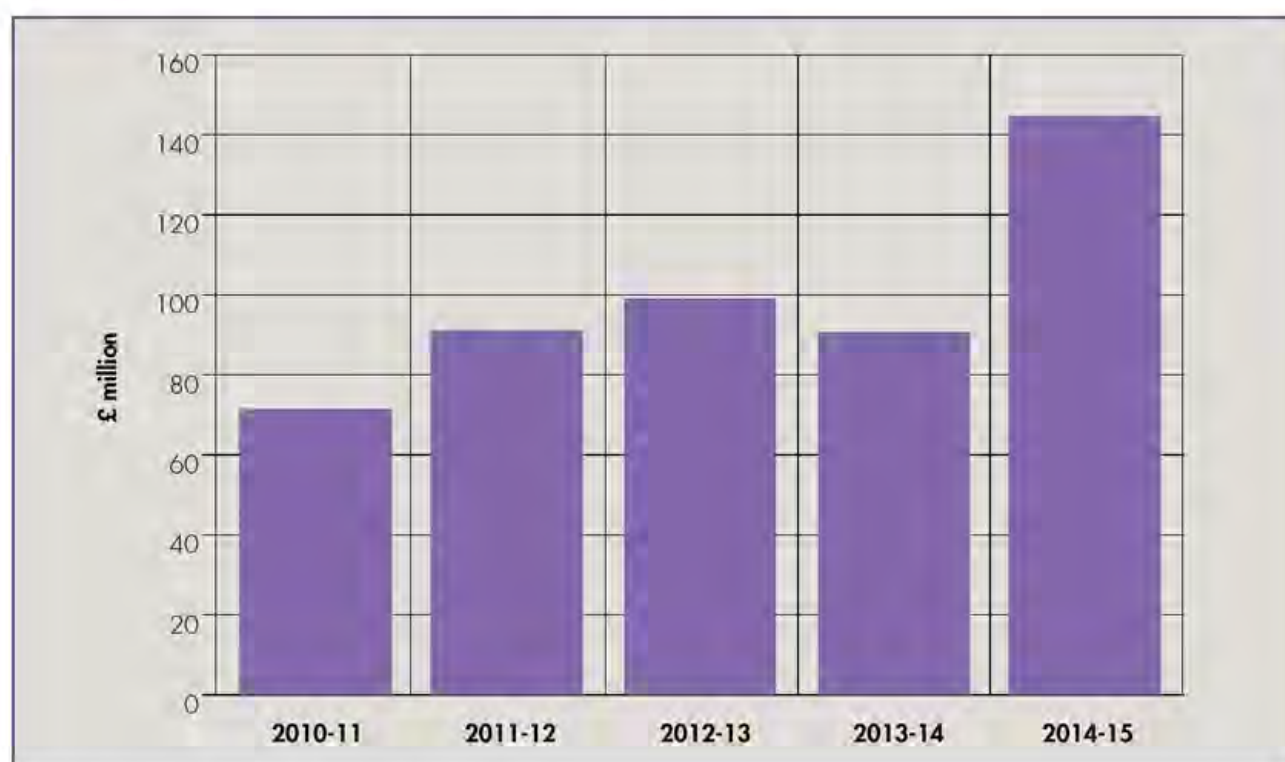
Source: Councils' audited financial statements

¹⁰ Statistical Bulletins: Annual Mid Year Population Estimates 2014 and 2015, Office Of National Statistics.

Capital Expenditure

- 2.8 **Figure 5** shows that total capital expenditure in 2014 -15 amounted to £145 million (£91 million in 2013-14). This represents a significant increase of 59 per cent from the previous year.
- 2.9 The completion of a number of projects accounted for some of this increase, for example, Newry Phase I Leisure Centre and the Foyle Arena at Derry City Council.

Figure 5: Councils' capital expenditure from 2010-11 to 2014-15



Source: Councils' audited financial statements

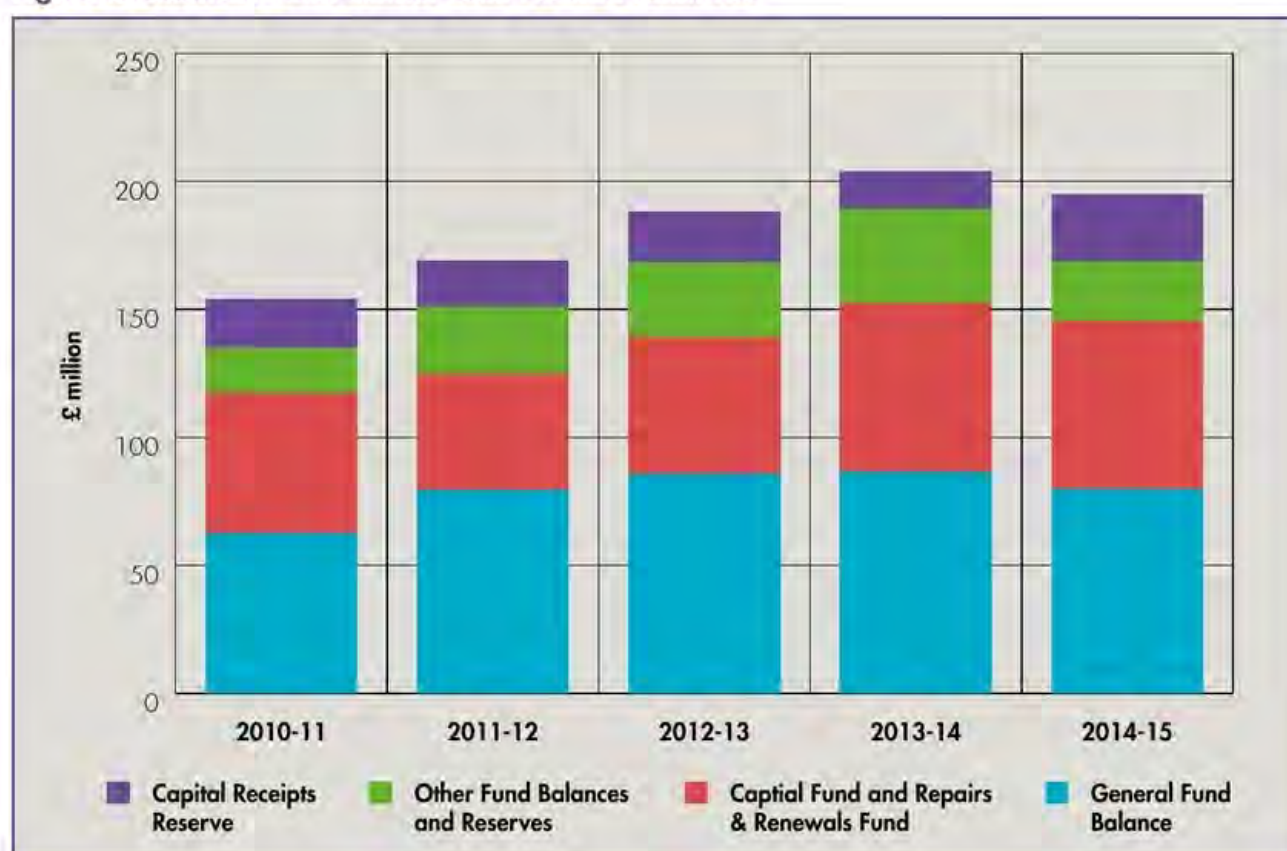
Reserves

- 2.10 Councils' financial statements disclose both the level of usable and unusable reserves.
- 2.11 Unusable reserves consist of unrealised gains, for example the revaluation reserve, or those relating to timing differences such as pension reserve and capital adjustment account.
- 2.12 **Figure 6** shows that the overall level of usable reserves decreased by approximately £9.2 million, a 4.4 per cent reduction, in the year to 31 March 2015. This was the first time in

Part Two: Managing Resources

five years that the overall level of reserves had fallen. Overall useable reserves are now £195 million compared with £204 million in the prior year. Half the councils increased the level of usable reserves while the other half showed decreases.

Figure 6: Councils' total usable reserves and balances



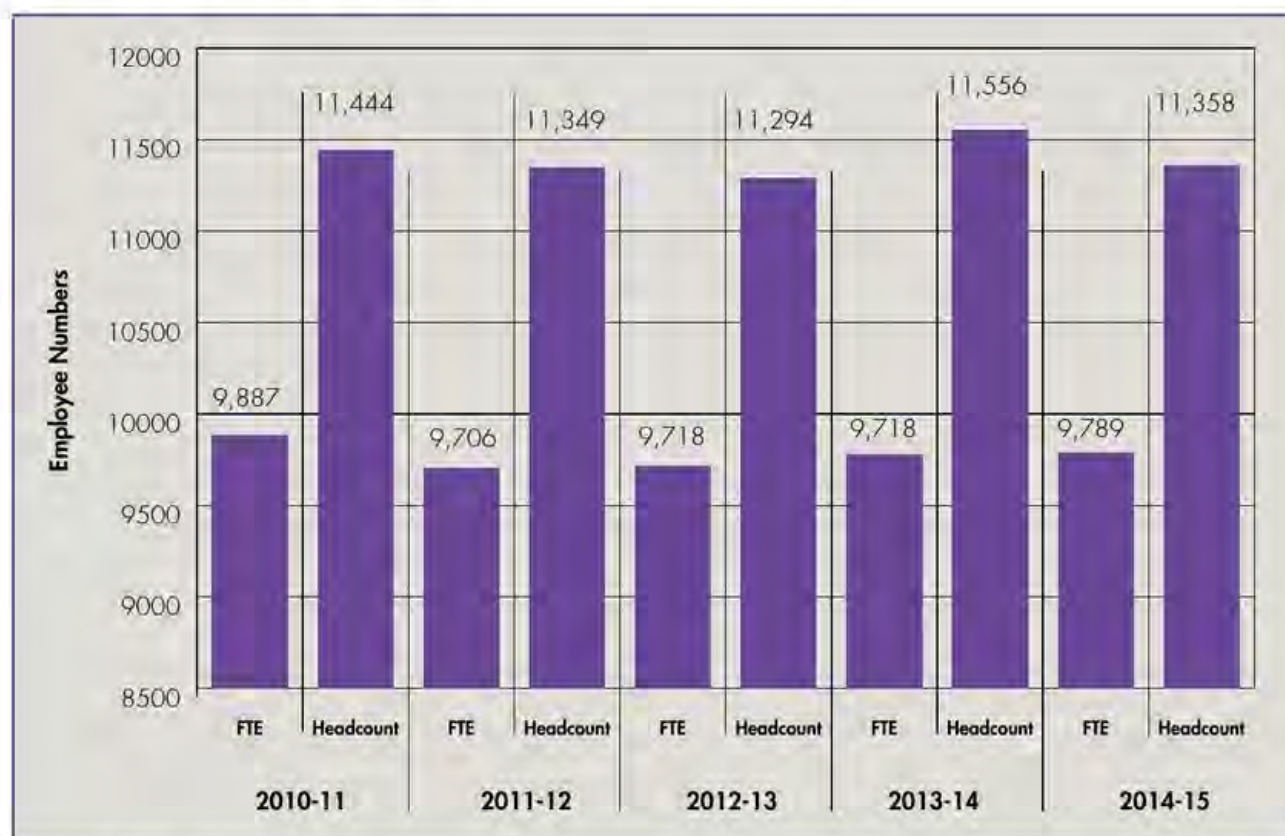
Source: Councils' audited financial statements

- 2.13 The General Fund is the main usable reserve. Overall, the total General Fund balance held by all councils has decreased by almost £6.7 million (7.8 per cent) compared with the previous year and now totals £79.7 million. The total General Fund balance held by all councils has increased by more than 28 per cent since 2010-11.
- 2.14 Whilst the average balance held by councils in their General Fund is £3.1 million, the level varies considerably across councils, from £0.1 million (Castlereagh Borough Council) to £22 million (Belfast City Council). I would encourage Councils to continue to consider the amounts held as reserves to ensure they are making the best use of funds and also providing adequately against financial exposure risks.

Workforce

- 2.15 Between 1 April 2014 and 31 March 2015 there was a small decrease (1.7 per cent) in the number of staff employed by councils as measured by headcount and a small marginal increase in the number of Full Time Equivalents (FTE) (see **Figure 7**).

Figure 7: Staff numbers in councils



Source: Councils' audited financial statements

- 2.16 Staff costs represent approximately 40 per cent of gross expenditure in councils, amounting to almost £328 million in 2014-15, an increase of 6.1 per cent from 2013-14.
- 2.17 The average cost of employing a member of staff increased from £31,597 in 2013-14 to £33,490 in 2014-15 (5.9 per cent). Across councils, changes in average staff costs ranged from an increase of 31 per cent to a decrease of 4 per cent. There are also considerable variations in average staff costs across councils, with the lowest in Banbridge and the highest in Ballymena. Differences can be influenced by various factors such as the timing of single status settlements (see **paragraph 5.5**).

Part Two: Managing Resources

Agency staff

- 2.18 In many councils, significant expenditure continues to be incurred on the engagement of agency staff, reflecting an ongoing trend over the past number of years. Total expenditure on agency staff increased by 9 per cent to £17.2 million (2013-14, £15.8 million). Agency costs represent 5 per cent of staff costs overall, however, in four councils, these costs amounted to more than 10 per cent of total annual staff costs, with the highest at 19 per cent. Councils must be satisfied that they are receiving value for money from such significant expenditure and that this is the best means of providing the relevant services.

Exit Packages

- 2.19 Councils are required to disclose the number and costs of staff exit packages. These costs include compulsory and voluntary redundancy costs, pension contributions and other departure costs. Over the five financial years from 2010-11 to 2014-15 councils have paid a total of £17.2 million in exit packages to staff (see **Figure 8**).

Figure 8: Exit Packages paid between 2010-11 and 2014-15

	Number of Exit Packages	Cost of Exit Packages £m	Number of Packages greater than £100,000
2010-11	67	2.6	Not Available
2011-12	71	2.5	5
2012-13	55	1.5	2
2013-14	49	1.9	5
2014-15	169	8.7	22
Total	411	17.2	34

Source: Councils' audited financial statements

- 2.20 In 2014-15, councils agreed 169¹¹ exit packages at a cost of £8.7 million. This represents a significant increase (120) in the number of packages from 2013-14 due to the planned restructuring for the establishment of the reduced number of new Councils.
- 2.21 Of the £8.7 million of expenditure, nearly 70 per cent was paid by five councils. Seven councils paid no exit packages in 2014-15 (2013-14, 11 councils).

¹¹ This does not include an exit package covered by a confidentiality clause – see **paragraph 2.22**

- 2.22 In addition to the 169 exit packages, there was an additional exit package, the details of which have not been disclosed by a Council for confidentiality reasons. In my annual audit letter to that Council I noted *"This is the second year in a row where the Council entered into a confidentiality agreement and made such a payment to an employee. I have recommended that the use of confidentiality clauses should be carefully considered"*.
- 2.23 **I recommend that local government bodies apply the spirit of the guidance on confidentiality clauses which has been given to central government bodies.** The Public Accounts Committee of the Northern Ireland Assembly recommended that, as a point of principle, confidentiality agreements should not be used anywhere in the public sector.¹² If in exceptional circumstances their use proves to be unavoidable, these cases should be approved by the relevant Departmental Accounting Officer and by DFP. Managing Public Money Northern Ireland recognises the need to strike an appropriate balance between reporting confidentiality and open disclosure in the public interest. It states that any proposal to keep a special payment confidential needs to be justified especially carefully since confidentiality could appear to mask underhand dealing¹³.

