

Minutes of the Audit Committee held on 22 September 2016 were ratified at the Council meeting held on 3 October 2016 subject to the amendment below:

C/181/2016                      MINUTES OF AUDIT COMMITTEE HELD ON 22 SEPTEMBER 2016

Read:                              Minutes of Audit Committee Meeting held on 22 September 2016  
(copy circulated)

**AGREED:**        **The minutes were agreed as an accurate record and adopted on the proposal of Councillor Hearty, seconded by Councillor P Brown.**

AC/50/2016 – Action Sheet – Minutes of Audit Committee Meeting – 28 April 2016

(2) Councillor Craig raised concern at the on-going discussion in relation to the M & E works proposed for Down Leisure Centre. He asked that the Consultants be invited to meet with all Councillors to have an open and transparent discussion on the issues raised by Councillor Enright and any other interested Councillors.

**AGREED:**        **It was agreed on the proposal of Councillor Craig, seconded by Councillor Hearty, that the M&E consultancy team for the Down Leisure Centre be invited to a meeting of the Strategy, Policy and Resources Committee, to which all Councillors would be invited, for a question and answer session on this issue.**

In response to queries from Councillor Reilly, Mrs Carville explained at the Efficiencies Working Group meeting the previous week, it had been agreed the working group would be the forum for the rates estimates process. She added that all Councillors were invited to attend the Efficiencies Working Group and she was in the process of agreeing a detailed timetable.

Councillor Reilly expressed concerns regarding the Mournes DEA and in particular the Annalong Harbour issue and said he hoped the needs of the Mournes would be given consideration within the rates setting process.

### **NEWRY MOURNE AND DOWN DISTRICT COUNCIL**

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**Minutes of Audit Committee Meeting held on Thursday 22 September 2016 at 2.10pm in the Mourne Room, Downshire Estate, Downpatrick**

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**Chairperson:**                              Mr J Campbell Independent Member

**In Attendance:**                              **(Committee Members)**  
Councillor P Brown  
Councillor C Casey  
Councillor C Enright  
Councillor J Trainor  
Councillor T Hearty

**Officials in Attendance:**

Mr L Hannaway	Chief Executive
Ms D Carville	Director Corporate Services
Mr M Lipsett	Director of Active and Healthy Communities
Ms B Phillips	Finance Manager
Mr K Montgomery	Assistant Director of Finance
Mr G Byrne	Audit Services Manager
Ms C Taylor	Democratic Services Officer

**Also in Attendance:**

Ms C Hagan	ASM (Internal Auditors)
Mrs C Kane	Northern Ireland Audit Office

**AC/70/2016: APOLOGIES AND CHAIRPERSON'S REMARKS**

The following apologies were received from Councillors Devlin, Murnin, OGribin, Ruane and Sharvin.

**AC/71/2016: DECLARATIONS OF INTEREST**

The Chairperson, Mr Campbell, declared an interest in Item 18 – Assessment of Performance of Chairperson of Audit Committee.

**AC/72/2016: ACTION SHEET ARISING OUT OF MINUTES OF AUDIT COMMITTEE MEETING HELD ON MONDAY 4 JULY 2016**

Read: Action Sheet arising out of Minutes of Audit Committee Meeting held on Monday 4 July 2016. **(Copy circulated)**

**AC/65/2016 Council Decision Making Process**

Councillor Enright requested Item 17 on the Agenda – Council Decision Making Processes – Updated Process Maps, would be deferred to the next Audit Committee meeting.

**AGREED: It was agreed that Item 17 – Council Decision Making Processes – Updated Process Maps, be deferred to the next Audit Committee Meeting.**

**AC/50/2016 – Action Sheet – Minutes of Audit Committee Meeting – 28 April 2016**

(2) Negative Variance in former Down District Council – Management Accounts  
Councillor Enright reiterated his previous concerns that capital projects with negative variances in the management accounts should not be removed from the management accounts without being approved by Council.

