



June 23rd, 2015

Notice Of Meeting

You are invited to attend the Inaugural Meeting of the Audit Committee to be held on **Thursday, 25th June 2015 at 2:00 pm** in the **The Mourne Room Downshire Civic Centre Downpatrick**

.

Councillor P Brown

Councillor C Casey

Councillor C Enright

Councillor T Hearty

Councillor D Hyland

Councillor C McGrath

Councillor M Murnin

Councillor P O'Gribin

Councillor G Sharvin

Councillor Tinnelly

Agenda

- 1) **To elect temporary Chairperson pending appointment of independent Chairperson.**
- 2) **Apologies and Chairmans remarks.**
- 3) **Declarations of Interest.**
- 4) **Terms of Reference for Audit Committee. (Copy circulated)**

Terms of Reference AUDIT COMMITTEE.pdf

Page 1

- 5) **Minutes of Down District Council Audit Committee Meeting held on Wednesday 11 March 2015. (Copy circulated)**

Mins Audit Cmttee DDC 11 March 2015.pdf

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- 6) **Minutes of Newry & Mourne District Council Audit Committee Meeting held on Monday 16 March 2015. (Copy circulated)**

Mins Audit Cmttee NMDC 16 March 2015.pdf

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- 7) **Items arising from (a) Minutes of DDC Audit Committee Meeting 11 March 2015 (b) Minutes of NMDC Audit Committee Meeting March 16 March 2015.**

- 8) **Newry & Mourne District Council Internal Audit - Annual Assurance Report 2014 - 2015. (Copy circulated))**

Item (8) is deemed to be restricted by virtue of 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).

NMDC - 2014-15 - Annual Assurance Report - Draft 180615.pdf

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9) Risk Management Report from Risk & Investigations Manager for year ended 31 March 2015. (Copy circulated)

Item (9) is deemed to be restricted by virtue of 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).

Risk Management Report to Audit Committee for NMDC for year-ended 31 March 2015.pdf

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Consideration of Annual Accounts Year Ended 31 March 2015

10) To consider Annual Governance Statement for 2014/2015 - Down District Council. (Copy circulated)

Item 10 is deemed to be restricted by virtue of 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).

Governance Statement DDC.pdf

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11) To consider Annual Governance Statement for 2014/2015 - Newry & Mourne District Council. (Copy circulated)

Item 11 is deemed to be restricted by virtue of 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).

Governance Statement NMDC.pdf

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12) To consider and approve Accounts for Year Ended 31 March 2015 - Down District Council. (Copy to follow)

Item 12 is deemed to be restricted by virtue of 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).

13) To consider and approve Accounts for Year Ended 31 March 2015 - Newry & Mourne District Council. (Copy to follow)

Item 13 is deemed to be restricted by virtue of 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).

**14) Statutory Transition Committee Accounts up to 18 June 2014.
(Copy circulated)**

Item (14) is deemed to be restricted by virtue of 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).

[STC Accounts.pdf](#)

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15) Shadow Council Accounts for period 19 June 2014 - 31 March 2015. (Copy circulated)

Item 15 is deemed to be restricted by virtue of 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).

[Statement of Accounts re Shadow Council.pdf](#)

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16) Peace III Accounts year ended 31 March 2015. (Copy circulated)

Item (16) is deemed to be restricted by virtue of 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)

[Peace III Accounts.pdf](#)

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Internal Audit - Capita Consulting

17) Internal Audit Summary Report - NMDC Legacy Council. (Copy to follow)

Internal Audit - ASM Limited

18) Draft Internal Audit Strategy - Newry, Mourne & Down District Council 2015 - 2019. (Copy circulated)

End

Invitees

Cllr. Terry Andrews	terry.andrews@downdc.gov.uk
Cllr. Naomi Bailie	naomi.bailie@nmandd.org
Cllr. Patrick Brown	patrick.brown@nmandd.org
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Mrs. Marie Ward	marie.ward@downdc.gov.uk
Cllr. Clarke William	william.clarke@downdc.gov.uk

AUDIT COMMITTEE

-TERMS OF REFERENCE –

Scope

The Audit Committee (“the Committee”) will be responsible for assisting the Council in fulfilling its responsible for the integrity of the Council’s financial and operational results, compliance with legal and regulatory requirements and performance of internal and external audit.

