

December 12th, 2022

Notice Of Meeting

You are requested to attend the meeting to be held on **Thursday, 15th December 2022** at **7:00 pm** in **Hybrid Meeting - Church Street, Newtownards & Zoom.**

Agenda

Agenda

[AC 15.12.2022 Agenda.pdf](#)

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Virtual Meeting Guidance

[Guidance for virtual Council meetings.pdf](#)

Not included

1. Apologies
2. Declarations of interest
3. Chairman's Remarks
4. Matters Arising from Previous Meetings
- 4a. Committee Minutes from September 2022

Copy attached

[Item 4a - AC 22.09.2022 Minutes.pdf](#)

Not included

[AC 22.09.2022 Minutes PM.pdf](#)

Page 3

4b. Follow-up Actions

Report attached

[Item 4b - Follow up actions.pdf](#)

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5. External Audit

5a. Improvement Audit and Assessment Report

Report attached

[Item 5a - ANDBC s95 report 2022-23.pdf](#)

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[Item 5a - Appendix 1 - ANDBC Audit Certificate.pdf](#)

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5b. Final Report to Those Charged with Governance

Report attached

5c. Annual Audit Letter

Report attached

6. Internal Audit

Report

i. PCSP

Report attached

ii Strategic Financial Planning

Report attached

iii Treasury Management

Report attached

iv Half-yearly Follow-up Report

Report attached

7. Corporate Governance

7a Interim Statements of Assurance

8. Any Other Notified Business

ITEMS 9 – 12 *IN CONFIDENCE*****

9. Single Tender Action Report

Report to follow

10. Fraud, Whistleblowing and Data-protection matters

Verbal Update

11. Internal Audit Contract Tender Update

Verbal Update

12. Meeting with NI Audit Office & Internal Audit Service in the absence of Management

ARDS AND NORTH DOWN BOROUGH COUNCIL

9 December 2022

Dear Sir/Madam

You are hereby invited to attend a hybrid meeting (in person and via Zoom) of the Audit Committee of the Ards and North Down Borough Council in the Council Chamber, 2 Church Street, Newtownards on **THURSDAY, 15 December 2022** commencing at **7.00pm**.

Yours faithfully

Stephen Reid
Chief Executive
Ards and North Down Borough Council

A G E N D A

1. Apologies
2. Chairman's Remarks
3. Declarations of Interest
4. Matters Arising from Previous Meetings
 - a) Committee Minutes from September 2022 (Report attached)
 - b) Follow-up Actions (Report attached)
5. External Audit
 - a) Improvement Audit and Assessment Report
 - b) Final Report to Those Charged with Governance (Report attached)
 - c) Annual Audit Letter (Report attached)
6. Internal Audit
 - a) Internal Audit Progress Report 2022/23 (Report attached)
 - i. PCSP
 - ii. Strategic Financial Planning
 - iii. Treasury Management
 - iv. Half-yearly Follow-up Report
7. Corporate Governance
 - a) Interim Statements of Assurance (Report attached)
8. Any Other Notified Business

ITEMS 9 – 12 *IN CONFIDENCE*****

9. Single Tender Action Report (Report attached)
10. Fraud, Whistleblowing and Data-protection matters (verbal update)
11. Internal Audit Contract Tender Update (verbal update)
12. Meeting with NI Audit Office & Internal Audit Service in the absence of Management

MEMBERSHIP OF AUDIT COMMITTEE (11 MEMBERS)

Alderman Armstrong-Cotter	Councillor Gilmour (Chairman)
Alderman Wilson	Councillor McAlpine
Councillor Irwin	Councillor McClean
Councillor Greer	Councillor Thompson
Mr P Cummings	Councillor Chambers

ITEM 8.5

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ARDS AND NORTH DOWN BOROUGH COUNCIL

A meeting of the Audit Committee was held virtually via Zoom on Thursday 22 September 2022 at 7.00pm.

PRESENT:-

In the Chair: Councillor Greer

Alderman: Armstrong-Cotter

Councillors: McAlpine (7.05pm)
McClellan (7.05pm)
Thompson

Independent Member: Mr P Cummings

In Attendance: ASM – C Hagan
Deloitte – C McDermott
Deloitte – D Kinsella
NIAO – F Magowan

Officers: Director of Finance and Performance (S Christie), Head of Finance (S Grieve) and Democratic Services Officer (R King)

1. APOLOGIES

Apologies were received from the Chair, Councillor Gilmour, Alderman Wilson, Councillor Irwin and the Chief Executive.

NOTED.

2. CHAIRMAN'S REMARKS

In the absence of the Chair, the Vice Chair, Councillor Greer, would chair the meeting.

She welcomed everyone to the meeting including the internal and external auditors from the Northern Ireland Audit Office, ASM and Deloitte. In particular she welcomed the new independent member, Mr Paul Cummings, who was attending his first meeting of the Audit Committee.

NOTED.

3. DECLARATIONS OF INTEREST

The Chairman asked for any Declarations of Interest and the following were declared:

Ms C McDermott and Mr D Kinsella – Item 12 – Internal Audit Contract Tender.

NOTED.

4. MATTERS ARISING FROM PREVIOUS MEETINGS

(a) Audit Committee Minutes from June 2022 (Appendix I)

PREVIOUSLY CIRCULATED:- Copy of the above minutes.

AGREED TO RECOMMEND, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the minutes be noted.

(b) Follow Up Actions (FILE AUD02)

PREVIOUSLY CIRCULATED:- Report from the Director of Finance and Performance detailing that in line with best practice, the purpose of the report was to make the Audit Committee aware of the status of outstanding recommendations or any outstanding actions from the previous Audit Committee meetings.

There was one item from the previous committee.

Item	Title	Action	Officer	Status
December 2021				
8	Terms of Reference	<ul style="list-style-type: none"> Amend to include changes following Annual Meeting 	Head of Finance	Complete

RECOMMENDED that the Committee notes the report.

AGREED TO RECOMMEND, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the recommendation be adopted.

5. PERFORMANCE IMPROVEMENT

(a) 2022/23 Progress report to 30 June 2022 (FILE 260501-03) (Appendix II)

PREVIOUSLY CIRCULATED:- Report from the Director of Finance and Performance detailing the following information:

Context

The Local Government Act (Northern Ireland) 2014 Part 12 put in place a new framework to support continuous improvement in the delivery of council services. The Council was required each year to determine its priorities for improvement which

were aligned to the Community Plan and Corporate Objectives and to publish these in the format of an Improvement Plan by 30 June in each year..

Following internal discussion and review of the most recent Resident Survey conducted in June 2021 it was concluded that with minor alterations to Improvement Objectives 2 and 3 the 2021/22 Improvement Objectives should be rolled forward to 2022/23 and any incomplete actions would be brought forward. This approach aligned to feedback from the NIAO regarding continuity and the ability to track performance on our objectives.

	PIP 2021/22	PIP 2022/23
Improvement Objective		
1.	We will grow the economy and create jobs	We will grow the economy and create jobs
2.	We will improve the cleanliness of the streets in our borough by targeting dog fouling incidents:	We will improve the cleanliness of the streets
3.	We will improve the recycling rates from Household Recycling Centres	We will improve the Borough's recycling rates
4.	We will support our business and residents to protect and improve their health and wellbeing	We will support our businesses and residents to protect and improve their health and wellbeing
5.	We will use technology to drive change	We will use technology to drive change




There were a corresponding 38 measures including 7 Statutory Indicators and 6 self-imposed indicators, all were included in the Council's Service Plans and were monitored and reported on quarterly through each Service's respective Standing Committee.


It should be noted that this report reflected performance of the PIP 2022/23 only and was not necessarily representative of the overall performance of the organisation.

The following table gave an assessment of the status across all measures in the PIP for Quarter 1 2022/23 (1 April – 30 June 2022).

Performance Assessment Key

The key outlined below provided definitions for the three Red, Amber, Green (RAG) status levels which had been chosen to measure progress.

RAG Status	Definition
	Target/standard, actions and measures are of concern and are mostly falling short of plan
	Target/standard, actions and measures are mostly on track, but some are falling short of plan
	Target/standard, actions and measures are on track

	Rescheduled/no progress owing to impact of Covid
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Corporate Plan PEOPLE priority	Improvement Objective	No of measures			
					
PROSPERITY	▶ We will grow the economy and create jobs	-	-	-	12
ENVIRONMENT	▶ We will improve the cleanliness of the streets	-	1	-	2
	▶ We will improve the Borough's recycling rates	-	1	-	-
LIFE	▶ We will support our businesses and residents to protect and improve their health and wellbeing	-	-	-	5
EXCELLENCE	▶ We will use technology to drive change	-	-	-	4
STATUTORY INDICATORS	▶ Municipal Waste	-	1	-	2
	▶ Economic Development	-	-	-	1
	▶ Planning	-	3	-	-
SELF-IMPOSED INDICATORS	▶ Resident Satisfaction	-	-	-	1
	▶ Prompt Payment of Invoices	-	-	-	3
	▶ Average number of working days lost per employee	-	-	1	-
	▶ % staff attendance	-	-	-	1
	▶ Average days lost per employee	-	-	-	1
OVERALL		-	6	1	31

This section of the report detailed each measure report Red or Amber status with supporting commentary from the relevant Service. This section focused on the Improvement Objectives that had measures reporting Red or Amber outcomes in the period.

Prosperity / Planning

- **EX.01.PL01.001 Number of weeks to process local applications from date valid to decision or withdrawal**
 - 255 applications in the local category of development were submitted and 266 decisions issued of which 2 were refusal, which an average processing time of 23.0 weeks.
- **EX.01.PL01.002 Number of weeks to process major applications from date valid to decision or withdrawal**
 - 2 approvals issued on Major Development applications which were for a replacement school in Crawfordsburn and 29no. dwellings at High Street in Hollywood, which were processed in 28.8 weeks and 78.4 weeks respectively. The Hollywood proposal was subject to a number of amendments including relating to trees and landscaping within the proposed Area of Townscape Character.
- **EX.01.PL07.001 % progress of all enforcement cases to target conclusion within 39 weeks of receipt of complaint (i.e. case closure, date on which Enforcement Notice or Breach of Condition Notice issued, summons to court (date solicitor instructed))**
 - Enforcement staff continue to work through the backlog of new cases opened during COVID, and number of alleged breaches of planning control continue to remain high.

● Environment

- **EN.02.RS02.002 Redesign the delivery model for the Environmental CLEAR programme to year 8's**
 - The education programme was still in development
- **EN.04.WC01.001 Develop Strategy for improving recycling rates across HRCs**
 - Progress on the development of the strategy had been stalled pending a workshop with Elected Members.
- **EN.01.WC02.001 % of household waste recycled, reused and composted**
 - With the majority of Covid measures now withdrawn, the Council would be undertaking an extensive Communications Campaign around the householders kerbside recycling requirements and recommencing kerbside checks for contamination/recyclables in residual waste bins, in an effort to increase recycling rates towards the 60% target.

▲ Excellence

- **PF.03.Council.01 % staff attendance**
 - The overall absence figure for Quarter 1 was 6.93%, 4.85% attributable to long term absence and 2.08% to short term absence. There continued to be an impact due to Covid-19, with 2% of absences being attributable to the virus, and this was reflected in the inflated short term absence figure. If Covid-19 related absences were excluded from the figures, then the overall absence figure for the quarter represents 5.73%. Those on long term sick continued to undergo consultations at Occupational Health to assess their medical condition. Employees attended regular meetings to review their progress and fitness for work and to discuss any measures which can be done to enable them to return to work in a timely manner.

RECOMMENDED that the report is noted.

AGREED TO RECOMMEND, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the recommendation be adopted.

(Councillor McAlpine and Councillor McClean joined the meeting – 19.05)

6. EXTERNAL AUDIT

(a) Draft Report to Those Charged with Governance (Appendix III)

PREVIOUSLY CIRCULATED:- Copy of the above report dated 13 September 2022.

Ms Hagen (ASM) outlined the above report to members, highlighting the findings and recommendations within in it.

Alderman Armstrong-Cotter asked if the Director of Finance and Performance would like to respond to the report.

. Overall, the Director felt that it reflected on what had been a good year. He acknowledged there were recommendations and a response would be sent to the NI Audit Office the following day. In terms of the recommendation in relation to procurement, he added that this was somewhat frustrating as management were well aware of procurement policy and the need to acquire approval from Members to

step outside of the policy. Officers had kept a good grasp of that to date and he did not want to see it slip. Overall though he felt the report had been positive.

Councillor McClean proposed, seconded by Alderman Armstrong-Cotter, that the recommendation be adopted.

The Chair asked if members would see Management's response to the report and it was confirmed by the Director that the report which would include those responses would be before Members at the December 2022 Committee meeting.

Councillor Thompson noted that funds for the Ards Blair Mayne Leisure Centre had not yet been transferred to Council from DfI and the Director explained that this had been frustrating. Officers had been in contact with DfI who were advising that they still had some processes to conclude before the funds could be transferred. The Director of Finance and Performance advised that the issue would now be escalated to expedite the matter to a conclusion.

Councillor Thompson felt that action would help.

AGREED TO RECOMMEND, on the proposal of Councillor McClean, seconded by Alderman Armstrong-Cotter, that the recommendation be adopted.

(b) Audited Financial Statements for 2021/22 (Appendix IV)

PREVIOUSLY CIRCULATED:- Copy of the above report.

The Head of Finance outlined the above report.

AGREED TO RECOMMEND, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the recommendation be adopted.

7. INTERNAL AUDIT

(a) Internal Audit Progress Report 2022/23 (Appendix V)

PREVIOUSLY CIRCULATED:- Copy of the above report dated September 2022.

Mr Kinsella (Deloitte) outlined the above report to the Committee.

AGREED, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor McClean, that the recommendation be adopted.

i. Service Review - Strategic Capital Development (Appendix VI)

PREVIOUSLY CIRCULATED:- Copy of the above report dated September 2022.

Ms McDermott (Deloitte) provided Members with an overview of the above report.

Alderman Armstrong-Cotter commented on what she felt was a positive internal audit and felt that it showed officers were getting on board. She noted the Priority 3

recommendation within it and felt that matters in that category were easily rectified. Overall the report was the most positive that the Member had seen in a while.

AGREED, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the report be noted.

ii. **Planning for new ways of working in post Covid environment**
(Appendix VII)

PREVIOUSLY CIRCULATED:- Copy of the above report dated August 2022.

Ms McDermott outlined the above report to the Committee.

Mr Cummings queried the internal auditors' advisory approach and Ms McDermott explained that it was about coming in earlier to review a new policy or identify a weakness or significant risks, for example, before a policy became established. Mr Kinsella added that Deloitte had been moving towards an advisory approach during the last couple of years where management of organisations were asking auditors to come in early.

Alderman Armstrong-Cotter proposed, seconded by Councillor Thompson, that the recommendation be adopted.

Alderman Armstrong-Cotter commented on what she had noted to be a significant piece of work that had flagged up potential ramifications that she hadn't considered. Councillor Thompson felt that some of the content in the report had been telling and took the view that staff should be coming back to working in the same environment.

Councillor McClean pointed to the wider discussions that were taking place around the future of the Council's estate and asked if the report had considered its current status and where that needed to be in future, along with staff absences.

The Director of Finance and Performance indicated that the Office Rationalisation OBC had been presented to Members recently and in that management had made assumptions around ways of working which had included staff/desk ratios etc. It was envisaged that the two could run in parallel and management would have benefited from a further eighteen months to two years of learning what a flexible organisation looked like since the start of the Covid-19 Pandemic by the time decisions around offices would be required to be made. In terms of staff absences, sickness absence figures had fallen since staff were able to work from home and management would learn more from the current phase where more hybrid working was being carried out.

In terms of the advisory approach, the Director found it beneficial as it offered valuable insight from those involved with working with multiple organisations.

AGREED, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the report be noted.

8. CORPORATE GOVERNANCE (Appendix VIII)

(a) Corporate Governance Risk Register (FILE AUD02)

PREVIOUSLY CIRCULATED:- Report from the Director of Organisational Development and Administration stating that as members would be aware, the Corporate Risk Register (CRR) was a live document which was amended as required to reflect new or changing risk factors. The CRR was currently being revised to facilitate improved reporting on risks and progress on risk improvements, and to bring it in line with the revised Risk Strategy. The reformatting of the CRR was currently being tested. The format and content would be consulted on before being finalised in October.

The outworking of the CRR aimed to:

- Ensure substantial risks were reflected in both Service Risk Registers (SRR) and the CRR.
- Improve on the identification and recording of risks, controls and actions. Risks identified in Service Risk Registers were now aligned with CRR risks and the current review would ensure that risk improvements, made or required, were clearly recorded in the SRR with target completion dates, where applicable. Whilst the SRRs would not be directly reported to Council, the risks and actions detail would facilitate improved reporting of the CRR to Audit Committee.
- Assign Risk Owners, for each risk in the CRR. The Risk Owner would be a Director who would be responsible for an identified risk through all the stages of the risk methodology, including reporting and escalation. A Head of Service lead would also be identified to support the Risk Owner.
- Assign a Risk Appetite for each CRR Risk. This would ensure that risks exceeding the tolerance threshold identified are escalated for review.
- Ensure CRR risk descriptions remain relevant.

In the current review of risks, the removal of COVID-19 as a stand-alone risk (CR14) was recommended however this risk would remain to be identified within CR6, Health and Safety, to ensure that this risk continued to be appropriately assessed, monitored and controlled.

Two new temporary risks were being considered for addition due to potential financial and reputational impacts:

- The integration of legacy North Down sporting facilities through the insourcing project.
- Aurora defects.

RECOMMENDED that the report be noted.

AGREED, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor Thompson, that the recommendation be adopted.

9. ANY OTHER NOTIFIED BUSINESS

The Chairman advised that there were no items of Any Other Notified Business.

NOTED.

EXCLUSION OF PUBLIC/PRESS

AGREED TO RECOMMEND, on the proposal of Alderman Armstrong-Cotter, seconded by Councillor McAlpine, that the public/press be excluded during the discussion of the undernoted items of confidential business.

10. SINGLE TENDER ACTIONS UPDATE (FILE 231329)

IN COMMITTEE

NOT FOR PUBLICATION

SCHEDULE 6 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

11. FRAUD, WHISTLEBLOWING AND DATA-PROTECTION MATTERS

(Appendix VI)

IN COMMITTEE

NOT FOR PUBLICATION

SCHEDULE 6 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

12. INTERNAL AUDIT CONTRACT TENDER (FILE AUD02)

(Appendix VII)

IN COMMITTEE

NOT FOR PUBLICATION

SCHEDULE 6 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

13. MEETING WITH NI AUDIT OFFICE & INTERNAL AUDIT SERVICE IN THE ABSENCE OF MANAGEMENT

IN COMMITTEE

NOT FOR PUBLICATION

SCHEDULE 6 – INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE COUNCIL HOLDING THAT INFORMATION)

RE-ADMITTANCE OF PUBLIC AND PRESS

AGREED, that the public/press be readmitted to the meeting.

TERMINATION OF MEETING

The meeting terminated at 20.12

Unclassified

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ITEM 4b**Ards and North Down Borough Council**

Report Classification	Unclassified
Council/Committee	Audit Committee
Date of Meeting	15 December 2022
Responsible Director	Director of Finance and Performance
Responsible Head of Service	
Date of Report	08 December 2022
File Reference	AUD02
Legislation	Local Government (Accounts and Audit) Regulations 2015
Section 75 Compliant	Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>
Subject	Follow up actions from previous meetings - Action Register
Attachments	Appendix 1

In line with best practice, the purpose of this report is to make the Audit Committee aware of the status of outstanding recommendations or any outstanding actions from the previous Audit Committee meetings.

There one item from the previous committee.

RECOMMENDATION

It is recommended that Committee notes the report.

Unclassified

Appendix 1

Item	Title	Action	Officer	Status
December 2021				
6a	External Audit	<ul style="list-style-type: none"> Escalate non-payment from Dfl for former ALC site 	Head of Finance	Outstanding due to communications from Council's solicitor



Audit and Assessment Report 2022-23

Report to the Council and the Department for Communities under Section 95 of the Local Government (Northern Ireland) Act 2014

Ards and North Down Borough Council
28 November 2022

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We have prepared this report for Ards and North Down Borough Council's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

1. Key Messages

Summary of the audit

Audit outcome	Status
Audit opinion	Unqualified opinion
Audit assessment	The LGA has concluded that she is unable to assess whether Council is likely to comply with Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) during 2022-23
Statutory recommendations	The LGA made no statutory recommendations
Proposals for improvement	The LGA made three proposals for improvement

This report summaries the work of the Local Government Auditor (LGA) on the 2022-23 performance improvement audit and assessment undertaken on Ards and North Down Borough Council. We would like to thank the Chief Executive and his staff, particularly the Head of Strategic Transformation and Performance, for their assistance during this work.

We consider that we comply with the Financial Reporting Council (FRC) ethical standards and that, in our professional judgment, we are independent and our objectivity is not compromised.

Audit Opinion

The LGA has certified the performance arrangements with an unqualified audit opinion, without modification. She certifies an improvement audit and improvement assessment has been conducted. The LGA also states that, as a result, she believes that Ards and North Down Borough Council (the Council) has discharged its performance improvement and reporting duties, including its assessment of performance for 2021-22 and its 2022-23 improvement plan, and has acted in accordance with the Guidance.

Audit Assessment

The LGA has assessed whether the Council is likely to comply with its performance improvement responsibilities under Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act). This is called the 'improvement assessment'.

Councils continue to operate in a challenging environment with focus on recovery from the Covid-19 pandemic and the ongoing cost of living crisis, impacting both on performance and the way in which services are delivered. This changing landscape and refocusing of priorities has impacted on the ability to rely on past trends in councils' performance to assess the likelihood of future compliance with Part 12 of the Act. In light of this, the LGA has concluded that she is unable to reach an opinion on whether the Council is likely to have complied with its performance improvement responsibilities for 2022-23.

The LGA did not exercise her discretion to assess and report whether the council is likely to comply with these arrangements in future years.

Audit Findings

During the audit and assessment we identified no issues requiring a formal recommendation under the Act. We made three proposals for improvement (see Section 3). These represent good practice which should assist the Council in meeting its responsibilities for performance improvement. Detailed observations on thematic areas are provided in Annex B.

Status of the Audit

The LGA's audit and assessment work on the Council's performance improvement arrangements is now concluded. By 31 March 2023 she will publish an Annual Improvement Report on the Council on the NIAO website, making it publicly available. This will summarise the key outcomes in this report.

The LGA did not undertake any Special Inspections under the Act in the current year.

Management of information and personal data

During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the General Data Protection Regulations (GDPR) and the Data Protection Act 2018.

Other matters

Sustainability and Climate Change

Councils have begun to address the issue of climate change and sustainability, with individual councils at varying stages of progress. If councils are to link climate change and sustainable action to their performance objectives or even as part of their wider continuous improvement arrangements in future years, it will be necessary to consider arrangements to improve, including ensuring adequate resourcing and gathering of accurate data.

2. Audit Scope

Part 12 of the Act provides all councils with a general duty to make arrangements to secure continuous improvement in the exercise of their functions. It sets out:

- a number of council responsibilities under a performance framework; and
- key responsibilities for the LGA.

The Department for Communities (the Department) has published '*Guidance for Local Government Performance Improvement 2016*' (the Guidance) which the Act requires councils and the LGA to follow. Further guidance to clarify the requirements of the general duty to improve was issued by the Department during 2019.

The improvement audit and assessment work is planned and conducted in accordance with the Audit Strategy issued to the Council, the LGA's Code of Audit Practice for Local Government Bodies in Northern Ireland and the Statement of Responsibilities.

The improvement audit

Each year the LGA has to report whether each council has discharged its duties in relation to improvement planning, the publication of improvement information and the extent to which each council has acted in accordance with the Department's Guidance. The procedures conducted in undertaking this work are referred to as an "improvement audit". During the course of this work the LGA may make statutory recommendations under section 95 of the Act.

The improvement assessment

The LGA also has to assess annually whether a council is likely to comply with the requirements of Part 12 of the Act, including consideration of the arrangements to secure continuous improvement in that year. This is called the "improvement assessment". She also has the discretion to assess and report whether a council is likely to comply with these arrangements in future years.

The annual improvement report on the Council

The Act requires the LGA to summarise all of her work (in relation to her responsibilities under the Act) at the Council, in an "annual improvement report". This will be published on the NIAO website by 31 March 2023, making it publicly available.

Special inspections

The LGA may also, in some circumstances, carry out special inspections which will be reported to the Council and the Department, and which she may publish.