Councillor Enright raised the following concerns:

- Despite progress being made on the action sheet template which had been presented to Strategy, Policy and Resources Committee, the decision process should be reviewed to ensure that actions are accurately reflected in action sheets.
- AC/50/2016 - current proposal for renewable energy at the Down Leisure Centre was too expensive and that the issues raised at the Special Audit Committee on 26 April 2016 had not been properly reflected in the action sheet. Advice should have been obtained from the Council's Energy Officer and Building Control and why had Council gone back to a Consultant who had misadvised Council on two occasions.

In response to Councillor Enright's comments, Mrs Carville said a report would be presented to Strategy, Policy and Resources Committee which would address these concerns and confirmed she was waiting on a report from the Consultants.

The Chairperson agreed the issues raised by Councillor Enright should be addressed in a report to the appropriate committee, which was Strategy, Policy and Resources Committee.

Mr Hannaway placed on record that Council's Officers were not M&E Engineers and were not in a position to provide an M&E report.

Councillor Hearty suggested referring the issues to Strategy, Policy and Resources Committee to which Members of the Audit Committee would be invited.

**AGREED: It was agreed that the issues raised by Councillor Enright would be addressed in a report to the Strategy, Policy and Resources Committee. Members of the Audit Committee would be invited to the discussion at Strategy, Policy and Resources Committee.**

In response to Councillor Hearty's query regarding Council's payment system, Mrs Carville explained that an additional payment run had been added, so there were now 3 payment runs per month and in July and August 87% of invoices had been paid within 30 days. She undertook to share the report for Efficiencies Working Group on this matter with the Audit Committee.

AC/50/2016: The Chairperson queried when the review of the format of the management accounts would be completed and reported to the Audit Committee. Mrs Carville explained investigations had been on going into the adequacy of the finance system and whether improvements could be made. She referred to the draft IT Strategy, stating whether it progressed or not would determine what actions could be taken regarding improving the management accounts. She confirmed a report would be brought back to the next Audit Committee regarding this.

## **FINANCIAL STATEMENTS**

**AC/73/2016: STATEMENT OF ACCOUNTS**

**Read: Statement of Accounts. (Copy circulated)**

Ken Montgomery made a comprehensive presentation on the Statement of Accounts.

**AGREED:** It was agreed on the proposal of Councillor Enright, seconded by Councillor Casey to recommend to Council the approval of the audited Statement of Accounts including the Annual Governance Statement.

**AGREED:** In response to comments from Members, it was agreed to provide a hard copy of the Statement of Accounts in future.

The Chairman thanked the Finance staff for their work in finalising the accounts.

*The following items are deemed restricted in accordance with Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014.*

**AGREED:** On the proposal of Councillor Hearty seconded by Councillor Casey, it was agreed to exclude the public and press from the Meeting during discussion on this matter which related to exempt information 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).

**AC/75/2016:** **NIAO DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE**

Read: NIAO Draft Report to those Charged with Governance. **(Copy circulated)**

The Chairman thanked the NIAO staff for their work in finalising the audit of the accounts.

#### **INTERNAL AUDIT – ASM LIMITED**

**AC/76/2016:** **INTERNAL AUDIT – SUMMARY REPORT**

Read: Internal Audit Summary Report. **(Copy circulated)**

**AC/77/2016:** **DRAFT INTERNAL AUDIT REPORT – TRADE WASTE**

Read: Draft Internal Audit Report – Trade Waste. **(Copy circulated)**

**AC/78/2016:** **VERBAL UPDATE: COMMUNITY CENTRE AUDIT**

Ms C Hagan, ASM Limited gave a verbal update regarding the Community Centre Audit.

**AC/79/2016: DEPARTMENT OF FINANCE RE: INTERNAL AUDIT OPINIONS & PRIORITISATION OF RECOMMENDATIONS**

Read: Correspondence dated 26 July 2016 from Department of Finance regarding Internal Audit Opinions and Prioritisation of Recommendations. **(Copy circulated)**

**CORPORATE SERVICES**

**AC/80/2016: UPDATE RE: INTERNAL AUDIT RECOMMENDATIONS**

Read: Report dated 22 September 2016 from Mr G Byrne, Audit Services Manager regarding progress on the Implementation of Internal Audit Recommendations. **(Copy circulated)**

Councillor Enright requested that in future years the orientation of the document would be landscape as it would be easier to read.