¹² This recommendation was included within the report on 'Procurement and Governance in Northern Ireland Water in 2011', NIA 37/10/11R Public Accounts Committee, Northern Ireland Assembly

¹³ Annex 4.13.7 of Managing Public Money Northern Ireland

Part Three: Good Governance



Part Three: Good Governance

Review of governance statements

- 3.1 The annual governance statement explains a council's governance arrangements and controls to manage the risks of failure to achieve strategic objectives. It is a key statement by which a council demonstrates to its ratepayers, elected members and other external stakeholders that it is complying with the basic tenets of good governance. The statement should explain the key elements in a council's governance arrangements, the process for reviewing the effectiveness of those arrangements, and outline actions taken to deal with any significant governance issues. Councils were provided with guidance in "Circular LG 04/2008" by the then Department of the Environment on 'The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006'¹⁴. The Regulations require that the body or committee must approve an annual governance statement prepared in accordance with proper practices on internal control. The guidance states that proper practices are those set out in 'Delivering Good Governance in Local Government: Framework', published by the Chartered Institute of Finance and Accountancy (CIPFA) in 2007. In 2012, CIPFA issued an 'Addendum to the Delivering Good Governance in Local Government: Framework' which includes an example of a Governance Statement.
- 3.2 Councils are required to detail significant issues about their governance arrangements. A significant governance issue for one council may not be significant for another. This will depend on an individual council's governance framework, how effectively it is operating and the extent to which the issue has the potential to prevent a council from achieving its strategic objectives.
- 3.3 For the most part, the governance statements were comprehensive and of good quality, however several statements neither fully explained the implications of the significant risks identified, nor the action plans needed to address them or prevent their re-occurrence. The following two examples and my subsequent comments, help demonstrate these incomplete disclosures:

Comment within governance statement	Local Government Auditor's comment - highlighting incompleteness of disclosures
A number of procurement issues were raised with the Council by the external auditors. In an attempt to address the matter Council made budgetary provision to cover its share of the cost of a Procurement Officer across the cluster councils	This comment neither details what the procurement issues were nor what the procurement officer is going to do to remedy these issues, including the timeframe.

¹⁴ For future financial years beginning in 2015-16, new guidance in Circular LG 30/2015 now applies the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

Comment within governance statement	Local Government Auditor's comment - highlighting incompleteness of disclosures
One internal audit in relation to a review of Council Managed Community Centres received an assurance level of Limited. Following this review, a number of new internal controls were put in place to improve assurance levels within this area.	There is no comment as to the nature of the issues, their implications and when a review will be undertaken to assess whether these new controls are working.

- 3.4 An example of a governance issue which 'on the face of it' sufficiently outlines the issue, implications and timeframe is as follows:

We have concerns regarding the lack of internal control processes related to the Bonfire Management Programme. We consider that during 2014-15 £3074.54 was provided to funders for costs other than those permitted under the conditions of the grant scheme. As a consequence, a full internal audit of the programme will be undertaken. The process for funding of bonfires for the new Council is under review and a review of the controls over authorisation of expenditure will be conducted as part of this process.

- 3.5 While all councils highlighted the risk associated with local government reform, two councils noted no further significant governance issues. The remaining 24 councils identified a total of 81 significant governance issues.

Significant issues highlighted by councils in annual governance statements

- 3.6 Other than the risk arising from local government reform, the other common governance themes and their frequency are summarised in **Figure 9** below.

Figure 9: Governance issue themes

Theme	Number of Councils
Procurement	11
Waste – landfill diversion	7
Grant income – concerns re full recovery/repayment	5
Legal issues	5
Absenteeism	4
Asset management	3

Source: Council Annual Audit Letters

Part Three: Good Governance

- 3.7 The following case study highlights a significant issue arising from my review of the annual governance statements. In this case a capital project, at Dundonald International Ice Bowl, started by Castlereagh Borough Council was challenged by the new Shadow Council as not having the requisite approval by either the Statutory Transition Committee or the Shadow Council. In a September 2013 direction from the Department of the Environment, councils were to seek written consent from the relevant Statutory Transition Committee prior to entering into a capital contract where consideration exceeds £250,000; this consent was not obtained for that project. While Castlereagh Borough Council argued that such consent was not required as the contractual relationship was in place prior to the September 2013 direction, the project was ultimately aborted with a write-off of approximately £1.5 million to the General Fund. This case highlights the importance of agreeing contract proposals with all relevant parties before significant preliminary costs are incurred.

Case Study – Dundonald International Ice Bowl (DIIB)

Castlereagh Borough Council identified the need for the DIIB complex to be redeveloped. The Council's contractual liabilities were challenged by the new Shadow Council, as allegedly being in contravention of DOE guidance issued as of 25 September 2013.

On 9 September 2014 the DOE issued a letter advising "Council did not enter into the contract until November 2013" with implication being that Council did not have requisite Shadow Council approval to proceed with the redevelopment. However on 23 September 2014 Council received its own legal advice confirming Council had entered into a binding contractual relationship with both Lead Designer and Cost Consultant, at the latest by 8 May 2013. On 29 September 2014 Council wrote to DOE seeking clarification of the issue.

On 24 October 2014, a final direction was received from the Shadow council advising that the Shadow council would not be proceeding with the construction of DIIB. Castlereagh Borough Council agreed at a special meeting on 6 November 2014 to formally cease the redevelopment of the DIIB. Subsequently £1.5 million was written off to the General Fund in 2014-15.

Source, Castlereagh Borough Council Annual Governance Statement and annual audit letter (adapted)

Proper arrangements to ensure economy, efficiency and effectiveness

- 3.8 The Local Government (Northern Ireland) Order 2005 requires me to be satisfied each year that proper arrangements have been made for securing economy, efficiency and effectiveness (value for money) in the use of resources.

- 3.9 Based on my risk assessment for each council I reviewed a sample of the ten areas outlined in my Code of Audit Practice¹⁵, see **Figure 10**, to determine if these arrangements are in place.

Figure 10: the Code of Audit Practice outlines ten arrangements for securing Value for Money

Ten arrangements for securing Value for Money	
1.	Financial Planning - Planning finances effectively to deliver strategic priorities and secure sound financial health.
2.	Financial Performance - Having a sound understanding of costs and performance and achieving efficiencies in activities.
3.	Financial Reporting - Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
4.	Procurement - Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
5.	Data to support decision making and manage performance - Producing relevant and reliable data and information to support decision making and manage performance.
6.	Good governance - Promoting and demonstrating the principles and values of good governance.
7.	Risk - Managing risks and maintaining a sound system of internal control.
8.	Natural Resources - Making effective use of natural resources.
9.	Asset Management - Managing assets effectively to help deliver strategic priorities and service needs.
10.	Workforce Management - Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

Source: Code of Audit Practice 2011. (A new Code of Audit Practice was published on 31 March 2016 and will apply for 2015-16 audits)

- 3.10 I was satisfied that 24 councils had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources for the 2014-15 financial year. However, I had concerns in respect of Larne Borough Council and Down District Council.
- 3.11 This was the third year running that I was not satisfied that Larne Borough Council had sufficient proper arrangements in place. This year my concerns related to financial planning, risk management and time in lieu payments to senior staff. I expect the new Council to address these issues.

¹⁵ This refers to the 2011 Code which was replaced by an updated Code on 31 March 2016.

Part Three: Good Governance

- 3.12 At Down District Council I examined the areas of financial planning and procurement. My concerns related to the Council not complying with relevant legislation on the approval of a policy on Minimum Revenue Provisions or with the Department of the Environment's guidance on Investments.

Audit & Risk committees

- 3.13 The main purpose of an audit and risk committee is to give independent assurance to elected members and the public about the governance, financial reporting and performance of a council. It also scrutinises the council's financial management and reporting arrangements and provides an independent challenge to the council.

Strengthening the role of an audit & risk committee

- 3.14 In recent years, I have highlighted on a number of occasions that the appointment of independent members to an audit & risk committee was a way of strengthening its independence and widening the range of specialist skills. While 10 councils did not have any independent members in the 2014-15 year, it is pleasing to note that, going forward, most of the new eleven councils have at least one independent member on their audit & risk committee or are in the process of appointing an independent member.

Arrangements for the review of effectiveness of the system of internal audit

- 3.15 For 2014-15 audits, the '*Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006*' applied and these required councils to maintain an adequate and effective system of internal audit and to conduct a review of the effectiveness of their system of internal audit at least once a year. The vast majority of councils undertook this review for the 2014-15 financial year.
- 3.16 For 2015-16, '*The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015*' do not specifically state that councils should conduct a review of the effectiveness of their system of internal audit. However, this is implied at regulation 6(1) of those Regulations whereby "*A local government body must undertake an adequate and effective internal audit... using internal audit standards in force from time to time.*" The Public Sector Internal Auditing Standards (PSIAS) which came into force on 1 April 2013 are applicable to all public sector bodies in the UK. PSIAS includes a definition of internal auditing and provides detail on the main areas where internal audit activity must contribute to improvement including governance, risk management and internal control. International Standard 1300: Quality Assurance and

Improvement Program (included in PSIAS) notes that internal assessments must include on-going monitoring of the performance of internal audit activity. Hence it is important that all of the new councils continue this system of internal audit, including a review of its effectiveness.

Conflicts of interest

- 3.17 Councils should have in place arrangements to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and should ensure that these arrangements operate effectively. In 2015 the Northern Ireland Audit Office (NIAO) published a good practice guide on conflicts of interest¹⁶. Key points of this guidance include:
- Staff and board members of public bodies must discharge their duties in a manner that is seen to be honest, fair and unbiased. In an age where all sectors of society are increasingly well-informed, there is growing pressure for more transparent and unbiased public decision-making. Consequently, public bodies must ensure that conflicts of interest are identified and managed in a way that safeguards the integrity of staff and board members and maximises public confidence in the organisation's ability to deliver public services properly.
 - Board members and staff in key positions must recognise when they have a conflict of interest and should know how to act when such a situation arises. (Examples of good practice are also provided.)
 - promoting high standards in public life.
- 3.18 **Some councils do not yet have a conflict of interest policy in place and I recommend that such a policy be implemented as soon as possible.** It is important that board members and council staff are aware of their responsibility for managing the risk of a conflict of interest (real or perceived) or, where this is not possible, for ensuring that it is declared and managed properly. Regular induction and awareness training is essential to ensure that the conflicts of interest policy is understood and applied by all staff.
- 3.19 No conflicts of interest were reported within any council governance statements in the 2014-15 financial year.

Code of Conduct

- 3.20 Under Section 53 of the Local Government Act (Northern Ireland) 2014, the Department issued a mandatory Code of Conduct for councillors, which came into effect in May 2014.

¹⁶ 'Conflicts of Interest – A Good Practice Guide', March 2015.

Part Three: Good Governance

- 3.21 The Code of Conduct is based on 12 principles of conduct which are intended to promote the highest standards of behaviour for councillors. These draw on the Nolan principles of public life as well as further principles adopted by the Northern Ireland Assembly and are listed at **Figure 11**.

Figure 11: Principles of Conduct

Public Duty	Honesty
Selflessness	Leadership
Integrity	Equality
Objectivity	Promoting Good Relations
Accountability	Respect
Openness	Good Working Relationships

Source: The Northern Ireland Local Government Code of Conduct for Councillors, Department of the Environment, May 2014.

- 3.22 Under the Code of Conduct, each council has to establish and maintain a register of members' interests and a register for gifts and hospitality, along with procedures for dealing with declarations of interest. Further requirements, specifically addressing council members' obligations relating to planning matters, came into force on 1 April 2015.
- 3.23 The Northern Ireland Ombudsman has a statutory role as Local Government Commissioner for standards. This includes enforcing mechanisms of the Code of Conduct for councillors, including the investigation of, and adjudication on, alleged failure to comply with it. Where there are any financial implications arising from non-compliance with the Code, I may decide to report this information. In October 2015, I signed a formal protocol with the Northern Ireland Ombudsman, which sets out arrangements for co-operating and working together in order to fulfil our statutory responsibilities as fully, effectively and efficiently as possible. The protocol will be updated in 2016-17 to take into account the provisions of Section 51 of the Public Services Ombudsman Act (NI) 2016, which came into effect on 1 April 2016. This includes details on the Ombudsman's role in consulting/co-operating with me in respect of investigations.

Part Four: Theft, Fraud and Whistleblowing



Part Four:

Theft, Fraud and Whistleblowing

- 4.1 Unlike central government public bodies, which are required to report all cases of suspected, attempted and actual fraud to the Comptroller and Auditor General, local government bodies are not required to report such matters to me. However, any fraud related issues should be disclosed in the council's governance statements, and as part of my audit planning process for 2014-15, I made enquiries about the fraud and whistleblowing arrangements at each council.
- 4.2 Due to the larger size and increased powers of the new 11 councils, I have reached an agreement that all suspected, attempted and actual fraud should be reported to me on a more formal basis. From 1 April 2016, local councils should report any such frauds using the circulated pro-forma 'Initial Notification of Frauds to the Local Government Auditor'. I will use the information received to determine whether or not there is any impact on the financial accounts and to have an overview of key fraud risks across local government.

Theft and Fraud

- 4.3 While a small number of low value thefts were reported, no major frauds have come to my attention this year. There were a number of attempted frauds including the following example:

Case Study - Attempted fraud in Derry City Council

In February 2015 there was an attempt to defraud the Council of a significant sum of money through false representation by amendment of supplier's bank details. Council recovered this money and has subsequently strengthened the internal controls in place to mitigate against this risk in future.

Source: Derry City Council – Financial Statements 2014-2015 (Governance statement extract)

- 4.4 The risk of fraud increases during times of organisational change. Given the reorganisation of the local government sector, the new enlarged councils must continue to ensure that policies, procedures and associated key controls for preventing and detecting fraud are both robust and operating effectively.
- 4.5 In November 2015, NIAO published a good practice guide, Managing Fraud Risk in a Changing Environment. The guide contains an aide memoire and checklists to help organisations gauge how well they are addressing fraud risk and identify areas for improvement. I would commend the use of this guide to all local councils.

- 4.6 **I recommend that the Department should consider the current structures in place to monitor frauds, gather and collate information and bring trends and lessons to the attention of the sector as a whole.**

Whistleblowing

- 4.7 Whistleblowers have an important role to play in bringing information to light about matters of concern in relation to the proper conduct of public business. The proper and timely investigation of such matters is a vital component of good governance arrangements, which instils confidence that, where wrongdoing exists, those responsible are held to account, mistakes are remedied and lessons learnt.
- 4.8 All councils may receive whistleblowing concerns in line with their own policies. It is important that councils ensure they have procedures in place to deal quickly and robustly with concerns raised. Councils should also ensure that whistleblowers are supported and protected from any form of victimisation.
- 4.9 As the Local Government Auditor within the NIAO, I am a prescribed person to whom protected disclosures can be made under the Public Interest Disclosure (NI) Order 1998. In that capacity I receive whistleblowing concerns relating to local government bodies (see **Figure 12**).
- 4.10 Details of how concerns can be raised are published on the NIAO website¹⁷. Any concerns raised will be evaluated as audit evidence. This evaluation will take account of a range of factors including:
- professional judgment;
 - audit experience;
 - whether there is a "public interest" element to the issue; and
 - whether the concerns indicate serious impropriety, irregularity or value for money issues.
- 4.11 In dealing with concerns, I consider a range of possible actions, from discussing the issues with the audited body to carrying out a full audit investigation and including relevant comments in our audit reports. I am not required to undertake investigations on behalf of individuals.