3. Audit Findings

This section outlines key observations in the form of proposals for improvement, arising from following thematic areas of the Council's audit and assessment:

- General duty to improve;
- Governance arrangements;
- Improvement objectives;
- Consultation;
- Improvement plan;
- Arrangements to improve
- Collection, use and publication of performance information; and
- Demonstrating a track record of improvement.

These are not formal recommendations, which are more significant matters which require action to be taken by the Council in order to comply with the Act or Guidance. Proposals for improvement include matters which, if accepted, will assist the Council in meeting its performance improvement responsibilities. The LGA may follow up how key proposals have been addressed in subsequent years. We recommend however that the Council's Audit Committee track progress on all proposals for improvement.

Our procedures were limited to those considered necessary for the effective performance of the audit and assessment. Therefore, the LGA's observations should not be regarded as a comprehensive statement of all weaknesses which exist, or all improvements which could be made.

Detailed observations for the thematic areas can be found at Annex B.

Thematic area	Issue	Proposal for improvement
Improvement Objectives	While the Council's objectives remain broadly similar to the prior year, two of the objectives in respect of cleanliness of the streets and recycling rates have been reworded and broadened without any rationale for this being provided.	It would be useful for the Council to provide some rationale as to why they have made the changes within the self-assessment performance report.
Consultation	We noted that the Council does not have a Consultation Strategy	The Council should consider whether there is a need to prepare a

Thematic area	Issue	Proposal for improvement
	<p>stating the number of weeks required for all consultations.</p> <p>This issue was also raised in the 2021-22 Audit and Assessment Report.</p>	<p>Consultation Strategy formally documenting the approach to be taken in all Council consultation exercises.</p>
<p>Demonstrating a track record of improvement</p>	<p>The Council reported that it was "on target" for nine of its performance indicators for 2021-22. This represents only 24 per cent of the Council's 38 performance improvement indicators.</p>	<p>As previously recommended, the Council should provide an action plan within the Performance Improvement Plan setting out the actions required to achieve the targets set by Council where further improvement is needed.</p>

Annex A – Audit and Assessment Certificate

Audit and assessment of Ards and North Down Borough Council's performance improvement arrangements

Certificate of Compliance

I certify that I have audited Ards and North Down Borough Council's (the Council) assessment of its performance for 2021-22 and its improvement plan for 2022-23 in accordance with section 93 of the Local Government Act (Northern Ireland) 2014 (the Act) and the Code of Audit Practice for local government bodies.

I also certify that I have performed an improvement assessment for 2022-23 at the Council in accordance with Section 94 of the Act and the Code of Audit Practice.

This is a report to comply with the requirement of section 95(2) of the Act.

Respective responsibilities of the Council and the Local Government Auditor

Under the Act, the Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. The Council is required to gather information to assess improvements in its services and to issue a report annually on its performance against indicators and standards which it has set itself or which have been set for it by Government departments.

The Act requires the Council to publish a self-assessment before 30 September in the financial year following that to which the information relates, or by any other such date as the Department for Communities (the Department) may specify by order. The Act also requires that the Council has regard to any guidance issued by the Department in publishing its assessment.

As the Council's auditor, I am required by the Act to determine and report each year on whether:

- The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's guidance in relation to those duties; and
- The Council is likely to comply with the requirements of Part 12 of the Act.

Scope of the audit and assessment

For the audit I am not required to form a view on the completeness or accuracy of information or whether the improvement plan published by the Council can be achieved. My audits of the Council's improvement plan and assessment of performance, therefore, comprised a review of the Council's publications to ascertain whether they included elements prescribed in legislation. I also assessed whether the arrangements for publishing the documents complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing them.

For the improvement assessment I am required to form a view on whether the Council is likely to comply with the requirements of Part 12 of the Act, informed by:

- a forward looking assessment of the Council's likelihood to comply with its duty to make arrangements to secure continuous improvement; and
- a retrospective assessment of whether the Council has achieved its planned improvements to inform a view as to its track record of improvement.

My assessment of the Council's improvement responsibilities and arrangements, therefore, comprised a review of certain improvement arrangements within the Council, along with information gathered from my improvement audit.

The work I have carried out in order to report and make recommendations in accordance with sections 93 to 95 of the Act cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Audit opinion

Improvement planning and publication of improvement information

As a result of my audit, I believe the Council has discharged its duties in connection with (1) improvement planning and (2) publication of improvement information in accordance with section 92 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

Improvement assessment

Councils continue to operate in a challenging environment with focus on recovery from the Covid-19 pandemic and the ongoing cost of living

crisis, impacting both on performance and the way in which services are delivered. This changing landscape and refocusing of priorities has impacted my ability to rely on past trends in councils' performance to assess the likelihood of future compliance with Part 12 of the Act. In light of this, I am unable to reach an opinion on whether the Council is likely to discharge its duties under Part 12 of the Act and act in accordance with the Department for Communities' guidance sufficiently during 2022-23.

I have not conducted an assessment to determine whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent years. I will keep the need for this under review as arrangements become more fully established.

Other matters

I have no recommendations to make under section 95(2) of the Local Government (Northern Ireland) Act 2014.

I am not minded to carry out a special inspection under section 95(2) of the Act.



Colette Kane
Local Government Auditor
Northern Ireland Audit Office
106 University Street
BELFAST
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28 November 2022

Annex B – Detailed observations

Thematic area	Observations
General duty to improve	<p>The Council has in place arrangements to secure continuous improvement in the exercise of its functions.</p> <p>The Council's service planning process is clearly linked to the Corporate and Community Plans in order to identify expected outcomes. The service planning process was considered as part of the Council's budget planning process to ensure that appropriate financial resources were allocated to both "business as usual" and performance initiatives for the 2022-23 period.</p> <p>There is clear evidence that the Council has aligned the 2022-23 Performance Improvement Objectives to The Big Plan (the Council's Community Plan) and also to the Council Corporate Plan 2020-24 (which was revised with a COVID-19 impact assessment in 2021-22). Both of these documents set the longer term corporate and performance expectations for the Council and these documents are clearly referred to in the Performance Improvement Plan and easily accessible on the Council's website.</p> <p>The Council's 2021-22 Annual Self-Assessment report includes a section titled "<i>Discharging the general duty to secure continuous improvement in 2021-22</i>" and provides the information required in this regard. It also provides a detailed analysis on how it performed against each of its 2021-22 objectives. An aggregated RAG status (i.e. quarter on quarter accumulated performance statistics) is used to show the results of each individual improvement objective.</p>

Thematic area	Observations
	<p>Issues identified with under performance, and any planned improvements, are included throughout the report. Within the “<i>overall assessment of progress at year end</i>” section, the Council included details on where things went well and where things could be improved in the future.</p>
Governance arrangements	<p>The Council has adequate governance and scrutiny arrangements for performance improvement and these arrangements are operating effectively.</p> <p>Internal Audit last carried out a review of the Performance Improvement Framework in February 2020, comparing it against good practice. Internal Audit also carried out reviews that covered three service areas in the 2021-22 financial year, all of which incorporated performance improvement into the work plan. We note that Internal Audit do not specifically validate performance improvement data. However, we note that all data is checked upon the submission of data through the Council’s Performance Improvement Data Verification process.</p> <p>The Council has established a range of governance arrangements to assist it in the delivery of its Performance Improvement Plan. It has a dedicated Performance Improvement Unit (PIU) and the structure of the PIU requires the Council’s Head of Strategic Transformation and Performance to report to the Council’s Director of Finance and Performance. There is a Performance Improvement Manager and three full-time Performance Improvement Officers.</p> <p>The Council amended the Terms of Reference for the Audit Committee during 2018 so that the Performance Improvement Plan would be brought to each meeting and that going forward, the Committee would have responsibility for monitoring the Council’s progress. Theses review and reporting practices are now embedded within the Council’s arrangements and we note a performance report was sent to each Audit Committee meeting in the year under review.</p>

Thematic area	Observations
	<p>Performance reports from each of the Council's Service Areas are brought before the Council's Standing Committees on a quarterly basis. These reports include detail on how the Council is performing against individual Service Area Key Performance Indicators ("KPIs").</p>
Improvement objectives	<p>The 2022-23 improvement objectives are legitimate, clear, robust, deliverable and demonstrable. The Council's focus is mainly on objectives and associated projects, outcomes and targets that are aimed at directly benefiting citizens and on the Council's COVID-19 recovery.</p> <p>There is clear evidence that the Performance Improvement Objectives are linked to the Council's Corporate Plan priorities and also to the associated Big Plan, the Council's Community Plan. Each Performance Improvement Objective has an associated Community Plan objective and Corporate Plan priority, as well as a number of performance measures. A Senior Responsible Officer, who is the Director of the Service Area to which the objective relates, has been assigned to manage the implementation of each objective.</p> <p>The 2022-23 Performance Improvement Plan contains five objectives of a similar nature to the five objectives included in the 2021-22 Plan. A proposal for improvement in respect of rationale for changes to two of the objectives has been raised in Section 3.</p> <p>If delivered effectively, all five of the current year objectives and associated projects, outcomes and targets can demonstrate direct benefit to citizens.</p>
Consultation	<p>The Council has met its statutory duty to consult on the proposed 2022-23 performance improvement objectives. The process was transparent and open; evidence of the consultation process was documented adequately; the results of the process were used</p>

Thematic area	Observations
	<p>to inform the 2022-23 performance improvement objectives; and there is evidence of ongoing dialogue between the Council and the community.</p> <p>The Department for Communities (the Department) guidance recommends that councils consult when deciding how to discharge the general duty to improve and on its proposed improvement objectives.</p> <p>The Council's consultation period began on 15 April 2022 with the Corporate Leadership Team and Heads of Service being asked to identify improvement initiatives during the service planning and budget process. The public consultation on the 2022-23 Performance Improvement Plan lasted for seven weeks. The consultation comprised two online focus groups and an online survey. We have included a proposal for improvement in Section 3 in respect of agreeing a Consultation Strategy.</p> <p>The Council encourages stakeholders and residents to engage in the performance improvement process through "Your Opinion Matters", an ongoing campaign being run throughout the year. The Performance Improvement Plan presents a summary of responses received from the consultation process and highlights the support of stakeholders and residents to each of the individual improvement objectives.</p>
Improvement plan	<p>The Council's 2022-23 Performance Improvement Plan complies with the Act and with the Department's guidance. The Council published its 2022-23 Performance Improvement Plan on its website on 30 June 2022. The Performance Improvement Plan is available in other formats on request.</p> <p>The Plan includes an explanation that the Council has a suite of corporate indicators which include statutory indicators as well as self-imposed non-statutory indicators. The Self-Assessment Performance Report reports outturn against each of the statutory</p>

Thematic area	Observations
	<p>indicators and how the Council performed in each of these areas dating back to 2016-17, where applicable.</p> <p>As a result of COVID-19, and a change in focus in how the Council delivers its services, the Council has taken the decision to reset its baseline performance at 2021-22 for the remainder of the life of the current Corporate Plan. The Council will continue to report historic performance statistics when, or if, relevant.</p>
Arrangements to improve	<p>The Council has adequate arrangements in place to secure the achievement of its improvement objectives, statutory indicators and the general duty to improve.</p> <p>The Council's indicators, aligned with the delivery of the agreed improvement objectives, are supported by Head of Service delivery plans and budgets. The achievement of those indicators is supported by projects which are being managed by assigned Project Managers with lines of accountability to the Senior Management Team and Elected Members.</p> <p>Progress against all improvement objectives, statutory indicators and self-imposed objectives are reviewed monthly at a departmental level and reported quarterly to the Corporate Service Committee, Audit Committee and Council using a 'traffic light system' to indicate progress against the objective.</p> <p>Ongoing risks associated with the delivery of projects are identified and managed as part of project management arrangements and, if required, escalated to the Council's risk registers as part of normal risk management reporting arrangements.</p> <p>Across the Council's five improvement objectives, there are a total of 26 measurement indicators. We note that Statutory Performance Indicators and Standards, as well as Self-Imposed indicators that can be measured, are measured in the Self-Assessment</p>

Thematic area	Observations
	<p>Annual Report against performance data dating back to 2016-17 for each of the measures.</p>
<p>Collection, use and publication of performance information</p>	<p>The Council's arrangements to assess its performance and to publish the results are in line with the legislative requirements and the Department's Guidance.</p> <p>The self-assessment of the Council's performance in relation to statutory indicators for 2021-22 was transparent and meaningful. The Annual Report also contained explanations where improvement objectives and indicators had not been met and suitable appropriate benchmarking information on the Council's performance over the 2016-17 to 2021-22 financial years was reported, where the information was available.</p> <p>The Council's performance indicators are directly aligned to Heads of Service business plan objectives. As a result, we consider that the Council is collecting relevant data and information enabling it to monitor progress on improvement objectives.</p> <p>The Council's Performance Management System, Pentana is used for the recording and monitoring of performance data and information. Heads of Service are expected to input details of actual performance onto Pentana on a quarterly basis. Pentana is the source for all reporting to the Senior Management Team, Corporate Leadership Team, Audit Committee and Council. All data is checked upon the submission of data through the Council's Performance Improvement Data Verification process.</p> <p>Internal Audit last carried out a review of the Performance Improvement Framework in February 2020, comparing it against good practice. Internal Audit also carried out reviews which covered three service areas in the 2021-22 financial year, all of which incorporated performance improvement into the work plan.</p>

Thematic area	Observations
	<p>The data for the statutory indicators for Waste, Economic Development and Planning have their own external validation process set by the relevant Government departments. The Council collects and shares data on the statutory indicators with the relevant Government departments who then publish the results.</p> <p>The Council is expected to report on prior year performance within the published annual Self-Assessment Report. The 2021-22 Self-Assessment Report provided details on how the Council performed in relation to its corporate improvement objectives and statutory indicators, including a comparison of the Council's performance against previous years. It also provided an overall assessment of the Council's performance against these indicators.</p> <p>The 2021-22 Self-Assessment Report included a comparison of performance with other Northern Ireland Councils for each of the statutory indicators, as well as in relation to prompt payment statistics and absence statistics in compliance with advice from the Department for Communities.</p> <p>The Council is a member of the Association of Public Service Excellence (APSE), including the APSE Performance Network, a public sector benchmarking organisation which assists the Council in improving its ability to compare performance across a wide range of services and activities.</p> <p>The issue of benchmarking with other councils is part of the work plan for the Performance Improvement Working Group (PIWG) and it is expected that progress on this issue will continue to be made to allow a broader range of functions to be compared. However, we note that delays to this process were faced because of the COVID-19 pandemic and while there was an intention to take this issue forward through the PIWG, limited progress has been made on this matter.</p>

Thematic area	Observations
<p>Demonstrating a track record of improvement</p>	<p>The LGA has concluded that the changing landscape and refocusing of priorities has impacted on her ability to rely on past trends in councils' performance to assess the likelihood of future compliance with Part 12 of the Act. Services have been affected by the impact of COVID-19 and cost of living crisis.</p> <p>The Council can demonstrate improvement in its performance in some areas. The 2021-22 Annual Self-Assessment report provided information on the Council's performance in relation to its improvement objectives and statutory indicators. The Council reported performance against 38 performance indicators, as follows:</p> <ul style="list-style-type: none"> • twenty seven performance indicators associated with its performance improvement objectives; • eight statutory performance indicators; and • three self-imposed non-statutory indicators. <p>The Council was "on target" for 9 out of 38 indicators. In 16 out of 38, the indicator was measuring as "ongoing but some measures falling short of plan". In 12 out of 38, the actions and measures were "of concern and mostly falling short of plan". 1 out of 38 indicators was not measured as it was reported as delayed as a result of COVID-19 impacts. However, measurement was due to recommence at the start of the new school year (i.e. in September 2022).</p> <p>We note that the key areas where the Council underperformed are in respect of Statutory indicators for planning and waste. Planning activity and processing performance in 2020-21 was impacted by the restrictions put in place due to the coronavirus pandemic, which also had a consequential impact in the 2021-22 year and the 2022-23 year to date.</p>

Thematic area	Observations
	<p>COVID-19 also continued to impact on the performance and delivery of waste and cleansing services. The main focus of the service during 2020-21 (the initial phase of the pandemic) was to ensure this critical frontline service was maintained and that the health of staff and residents was protected. This resulted in a change to the service delivery model to enable social distancing per the legislative requirements. This has somewhat reduced in 2021-22. During the COVID-19 pandemic, there was a significant spike in overall waste arisings and this continued to be the case in the 2021-22 year and the 2022-23 year to date.</p> <p>Although there was some evidence of a track record of improvement, in light of the impact of COVID-19 on the delivery of Council services, we have been unable to place reliance on this trend information, in forming an assessment of whether the Council has discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently during 2021-22. A proposal for improvement was raised in the prior year in respect of an action plan within the PIP setting out the actions required to achieve the targets set by Council. This has been raised again in Section 3.</p>

Audit and assessment of Ards and North Down Borough Council's performance improvement arrangements

Certificate of Compliance

I certify that I have audited Ards and North Down Borough Council's (the Council) assessment of its performance for 2021-22 and its improvement plan for 2022-23 in accordance with section 93 of the Local Government Act (Northern Ireland) 2014 (the Act) and the Code of Audit Practice for local government bodies.

I also certify that I have performed an improvement assessment for 2022-23 at the Council in accordance with Section 94 of the Act and the Code of Audit Practice.

This is a report to comply with the requirement of section 95(2) of the Act.

Respective responsibilities of the Council and the Local Government Auditor

Under the Act, the Council has a general duty to make arrangements to secure continuous improvement in the exercise of its functions and to set improvement objectives for each financial year. The Council is required to gather information to assess improvements in its services and to issue a report annually on its performance against indicators and standards which it has set itself or which have been set for it by Government departments.

The Act requires the Council to publish a self-assessment before 30 September in the financial year following that to which the information relates, or by any other such date as the Department for Communities (the Department) may specify by order. The Act also requires that the Council has regard to any guidance issued by the Department in publishing its assessment.

As the Council's auditor, I am required by the Act to determine and report each year on whether:

- The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's guidance in relation to those duties; and
- The Council is likely to comply with the requirements of Part 12 of the Act.

Scope of the audit and assessment

For the audit I am not required to form a view on the completeness or accuracy of information or whether the improvement plan published by the Council can be achieved. My audits of the Council's improvement plan and assessment of performance, therefore, comprised a review of the Council's publications to ascertain whether they included elements prescribed in legislation. I also assessed whether the arrangements for publishing the documents complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing them.

For the improvement assessment I am required to form a view on whether the Council is likely to comply with the requirements of Part 12 of the Act, informed by:

- A forward looking assessment of the Council's likelihood to comply with its duty to make arrangements to secure continuous improvement; and
- A retrospective assessment of whether the Council has achieved its planned improvements to inform a view as to its track record of improvement.

My assessment of the Council's improvement responsibilities and arrangements, therefore, comprised a review of certain improvement arrangements within the Council, along with information gathered from my improvement audit.

The work I have carried out in order to report and make recommendations in accordance with sections 93 to 95 of the Act cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Audit opinion

Improvement planning and publication of improvement information

As a result of my audit, I believe the Council has discharged its duties in connection with (1) improvement planning and (2) publication of improvement information in accordance with section 92 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

Improvement assessment

Councils continue to operate in a challenging environment with focus on recovery from the Covid-19 pandemic and the ongoing cost of living crisis, impacting both on performance and the way in which services are delivered. This changing landscape and refocusing of priorities has impacted my ability to rely on past trends in councils' performance to assess the likelihood of future compliance with Part 12 of the Act. In light of this, I am unable to reach an opinion on whether the Council is likely to discharge its duties under Part 12 of the Act and act in accordance with the Department for Communities' guidance sufficiently during 2022-23.

I have not conducted an assessment to determine whether the Council is likely to comply with the requirements of Part 12 of the Act in subsequent years. I will keep the need for this under review as arrangements become more fully established.

Other matters

I have no recommendations to make under section 95(2) of the Local Government (Northern Ireland) Act 2014.

I am not minded to carry out a special inspection under section 95(2) of the Act.



Colette Kane
Local Government Auditor
Northern Ireland Audit Office
106 University Street
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BT7 1EU

28 November 2022

Report to those charged with Governance

Ards and North Down Borough Council
2021-22



5 October 2022

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We have prepared this report for Ards and North Down Borough Council's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

1. KEY MESSAGES

This report summarises the key matters from our audit of the 2021-22 Ards and North Down Borough Council (ANDBC) financial statements which we must report to the Audit Committee, as those charged with governance. We would like to thank the Director of Finance and Performance and his staff for their assistance during the audit process.

Audit Opinion

The Local Government Auditor (LGA) reported on the 2021-22 financial statements with an unqualified audit opinion, without modification.

Audit Certificate

On 29th September 2022, the Local Government Auditor certified completion of the audit of accounts of the Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice. The audit certificate closes the audit and marks the point when the Local Government Auditor's statutory responsibilities in respect of the audit of the accounts for the period covered by the certificate have been discharged.

The Audit Certificate is included at [Appendix Two](#).

Misstatements

Financial Statement Adjustments

No adjustments to the financial statements were made as a result of the audit.

Uncorrected misstatements

Uncorrected misstatements would decrease expenditure and increase net assets by a further £231k.

Audit Findings

During the audit we reviewed internal controls; accounting systems; and procedures to the extent considered necessary for the effective performance of the audit. We have not identified any priority one recommendations in relation to the internal control environment.

Full details of findings are included at [Findings from the Audit](#).

Proper Arrangements

Under the Local Government (Northern Ireland) Order 2005, the Local Government Auditor should be satisfied that a Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. However, we have identified a number of areas for improvement in relation to policies that are overdue for review. Further details are included in the [Findings from the Audit](#).

Status of the Audit

The audit is complete. The Chief Financial Officer signed the Statement of Accounts together with a letter of representation, which is included at [Appendix One](#), on 22nd September 2022.

The total audit fee to be charged is in line with that set out in our Audit Strategy.

Independence

We consider that we comply with the Financial Reporting Council (FRC) Ethical Standard and that, in our professional judgment, we are independent and our objectivity is not compromised.

No non-audit services were provided to the Council.

Management of information and personal data

The Council is required to comply with the UK General Data Protection Regulations (GDPR) in the handling and storage of personal data. Those Charged with Governance should ensure they have made sufficient enquiries of management to form a view on whether there were any significant specific data incidents which should be disclosed in the Governance Statement. We are not aware of any data handling incidents during the year. Confirmation to this effect has been sought within the letter of representation included at [Appendix One](#).

During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018.

Looking ahead

In response to significant changes in International Standards on Auditing (ISAs), the way in which we plan and conduct our audits is changing for our 2022-23 audit cycle. This will involve the performance of more detailed and extensive risk assessment procedures to identify financial reporting risks of material misstatement, and the subsequent design of audit approaches which are responsive to each assessed risk. We will write to the Chief Finance Officer this autumn to outline these changes and potential implications for our audit of the 2022-23 financial statements.

Performance Improvement

The outcome from our work in respect of Part 12 of the Local Government Act (Northern Ireland) 2014 on Performance Improvement will be reported separately to those charged with governance, as set out in the planned approach in the 2021-22 Audit Strategy.

Actions for the Audit Committee

The Audit Committee should note the findings set out in this report, including management comments.

2. AUDIT SCOPE

We have completed our audit of the 2021-22 financial statements in accordance with International Standards on Auditing (UK) (ISAs) issued by the Financial Reporting Council; with Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'; and with the Audit Strategy presented to the Audit Committee in March 2022.

There are no new matters to communicate concerning the planned scope and timing of the audit.

3. SIGNIFICANT RISKS

The significant risks identified in our Audit Strategy have been addressed as follows:

Significant Risk 1

Management override of controls

Under ISA (UK) 240, there is a presumed significant risk of material misstatement due to fraud through management override of controls.

Audit Response

As required by ISA (UK) 240, we:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; and
- considered significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

Outcome

No issues were noted in respect of management override of controls

Significant Risk 2

Risk of fraud in revenue recognition

Under ISA (UK) 240, there is also a presumed risk of fraud in revenue recognition, albeit rebuttable. We have assessed this risk to be significant in relation to the Council's other income streams (i.e. income streams relating to community planning; economic development and planning; operations; and for 2021-22, government support). We note that income in relation to Leisure, Arts and Culture services continued to be impacted during the year due to the closure of facilities for periods of time.