**AGREED: On the proposal of Councillor Enright seconded by Councillor Casey it was agreed the Committee come out of closed session.**

When the Committee came out of Closed Session the Chairman reported the following:

**NIAO Draft Report to Those Charged with Governance**

**AGREED: It was agreed to note the NIAO Draft Report to Those Charged with Governance,**

**Internal Audit Summary Report**

**AGREED: It was agreed to note the Internal Audit Summary Report.**

**Draft Internal Audit Report – Trade Waste**

**AGREED: It was agreed to note the Draft Internal Audit Report – Trade Waste and review at the next Audit Committee meeting when management responses were received.**

**Verbal Update – Community Centre Audit**

**AGREED: It was agreed to note the verbal update on the Community Centre Audit.**

## Department of Finance -Re: Internal Audit Opinions & Prioritisation of Recommendations

**AGREED:** It was agreed on the proposal of Councillor Enright, seconded by Councillor Trainor, to adopt the Department of Finance Internal Audit Opinions and Prioritisation of Recommendations with immediate effect.

### Updated Re: Internal Audit Recommendations

**AGREED:** It was agreed to note the Internal Audit Recommendations.

Mr Campbell acknowledged on behalf of the Audit Committee, the substantial progress which had been made and hoped at the next meeting, the review progress on the implementation of 2015/16 Internal Audit recommendations.

Councillor Enright requested the document to be presented in landscape orientation in future.

## CORPORATE SERVICES

### AC/82/2016: CORPORATE RISK REGISTER

Read: Report dated 22 September 2016 from Ms D Carville, Director of Corporate Services regarding the Corporate Risk Register. **(Copy circulated)**

Mrs Carville advised that the Corporate Risk Register had been updated since the last Audit Committee meeting. The most significant change had been the addition of a red risk relating to the unknown implications of the effects of Brexit on Council. She advised that action had commenced in relation to the risk through the Strategy, Policy and Resources Committee. She also advised that since the last Audit Committee meeting, work had commenced on the development of Directorate Risk Registers

In response to a query from Councillor Casey, Mr Hannaway confirmed a study led by East Border Region was to be undertaken which would include all border Councils with concerns regarding Brexit. The cost would be shared between the Councils and then a seminar organised with politicians from Europe, Westminster, MLAs, Councillors and the Chambers of Commerce.

In response to concerns from Councillor Enright, Mrs Carville explained the reason management had assessed Risk 8 to be so high was that it covered I.T systems and budget as well as human resources and it had not been looked at from the point of view of reducing headcount.

In response to a query raised by Councillor Enright, Mrs Carville explained that Risk 6 – failure to effectively manage waste, was considered an amber risk.

**AGREED: It was agreed to note the updated Corporate Risk Register.**

**AC/83/2016: FRAUD & WHISTLEBLOWING**

Read: Report dated 22 September 2016 from Mr G Byrne, Audit Services Manager regarding Fraud & Whistleblowing. **(Copy circulated)**

Mrs Carville advised at the last Audit Committee, the Audit Office report regarding the management of fraud in a changing environment had been discussed and the main action arising from the discussion had been to enhance the role of the Audit Committee in this regard. She said a report would be brought to each Audit Committee highlighting at a high level, items of fraud and whistleblowing.

Mrs Carville advised since the last report, one suspected fraud had been detected which had highlighted the internal control processes within Council were working effectively. The issue had been investigated quickly and there had been no loss of funds to Council. She added that all suspected incidents of fraud were now reported to the Local Government Auditor to enhance monitoring.

Mrs Carville also informed Members of two whistleblowing complaints received and confirmed that investigations were ongoing.

**AGREED: It was agreed to note the Fraud and Whistleblowing Report.**

**NIAO**

**AC/84/2016: VERBAL UPDATE RE: PERFORMANCE IMPROVEMENT AUDIT**

Mrs Kane, NIAO, gave a verbal update on Performance Improvement Audit and advised that Council could expect a report at the end of October and publication at the end of November.