- To consider the effectiveness of the authority’s risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- To seek assurances that action is being taken on risk related issues identified by auditors and inspectors
- To be satisfied that the authority’s assurance statements, including the statement on internal control, properly reflect the risk environment and any actions required to improve it
- To approve (but not direct) internal audit’s strategy, plan and monitor performance
- To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- To receive the annual report of the Head of Internal Audit
- To consider the findings of the review of the effectiveness of the systems of internal audit
- To consider the reports of external and inspection agencies
- To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- To review the financial statement, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.

Membership

The Committee is comprised of the ten (10) Elected Members appointed to the Committee at the Annual General Meeting (AGM), plus one independent suitably qualified person, who will be recruited for the 4-year term of the Council.

Chairperson

The Chairperson shall be the independent Member of the Committee and they shall serve as Chairperson for the 4-year term of the Committee

Meetings

The frequency of the meetings will be driven by the scale and nature of the business with the Committee meeting at least three times per year to enable it to discharge its duties adequately and effectively. In a normal year the Committee will meet four times.

All meetings of the Committee will be governed by the Council's Standing Orders and the N Ireland Code of Conduct for Councillors.

Communications & Reporting

The Minutes of the Committee will be reported at a Meeting of the Council by the Head of Finance or, in their absence, by an alternative Senior Office of Council.

DOWN DISTRICT COUNCIL**AUDIT COMMITTEE****Minutes of Audit Committee Meeting held in the Commedagh Room,
Downshire Civic Centre, Downshire Estate, Downpatrick
on Wednesday 11th March 2015 at 4.00pm**

Attendance:	Councillors W.Clarke (Chairman), Doris and Enright
External Appointees:	Mr Simon McGrattan and Mr Brendan Milligan
External Auditor:	Mr Brian O'Neill
Officers in attendance:	Mr John Dumigan, Clerk & Chief Executive Mr Ken Montgomery, Assistant Director (Corporate Services) Mr Steve Wright, Business Improvement Manager Miss C Swail, Committee Clerk

The meeting concluded at 5.10pm

BUSINESS**1. APOLOGIES**

There were no apologies received.

2. CHAIRMAN'S REMARKS

The Chairman noted that this would be the last meeting of the Audit Committee. He thanked Members and Officers for their assistance and support during his time as Chair of the Audit Committee.

3. FOR INFORMATION**(a) Declarations of Conflicts of Interest**

(i) Members' Interests
There were no declarations of conflicts of interest.

(ii) Officers' Interests
There were no declarations of conflicts of interest.

(b) **Review Minutes of Audit Committee Meeting held on 17th December 2014**

The Minutes were **AGREED** on the **PROPOSAL** of Councillor Doris, **SECONDED** by Councillor W.Clarke.

4 LOCAL GOVERNMENT AUDITOR

(a) **2014-15 Draft Audit Strategy**

Mr O'Neill presented the proposed Audit Strategy 2014-15, copy of which had been circulated. Mr O'Neill drew attention to a number of matters including:

- Materiality was circa £440k (as per page 2);
- Section 3 – no significant risks of material misstatement to transactions and balances had been identified;
- The planned timetable at Section 4 and in particular the intention to commence final audit testing in mid-September.

The Chairman thanked Mr O'Neill for presenting the strategy and a number of questions were asked including:

- When will the review of the Sports Funding Scheme commence?;
- What are the main differences this year as opposed to last – in content and approach? The context for this question was that this is the last year of Down District Council and also that Down District Council will be dissolved on 31st March 2015;
- Under section 15 what is the expectation of the LGA in meeting the four requirements as per Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006;

Mr O'Neill noted the following points in respond:

- The Sports Funding Scheme will be reviewed in Sept 2015;
- Other risk factors are broadly the same with the addition of the Sports Funding Scheme;
- There is no guidance from DOE at this point although this is imminent. The strategy may change to reflect this guidance but this is likely to be minimal;
- It will be the responsibility of the new Council and the Chief Executive of Newry, Mourne and Down District Council to sign the accounts of both legacy Councils. It will likely be for the new Audit Committee to approve legacy Council accounts.