Audit Response

We undertook the following procedures:

- documented our understanding of the controls and procedures in place around revenue recognition;
- verified income received from Government Grants to supporting documentation and subsequent receipt to gain comfort over the completeness of income;
- substantively tested income streams relating to community planning; economic development; planning; operations; leisure and amenities; community and culture; and government support grants;
- analytically reviewed other material income streams, investigating any large and/or unusual variances; and
- performed walkthroughs and substantive testing of income.

Outcome

No issues were identified in relation to revenue recognition.

No additional significant risks were identified during our audit fieldwork.

4. FINDINGS FROM THE AUDIT

Financial Reporting

As part of our audit, we evaluate the qualitative aspects of accounting practices and financial reporting. In this section we draw to your attention any significant changes or issues in respect of accounting policies; accounting estimates; and financial statement disclosures.

The Council has robust processes in place for the production of the accounts and continue to produce good quality supporting working papers. Officers dealt efficiently with audit queries, effectively prioritising them, and the audit process has been completed within the planned timescales.

Accounting Policies

Accounting policies adopted by the Council have not changed or altered since the prior year financial statements. On this basis we can conclude that the quality, effectiveness and transparency of financial reporting and accounting at the Council is appropriate.

Accounting Estimates

We examined the appropriateness of accounting estimates and judgements and are content with the consistency of assumptions and the degree of prudence reflected in the recorded amounts.

Financial Statement Disclosures

We have made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Code of Practice on Local Authority Accounting and other relevant guidance.

Going Concern

We considered the Medium Term Financial Plan and while the financial outlook appears challenging, no events or conditions were identified from our audit work that cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting.

We note ongoing discussions with employees regarding pay settlements are taking place. We also note the impact of increased energy and other costs will affect Council activities. It is therefore essential that detailed financial projections and the careful monitoring of spend is given priority.

Narrative Report

The Narrative Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

Remuneration Report

The parts of the Remuneration Report to be audited were considered to be properly prepared in accordance with Department for Communities (DfC) directions issued under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015. A number of changes were suggested in relation to various disclosures within the remuneration report. These changes have been made.

Governance Statement

Our review of the Governance Statement confirmed that it complies with the Code of Practice and the Department for Communities Accounts Direction. We provided management with a number of minor observations and suggested disclosure changes to improve the narrative and completeness of disclosures within the Governance Statement.

Legality, Propriety and Losses

We found no issues in relation to illegality, propriety or losses during our audit.

Internal Control

No material weaknesses in the design and implementation of the Council's internal control systems have come to our attention during the audit. However, certain internal control weaknesses were identified during audit testing and are detailed below. We also note the three limited assurance reports issued by Internal Audit and management's accepted responses to these recommendations.

Related Parties

No significant matters were arising during the audit in connection with the Council's related parties.

Audit Recommendations

This section outline the findings arising from our audit, as well as management's response and target date for implementation. Our findings are defined as:

- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
- Priority 2 – important issues to be addressed by management in their areas of responsibility.
- Priority 3 – issues of a more minor nature which represent best practice.

Finding 1

Business cases and spend without authority

Business Cases

Our review of fixed asset additions identified that in three instances, business cases were not signed by the relevant Council staff members. It is Council policy that all business cases are signed by the appropriate manager whether this is an electronic or physical signature.

Spend without authority

We noted during expenditure testing that no contract or Direct Award Contract (DAC) was in place for transactions with two suppliers. While the amount sampled was lower, we noted that cumulative spend with these suppliers was as follows:

- Manvik - £349k
- Autobody - £49k

We also noted that the Governance Statement refers to spend on vehicle hire for which no procurement exercise was completed or DAC in place due the COVID-19 pandemic.

Whilst the above suppliers are preferred suppliers (and in the instance of Manvik are the only providers available) the Council has not followed the appropriate procurement or DAC procedures and therefore formalised contracting arrangement are not currently in place.

Priority Rating

2

Recommendation

We recommend that

- Council staff ensure that all business cases are signed as evidence of the necessary approval; and
- The Council regularise the contractual arrangements with all suppliers as soon as possible, be it using a formal contract or a Direct Award Contract. Expenditure should not be approved where a formal contractual arrangement does not exist.

Management Response (including target date)

- 1) Guidance will be updated for the 2023/24 Estimates process.
Head of Finance October 2022
- 2) Contracts
 - a) For ongoing requirements a direct contract award will be made.

Transport Manager December 2022

- b) Staff will be reminded of the Procurement Handbook and specifically the requirements for managing direct award contracts.

Procurement Manager October 2022

Finding 2

Disposal of Ards Leisure Centre

The Council disposed of the former Ards Leisure Centre site to the Department for Infrastructure (Dfi) on 1 April 2021 for due consideration of £1.8m. Dfi has not made payment for the site. We note that the vesting order for this disposal became operative during the 2021/22 financial year (19 May 2021), with compensation due to the Council of £1.8m. The Council's compliance team has followed up this matter with Dfi and while they remain content that this amount is fully recoverable there is no commitment in writing from Dfi. On 30 May 2022, Dfi stated to Council that "the matter of compensation is currently the subject of negotiations between the Dfi Departmental Solicitor's Office and the legal representatives for AND Council. Until the negotiations are successfully concluded, an invoice should not have been submitted".

The Council's debt management policy states that formal debt collection process should commence after 30 days of the invoice date and in these instance has not been followed. In such instances, given materiality, we would have expected the Council to seek assurances from Dfi over the recoverability of this balance and have formal pursuance of the debt recorded.

Priority Rating

2

Recommendation

We recommend that the Council escalate the non-payment of this amount with Dfi and seeks confirmation of recoverability. The Council's debt control policy for debt management should be followed in all instances.

Management Response (including target date)

The Chief Executive will write to the Department for Infrastructure Permanent Secretary regarding the delay in Council receiving payment.

Head of Finance

October 2022

Finding 3 Leases

The Council maintain a MS Excel workbook for recording all instances of when the Council acts as a lessor. We noted that the workbook was outdated and that it included inaccurate start/end dates and lease amounts. While the differences caused by these errors when netted off are clearly trivial in terms of disclosures in the financial statements, there is a risk that properties continue to be used by the lessees even though the leases has expired or that Council fail to undertake rent reviews at appropriate times.

Priority Rating

3

Recommendation

We recommend that the Council's lease register is reviewed on a regular basis for completeness and accuracy to ensure that rent reviews and lease renewals are dealt with as soon as they are due.

Management Response (including target date)

The database is currently being reviewed for accuracy and cross service usability. Officers already strive to be proactive when lease renewals are upcoming but will seek to streamline this with a reminder system to be incorporated as part of the review.

Compliance Manager March 2023

Finding 4 Proper arrangements

During our Proper Arrangements work the following areas for improvement were identified, some of which had been raised in prior years:

- the Council's ICT system is still not ISO 27001 accredited;
- we note that some work continues to ensure that all policies are up to date, complete and reflective of actual practice. As part of our consideration of proper arrangements, we noted further updates are required to either review existing policies, approve draft policies or to review new policies for the following areas: Staff Travel Policy (2010); Anti-Fraud, Bribery and Corruption Policy (2018); Employee Expenses and Benefits Policy (2013);
- we note that a resource/succession planning policy has not yet been implemented. However consultations are underway to inform this formulation of this policy;
- we note that the Council's Business Continuity Plan which was drafted in February 2020 has yet to be finalised/adopted by Council;
- the Council still has not yet established a Reserves Policy;
- a managing vacancies policy dated July 2014 is now redundant and should be removed from the Council's policy list; and
- from our review of journals, we noted that four journals were not approved before posting.

Priority Rating

3

Recommendation

We recommend that:

- the Council ensures that its information security arrangements are ISO 27001 compliant and seek accreditation;
- the Council continues work to ensure that all policies are up to date and formally approved; and

- all journals are approved before posting and that evidence is retained of this approval.

Management Response (including target date)

1) ISO27001 certification will be considered as part of the development of the Council's digital strategy, work on which is about to commence.

2) Policies will be progressed

Head of Finance	September 2022
Head of Human Resources and Organisation Development	April 2023
Head of Strategic Transformation and Performance	January 2023

3) Staff will be reminded of the need to have journals reviewed and signed before posting

Head of Finance	October 2022
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There were no priority one recommendations made in our prior year Report to those charged with Governance that need to be followed up on.

Proper Arrangements

Under the Local Government (Northern Ireland) Order 2005, the Local Government Auditor should be satisfied that a Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. However, a number of areas for improvement have been identified - see Finding 4 for further details.

5. MISSTATEMENTS

Adjusted misstatements

During the audit process we identified no misstatements above our clearly trivial threshold of £71,500.

Uncorrected misstatements

The table below lists unadjusted misstatements which exceed our clearly trivial threshold of £71,500. Uncorrected misstatements would decrease expenditure and increase net assets by a further £231k.

Area	Issue	CIES		Balance Sheet	
		Debit £'000	Credit £'000	Debit £'000	Credit £'000
Fixed asset additions	Expenditure of a capital nature included in revenue expenditure			231	
Expenditure			231		
Trade creditors	Classification error of trade and capital creditors.			75	
Capital creditors					75
TOTAL			231	306	75
NET EFFECT			231	231	

We recommend that uncorrected misstatements be corrected by the Council.

APPENDIX ONE LETTER OF REPRESENTATION

[Client Letterhead]

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

LETTER OF REPRESENTATION: ARDS AND NORTH DOWN BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2021-22

As Chief Financial Officer of the Ards and North Down Borough Council ("the Council") I have fulfilled my responsibility for preparing accounts that give a true and fair view of the state of affairs, income and expenditure, cash flows, and movements in reserves, and the related notes of the Council for the year ended 31 March 2022.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department for Communities (DfC), including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that the Council is a going concern and will continue to be in operation throughout the next year and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2022:

- having considered and enquired as to the Council's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Council to conduct its business or on the results and Balance Sheet disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties and related party transactions involving Councillors and senior staff is complete; and the related party disclosures in the financial statements are adequate.

All material accounting policies as adopted are detailed in note 1 to the accounts.

INTERNAL CONTROL

I have fulfilled my responsibility as Chief Financial Officer for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with DfC guidance on the Governance Statement.

FRAUD

I have fulfilled my responsibility as Chief Financial Officer for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the Council and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Balance Sheet were in existence at the reporting period date and owned by the Council and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Balance Sheet includes all long term assets owned by the Council.

Long Term Assets

All assets over £5,000 are capitalised. They are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. Annually a full revaluation is performed on 1/5th of the Council's assets and all other assets subject to a desk based valuation. All assets will receive a full revaluation as a minimum, every 5 years, by Land and Property Services (LPS). Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Council's operations.

Current Assets

On realisation in the ordinary course of the Council's operations the other current assets in the Balance Sheet are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Council which are known, or may be expected, to be irrecoverable.

Current assets include £1.8m compensation receivable from DfI for the transfer of the former Ards Leisure Centre with effect from 1 April 2021 which I believe is fully recoverable.

LIABILITIES

General

All liabilities have been recorded in the Balance Sheet. There were no significant losses in the year and no provisions for losses were required at the year end.

All litigation and claims have been disclosed to you and correctly accounted for.

Provisions

Provision is made in the financial statements for:

- Insurance - £424k;
- Environment - £95k;
- Legal – £30k; and
- Holiday pay - £681k.

Contingent Liabilities

There are a number of legal claims or potential claims against the Council the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Council, and I am not aware of any action which is or may be brought against the Council under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Council, or circumstances of an exceptional or non-recurring nature.

Unadjusted Misstatements

Uncorrected misstatements would decrease expenditure and increase net assets by a further £231k.

Events after the Balance Sheet date

Except as disclosed in the accounts, there have been no material changes since the Balance Sheet date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Accounting Estimates

The methods, significant assumptions and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement or disclosure that is in accordance with the financial reporting framework.

Management of Personal Data

Except as disclosed in the Governance Statement, there have been no personal data related incidents in 2021-22 which are required to be reported.

Mr Stephen Reid

Ards and North Down Borough Council

22nd September 2022

APPENDIX TWO

AUDIT CERTIFICATE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARDS AND NORTH DOWN BOROUGH COUNCIL

I have audited the financial statements of Ards and North Down Borough Council for the year ended 31 March 2022 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 the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom supported by UK adopted International Financial Reporting Standards.

I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion the financial statements:

- give 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 2021-22, of the financial position of Ards and North Down Borough Council as at 31 March 2022 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department for Communities' directions issued thereunder.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Ards and North Down Borough Council in accordance with the ethical requirements of the Financial Reporting Council's Ethical Standard and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Ards and North Down Borough Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Ards and North Down Borough Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Ards and North Down Borough Council is adopted in consideration of the requirements set out in the Code of Practice on Local Authority Accounting, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the Statement of Accounts other than the financial statements, the parts of the Remuneration Report described in that report as having been audited, and my audit certificate and report. The Chief Financial Officer is responsible for the other information included in the Statement of Accounts. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities' directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and
- the information given in the Statement of Accounts for the financial year ended 31 March 2022 is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of Ards and North Down Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Statement of Accounts.

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

- in my opinion:
 - the Annual Governance Statement:
 - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
 - does not comply with proper practices specified by the Department for Communities;
 - 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit, or
- I issue a report in the public interest under Article 9 of the Local Government (Northern Ireland) Order 2005; or
- I designate under Article 12 of the Local Government (Northern Ireland) Order 2005 any recommendation made to the Council; or
- I exercise the other special powers of the auditor under Article 19 to 21 of the Local Government (Northern Ireland) Order 2005.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Council's and Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing Ards and North Down Borough Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Finance Officer anticipates that the services provided by Ards and North Down Borough Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to Ards and North Down Borough Council through discussion with management and application of

extensive public sector accountability knowledge. The key laws and regulations I considered included the Local Government (Northern Ireland) Order 2005;

- making enquires of management and those charged with governance on Ards and North Down Borough Council's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Ards and North Down Borough Council's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading Council and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate; and
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of my certificate.

This report is made solely to the Members of Ards and North Down Borough Council in accordance with the Local Government (Northern Ireland) Order 2005 and for no other purpose, as specified in the Statement of Responsibilities of the Local Government Auditor and Local Government Bodies.

Certificate

I certify that I have completed the audit of accounts of Ards and North Down Borough Council in accordance with the requirements of the Local Government (Northern Ireland) Order 2005 and the Local Government Code of Audit Practice.

Colette Kane
Local Government Auditor
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

29th September 2022

Mrs Colette Kane LGA
106 University Street,
Belfast, BT7 1EU

28 November 2022

Mr Stephen Reid
Chief Financial Officer
Ards and North Down Borough Council
Town Hall
The Castle
Bangor
Co Down
BT20 4BT

Dear Stephen,

ARDS AND NORTH DOWN BOROUGH COUNCIL: IMPROVEMENT AUDIT AND ASSESSMENT – FINAL AUDIT AND ASSESSMENT REPORT 2022-23

I have now certified the improvement audit for the Council with a standard, unqualified opinion. In terms of the audit assessment, I have concluded that I am unable to assess whether Council is likely to comply with Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) during 2022-23. This is due to the changing landscape and refocusing of priorities as a result of the Covid-19 pandemic and the ongoing cost of living crisis, that has impacted on the ability to rely on past trends in councils' performance to assess the likelihood of future compliance with Part 12 of the Act. No statutory recommendations will be made to the Department this year in respect of the Council nor is there a requirement for a special inspection.

The report sets out the findings and conclusions from our work, it includes the audit and assessment certificate as an Annex. I also attach a copy of the original certificate I have signed. Our audit and assessment procedures may not have brought to light all areas in which improvements could be made and our findings should not be seen as comprehensive in this respect. Responsibility for determining whether they should be implemented, and the effects of such implementation, necessarily rests with management.

This letter and attachments have been copied to the Department for Communities as the legislation requires. I would like to thank you and your staff for the assistance and cooperation we received throughout the audit.

Yours sincerely,



Colette Kane
Local Government Auditor



Annual Audit Letter

Ards and North Down Borough Council
2021-22

Date

24 November 2022

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We have prepared this report for Ards and North Down Borough Council’s sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

1. Key Messages

Audit of Financial Statements

The 2021-22 financial statements were certified without qualification as noted in my audit report. Key statistics from the accounts are outlined.

Work on economy, efficiency and effectiveness

The Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

Governance

The governance statement reflects compliance with relevant guidance and standards.

Other Areas of interest

- Absenteeism figures for 2021-22.
 - The latest National Fraud Initiative.
 - The Local Government Auditor's Report for the year to 31 March 2021 was published on 21 December 2021.
-

Outlook

- COVID-19 considerations.

2. Introduction

1. As Local Government Auditor, I have a statutory responsibility to provide an opinion on the Council's financial statements. The results of my audit of the 2021-22 Statement of Accounts are summarised in this report.
2. The legislative role for the Local Government Auditor is contained in the Local Government (Northern Ireland) Order 2005 and the Local Government (Northern Ireland) Act 2014. In addition, the Code of Audit Practice, published on 1 April 2021, prescribes the ways in which statutory audit functions are to be carried out. The Code of Audit Practice is supported further by a Statement of Responsibilities of Local Government Auditors and Local Government Bodies. Both of these documents are published on the NIAO website.
3. Management have specific responsibilities regarding the production of financial statements and are expected to have effective governance arrangements in place to deliver the Council's corporate objectives. The publication of the financial statements is an essential means to account for the stewardship and use of public money each year.
4. As external auditor, it is my responsibility to form an opinion on whether:
 - the financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year then ended;
 - the financial statements have been prepared in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions thereunder;
 - the parts of the remuneration report to be audited have been properly prepared in accordance with the Department for Communities' directions; and
 - the information given in the Narrative Report is consistent with the financial statements.
5. There are a range of various other matters which can be reported by exception and they are outlined in the Code of Audit Practice. One of these items relates to the information published with the audited financial statements, such as the governance statement. I report if the governance statement is not consistent with the information gathered during the audit including that gained from carrying out work on the Council's arrangements for securing economy, efficiency and effectiveness of resources, and our work on performance improvement.

6. This report is solely based upon those matters that have come to my attention as a result of normal audit procedures. Consequently, my comments should not be regarded as a comprehensive record of all deficiencies that may exist or all improvements that could be made.

3. Audit of Financial Statements

Statement of Accounts

1. The accounts should be prepared in accordance with International Financial Accounting Standards as interpreted for Local Government in the, 'Code of Practice on Local Authority Accounting in the United Kingdom'.
2. The financial statements were signed by the Chief Financial Officer and submitted for audit on 30 June 2022. Following the audit, the Statement of Accounts were approved by the Council and certified by me within the statutory deadline of 30 September 2022. The Statement of Accounts are published on the Council's website.
3. On conclusion of the audit, the 2005 Order requires me to issue a certificate stating the audit is complete and to give an opinion on the statement of the accounts. The audit certificate and opinion are contained within the Statement of Accounts.

Audit Certificate and Opinion

4. For the year ended 31 March 2022, I gave the following unqualified opinion on the financial statements.

In my opinion:

- the financial statements give 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 2021-22, of the financial position of the Council as at 31 March 2022, 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 for Communities' directions issued thereunder.
5. At the end of the audit I issued a Report to those charged with Governance, addressed to the Chief Executive of the Council, on the results of the audit, noting the most significant issues, making recommendations and seeking comments. That report is presented separately to the Audit Committee.
 6. Council's usable reserves have increased from £20.0 million at 31 March 2021 to £25.0 million at 31 March 2022, an increase of £5.0 million. It was noted that in the 2021-22 year, the Council continued to make arrangements to build resilience for reform and for managing the financial impact of COVID-19 in the 2021-22 financial year and beyond. We note that a significant portion of this increase relates to the Capital Receipts Reserve (increase of £1.7m). We also note that Earmarked Reserves increased by £2.6m and that £1.7m of unspent

COVID-19 funds allocated by the Department for Communities has been allocated to the Earmarked Reserves.

7. We note that National and Local pay agreements have been finalised, with the first part of the local agreement having been paid in October 2022. We also note the impact of increased energy and other costs will affect Council activities. It is therefore essential that detailed financial projections and the careful monitoring of spend is given priority.

4. Key Statistics

Income / Expenditure	2021-22 £000's	2020-21 £000's	Variance £000's
Total Income	70,070	75,753	(5,683)
Total Expenditure	77,305	71,510	5,795
Net Expenditure chargeable to the General Fund (reflects adjustments between Accounting Basis and Funding Basis)	3,574	10,972	(7,398)

	2021-22 £000's	2020-21 £000's	Variance £000's
Capital Expenditure in year	4,873	5,930	(1,057)

Capital / Reserves	2021-22 £000's	2020-21 £000's	Variance £000's
Useable Reserves	25,042	19,978	5,064
Long Term Assets	247,713	243,041	4,672
Loans Outstanding	66,860	73,030	(6,170)

Staff			
Staff numbers (FTE)	778	782	(4)

	2021-22 £000's	2020-21 £000's	Variance £000's
Staff Costs (including Agency costs)	30,286	29,486	800
Staff Absence Total	14.17 days	10.59 days	3.58 days
• short term	3.23 days	1.72 days	1.51 days
• long term	10.94 days	8.87 days	2.07 days

5. Work on economy, efficiency and effectiveness

Proper Arrangements

1. The Local Government (Northern Ireland) Order 2005 requires me to be satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.
2. The Council is required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives, while safeguarding and securing value for money from the public funds and other resources at their disposal.
3. My review of the Council's arrangements for securing value for money covered a wide range of areas including:
 - Strategic priorities, financial strategies and policies;
 - Financial reporting systems and sound financial internal controls;
 - Procurement strategies and policies to deliver sustainable outcomes and value for money;
 - Promoting a good governance environment including managing risks and systems of internal control;
 - Asset management strategies and policies to safeguard assets, deliver objectives and generate value for money; and
 - A framework to manage the workforce to effectively support the achievement of strategic priorities.
4. On the basis of my review this year, I am satisfied the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. A priority 3 finding was raised during the audit of the 2021-22 financial statements in respect of proper arrangements. This related to information security arrangements, renewal of policies and the journals approval process.

6. Governance

Annual Governance Statement

1. The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Council to conduct a review, at least once in a financial year, of the effectiveness of its governance framework (including its system of internal control) and to then approve an Annual Governance Statement.
2. I am required to report if the Annual Governance Statement:
 - does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
 - does not comply with proper practices specified by the Department for Communities; or
 - is misleading or inconsistent with other information I am aware of from my audit.
3. My review did not highlight any inconsistencies.

Internal Audit

4. The 2015 Regulations also require councils to undertake an adequate and effective internal audit of its accounting records and of its systems of risk management, internal controls and governance processes using current internal auditing standards. The Council has a contracted out Internal Audit function that conducted a review on the effectiveness of the systems of internal controls in place during 2020-21. The findings of this work were presented to the Council's Audit Committee for review and considered by me as part of the audit process.

Audit Committee

5. It is essential that Members exercise effective scrutiny of the internal controls processes and procedures in place within the Council. One way that Members carry out this function is through the Audit Committee.
6. The Audit Committee is also invited to review my audit reports and my staff attend meetings to present audit findings.

7. Other areas of audit interest

Absenteeism

1. For the twelve months to the end of March 2022, the average number of day's sick absence in the Council was 14.17 days per full time employee as compared to 10.59 days in 2020-21. The Council told me that the increase of 3.58 days was mainly due to lock downs and furlough in the 2020-21 year, so absence figures in that year were not reflective of "normal" circumstances. The average days lost figure has risen back to 2019-20 levels. Those who were on long-term sickness have on average been off for longer periods of time as a result of delays including diagnostic appointments. A recent procurement exercise to renew the Council's occupational health contract resulted in scan procedures being covered at no additional cost, which should help with some employees' length of absence going forward.
2. The Local Government Auditor produced a good practice guide on Managing Attendance in Central and Local Government on 23 November 2020. The report provides an overview of sickness absence across central and local government in Northern Ireland and sets out key principles for managing attendance that are consistent across the public sector.

Local Government Auditor's Report – 2021

3. The annual [Local Government Auditor's Report](#) was published on 21 December 2021 and is available on the NIAO website. The report summarises my perspective on financial audits and performance improvement work in the year to 31 March 2021.
4. The Report highlights areas of strength and areas for improvement within local councils. It also considers important issues that may affect councils in the medium term. The Council and its members should consider this report in the context of its own activities for any improvements that could be made.

Performance improvement audit and assessment

5. Under the Local Government (Northern Ireland) Act 2014 the Council has a statutory duty to make arrangements for, and report on, continuous improvement in their functions or services and to set improvement objectives for each financial year.
6. Each year councils are required to produce an Annual Improvement Plan for the year ahead and a self-assessment report for the year just past. The Local Government Auditor is required to audit the prior year self-assessment report and the incoming Annual Improvement

plan and assess whether the Council is likely to have complied with the legislation.