¹⁷ <http://www.niauditoffice.gov.uk/whistleblowing>

Part Four:

Theft, Fraud and Whistleblowing

Figure 12: Whistleblowing concerns reported directly to the Local Government Auditor

	2013-14	2014-2015	2015-2016
Number of concerns reported directly to the Local Government Auditor	21	21	12

Source: Northern Ireland Audit Office

- 4.12 During the previous year the four supreme audit agencies of the UK, including the NIAO, jointly issued a good practice guide on whistleblowing in the public sector¹⁸. A key message in the guide is the need for a culture change in public sector organisations, from the top down. The agencies highlighted that:

"Whistleblowing needs to be encouraged by employers as 'the right thing to do'. It is clear that there needs to be a cultural change throughout the public sector and a very clear message must come from the top of every organisation that senior management supports workers who raise genuine concerns and that all such concerns raised will be taken seriously and investigated appropriately."

- 4.13 **I recommend all of the 11 new councils follow the guidance outlined in the good practice guide.**

National Fraud Initiative (NFI)

- 4.14 The National Fraud Initiative (NFI) is a major two-yearly data matching exercise in which all local councils participate. It helps public bodies identify potentially fraudulent and duplicate transactions using sophisticated computer based data matching techniques. The NFI provides participating organisations with valuable management information which they would not otherwise be able to access. Powers to data match were inserted into the Audit and Accountability (Northern Ireland) Order 2003 by the Serious Crime Act 2007.
- 4.15 Councils continue to participate in the NFI with the fourth round of the exercise complete and published. In January 2015 almost 15,500 matches were released to councils; 1,500 of these were recommended for investigation. The transition to the new council structure meant that some NFI work was deferred, however by March 2016, all but one council had completed the review and investigation of their highest quality data matches.
- 4.16 Four councils identified a number of duplicate payments totalling almost £4,500 and were able to recover these funds from suppliers. In addition, the inclusion of councils' payroll data contributed to savings of over £8,000 for other participating organisations, mostly in relation to housing benefit claims.

¹⁸ 'Whistleblowing in the Public Sector: A good practice guide for workers and employers', November 2014.

- 4.17 While the majority of councils had no monetary outcomes, this provides an element of assurance that controls within their payroll and creditors' systems appear to be operating satisfactorily.
- 4.18 There is no requirement to investigate all matches. However, as in previous exercises, some councils appear to be doing too much. **I recommend that to make the most effective use of resources, councils should adopt a risk based approach, focus on high risk matches and should not continue investigations when no fraud or error is being found.**
- 4.19 The Comptroller and Auditor General for Northern Ireland published the report on the current NFI exercise in July 2016.

Part Five:
General Matters



Part Five: General Matters

- 5.1 Following the conclusion of the audit of council accounts, I provide a report to those charged with governance and an annual audit letter. These detail the results of my audit and the actions agreed by management to address the issues raised.
- 5.2 Councils are required by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 to publish the annual audit letter *"as soon as reasonably possible after [it] has received an annual audit letter from the local government auditor"*. Whilst councils normally satisfy this legislative requirement by making the document available on their websites, I would remind all councils of the need to ensure this is completed in a timely manner¹⁹. In my new local government Code of Audit Practice 2016, which applies from the 2015-16 financial year, I have set out that I may publish council annual audit letters on the NIAO website, to enhance the transparency of public reporting.
- 5.3 In my previous reports, I have identified a number of common themes brought to my attention during the audits of councils, for example, procurement and contract management. Some of these themes have been disclosed by councils within the Annual Governance Statement (see paragraph 3.6 and **Figure 9**).
- 5.4 My focus in this report is to highlight any other areas with a common theme which may not necessarily be regarded by individual councils as significant, but which I believe, in totality, deserve attention. These are:
- single status;
 - prompt payment; and
 - absenteeism.

Single status

- 5.5 The Single Status Agreement is a UK national agreement on pay and conditions signed in 1997 between local government employers and trade unions. The aim is to ensure equal pay for work of equal value, regardless of gender and to harmonise pay and terms and conditions between manual and non-manual workers by 2007.
- 5.6 With the 26 outgoing councils replaced by the 11 new councils on 1 April 2015, some councils have inherited the outstanding single status financial liabilities. In my view, it is important that the new councils should act quickly to ensure that these are fully resolved at the earliest opportunity.

¹⁹ The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 will take effect for financial years beginning 1 April 2015.

- 5.7 **I would also recommend that new councils should consider what future action is required to harmonize the terms and conditions of legacy council employees.**

Prompt Payment

- 5.8 As a result of UK and EU legislation, all public bodies are required to pay suppliers for goods or services received within 30 days of receiving an undisputed invoice. Paying within this timeframe is regarded as 'prompt payment'. This section compares prompt payment performance in Northern Ireland councils with that of central government bodies²⁰ and this is a subject that I have monitored and reported on for a number of years.
- 5.9 In 2014-15 councils processed nearly 332,000 invoices, representing an increase of around 2.1 per cent on the number of invoices processed in 2013-2014. **Figures 13 and 14** show the percentage of valid invoices paid within the 30 day and 10 day targets (accepted benchmarks set by legislation and the Department²¹). However, with an average of only 50 per cent of all invoices being paid within 10 working days, and 84 per cent within 30 working days, performance continues to fall short of central government bodies.
- 5.10 I will continue to review prompt payment and next year may report on how the 11 new councils are performing. **I recommend that councils should strive to build on the improvements of the previous councils and aim to match the performance of central government.**

Figure 13: Comparison of 30 day payment performance with central government bodies

Sector	2013-2014 Sector Average %	2014-2015 Sector Average %	Movement %
Central government	97	97	-
Councils	81	84	+3

Source: Department of the Environment and Account NI data (unaudited)

Figure 14: Comparison of 10 day payment performance with central government bodies

Sector	2013-2014 Sector Average %	2014-2015 Sector Average %	Movement %
Central government	89	91	+2
Councils	42	50	+8

Source: Department of the Environment and Account NI data (unaudited)

20 The central government bodies included the 12 Northern Ireland departments and 18 other bodies, including 12 agencies, 5 arms length bodies, and 1 non-ministerial government department.

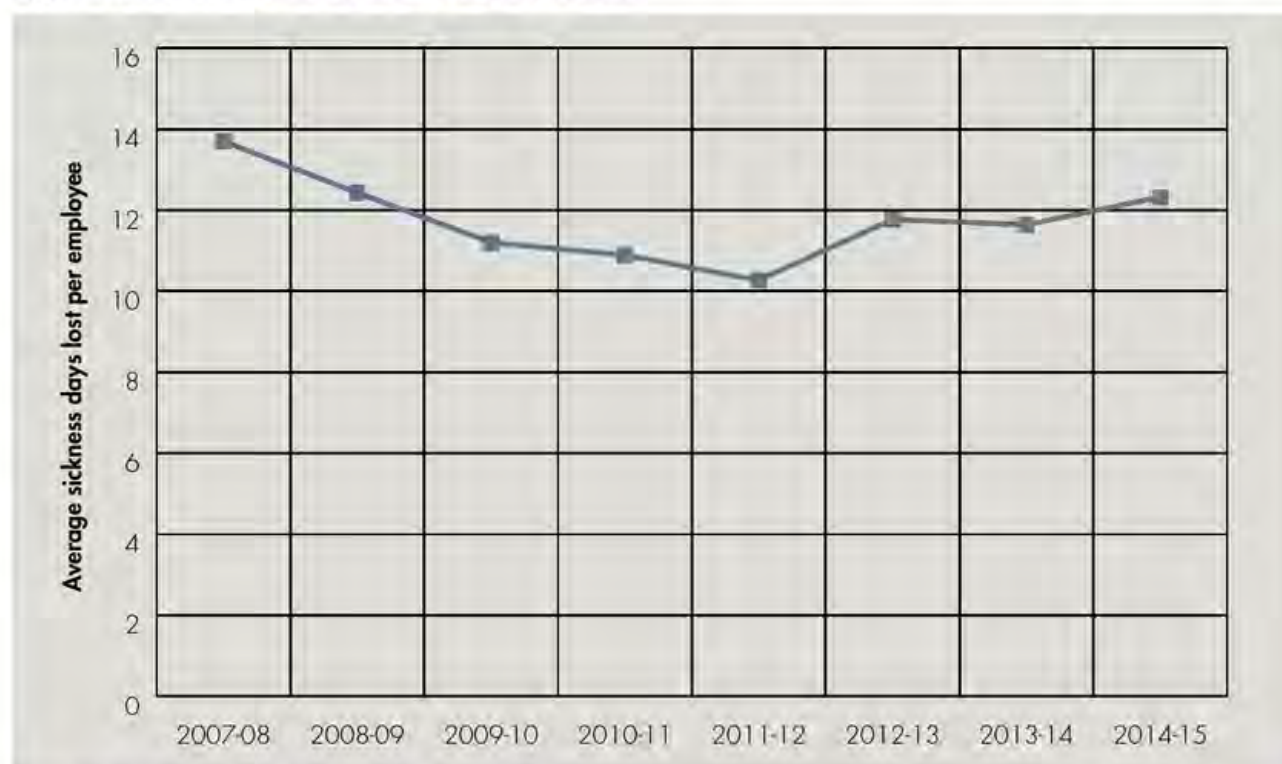
21 European Union Directive on Combating Late Payment in Commercial Transactions (EU Directive 2011/7/EU), Department of the Environment circular LG 17/12.

Part Five: General Matters

Absenteeism

- 5.11 During 2014-15 there was a slight increase in overall absenteeism compared with the previous year. Unfortunately this has begun to indicate an overall rising trend since 2011-12, and the highest overall absentee rate since the 2008-09 financial year.
- 5.12 The average sickness absence rate in 2014-15 was 12.32 days a year compared with 11.63 days the previous year (see **Figure 15**), an increase of almost 5.9 per cent per employee. There is a significant range in the number of days lost per employee across the different councils; Armagh recorded the lowest number of days lost at 7.57 while Larne recorded the highest at 17.42.

Figure 15: Sickness absence trend 2007-08 to 2014-15

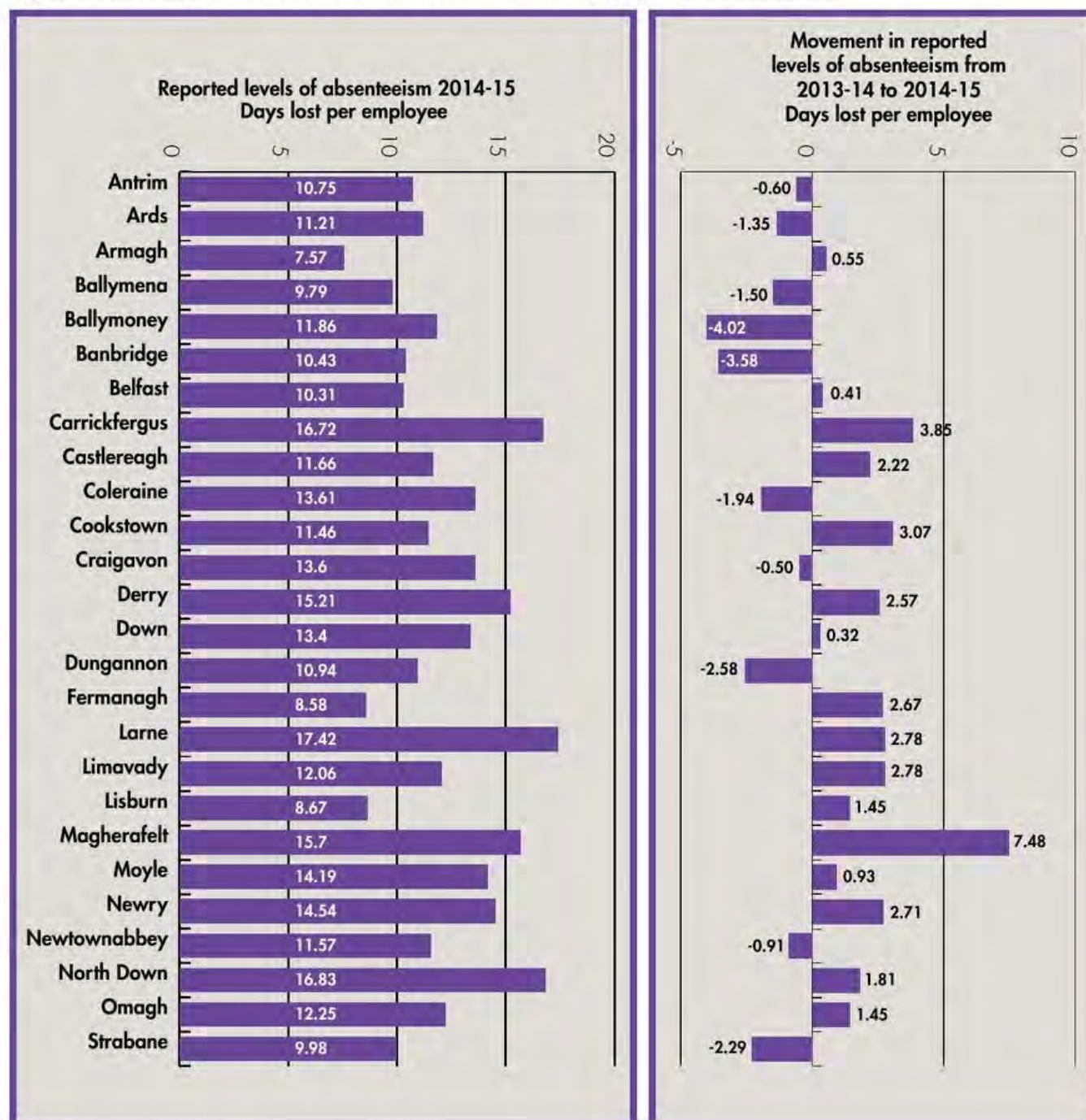


Source: Northern Ireland Council data (unaudited)

- 5.13 My annual audit letters for 2014- 2015 contained an unaudited summary of the results of each council's individual absenteeism statistics for the year, alongside trends over a six year period. I have summarised the results in **Figure 16**. Overall the majority of councils have had slightly increased levels of absenteeism, with only 10 of the 26 councils reporting improved performance from 2013-2014.
- 5.14 Of the 16 councils reporting an increase in absenteeism, eight councils reported an increase in absence rates of more than 2.5 days per employee. Of these, Magherafelt had the largest increase of 7.48 days per employee. The greatest decrease was in Ballymoney, where the absence rate fell significantly by 4.02 days per employee.
- 5.15 Where councils experienced a rise in absence, 10 out of 16 councils reported increases in long term absence. Conversely 7 out of 10 councils reporting a decrease attributed this to a continued commitment to reduce long term sickness absence.
- 5.16 **I recommend that councils continue to rigorously manage absence to ensure that staff welfare is protected and that the delivery of front line services is not adversely affected.**
- 5.17 I will continue to monitor the overall absenteeism rates. 2015-16 will be a baseline year for the 11 councils going forward, and I will also continue to keep under review the benefits of, and potential for, a further more detailed study on this subject.

