

## NEWRY MOURNE AND DOWN DISTRICT COUNCIL

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### Minutes of Audit Committee Meeting held on Thursday 27 April 2017 at 2.40pm in the Mourne Room, Downshire Estate, Downpatrick

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**Chairperson:** Mr J Campbell, Independent Chairperson

**In Attendance:** **(Committee Members)**

Councillor P Brown  
Councillor L Devlin  
Councillor T Hearty  
Councillor M Murnin  
Councillor M Ruane

**Officials in Attendance:**

Mr L Hannaway	Chief Executive
Ms D Carville	Director Corporate Services
Mr K Montgomery	Assistant Director, Corporate Services (Finance)
Mr G Byrne	Audit Services Manager
Mrs K Bingham	Head of Service Transformation Innovation & Performance
Ms C Taylor	Democratic Services Officer

**Also in Attendance:**

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

**AC/001/2017: APOLOGIES AND CHAIRPERSON'S REMARKS**

The following apologies were received:

Councillors Casey, Enright, O'Gribbin, Sharvin, Trainor, Mr M Lipsett, Director, Active & Healthy Communities, Mrs M Ward, Director, Enterprise, Regeneration & Tourism, Mr E Curtis, Director of Strategic Policy and Performance, Mr C O'Rourke, Director, Regulatory & Technical Services and Mr J McBride, Assistant Director of Community Planning and Performance.

Mr J Campbell, Chairperson, extended condolences from himself and on behalf of the Audit Committee to Councillor Enright upon the recent passing of his mother.

The Chairperson advised that Item 27 – Draft Governance Statement – was deferred to the next Audit Committee Meeting.

**AC/002/2017: DECLARATIONS OF INTEREST**

**Ms C Hagan ASM Limited** declared an interest in Item 28 on the agenda regarding the Renewal of the Internal Audit Contract.

**AC/003/2017:            ACTION SHEET  
MINUTES AUDIT COMMITTEE MEETING  
THURSDAY 8 DECEMBER 2016**

Read:                      Action Sheet arising out of Minutes of Special Audit Committee Meeting held on Thursday 8 December 2016. **(Copy circulated)**

**AGREED:                It was unanimously agreed to note the Action Sheet arising from the Minutes of the Audit Committee Meeting held on Thursday 8 December 2016.**

**NORTHERN IRELAND AUDIT OFFICE (NIAO) (OPEN SESSION)**

**AC/004/2017:            ANNUAL AUDIT LETTER**

Read:                      Newry, Mourne & Down District Council Annual Audit Letter 2015-2016. **(Copy circulated)**

Ms C Kane, NIAO, advised the Annual Audit Letter for 2015/16 was now on Councils website and was a reflection back on the audit of the financial statements for 2015/16 and Page 3 gave an overall summary of the process. She further advised there were no specific issues that needed to be brought to Members' attention in the document.

Mr Campbell advised that Page 3 of the Annual Audit Letter, Key Messages, read very well and congratulated all of the officers involved.

**AGREED:                It was unanimously agreed to note the Annual Audit Letter NMDDC 2015-16.**

**AC/005/2017:            NIAO AUDIT STRATEGY**

Read:                      Northern Ireland Audit Office Audit Strategy for Newry, Mourne & Down District Council – Audit of Statement of Accounts for Year ended 31 March 2017. **(Copy circulated)**

Ms Kane advised the NIAO Audit Strategy for the accounts year ended 31 March 2017 and was a standard document which Members would have seen in previous years and which summarised the NIAO's approach to the audit of financial statements for 2016/17.

Ms Kane highlighted the following:

- Page 1, Paragraph 1.3 – this outlined what those charged with governance (Audit Committee) were invited to consider and whether the NIAO's assessment of the potential risk of material financial statements was complete, whether the

managements' response to the risks were adequate, whether the proposed plan was adequate to address the risks and whether the financial statements could be materially misstated due to fraud and any areas of concern communicated to management and to the NIAO.

- Para 2.3 – this audit approach was a risk based approach and there had not been any significant areas of risk identified in this audit.
- 2.13 – the estimated materiality was £1.4m based on the prior year's Statement of Accounts.
- 2.16 – Error Reporting Threshold – an amount of £25,000 was considered a "trivial" amount and errors below this amount not required to be considered by the Audit Committee.
- Presumed Risks – there was some presumed risks required to be looked at under the Auditing Standards:
  - 3.3 – Risk of fraud in revenue – specifically areas where there are cash streams.
  - NIAO identified 3 Risk Factors for this year's audit, namely – Year end accounts process, fixed assets and principal and agency transactions. These 3 risk factors would be closely looked at during the audit.
- The timetable had been agreed with officers and the NIAO were on schedule to produce an audit certificate for 30 September 2017.
- The estimated audit fee for the 2016-2017 Statement of Accounts was £63,000.

**AGREED: It was unanimously agreed to note the NIAO Audit Strategy.**

### **CORPORATE SERVICES (OPEN SESSION)**

#### **AC/006/2017: TIMETABLE – YEAR END ACCOUNTS**

Read: Report dated 27 April 2017 from Mr K Montgomery regarding timetable for completion of the financial statements for the year ended 31 March 2017. **(Copy circulated)**

Mr Montgomery provided a detailed analysis of the timetable for the year end accounts.