The Assistant Director, Corporate Services informed Members that the Shadow Council has a grant of £38,000 to assist both of the Legacy Council's with the preparation of their accounts. The tender process is in progress to appoint a provider who will be responsible for the preparation of the statutory financial accounts from start to finish. This contract does not include Whole Government Accounts.

It was agreed that, in the absence of DOE guidance, a 'draft' Annual Governance Statement would be produced as at 31st March 2015. This will be presented for reviewed by the new Audit Committee and then included in the accounts for 2014-15. In addition there would be no review of this Council's system of internal audit as would normally occur as the primary purpose of this is future improvement.

It was further noted that the STC accounts would be completed within the next 10 days.

5 PREPARATION OF ACCOUNTS 2014-15

(a) IAS19/FRS17 Report as at 31 March 2015

The Assistant Director, Corporate Services circulated a hard copy of the report "Pensions Accounting 2015 Terms of Reference". He noted that this work will produce the figures that will form the basis of the figures for inclusion into the 2014-15 accounts. He advised Members that the work set out in the terms of reference is completed annually.

There was a further discussion around a recent request by NILGOSC for Down District Council to sign a deed of apportionment. Currently it was assumed that this document was simply a technical requirement to ensure the transfer of the pension schemes and associated liabilities to the new Council without crystallizing any pension liability. There would be no cost impact associated with signing this document. Down District Council intended to seek some assurance on this matter.

The Pension Accounting 2015 Terms of Reference were **NOTED**.

The issues around the Deed of Apportionment were **NOTED**.

6 INTERNAL AUDIT REPORTS

(a) Building Control Income IA Report 2014-15

The Business Improvement Manager referred Members to a report, copy of which was circulated. In referring to the Executive Summary he noted that the overall assessment was a LIMITED assurance and that there were two priority one recommendations. There was a question and answer session regarding the recommendations and the report's findings.

The report was **NOTED**.

(b) Review of Card Payments Data 2014-15

The Business Improvement Manager referred Members to a report, copy of which was circulated. In referring to the Executive Summary he noted that the overall assessment was a LIMITED assurance and that there were two priority one recommendations. The Assistant Director, Corporate Services noted that a policy had been developed and training was being rolled out to over sixty staff. The single incident of the retention of card data had been resolved.

The Members noted the importance of protecting this data as it could cause reputational damage to the Council.

The report was **NOTED**.

(c) Progress Against 2014-15 IA Plan

The Business Improvement Manager referred Members to the report, a hard copy of which was circulated. He set out the proposed approach to complete the 2014-15 IA plan and noted, amongst others, the following points:

- Completion of 2014-15 Annual Governance Statement – the proposed approach will be to update the 2013-14 Annual Governance Statement (by reflecting new risks/issues and removing completed work). This would be updated by the Chief Executive and would be subjected to review and amendment by the new Council, for inclusion in the 2014-15 accounts. No assurance statements from line management. No further updates to Corporate Risk Register will be completed.
- No Internal Audit Annual Report 2014-15 will be produced.
- An audit on recreation income had been completed but no reports had yet been submitted to Audit Committee as there was, as a result of the audit, an on-going investigation.