Part Five: General Matters

Figure 16: Absenteeism in Northern Ireland Councils 2014-15, compared with 2013-14



Source: Northern Ireland Councils data (unaudited)

Part Six:
Performance Improvement



Part Six: Performance Improvement

Overview

- 6.1 Part 12 of the Local Government (Northern Ireland) Act 2014 introduced new statutory continuous performance improvement responsibilities for the 11 new councils. In addition, it assigned substantial additional audit functions to my annual programme of audit work, requiring me to undertake improvement audits and assessments each year. The Department decided to phase in council responsibilities over three years, beginning in 2015-16, and my responsibilities are aligned to this.
- 6.2 In support of Part 12 of the Act, the Department issued statutory guidance to assist councils comply with their performance improvement duties under the Act, going forward. In addition, it set out a programme of improvement activity, which included a number of specific improvement related responsibilities for both the councils and me for 2015-16. In recognition that this was the first year of the new performance improvement framework and that the new councils were heavily engaged in establishing themselves in their first year of operation, these improvement responsibilities were set at a very high level. Correspondingly the audits and assessments in this year were developed and conducted with proportionality in mind.
- 6.3 During the year I completed this introductory programme of audit work and issued letters of assurance, to each council and the Department, providing my assessment of the council improvement activity for 2015-16.
- 6.4 I have also continued to liaise and work with the Department on the detailed implications and timings for this new work stream going forward including commenting on drafts of its consultation documents and guidance which underpin the performance improvement framework.

Key observations and messages in 2015-16

- 6.5 With the exception of one council which did not have a satisfactory timetable and plan in place to develop and progress its performance improvement objectives, each council met its responsibilities for the year. These included:
 - whether a council had selected at least one performance improvement objective and that it had been published;
 - that each objective met at least one of the seven relevant criteria specified in the Act;
 - that a consultation process had been conducted; and

- whether a satisfactory timetable and plan was in place to develop and progress the specified performance improvement objective (s).

6.6 Whilst the councils are to be commended for this, they are at very different stages of progression in both implementing their improvement objectives and the arrangements to deliver them. During the course of my work I noted a number of matters I believe are worth sharing:

- Some councils focused on basic compliance with the guidance in the introductory year, particularly in relation to the use of corporate objectives as performance improvement objectives. Whilst this was permissible in the first year and each council will have its own strategic and operational reasons for adopting this approach, it has left these councils with a much more challenging year ahead, both in setting improvement objectives and establishing arrangements to take them forward.
- Whilst performance measurement will become an integral part of the framework and will measure any improvement over time, I suggest council resources at this early stage should primarily be focused on developing and prioritising valid improvement objectives and establishing arrangements to take them forward.
- Councils should refer to the Department's guidance, or to the Department itself, for any matters in relation to the clarification of their roles, responsibilities, or duties under the legislation. My independent role as Local Government Auditor only permits me to provide advice and support relating to the audit and assessment process itself, identify any shortcomings from the outworkings of my programme of work, and make meaningful observations or statutory recommendations based on these.
- I was pleased to see that the councils established a working group to provide a forum for key officers to discuss the general approach to their responsibilities and the performance improvement framework in general. It is my view that all councils should engage in this forum to maximise the benefits of collaborative thinking.
- The quality of documentary evidence presented by councils to support their activity in the year varied widely. Despite the activity and responsibilities in this introductory year being very limited, many councils only just met some of their responsibilities. Going forward, councils need to ensure that they retain a robust audit trail and that their performance improvement objectives fully comply with legislation and the guidance.
- In a small number of councils there was limited evidence of external consultation with stakeholders and citizens. In line with the legislation and guidance, councils should ensure that consultation is used as a tool in helping to determine improvement objectives.

Part Six: Performance Improvement

Looking Forward

- 6.7 This year will be the first year in which councils will be required to publish annual improvement plans and the first year that I will be publishing my annual improvement reports. A council's improvement plan will set out its improvement commitments and how it hopes to achieve them. My improvement reports will set out the findings of my audit and assessment for each council and include my opinion of whether its improvement arrangements comply with the legislation and guidance. With this new and increased level of scrutiny and reporting transparency will come greater improvement expectations of the councils, from its citizens and other stakeholders.
- 6.8 Whilst the NIAO absorbed the cost of the audits in the first year, going forward councils will be required to meet the cost of this work. In recognition of this, at a time when councils are beginning to experience significant financial pressures, I have developed my audit approach and methodology with efficiency and effectiveness in mind, as well as consistency and proportionality. My key aims are to hold councils to account for their duty of continuous improvement and to add value to their improvement arrangements.

Part Seven: Potential Lessons from Central Government Value for Money Reports 2015-16



Part Seven:

Potential Lessons from Central Government Value for Money Reports 2015-16

- 7.1 When considering the adequacy of existing governance arrangements, it is important for councils to consider governance findings from other published sources and evaluate whether their existing internal controls are sufficient to address any key issues arising from these sources or alternatively whether current controls / risk registers should be enhanced. Such report findings may also be useful when considering the statutory functions of improvement audits and assessments, and also when considering whether proper arrangements have been made for securing economy, efficiency and effectiveness.
- 7.2 Value for money reports published by the Comptroller and Auditor General (C&AG), who is the head of the NIAO, are a useful source. He has the statutory authority to report to the Assembly on the economy, efficiency and effectiveness with which departments and public bodies use their resources. During 2015-16 there were a number of findings in his reports which may apply to the new councils. I have categorised these under themes, tailoring findings to local government circumstances, and would encourage councils to consider whether any of these issues could potentially apply to them.

Land Disposals

- 7.3 As regards any land disposals, unless there is Departmental approval, councils are required to obtain the best price or rent or otherwise the best terms that can be reasonably obtained.
- 7.4 Councils should consider the findings of *"The Governance of Land and Property in the Northern Ireland Housing Executive"* report, which identified a number of weaknesses including:
- a conflict of interest was not properly handled;
 - land had not been advertised on the open market;
 - use of outdated valuations or failure to obtain valuations for land being disposed prior to sale; and
 - misleading or limited information was presented to the Board.

Invest to Save

- 7.5 The new councils have been seeking ways to achieve efficiency savings. The *"Invest to Save funding in Northern Ireland"* report is particularly relevant as it is associated with the upfront costs of making efficiency savings. Key messages from this report include:

- The primary focus of 'Invest to Save' funding was realising monetary savings. However, almost a third of projects funded did not anticipate and/or quantify savings over the 2011-15 budget period, and no specific savings targets were set for each of the 'Invest to Save' schemes or for individual projects allocated funding.
- In the absence of central monitoring, validation or reporting of savings it is difficult to assess whether the effectiveness of 'Invest to Save' funding has been maximised.
- The report found little evidence to show that 'Invest to Save' funding was used sufficiently to encourage risk-taking and innovation. Projects were generally – though not exclusively – lower risk and less innovative than might have been expected.
- In the Northern Ireland Audit Office's view, there was more scope to take advantage of new technology to identify alternative, more effective ways to deliver services; undertake cross departmental/agency working; pilot more productive ways of working; and introduce better working practices.

The Northern Ireland Events Company

7.6 This report includes a number of matters which are pertinent to councils, including managing conflicts of interest; consideration of whether councils should run or grant fund events; the importance of following up whistleblower allegations; and ensuring adequate documentation is provided to enable appropriate decision making. The key findings of the report into "The Northern Ireland Events Company" (the Company) included:

- The Chief Executive was involved in covering up escalating financial losses with misleading and, on occasion, fabricated documentation.
- The Chief Executive had a number of conflicts of interest which were poorly handled.
- The company started to promote its own major events, as opposed to grant funding, and there was no evidence that this change in business activity was approved by the Board. The Board was unaware of the greatly increased financial and operational risk to which this change in policy exposed it.
- The Board placed undue reliance on the information provided by the Chief Executive and failed to maintain a healthy balance between support and challenge. The information provided to the Board in respect of two major events was woefully inadequate.

Part Seven:

Potential Lessons from Central Government Value for Money Reports 2015-16

- The Board's ability to exercise a challenge function was fundamentally weakened by the lack of financial skills and low attendance amongst some members.
- The relevant Department failed to consistently challenge the Company when inadequate supporting documentation was provided; and had all whistleblowing complaints been thoroughly investigated by the Department, it is possible that the issues, which resulted in financial losses, could have been identified much earlier.

Continuous Improvement

7.7 Similar to councils, legislation requires the Policing Board to make arrangements to secure continuous improvement in the way its functions, and those of the Chief Constable, are exercised, having regard to economy, efficiency and effectiveness. This was considered in the "*Continuous improvement arrangements in policing*" report. Recommendations included:-

- a need for further development of performance measures which are specific, measurable and focused on outcomes rather than activities
- reducing the overall number of performance indicators by focusing on strategic priorities



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Report to:	Audit Committee
Date of Meeting:	22 September 2016
Subject:	Audit Committee Self-Assessment Checklist
Reporting Officer (Including Job Title):	Joe Campbell, Audit Committee Chairman
Contact Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services

Decisions required: Members are asked to consider and agree the process proposed for Audit Committee self-assessment review.

1.0	Purpose and Background:
1.1	As noted in the Annual Report of the Newry, Mourne & Down District Council Audit Committee, it is considered best practice for Audit Committees to undertake an annual assessment of their own performance.
2.0	Key issues:
2.1	The National Audit Office (NAO) have produced a self-assessment checklist, which is widely used by Audit Committees for this purpose, which focuses on areas of recognised best practice. A copy of this checklist, tailored for Council structures, is attached at Appendix 1 for consideration.
3.0	Recommendations:
3.1	It is recommended that the NAO checklist is used by the Newry, Mourne & Down District Council Audit Committee to carry out its self-assessment, with the Chairman leading the self-assessment exercise. The completed self-assessment checklist would then be tabled at the next meeting of the Audit Committee.
4.0	Resource implications
4.1	Chairperson and member time.
5.0	Equality and good relations implications:
5.1	None.
6.0	Appendices
	Appendix 1: NAO Self-Assessment Checklist



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GOOD PRACTICE

The Audit Committee self- assessment checklist

2nd edition January 2012



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 Council 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 Council 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 Council, 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).



Section I

Good practice principles for Audit Committees

Principle 1: The role of the Audit Committee

The Audit Committee should support the Council and the Accounting Officer by reviewing the comprehensiveness of assurances in meeting the Council 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 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 Council?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Are the Terms of Reference reviewed at least annually by the Council and the Audit Committee, to ensure that the work of the Audit Committee is aligned with good practice and business needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Do the Terms of Reference include rules for a quorum?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

Conclusions

Do we achieve **Principle 1: The Role of the Audit Committee** – Does the Audit Committee support effectively the Council 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?

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

	Yes	No	N/A
Independence			
6 Is the Chair of the Audit Committee different from the Chair of the Council?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Are the Audit Committee members either independent non-executive Council 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 type="checkbox"/>
Relationship with the Executive			
8 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other Participants			
9 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Are the numbers attending the Audit Committee meetings sufficient to deal adequately with the agenda, but not too many to blur issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conflict of Interest			
11 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



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	Yes	No	N/A
Terms of Appointment			
12 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 type="checkbox"/>
b. the support and training that they will receive;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. the commitment required;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. their remuneration;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. conflict of interest procedures;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. expected conduct;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. duration of appointment and how often it may be renewed;	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>
i. termination conditions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

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?

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.
-



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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
13 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. understanding of the organisation's culture;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. understanding of any relevant legislation or other rules governing the organisation; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. broad understanding of the government environment, particularly accountability structures and current major initiatives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 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 type="checkbox"/>
b. governance, assurance and risk management;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. audit;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d, technical or specialist issues pertinent to the organisation's business;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. experience of managing similar sized organisations;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. understanding of the wider environments in which the organisation operates; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. detailed understanding of the government environment and accountability structures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Skills		Yes	No	N/A
15 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training and Development				
16 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 Council, Risk Manager, Internal Audit and External Auditors?				
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

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?

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 Council 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
17 Does the Audit Committee consider the independence and effectiveness of Internal Audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship with External Audit			
22 Where relevant, does the Audit Committee consider the independence, objectivity, and effectiveness of the External Auditors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



National Audit Office

Relationship with External Audit (continued)	Yes	No	N/A
23 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24 Do the External Auditors inform the Audit Committee of key developments and issues at key stages of the audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fraud			
25 Does the Audit Committee consider whether effective anti-fraud and corruption policies and procedures are in place and operating effectively?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal Control			
26 Does the Audit Committee consider whether the Governance Statement is sufficiently comprehensive and meaningful, and the evidence that underpins it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Does the Audit Committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Reporting			
28 Does the Audit Committee review the first draft of the annual accounts before the External Auditors start work on them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b that there has been a robust process in preparing the accounts and annual report;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



National Audit Office

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 Council;	<input 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. whether suitable processes are in place to ensure accurate financial records are kept;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. whether suitable processes are in place to ensure regularity and propriety is achieved; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. whether issues raised by the External Auditors have been given appropriate attention.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30. Where the accounts have been qualified, does the Audit Committee consider the action taken by the Council to deal with the causes of the qualification?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31. 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

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 Council and Accounting Officer?

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.
-



National Audit Office

Principle 5: Communication

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

Good Practice Questions

		Reporting to the Council	Yes	No	N/A
32	Does the Audit Committee provide an Annual Report to the Council, timed to support preparation of the Governance Statement?		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Does the Annual Report of the Audit Committee present the Committee's opinion about:				
	a. the comprehensiveness of assurances in meeting the Council and Accounting Officers needs;		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b. the reliability and integrity of these assurances;		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	c. whether the assurance available is sufficient to support the Council and Accounting Officer in their decisions taken and their accountability obligations;		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	d. the implication of these assurances for the overall management of risk;		<input 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 Council and/or Accounting Officer should give attention to;				
	f. financial reporting for the year;		<input 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

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 Council and other stakeholders?

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 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

Communication

34. Does the Chair of the Audit Committee have open lines of communication with the Council, Head of Internal Audit, and the External Auditors?

☐

☐

☐
35. Do reports to the Audit Committee communicate relevant information at the right frequency, time, and in a format that is effective?

☐

☐

☐

- | Monitoring Actions | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 36 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"/> |

Appraisal

- 37 Are Audit Committee meetings well attended, with records of attendance maintained and reviewed annually by the Council?

☐

☐

☐

Additional Comments:

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.
-



National Audit Office

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
38 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, Council, and the Accounting Officer on a timely basis e.g. within one week of the meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39 Ask for confirmation that the minutes are a true and fair representation of a summary of the business taken by the Audit Committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the Audit Committee Secretariat: (continued)	Yes	No	N/A
40 Ensure action points are being taken forward between meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41 Arrange the Chair's bilateral meetings with:			
a the Accounting Officer, the Head of Internal Audit, Director of the External Auditors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b the Chair of the Council of sponsored NDPBs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Comments:

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?

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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Our Ref: CO1/16/49337
Your ref:
Date: 6th July 2016

Circular LG 14/2016

Dear Sir/Madam

**CONSOLIDATED COUNCILLOR ALLOWANCES CIRCULAR – UPDATED
JULY 2016**

This Local Government Circular provides a consolidated record of all current councillor allowances and supersedes Local Government Circular 12/2016. This revision of the consolidated circular determines maximum basic and special responsibility allowances from 1 April 2016 and from 1 April 2017.

All determinations are made by the Department under section 31 of the Local Government Finance Act (Northern Ireland) 2011 and the Local Government (Payments to Councillors) Regulations (Northern Ireland) 2012.

The travel and subsistence rates set, as carried forward from the previous consolidated circular, were determined by the Department following consultation with the Northern Ireland Joint Council for Local Government Services. Further details on each allowance can be found in Local Government Circular 04/2015 Councillors' Allowance Guidance as amended.

1. Basic Allowance

a) – valid from 1 April 2016

Basic Allowance	Maximum £14,342 per annum
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b) - valid from 1 April 2017

Basic Allowance	Maximum £14,485 per annum
------------------------	---------------------------

2. Dependants' Carers' Allowances – valid from 1 April 2016

The following table states the maximum rates for dependants' carers' allowance.

