

NEWRY MOURNE AND DOWN DISTRICT COUNCIL

Minutes of Audit Committee Meeting held on Tuesday 26 September 2017 at
2.00pm in the Mourne Room, Downshire Estate, Downpatrick

Chairperson: Mr J Campbell, Independent Chairperson

In Attendance: **(Committee Members)**

Councillor L Devlin
Councillor M Murnin
Councillor M Ruane
Councillor J Tinnelly
Councillor J Trainor

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
Mr J McBride	Assistant Director, Community
	Planning & Performance
Ms C Taylor	Democratic Services Officer
Ms S Taggart	Democratic Services Officer

Also in Attendance:

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

AC/048/2017: APOLOGIES AND CHAIRPERSON'S REMARKS

The following apologies were received:

Councillors Casey, Hanna, Sharvin, Mr M Lipsett, Director, Active & Healthy Communities and Mrs M Ward and Director, Enterprise, Regeneration & Tourism.

AC/049/2017: DECLARATIONS OF INTEREST

There were no declarations of interest.

**AC/050/2017: ACTION SHEET
MINUTES AUDIT COMMITTEE MEETING
THURSDAY 29 JUNE 2017**

Read: Action Sheet arising out of Minutes of Audit Committee Meeting held on Thursday 29 June 2017. **(Copy circulated)**

AGREED: On the proposal of Councillor Ruane, seconded by Councillor Trainor, it was agreed to note the Action Sheet arising from the Minutes of the Audit Committee Meeting held on Tuesday 29 June 2017.

CORPORATE (OPEN SESSION)

AC/051/2017 CORPORATE RISK REGISTER

Read: Report from Mrs D Carville, Director of Corporate Services, dated 26 September 2017, regarding Corporate Risk Register (copy circulated).

Mrs Carville advised the Corporate Risk Register had been reviewed by Senior Management Team in September and a number of minor changes had been made. She explained that no new risks had been identified and the new policy would be brought to Strategy, Policy and Resources Committee in October, which, following ratification at Council, training would be provided to the Corporate Management Team, which was a recommendation arising from last year's internal audit review.

Mrs Carville referred to Corporate Risk 05 – Failure to effectively manage waste – saying at the Audit Committee meeting held in June 2017, the Assistant Director of Waste Management updated Members on the recommendations of the Waste Internal Audit Report. She advised that an audit was currently being carried out by the NI DFI Central Licensing office and an audit report on this would be brought back to Members.

In response to a question from Mr Campbell, Mrs Carville said there were no significant changes proposed to the Risk Management Framework, but that it had been simplified in order to make it more user friendly. Furthermore, one of the recommendations from internal audit had been to better define the risk appetite and this has now been included.

In response to Mr Campbell's question regarding Corporate Risk 08 and the risk of cyber-attacks, Mrs Carville said that daily reviews were undertaken and system logs kept records of potential threats, although there was currently no cause for concern. She added that Council's IT Manager was part of an IT group which shared information across the Council's in order to mitigate such risks.

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

AC/052/2017 PROMPT PAYMENTS

Read: Report from Mr K Montgomery, Assistant Director of Finance, dated 26 September 2017, regarding Prompt Payment Statistics (copy circulated).

Mr Montgomery advised that 88% of all invoices had been paid within 30 days and 9% paid within the 10 day window.

Mr Campbell said the target for payment within 30 days was set at 95%, although the aspiration was to pay all invoices within 30 days and every effort should be made to get up to and above the 95% target. He suggested referring to this point on the next report to the Audit Committee.

In response to a query from Councillor Murnin, Mr Montgomery undertook to bring back information to the Audit Committee on how long outside of the 30 day window invoices were paid.

Mrs Carville explained that there were many reasons as to why an invoice was not paid within 30 days and there was an important financial control to be undertaken by staff to ensure the appropriateness of the invoice for payment ahead of proceeding to authorisation of payment.

In response to a question from Councillor Murnin, Mrs Carville confirmed the invoice system automatically logged invoices received and disputed invoices were manually stripped out by staff which made the statistics difficult to compare across Councils

AGREED: It was unanimously agreed to note the Prompt Payment Statistics.

AC/053/2017 FRAUD AND WHISTLEBLOWING

Read: Report from Mr G Byrne, Audit Services Manager, dated 26 September 2017, regarding Fraud and Whistleblowing (copy circulated).

Mr Byrne highlighted that there had been 2 new whistleblowing cases since the last Audit Committee. He said that, following introduction of Council's new Fraud and Whistleblowing policy, 8 compulsory training sessions had been planned for staff across various locations in Newry and Downpatrick which would focus on fraud, bribery, whistleblowing, conflicts of interest and Council's complaints procedure.