There was a discussion of the proposed approach:

- It was noted that the approach re: the 2014-15 Annual Governance Statement was to limit / minimise the resource expended to produce a forward looking document.
- Mr O'Neill queried the rationale of not seeking line manager assurance statements. It was noted that the CMT would review the Annual Governance Statement and it would be expanded to ensure it reflected all critical issues and risks.
- There was a discussion around the rationale for not publishing an IA Annual Report for 2014-15. [*Explanatory Note: particularly an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control*]. The Business Improvement Manager noted

that there were a number of impairments to providing an independent and objective opinion. Mr Milligan expressed a concern around the need to provide sufficient assurances to the Audit Committee. The Business Improvement Manager advised that assurances would be provided through the work set out in the updated plan but that the completion of this work would now rest with the new Council.

- Work previously outlined for the new Council would not be continued at this point as this again was a matter for the new Council.

The plan was **NOTED**.

7 FRAUD/WHISTLE-BLOWING

(a) Update on reported fraud/whistle-blowing incidents

The Business Improvement Manager advised the committee of an incident in Leisure which was under investigation. He advised that the matter would have no impact on the accounts.

Councillor Enright raised an issue around the provision by Down District Council in Jan 2015 of funding of around £25,000 (50% funded by NITB) to add an additional section to the existing pontoon at Strangford Yacht Haven. The existing pontoon having been funded in 2010 mainly by DRAP and partly by Down District Council. There was a lengthy discussion of the matter and it was agreed that the following steps would be taken

- Internal Audit to complete a file and report on the issue.
- External Audit to review file and findings.

(b) Completion of National Fraud Initiative 2014-15

The Assistant Manager, Corporate Services advised Members that the data had been submitted to the Audit Commission. Matches had been returned and would be fully completed by the 31st March 2015.

He advised Members that a matching process was carried out in December 2014 had indicated 1000 duplicate matches but with 1/3 reviewed and no issues being identified at this point he had no concerns at this point.

8 REVIEW OF 2013-14 ANNUAL GOVERNANCE STATEMENT

There was a general view that there was limited value in investing time into the completion of a forward looking statement when the Council would be dissolved on 31st March 2015. It was noted that the final statement would be updated by the Chief Executive and remain as draft for review and possible inclusion within the accounts by the new Council. The members were content with the proposed approach given there was no clear guidance on this matter.

The report was **NOTED**.

AUDIT COMMITTEE
WEDNESDAY 11 MARCH 2015
ATTENDANCE

	<u>IN</u>	<u>OUT</u>
CRAIG, Garth	ABSENT	
CLARKE, William	4.00PM	5.10PM
DORIS, John	4.00PM	5.10PM
ENRIGHT, Cadogan	4.00PM	5.10PM
LYONS, Walter	ABSENT	
McALEENAN, Anne	ABSENT	
McCARTHY, Maria	ABSENT	

External Appointees

McGRATTAN, Simon	4.15PM	5.10PM
MILLIGAN, Brendan	4.15PM	5.10PM

NEWRY AND MOURNE DISTRICT COUNCIL**COMHAIRLE AN IUIR MHURN****(Ref: G/6/1/A)****Report of Audit Committee held on Monday 16 March 2015 in the Boardroom
District Council Offices Monaghan Row Newry.****In the Chair:** Mr T Lynch (Chairman)**In attendance:** Councillor M Carr
Councillor C Casey
Councillor B Quinn
Councillor M Murphy
Councillor J McArdle**Officials in attendance:** Mr E Curtis Clerk & Chief Executive
Mr J Finnegan Risk & Investigations Officer
Ms B Phillips Joint Acting Director of Finance
Ms L Dillon Committee Administrator**Also in attendance:** Mr A Davidson Capita Consulting
Ms P Poots Capita Consulting
Mr S Knox NIAO
Ms L Forsythe NIAO**Apologies:** Mr G McGivern Director District Development
Mr E McManus Deputy Director of Technical/Leisure
Services**A.23/2015 – NIAO REPORT TO THOSE CHARGED WITH GOVERNANCE
- 2013 - 2014****Read:** NIAO Report to Those Charges with Governance 2013-14.
(Copy circulated)

Mr Knox presented the above Report and referred to a number of key matters contained therein as follows:

Significant Risks

The following issues were raised under Significant Risk:

Landfill provision
Single Status appeals
Legal Costs

Procurement

The following issues were raised under Procurement:

Legal Services

Tyre Services

Payment to entertainment supplier (£12,000)

Expenditure on Mobile phones

Small Purchase Order Books

Receipt in advance since 2011

Property, Plant and Equipment

Credit Card Authority

Delays in agreeing Internal Audit reports

Deficit funding to organisations

It was noted there should be a realistic assessment carried out that these funds are actually needed when deciding to grant these monies to groups and organisations.