Dependants' Carers' Allowance	Hourly Rate	Maximum monthly amount
Standard	£7.20 [^]	£375
Specialist	£14.40	£749

[^](Based on national living wage for age 25+)

3. Travel Allowances – valid from 1 April 2015

The following table states the maximum rates for travel allowances.

Type of Vehicle	Rate per Mile
A pedal cycle	20.0p
A solo motor cycle of cylinder capacity not exceeding 149cc	11.4p
A solo motor cycle of cylinder capacity exceeding 149cc but not exceeding 499cc	16.5p
A solo motor cycle of cylinder capacity exceeding 499cc or a motor cycle with side car	22.0p

A motor car of cylinder capacity not exceeding 450cc	22.0p
A motor car of cylinder capacity exceeding 450cc but not exceeding 999cc	46.9p *13.7p
A motor car of cylinder capacity exceeding 999cc but not exceeding 1,199cc	52.2p *14.4p
A motor car of cylinder capacity exceeding 1,199cc	65.0p *16.4p
An electric car	45.0p **25.0p
Passenger rate (per passenger)	5.0p

* For mileage above 8,500 miles

**For mileage above 10,000 miles

4. Special Responsibility Allowance

The following table states the maximum rate of Special Responsibility Allowance that a council may pay. The maximum rate is based on the size of the council population. Each council's population figures are updated each year by the Northern Ireland Statistics and Research Agency and it is the duty of each council to operate within the total maximum rate appropriate to its population band. For ease the maximum any councillor can receive, within each band, is also provided.

a) – valid from 1 April 2016

Population of council	Maximum Special Responsibility Allowance £	Maximum (1/5 th) for individual councillor £
Less than 120,000	50,500	10,100
120,000 to 199,000	70,700	14,140
200,000 +	109,080	21,816

b) – valid from 1 April 2017

Population of council	Maximum Special Responsibility Allowance £	Maximum (1/5 th) for individual councillor £
Less than 120,000	51,005	10,201
120,000 to 199,000	71,407	14,281
200,000 +	110,171	22,034

5. Subsistence Allowances – valid from 1 April 2015

The following table states the maximum rates for subsistence; however where councils believe it is necessary there is flexibility for councils to increase these rates by applying a suitable measure of price inflation.

PERIOD/MEAL	RATES £	
	British Isles	London
Accommodation allowance - An absence involving an overnight stay, away from the normal place of residence. This rate does not include any meal allowance.	100.70	122.45
Breakfast allowance - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period before 11 am)	11.50	
Lunch allowance - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period including the period between 12 noon and 2pm)	13.50	

Tea allowance - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period including the period between 3pm and 6pm)	4.70
Evening meal allowance - (more than 4 hours away from the normal place of residence or, where approved by the council, a lesser period ending after 7pm)	20.95

If you have any queries on the content of this circular please contact Jeff Glass on 028 90823375 or Lizanne Kennedy on 028 90823378 or by email jeff.glass@communities-ni.gov.uk or lizanne.kennedy@communities-ni.gov.uk.

Yours faithfully



ANTHONY CARLETON
Director
Local Government Policy Division



Department for
Communities
www.communities-ni.gov.uk

Clerk and Chief Executive of each District
Council

**Local Government Policy Division
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**Level 4
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Telephone: 02890 823375

Email: jeff.glass@communities-ni.gov.uk

Our Ref:

Your ref:

Date: 13 June 2016

Circular LG 16/2016

Dear Sir/Madam

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE TO DISTRICT COUNCILS - FLOODING

The Department has activated a Scheme of Emergency Financial Assistance to District Councils to cover any flooding caused by rainfall from 10 June until 31 July 2016.

I would advise that the Minister, with the approval of the Department of Finance, has agreed that emergency funds will be made available to cover council costs incurred in responding to flooding caused by Rainfall or Tidal Surge.

Please note that Annex 1 which issued with recent schemes has been enclosed once again for your information.

I would like to take this opportunity to thank you for your continued co-operation in administering the Scheme of Emergency Financial Assistance. It would be most helpful if you could forward any applications electronically and in hard copy to Sharon Higginson (sharon.higginson@communities-ni.gov.uk). Please also cc Russell Shields Patterson (russell.shields-patterson@communities-ni.gov.uk).

Should you have any queries, or if you need clarification, please contact Jeff Glass on 028 9082 3375 (jeff.glass@communities-ni.gov.uk), Sharon Higginson on 028 9082 3389 (e-mail as above) or Russell Shields-Patterson on 028 9082 3381 (e-mail as above).

Yours faithfully



JEFF GLASS

Director of LGPD Finance

Cc All Finance Officers of District Councils

Enc

Annex 1

Paragraph 15 of the Scheme states that councils can only claim once costs incurred (excluding household payments) reach the £1,000 per annum threshold. This is an existing requirement stated in the DoF guidance on which all Schemes are based:

"The annual threshold of £1,000 was set on the basis that the administrative costs involved in councils preparing and submitting applications for lesser amounts, and for the Department to process such applications, are likely to outweigh any potential public benefits. In exceptional circumstances, the Department will be prepared to consider an application where a council's eligible expenditure is less than the threshold; for example, where eligible expenditure is marginally less than the threshold and where the expenditure represents a significant amount for a particular council."

We would advise that in any financial year, councils should absorb costs, this excludes householders payments, of up to £1,000 during any flooding emergency/emergencies.

In practice for example in each financial year-

- (a) Where a council had 3 incidents costing £200 each, the combined total would be £600 for which the Department would not pay anything.
- (b) Where a council had one incident costing £1,200, as this is over the threshold £1,200 would be paid by the Department.
- (c) Where a council had 3 incidents costing £500 each, when the last incident occurs as this is over the threshold the council would be reimbursed £500.
- (d) Where a council had 3 incidents costing £100, £600 and £400, again when the last incident occurs as this is over the threshold the council would be reimbursed £400.

Please note that councils' claims are not reduced by £1,000, so in example (b) the council would have no costs to absorb. We appreciate this means that depending on the particular costs incurred a council may have to absorb more costs, up to a maximum of £1,000, than others. This discrepancy and the DoF guidance document will be considered in greater detail in the wider review. To emphasise – the £1,000 payments to householders are outside of this limit. Therefore where a council incurs costs of £300 and also make payments to 10 householders they would not be entitled to claim the £300 costs, assuming costs for the year have not cumulated above the £1,000 level.



SCHEME OF EMERGENCY FINANCIAL ASSISTANCE TO DISTRICT COUNCILS IN THE EVENT OF FLOODING FOLLOWING HEAVY RAINFALL OR TIDAL SURGE

10 June until 31 July 2016



BACKGROUND

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Legislation

1. Article 26 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1992 makes provision for a scheme of emergency financial assistance to district councils, as follows:-
 - (1) "In any case where:-
 - (a) an emergency or disaster occurs involving destruction of or danger to life or property; and
 - (b) as a result, one or more councils incur expenditure on, or in connection with, the taking of immediate action (whether by the carrying out of works or otherwise) to safeguard life or property, or to prevent suffering or severe inconvenience, in its district or among its inhabitants,

the Department may establish a scheme under this Article for the giving of financial assistance to those councils in respect of that expenditure.
 - (2) Financial assistance given pursuant to a scheme under this Article shall take the form of grants paid by the Department with the consent of the Department of Finance and, subject to that, the terms and conditions of a scheme shall be such as the Department considers appropriate to the circumstances of the particular emergency or disaster concerned.
 - (3) Without prejudice to the generality of paragraph (2), a scheme under this Article may—
 - (a) make the payment of grants conditional upon the making of claims of a description specified in the scheme;
 - (b) make provision with respect to the expenditure qualifying for grant and the rates and amounts of grants; and
 - (c) make provision in certain specified circumstances for the repayment of any grant, in whole or in part."

Framework

2. The Department of Finance and Personnel (DFP) (now known as DoF) approved 'Guidance Notes for Applications for Schemes of Emergency Financial Assistance to District Councils' in August 2004. This guidance sets out the terms and conditions for the Department to establish a scheme to provide emergency financial assistance to councils under Article 26. This framework provides the basis for this Scheme.

Detail

3. The Minister of the Department for Communities has determined that he shall make emergency funds available to cover council costs incurred when responding to the needs of householders across Northern Ireland in the event of any flooding following Rainfall or Tidal Surge, from 10 June until 31 July 2016. The Minister has activated this Scheme of Emergency Financial Assistance to District Councils which includes an immediate payment of £1,000 to householders as practical assistance; to those who have suffered severe inconvenience, to help make homes habitable as quickly as possible.

Eligibility

4. The Department will reimburse councils for expenditure incurred as a result of the taking of immediate action following an emergency situation. Expenditure deemed eligible will be categorised under one or more of the following headings:-

- i payments to individual householders;
 - ii direct costs incurred by councils; and
 - iii services contracted out (indirect costs).
5. Individual householders will be eligible for the £1,000 payment where:-
- i they can produce evidence that the property for which assistance is being claimed is their main place of residence; and
 - ii they have notified district councils within 31 calendar days of the last recorded date of the flooding incident; and
 - iii. a senior official, e.g. an environmental health officer (EHO), has taken action and has obtained evidence that complies with the Scheme and the Department's guidance.
6. Assessments must be carried out on the basis of inspections by professional / technical officials only. Should a council engage the Northern Ireland Housing Executive to assist with the inspection of Housing Executive property, it is important that the terms and conditions of the Scheme are adhered to and the documentation is of the same standard as that of the council.
7. The £1,000 is an offer of practical assistance to those who have suffered severe inconvenience, to ensure homes are made habitable as quickly as possible. It is not a compensation payment. (Only in an exceptional case will more than one such payment be made to any individual household in any 12-month period.) An example of such a case might be where, following renovation and restoration to habitability of a dwelling, it was flooded again to

the extent of causing severe inconvenience. Where the property has not been so restored, and/or the house was not re-occupied, an additional payment would not be paid.

8. Only in circumstances, such as those in the previous paragraph, where the householder has suffered flooding but is not entitled to a payment, and it is the householder's main residence, may the council provide dehumidifiers.
9. Severe inconvenience may be considered, where, it can be established that at the time, and as a result, of the incident, there was evidence of:-
 - i. significant flooding of homes, including under-floor damage in the living areas;
 - ii. damage to septic tanks caused by flooding, resulting in facilities being temporarily out of order;
 - iii. damage to oil tanks, boilers, resulting in non-operation of heating systems;
 - iv. flooding of garages/sheds/utility areas where essential primary household utilities are installed (defined as cooker, refrigerator, freezer and washing machine only) and which have been damaged or are unusable;
 - v. for apartments, evidence of flooding of basements containing storage rooms where essential primary household utilities, as defined in (iv), are installed, and which have been damaged or are unusable;
 - vi. flooding of caravans, where these are the main place of residence (holiday caravans, vacant properties and second homes are excluded from the Scheme).

10. To help people make their homes habitable following an incident, a council will be entitled to financial assistance, where it has incurred direct or indirect costs, as follows:-

- i. overtime incurred in the carrying out of any duties relating to the emergency (limited to those who normally qualify for overtime);
- ii. travel expenses of council staff both during normal working hours and overtime;
- iii. collection, retention and disposal of damaged household contents;
- iv. assistance to private householders to clean up their homes (de-contamination) and gardens (only if sewage contamination);
- v. clean-up of paths (removal of silt);
- vi. external clean-up of streets and other public areas;
- vii. advice to householders by council staff on health and safety issues;
- viii. advice to householders by council staff of what support may be available from other agencies; and
- ix. provision of dehumidifiers to dry out homes, where it is the main residence and where no payment to householder has been made.

11. The provision of dehumidifiers by councils, under paragraph 10 (ix), should as far as possible, be restricted to two weeks from the date of installation. In **exceptional** circumstances, this period may be extended up to a further two weeks. In such cases the Department will require evidence from the council that an extension was required and a record of further inspections.

The Department will not reimburse councils in instances where contractors / EHOs have been unable to gain access to property to carry out additional inspections or where access to the property to collect de-humidifiers has not been possible. Reimbursement by the Department will be **strictly limited to a maximum period of 4 weeks.**

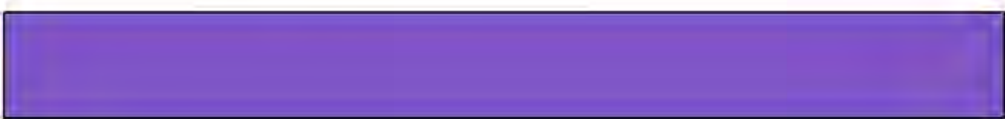
12. Where there is **any doubt** as to whether or not an item is covered by the Scheme, a council should refer to Annex A (eligible items) and Annex B (ineligible items). If this does not provide a clear answer, the council should contact the Department for clarification.

Claims for Reimbursement of Expenditure

13. Standard application and survey forms for use by householders and councils respectively are attached at Annex C. Claims for reimbursement should be submitted to the Department using the Excel templates provided at Annex D. Where relevant, the following documentation, which is essential for audit purposes, should be forwarded in support of a claim:-
 - i complete database of householders (names and addresses, including postcodes) who qualified for and received the £1,000 immediate payment;
 - ii confirmation of each householder's eligibility under the Scheme and the name and position of the officer who made the assessment;
 - iii a record of council employees' overtime and mileage (using the Department's template) during the emergency period and outside normal working hours;
 - iv receipts/invoices for any other eligible costs directly incurred by the council; and
 - v copy invoices in respect of other services which were contracted out.
14. A declaration will be included, confirming that the council cannot recover any of the expenditure incurred from grants or compensation from any government department or other public body and that the expenditure will not be recovered from an insurance claim.

15. Councils will need to ensure that only costs, (excluding householder payments), exceeding £1,000 per annum, based on the financial year, are claimed. Costs below this limit should be absorbed by the council as stated in the DFP Guidance paper mentioned in paragraph 2.
16. Application forms seeking reimbursement of expenditure relating to recent incidents will be submitted to the Department, **within three months** of the flooding incident occurring. Claims made outside of this period will not be eligible for re-imbursement; unless in exceptional circumstances where prior agreement has been reached with the Department.
17. Councils need to ensure that they have an appeal process in place that enables a second inspection to be carried out by different senior official.
18. Councils need to ensure that adequate procedures are in place to ensure householders are made aware of the Scheme. It is suggested that this should include a link on the council's website to the NI Direct website for flooding, information provided in councillor packs and where necessary include the use of local media. All officers involved in Environment or Emergency work should also be made aware of the Scheme.

Local Government Policy Division
Department for Communities



EXAMPLES OF EXPENDITURE WHICH MAY BE ELIGIBLE FOR EMERGENCY FINANCIAL ASSISTANCE

The following **may be eligible** for emergency financial assistance to councils in schemes established by the Department under Article 26 of the 1992 Order:

- the cost of overtime worked by council employees on the emergency;
- the cost of overtime worked by council employees to catch up on work from which council employees were diverted as a result of the emergency;
- the cost of expenditure on additional temporary employees or contractors involved in the emergency work or who replaced permanent employees diverted from normal work;
- the costs of hiring additional vehicles, plant and machinery (i.e. not those already in use by the council) and incidental expenses;
- the cost of materials used for emergency repairs (but not for betterment – see Appendix B);
- the cost of setting up temporary premises (including temporary accommodation for victims, staff or others), including the costs of removal and any increased costs due to expenditure on rent, rates, communications, lighting, heating, cleaning and insurance;
- the costs of providing emergency supplies of food and other emergency provisions during the period of the emergency; and
- any legal, clerical and other charges incurred in relation to the above examples .