7. Due to the pandemic, the requirement to publish an improvement plan for 2020-21 was set aside. As a result the audit of the 2020-21 self-assessment report did not include a review of performance of improvement objectives for that year.
8. My Annual Improvement Report for 2021-22 was published on 31 March 2022 and concludes that Council met its statutory duties in relation to publication of the 2020-21 self-assessment report and 2021-22 Annual Improvement Plan. Given the impact of the pandemic on council services, however, I was unable to conclude on an assessment of whether the Council was likely to meet their performance improvement responsibilities under legislation for the 2021-22 year.

WGA

9. Whole of Government Accounts (WGA) are consolidated financial statements for the whole of the UK public sector. The National Audit Office audits these accounts and sets the overall audit approach. As such the Council is within the band of organisations in 2020-21 where additional audit procedures were not required.
10. The Whole of Government Accounts annual return for 2020-21 was submitted for HM Treasury's consolidation process.

NFI

11. The Council participates in the National Fraud Initiative, a UK wide data matching exercise undertaken every two years that is designed to highlight savings for the public sector as a whole.
12. The report summarising the results of the data matching for the period 1 April 2020 to 31 March 2022 was published on 19 July 2022 and is available on the NIAO website.

Audit Fee

13. The audit fees for the financial audit and the performance improvement audit are in line with the estimate.

8. Outlook

Ongoing impact of COVID-19 pandemic

1. The COVID-19 pandemic has had a significant impact on society and on the economy since 2020. Councils had to adapt quickly to ensure continued provision of their key critical services such as waste collection and disposal, community support, and registrations of deaths and burial services. Additionally, Councils suffered losses in income from the closure of their income-generating facilities and services such as leisure centres.
2. In May 2021, the Finance Minister announced further COVID 19 funding to address a range of ongoing pressures. This included £10 million to Councils to ensure the continued delivery of local public services, as well as £3 million to support council-managed community development and advice services via the Community Support Programme.
3. There continues to be wide reaching impacts from the pandemic and challenges for councils to deliver a balanced budget, even with central government support. It is extremely important that the Council has detailed medium term financial plans which are regularly monitored and updated.
4. A second report by the Comptroller and Auditor General on the NI Executive's response to the COVID-19 Pandemic was published on 8 June 2021.

And finally.....

5. I would like to thank the Council for its continued co-operation during the audit. My staff and I look forward to working with Council during the year in preparation for next year's audit.



Ards and North Down Borough Council

Audit Committee Progress Report

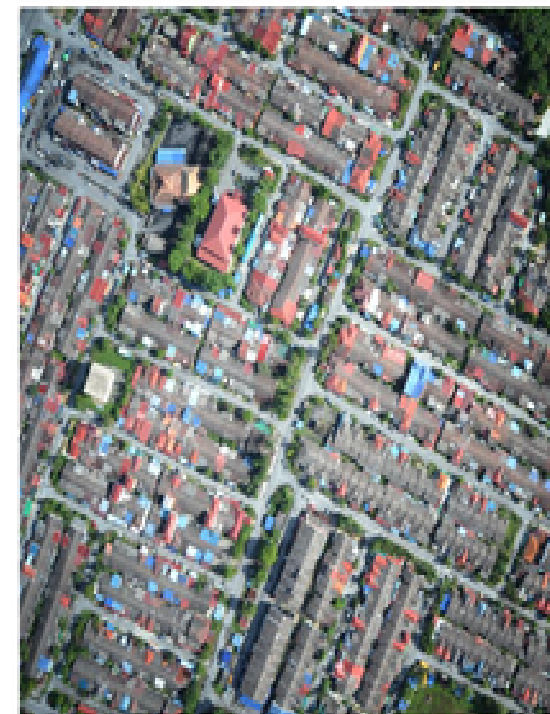
December 2022



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Progress to Date

Summary Status of the 2022/23 Plan

Progress to Date

Summary Status of the 2022/23 Plan

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We have continued delivery of our 2022/23 Internal Audit Plan. An overview of our progress for the year to date (as at 8th December 2022) is set out below:

Final Report	Draft Report	Fieldwork	Planning	Yet to Commence	Cancelled/Deferred	Total
5	-	2	4	-	-	11

Further detail on reviews is provided in Appendix I.

Final Reports

Summary of Findings Identified

Final Report

PCSP

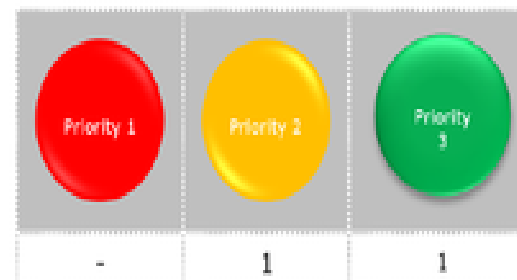
Background

The scope of this review focused on a review of the control framework in order to assess the design and operational effectiveness of controls with regards to the management of PCSP grants, the tendering process and the governance arrangements in place. We also undertook a follow-up review of the implementation of recommendations made as a result of the audit of the PCSP in previous years.

Overview of Approach

In order to complete this engagement, we used the following:

- Met with relevant stakeholders in relation to the PCSP including the Head of Community and Culture, External Programmes Manager, PCSP Officer.
- Reviewed key documentation such as policies and procedures which related to PCSP governance including documentation relating to the Annual Action Plan.
- Reviewed documentation relating to the management of grants, of direct delivery funding and to the tendering process, as well as any relevant budgetary information, project expenditure reports and supporting evidence of expenditure relevant to these areas.
- Performance of a limited programme of sample testing from both 2021/22 and 2022/23 as appropriate; this included:
 - A sample of two quarterly reports for sample of five projects from 2021/22 submitted to the Council by project owners;
 - Expenditure claim forms, supporting evidence of expenditure and documentation evidencing payment of funding for a sample of five 2021/22 small grant, large grant and direct delivery applications;
 - Testing of awards assessment process for a sample of five small grant applications from 2022/23, and expenditure claim reports for a sample of two small grants projects from 2021/22;
 - Testing of approval of award for a sample of two tender applications for 2021/23;
 - Testing regarding the formal approval of one direct delivery project from 2022/23.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
- Preparation of a draft report.
- Prepared a final report, including management action plans in response to any recommendations.



Overall Opinion

As a result of our audit a **Satisfactory** assurance opinion was provided.

Findings

There were no **Priority 1** findings identified during our review.

There was one **Priority 2** finding identified during our review. This can be summarised as:

- Monitoring and Reporting of Project Expenditure - incomplete project reporting and monitoring documentation.

There was one **Priority 3** finding identified during our review.

Final Report

Treasury Management

Background

The scope of this internal audit was to assess the design and operational effectiveness of controls with regards to treasury management, including review and assessment of controls to manage investments, borrowings, and cash flows.

Overview of Approach

In order to complete this engagement, we used the following:

- Met with relevant stakeholders in relation to the treasury management, including the Capital Accountant and Assistant to the Capital Accountant.
- Reviewed key documentation such as policies and procedures which relate to treasury management governance.
- Reviewed documentation relating to the management reporting of treasury management.
- Performed a limited programme of sample testing of investments made and cash flow management between March 2021 – March 2022, and associated treasury management reporting within this sample period as appropriate.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
- Preparation of a draft report.
- Prepared a final report, including management action plans in response to any recommendations.



Overall Opinion

As a result of our audit a **Satisfactory** assurance opinion was provided.

Findings

There were no **Priority 1** findings identified during our review.

There was one **Priority 2** finding identified during our review. This can be summarised as follows

- Additions required to Treasury Management Policy

There were two **Priority 3** findings identified during our review.

Final Report

Strategic Financial Planning

Background

The scope of this internal audit included a review to assess the design and operational effectiveness of controls with regards to strategic financial planning, including financial forecasting across short, medium and long term and lineage to the corporate plan.

Overview of Approach

In order to complete this engagement, we used the following:

- Met with relevant stakeholders involved in the strategic financial planning processes including the Head of Finance, Capital Accountant and Performance Accountant.
- Reviewed key documentation related to the Council's strategic planning processes and governance including the medium-term financial strategy, strategic financial planning framework/spreadsheet.
- Performed a limited programme of sample testing of reporting to the Corporate Services Committee and to Council, as well as of the forecasting process undertaken within June 2021 – June 2022.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
- Prepared a draft report, to report findings with practical recommendations for improvement where appropriate.
- Prepared a final report, including management action plans in response to any recommendations.



Overall Opinion

As a result of our audit a **Satisfactory** assurance opinion was provided.

Findings

There were no **Priority 1** findings identified during our review.

There were three **Priority 2** findings identified during our review. These can be summarised as follows:

- Ensuring provision of sufficient time for the Business Case review process
- Provision of information to assist with forming forecasts and assumptions
- Stress testing the forward-looking financial plan

There were two **Priority 3** findings identified during our review.

Appendix I

Progress to Date

Progress to Date

Update on Annual Internal Audit Plan – 2022/23

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In this section we have provided an overview of our progress regarding the 2022/23 Internal Audit Plan as at 8/12/2022.

Ref	Review Area	Sponsor	Planned Days	Actual Days to Date	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 1									
ANDBC 22/23 - 01	Planning for new ways of working in post-Covid environment	Head of HR and Organisational Development, Business Technology Manager	10	10	Final Report	N/A - Advisory	13/06/2022	13/06/2022	Complete
ANDBC 22/23 - 02	Service Review – Strategic Capital Development	Head of Strategic Capital Development	15	15	Final Report	Satisfactory	27/06/2022	27/06/2022	Complete
Quarter 2									
ANDBC 22/23 – 04	PCSP	Head of Community and Wellbeing	8	8	Final Draft Report for Audit Committee	Satisfactory	12/09/2022	12/09/2022	Final Draft Report for Audit Committee issued 30/11/2022.
ANDBC 22/23 – 05	Strategic financial planning	Head of Finance	12	12	Final Draft Report for Audit Committee	Satisfactory	19/09/2022	20/09/2022	Final Draft Report for Audit Committee issued 30/11/2022.
ANDBC 22/23 – 06	Treasury management	Head of Finance	15	15	Final Draft Report for Audit Committee	Satisfactory	26/09/2022	26/09/2022	Final Draft Report for Audit Committee issued 08/11/2022.

Progress to Date

Update on Annual Internal Audit Plan – 2022/23

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Ref	Review Area	Sponsor	Planned Days	Actual Days to date	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 3									
ANBC 22/23 – 07	Procurement	Head of Strategic Transformation and Performance	10	2.5	Fieldwork	-	14/11/2022	14/11/2022	Fieldwork commenced 14/11/2022. Due to capacity issues within the procurement team, management requested that the remainder of the fieldwork be delayed to January 2023
ANBC 22/23 - 03	Waste Management	Head of Waste Services	10	6.5	Fieldwork	-	21/11/2022	21/11/2022	Fieldwork commenced 21/11/2022.
Quarter 4									
ANBC 22/23 – 08	Labour Market Partnership	Head of Economic Development	10	0.5	Final Terms of Reference	-	09/01/2023	-	Final Terms of Reference issued 05/12/2022.
ANBC 22/23 – 09	Strategic environmental planning	Head of Administration	10	0.5	Final Terms of Reference	-	09/01/2023	-	Final Terms of Reference issued 06/12/2022.
ANBC 22/23 - 10	Service Review – Environmental Health	Head of Environmental Health Protection and Development	15	0.5	Final Terms of Reference	-	23/01/2023	-	Final Terms of Reference issued 05/12/2022.
ANBC 22/23 - 11	Cyber Security	Business Technology Manager	15	0.5	Final Terms of Reference	-	09/01/2023	-	Final Terms of Reference issued 29/11/2022.

Changes to the Internal Audit Plan and AOB

Amendments and AOB to be noted by the Audit Committee

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We have no other business to present however would be happy to discuss any other business that Ards and North Down Borough Council may wish to consider.

Appendix II

Statement of Responsibility

Statement of Responsibility

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We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is not based on an attest engagement. We have relied on information provided by Ards and North Down Borough Council's management, and we do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy or completeness.

Recommendations for improvements should be assessed by the you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

This document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore, you should not refer to or use our name or this document (in whole or in part) for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party without our prior authorisation. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte

Belfast

December 2022



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Ards and North Down Borough Council

A Review of governance arrangements for the Policing Community Safety Partnership (PCSP) and controls to manage the grants and tendering process operated by the PCSP

November 2022



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1. Overview

The Council is required by the Department of Justice, which is the sponsoring body for the Council PCSP, to have an internal audit of the PCSP on an annual basis.

PCSPs are statutory bodies which have statutory duties such as engaging with the local community regarding policing and community safety, identifying and addressing areas of concern, working with the police to enhance community cooperation in preventing crime and also delivering a reduction in crime and the enhancement of community safety through the work of delivery groups or through support for the work of other groups.

Each PCSP is comprised of elected members, independent members appointed by the Policing Board and representatives from designated public bodies (such as Health, Probation, Education and Policing). The PCSP is administratively supported by the local council to which it belongs, and the joint sponsors are the Department of Justice and the Northern Ireland Policing Board (with PCSP oversight maintained through a Joint Committee). Each PCSP has a Policing Committee made up of political and independent members which carries out a distinct role in relation to policing functions. PCSPs may also establish sub-groups to address particular community safety issues.

The Ards and North Down Borough Council PCSP is supported by a PCSP Officer, Assistant PCSP Officer and Externally Funded Programmes Manager, within the Community and Culture Service.

The Ards and North Down PCSP delivers its initiatives through four different delivery mechanisms:

- Small grants;
- Large grants;
- Direct delivery through PCSP; and
- Direct delivery through Partners.

1.1. Scope and Objectives

The scope of this review focused on a review of the control framework in order to assess the design and operational effectiveness of controls with regards to the management of PCSP grants, the tendering process and the governance arrangements in place. We also undertook a follow-up review of the implementation of recommendations made as a result of the audit of the PCSP in previous years.

The objectives of the Internal Audit were to:

- Review of the governance and control framework for the PCSP, Policing Committee and each of the relevant sub-groups, including key PCSP policies and action plan.
- Review of training arrangements for PCSP members, of annual Outcomes Based Approach evaluation of PCSP projects and monitoring and reporting expenditure under the grants, tenders and direct delivery contracts.
- For a sample of grants, determine whether there were adequate controls for the awarding of grants, including the grant programme and application assessment processes and documentation to support decisions made.
- Determine whether, for a sample of grants, the payment of grant claims is adequately controlled to ensure that payment is made only for items or activities approved in the grant application, at the values approved and with sufficient supporting evidence of the expenditure.
- For a sample of tenders, determine whether there was compliance with the Council procurement policy, with tender programme and application assessment criteria and maintenance of adequate supporting documentation.
- Determine whether payments made against a sample of tenders awarded are appropriate, in line with the tender agreement and that there is a level of adherence to requirements against procurement thresholds.
- Determine whether payments made against a sample of tenders awarded are supported by sufficient evidence of activity.
- Determine whether direct delivery projects and PCSP Partners to deliver the projects are appropriately approved.
- Determine whether payments made to PCSP Partners for direct delivery contracts are in line with contract rates and outputs.
- Review and update against Priority 2 recommendations raised as part of previous audits of the PCSP
- Review and update against Priority 3 recommendations raised as part of previous audits of the PCSP.

1.4. Approach

In order to complete this engagement, we used a combination of the following:

- Met with relevant stakeholders in relation to the PCSP including the Head of Community and Culture, External Programmes Manager, PCSP Officer.
- Reviewed key documentation such as policies and procedures which related to PCSP governance including documentation relating to the Annual Action Plan.
- Reviewed documentation relating to the management of grants and to the tendering process, as well as any relevant budgetary information, project expenditure reports and supporting evidence of expenditure relevant to these areas.
- Reviewed documentation relating to the management of direct delivery funding and the procedures around this including relevant budgetary information, project expenditure reports and supporting evidence of expenditure relevant to these areas.
- Performance of a limited programme of sample testing from both 2021/22 and 2022/23 as appropriate; this included:



- A sample of two quarterly reports for sample of five projects from 2021/22 submitted to the Council by project owners outlining the progress, activities and related spending of projects, and related supporting documentation;
 - Expenditure claim forms, supporting evidence of expenditure and documentation evidencing payment of funding for a sample of five 2021/22 small grant, large grant and direct delivery applications;
 - Testing of awards assessment process including scoring matrix and application assessment criteria for a sample of five small grant applications from 2022/23, and expenditure claim reports for a sample of two small grants projects from 2021/22;
 - Testing of approval of award for a sample of two tender applications for 2021/23, including relevant offer letters.
 - Testing regarding the formal approval of one direct delivery project from 2022/23, including PCSP Community Safety Sub-Group and PCSP Partnership meeting minutes and reports.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
 - Preparation of a draft report.

Our sole source for information has been management information and representations. We do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy.

Our work was performed in accordance with the Deloitte Internal Audit Methodology which is consistent with the standards of the Chartered Institute of Internal Auditors. Our work was carried out during September 2022 - October 2022.

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1.5. Summary of findings

In **Section 2** we have set out our detailed findings and recommendations arising from our review.

Our findings have been graded using the scale outlined in **Appendix 1**.

The number of findings by risk grade can be summarised as follows:



There was one **Priority 2** finding identified during our review. This can be summarised as follows:

- Monitoring and Reporting of Project Expenditure - incomplete project reporting and monitoring documentation (see **Section 2.1**).

There was one **Priority 3** finding identified during our review. This can be summarised as follows:

- Quarterly Report Cards – incomplete project report cards (see **Section 2.2**).

In **Section 3** we have set out our findings from the review of implementation of Priority 2 recommendations from previous PCSP Internal Audits.

There were four **Priority 2** recommendations open from previous reviews of the PCSP. At the time of our fieldwork for this report, we determined that two were fully implemented, whilst one was partially implemented. (see **Section 3**) and one was not yet implemented. Details of each of these has been provided in Section 3.

In addition, there were seven **Priority 3** recommendations open from previous reviews of the PCSP. At the time of our fieldwork for this report, all seven were fully implemented.

Full details of the issues may be found in **Section 2 and Section 3** of this draft report.



1.6. Conclusion

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

Consequently on the basis of the Internal Audit work undertaken, we have given a **satisfactory** level of assurance that the system objectives will be achieved. Refer to **Appendix I** for a definition of the assurance level given.

1.7. Observations

In addition to the formal recommendations included at **Section 2** we have noted a number of observations which relate to recommendations raised in previous PCSP internal audit reports that we have highlighted as remaining open, and which Management should consider and monitor to ensure implementation:-


We noted one finding that was raised in a previous year's PCSP Internal Audit **2019/20**. This has not been closed and we therefore note that it remains open:

1) **Priority 3 finding - '2.2 Lack of Update and Version Control of Council Policies.'**


- *Procurement Policy* - We noted that the Council's Procurement Policy does not contain a document control sheet outlining version control, approval arrangements or the defined period of review for the policies.
- *Anti-Fraud, Bribery and Corruption Policy* - We noted that the Anti-Fraud, Bribery and Corruption Policy is overdue for review. The Anti-Fraud, Bribery and Corruption Policy was due for update in April 2018 but has been delayed with a new target review date from Management of June 2021.
- *Gifts and Hospitality Policy* - We were unable to determine if or when the ' was approved as there is no version control documented within the policy.
- *Declaration of Interest Policy and Procedure* - The version control table of the 2017 notes that the policy is due to be reviewed in April 2019 however we were unable to determine if this policy has been reviewed and approved.

2. Detailed findings and recommendations

2.1 Monitoring and Reporting of Project Expenditure

Finding	Recommendation	Priority
<p>For one out of six sampled large grants, small grants and partner delivery projects there was no completed Project Budget Profile, Project Invoice Summary or Period Expenditure Claim Forms.</p> <p>Management advised that this was because this project (ANDBC - Leisure Services - Addressing Anti-Social Behaviour through Sports and Leisure) was an internal project delivered by the Council, leading to the Project Budget Profile, Project Invoice Summary and Period Expenditure Claim Forms not being used. From discussion, management acknowledged that the same project recording process should be used for internal as well as externally-funded projects.</p> <p>Potential Impact</p> <p>There is a risk that without adequately managing project budget and expenditure, funds are being spent inappropriately. There is also a risk for internal projects that unused funds allocated for this project are being reallocated to other areas of the Council incorrectly.</p>	<p>The Council should ensure that Project quarterly expenditure forms, Project Invoice Summary sheets and Project Budget Profiles are completed for all projects, either external or internal.</p>	
Management response		
Action Plan	Owner/ Title	Target Date of Implementation
<p>1. Budget profile, project invoice summary and period expenditure claim forms are being completed for every project in 2022/2023 financial year.</p>	EFP Manager	30/11/2022

2.2 Quarterly Report Cards

Finding	Recommendation	Priority
<p>We tested quarterly report cards submitted to the Council for a sample of seven projects delivered during 2021/22 (one of each type of delivery mechanism (large grant, small grant and PCSP delivered) and two partner delivery projects) and noted the following:</p> <p>1. Report card for Q3 2021/22 for ANDBC Borough Council Leisure Services – Anti-Social Behaviour Youth Sports Leadership did not include:</p> <ul style="list-style-type: none"> • Date approved by Partnership; • Date of approval or signatures from PCSP officer/ Externally Funded Programmes Manager. <p>2. We noted a total of two instances where sections of the report card were incomplete:</p> <ul style="list-style-type: none"> • PSNI Holywood Myth Busters Q3 2021/22 and Q4 2021/22. The incomplete area of the report card was: ‘- How are we doing?’ • Ards and North Down Road Safety Q1 2021/22 and Q2 2021/22. The incomplete areas of the report card were: ‘How are we doing?’ ‘What are we doing to improve performance?’ <p>There was also one instance where it appeared that a project did not complete a report card for two quarters: Portavogie Rangers FC - Midnight Soccer Youth Empowerment Programme did not return report cards for Q2 2021/22 or Q4 2021/22. Management advised that the project was completed during Q3 and therefore no other report cards were required.</p> <p>Potential Impact</p> <p>There is a risk that an incomplete report card leads to inaccurate reporting and monitoring of the project.</p>	<p>The PCSP should ensure the following:</p> <ol style="list-style-type: none"> 1. Each section of the report card is completed by the project. 2. For projects completed during one quarter, this should be clearly documented within the project file. 	 <p>Priority 3</p>



Management response		
Action Plan	Owner/ Title	Target Date of Implementation
<ol style="list-style-type: none"> 1. Quarterly nil returns will be required for those projects where a letter of offer has been issued but the project has not yet started. 2. Payments will be withheld to project promoters, until quarterly report cards are fully completed 	EFP Manager	30/11/2022



3. Follow-Up of Prior Year Priority 2 Recommendations

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>We reviewed whether declarations of interest had been completed for a sample of funding applications for five direct delivery projects from 2018/19. We found that declarations of interest and subsequent withdrawal from discussion of members from the Partnership organisations submitting funding proposals had not been recorded in the PCSP Community Safety Sub-Group meeting minutes dated 04/07/2019 which evidenced approval of the direct delivery projects tested. Additionally, we noted that there is no process in place for the periodic renewal of the declarations of interest forms completed by PCSP members and retained by the PCSP staff.</p>	<p>The PCSP should also implement a regular process of review and renewal of PCSP members' declaration of interest forms to ensure these remain up to date.</p>	Priority 2	<p>Whilst the Grants Policy is due for renewal, the potential of moving to a corporate online grants system is currently under consideration, the Business Case for the strategy has been delayed in line with the development of an Events Strategy. The Grants Policy will be reviewed once the Business Case has been approved.</p>	<p>No testing completed as advised by Management that recommendation was not yet implemented.</p>	<p>Not Yet Implemented</p> <p>Management Update October 2022 The Business Case has been approved however, the online grants system has again been delayed pending the development of a Digital Strategy for the Council. Officers are meeting to review some elements of the grants policy in line with the recommendations of the Events Strategy.</p> <p>Updated Target Date: 30/11/2022</p>
<p>1. We reviewed and tested the controls around payments, and noted that for two out of a total sample of five 2019/20 grant applications, and noted the following:</p> <p><u>Project 1:</u></p> <ul style="list-style-type: none"> In the Q1 Expenditure claim, the 'total payable' amount was left blank on the Project Invoice Summary. We also noted that the Invoice Summary was not signed or dated to signify that the 	<p>1. The PCSP should ensure that the Invoice Summary is signed and dated to evidence review and approval.</p> <p>2. The PCSP should remind projects of the importance of completing in full and signing off expenditure claim documentation to ensure that approval can be clearly evidenced. The PCSP</p>	Priority 2	<p>1. The PCSP will ensure that the Invoice Summary is signed and dated to evidence review and approval.</p> <p>2. The PCSP will develop procedures for remote working practices and will communicate these to the project promoter. Project will also be reminded of the importance of completing in full and signing off expenditure claim documentation to ensure</p>	<p>1. We tested six Project Invoice Summary sheets and 6/6 of the sample Invoice Summary Sheets were signed off by the PCSP.</p> <p>2. We determined that a guidance document for remote working procedures has not been developed by the</p>	<p>Partially Implemented</p> <p>Outstanding Actions 2. The PCSP will develop procedures for remote working practices and will communicate these to the project promoter. Project will also be reminded of the importance of completing in full and signing off expenditure claim documentation to ensure that approval can be clearly evidenced.</p> <p>Updated Target Date 30/11/2022</p>