In response to a question from Mr Campbell, Mr Byrne advised that the National Fraud Initiative (NFI) matching report had highlighted some duplicate payments, but these had been captured by Council's internal control procedures before being paid out.

AGREED: It was unanimously agreed to note the Fraud and Whistleblowing report.

AC/054/2017 DIRECT AWARDS

Read: Report from Mr K Montgomery, Assistant Director of Finance, dated 26 September 2017, regarding Direct Award Contract (DAC) Register (copy circulated).

In response to a question from Councillor Murnin, Mrs Carville advised contractors/suppliers would know that they were awarded a Single Tender Action (STA) as they were not asked to take part in a competitive tendering exercise.

In response to queries from Councillor Murnin regarding the control panel at Victoria Lock Gates, Mr Hannaway advised that this control panel was a bespoke piece of equipment. Mrs Carville further advised on the reasons put forward for this STA; being the damage caused following a power surge of electricity. Due to the specialist nature of the gates, the original supplier was considered a unique supplier in this regard.

Mr Campbell said it was important to challenge the reasoning behind the awarding of STA's, which was that an STA would only take place where there was strong justification and no alternative. He said where possible, and where required under Council's policy, a procurement exercise should take place to ensure value for money for Council.

Mr Campbell asked Directors to ensure when officers were undertaking STA's, a robust challenge was undertaken in each case before the STA was awarded, not after.

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

AC/055/2017 UPDATE ON INTERNAL AUDIT RECOMMENDATIONS INCLUDING PROCUREMENT

Read: Report from Mr G Byrne, Audit Services Manager, dated 26 September 2017, regarding Implementations of NMDDC Internal Audit Recommendations (copy circulated).

Mr Campbell welcomed the progress made on the implementation of the Internal Audit recommendations.

AGREED: It was unanimously agreed to note the Implementations of NMDDC Internal Audit Recommendations.

AC/056/2017 PERFORMANCE IMPROVEMENT PLAN

Read: Report from Mr J McBride, Assistant Director: Community Planning and Performance, dated 26 September 2017, regarding Assessment of Performance 2016-17 (copy circulated).

Mr McBride advised Members the Performance Improvement Plan had been considered at the Strategy, Policy & Resources Committee on 14 September 2017 and set out Council's self-assessment of performance against the previous year and also considered implementation of those recommendations for improvement in last year's Audit letter, which he said, significant progress was being made against.

AGREED: It was unanimously agreed to note the Assessment of Performance 2016-17.

AC/057/2017

**UPDATE ON SELF ASSESSMENT OF THE AUDIT COMMITTEE
2016-17**

Read: Report from Mrs D Carville, Director of Corporate Services, dated 26 September 2017, regarding Update on the Audit Committee 2016-17 Self-Assessment (copy circulated).

Mr Campbell said he was encouraged by the progress made in a number of areas detailed in the report.

Councillor Devlin referred to the external training course on Effective Audit Committees and asked that Members would be notified of the next available dates.

Mr Campbell advised Members he was proposing a similar exercise to that which he had undertaken last year using a Self-Assessment Checklist to carry out a self-assessment of the Audit Committee, with him taking the lead. He advised that responses could be collated via email and Members views sought, which could be tabled at the January Audit Committee Meeting. He advised he had used the NAO Checklist last year, but may source other audit self-assessment tools this year.

AGREED: It was unanimously agreed that the Chairman of the Audit Committee leads on the self-assessment exercise of the Audit Committee, results of which would be tabled at the January Audit Committee Meeting.

AC/058/2017

PROCUREMENT UPDATE

Read: Report from Mr K Montgomery, Assistant Director of Finance, dated 26 September 2017, regarding Update on Procurement (copy circulated).

Mr Campbell advised he was disappointed that more progress had not been made to date on implementing the Internal Audit improvement recommendations for Procurement and he welcomed the recent establishment of the working group to take whatever measures were needed to improve the assurance rating from limited to satisfactory and to strengthen the weaknesses identified in January 2016 Audit.

In response to a query from Mr Campbell, Mrs Carville advised that the procurement team was not fully in place as yet and there had also been staffing changes to the procurement team in recent months and weeks. She said the plan now was to drive forward as quickly as possible but acknowledged that the progress had not been as quick as had been hoped for.

Mr Campbell advised this item should stay on the agenda as a standing item.

AGREED: It was unanimously agreed to note the Procurement Update.