This is not a comprehensive list of items which may be eligible for emergency financial assistance.

EXAMPLES OF EXPENDITURE AND LOSSES WHICH WILL NOT BE ELIGIBLE FOR EMERGENCY FINANCIAL ASSISTANCE

The following **will not be eligible** for emergency financial assistance to councils in schemes established by the Department under Article 26 of the 1992 Order:

- the normal wages and salaries of the council's regular employees, whether diverted from their normal work or otherwise;
- nominal costs associated with time in lieu awarded to employees;
- the standing costs of the council's plant and equipment;
- loss of council income (e.g. from facilities closed as a result of the emergency) as this falls outside the scope of Article 26;
- any costs that the council would be entitled to receive by way of grants or compensation from any government department in respect of the emergency;
- the cost of any element of betterment (e.g. repairs to council buildings or amenities to a standard higher than their condition on the day before the incident);
- any costs that the council would be entitled to receive by way of its own insurance or that of another party;
- losses associated with damage to individual belongings;
- losses associated with rainwater ingress through the structure of a building (other than rising flood water) which is due to a structural defect not caused by the incident itself;

- losses associated with vacant properties;
- losses associated with holiday caravans or second homes, where these are not the main place of residence;
- losses associated with the business sector;
- losses associated with the farming industry, however, farmers as householders, would be eligible for assistance under the Scheme, should they meet the criteria set out in the guidance;
- losses associated with applications from private landlords, in respect of rented property;
- losses associated with late applications from householders, ie notified to district councils outside 31 days of the last date of the flooding incident; and
- losses associated with homes flooded as the result of a previous incident, within a 12 month period unless the conditions outlined in the Scheme are met.

This is not a comprehensive list of items which are ineligible for emergency financial assistance.

NB: Normal working hours of officers are not eligible for reimbursement even if diverted to emergency work. However, as outlined in Annex A, the cost of overtime worked by council employees to catch up on work from which council employees were diverted as a result of the emergency will be considered for reimbursement.

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE

HOUSEHOLDER'S APPLICATION FORM – please complete in INK and in BLOCK CAPITALS

Reference number (for office use only)

Date of incident Date of Property Inspection

2. Approximate start time of incident

3. Householder's name

4. Property address affected

Post Code

Contact telephone number:
(to make arrangements for collection of a cheque if your application is successful)

NOTE: the applicant will need to present photographic identification and a recent utility bill before the cheque can be released.

5. Are you – (a) the owner of the property ☐
OR (b) a tenant - private rented ☐
- Housing Executive rented ☐
- Housing Association rented ☐
- Other (please specify type).....

6. If rented - Name of owner:

Address

Number of occupants

7. If owned - is this your - main residence ☐
OR - second/holiday home ☐

8. At the time of flooding was the property:
- occupied ☐
- vacant ☐

NOTE: Vacant properties, second/holiday homes and landlords are all excluded from the scheme.

9. Do you have insurance?	- buildings	Yes	<input type="checkbox"/>
(This will not affect your entitlement)		No	<input type="checkbox"/>
	- contents	Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>
10. Do you have a bank account?		Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>
11. Have you or any one in your household received an immediate payment for emergency financial assistance within the last 12 months?			
		Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>

DECLARATION BY HOUSEHOLDER

I confirm that as a result of the flooding incident on..... I have suffered severe inconvenience.

Applicant

Print Name:		Date:	
Signature:			

NOTE: Under the National Fraud Initiative, the information given on this application form may be provided to bodies responsible for auditing and administering public funds for the purposes of preventing and detecting fraud.

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE

SURVEY FORM – to be completed only by the Council’s Inspector

1. Details of flooding:

.....

.....

.....

.....

Depth of water (cms).....

2. Description of contamination and impact of contamination in the following areas:

a. Living areas: *Significant flooding of homes*

b. Under-floor areas:

c. Garage/utility areas: *where utilities are installed and have been damaged or are unusable (list all utilities)*

d. Storage areas where flooding has caused severe inconvenience as a result of damage to utilities:

3. Does the householder require further assistance with:

Making an insurance claim	Yes/No
Contacting the Social Security Agency	Yes/No
Other, please specify in space below, e.g. disability	Yes/No
.....	
.....	
.....	

To be completed after inspection:

In your opinion has the applicant been severely inconvenienced as a result of flood damage?

YES/NO

Comments:

.....

.....

.....

.....

Inspector

Print Name:		Date:	
Signature:			

Time to complete inspection: __hrs__ mins total mileage: ____miles

REVIEW AND APPROVAL – to be completed by Environmental Health Manager

“I certify that the details passed have been checked, signed off by the inspecting officer and added to the council’s database in relation to flooding.

I confirm that this application is eligible for the immediate payment and ready to be processed by the Finance Department.” ☐

Or

I confirm that this application is **not** eligible for the immediate payment.” ☐

Environmental Health Manager

Print Name:		Date:
Signature:		

APPEAL PROCESS (Where applicable)

To be completed after second inspection by a different Council Inspector:

In your opinion has the applicant been severely inconvenienced as a result of flood damage?

YES/NO

Comments:

.....

.....

.....

.....

Inspector

Print Name:		Date:	
Signature:			

Time to complete second inspection: ___hrs___mins

total mileage: ___miles

REVIEW AND APPROVAL OF APPEAL– to be completed by Environmental Health Manager

“I certify that the appeal details passed have been checked, signed off by the second inspecting officer and added to the council’s database in relation to flooding.

I confirm that on appeal this application is eligible for the immediate payment and ready to be processed by the Finance Department.” ☐

Or

I confirm that on appeal this application is **not** eligible for the immediate payment.” ☐

Environmental Health Manager

Print Name:		Date:
Signature:		

For Finance Department use only

Authorised for payment

Print Name:		Date:
Signature:		



Clerk and Chief Executive of each District Council

Local Government Policy Division
Finance Branch

Level 4
Causeway Exchange
1-7 Bedford Street
Town Parks
BELFAST
BT2 7EG

Telephone: 02890 823375

Email: jeff.glass@communities-ni.gov.uk

Our Ref:

Your ref:

Date: 1 August 2016

Circular No LG 18/2016

Dear Sir/Madam

Scheme of Emergency Financial Assistance

The Department has activated a Scheme of Emergency Financial Assistance to District Councils to cover any flooding caused by rainfall from 1 August until 30 September 2016.

I would advise that the Minister, with the approval of the Department of Finance has agreed that emergency funds will be made available to cover council costs incurred in responding to flooding caused by Rainfall or Tidal Surge.

Please note that Annex 1 which issued with previous scheme has been enclosed once again for your information.

I would like to take this opportunity to thank you for your continued co-operation in administering the Scheme of Emergency Financial Assistance. It would be most helpful if you could forward any applications electronically and in hard copy to Russell Shields-Patterson (russell.shields-patterson@communities-ni.gov.uk) or Sharon Higginson (sharon.higginson@communities-ni.gov.uk).

Should you have any queries, or if you need clarification, please contact Jeff Glass on 028 9082 3375 (jeff.glass@communities-ni.gov.uk), Sharon Higginson on 028 9082 3389 (e-mail as above) or Russell Shields-Patterson on 028 9082 3381 (e-mail as above).



Yours faithfully



JEFF GLASS

Director of LGPD Finance

CC All Finance Officers of District Councils

Enc



ANNEX 1

Paragraph 15 of the Scheme states that councils can only claim once costs incurred (excluding household payments) reach the £1,000 per annum threshold. This is an existing requirement stated in the DoF guidance which all Schemes are based:

"The annual threshold of £1,000 was set on the basis that the administrative costs involved in councils preparing and submitting applications for lesser amounts, and for the Department to process such applications, are likely to outweigh any potential public benefits. In exceptional circumstances, the Department will be prepared to consider an application where a council's eligible expenditure is less than the threshold and where the expenditure represents a significant amount for a particular council."

We would advise that in any financial year, councils should absorb costs, this excludes householders payments, of up to £1,000 during any flooding emergency/emergencies.

In practice for example in each financial year-

- (a) where a council had 3 incidents costing £200 each, the combined total would be £600 for which the Department would not pay anything
- (b) where a council had one incident costing £1,200, as this is over the threshold £1,200 would be paid by the Department
- (c) where a council had 3 incidents costing £500 each, when the last incident occurs as this is over the threshold the council would be reimbursed £500
- (d) where a council had 3 incidents costing £100, £600 and £400, again when the last incident occurs as this is over the threshold the council would be reimbursed £400.

Please note that councils' claims are not reduced by £1,000, so in example (b) the council would have no costs to absorb. We appreciate this means that depending on the particular costs incurred a council may have to absorb more costs, up to a maximum of £1,000, than others. This discrepancy and the DoF guidance document will be considered in greater detail in the wider review. To emphasise – the £1,000 payments to householders are outside of this limit. Therefore where a council incurs costs of £300 and also make payments to 10 householders they would not be entitled to claim the £300 costs, assuming costs for the year have not cumulated above the £1,000 level.





Department for
Communities
www.communities-ni.gov.uk

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE TO DISTRICT COUNCILS IN THE EVENT OF FLOODING FOLLOWING HEAVY RAINFALL OR TIDAL SURGE

1 August until 30 September 2016

BACKGROUND

267

Legislation

1. Article 26 of the Local Government (Miscellaneous Provisions) (Northern Ireland) Order 1992 makes provision for a scheme of emergency financial assistance to district councils, as follows:-

- (1) "In any case where:-

- (a) an emergency or disaster occurs involving destruction of or danger to life or property; and
 - (b) as a result, one or more councils incur expenditure on, or in connection with, the taking of immediate action (whether by the carrying out of works or otherwise) to safeguard life or property, or to prevent suffering or severe inconvenience, in its district or among its inhabitants,

the Department may establish a scheme under this Article for the giving of financial assistance to those councils in respect of that expenditure.

- (2) Financial assistance given pursuant to a scheme under this Article shall take the form of grants paid by the Department with the consent of the Department of Finance and, subject to that, the terms and conditions of a scheme shall be such as the Department considers appropriate to the circumstances of the particular emergency or disaster concerned.
 - (3) Without prejudice to the generality of paragraph (2), a scheme under this Article may—
 - (a) make the payment of grants conditional upon the making of claims of a description specified in the scheme;
 - (b) make provision with respect to the expenditure qualifying for grant and the rates and amounts of grants; and
 - (c) make provision in certain specified circumstances for the repayment of any grant, in whole or in part."

Framework

2. The Department of Finance and Personnel (DFP) (now known as DoF) approved 'Guidance Notes for Applications for Schemes of Emergency Financial Assistance to District Councils' in August 2004. This guidance sets out the terms and conditions for the Department to establish a scheme to provide emergency financial assistance to councils under Article 26. This framework provides the basis for this Scheme.

Detail

3. The Minister of the Department for Communities has determined that he shall make emergency funds available to cover council costs incurred when responding to the needs of householders across Northern Ireland in the event of any flooding following Rainfall or Tidal Surge, from 1 August until 30 September 2016. The Minister has activated this Scheme of Emergency Financial Assistance to District Councils which includes an immediate payment of £1,000 to householders as practical assistance; to those who have suffered severe inconvenience, to help make homes habitable as quickly as possible.

Eligibility

4. The Department will reimburse councils for expenditure incurred as a result of the taking of immediate action following an emergency situation. Expenditure deemed eligible will be categorised under one or more of the following headings:-

- i payments to individual householders;
 - ii direct costs incurred by councils; and
 - iii services contracted out (indirect costs).
5. Individual householders will be eligible for the £1,000 payment where:-
- i they can produce evidence that the property for which assistance is being claimed is their main place of residence; and
 - ii they have notified district councils within 31 calendar days of the last recorded date of the flooding incident; and
 - iii. a senior official, e.g. an environmental health officer (EHO), has taken action and has obtained evidence that complies with the Scheme and the Department's guidance.
6. Assessments must be carried out on the basis of inspections by professional / technical officials only. Should a council engage the Northern Ireland Housing Executive to assist with the inspection of Housing Executive property, it is important that the terms and conditions of the Scheme are adhered to and the documentation is of the same standard as that of the council.
7. The £1,000 is an offer of practical assistance to those who have suffered severe inconvenience, to ensure homes are made habitable as quickly as possible. It is not a compensation payment. (Only in an exceptional case will more than one such payment be made to any individual household in any 12-month period.) An example of such a case might be where, following renovation and restoration to habitability of a dwelling, it was flooded again to

the extent of causing severe inconvenience. Where the property has not been so restored, and/or the house was not re-occupied, an additional payment would not be paid.

8. Only in circumstances, such as those in the previous paragraph, where the householder has suffered flooding but is not entitled to a payment, and it is the householder's main residence, may the council provide dehumidifiers.
9. Severe inconvenience may be considered, where, it can be established that at the time, and as a result, of the incident, there was evidence of:-
 - i. significant flooding of homes, including under-floor damage in the living areas;
 - ii. damage to septic tanks caused by flooding, resulting in facilities being temporarily out of order;
 - iii. damage to oil tanks, boilers, resulting in non-operation of heating systems;
 - iv. flooding of garages/sheds/utility areas where essential primary household utilities are installed (defined as cooker, refrigerator, freezer and washing machine only) and which have been damaged or are unusable;
 - v. for apartments, evidence of flooding of basements containing storage rooms where essential primary household utilities, as defined in (iv), are installed, and which have been damaged or are unusable;
 - vi. flooding of caravans, where these are the main place of residence (holiday caravans, vacant properties and second homes are excluded from the Scheme).

10. To help people make their homes habitable following an incident, a council will be entitled to financial assistance, where it has incurred direct or indirect costs, as follows:-

- i. overtime incurred in the carrying out of any duties relating to the emergency (limited to those who normally qualify for overtime);
- ii. travel expenses of council staff both during normal working hours and overtime;
- iii. collection, retention and disposal of damaged household contents;
- iv. assistance to private householders to clean up their homes (de-contamination) and gardens (only if sewage contamination);
- v. clean-up of paths (removal of silt);
- vi. external clean-up of streets and other public areas;
- vii. advice to householders by council staff on health and safety issues;
- viii. advice to householders by council staff of what support may be available from other agencies; and
- ix. provision of dehumidifiers to dry out homes, where it is the main residence and where no payment to householder has been made.

11. The provision of dehumidifiers by councils, under paragraph 10 (ix), should as far as possible, be restricted to two weeks from the date of installation. In **exceptional** circumstances, this period may be extended up to a further two weeks. In such cases the Department will require evidence from the council that an extension was required and a record of further inspections.

The Department will not reimburse councils in instances where contractors / EHOs have been unable to gain access to property to carry out additional inspections or where access to the property to collect de-humidifiers has not been possible. Reimbursement by the Department will be **strictly limited to a maximum period of 4 weeks.**

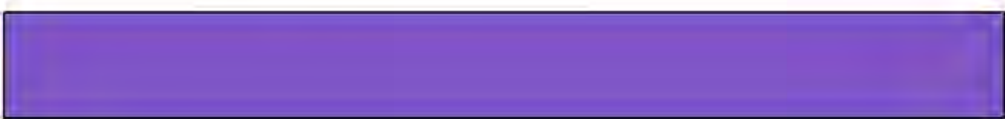
12. Where there is **any doubt** as to whether or not an item is covered by the Scheme, a council should refer to Annex A (eligible items) and Annex B (ineligible items). If this does not provide a clear answer, the council should contact the Department for clarification.