The Chairman advised that the Audit Committee could take assurance that there was a robust process in place to prepare the accounts for 2016/17.

In response to a query from Councillor Murnin, Mr Montgomery advised a comprehensive review, which was due to be finalised next week, had been undertaken by the Assistant Directors and the Finance department where coding issues had been addressed.

**AGREED: It was unanimously agreed to note the Timetable – Year End Accounts.**

#### **AC/007/2017: PROMPT PAYMENTS**

Read: Report dated 27 April 2017 from Mr K Montgomery, Assistant Director of Finance, regarding Prompt Payments. **(Copy circulated)**

Mr Montgomery advised of the following in respect of prompt payments:

- In the period 1 January 2017 to 31 March 2017, there had been 5,713 invoices processed, 687 of which had been paid within 10 days which at 12%, was slightly up from the previous quarter, which was 8%.
- 87% of invoices had been paid within 30 days, which was slightly below the previous quarter of 90%.
- 719 invoices (13%) had been paid outside of the payment period, which was above the last quarter (10%).

In response to a question from Councillor Devlin, Mr Montgomery confirmed a review had been carried out in respect of how invoices could be processed quicker. He said the recently concluded internal audit had provided recommendations on how to increase efficiency in this area and would be implemented by management.

**AGREED: It was unanimously agreed to note the Prompt Payments.**

**AC/008/2017: DIRECT AWARD CONTRACT REGISTER**

Read: Report dated 27 April 2017 from Mr K Montgomery, Assistant Director of Finance, regarding Direct Aware Contract Register. **(Copy circulated)**

Mr Montgomery advised in the 2016-17 financial year, 15 direct award contracts had been made, the total value of which was £350,000.

In response to a concern from Councillor Murnin regarding the award of the direct award contract for CCTV system at the Bridge Centre, Killyleagh, Mr Montgomery undertook to investigate the details and rationale behind the award.

In response to a query from the Chairperson regarding the direct award contract at the Camlough Lake Dam, Mrs Carville explained this was an on-going project led by NI Water, for which Council had agreed to make a 50% contribution, which amounted to a contract value of £1.5m to the Council.

The Chairperson advised Direct Award Contracts would be brought to the Audit Committee on a quarterly basis in future.

**AGREED: It was unanimously agreed to note the Direct Award Contract Register.**

**AC/009/2017: CORPORATE RISK REGISTER**

Read: Report dated 27 April 2017 from Ms D Carville, Director of Corporate Services regarding the Corporate Risk Register. **(Copy circulated)**

Mrs Carville provided an update on the Corporate Risk Register, advising that it was now being presented on the GRACE system. She further advised Directorate Risk Registers had been completed for each directorate which were now live on the GRACE system and that as this was the first Corporate Risk Register being presented on GRACE, there were no tracked changes, but this was a review feature of the GRACE system that would be brought to the next Audit Committee to highlight any changes.

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

**AC/010/2017: FRAUD & WHISTLEBLOWING**

Read: Report dated 27 April 2017 from Mr G Byrne, Audit Services Manager regarding Fraud & Whistleblowing. **(Copy circulated)**

**AGREED: It was unanimously agreed to note the report on Fraud & Whistleblowing.**

**AC/011/2017: IMPLEMENTATION OF LEGACY COUNCILS  
INTERNAL AUDIT RECOMMENDATIONS**

Read: Report dated 27 April 2017 from Mr G Byrne, Audit Services Manager regarding a summary on the implementation of Legacy Councils Internal Audit Recommendations. **(Copy circulated)**

In response to a query from Councillor Murnin, Mr Byrne confirmed he would continue to monitor and implement legacy recommendations.

Ms Hagan advised that as she had a limited number of audit days, it would be a better use of time for the Audit Services Manager to implement and oversee legacy recommendations.

The Chairperson advised he was content with the proposed way forward and he placed on record significant progress had been made on the follow up of legacy recommendations and many had been implemented. The Audit Services Manager would continue to review the legacy recommendations and the Audit Committee would concentrate on monitoring internal audit recommendations arising in the current audit programme.

**AGREED: On the proposal of Councillor Devlin, seconded by Councillor Brown, it was agreed that legacy recommendations would continue to be implemented and overseen by the Audit Services Manager and going forward, the Audit Committee would concentrate on monitoring internal audit recommendations which had been made since NMDDC had**

formed with the Audit Services Manager bringing a new report detailing progress accordingly.

**AC/012/2017: PERFORMANCE IMPROVEMENT PLAN**

Read: Report dated 27 April 2017 from Mr J McBride, Assistant Director of Community Planning & Performance regarding Performance Improvement Objectives 2017-2018. **(Copy circulated)**

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

**CIRCULARS**

**AC/013/2017: CIRCULARS FOR NOTING**

Read: Correspondence dated 25 January 2017 from the Department for Communities re Circular LG 02/17 – Template for Councillor Allowances Return 2016/17. **(Copy circulated)**

Read: Correspondence dated 15 February 2017 from the Department for Communities re Circular LG 03/17 - Consolidated Councillors Allowances Circular – updated February 2017. **(Copy circulated)**

Read: Correspondence dated 13 March 2017 from the Department of Communities re LG 10/17 Accounts Direction 2016/2017 Northern Ireland District Councils. **(Copy circulated)**

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

- Mrs K Bingham, Head of Service Transformation Innovation & Performance departed from the meeting – 3:22pm.