Section 3: Identified misstatements

Mr Knox gave details on identified misstatements and referred to items 3.4 and 3.6.

Section 4: Other Matters of Governance Interest

Mr Knox gave details on other matters of Governance interest, and referred to items 4.2, 4.5, 4.9, 4.13, 4.14 and 4.15.

Discussion:

In response to a query raised regarding the Swimming Pool being used for private swimming lessons, Mr Knox indicated that it was the responsibility of Council to follow its policies and the Council must ensure it has the statutory powers to implement any decisions made.

Mr Curtis added that as of 1 April 2015 swimming lessons in Newry Swimming Pool will be run by the Council as it is believed this is the right decision for ratepayers.

Agreed: It was unanimously agreed to note the NIAO Report to Those Charged with Governance 2013-2014.

A.24/2015: NIAO ANNUAL AUDIT LETTER 2013-14

Read: NIAO Annual Audit Letter – Newry and Mourne District Council for 2013-14.
(Copy circulated)

Mr S Knox presented the NIAO Annual Audit Letter for Newry and Mourne District Council for 2013/14.

Right of Way case

Mr Knox explained that when a case involves significant costs similar to the Right of Way case, it is recommended the Council should review its practices to see if there are areas where improvements can perhaps be made should similar cases arise in the future.

Mr Curtis added a post evaluation on completion of the above case would be carried out. This particular case was a detailed and complex one. The Council had taken its direction on the advice of case law and believe this saved the Council a significant sum of money.

Asset Valuations (NMDC and DDC)

In response to how asset valuations for NMDC and DDC were being carried out it was noted that DDC used a different valuer than NMDC. For both audits there was an unqualified audit opinion.

A.25/2015:- NIAO RE:2014/2015 AUDIT STRATEGY

Read: Letter dated 13 March 2015 from NIAO enclosing a copy of the Audit Strategy in respect of the audit of the financial statements
(Copy circulated)

Mr S Knox presented the above Audit Strategy.

The Chairman pointed out that the Audit Strategy was a very important document for the new Council in terms of identifying the requirements to address areas of risk.

Agreed: It was agreed to note the NIAO Audit Strategy 2014/2015.

A.26/2015 – ANNUAL INTERNAL AUDIT PLAN - 2014/2015

Read: Annual Internal Audit Plan 2014/2015.
(Copy circulated)

Mr Davidson presented the above report.

He explained all field work would be completed by the end of March 2015 and it was not anticipated that the outcome would be anything less than satisfactory.

He added that work on procurement still remained ongoing and work on ICT was due to commence and conclude by next week.

Finally he added there was nothing of major importance for the Council's Governance Statement.

Agreed: It was agreed to mark the Annual Internal Audit Plan 2014/15 noted.

A.27/2015 – FINAL REMARKS

Mr T Lynch Chair of the Audit Committee extended thanks to the Councillors, Capita Consulting, NIAO, Directors and the Chief Executive for their co-operation on the Audit Committee. He hoped the Committee had been productive in its work and he wished everyone well for the future.

Mr E Curtis Clerk and Chief Executive, on behalf of the Management of the Council, extended thanks to Mr Lynch for Chairing the Audit Committee Meetings.

Councillors Carr and Councillor Casey also extended thanks to Mr Lynch for carrying out the role of Chair of the Audit Committee.

There being no further business the meeting concluded at 2.10pm.

For consideration at the Special Council Meeting to be held on Monday 30 March 2015.