Claims for Reimbursement of Expenditure

13. Standard application and survey forms for use by householders and councils respectively are attached at Annex C. Claims for reimbursement should be submitted to the Department using the Excel templates provided at Annex D. Where relevant, the following documentation, which is essential for audit purposes, should be forwarded in support of a claim:-
 - i complete database of householders (names and addresses, including postcodes) who qualified for and received the £1,000 immediate payment;
 - ii confirmation of each householder's eligibility under the Scheme and the name and position of the officer who made the assessment;
 - iii a record of council employees' overtime and mileage (using the Department's template) during the emergency period and outside normal working hours;
 - iv receipts/invoices for any other eligible costs directly incurred by the council; and
 - v copy invoices in respect of other services which were contracted out.
14. A declaration will be included, confirming that the council cannot recover any of the expenditure incurred from grants or compensation from any government department or other public body and that the expenditure will not be recovered from an insurance claim.

15. Councils will need to ensure that only costs, (excluding householder payments), exceeding £1,000 per annum, based on the financial year, are claimed. Costs below this limit should be absorbed by the council as stated in the DFP Guidance paper mentioned in paragraph 2.
16. Application forms seeking reimbursement of expenditure relating to recent incidents will be submitted to the Department, **within three months** of the flooding incident occurring. Claims made outside of this period will not be eligible for re-imbursement; unless in exceptional circumstances where prior agreement has been reached with the Department.
17. Councils need to ensure that they have an appeal process in place that enables a second inspection to be carried out by different senior official.
18. Councils need to ensure that adequate procedures are in place to ensure householders are made aware of the Scheme. It is suggested that this should include a link on the council's website to the NI Direct website for flooding, information provided in councillor packs and where necessary include the use of local media. All officers involved in Environment or Emergency work should also be made aware of the Scheme.

Local Government Policy Division
Department for Communities



EXAMPLES OF EXPENDITURE WHICH MAY BE ELIGIBLE FOR EMERGENCY FINANCIAL ASSISTANCE

The following **may be eligible** for emergency financial assistance to councils in schemes established by the Department under Article 26 of the 1992 Order:

- the cost of overtime worked by council employees on the emergency;
- the cost of overtime worked by council employees to catch up on work from which council employees were diverted as a result of the emergency;
- the cost of expenditure on additional temporary employees or contractors involved in the emergency work or who replaced permanent employees diverted from normal work;
- the costs of hiring additional vehicles, plant and machinery (i.e. not those already in use by the council) and incidental expenses;
- the cost of materials used for emergency repairs (but not for betterment – see Appendix B);
- the cost of setting up temporary premises (including temporary accommodation for victims, staff or others), including the costs of removal and any increased costs due to expenditure on rent, rates, communications, lighting, heating, cleaning and insurance;
- the costs of providing emergency supplies of food and other emergency provisions during the period of the emergency; and
- any legal, clerical and other charges incurred in relation to the above examples .

This is not a comprehensive list of items which may be eligible for emergency financial assistance.

EXAMPLES OF EXPENDITURE AND LOSSES WHICH WILL NOT BE ELIGIBLE FOR EMERGENCY FINANCIAL ASSISTANCE

The following **will not be eligible** for emergency financial assistance to councils in schemes established by the Department under Article 26 of the 1992 Order:

- the normal wages and salaries of the council's regular employees, whether diverted from their normal work or otherwise;
- nominal costs associated with time in lieu awarded to employees;
- the standing costs of the council's plant and equipment;
- loss of council income (e.g. from facilities closed as a result of the emergency) as this falls outside the scope of Article 26;
- any costs that the council would be entitled to receive by way of grants or compensation from any government department in respect of the emergency;
- the cost of any element of betterment (e.g. repairs to council buildings or amenities to a standard higher than their condition on the day before the incident);
- any costs that the council would be entitled to receive by way of its own insurance or that of another party;
- losses associated with damage to individual belongings;
- losses associated with rainwater ingress through the structure of a building (other than rising flood water) which is due to a structural defect not caused by the incident itself;

- losses associated with vacant properties;
- losses associated with holiday caravans or second homes, where these are not the main place of residence;
- losses associated with the business sector;
- losses associated with the farming industry, however, farmers as householders, would be eligible for assistance under the Scheme, should they meet the criteria set out in the guidance;
- losses associated with applications from private landlords, in respect of rented property;
- losses associated with late applications from householders, ie notified to district councils outside 31 days of the last date of the flooding incident; and
- losses associated with homes flooded as the result of a previous incident, within a 12 month period unless the conditions outlined in the Scheme are met.

This is not a comprehensive list of items which are ineligible for emergency financial assistance.

NB: Normal working hours of officers are not eligible for reimbursement even if diverted to emergency work. However, as outlined in Annex A, the cost of overtime worked by council employees to catch up on work from which council employees were diverted as a result of the emergency will be considered for reimbursement.

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE

HOUSEHOLDER'S APPLICATION FORM – please complete in INK and in BLOCK CAPITALS

Reference number (for office use only)

Date of incident Date of Property Inspection

2. Approximate start time of incident

3. Householder's name

4. Property address affected

Post Code

Contact telephone number:
(to make arrangements for collection of a cheque if your application is successful)

NOTE: the applicant will need to present photographic identification and a recent utility bill before the cheque can be released.

5. Are you – (a) the owner of the property ☐
OR (b) a tenant - private rented ☐
- Housing Executive rented ☐
- Housing Association rented ☐
- Other (please specify type).....

6. If rented - Name of owner:

Address

Number of occupants

7. If owned - is this your - main residence ☐
OR - second/holiday home ☐

8. At the time of flooding was the property:
- occupied ☐
- vacant ☐

NOTE: Vacant properties, second/holiday homes and landlords are all excluded from the scheme.

9. Do you have insurance?	- buildings	Yes	<input type="checkbox"/>
(This will not affect your entitlement)		No	<input type="checkbox"/>
	- contents	Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>
10. Do you have a bank account?		Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>
11. Have you or any one in your household received an immediate payment for emergency financial assistance within the last 12 months?			
		Yes	<input type="checkbox"/>
		No	<input type="checkbox"/>

DECLARATION BY HOUSEHOLDER

I confirm that as a result of the flooding incident on..... I have suffered severe inconvenience.

Applicant

Print Name:		Date:	
Signature:			

NOTE: Under the National Fraud Initiative, the information given on this application form may be provided to bodies responsible for auditing and administrating public funds for the purposes of preventing and detecting fraud.

SCHEME OF EMERGENCY FINANCIAL ASSISTANCE

SURVEY FORM – to be completed only by the Council’s Inspector

1. Details of flooding:

.....

.....

.....

.....

Depth of water (cms).....

2. Description of contamination and impact of contamination in the following areas:

a. Living areas: *Significant flooding of homes*

b. Under-floor areas:

c. Garage/utility areas: *where utilities are installed and have been damaged or are unusable (list all utilities)*

d. Storage areas where flooding has caused severe inconvenience as a result of damage to utilities:

3. Does the householder require further assistance with:

Making an insurance claim	Yes/No
Contacting the Social Security Agency	Yes/No
Other, please specify in space below, e.g. disability	Yes/No
.....	
.....	
.....	

To be completed after inspection:

In your opinion has the applicant been severely inconvenienced as a result of flood damage?

YES/NO

Comments:

.....

.....

.....

.....

.....

Inspector

Print Name:		Date:	
Signature:			

Time to complete inspection: __hrs__ mins total mileage: ____miles

REVIEW AND APPROVAL – to be completed by Environmental Health Manager

“I certify that the details passed have been checked, signed off by the inspecting officer and added to the council’s database in relation to flooding.

I confirm that this application is eligible for the immediate payment and ready to be processed by the Finance Department.” ☐

Or

I confirm that this application is **not** eligible for the immediate payment.” ☐

Environmental Health Manager

Print Name:		Date:
Signature:		

APPEAL PROCESS (Where applicable)

To be completed after second inspection by a different Council Inspector:

In your opinion has the applicant been severely inconvenienced as a result of flood damage?

YES/NO

Comments:

.....

.....

.....

.....

Inspector

Print Name:		Date:	
Signature:			

Time to complete second inspection: ___hrs___mins

total mileage: ___miles

REVIEW AND APPROVAL OF APPEAL– to be completed by Environmental Health Manager

“I certify that the appeal details passed have been checked, signed off by the second inspecting officer and added to the council’s database in relation to flooding.

I confirm that on appeal this application is eligible for the immediate payment and ready to be processed by the Finance Department.” ☐

Or

I confirm that on appeal this application is **not** eligible for the immediate payment.” ☐

Environmental Health Manager

Print Name:		Date:
Signature:		

For Finance Department use only

Authorised for payment

Print Name:		Date:
Signature:		

Report to:	Audit Committee
Date of Meeting:	22 September 2016
Subject:	Council Decision-Making Processes – Updated Process Maps
Reporting Officer:	Dorinnia Carville, Director of Corporate Services
Contact Officer:	Johnny McBride, Assistant Director – Transformation, Innovation & Performance

Decisions Required:	
Members are asked to:	
<ul style="list-style-type: none"> ▪ Note the contents of the report. 	
1.0	<u>Purpose & Background</u>
1.1	The purpose of this report is to provide for Member consideration updated process maps (and accompanying narratives) for the Council's core decision-making processes. This follows a request from the Audit Committee at its meeting on the 4 July 2016 to include references to the capital and revenue appraisal process, as well as decision-tracking, to the original process maps presented.
2.0	<u>Key Issues</u>
	Amended Process Maps & Narratives
2.1	Amended process maps and accompanying narratives are provided for: <ul style="list-style-type: none"> i. Decisions which are reserved to Full Council (Appendix I); ii. Decisions which are a result of new legislative developments, new policy development and the initiation of new programmes / projects to support the implementation of the Corporate Plan (2015-19) (Appendix II); and iii. Decisions which are a result of Notices of Motion (Appendix III).
3.0	<u>Resource Implications</u>
3.1	There are no resource implications contained within this report.
4.0	<u>Equality & Good Relations Implications</u>
4.1	There are no equality or good relations implications arising from this report.
5.0	<u>Appendices</u>
	<ul style="list-style-type: none"> ▪ Appendix I – Updated process map & narrative – Decisions reserved to Full Council; ▪ Appendix II – Updated process map & narrative – Decisions from new legislation, new policy development and new programmes / projects; and ▪ Appendix III – Updated Process map & narrative – Decisions from Notices of Motion

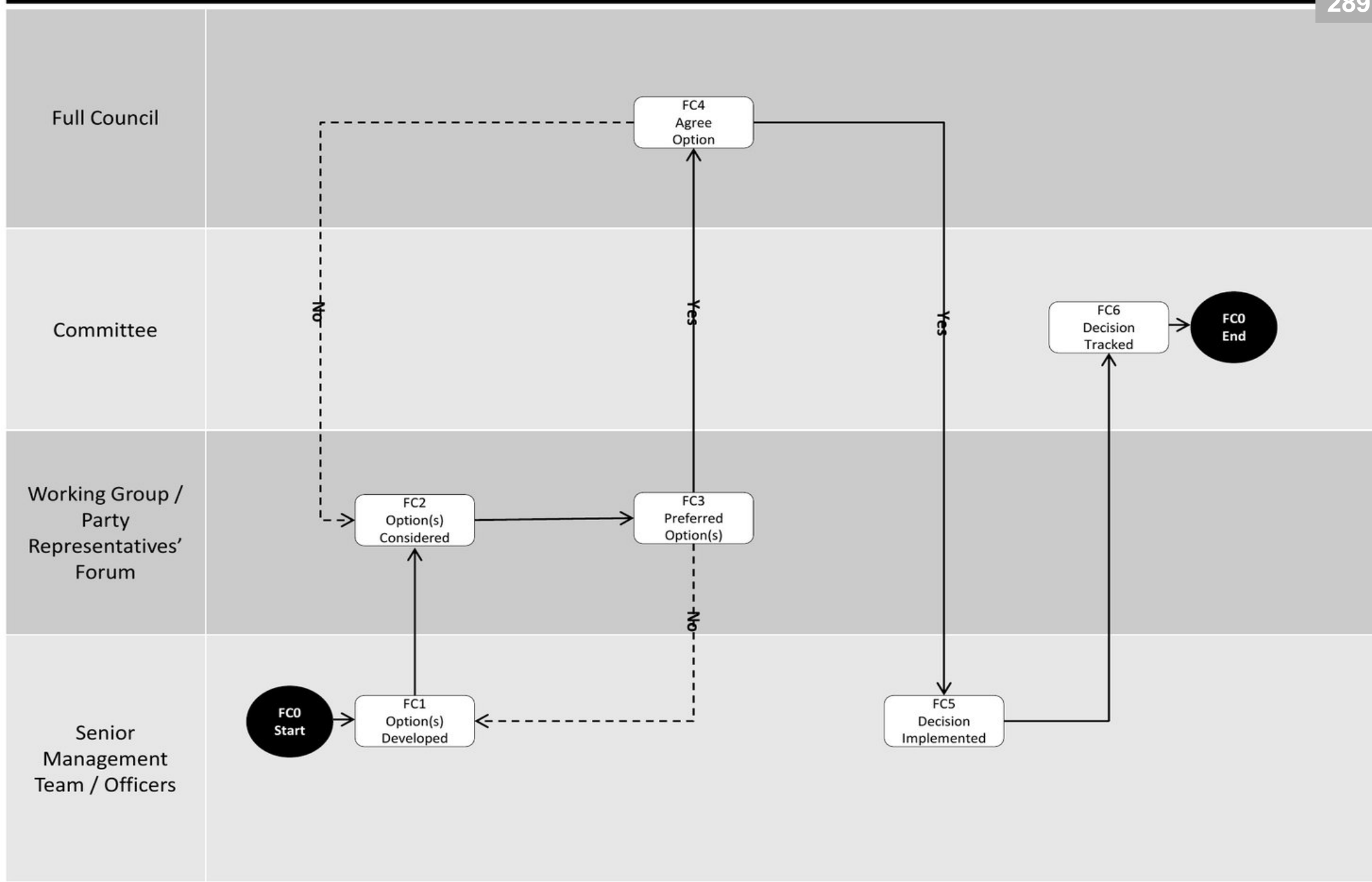
FC0 Start	Decision-making process commences when Council is required to take a decision in accordance with Part 4, Section 7(3) (a-d) and Part 7, Section 40 of The Local Government Act (NI) 2014	<p>Decisions pertaining to the following functions can only be discharged by the Council itself:</p> <ul style="list-style-type: none"> (i) Setting the District Rate; (ii) Determining an affordable borrowing limit under Section 13(1) of The Local Government Finance Act (NI) 2011; (iii) Borrowing money; and (iv) Acquiring or disposing of land. <p>In accordance with the Standing Orders, decisions of the Council are subject to a Qualified Majority Vote (QMV) on:</p> <ul style="list-style-type: none"> (i) The adoption of Executive arrangements; (ii) The method to be adopted for the filling of positions of responsibility; (iii) The method to be adopted for the appointment of Councillors to Committees; (iv) The exercise of the General Power of Competence; (v) A Call-in made in accordance with Section 41(1)(b) of the 2014 Act; and (vi) The suspension of Standing Orders.
FC1	Senior Management Team (SMT) / Officers identify the issue(s) and prepare draft options for Elected Member consideration.	
FC2	Issue(s) and draft option(s) presented for the initial political consideration of the Party Groupings represented on the relevant (Elected Member-led) Working Group or Party Representatives' Forum.	Potential financial, human resources, good relations and equality implications are identified. Draft options are also subject to the capital / revenue appraisal process (where relevant)
FC3	Preferred option(s) identified with Party Groupings.	Elected Member feedback is used by the SMT / Officers to refine the potential options in advance of formal presentation to Council.