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>documents had been reviewed and approved by the PCSP although the document had been stamped 'PCSP Received 5th November 2019.'</p> <p><u>Project 2:</u></p> <ul style="list-style-type: none"> We noted that the 'Completed by Project Manager' and 'Authorised by Project Finance Officer' sections on the Q4 project invoice summary had not been completed. We also noted that the 'Authorised by Project Finance Officer' section on the Q3 project invoice summary had not been completed. <p>We were advised that this was due to initial challenges in getting signed documentation because of COVID19 and remote working.</p> <p>2. We also noted that while payments to projects were within the grant allocation, and that there were no overspends, the project budget profiles we reviewed for both the projects were not progressed as originally planned, and that the frequency/amounts of the payments differed to what had been planned on the project budget profiles as outlined below:</p> <p><u>Project 1:</u></p> <ul style="list-style-type: none"> This project was scheduled to have payments as per the project 	<p>should also clearly communicate to projects what the expenditure claim process will be in a remote working situation, where it is not possible for projects to return original signed copies of expenditure claims in a timely manner.</p> <p>3. The PCSP should consider introducing a sign off control to the budget profile where expenditure has not progressed as planned, to evidence approval that an updated expenditure profile has been reviewed, agreed and is in line with approved grant eligibility and conditions.</p>		<p>that approval can be clearly evidenced.</p> <p>3. A budget profile template is to be introduced and held in the project folder on the S drive and inserted into the project file outlining expenditure and variances to expenditure.</p>	<p>PCSP for communication to Project Owners.</p> <p>We were advised that induction meetings were held to communicate the Council processes during remote working arrangements. We obtained a 'Small Grants Induction Agenda', which we were advised was followed for all grant induction meetings. We verified that the agenda included headings for COVID-19 readiness and Finance requirements and were advised that the expenditure claim process during remote working was discussed during this meeting.</p> <p>3. We verified that a master budget profile of project expenditure has been maintained and updated on a quarterly basis (or</p>	

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>budget profile as follows; £1,280.86 (in Q2), £1,407.60 (in Q3) and £2,325.64 (in Q4).</p> <ul style="list-style-type: none"> The project actually received payments as follows; £1,280.86 (in Q2) and £3,713.14 (in Q4). <p><u>Project 2:</u></p> <ul style="list-style-type: none"> This project was scheduled to have payments as per the project budget profile as follows; £1,832 (in Q2), £620.50 (in Q3) and £1,043.50 (in Q4). <p>The project actually received payments as follows; £2,800 (advance payment in Q2) and £191.03 (in Q4).</p>				<p>updated as soon as a project communicated spend difficulty if that occurred earlier).</p> <p>Within the budget profile budgeted expenditure and expenditure to date, including any over/under spend, is recorded to document and monitor budget variances. We were advised by Management that Budget profiles are discussed at weekly PCSP action plan delivery briefings and authorised. Formal minutes are not documented for these meetings however we reviewed an agenda that is maintained for each meeting which documents the status of each project and any actions to be completed.</p> <p>We also verified that monthly monitoring</p>	

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
				<p>emails are issued to projects to monitor spend and identify any variances which would then be included in the budget profile.</p>	
<p>We tested quarterly report cards submitted to the Council for a sample of five projects delivered during 2020/21 (one of each type of delivery mechanism (large grant, small grant and PCSP delivered) and 2 partner delivery projects) and noted the following:</p> <p>1. Four instances where the 'Approved by Partnership' section of the quarterly report cards was incomplete:</p> <ul style="list-style-type: none"> • Project 4 - Q3; • Project 5 - Q3; • Project 6 - Q3 and Q4. <p>2. Four instances where report cards had not been signed off by the PCSP Officer and the External Funding Manager:</p> <ul style="list-style-type: none"> • Project 4 - Q3; • Project 5 - Q3; • Project 6 - Q3 and Q4. 	<p>The PCSP should ensure the following:</p> <p>1. Report cards document the date the Report Card was approved by the Partnership.</p> <p>2. Report cards are signed off by the PCSP Officer and the External Funding Manager. In the event that sign-offs cannot happen in person, the PCSP should implement an alternative sign-off/approval mechanism (e.g., electronic signatures).</p>	<p>Priority 2</p>	<p>1. Report cards will each include the approval date for the project.</p> <p>2. Report cards will be signed off by the PCSP Officer and EFP Manager electronically will staff continue to work from home</p>	<p>Fully Implemented</p> <p>We tested a sample of two monthly report cards for three sample grants, two large grants and two partner delivery projects for 2021/2022.</p> <p>We confirmed that for each returned report card, the date approved by the Partnership was included, with the exception of one (see Section 2.2).</p> <p>We confirmed that for each returned report card, signatures were present from the PCSP Officer and Externally Funded Programmes Manager, with the exception of one (see Section 2.2).</p>	<p>N/A – Fully Implemented</p>

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>We tested the monitoring and reporting of project expenditure across the following sample:</p> <ul style="list-style-type: none"> Two 2020/21 small grant projects. Five additional projects delivered throughout 2020/21 including one project from each type of delivery mechanism (large grant, small grant and PCSP delivered) and two partner delivery projects. <p>Findings from our testing are summarised below.</p> <p>2020/21 Small Grant Projects</p> <p>We noted the following issues in relation to the sign-off of Quarterly Expenditure Claim forms, and accompanying Invoice Summaries:</p> <ul style="list-style-type: none"> Project 1 - Claim 1 Quarterly Expenditure Claim Form, and accompanying invoice summary was not signed off as checked and verified by PCSP. Project 2 - Claim 1 Quarterly Expenditure Claim Form, and accompanying invoice summary was not signed off as checked and verified by PCSP, or the Finance Officer. <p>2020/21 Projects</p> <ul style="list-style-type: none"> Project 3 - the quarterly expenditure forms for claim 1 and claim 2 and the Project Invoice Summary sheets and Budget 	<p>The Council should ensure that:</p> <ol style="list-style-type: none"> Project quarterly expenditure forms, Project Invoice Summary sheets and Budget Profiles are signed off as checked by the PCSP Manager and the relevant Project Finance Officer. In the event that sign-offs cannot happen in person, the PCSP should implement an alternative sign-off/approval mechanism (e.g. electronic signatures). Reconciliations performed for PCSP payments are documented to verify that a reconciliation of payments was carried out. SLAs are reviewed prior to issue to ensure that the conditions outlined in the SLA are updated to align with the arrangements of the relevant project. 	<p>Priority 2</p>	<ol style="list-style-type: none"> Electronic sign offs will be carried out on all claim documentation while staff continue to work from home. Reconciliations will be documented for each PCSP payment. All relevant SLA's will be reviewed prior to issue. 	<p>Fully Implemented</p> <ol style="list-style-type: none"> Electronic signatures are in use to sign Project Expenditure, Invoice Summary and Project Budget Profiles. We noted in our testing that for our seven sampled grants in 2021/22, signatures were provided electronically. Reconciliations are now documented with the Project Invoice Summary and Expenditure Profile to ensure that totals claimed match the total invoices. Management advised that all relevant SLAs are now reviewed by the Externally Funding Programmes Manager prior to issue. This is an undocumented process and therefore Internal Audit are unable to test. 	<p>N/A – Fully Implemented</p>

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>Profile were not signed off as checked by the PCSP Manager.</p> <ul style="list-style-type: none"> For two out of five sampled projects (Project 3 and Project 4) we were unable to obtain evidence that payments were reconciled to invoices/receipts. <p>Project 3</p> <ul style="list-style-type: none"> We were advised by advised that reconciliation of advance payments and final payments to supporting evidence (invoices/receipts) is usually performed on site but that the reconciliation is not documented. <p>Project 4</p> <ul style="list-style-type: none"> A Service Level Agreement (SLA) is in place between ANDBC PCSP and the Project Deliverer (dated August 2020) for the delivery of the wider Programme (which includes project 4). Section 3.1 of the SLA 'Invoices and Payment of the Contract' states that: 'The charges payable by the PCSP... shall be paid... conditional upon the AFP Programme submitting to the PCSP completed claim forms and OBA templates / monitoring returns.' We obtained a spreadsheet used to monitor payments made to the Programme along with the amounts to each individual project. Every quarter project spend is reported to the Community Safety Sub-Group, 					

Original Finding Details	Recommendation	Priority Rating	Agreed management action	Our assessment as at October 2022	Management Update/ Outstanding Actions
<p>which the project owner is a member of.</p> <ul style="list-style-type: none"> We were unable to obtain evidence that quarterly expenditure claim forms had been submitted by Project Deliverer to report on expenditure against SLA funds. The SLA also documents that: 'An advance payment of not more than 25% of the annual SLA value may be payable on request.' We noted that a first payment of £14,960 out of the total programme SLA expenditure of £21,869 (68% of total payment) was made to the organisation on 21/09/2020 with the SLA signed 12/08/2020. We were advised by Management that this was because a standard SLA template had been used for the SLA, and the conditions included in the SLA had not been reviewed and updated prior to finalisation. 					



4. Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is not based on an attest engagement. We have relied on information provided by Ards and North Down Borough Council's management and we do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish accuracy or completeness.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

This document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore you should not refer to or use our name or this document (in whole or in part) for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party without our prior authorisation. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

David Kinsella

For and on behalf of
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Date: 30/11/2022

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Ards and North Down Borough Council – Internal Audit of PCSP – FINAL REPORT

This report is intended solely for the information and internal use of Ards and North Down Borough Council, and should not be used or relied upon by any other person or entity.



Appendix I: Reporting Definitions

Assurance Opinion

For each report delivered in the annual Internal Audit Plan, we will provide one of three levels of assurance, ranging from satisfactory assurance to unacceptable assurance. These assurance levels reflect the latest requirements of the Department of Finance (DAO (DoF) 07/16).

Assurance Level	Evaluating and Testing Conclusion
Satisfactory	Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.
Limited	There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.
Unacceptable	The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Recommendation Priorities	
Priority 1	Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.
Priority 2	Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.
Priority 3	Failure to implement the recommendation could lead to an increased risk exposure.

These definitions of evaluations should be interpreted in conjunction with the scope of the audit work and in the overall context that our findings should only be relied upon to be representative of the operation of control procedures at the time of discussion or observation of these control practices and in relation to the transactions tested. Projection of evaluations of future periods is subject to the risk that the policies and procedures may become inadequate because of changes in conditions, or that the degree of compliance with these policies and procedures may deteriorate. The performance of Internal Audit work should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and work performed by Internal Audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should Internal Audit work be relied upon to identify all circumstances of fraud or irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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Ards and North Down Borough Council

Strategic Financial Planning

November 2022



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1. Overview

1.1. Introduction

This assurance review was undertaken as part of the 2022/23 Internal Audit Operational Plan to assess the design and operational effectiveness of controls with regards to strategic financial planning, including financial forecasting across short, medium, and long term and lineage to the corporate plan.

1.2. Overview

The Council currently have a medium-term financial strategy in place, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities (2021). The Council's strategy outlines 11 guiding principles around which Service and Corporate level budgets, and forecasts are structured. Strategic financial planning is coordinated by the Finance Directorate and overseen by the Corporate Services Committee.

Governance

A 'Budget Setting Process for 2022/23 Financial Year' procedure has been documented to outline the approach to budget setting for the current year (2022/23). The document is made available to Heads of Service and budget holders through the staff intranet as well as the designated estimates Microsoft (MS) Teams Channel. This document is formed based on a 'Context Report' presented to the Corporate Services Committee (CS Committee) held on 12/10/2021 which reported on the guiding principles and key assumptions to be followed for the 2022/23 Council's Strategic Financial Planning Estimates Process.

The procedure provides guidance to Service Units in forming their revenue and capital budgets and forecasts and outlines key assumptions to be applied to such budgets for the 2022/23 financial year; for example, the percentage of inflationary increase to be applied to salary costs, utilities and income are outlined. Guidance on completing the capital and revenue budget template is also provided which outlines the roles and responsibilities to be fulfilled by Directorates throughout the process.

The 'Budget Setting Process for 2022/23 Financial Year' procedure also includes a timetable for the wider 2022/23 estimates process, which outlines each stage of the process, the date to be fulfilled and the responsible forum i.e., Directorates, Heads of Service or CS Committee.

Further guidance was provided to Heads of Service on the completion of business case templates through a training session held by the Head of Finance which consisted of a step-by-step walkthrough on completing the template. This training was recorded and made available to re-watch on demand through the staff intranet.

An additional workshop was held in December 2021 for Council members facilitated by the Director of Finance and Performance and Head of Finance to provide guidance on key areas relevant to the strategic planning process including legislative requirements, Council income and expenditure, and an outline of the Council budgets and district rates, including a breakdown of the assumptions made and the Council's 10-year capital investment profile.



Business case templates include sections which require the Service Unit to outline linkage with the Council's Corporate and Service plans. Business Cases received by the Finance Team are input into a Business Case Register spreadsheet and scored by the Head of Finance against the five-case business model approach defined by HM Treasury as a best practice approach to business cases. Further to this, business cases are scored and prioritised by the Head of Service Team (HoST) using the 'BC Prioritisation Template'; each business case is scored (1-5) based on the impact against each of the Corporate Plan objectives (Prosperity, Environment, Opportunity, Pride, Life, Excellence) as well as the proven need/statutory need for the project. Readiness, risk and cost/benefit analysis are also considered to arrive at a total weighted score for the business case. Business cases are then ranked based on their weighted score.

Strategic Planning Process

The 'Rates Pack' Spreadsheet is used by the Finance Team to form the estimates and forecasts across the Council for the following 10-years. A number of tabs are used to forecast both capital and revenue expenditure across the Council's Service Units which is consolidated into a 10-year plan outlining forecast income and expenditure.

Assumptions are made in forming the forecast income and expenditure to reflect both internal and external financial pressures on the Council for example salary increase, national insurance increase, utilities inflation and income pressures within certain Service Units. Such forecasts are reported to the CS Committee through management reports.

Throughout the Strategic Planning Process, management reports are reported to the CS Committee through 'Update Reports'. Two Update Reports were reported during the 2022/23 process in December 2021 and January 2022. These Update Reports outline the forecast expenditure and income across a five-year period. A range of supporting documentation is also reported such as:

- Key risks facing the Council which have fed into the assumptions and forecasts made
- Business cases and funding requested by category and Service Unit
- Capital Projects Portfolio (outline of capital spend for capital projects across 2021-2030)
- Operational Capital Budgets (outline of operational capital spend for the period i.e., 2022/23)
- Draft Service Unit budgets
- Performance against the 11 guiding principles in the Council's financial strategy

Upon finalisation of the forecasts, 'Strike Reports' were reported during a Special Council Meeting held in February 2022 which consisted of the following reports:

- *District rates report* - outlines the proposed district rates increase assumption applied to forecasts to reflect internal and external financial pressures which were approved by the CS Committee during January 2022.
- *Prudential report* - provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- *Robustness & Adequacy report* – includes statements on the robustness of estimates formed, and adequacy of the reserves held by the Council which are prepared by the Chief Financial Officer (Chief Executive) in compliance with the Local Government Finance Act 2011. An additional statement is included confirming that the



Council's Chief Executive is satisfied that the budget estimates for 2022/23 have been prepared in line with the CIPFA Prudential Code and the Code of Practice on Local Authority Accounting, and that the Chief Executive is content with the adequacy of the Council's forecast financial reserves for 2021/22 and 2022/23.

1.3. Scope and Objectives

The scope of this internal audit included a review to assess the design and operational effectiveness of controls with regards to strategic financial planning, including financial forecasting across short, medium and long term and lineage to the corporate plan. The objectives of the Internal Audit review were to:

- Review the governance and control framework for strategic financial planning processes, to include roles and responsibilities and key processes in place for short, medium and long-term forecasting, as well as linkage of such forecasts to the Council's Corporate Plan.
- Determine whether there is an adequate framework in place for short, medium and long-term forecasting at overall Council level including:
 - Process in place to determine the Council's current and future positions and capture of this as a basis for forecasting;
 - Timely involvement of key stakeholders across the Council, as well as use of relevant past and present data to ensure the accuracy and completeness of forecast amounts;
 - Adequate documentation of forecasts, include sufficient capture of assumptions made and consideration of internal and external factors (including past and present economic conditions, inflation, internal organisational changes);
 - Review and challenge of forecasts and assumptions made by management, and remedial actions are implemented as required.
- Determine whether there are adequate processes in place for periodic monitoring and review of short, medium and long-term forecasts at overall Council level, including revisiting assumptions made, variance analysis and subsequent reforecasting where required.
- Determine whether there are adequate management reporting processes in place for the reporting of short, medium and long-term forecasting.
- Determine whether outcomes of short, medium and long-term forecasts are used to inform corporate discussions regarding key financial risks and that key risks are adequately reflected within reporting to the Corporate Services Committee and to Council.



1.4. Approach

In order to complete this engagement, we used the following:

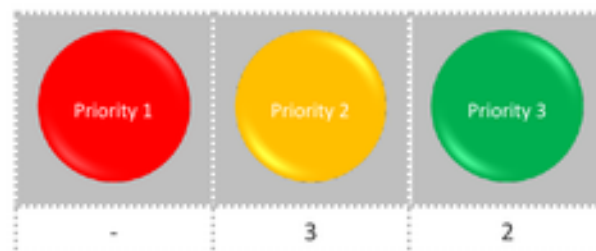
- Met with relevant stakeholders involved in the strategic financial planning processes including the Head of Finance, Capital Accountant and Performance Accountant.
- Reviewed key documentation related to the Council's strategic planning processes and governance including the medium-term financial strategy, strategic financial planning framework/spreadsheet.
- Performed a limited programme of sample testing of reporting to the Corporate Services Committee and to Council, as well as of the forecasting process undertaken within June 2021 – June 2022.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
- Prepared a draft report, to report findings with practical recommendations for improvement where appropriate.
- Prepared a final report, including management action plans in response to any recommendations.

Our sole source for information has been management information and representations. We do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy.

Our work was performed in accordance with the Deloitte Internal Audit Methodology which is consistent with the standards of the Chartered Institute of Internal Auditors. Our work was carried out remotely between September and October 2022.

1.5. Summary of findings

In **Section 2** we have set out our detailed findings and recommendations arising from our review. Our findings have been graded using the scale outlined in **Appendix 1**. The number of findings by risk grade can be summarised as follows:



There were no **Priority 1** findings identified during our review.

There were three **Priority 2** findings identified during our review. This can be summarised as follows:

- Dedication of sufficient time for the Business Case review process
- Provision of information to assist with forming forecasts and assumptions
- Stress testing the forward-looking financial plan

There were two **Priority 3** findings identified during our review. These can be summarised as follows:

- Lack of integrity controls on the Rates Pack spreadsheet
- Reconciliation of management reports to supporting documentation

Full details of the issues may be found in **Section 2** of this report.



1.6. Conclusion


Overall, there is a satisfactory system of governance, risk management and control in relation to the Strategic Capital Financial Planning process. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

Consequently, on the basis of the Internal Audit work undertaken, we have given a **satisfactory** level of assurance that the system objectives will be achieved. Refer to **Appendix I** for a definition of the assurance level given.




2. Detailed findings and recommendations


2.1. Business Cases

Finding	Recommendation	Priority
<p>The Finance Team maintains a Business Case Register which includes each Business Case submitted. The Head of Finance utilises the Business Case Register to review each Business Case against the five-case model as they are submitted and will set the status as 'To Be Returned' to the owner if there is an issue or missing information. We were advised by Management that those Business Cases marked as 'To Be Returned' for the 2022/23 budget year were not returned to the Directorate due to time constraints and were therefore accepted for review by HoST in their original form to be prioritised by the HoST against the achievement of the Councils Corporate objectives.</p> <p>Potential Impact</p> <p>Where sufficient time is not dedicated for the Business Cases review process there is a risk that inadequate Business Cases will be accepted and approved, leading to reductions in the quality of Business Cases across the Council and failure to comply with best practise guidance such as the five-case model.</p>	<p>The Council should ensure Service Units are reminded to submit Business Cases in a timely manner i.e., by a set deadline, to provide the Finance Team and HoST with sufficient time to review the Business Cases submitted and return inadequate Business Cases to be improved where necessary.</p>	
Management response		
Action Plan	Owner/ Title	Target Date of Implementation
<p>Further training will be provided to Heads of Service and Service Unit Managers before the next budgeting cycle.</p>	<p>Head of Finance</p>	<p>September 2023</p>


2.2. Provision of Information to Facilitate Forecasting

Finding	Recommendation	Priority
<p>In forming the Council forecasts, the Finance team rely on their knowledge of what is ongoing and planned across the Council (e.g. through the 10 year Capital Investment Plan), as well as Service Units informing them of current/planned activities within their Service area.</p> <p>We were advised by Management that the Finance team will not be aware of all activities ongoing across all Service areas which will require additional funding to be considered as part of the forecasting, particularly revenue expenditure such as expenditure to address internal audit recommendations, operational enhancements and so on.</p> <p>Where Service Units do not inform Finance of all required expenditure within the period, this limits the Finance team's ability to form accurate and complete forecasts and assumptions.</p> <p>For example, we reviewed the Rates Pack spreadsheet and were unable to identify that funding had been designated to the development of the Council's future working strategy to promote a hybrid working pattern going forward following Covid-19.</p> <p>We noted that the Finance Team are currently revising the Strategic Planning process to include more involvement from HoST earlier in the strategic planning process to identify the price pressures within the Service Units to better forecast future expenditure.</p> <p>Potential Impact</p> <p>Where Service Units do not inform Finance of all required capital and revenue expenditure, there is a risk that forecasts and assumptions formed will not appropriately reflect the Council's upcoming revenue and capital activities.</p>	<p>The Council should ensure engagement with HoST is initiated early in the Strategic Planning process, prior to the generation of forecasts, to understand the capital and revenue expenditure required within each Service area, and to ensure such expenditure is reflected in the forecasts generated.</p>	
Management response		
Action Plan	Owner/ Title	Target Date of Implementation
<p>Budgeting process will be revised to provide CLT and HOST with an opportunity to feed in cost pressures and mitigations earlier in the process.</p>	<p>Head of Finance</p>	<p>September 2023</p>


2.3. Stress testing forward-looking financial plans

Finding	Recommendation	Priority
<p>Land and Property Services (LPS) who issue bills and collect rates on behalf of Councils issue forecasts on the Estimated Penny Product (EPP) which is used in the rates setting process by Councils in order to determine the rate to be struck. The rate will also include both a monetary and % increase based on a number of assumptions formed in the development of the forecasts. These assumptions are discussed with elected members throughout the rates setting process, and also consider expenditure coming through via business cases e.g., required posts.</p> <p>The Council will then calculate the monetary value/cost of a 1% increase to the rate which provides a method of measuring the cost / impact of changes to the rate (which considers the assumptions formed in setting the rate).</p> <p>We noted that formal stress-testing is not done on the forward-looking financial plans (e.g the five and ten-year plans) to identify the impact of potential change and risk on the Council's plans.</p> <p>Potential Impact</p> <p>Lack of formal stress testing may reduce the impact of the Council's strategic financial planning by not clearly identifying, for example, the minimum rates needed to deliver the forward-looking plans or the impacts of potential scenarios on these longer-term plans.</p>	<p>The Council should include formal stress testing as part of its strategic financial planning by developing one or more scenarios that test key risks to the Council's forward-looking financial plans. The output of the stress tests should then inform the rate-setting and risk management processes within the Council.</p>	
Management response		
Action Plan	Owner/ Title	Target Date of Implementation
Stress testing will be considered when drafting the budget policy.	Head of Finance	September 2023