Signed: **L Dillon**
 Committee Administrator

Newry, Mourne and Down District Council

Internal Audit Strategy

17 June 2015

Draft for Audit Committee consideration



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Private and Confidential

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

17 June 2015

Dear Mr Hannaway

Re: Internal Audit Strategy – draft for Audit Committee consideration

Introduction

1. Following a competitive tendering exercise, ASM was appointed as Internal Auditor to Newry, Mourne and Down District Council (“the Council”) with effect from 1 April 2015. Our appointment is for an initial two year period, with the Council having the option to extend the contract for a further two, twelve month, periods.
2. In line with best practice we have prepared an Internal Audit Strategy which provides a platform to enable the preparation of operational plans which will incorporate the detailed arrangements for the internal audit work to be conducted in each year.
3. In developing this Internal Audit Strategy we take cognisance of the fact that the Council was only formally established with effect from 1 April 2015. On this basis, we note that some of the key corporate documentation which we would normally expect to consider as part of the Internal Audit Strategy development is not yet available or is still in development.
4. This Internal Audit Strategy is being issued in draft for the Audit Committee’s consideration. We expect that this Strategy will be responsive to changes in the Council’s structures and policies throughout the four year period covered by this Strategy. Any future proposed changes to the Strategy will be agreed with the Audit Committee.
5. In preparing this Strategy we have considered the Council’s Corporate planning documents and those areas identified as being of higher risk and requiring Internal Audit attention during our meeting with the Council’s Director of Finance and Governance and the Council’s Governance Officer on 26 May 2015.
6. This document also includes our proposed KPIs for our service provision at **Appendix A.**

Background to the Council

7. As a result of the Review of Public Administration, Newry, Mourne and Down District Council was created on 1 of April 2015 by merging Newry and Mourne District Council and Down District Council. It now covers most of the South eastern part of Northern Ireland. We note that prior to 1 April 2015, the Council worked in “shadow” form alongside the two legacy Councils until full powers were assumed on 1 April 2015.

Newry, Mourne and Down District Council
Strategic Internal Audit Plan – draft for Audit Committee consideration

8. We understand that the new Council has responsibility for a wide range of services across five Directorates, which include enterprise, regeneration and tourism; active and healthy communities; regulatory and technical services; corporate services; and strategic planning and performance. We also understand that responsibility for the majority of local planning functions formally transferred from the Department of the Environment (DoE) to Newry, Mourne and Down District Council on 1 April 2015 and that the Council will now:

- a) receive and make decisions on the majority of planning applications;
- b) enforce breaches of planning permission;
- c) make tree preservation orders; and
- d) produce a local development plan outlining how land in Down and South Armagh should be used and developed in the future.

Key risks and control environment

9. There are two principal pieces of legislation that impact upon the internal audit of local authorities. These are:

- a) Part 1 of the Local Government Finance Act (Northern Ireland) 2011 which requires Councils to make arrangements for the proper administration of its financial affairs and to designate an officer of the Council as its Chief Financial Officer; and
- b) Section 3A of the Accounts and Audit Amendment Regulations (NI) 2006 which states that a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

10. Given the relative infancy of the Council, we appreciate that the risk environment has not yet been formally assessed and documented across the new Council. We understand that the "GRACE" Risk Management software system, which was in place to support the documentation of risks at the then Newry and Mourne District Council, will be utilised within the new Council. We note that a risk management strategy will be developed and that the risk registers in place in each of the legacy Councils will be considered and amalgamated to establish a Corporate Risk Register for the Council and Operational Risk Registers for each of the Council's new Directorates.

11. We anticipate that throughout most of the period covered by this Strategy that the Council will be in a state of transformation and transition. On this basis, we expect policies and procedures established to support the Council in delivery of its Corporate and Business objectives to evolve. On this basis we also expect this Internal Audit Strategy to evolve.