**AGREED: It was agreed to note the Performance Improvement Audit.**

**AC/85/2016: NIAO NATIONAL FRAUD INITIATIVE**

Read: NIAO – The National Fraud Initiative: Northern Ireland.  
**(Copy circulated)**

Mrs Kane, NIAO, explained that the National Fraud Initiative was the 4<sup>th</sup> such exercise carried out and to date £33m had been saved to the public sector.

**AGREED:** It was agreed to note the NIAO National Fraud Initiative.

**AC/86/2016:** **NIAO LOCAL GOVERNMENT AUDITORS REPORT - 2016**

Read: NIAO – Report on the exercise of the Local Government Auditors functions. **(Copy circulated)**

Mrs Kane, NIAO gave an overview and encouraged Members to read the Local Government Auditors Report which related to audits carried out in 2014/15, and said some of the reports were applicable to Council.

**AGREED:** It was agreed to note the NIAO Report on the exercise of the Local Government Auditors functions.

**FOR NOTING**

**AC/87/2016:** **PROCESS RE: AUDIT COMMITTEE - SELF ASSESSMENT CHECKLIST**

Read: Report dated 22 September 2016 from Ms D Carville, Director of Corporate Services regarding the process for proposed Audit Committee Self-Assessment Review. **(Copy circulated)**

Mr Campbell explained that the National Audit Office Self-Assessment Checklist was a checklist widely used by Audit Committees, which had been tailored for councils and a useful tool in identifying areas of improvement and provided reassurance that Audit Committees were carrying out best practice. He said it was recommended that the Audit Committee use the checklist to carry out a self-assessment with himself leading on the exercise. Mr Campbell advised he would collate the responses via email and seek Members views before compiling a report which could be tabled at the next Audit Committee meeting.

**AGREED:** It was agreed on the proposal of Councillor Enright, seconded by Councillor Casey, that the NAO Checklist is used by Newry, Mourne and 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.

**AC/88/2016:** **CIRCULARS FOR NOTING**



Read: Correspondence dated 6 July 2016 from the Department for Communities regarding Circular LG14/2016 – Consolidated Councillor Allowance. **(Copy circulated)**

Read: Correspondence dated 13 June 2016 from the Department for Communities regarding Circular LG16/2016 – Scheme of Emergency Financial Assistance to District Councils – Flooding. **(Copy circulated)**

Read: Correspondence dated 1 August 2016 from the Department for Communities regarding Circular LG18/2016 – Scheme of Emergency Financial Assistance. **(Copy circulated)**

**AGREED: It was agreed to note the above mentioned circulars.**

**AC/89/2016: COUNCIL DECISION MAKING PROCESSES - UPDATED PROCESS MAPS**

Read: Report dated 22 September 2016 from Mr J McBride, Assistant Director, Transformation, Innovation and Performance regarding Council Decision Making Processes – updated process maps for Council’s core decision making processes. **(Copy circulated)**

**AGREED: It was agreed that this item would be deferred to the next Audit Committee Meeting.**

*(The Chairman, Mr Campbell declared an interest in this item of business and left the meeting at this stage – 3.55pm)*

**AC/90/2016: PROCESS RE: ASSESSMENT OF PERFORMANCE OF CHAIRPERSON OF AUDIT COMMITTEE**

Read: Report dated 22 September 2016 from Mrs D Carville, Director of Corporate Services regarding a proposed process for the assessment of the Chairperson’s performance. **(Copy circulated)**

**AGREED: It was agreed on the proposal of Councillor Enright, seconded by Councillor Trainor, that Councillor Brown Chair the meeting for the above item of business.**

Mrs Carville explained it was best practice to assess the Chairman’s performance on an annual basis and it had been felt that it would be appropriate to have a Councillor as part of that review process in addition to the Chief Executive to increase objectivity.

**AGREED:** It was agreed on the proposal of Councillor Enright, seconded by Councillor Trainor, that the Chairperson's performance would be carried out by the Chief Executive and Councillor Casey.

The meeting concluded at 4:02pm.

For consideration at the Council Meeting to be held on 3 October 2016.

**Signed:** Ms D Carville  
Director of Corporate Services

**Signed:** Mr J Campbell  
Independent Chairperson