2.4. Rates Pack Integrity Controls

Finding	Recommendation	Priority
<p>As noted in Section 1.2 of the report, the 'Rates Pack' Spreadsheet is used by the Finance Team to form the estimates and forecasts across the Council for the following 10-year period, for consideration by the CS Committee.</p> <p>The latest version of the Rates Pack Spreadsheet (February 2022) contains a 'Checks' table within the '10 Year Plan' tab which verifies that a number of values match to the source value, for example Net Expenditure, District Rate increase, and Estimated Penny Product (EPP).</p> <p>However, we noted that the Rates Pack spreadsheet does not include controls to protect the integrity of the spreadsheet, such as locking cells which do not require editing (formula cells or otherwise).</p> <p>Potential Impact</p> <p>There is a risk of error and/or unauthorised changes being made to the Rates Pack where controls such as locked cell are not used to protect the integrity of the spreadsheet, leading to errors in the formulation of the Council forecasts.</p>	<p>The Council should ensure integrity controls are implemented into the Rates Pack, such as locking cells which do not require editing (formula cells or otherwise).</p>	
Management response		
Action Plan	Owner/ Title	Target Date of Implementation
<p>Current Rates Pack will be updated with additional controls.</p>	<p>Head of Finance</p>	<p>December 2022</p>

2.5. Reporting Data

Finding	Recommendation	Priority
<p>We carried out a reconciliation of the information reported within the Corporate Services Committee and Council Reports, against the information included within the Rates Pack for that period and noted the following differences:</p> <p>October 2021 'Context Report' to the Corporate Services Committee:</p> <ul style="list-style-type: none"> • The 'Table 2' figures included within the October context report differ from the figures within Table 2 included in the 'Report Table' tab of the October Rates Pack as outlined below: <ul style="list-style-type: none"> ○ Total rate increase per report = 3.35% (0.96% per rates pack), we noted that the difference in figures occurred due to the following: <ul style="list-style-type: none"> ○ 'Covid related (incl. Out-sourced services)' is included in the October rate pack with a - 5.31% effect on rate increase but is not included within the Context report ○ 'Release of Covid Contingency funding' is included in the October rate pack with a 2.91% effect on rate increase but is not included within the Context report. <p>December 2021 'Update Report 1' to the Corporate Services Committee:</p> <ul style="list-style-type: none"> • In relation to 'Appendix 10 - Performance Against Guiding Principles' extracted from the 'Capital Planning Model' tab of the December rates spreadsheet we noted a slight difference in the 2023/24 - 2026/27 figures reported in row 2 of the table 'District Rate Increase line with Council inflation' as outlined below: <ul style="list-style-type: none"> ○ 2022/23 - Report number 0.68% (0.84% per rates pack) ○ 2023/24 - Report number 1.6% (1.44% per rates pack) ○ 2024/25 - Report number 1.82% (1.65% per rates pack) ○ 2025/26 - Report number 2.08% (1.95% per rates pack) ○ 2026/27 - Report number 2.44% (2.27% per rates pack) <p>We note that the above variances consisted of immaterial values that would not cause a material impact on the forecasts and rates formed by the Finance team for consideration by the CS Committee.</p>	<p>The Council should ensure that reports reported to the Corporate Services Committee, and Council are aligned to the rates pack for the relevant period.</p>	



Management response		
Action Plan	Owner/ Title	Target Date of Implementation
Further cross checking will be undertaken in future reporting cycles.	Head of Finance	December 2022



3. Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is not based on an attest engagement. We have relied on information provided by Ards and North Down Borough Council's management and we do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy or completeness.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

This document is prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore you should not refer to or use our name or this document (in whole or in part) for any other purpose, or refer to them in any prospectus or other document without our prior authorisation. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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For and on behalf of

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Date: 30/11/2022

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Appendix I: Reporting Definitions

Assurance Opinion

For each report delivered in the annual Internal Audit Plan, we will provide one of three levels of assurance, ranging from satisfactory assurance to unacceptable assurance. These assurance levels reflect the latest requirements of the Department of Finance (DAO (DoF) 07/16).

Assurance Level	Evaluating and Testing Conclusion
Satisfactory	Overall, there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.
Limited	There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.
Unacceptable	The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Recommendation Priorities	
Priority 1	Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.
Priority 2	Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.
Priority 3	Failure to implement the recommendation could lead to an increased risk exposure.

These definitions of evaluations should be interpreted in conjunction with the scope of the audit work and in the overall context that our findings should only be relied upon to be representative of the operation of control procedures at the time of discussion or observation of these control practices and in relation to the transactions tested. Projection of evaluations of future periods is subject to the risk that the policies and procedures may become inadequate because of changes in conditions, or that the degree of compliance with these policies and procedures may deteriorate. The performance of Internal Audit work should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and work performed by Internal Audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should Internal Audit work be relied upon to identify all circumstances of fraud or irregularity should there be any, although our audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.



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Ards and North Down Borough Council

Treasury Management – Final Draft Report

December 2022

This document is a final draft report. This document is confidential and is issued to a limited circulation for discussion only. Matters of fact and opinion have yet to be fully clarified and finalised. Details may change between this final draft and the final report. It is not intended that management rely on the contents of this document until a final report is issued.

Matters noted in this final draft report are only those, which came to our attention up to this point of our work and are not necessarily a comprehensive statement of all issues that exist, or all actions that might be taken. This final draft report is made solely to Ards and North Down Borough Council for discussion purposes only.

We do not accept or assume responsibility for our work to anyone other than Ards and North Down Borough Council. This final draft document must not be circulated or referred to without our express written consent.



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1. Overview

1.1. Introduction

This assurance review was undertaken as part of the 2022/23 Internal Audit Operational Plan and focused on the key controls in place over treasury management, including controls to manage investments, borrowings, and cash flows.

Overview

Treasury Management Governance Arrangements and Reporting

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice and the Local Government Finance Act (Northern Ireland) 2011 guides the governance structure within the Council with regard to treasury management. The Treasury Management Policy Statement document is the overarching policy for treasury management within the Council. It was last updated in February 2019 by Management and approved by the Corporate Committee of the Council. It details the following:

- Objectives and approach to treasury risk management;
- Delegated responsibilities;
- Reporting requirements; and
- Treasury management practices.

Three reports are prepared by the Head of Finance and presented to the Corporate Services Committee; pre-financial year, mid-year (called, in-year) and a year-end report. These reports contain details of treasury management activities of the Council throughout the year. Contents of the reports include capital expenditure & financing, capital financing requirement and external borrowings, and treasury management (debt activity, investment activity and debt related treasury activity limits).

The Council's Treasury Management Strategy Statement (TMSS) is approved before the start of the financial year. It covers both external and internal contexts of investments and borrowings. The external context sets out the following: economic background, credit outlook, and interest rate forecast, while internal/local context sets out the capital financing and borrowing requirements of the Council. The TMSS also includes details of the borrowing strategy, investment strategy, treasury management indicators, approved counterparties of investments and approved sources of long-term and short-term borrowings.

Management of Investments

Investments are made based on cash flow forecasting. The forecasts are prepared on a spreadsheet maintained by the Assistant to the Capital Accountant. The spreadsheet is updated on a weekly basis with information feeding from the daily investment balances. An external advisor is contracted to provide reports on investments the Council could commit funds to and to make recommendations on counterparties with whom investments (secured and unsecured investments) could be made.

Investment decisions are based on weekly needs and the external advisor's advice. The signatories required for investment decisions are as follows:



- For long-term investment decisions, any two of: Chief Executive as Chief Financial Officer, Director of Finance & Performance, or Head of Finance.
- For short-term investment decisions, any two of Chief Executive as Chief Financial Officer, Director of Finance & Performance, Head of Finance, Capital, Corporate & Performance Accountants.

The Council can invest cash with each approved counterparty to a maximum of the greater of £3m or 30% of the overall investment, allocated in accordance with security, liquidity and yield.

Management of Borrowings

Borrowings follow the same process as investments. An approval sheet for borrowing must be signed by two authorised signatories. There is currently no short-term borrowing. The last short-term loan matured in September 2021. Management advised that long-term borrowings are not entered into regularly. Currently, there are three long-term loans that were entered into in November 2018, 2017, and 2013. These long-term borrowings are still ongoing and, per the Financial Statements 2021/22, stand at £66.8m.

The Public Works Loan Board (PWLB) interest rate monitoring spreadsheet is used to monitor interest rates. The spreadsheet is updated monthly (or more frequently, as required) by the Assistant to the Capital Accountant.

Debt levels are monitored by the Capital Accountant and reported to the Corporate Services Committee mid-year and at year-end.

Management of Cash Flows

A daily bank and investments balance spreadsheet is maintained by the Assistant to the Capital Accountant and monitored by the Capital Accountant. This spreadsheet details the balances to the Council's bank accounts and several investment accounts which are as follows:

- Investment Account (Barclays)
- Call Accounts (Bank of Scotland, Santander, and Lloyds)
- Money Market Fund (CCLA)

There is a "comments" column in the spreadsheet which includes an explanation of any upcoming payments which will result in investments being withdrawn to cover shortfall. There were a number of instances of shortfalls within the 2021/22 financial year which required investments to be withdrawn to cover a shortfall of cash.

The Council has set out in its TMSS 2021/22 that it will hold the least amount of surplus funds as possible, and to invest the rest. The external advisor provides advice on 'approved' counterparties (i.e., those that the external advisor is comfortable recommending) that the Council may wish to invest with. The Council will then determine and authorise where to invest surplus cash balances using the 'approved' counterparties to a maximum of the greater of £3m or 30% of the overall investment, allocated in accordance with security, liquidity, and yield. This includes cash sums placed in the investment account held with the Council's corporate banking provider. Per the TMSS, the total balance held in the Council's bank accounts may exceed these levels for a short period of time only (no longer than four working days) when:

- Funding and income receipts are received into the bank account late in the day i.e., after bank cut-off times have passed to enable funds to be placed with other approved counterparties; or
- Investments are repaid into the bank account or availability of cleared funds is required to facilitate a large payment on a following day.

1.2. Scope and Objectives

The scope of this internal audit was to assess the design and operational effectiveness of controls with regards to treasury management, including review and assessment of controls to manage investments, borrowings, and cash flows. The objectives of the Internal Audit review were to:

- Review and assess the adequacy of the governance structure in place within the Council, including a Treasury Management Policy and Strategy, outlining established controls around delegation of authority, risk management, segregation of duties (including any key person dependencies), breach reporting and treasury management strategies.
- Determine whether there are adequate processes in place around treasury management reporting within the Council, including appropriate review and approval of treasury management strategies.
- Assess controls for identifying, monitoring, and reporting key Treasury Management information and performance, including headroom and liquidity available to support short to medium-term plans, and stress testing.
- Determine whether consideration is given to reputational factors such as sustainability and ethics of the funds being invested in when making investment decisions.
- Determine whether investments are made in line with standing orders, established segregation of duties controls and within agreed delegation of authority limits.
- Assess design and operational effectiveness of controls in place for the management of financial risks associated with investments, in line with the Council's current year Treasury Investment Strategy.
- Assess design of the processes and controls in place for maintaining compliance with borrowing arrangements, including periodic monitoring and review of the Council's compliance with banking covenants and/or loan agreements, and maintenance of agreed ratios.
- Determine whether there are processes in place around regular reconciliations of control accounts, around monitoring of interest rates and around monitoring of Council debt levels to ensure this is in line with statutory guidance and within agreed authorised limits for external debt.
- Determine whether a register of loans is maintained, including opening balances, required and discretionary repayments in line with agreed repayment terms and banking covenants, closing balances and interest expenses per each borrower the Council are engaged with.
- Assess design and operational effectiveness of controls for use of surplus funds where these arise or accessing cash in the event of shortfalls.



1.3. Approach

In order to complete this engagement, we used the following:

- Met with relevant stakeholders in relation to the treasury management, including the Capital Accountant and Assistant to the Capital Accountant.
- Reviewed key documentation such as policies and procedures which relate to treasury management governance including the Council's Treasury Management Policy, copies of underlying investment strategies as well as policies and related documentation around borrowings and cash flow management.
- Reviewed documentation relating to the management reporting of treasury management, including of investments, borrowings, and cash flow management.
- Performed a limited programme of sample testing of investments made and cash flow management between March 2021 – March 2022, and associated treasury management reporting within this sample period as appropriate.
 - Reviewed the total population of five investments with counterparties to verify they align with the Council's Treasury Management Strategy Statement.
 - Reviewed a sample of three months to determine accuracy of details in investment register vis-à-vis investment paperwork.
 - Re-computed interests on investments to verify accuracy of interest payable per investment register.
 - Reviewed the total population of one short-term borrowing to verify they are in line with Treasury Management Strategy Statement.
- Held a close out meeting with relevant stakeholders to discuss any review outcomes.
- Prepared a draft and final report, including management action plans in response to any recommendations.

Our sole source for information has been management information and representations. We do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy.

Our work was performed in accordance with the Deloitte Internal Audit Methodology which is consistent with the standards of the Chartered Institute of Internal Auditors. Our work was carried out remotely between September and October 2022.

1.4. Summary of findings

In **Section 2** we have set out our detailed findings and recommendations arising from our review. Our findings have been graded using the scale outlined in **Appendix 1**. The number of findings by risk grade can be summarised as follows:



There were no **Priority 1** findings identified during our review.

There was one **Priority 2** finding identified during our review.

- Additions required to Treasury Management Policy (see **Section 2.1**).

There were two **Priority 3** findings identified during our review. These can be summarised as follows:

- Surplus cash held for longer than planned without being invested (see **Section 2.2**).
- Absence of comprehensive report on ESG and ethical investments (see **Section 2.3**).

Full details of the issues may be found in **Section 2** of this report.

1.5. Conclusion

Overall, there is a satisfactory system of governance and reporting, management of investments, borrowings, and cash flow in relation to the Treasury Management practice of the Council. While there may be some residual risk identified, this should not significantly impact on the achievement of treasury objectives.

Consequently, on the basis of the Internal Audit work undertaken, we have given a **satisfactory** level of assurance that the system objectives will be achieved. Refer to **Appendix I** for a definition of the assurance level given.



1.6. Other observations

In addition to the findings raised, we are committed to adding value to the Council as part of our reviews. As part of this review, we noted the following regarding the external advisor's treasury management report:

Non-Inclusion of Counterparties' Report

Credit ratings, five-year credit default swaps, share price, balance sheet, capital ratios and external advisor's advice are included in the treasury management report provided by the external advisor to the Council. Per our review of the external advisor's report for November 2021 and June 2022, we noted non-inclusion of detailed analysis of seven of the counterparties listed as approved in the treasury management report provided to the Council. The Council did not invest in any of the seven counterparties for which detailed information was not included. Further enquiry revealed that the counterparties' report is not specific to the Council alone.

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2. Detailed findings and recommendations


2.1. Additions to Treasury Management Policy

Finding	Recommendation	Priority
<p>Based on our review of the Council's Treasury Management Policy and Strategy Statement, we noted the following:</p> <ul style="list-style-type: none"> (i) The Treasury Management Strategy Statement states that the Council will only consider counterparties with a minimum acceptable credit quality for inclusion on the lending list. However, we noted that the Policy does not state the minimum acceptable credit rating. (ii) Absence of clear definition of the investment approach to ensure liquidity. For example, % of investments that Council may want to be accessible within one day/30 days/60 days. (iii) Absence of a documented upper limit for cash reserves. (iv) Absence of a documented process around breach reporting. (v) The Treasury Management Policy does not include a date of next review or a periodic review cycle. The latest version was last updated in February 2019. <p>Potential Impact</p> <ul style="list-style-type: none"> (i) Lack of clarity regarding the approach to investments in terms of upper limit of cash reserves and ensuring liquidity when needed. (ii) Risk exposure may not be reported and assessed in a timely manner which may result in unfavourable or unethical treasury activities. (iii) Risk that policies do not reflect current treasury practices. 	<ol style="list-style-type: none"> 1. Management should review and update the Treasury Management Policy to include: <ol style="list-style-type: none"> a. Definition of what is considered the 'minimum acceptable credit quality' e.g., stating that the Council will only consider counterparties that are considered investment grade (i.e., minimum BBB or higher) by external ratings bodies and are not speculative. b. Investment approach to ensure liquidity. c. Documented upper limit for cash reserves. d. Breach reporting process including the process for escalation of breaches. 2. Management should define and document the review cycle (i.e., annually, biennially, etc.) and include version control on the Treasury Management Policy, ensuring the review cycle is then met. 	<p style="text-align: center;">Priority 2</p>

Management response		
Action Plan	Owner/ Title	Target Date of Implementation
1. Council will consider including a minimum standard when it next updates its Treasury Strategy Statement, following advice from its professional advisors.	Capital Accountant	Feb-2023
2. The next update to the Treasury Management Policy and Strategy Statement will address points b, c and d to align with the recently revised CIPFA Treasury Management Code of Practice.	Capital Accountant	Feb-2023
3. Treasury Management Policy will be updated.	Capital Accountant	Feb-2023

DRAFT

2.2. Uninvested Surplus Cash

Finding	Recommendation	Priority
<p>The TMSS 2021/22 states that <i>“the Council will invest surplus cash balances with each approved counterparty to a maximum of the greater of £3m or 30% of the overall investment, allocated in accordance with security, liquidity and yield. This includes cash sums placed in the investment account held with the Council’s corporate banking provider. However, the total balance held in the Council’s bank accounts may exceed these levels for a short period of time only (no longer than four working days) when:</i></p> <ul style="list-style-type: none"> • <i>funding and income receipts are received into the bank account late in the day i.e., after bank cut-off times have passed to enable funds to be placed with other approved counterparties; or</i> • <i>investments are repaid into the bank account or availability of cleared funds is required to facilitate a large payment on a following day.”</i> <p>As noted in Section 2.1, there is no documented upper limit for cash reserves, although Management advised that surplus funds are invested when possible. We noted several periods where cash was held in the Council’s current account:</p> <ul style="list-style-type: none"> • 01/06/2021 - 24/06/2021: between £2.364m - £5.195m held • 04/08/2021 - 24/08/2021: between £2.43m - £5.27m held • 01/09/2021 - 23/09/2021: between £3.153m - £5.358m held <p>Management advised that there was surplus cash due to additional funding received as COVID-19 grants and, at the time, the maximum that could be invested per the TMSS in the existing facilities had been made.</p> <p>Potential Impact</p>	<ol style="list-style-type: none"> 1. Management should consider defining and documenting an upper limit for cash reserves in the Council’s current account. 2. Management should explore whether there are other facilities that could be available to invest surplus funds if situations arise where the existing facilities have reached their limits under the TMSS. 	 <p>Priority 3</p>

Increased surplus cash tends to be idle which may deny the Council opportunity to generate additional returns on investment (ROI).

Management response

Action Plan

1. The next update to the Treasury Management Policy and Strategy Statement will address this to align with the recently revised CIPFA Treasury Management Code of Practice
2. Work to make additional facilities available are already being progressed.

Owner/ Title


Capital Accountant
Capital Accountant

Target Date of Implementation

Feb-2023
Mar-2023

DRAFT

2.3. ESG and Ethical Funds Reporting

Finding	Recommendation		Priority
<p>Good practice would be that Environmental, Social and Governance (ESG) considerations are taken into account prior to engaging with counterparties for investment purposes.</p> <p>Based on our review, we noted that no comprehensive report on ESG is considered by the Council prior to investment.</p> <p>Management advised that the current external provider can provide an <i>ESG and Responsible Investment Service</i> which is designed to advise and assist local authorities to incorporate and monitor ESG factors in their treasury investment decisions. The current contract between the Council and external advisor does not include ESG Reporting.</p> <p>Potential Impact</p> <p>Increased reputational risk if the Council is perceived to be making unethical investments.</p>	<ol style="list-style-type: none"> 1. Management should consider and define a process around ESG and ethical investments and document the process and any criteria in the Treasury Management Policy. 2. To support the Council's investment decisions, management should consider the inclusion of ESG reporting in the contract with the external advisor. 		 <p>Priority 3</p>
Management response			
Action Plan	Owner/ Title	Target Date of Implementation	
<ol style="list-style-type: none"> 1. The Treasury Management Policy will be updated to incorporate any required ESG implications in the recently revised CIPFA Treasury Management Code of Practice. 	Capital Accountant	Feb-2023	
<ol style="list-style-type: none"> 2. Consideration will be given to including ESG reporting at the next contract renewal date. 	Head of Finance	Dec-2022	



3. Statement of Responsibility

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No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

David Kinsella

For and on behalf of

Deloitte (NI) Ltd

Chartered Accountants

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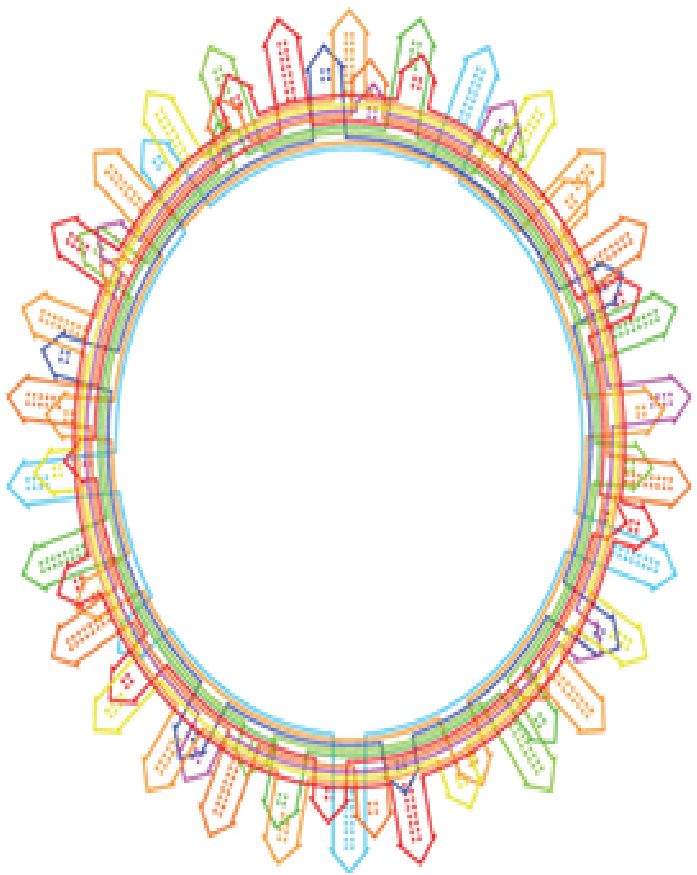
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Ards and North Down Borough Council

Internal Audit Bi-Annual Follow-Ups Audit Committee Update - DRAFT

November 2022

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DRAFT

Overview of Bi-Annual Follow-Ups Process

DRAFT



Internal Audit have compiled a database of Internal Audit recommendations and twice a year seek management updates for all open recommendations (including any from previous years which remain open) as follows:

- **For Priority 3 findings reported as closed, the management update as to whether it is closed (and when) or not is sufficient**
- **For Priority 2 findings reported as closed we asked for documentary evidence to support this**
- **For Priority 1 findings reported as closed we conduct testing on the recommendation to verify closure**

The results from our first half-yearly update for 2022/23 will be now reported to the Audit Committee.