Internal Audit Plan

12. Based on our discussions with management we have identified the following areas which may benefit from an internal audit review over the course of the initial two year period to 31 March 2017 and the 2, 12 month extension periods up to 31 March 2019:

- a) accounts payable;
- b) accounts receivable and credit control;
- c) building control and regulation;
- d) cash handling processes to include a review at a sample of cash handling sites;
- e) community engagement;
- f) community planning;
- g) corporate governance;
- h) corporate planning;
- i) depot – stock control;
- j) Down Arts Centre;
- k) enterprise, employment and regeneration;

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- l) environmental health services;
- m) estates management and security;
- n) events management;
- o) facilities management;
- p) fleet and asset management;
- q) follow up of prior year recommendations made to the 2 Legacy Councils;
- r) governance of newly transferred in functions including planning, local economic development and off street parking;
- s) grants management;
- t) HR Management policies and procedures;
- u) IT Security and systems;
- v) Newry Leisure Centre;
- w) payroll;
- x) policies and procedures;
- y) procurement, purchasing and contract management;
- z) project management;
- aa) transformation, innovation and performance;
- bb) risk management;
- cc) time recording, overtime and flexi leave;
- dd) trade waste management; and
- ee) travel and subsistence.

Risk Assessment

13. We have utilised our standard approach for the assessment of risk likelihood and impact, which is summarised as follows:

Scale	Likelihood	Impact
8-9 (Very high)	Risk occurs, or could occur, regularly	Very significant impact on the achievement of business objectives
6-7 (High)	Risk may occur often	Significant impact on the achievement of business objectives
4-5 (Medium)	Risk is likely to occur	Limited impact on the achievement of business objectives
2-3 (Low)	Risk may occasionally occur	Small impact on the achievement of business objectives
0-1 (Very low)	Risk is unlikely to occur	Insignificant impact on the achievement of business objectives

14. We quantified our assessment of risk by multiplying the likelihood and impact scale assessments for each risk to provide an overall risk score. The risk scores were then stratified and each risk was assigned an overall risk category based on the following scoring system:

Overall risk score (Likelihood x Impact)	Risk category
≥ 35	High
11 – 34	Medium
≤ 10	Low

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System	Likelihood (0-9)	Impact (0-9)	Total	Risk category		
				High (≥ 35)	Medium (11 - 34)	Low (≤ 10)
Newry Leisure Centre	8	7	56	✓	-	-
Governance of newly transferred in functions including:						
a) planning	8	7	56	✓	-	-
b) local economic development	8	7	56	✓	-	-
c) off street parking	7	7	49	✓	-	-
Corporate governance	7	7	49	✓	-	-
Follow up of prior year recommendations made to the 2 Legacy Councils	8	6	48	✓	-	-
Risk management	7	6	42	✓	-	-
Cash handling processes to include a review at a sample of cash handling sites	6	7	42	✓	-	-
Policies and procedures	6	7	42	✓	-	-
IT Security and systems	6	6	36	✓	-	-
Transformation, innovation and performance	6	6	36	✓	-	-
Building control and regulation	5	6	30	-	✓	-
Environmental health services	5	6	30	-	✓	-
Depot – stock control	5	6	30	-	✓	-
Grants management	5	6	30	-	✓	-
Payroll	5	6	30	-	✓	-
Travel and subsistence	5	6	30	-	✓	-
Community planning	5	5	25	-	✓	-
Time recording, overtime and flexi leave	5	5	25	-	✓	-
Down Arts Centre	5	5	25	-	✓	-
Community engagement	5	5	25	-	✓	-
Fleet and asset management	5	5	25	-	✓	-
Procurement, purchasing and contract management	5	5	25	-	✓	-
Accounts payable	4	6	24	-	✓	-
Facilities management	4	6	24	-	✓	-
Enterprise, employment and regeneration	5	3	15	-	✓	-
HR Management policies and procedures	5	3	15	-	✓	-
Trade waste management	3	4	12	-	✓	-
Estates management and security	3	4	12	-	✓	-
Accounts receivable and credit control	3	3	9	-	-	✓
Corporate planning	3	3	9	-	-	✓
Project management	3	3	9	-	-	✓
Events management	3	3	9	-	-	✓

Audit threshold

Audit day allocation

15. For timetabling purposes we have scheduled those areas identified as having a higher level of risk for review during the earlier part of our four year plan. We consider that this approach provides us with scope to revise the plan in the event that new, higher level, risks emerge over the course of the next four years.