AC/059/2017

CODE OF CONDUCT FOR EMPLOYEES

Read: Report from Mr G Byrne, Audit Services Manager, dated 26 September 2017, regarding Code of Conduct for Employees (copy circulated).

Mr Campbell advised that he was assured the Code of Conduct for Employees linked in to the Fraud, Whistleblowing and Conflict of Interest Policies. He said he was encouraged that Council was investing in training to raise awareness amongst all staff in order that they fully understand their responsibilities in regard to fraud and whistleblowing and going forward all new employees would undertake this training as part of the induction process. He thanked officers for the work undertaken on the Code of Conduct and the awareness training on fraud and whistleblowing.

AGREED: It was unanimously agreed to note the Code of Conduct for Employees.

AC/060/2017 STATEMENT OF ACCOUNTS 2016/17

Read: Report from Mr K Montgomery, Assistant Director of Finance, dated 26 September 2017, regarding Statement of Accounts 2016-17 (copy circulated).

Mr Campbell advised Members the recommendation for the audited Statement of Accounts 2016-17 including the Annual Governance Statement, would be discussed after the item regarding the NIAO draft report to those Charged with Governance.

Mr Montgomery gave Members an overview of the 2016-17 accounts. Questions from Members were answered as follows:

- The overdraft account was used for paying out salaries and wages and was replenished on a monthly basis. This account was shown as short term borrowing and there were no overdraft costs involved.
- It had been agreed as part of the estimates process to use £410k out of reserves to allow the Council to set the rate for that year. When the accounts were produced, the general fund increased by £1.7m and the proposed use of reserves was not required.

Mr Campbell said it should be highlighted that Council had made a cash surplus as it was difficult to pick up from the accounts. On behalf of the Audit Committee, he commended Mr Montgomery and his staff for their hard work.

AUDIT SERVICE SECTION – ASM

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 Devlin, seconded by Councillor Murnin, 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/061/2017

INTERNAL AUDIT SUMMARY REPORT

Read: NMDDC Summary Report to the Audit Committee 26 September 2017 (copy circulated)

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

AC/062/2017

INTERNAL AUDIT ASSET MANAGEMENT REPORT

Read: NMDDC Audit Fieldwork 2017/18 Asset Management 24 September 2017 (copy circulated)

AGREED: It was agreed to note the Internal Audit Asset Management Report.

AC/063/2017

INTERNAL AUDIT COMMUNITY PLANNING REPORT

Read: NMDDC Audit Fieldwork 2017/18 Community Planning 22 September 2017 (copy circulated)

AGREED: It was agreed to note the Internal Audit Community Planning Report.

NIAO

AC/064/2017

NIAO DRAFT REPORT TO THOSE CHARGED WITH GOVERNANCE

Read: Audit of 2016-17 Financial Statements – Draft Report to those Charged with Governance

AGREED: It was agreed to note the NIAO draft report to those Charged with Governance.

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

AC/060/2017

STATEMENT OF ACCOUNTS 2016/17

AGREED: On the proposal of Councillor Murnin, seconded by Councillor Ruane, it was agreed to approve the Statement of Accounts 2016/17 including the Annual Governance Statement.

NIAO (OPEN SESSION)

AC/065/2017: AUDIT STRATEGY FOR PERFORMANCE IMPROVEMENT

Read: NMDDC Improvement Audit and Assessment 2017-18 – Audit Strategy **(Copy circulated)**

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

AC/066/2017 LOCAL GOVERNMENT ANNUAL REPORT 2017

Read: NIAO – Local Government Auditor’s Report 2017 **(Copy circulated)**

Ms Kane explained that the Local Government Annual Report 2017 referred back to the audit work carried out in the 2015/16 year. She advised that the report benchmarked performance across councils in the first year in terms of financial information, capital expenditure, exit packages, agency staff and picked up on governance issues and highlighted proposals regarding good governance. She added that the Local Government Auditor had highlighted a focus on efficiency savings for 2015 and had indicated she would like to look back on these.

Mr Hannaway reminded the NIAO that benchmarking and measuring councils against each other was not straightforward as each council was unique and it would be both unfair and difficult to undertake a straight matching exercise. He added that Planning had transferred to Council as well as performance management and community planning functions.

AGREED: It was agreed to note the NIAO Local Government Auditor’s Report 2017.

The Meeting concluded at 3:45pm

For consideration at the Council Meeting to be held on 6 November 2017.

Signed: Ms D Carville
Director of Corporate Services

Signed: Mr J Campbell
Independent Chairperson