Follow-Ups Update As at October 2022

DRAFT

Summary Update

Status of implementation of Internal Audit recommendations

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	Priority 1	Priority 2	Priority 3	Total
Total open issues as at last Audit Committee report on Follow-Ups – March 2022	4	30	31	65
Items added to the tracker since the last Audit Committee meeting	-	16	18	34
Issues closed since the last Audit Committee meeting	-	5	16	21
Issues remaining open as at 31/10/2022	4	41	33	78
Total overdue issues	3	33	30	66

Appendix 1

Priority 1 and 2 recommendations overdue greater than 3 months

DRAFT

Bi-Annual Follow-Ups Update

October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
1	Asset Management	Not available - Report was produced prior to Deloitte's appointment	A formal asset management policy accompanied by relevant procedures should be developed to ensure the appropriate management of all Council assets across all service units. Amongst other issues the asset management policy should include details of: when an asset should be included on the register, what details should be recorded, what should happen at service unit level and how disposals should be dealt with. Once the policy and procedures have been developed, the responsibilities of Service Unit Managers should be highlighted through training.	1	Policy development - Asset Management Policy.	31/03/2017	The Head of Service advised "Stakeholder consultation has completed, policy and procedures are being drafted" Updated target date of implementation; 01/12/2024

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Bi-Annual Follow-Ups Update

October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
2	Business Continuity Planning	<p>1.Lack of formal IT DRP There is no formal IT DRP in place. As a result, we noted the following:</p> <ol style="list-style-type: none"> 1. Roles and responsibilities within the Council have not been explicitly defined and documented in order for staff to carry out the IT DRP process effectively. 2. Communication components are not documented. 3. There is no DRP in place detailing all the procedures in place in the case of a Disaster Recovery (DR). 4. There is no specific listing of key systems and their corresponding order of priority. 5. Recovery point objectives, recovery time objectives and maximum tolerable outages have not been defined. <p>2. Lack of testing on IT DRP Deloitte acknowledges that the Council has an SLA with IT Assist which includes Business Continuity Testing. Deloitte was provided with copies of testing performed by IT Assist, however, is limited to UPS testing which is only a small part of a BCP/DR test.</p> <p>Due to the absence of an IT DRP, no full testing was conducted by the Council.</p> <p>We also noted that data and operating system restore procedures are not routinely tested.</p> <p>3. Lack of training on IT DRP There has been no continuous training provided to the Business Technology Department on IT Disaster Recovery and their roles and responsibilities within this process. The last training was held on October 2017.</p>	<p>1. Management should document an IT DRP. This should cover the following, but not be limited to:</p> <ul style="list-style-type: none"> • Roles and responsibilities of the team members including outsourcing arrangements. • Communication channels. • Procedures to be followed for different scenarios. • The plan should identify technologies, infrastructure, operating systems and application systems to identify system interdependencies. • Definition of the: <ul style="list-style-type: none"> ⊗ Recovery Point Objective (RPO the age of files that must be recovered from backup storage for normal operations to resume); ⊗ Recovery Time Objective (RTO goal for getting back to a normal situation in the event of an outage); and ⊗ Maximum Tolerable Outage (MTO maximum amount of time that a process or facility can be unavailable before significant disruption and/or financial loss occurs to the organisation). <p>The IT DRP should be reviewed on a periodic basis and when there are any changes within the ANDBC IT environment. A hard copy of the document should be stored offline and a soft copy stored on SharePoint (offline) so even in a situation where the network or system is down, the IT DRP will still be accessible.</p> <p>The IT DRP should be documented in alignment with the BCP.</p> <p>2. We recommend the following test controls:</p> <ul style="list-style-type: none"> • IT DRP testing should be conducted at least annually. A test schedule should be implemented and testing should address a variety of threats/scenarios. • Post-test reviews should be performed, the Council may wish to implement a method to track issues and gaps uncovered in the test and track their resolution. • Data and Operating System restore procedures should be tested periodically <p>3. We recommend that Management provide awareness training annually, at a minimum, to ensure that staff members understand their IT DRP roles and the emergency response activities at their site or region. Crisis Management training, including leadership team decision-making and managing communications, is also vitally important</p>	1	<ol style="list-style-type: none"> 1. Management will document an IT DRP which will include the recommendations outlined above. 2. The IT DRP will conduct annual testing using a range of threats/scenarios and this will include post-test reviews. 3. Once the IT DRP has been approved Council will consider incorporating periodic training into its annual training programme. 	31/03/2022	<p>The Head of Service advised " Project established and resource allocated to take forward"</p> <p>Updated target date of implementation; 31/01/2023</p>

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October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
3	Business Continuity Planning	<p>1. Draft BCP The Council has developed a draft BCP, however this has not yet been approved or implemented. We reviewed the two Legacy Council (Ards Borough Council, and North Down Borough Council) BCPs which are the most recent examples of BCPs available for use by the Council during a disruptive incident. Given the changes in Council structures since the Legacy Council BCPs were implemented, we identified that these Legacy Council BCPs are not fit for purpose in the event of Council service disruption.</p> <p>2. Gaps in the draft BCP We reviewed the draft BCP and noted a number of gaps within the document: <ul style="list-style-type: none"> • Business Impact Assessment (BIA) /BCP Sign Off - a section which outlines name of Committee / approver and date approved); • Service structure chart – a section outlining Services, directorates within the Council and hierarchy of contacts); • Stakeholders and Dependencies Analysis - it may be useful to complete a standalone stakeholders and dependencies analysis which outlines each stakeholder per Service/Directorate, whether these are an internal / external stakeholder, the nature of the relationship with the Service/Directorate and further detail as required, to ensure that these are clearly defined and documented). </p>	<p>1. The Council should update the draft BCP to include pandemic as a business continuity even and to address the identified gaps, including documenting responsibility and processes for BCP testing and lessons learned from Covid-19 and the operation of the Pandemic BCP.</p> <p>2. The Council should approve and implement the updated draft BCP which covers the Council's outlined framework for prevention and recovery for a variety of threats to the organisation, including business continuity arrangements included as part of the Pandemic BCP.</p> <p>3. Once the BCP is approved:</p> <ul style="list-style-type: none"> • BCP testing should be conducted at least annually. A test schedule should be implemented and testing should address a variety of threats/scenarios, including those where a specific BCP has been developed or may need to be developed. • Post-test reviews should be performed. The Council should consider implementing a method to track issues and gaps identified during testing in order to track their resolution. <p>4. We recommend that Management consider the following:</p> <ul style="list-style-type: none"> • Circulating the overarching BCP to all relevant Service Unit Managers once this has been finalised. • Representatives from all key Services, including Service Unit Managers of critical services such as Business Technology, should be consulted in the creation and update of the Council's overarching BCP. 	1	<p>1. 1. The Council will update the draft BCP this will include documenting responsibilities and processes.</p> <p>2. 2. Annual testing of the BCP will be carried out using a range of threats/scenarios and this will include post-test reviews.</p> <p>3. 3. Once BCPs have been approved a training programme will be established and rolled out to all relevant officers (see 2.1.3 above).</p>	31/03/2022	<p>The Head of Service advised "Implementation is ongoing"</p> <p>Updated target date of implementation; 31/01/2023</p>

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October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
3	Business Continuity Planning	<p>+ Vital resources for individual business functions - while we note that there are prompts within the draft BCP for Services to consider regarding their resources (for example, on p32 an action is outlined "secure resources to enable critical activities to continue/be recovered") it may be useful to include a section which outlines resource requirements per individual Service, including resource type (staff, buildings, equipment, specialist equipment, office space, parking etc), as well as an outline of the requirement by timescale in the event of a disruption to normal business activity to ensure continuation of Service delivery, the impact on the Service if a particular resource is unavailable and detail on contingency arrangements in place to manage loss of each resource.</p> <p>+ Single Points of Failure for Business/ Service – a section which outlines per Service/Service Unit the resources/key person dependency that the function could not operate without, back-up arrangements in place (whether formal or informal) and suggestions for improving resilience of the Service/Service unit (e.g. training for other staff in outlined areas if the Service unit/Service is dependent on a particular manager).</p> <p>+ General risk management approach and outline of management of high risks – a section outlining the Council's risk assessment and management approach to ensure there is a clear linkage between the BCP process and the Council's current risk assessment and management approach, as well as a list of high risks for the Council, the risk register reference these appear on, description of the risk and outline of how the risk is being managed/treated).</p> <p>3. Pandemic BCP We reviewed the Pandemic BCP which has been in operation since March 2020. We would ultimately expect that the Council's overarching BCP would include a pandemic as a type of business continuity event, as opposed to being a standalone document.</p>	<ol style="list-style-type: none"> The Council should update the draft BCP to include pandemic as a business continuity even and to address the identified gaps, including documenting responsibility and processes for BCP testing and lessons learned from Covid-19 and the operation of the Pandemic BCP. The Council should approve and implement the updated draft BCP which covers the Council's outlined framework for prevention and recovery for a variety of threats to the organisation, including business continuity arrangements included as part of the Pandemic BCP. Once the BCP is approved: <ul style="list-style-type: none"> BCP testing should be conducted at least annually. A test schedule should be implemented and testing should address a variety of threats/scenarios, including those where a specific BCP has been developed or may need to be developed. Post-test reviews should be performed. The Council should consider implementing a method to track issues and gaps identified during testing in order to track their resolution. We recommend that Management consider the following: <ul style="list-style-type: none"> Circulating the overarching BCP to all relevant Service Unit Managers once this has been finalised. Representatives from all key Services, including Service Unit Managers of critical services such as Business Technology, should be consulted in the creation and update of the Council's overarching BCP. 	1	<ol style="list-style-type: none"> The Council will update the draft BCP this will include documenting responsibilities and processes. Annual testing of the BCP will be carried out using a range of threats/scenarios and this will include post-test reviews. Once BCPs have been approved a training programme will be established and rolled out to all relevant officers (see 2.1.3 above). 	31/03/2022	<p>The Head of Service advised "Implementation is ongoing"</p> <p>Updated target date of implementation; 31/01/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
3	Business Continuity Planning	<p>4. Testing of the BCP As the BCP is still in draft, BCP testing has not been completed. We identified that the draft BCP does not contain a completed section outlining the testing/performance monitoring programme and training arrangements for the BCP, the current position of the BCP testing within the Council (including planned dates for carrying out testing, dates testing completed and recommendations /recommendations implemented), as well as any additional/specific BCP support required (e.g. specialist support and training). We also noted that the Pandemic BCP did not include a section or any details in relation to a testing programme for the Pandemic BCP. We note that the Pandemic BCP was developed in response to the emerging Covid-19 situation, and as such, it was not practical at that time to complete a testing programme, as the plan was activated and is still live.</p> <p>5. Consultation of all relevant Service Units We evidenced that Directorates and Service input was sought and received regarding both the Pandemic BCP and the Recovery Workbook. We also evidenced that meetings were held between the EPO and Heads of Service in order to guide all Services through the collation of the Pandemic BCP, and that it was then the responsibility of each Head of Service to disseminate the BCP to their relevant Service Units. We noted from discussions that the Business Technology Manager was involved in the BCP processes, but not in the compilation of the actual Pandemic BCP document itself.</p>	<ol style="list-style-type: none"> The Council should update the draft BCP to include pandemic as a business continuity even and to address the identified gaps, including documenting responsibility and processes for BCP testing and lessons learned from Covid-19 and the operation of the Pandemic BCP. The Council should approve and implement the updated draft BCP which covers the Council's outlined framework for prevention and recovery for a variety of threats to the organisation, including business continuity arrangements included as part of the Pandemic BCP. Once the BCP is approved: <ul style="list-style-type: none"> BCP testing should be conducted at least annually. A test schedule should be implemented and testing should address a variety of threats/scenarios, including those where a specific BCP has been developed or may need to be developed. Post-test reviews should be performed. The Council should consider implementing a method to track issues and gaps identified during testing in order to track their resolution. We recommend that Management consider the following: <ul style="list-style-type: none"> Circulating the overarching BCP to all relevant Service Unit Managers once this has been finalised. Representatives from all key Services, including Service Unit Managers of critical services such as Business Technology, should be consulted in the creation and update of the Council's overarching BCP. 	1	<ol style="list-style-type: none"> The Council will update the draft BCP this will include documenting responsibilities and processes. Annual testing of the BCP will be carried out using a range of threats/scenarios and this will include post-test reviews. Once BCPs have been approved a training programme will be established and rolled out to all relevant officers (see 2.1.3 above). 	31/03/2022	<p>The Head of Service advised "Implementation is ongoing"</p> <p>Updated target date of implementation; 31/01/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
4	Budgetary control	Not available - Report was produced prior to Deloitte's appointment	A formal process should be introduced which requires budget holders to agree actions to be taken to address any significant variances identified. The progress made on addressing the variance should be reviewed by the relevant Head of Service and Finance staff at least quarterly to ensure the budget holder is appropriately managing the service unit budget	2	Policy development - budgeting policy.	31/03/2016	The Head of Service advised "Progress dependant on finalising other policies" Updated target date of implementation; 30/09/2023
5	Leisure Centres	Not available - Report was produced prior to Deloitte's appointment	A debtor management and payment policy should be developed for the Council (including the Leisure Centre). The Council's payment policy should also be clearly stated on the booking form and on the original invoice sent to customers. Levels of debt should be monitored regularly and unpaid debtors followed up in line with policy. Consideration should also be given to clearly defining credit management terms for hiring of the Leisure Centre (for example, that if users are granted credit and then accrue debts over 6 months old, they will be prohibited from hiring the Leisure Centre (and possibly other Council facilities) until payment is made). To enable follow up of debts by Finance, booking forms should be completed and signed for all bookings: if bookings are made over the phone, the booking forms may be scanned/ emailed or completed in person before the event takes place. Any arrangements relating to repayment should be agreed only by the Operations Manager, in consultation with Finance, and included on the "Court Proceedings" spreadsheet.	2	Policy development - Pricing and Income policy.	31/03/2016	The Head of Service advised "A discussion paper is out for Finance consultation." Updated target date of implementation; 01/05/2023
6	Payroll	Not available - Report was produced prior to Deloitte's appointment	Access levels granted to the payroll systems should be reviewed with only the appropriate payroll staff receiving full access to the systems. Where other Council staff use the payroll systems for information only purposes, their access should be restricted to 'read/review only'.	2	Not available.	31/03/2016	The Head of Service advised "Not progressed will be done as part of Core2 project. This recommendation will be superseded once the new integrated HR and Employee Payments system is fully integrated in the new financial year. Work has commenced on restricting access, following the 'Go Live' in June. Work is currently ongoing." Updated target date of implementation; 31/12/2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
7	Accounts Receivable and Debtor Management	Not available - Report was produced prior to Deloitte's appointment	A Debt Management Policy and procedures should be developed and introduced setting out the invoicing process and debt collection process together with staff responsibilities for each element of the procedures. The policy should include consideration of whether those with significant aged debt can continue to use Council facilities (e.g. can continue to hire community halls or leisure facilities).	2	Policy development - Pricing and Income policy.	31/03/2017	The Head of Service advised "Discussion paper out for Finance consultation" Updated target date of implementation; 01/05/2023
8	Asset Management	Not available - Report was produced prior to Deloitte's appointment	To ensure consistency across all service units, guidance should be developed on how to maintain asset registers at Service Unit level. As part of this process, consideration should be given, to developing an asset register template with specific subject fields to ensure each service unit asset register is presented consistently and allow cross referencing with the fixed asset register. As noted above, once this guidance has been developed, it should be accompanied by appropriate training for Service Unit managers.	2	Policy development - Asset Management Policy.	31/03/2017	The Head of Service advised "Stakeholder consultation has completed, policy and procedures are being drafted" Updated target date of implementation; 01/04/2023
9	Asset Management	Not available - Report was produced prior to Deloitte's appointment	A review of potential tagging systems including the tagging reference coding should be undertaken by Council officers to determine the most appropriate systems to implement at service unit level across the Council. The chosen systems should then be implemented on a consistent basis throughout the Council. Training on how to implement the chosen systems should be carried out for all those who will be involved in this process.	2	Policy development - Asset Management Policy.	31/03/2017	The Head of Service advised "Stakeholder consultation has completed, policy and procedures are being drafted" Updated target date of implementation; 01/04/2023
10	Absence and Sickness	Not available - Report was produced prior to Deloitte's appointment	Staff should be reminded to ensure that self-certification forms or GP fit notes are submitted to Employee Relations as soon as is practicable. For the avoidance of any confusion, consideration should also be given to specifying in the Absence Management Policy and Employee's Guide to Absence that self-certification forms and GP fit notes should be returned directly to Employee Relations.	2	Policy development - policy under review.	31/03/2017	The Head of Service advised "Absence Policy is in the final stages of the consultation process with Trade Unions." Updated target date of implementation; 01/01/2023

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October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
11	Social Media	<p>We noted that the draft Social Media policy does not provide clarity regarding Council staff involvement in pages set up by the public to promote Council-run events, and Council's approach to dealing with such pages. The Corporate Communications Team identified two potential channels of concern (i.e. related to Council events but with no clear indication as to whether the channel has been established by the Council or is independent of the Council) as part of their monthly process to manually search for unauthorised Council social media channels. As part of our audit we completed further work to review these channels.</p> <p>We identified that one channel - Bangor Market Facebook Page - to promote the market was set up by a family member of the Head of Service responsible for this market. The Head of Service identified that he therefore has influence over content posted.</p> <p>The other channel - Taste Ards and North Down Facebook Group, was set up by a Council staff member to promote this Council-run event; however, the Corporate Communication team was not made aware of the channel at the time it was established.</p>	<p>Management should engage with those staff involved in the Bangor Market Facebook page and Taste Ards and North Down Facebook page to ensure that appropriate controls are in place regarding these pages, including any requirements to make explicit on the channels that these are not Council-established pages and have no affiliation with the Council. Where there is a perceived affiliation with or involvement by the Council, the processes involved and the relevant controls in line with the policy should be adopted and documented. If there is a decision that these channels should be brought within the control of Council, the sites should follow the process for establishment of a channel as set out within the draft Social Media policy (e.g. business case to approve the channel, social media training for those involved and reporting on the channel).</p> <p>Staff should be reminded to seek formal approval from their Line Manager and the Corporate Communication team, through the use of the business case template, before setting up a social media channel related to Council-run events.</p>	1	<p>1. Head of Tourism to review the Taste Ards and North Down Facebook Page to establish its purpose/ objectives and contribution to service outcomes. If the page is to continue, Corporate Communications will provide guidance on necessary controls to be introduced eg implementation of house rules/ access controls in line with the Social Media Policy or statement of non-affiliation with the Council. Head of Tourism will monitor compliance.</p> <p>2. Head of Regulatory Services to review the Bangor Market Facebook Page to establish its purpose/ objectives and contribution to service outcomes. If the page is to continue, Corporate Communications will provide guidance on necessary controls to be introduced eg implementation of house rules/ access controls in line with the Social Media Policy or statement of non-affiliation with the Council. Head of Regulatory Services will monitor compliance.</p>	01/09/2021	<p>Head of Service advised "Corporate Communications returned with further queries on first draft responses, second draft presented by Tourism in April, comments on second draft received by Tourism in May 22. Technical assistance and training by external provide delayed (previously scheduled June) until September 22. Final comments returned to Corporate Communications in August 22. Next stage Corporate Communications consideration of sign off for approval and training and implementation January 23."</p> <p>Updated target date of implementation; 31/01/2023</p>

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October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
12	Social Media	<p>a. Draft Policy Good practice denotes that a formal social media policy and procedure document is in place and communicated which provides direction related to staff's use of all social media. A Social Media policy - October 2020 has been produced; however, it is still in draft. Management advised that the policy requires HR input and consultation before it can be approved by the Corporate Committee.</p> <p>b. Draft policy updates From our review of the draft Social Media policy against good practice, we noted that it does not include the following:</p> <ul style="list-style-type: none"> • The requirement to have a social media strategy and monitoring process to assess the performance against strategy; • Guidance on setting KPIs to ensure successful implementation and use of social media; • Reporting requirements; • Template business case for setting up a new social media channel; • Summary of roles and responsibilities of social media administrators; • Processes for maintaining a user access list and requirement to periodically review the list. In addition, the procedure to add or remove a user's access to the social media channels; • Emphasis that staff should not engage in the activities of any social media platform 'on behalf of the Council' unless expressly authorised; • Reference to the Customer Care Policy or a separate document that includes guidance on how to respond to customer queries through social media; and • Training requirements for those managing social media channels. 	<p>HR consultation on the draft social media policy should be completed as soon as possible so that the policy can be finalised and communicated to all staff.</p> <p>ii. Management should update the existing draft policy and consider including, but not limited to, the following:</p> <ol style="list-style-type: none"> 1. The requirement to have a social media strategy and monitoring process to assess the performance against strategy; 2. Guidance on setting KPIs (or set of standard KPIs) to ensure successful implementation and use of social media; 3. Reporting requirements; 4. Template business case for setting up a new social media channel; 5. Summary of roles and responsibilities of social media administrators; 6. Processes for maintaining a user access list and requirement to periodically review the list. In addition, the procedure to add or remove a user's access to the social media channels; 7. Emphasis that staff should not engage in the activities of any social media platform 'on behalf of the Council' unless expressly authorised; 8. Reference to the Customer Care Policy or a separate document that includes guidance on how to respond to customer queries through social media; and 9. Training requirements. 	2	<ol style="list-style-type: none"> 1. HR input to the Social Media policy. This will involve two stages <ol style="list-style-type: none"> a) Finalisation of the document including engagement with Staff Consultative Committee, Trade Unions and then Council approval. b) Training for all staff about roll out/ implications via Learning Pool training 2. Update of the draft policy with recommendations listed 1-9. Recommendations 1-7 + 9 will be implemented immediately. Recommendation 8 re customer care guidance will be completed by September . 3. Council wide only essential training eg Health and Safety was delivered in 2020 and into 2021 due to the COVID-19 Pandemic. The organisation is only now beginning to develop and deliver its wider training programme that would include social media. Communications has budget for training staff identified as managing Council established channels – however the audit has identified a number of additional channels and a additional staff acting as admins on existing pages so additional budget will be required to meet training requirements in 2021. 	01/09/2021	<p>No response received from the Head of Service for this half-yearly follow-up report.</p> <p>Previously the Head of Service advised "Implementation is ongoing". Updated target date of implementation; 01/01/2022</p>

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October 2022

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
11	Social Media	<p>c. Training Good practice denotes that training is provided on a periodic basis to staff involved in the management of social media channels. We noted that training has not been provided since 2019 to those involved in the management of social media channels and there is no programme of periodic training. We found that the following designated officers have not received any training on social media:</p> <ul style="list-style-type: none"> • Borough Marketing Manager responsible for managing the Visit Ards and North Down Instagram and Facebook page • Tourism Development Officer responsible for managing the Visit Strangford Lough Facebook page <p>We further noted that, as the Social Media Policy is still in draft, training in the policy has not been provided to the wider staff members.</p> <p>d. Periodic meetings As per the draft Social Media policy: 'All employees using social media for business purposes must engage with the Corporate Communications Service around training initiatives, best practice and in cross-Council social media planning meetings as required.' From discussion with management, we understand that there are periodic meetings by Corporate Communications with the Tourism and Arts and Culture regarding the social media channels; however, we noted that there are no periodic meetings between Corporate Communications and the other Service/Service Unit responsible for managing social media channels - Leisure.</p>	<p>iii. Training regarding the management of social media channels should be provided on an annual basis to relevant staff.</p> <p>Further, once the Social Media policy is finalised, training should be provided to the wider staff on the policy.</p> <p>iv. Periodic meetings should be established by Corporate Communications with all those managing social media channels to share best practice and support cross-Council social media planning.</p>	2	<p>The provider of previous social media training for the Council has been commission to deliver 2 training modules – one for staff who assist with the day-to-day operation of Council social media accounts and one for staff with responsibility for the management of Council accounts. These modules will be added into the annual training plan.</p> <p>4. Annual programme of bi-monthly social media co-ordination meetings established. Terms of Reference to be formally agreed at first meeting (July 2021).</p> <p>5. Working with other designated social media officers, the Corporate Communications Team will develop guidance for managing social media responses. This will be submitted to the Customer Services Manager for integration into the Council's Customer Care Policy.</p>	01/09/2021	<p>No response received from the Head of Service for this half-yearly follow-up report.</p> <p>Previously, the Head of Service advised "Implementation is ongoing". Updated target date of implementation; 01/01/2022</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
13	Social Media	<p>a. Strategy and KPI Good practice denotes that a social media strategy(s) is developed that is aligned with other corporate strategies and appropriately communicated, and that metrics are established to monitor the successful implementation and use of social media.</p> <p>We noted the absence of a social media strategy and KPIs either as a stand-alone document or as part of their Service Level Strategy or Annual Plan for the following channels: <ul style="list-style-type: none"> • AND Leisure Facebook • Visit Strangford Lough Facebook </p> <p>b. Reporting Good practice denotes that periodic reporting on social media activity and engagement is reported to the respective Head of Service and relevant Council Committees for the Service in line with the strategy.</p> <p>We noted that formal reporting on social media activity and engagement is not in place for the following channels: <ul style="list-style-type: none"> • AND Leisure Facebook • Visit Strangford Lough Facebook </p>	<p>L. Social media strategy and KPIs (either as a stand-alone document or as part of the annual Service Plan) should be developed for the following channels: <ul style="list-style-type: none"> - AND Leisure Facebook - Visit Strangford Lough Facebook </p>	2	<p>A strategic review of the Visit Strangford Lough Channel commenced in June 2021 to consider its fit with the wider social media strategy. The review will include a monthly engagement report to head of service during that period in the same format as current reporting for VisitAND channels. The strategic review is due for completion in September 2021 and will include recommendations for the long-term future of the channel and any relevant KPIs agreed as required. As this channel was set up jointly with Newry Mourne and Down, a strategic discussion is scheduled in June with Newry Mourne and Down DC key stakeholders to determine their position with regards to the channel.</p>	01/09/2021	<p>Head of Service advised "An externally facilitated session with Newry Mourne and Down District Council is being scheduled for October to agree way forward out of the recommendations prepared by the Borough Marketing Manager."</p> <p>Updated target date of implementation; 31/12/2022</p>
14	Travel and Subsistence	<p>The Council is currently operating under legacy policies and two different methods of processing claims, one is manual, and the other is an electronic system called Transfare. Audit was advised that there is currently a paper in draft format which continues to be developed. This paper will form the basis for a single Ards and North Down Travel & Subsistence policy once it is completed and has been reviewed by the necessary departments and committees. Audit was also advised that a new online system "Core 2" is being implemented for processing all claims which is to be in place for 01/04/2019.</p>	<p>ANDBC should finalise a single Travel & Subsistence policy as soon as possible and implement a single method of processing claim submissions, either electronically or manually.</p>	2	<p>A first draft of the key issues for decisions in relation to a new Travel & Subsistence policy has been drawn up for discussion with CLT, HoST and SUMS. Once this has been reviewed and instruction given a clearer path for the policy will become evident. It is hoped the draft policy will proceed through the necessary stages to be implemented for 31/03/2019.</p>	31/03/2019	<p>The Head of Service advised "Discussion paper drafted and initial consultation with HR underway. Progress dependant on resolution of other collective bargaining issues"</p> <p>Updated target date of implementation; 30/09/2023</p>