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16. In order to provide assurance that internal audit recommendations are being implemented, we have allocated twenty audit days in the first year and ten audit days in each subsequent year of our plan to undertake a follow up review of those internal audit recommendations accepted by management.

17. In preparing this Strategy, we have met with the outgoing Internal Audit contractor to Newry and Mourne District Council. We also take cognisance of the fact that there were a number of reviews from the 2014/15 Internal Audit Plan which were required to be completed.

18. We will agree with management an annual internal audit schedule in advance of commencing each year's fieldwork. Terms of reference will be agreed with management for each year's internal audit assignments.

19. On the basis of our broad-based risk assessment, we propose to allocate our man day input over the initial two years ending 31 March 2017 and two additional 12 months periods to 31 March 2019 as follows:

Activity	2015/16 Days	2016/17 Days	2017/18 Days	2018/19 Days
Assurance reviews				
Newry Leisure Centre	10	-	-	-
Governance of newly transferred in functions including:				
a) planning	10	-	-	10
b) local economic development	10	-	-	-
c) off street parking	10	-	-	-
Corporate governance	10	-	-	-
Follow up of prior year recommendations made to the 2 Legacy Councils	20	-	-	-
Risk Management	-	15	-	-
Cash handling processes to include a review at a sample of cash handling sites	-	-	16	-
Policies and procedures	-	10	-	-
IT Security and systems	-	-	15	-
Transformation innovation and performance	-	-	-	10
Building control and regulation	-	10	-	-
Environmental health services	-	-	-	9
Depot – stock control	-	8	-	-
Grants management	10	-	-	-
Payroll	-	-	10	-
Travel and subsistence	-	-	-	10
Community planning	-	-	15	-
Time recording, overtime and flexi leave	-	-	-	12
Down Arts Centre	-	-	10	-
Community engagement	-	-	-	10
Fleet and asset management	-	10	-	-
Procurement, purchasing and contract management	10	-	-	-
Accounts payable	-	8	-	-
Facilities management	-	-	-	10
Enterprise, employment and regeneration	-	-	-	10
HR Management policies and procedures	-	10	-	-
Trade waste management	-	10	-	-
Estates management and security	-	-	15	-

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Contract management				
Internal Audit Strategy	5	-	-	-
Contingency	10	10	10	10
Annual Planning	-	4	4	4
Review of Prior Year Recommendations	-	10	10	10
Preparation, attendance and reporting to Audit Committee	4	4	4	4
Contract management	5	5	5	5
Liaison with External Audit	1	1	1	1
Total days	115	115	115	115

20. If you wish to discuss any aspect of this correspondence please do not hesitate to contact myself.

Yours sincerely

Brian Clerkin
 Managing Director

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DRAFT

Key Performance Indicators

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Performance Indicator	Target	Comment
Staffing		
% Audit Work completed by qualified staff	40%	% of audit work completed by CCAB and/or IIA qualified staff.
Staff Continuity	50%	% of internal audit days to be delivered by staff familiar with the organisation.
Recommendations		
Recommendations accepted by management	75%	Number of accepted recommendations as a % of overall recommendations.
% Key risks audited	25% per annum – once risk have been established and agreed by Council	Identified via an annual “risk mapping” exercise.
Efficiency		
Compliance with agreed reporting protocol	100%	Close meetings facilitated for each review and draft reports issued within one month of the close out meeting or receipt of any outstanding information.
Finalisation of reports	100%	Final reports issued within 5 working days of receipt of management response.
Reviews completed (as % of that stated in Plan)	100%	Explanation of any planned reviews not completed to be provided.
Attendance at Audit Committee (Director or Manager/Assistant Manager)	100%	All Audit Committee meetings to be attended by the Director or the Manager/Assistant Manager.