FC4	Preferred option(s) tabled for the formal consideration and agreement of Full Council.	Depending upon the nature of the decision, specific decisions will either be subject to a Simple Majority or Qualified Majority Vote. Please refer to FC0 Start. In the event Full Council does not agree with the preferred option(s), normally the issue is referred to a Working Group or the Party Representatives' Forum for further political consideration. The process recommences once a preferred option(s) have been identified.
FC5	Decision of Council implemented.	Decision of Council implemented by SMT / Officers after statutory period of five (5) working days has elapsed for the purposes of Call-in.
FC6	Progress in respect of the implementation of the decision is reported back to the relevant Committee of Council as part of the normal tracking of decisions.	This is dependent upon the nature of the decision i.e. contentious, strategic etc. Decision-tracking is currently facilitated via the reporting of Action Sheets to the relevant Committee / Working Group.
FC0 End	The process ends when the decision has been implemented in full.	

Council Decision Making Process Reserved to Full Council

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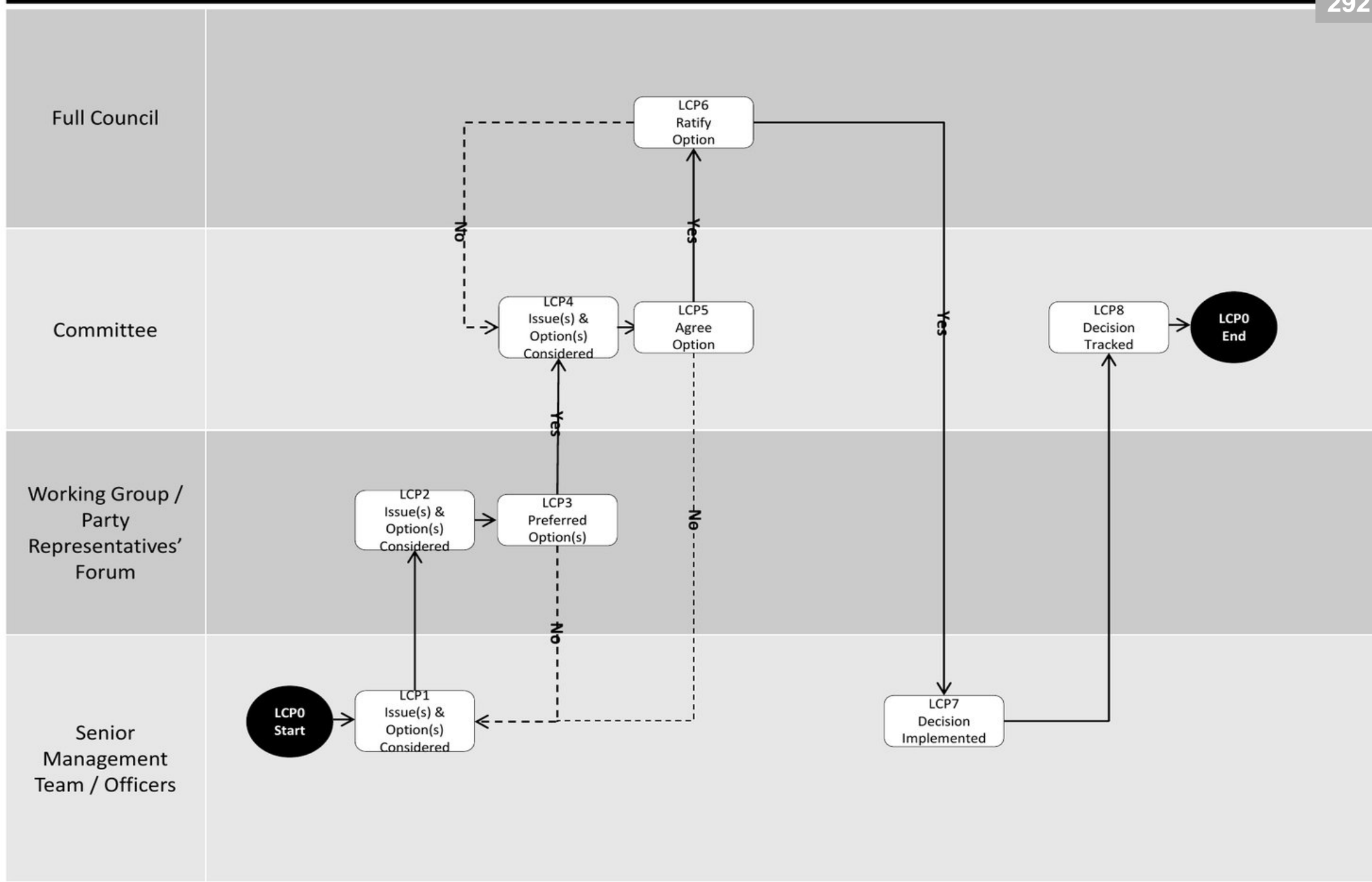
LCP0 Start	Decision-making process commences when Council is required to take a decision in accordance with the following issues: (i) New legislation or statutory guidance issued by the Department of the Environment (DoE) or another Government Agency; (ii) The introduction of new projects or actions to support the implementation of the Council's Corporate Plan; and (iii) The initiation of new policy either in response to existing / new legislative requirements or to support the implementation of the Council's Corporate Plan.	
LCP01	Senior Management Team (SMT) / Officers identify the issue(s) and prepare draft options for Elected Member consideration.	
LCP2	Issue(s) and draft option(s) presented for the initial political consideration of the Party Groupings represented on the relevant (Elected Member-led) Working Group or Party Representatives' Forum.	Potential financial, human resources, good relations and equality implications are identified. Draft options are also subject to the capital / revenue appraisal process (where relevant)
LCP3	Issue(s) and preferred option(s) identified with Party Groupings.	Elected Member feedback is used by the SMT / Officers to refine the potential options in advance of formal presentation to Council. In the event Party Groupings cannot support the preferred option(s), normally the issue is referred back to the SMT / Officers for further management consideration. The process recommences once a preferred option(s) has been identified.
LCP4	Issue(s) and preferred option(s) tabled for the formal consideration and agreement of the relevant Committee of the Council.	
LCP5	Committee of the Council agrees to the option(s).	In the event a Committee does not agree with the preferred option(s), normally the issue is referred to a Working Group or the Party Representatives' Forum for further political consideration. The process recommences once a preferred option(s) have been identified.

LCP6	Recommendation of the relevant Committee of Council is tabled at Full Council for ratification and adoption.	This is normally secured through the ratification and adoption of the Minutes. In the event Full Council does not agree with the recommendation of the Committee, normally the issue is referred back to the relevant Committee, Working Group or the Party Representatives' Forum for further political consideration. The process recommences once a preferred option(s) have been identified.
LCP7	Decision of Council implemented.	Decision of Council implemented by SMT / Officers after statutory period of five (5) working days has elapsed for the purposes of Call-in.
LCP8	Progress in respect of the implementation of the decision is reported back to the relevant Committee of Council as part of the normal tracking of decisions.	This is dependent upon the nature of the decision i.e. contentious, strategic etc. Decision-tracking is currently facilitated via the reporting of Action Sheets to the relevant Committee / Working Group.
LCP0 End	The process ends when the decision has been implemented in full.	

Council Decision Making, Legislative, Corporate Plan & Policy

(Version 1.1 – Audit Committee 22.09.16)

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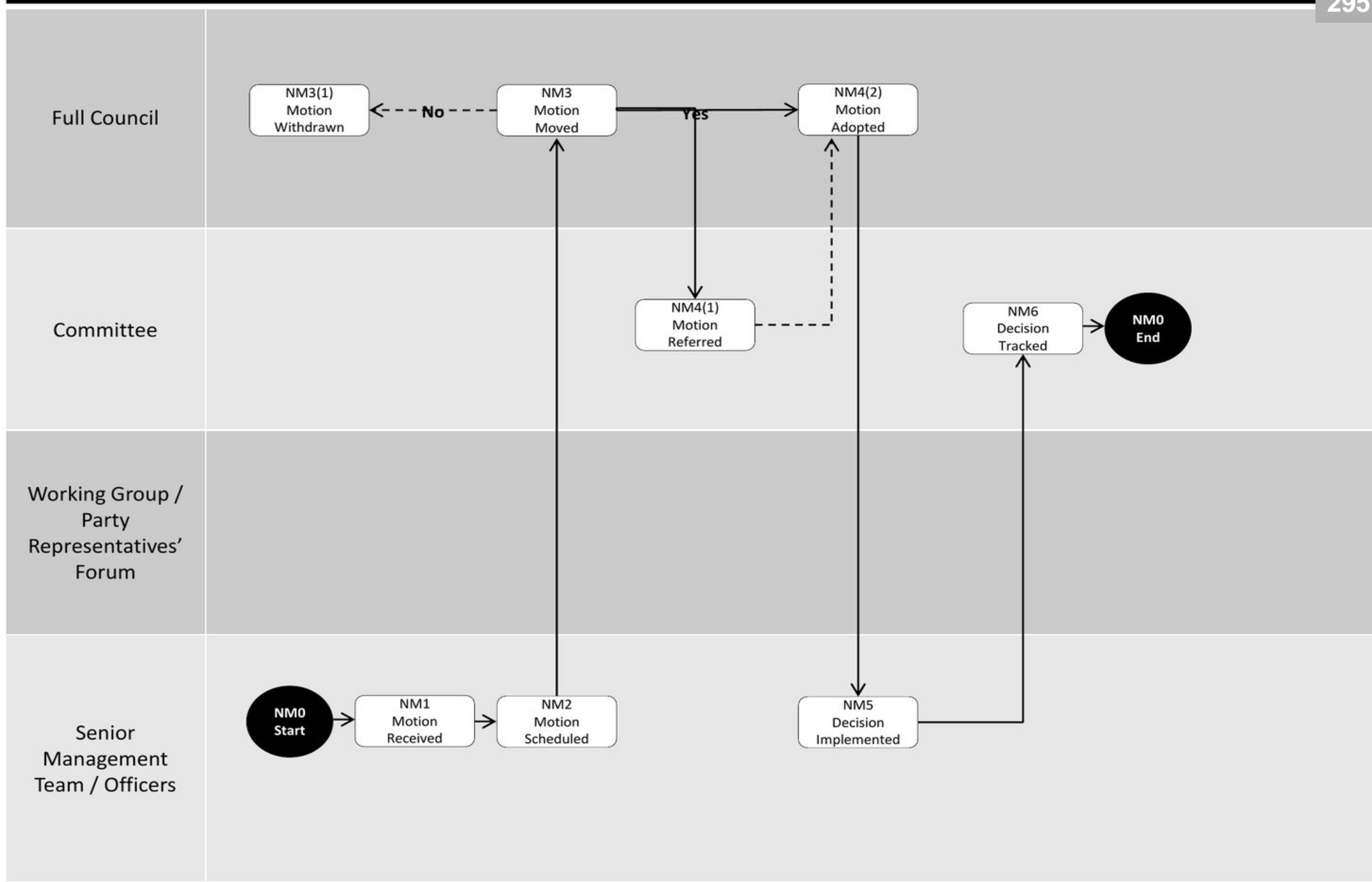
NM10 Start	Decision-making process commences when an Elected Member wishes to submit a Notice of Motion for consideration by the Council.	In accordance with Section 16(1) every Motion shall be relevant to: <ul style="list-style-type: none"> (i) Which the Council has powers or duties or is not prevented from taking action by other legislation; (ii) Which directly affects the District or its residents; and (iii) For which the Council is legally competent.
NM1	A Notice of Motion is received in writing by the Chief Executive and signed by the Elected Member(s) of the Council giving notice.	The Motion must be submitted at least ten (10) clear days before the next Meeting of the Council. A Motion shall be rejected if the wording or nature of the Motion is considered unlawful or improper.
NM2	Subject to the above being satisfied, the Notice of Motion is scheduled for the consideration at the next Meeting of the Council in the order in which they are received.	All notices shall be dated and numbered as received and entered into a register.
NM3	Notice of Motion is moved.	The Motion is moved by an Elected Member of the Council. In the event the Motion is not moved, it shall, unless postponed by the consent of the Council be treated as withdrawn and shall not be moved without fresh notice. Please refer to NM3(1) .
NM4(1)	Subject to the Motion being moved and seconded, the Motion is referred (without discussion) to a Committee (in the event it relates to its remit or as decided by the Council) for consideration and report.	The Motion may be subject to Amendments. These are dealt with as part of the Section 17 of the Council's Standing Orders.
NM4(2)	Subject to the Motion being moved and seconded, the Motion is adopted subject to a Single Majority Vote.	In the event the Motion fails, then the decision of the Council cannot be revisited until six (6) months have elapsed. The decision may however be subject to Call-in as per Section 26 of The Local Government (Northern Ireland) Act 2014. If a Motion fails to be considered at a Meeting of the Council, such a Motion will only be included on the

		<p>agenda for the following Meeting if submitted in writing to the Chief Executive (by the Elected Member concerned) not later than seven (7) clear days before the Meeting.</p> <p>Any Notice of Motion which fails to be considered at two consecutive Meetings will not be accepted for inclusion on the agenda for a period of six (6) months from the date of the second Meeting at which the matter failed to be considered.</p>
NM5	Decision of Council implemented.	<p>Decision of Council implemented by SMT / Officers after statutory period of five (5) working days has elapsed for the purposes of Call-in.</p> <p>Potential financial, human resources, good relations and equality implications are identified by SMT / Officers and Council advised accordingly. Motion is may also subject to the capital / revenue appraisal process (where relevant)</p>
NM6	Progress in respect of the implementation of the decision is reported back to the relevant Committee of Council as part of the normal tracking of decisions.	This is dependent upon the nature of the decision i.e. contentious, strategic etc. Decision-tracking is currently facilitated via the reporting of Action Sheets to the relevant Committee / Working Group.
NM0 End	The process ends when the decision has been implemented in full.	

Council Decision Making Process of Motion

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Report to:	Audit Committee
Date of Meeting:	22 September 2016
Subject:	Assessment of Performance of Audit Committee Chairperson
Reporting Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services
Contact Officer (Including Job Title):	Dorinnia Carville, Director of Corporate Services

Decisions required: Members are asked to consider and agree the process proposed for the assessment of the Chairperson's performance.

1.0	Purpose and Background:
1.1	It is considered best practice for the performance of the Audit Committee Chairperson to be assessed annually.
2.0	Key issues:
2.1	An assessment checklist, based on HM Treasury guidance, has been produced by management to facilitate this process (see Appendix I).
3.0	Recommendations:
3.1	It is recommended that the assessment of the Chairperson's performance will be carried out by the Chief Executive and a member of the 2015-16 Audit Committee who is no longer a serving member. This will increase the independence and objectivity of the assessment.
4.0	Resource implications
4.1	Member and officer time.
5.0	Equality and good relations implications:
5.1	None.
6.0	Appendices
	Appendix I: Role of the Chair Checklist

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
1. 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"/>
2. 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"/>
3. 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			
4. 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"/>
5. 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"/>
6. Does the Chair have Bilateral meetings at least annually with the AO, Head of Internal Audit, Risk Manager and External Audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring Actions			
7. 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"/>
8. 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"/>
9. Does the Chair ensure that after each meeting appropriate reports are prepared from the Committee to the Council and the AO.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the Chair present an Annual Report to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Does the Chair hold managers within the organisation to account for the implementation of all Audit Recommendations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appraisal

12. Does the Audit Committee Chair seek appraisal of their personal performance from the Accounting Officer or Chair of the Board?

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