**AUDIT SERVICES SECTION (CLOSED SESSION)**

*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 Ruane seconded by Councillor Brown, it was agreed to exclude the public and press from the Meeting during discussion on the following matters 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/014/2017: INTERNAL AUDIT SUMMARY REPORT**

Read: Newry, Mourne & Down District Audit Summary Report.  
**(Copy circulated)**

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

**AC/015/2017: REPORT FROM INTERNAL AUDIT RE: FLEET MANAGEMENT**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Fleet Management. **(Copy circulated)**

**AGREED: It was agreed to note the report from Internal Audit re Fleet Management.**

**AC/016/2017: REPORT FROM INTERNAL AUDIT RE: ACCOUNTS PAYABLE**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Accounts Payable. **(Copy circulated)**

The Chairperson referred to the priority 1 recommendations and requested a progress report for the next Audit meeting.

**AGREED: It was agreed to note the report from Internal Audit regarding Accounts Payable.**

**AC/017/2017: REPORT FROM INTERNAL AUDIT RE: RISK MANAGEMENT**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Risk Management. **(Copy circulated)**

**AGREED: It was agreed to note the report from Internal Audit regarding Risk Management.**

**AC/018/2017: REPORT FROM INTERNAL AUDIT RE: CASH HANDLING**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Cash Handling. **(Copy circulated)**

**AGREED: It was agreed to note the report from Internal Audit regarding Cash Handling.**

**AC/019/2017: REPORT FROM INTERNAL AUDIT - RE: REVIEW OF COMMUNITY CENTRES**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Review of Community Centres. **(Copy circulated)**

The Chairperson requested a progress report to be brought back to the next Audit Committee meeting to ensure the implementations were progressing satisfactorily.

**AGREED: It was agreed to note the report from Internal Audit regarding the review of Community Centres.**

**AC/020/2017: REPORT FROM INTERNAL AUDIT RE: FOLLOW UP REVIEW**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Follow Up Review. **(Copy circulated)**

**AGREED: It was agreed to note the report from Internal Audit regarding the Follow Up Review.**

**AC/021/2017: REPORT FROM INTERNAL AUDIT RE: BIG SCREEN REVIEW**

Read: Report from ASM Limited Internal Auditors regarding Audit Fieldwork 2016-2017 – Big Screen Review. **(Copy circulated at Meeting)**

**AGREED: It was agreed to note the report from Internal Audit regarding the Big Screen Review.**

**AC/022/2017: REPORT FROM INTERNAL AUDIT - RE: INTERNAL AUDIT ASSURANCE**

Read: Newry, Mourne & Down District Council Annual Internal Audit Assurance Report 2016/2017. **(Copy circulated)**

**AGREED: It was agreed to note the report from Internal Audit regarding the Annual Internal Audit Assurance.**

**AC/023/2017: DRAFT INTERNAL AUDIT PLAN 2017/2018**

Read: Draft Internal Audit Plan 2017/2018. **(Copy circulated)**

The Chairperson asked officers to review the audit areas which had been pushed from 2017/18 into 2018/19 and to undertake a high level review of the disaster plan for the IT systems in the context of disaster recovery.



**AGREED:** On the proposal of Councillor Murnin, seconded by Councillor Ruane, it was agreed that the draft Internal Audit Plan 2017/18 be approved in principle subject to the following being undertaken:

- A review of those audit areas pushed out from 2017/18 into 2019/20.
- A high level review of the disaster plan for IT systems in the in the context of disaster recovery.

### **CORPORATE SECTION (CLOSED SESSION)**

**AC/024/2017: ASSURANCE STATEMENTS**

Read: Assurance Statements. (verbal update)

**AGREED:** It was agreed to note the Assurance Statements.

**AC/025/2017: DRAFT GOVERNANCE STATEMENT**

Noted: It was noted the Draft Governance Statement would be tabled at the next Meeting of the Audit Committee to be held on Thursday 29 June 2017.

**AGREED:** It was noted that this item of business was deferred to the next Audit Committee

- **Ms C Hagan ASM Limited** declared an interest in the next item of business and departed from the meeting – 4:10pm.

**AC/026/2017: INTERNAL AUDIT CONTRACT**

Read: Report dated 27 April 2017 from Mr G Byrne, Audit Services Manager regarding Renewal of Internal Audit Contract. **(Copy circulated)**

**AGREED:** On the proposal of Councillor Ruane, seconded by Councillor Devlin, it was agreed that the recommendations in section 3.1 of the report be approved to extend ASM's contract for another year.

**AGREED:** On the proposal of Councillor Ruane, seconded by Councillor Brown, it was agreed to come out of Closed Session.

The Meeting concluded at 4:15pm