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#	Report Date	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
15	Travel and Subsistence	A review has not been carried out within the new Council to determine whether staff are classified correctly as either casual car users or essential car users. Audit found that the Head of Finance is currently gathering information and statistics on travel and subsistence (as part of the paper referred to in Issue 1.) and that as a result any issues revealed (including inaccuracies relating to essential/non-essential car users) will be addressed.	Consideration should be given to prioritising the update of essential car user status to ensure eligibility is being correctly applied given changes that may have occurred in staff roles and locations of work.	2	Establishing the criteria that should be used to determine whether a post is essential user is one of the key issues to be decided upon in establishing the new policy. The review of the key issues draft document by CLT, HoS and SUMS will give clear direction regarding the essential user issue.	31/03/2019	The Head of Service advised "Discussion paper drafted and initial consultation with HR underway. Progress dependant on resolution of other collective bargaining issues" Updated target date of implementation; 30/09/2023
16	Risk Management	Audit was advised that service level risk registers are now to be included with Annual Service Plans. Audit acknowledges that Heads of Service (HoS) have been provided with training on the service plan and the risk registers; however, this was several years ago and would have pre-dated the current version of the service plans which now include the risk registers. Audit met with 5 HoS and was advised by 2 of the HoS find that they find current risk register format difficult to understand and not user-friendly. As several years have passed since the last training was provided, new staff may be in post and updates to the service plans have also taken place. There is therefore an increased risk that service plans and risk registers may not be completed in a consistent manner and to the required standard which may lead to inadequate risk registers in place at the service level.	As part of the exercise to update the Risk Strategy HoS should be consulted on the format of the risk register and the need for any additional risk management guidance for developing and scoring risk registers. As soon as the Risk Strategy is updated; management should provide updated training and guidance to all HoS and relevant staff on the development and scoring of risk registers.	2	Accepted. Consultation to take place in advance of the Strategy being agreed, in line with the normal policy/strategy development process. This will include HoS.	31/08/2019	The Head of Service advised "One to one support (training) is specifically offered to Heads of Service each time the Assurance Statements go out for completion. Risk Strategy consultations completed and approved by Council. Further workshops will be organised now that restrictions on face-to-face training have been lifted." Updated target date of implementation; 31/03/2023

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Date	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
17	Risk Management	<p>Audit reviewed the minutes of CLT meetings and Audit Committee meetings; and evidence of workshops relating to the Corporate Risk Register and can confirm that the Corporate Risk Register is regularly discussed, reviewed and updated. The Risk Strategy (2015) contains guidance on risk register monitoring at the Directorate level. Audit met with 5 Heads of Service and audit was advised by 3, that regular service level risk register reviews are not taking place throughout the year due to time constraints. We confirmed that the relevant service level risk register is completed at the start of the year and reviewed at the end of the year. Audit also noted that there is currently no specific detailed guidance or procedure to guide HoS on how to distinguish any risks within their service level risk register which may need to be escalated to the Corporate risk register, due to its cross-cutting nature or its significance. Audit's review of 9 minutes/notes of CLT meetings revealed that the brief notes mostly refer to the Corporate Risk Register; with very little reference to Service Level Risk Register monitoring. If reviews of service level risk registers are not being carried out at regular intervals throughout the year there is a risk that actions identified to minimise risk are not being appropriately monitored. In addition, emerging risks may not be documented at the service level and/or significant or cross-cutting risks which they identify may not be escalated to the corporate risk register in a timely manner.</p>	<p>The Risk Strategy should be updated as soon as possible and include clear guidance on, and possibly templates to support, regular and documented review of service level risk registers. The Risk Strategy should also clarify in detail the difference between Corporate and Service Level risks and provide guidance on how to escalate any risks at the service level which should be incorporated within the Corporate level risk register. The refresher training on risk management mentioned in Recommendation 2; must include in year monitoring of the service level risk register and the escalation of significant or cross-cutting risks from the service level to the Corporate Risk Register. Details of the review of progress of Service level risk registers should be discussed and recorded in detail at CLT at least once during the year (mid-way through the year) and also at the year end.</p>	2	<p>Training will be provided once Strategy is agreed. Recommendations will be included in the Training design. Training will be given to HoS in the first instance.</p>	31/10/2019	<p>The Head of Service advised "One to one support (training) is specifically offered to Heads of Service each time the Assurance Statements go out for completion. Risk Strategy consultations completed and approved by Council. Further workshops will be organised now that restrictions on face-to-face training have been lifted."</p> <p>Updated target date of implementation; 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
18	Overtime, Flexi & TOIL	<p>Budget Setting Overtime budgets for Council Services are set annually. During the budget setting process considerations include: historical data, expenditure YTD on each budget component from the previous year's budget and events planned for the upcoming year which would impact the Service's spending. We noted that from the sample of four Services selected for testing, 23 business units did not budget for overtime. Of these, 12 business units reported an adverse overtime expenditure YTD as at June 2019 against an overtime budget of £0 for 2019/20, with variances ranging from £135 to £10,094. We noted that for some of these they had overtime expenditure in the previous year (e.g. the unit with a YTD adverse variance of £10,094 similarly had an overtime budget of £0 in the previous year and an adverse outturn of £12,192. We were advised that it can be difficult for management to budget for ad hoc events or events which arise from Council decisions during the year. We were also advised that other factors, such as time to recruit replacement or agency staff, can impact the levels of overtime within a Service.</p> <p>Budget Monitoring Budgets are monitored through monthly Manager Detail reports which are sent to all Services in order to explain any variances which may have occurred. Monthly Significant Issues reports also act as a summary of significant issues raised across all Service budgets which require an explanation from budget holders/management (i.e. variances against the budgets). We noted there is no formal variance reporting threshold for overtime budgets whereby once a set variance has been reached, managers are automatically required to report back to Finance to explain the variance. We were advised that there is informal threshold of 5% of the budget line, or £5,000 but that this has not been formalised.</p>	<ol style="list-style-type: none"> Services which historically have overtime expenditure should consider setting overtime budgets to reduce the level of budget re-profiling that may be required in year. Additionally, Finance should review how to assist management, at the annual budget setting stage, to improve their understanding and calculation of cost drivers which impact overtime expenditure, and challenge Services which show a zero overtime budget to understand the rationale if they had overtime expenditure in the previous year. A formal adverse variance threshold should be set by Finance against which formal responses are required from Heads of Service to Finance when overtime expenditure exceeds the threshold. 	2	<ol style="list-style-type: none"> Finance will work with service unit managers to agree appropriate detailed breakdown overtime budgets (including hours, rates, employer costs etc). Consideration will be given to setting a formal variance threshold when drafting the Budgeting policy and procedure. 	31/01/2020	<p>The Head of Service advised "1. With access to more information in the new Integrated Payroll, Time and Attendance system, it is hoped to commence the development of detailed overtime budgets. This approach will be trialled during the 2023/24 budgeting process.</p> <p>2. New significant issue process introduced which requires commentary on all payroll budgets within each cost centre if material. Not yet documented in a formal policy"</p> <p>Updated target date of implementation; 30/09/2023</p>

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
19	Overtime, Flexi & TOL	We were advised that there is no formal mechanism to monitor hours worked (core hours and overtime) by Council employees against the Working Time Directive (48 hours per week average across a rolling 17 weeks).	The Council should review how to monitor hours worked (e.g. potential for reporting in Core) to ensure that, unless staff have formally opted out, there is compliance with the Working Time Directive.	2	Management will endeavour to configure a reporting routine in the new integrated HR/Employee Payments system currently being implemented.	31/03/2020	The Head of Service advised "Still open as new integrated system is not yet in place." Updated target date of implementation: 01/12/2022
20	Governance Framework	We selected a sample of 15 members of staff (13 of whom had been employed in 2018) and obtained the last complete year's annual declaration of interest submission and the current year to date's submissions. We found that four of the 13 staff who had been employed in 2018 had not submitted a declaration of interest form in 2018. The submission deadline for the current year was April 2019. At the time of the audit fieldwork (August 2019) only four from our sample of 15 had submitted the annual declaration of interest. We note that from our sample of employees that: one employee joined in June 2019, one in April 2019, one was on secondment until July 2019 and one has been on a career break since October 2018. We further note that the Declaration of Interest Policy and Procedure (Employees) was marked for review, and update if required, in April 2019. At the date of fieldwork (August 2019) no review had been carried out.	We recommend that the Declaration of Interest Policy and Procedure be reviewed and updated as required.	2	Review of declaration of interest policy and procedure.	31/03/2020	No response received from the Head of Service for this half-yearly follow-up report. Previously, the Head of Service advised "Due to the pandemic this has not been completed as yet. We would hope to be in a position to do so within the next year" Previous target date of implementation : 31/03/2022

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
21	Procurement	We completed an analysis of individual invoices under £30,000 during the previous 12 months and identified 121 suppliers where the cumulative procurement for a similar service during the year exceeded the £30,000 tender threshold. Among the top 60 of these suppliers by spend, there were four suppliers identified where a competitively tendered contract was not in place. The spend for these 4 suppliers was £105k, £80k, £66k and £62k. We noted that the Procurement Handbook specifies an annual frequency of review by the Procurement Service Unit of cumulative spend to identify areas where competitive tenders should be obtained, but that this was in practice an ad-hoc review due to staff capacity and had not been documented or resulted in a formal report in the previous year.	To support value for money and efficiency in procurement, an analysis of spend should be produced and documented by Procurement on an annual basis, with input sought from budget holders on the feasibility of obtaining corporate contracts / putting out to tender for areas where similar goods or services are obtained.	2	<p>1. The Procurement Handbook outlines an approach for review of spend with responsibility primarily with respective Services, with the Handbook advising for Procurement to be contacted where there are potential tendering opportunities. Corporately, spend is reviewed by the Procurement Manager when resources permit. It's accepted that there would be value in more frequent, formalised and wholesale reviews though the ability to achieve this will be dependent upon resource availability.</p> <p>A previous audit recommended that "Management should consider supporting the current Procurement Unit to allow the issue of corporate contracts to be addressed, potentially leading to ANDBC to make significant savings". A business case was submitted to this end though is not currently provided for in the draft 2020/21 budget due to competing pressures. It is likely this will continue to restrict the ability to realise the full potential of corporate spend reviews. The business case will be reviewed again for the 2021/22 budget process, if not prior to this under the Council's Strategic Transformation and Efficiency Programme, launching in 2020.</p> <p>2. In addition to the above, any corporate reviews that are carried out on an ad hoc basis during 2020/21 will be documented</p>	01/12/2020	The Head of Service advised "There was no formal review of spend since the last update due to the additional Covid-19 work for the team. Procurement Service Unit (PSU) resources have also been stretched due to staff changes. There is still not a full PSU team in place due to unsuccessful recruitment campaigns. Work is continuing to identify suitable options for additional resources." Updated target date of implementation; 30/04/2023

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
22	Procurement	The Council's Ordering and Payments Guidance notes an intention dating from 2015 to obtain an electronic procurement system to replace the current system of paper Purchase Order and Goods Received Notes. As of the date of our fieldwork, there had not been a decision taken to progress this intention. The current paper-based system is reliant upon manual checks by Finance of procurement authorisation levels and that invoice details match purchase orders. Physical signatures and handwritten dates are used to document approval. We identified in a sample of 25 items of below-threshold procurement in the year, three instances where authorisation was dated after the invoice date for the procurement, and one instance where the value of procurement on a purchase order (£3,999) exceeded the staff member's authorisation level (£3,000).	The Council should revisit its original intention to implement an electronic procurement system and determine whether to proceed in order to strengthen controls over authorisation levels and provide increased efficiency in the procurement process. In the meantime, staff should be reminded: <ul style="list-style-type: none"> • that authorisation of Purchase Orders must take place prior to the order of the good or service; and • to ensure that they obtain the correct authorisation per the delegated authorisation levels for all purchase orders. 	2	1. The Council already has an electronic procurement system for tenders. The project to introduce an electronic purchasing system was put on hold largely due to the current Finance system provider withdrawing from that market. As a result, it is more appropriate to progress a new Finance system to include electronic purchasing as part of this scope. The potential for this will be reviewed as part of a Strategic Transformation and Efficiency Programme with progression of this subject to prioritisation of competing transformation projects.	01/03/2021	The Head of Service advised "Business case to be submitted as part of the budgeting process for 2023/24. Managers have been reminded regarding the importance of completing purchase orders on the back of an attempted fraud." Updated target date of implementation; 01/04/2024
23	HR: Recruitment & Retention	Selection panels record the outcome of shortlisting and interviews on hardcopy forms, which are retained by HR in the recruitment file. We tested a sample of 15 files for compliance with the recruitment process. We noted two instances of non-compliance with the required processes: 1. For one of 15 sampled vacancies (ST12153), we found that the shortlisting meeting record (Shortlisting Note) in respect of one candidate did not provide the reason for the candidate not being shortlisted. Upon enquiry by Internal Audit the reason was provided. The Shortlisting Note would be used by HR to provide a response to candidates who request feedback on why they have been unsuccessful and, in this instance, it would have been difficult to provide the candidate with this information.	1. HR should remind selection panels to ensure that the Shortlisting Note is completed for all candidates, and review the recruitment records provided by selection panels for completeness.	2	When there are large numbers of applicants it is easy for mistakes to be made when adding up scores. The HR team would welcome the recommendation to have a checking method in place prior to making offers to candidates. The team also agree that notes should be taken for all candidates with regard to all candidates at shortlisting and generally this is the case. 1. The HR Resourcing Managers will ensure that the Shortlisting note is completed for all candidates and will remind the Resourcing Officers to do the same. HR Managers will review the recruitment records provided by selection panels for completeness.	18/08/2020	No response received from the Head of Service for this half-yearly follow-up report. Previously, the Head of Service advised "Implementation is ongoing." Previous target date of implementation : 01/04/2022

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
24	HR: Recruitment & Retention	<p>The Council does not have a formal workforce strategy. A number of councils in the United Kingdom produce and publish formal workforce strategy documents setting high-level objectives for recruitment, retention and training of staff, along with analysis of workforce composition, demographic factors, turnover and anticipated future hiring aspirations (e.g. based on transformation projects or key initiatives in the corporate plan). These exercises can provide increased clarity over recruitment and workforce development in a whole-council context and drive improvements through facilitation of forward planning for recruitment and retention projects. Whilst a formal workforce strategy is not in place, HR has drafted a proposal for moving to external advertisement of all posts. During the Council's transformation phase following the merger of North Down Borough Council and Ards Borough Council in 2015, there was an agreed process to allow recruitment via internal trawl in the first instance, to facilitate redeployment of staff within the new structure. For reference, this phase is complete for the majority of Service Units, though we noted that some Service Units have not yet completed the transformation phase and continue to recruit roles internally.</p>	<p>The Council should consider developing a formal workforce strategy which sets out its current status and objectives for recruitment, retention, training and development of staff. This strategy should align with the new Corporate Plan being developed. This could include measures and targets as appropriate for vacancy rates, turnover rates, time to fill positions, sickness absence and workforce composition and high-level structure, and long-term strategy for addressing demands in relation to staffing and talent needs.</p>	2	<p>The Council already has largely set out this information within a variety of documents i.e. Learning and Development Plan, Organisational Development Strategy, Filling of Vacant posts guidelines and HR and OD Service Plan. There is also a draft succession planning document which requires some further scoping out and consultation with trade unions and staff. However, all this information could be brought together into one formal Workforce Strategy. It is proposed that the development of such a Strategy is included in the service plan for 2020/21.</p> <p>1. Develop a formal workforce strategy which sets out its formal current status and objectives for recruitment, retention, training and development of staff. This will align with the new Corporate Plan. Measures and targets as appropriate will be included as appropriate as outlined in the recommendation.</p>	01/04/2021	<p>No response received from the Head of Service for this half-yearly follow-up report.</p> <p>Previously, the Head of Service advised "Implementation is ongoing."</p> <p>Previous target date of implementation : 01/04/2022</p>
25	Service Review – Regulatory Services	<p>Performance Reports are presented by the Head of each Service and reviewed by the relevant Council Committee on a quarterly basis. Performance Reports include a status for each KPI, using a RAG traffic light system (Red, Amber, Green), and Heads of Service must also provide a narrative update on performance in the headings of:</p> <ul style="list-style-type: none"> • Key points to note; • Key achievements; • Emerging issues; and • Actions to be taken. <p>We identified from review of Council Committee minutes evidence of discussion of Service KPIs and could see that explanations for variances against the target were provided and discussed. Whilst there is evidence of discussion of KPIs which are below target, we noted that there are no formalised action plans agreed, for example with responsible owners or target dates.</p> <p>This finding is consistent across all Service Reviews undertaken to date by Internal Audit, as part of both the 2019 Internal Audit Plan (Leisure & Amenities and Regeneration Services) and 2020 Internal Audit Plan (Regulatory Services and Tourism Services).</p>	<p>Services should consider implementing formal action plans where KPI performance is below target, including the use of target dates and assigned responsible owners for delivering identified actions and the reporting back on plans. Updates on actions agreed should then be provided to the relevant Committees as and when actions are due.</p>	2	<p>Management will consider reviewing the Service Plan reporting template as part of its review of the PERFORM handbook.</p>	30/09/2021	<p>The Head of Service advised, "new Head of Service in place and this will be reviewed and actioned for Quarter 2 2022/23 reporting"</p> <p>Updated target date of implementation: 31/12/2022</p>

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
26	Asset Management	<p>Unoccupied Properties When a Council property becomes unoccupied, a request is raised by the Compliance Team for the Assets and Properties team to disconnect the utilities and activate the alarms within the property. Unoccupied properties are recorded on the AssetHQ system operated by the Council that generates a job every week for all five unoccupied properties to be inspected by the allocated inspector. We noted that physical inspections have still been carried out during the COVID-19 pandemic. We reviewed a report run from AssetHQ which documents the due date, completion date and details of the inspector for the routine weekly checks. However, the AssetHQ job does not detail the checks that are to be completed at each property.</p> <p>Land Each member of the Parks and Cemeteries team are assigned an area for which they are responsible for carrying out inspections to check for any issues, such as encroachment or unauthorised camping. The frequency of inspections is dependent on factors such as whether it is open to the public or not, and can be daily, weekly or monthly. We identified that breaches and issues identified by the Lands Team during inspections are reported to the Compliance team, however we could not evidence recording of inspections where no issues were identified.</p>	The Council should ensure that all land inspections are recorded, including those where no issues are identified by the Lands Team.	1	The Council will implement a paper based system for recording inspections on managed land.	30/09/2021	<p>Head of Service advised "Software package (PPS Live - currently in read only mode) planned role out across all sites by Sept 2023."</p> <p>Updated target date of implementation; 30/09/2023</p>
27	Asset Management	<p>The Council have a single insurance policy which covers all Council owned buildings. Buildings which are valued at over £1m are specified within a separate schedule within the policy. Through our sample testing, we identified the following:</p> <ul style="list-style-type: none"> • We were advised by the Risk Manager that there is no formal Council guidance in place which determines the frequency of property valuation required in order to maintain the accuracy of reinstatement valuations for the insurance policy. • The Risk Manager also advised that there is no documented procedure for notifying the Risk Manager of acquisitions, disposals and transfers of land and property, to ensure the insurance cover is adequately maintained. 	The Council should document a formal procedure for notifying the Risk Manager of any changes in land and property, including acquisitions, transfers and disposals. This should be communicated to all relevant staff.	2	Process for notifying Risk Manager will be incorporated into a revised Land and Property Policy	30/09/2021	<p>The Head of Service advised "Lands works closely with risk and notifies of such changes, but will be formalised through land policy review which is currently ongoing"</p> <p>Updated target date of implementation; 31/03/2023</p>

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
28	Fixed Assets	<p>1. Lack of Asset Management Strategy Currently there is no Asset Management Strategy in place which outlines the asset management procedural framework in use across the Council. This would include procedures in relation to the safeguarding of fixed assets, asset tagging, asset verification exercises, as well financial processes for fixed assets, such as write-offs. Management advised that the Council are at present in the process of creating a comprehensive Asset Management Strategy. We were advised that an Asset Management working group has been put in place to create this Strategy. The Strategy itself will be compiled when direction regarding the scope of the Strategy is finalised.</p> <p>2. Lack of documented fixed asset management procedures We identified that while the following practices are being carried out, they are not formally documented in the form of a policy or within the Fixed Asset Management Procedures document:</p> <ul style="list-style-type: none"> ⊗ Protocols related to safeguarding of fixed assets, for example asset tagging and mechanisms for the physical security of assets such as CCTV, periodic checks and alarms. We were able to evidence that asset safeguarding processes are occurring in all areas we sample tested (Arts and Heritage, and Business Technology); ⊗ Process of identifying and recording a write off; ⊗ Exercise for performing asset tagging. We identified that sample areas we looked at, Arts and Heritage and Business Technology, have their own asset tagging procedures. We were advised that the Council have purchased a WASP system (stock control software) for trial purposes for Council Leisure centres. This will allow the Council to tag assets through barcoding. The trial of the WASP system was intended to finish 2021 but is expected to be delayed due to COVID; and ⊗ Annual physical asset count conducted by Finance. <p>We were advised that these will be documented within the Asset Management Strategy once this has been completed and finalised. The Replacement and Utilisation Strategy was last updated in December 2019. It does not include a document control table to indicate the date of next review.</p>	<p>1. The Council should finalise the scope of the Strategy to allow the Asset Management working group to formulate and finalise the Asset Management Strategy. A clear timeframe should be set for the completion of this work.</p> <p>2. The Council should consider updating the Fixed Asset Management procedures to incorporate the highlighted gaps.</p>	2	<p>1. Council will re-establish the Asset Management Working Group with a view to finalising a strategy.</p> <p>2. The Fixed Asset Management procedures will be updated in line with extant policy.</p>	30/09/2022	<p>The Head of Service advised "Stakeholder consultation completed, policy and procedures being drafted"</p> <p>Updated target date of implementation; 01/04/2023</p>

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#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
28	Fixed Assets	<p>3. Enhancements to the Vehicle Replacement Strategy</p> <p>We completed a review of the Vehicle Replacement Strategy, and noted the following issues:</p> <ul style="list-style-type: none"> ⊠ The policy implementation date was recorded as May 2016 and next review date was recorded as November 2016. However, the review has not been completed to date; ⊠ Page 9 includes a 'Replacement Vehicle Request Form' which is used in advance of making a replacement purchase. Per practice, an Asset Disposal Form is then used once the Council decide on the disposal method. <p>We noted that the Vehicle Replacement Strategy makes no reference to the requirement to raise an Asset Disposal Form and does not include the Asset Disposal Form within the Appendix of the Strategy.</p> <p>We noted that the practice is for Finance to email the Asset Disposal Form and guidance notes to Service Units upon request.</p> <p>Page 6-7 states that the Service Unit Manager "will be asked to complete a Replacement Vehicle Request form," and that the purpose of this form is to "challenge all requests...to ensure that vehicles are only replaced when a clear need can be demonstrated."</p> <p>We identified that it is not specified who should provide this challenge and sign off the replacement request.</p> <p>4. Enhancements required in the Replacement Vehicle Request form</p> <p>We identified that the Replacement Vehicle Request form (Appendix 2 of the Vehicle Replacement Strategy) does not require sufficient detail in order to document a full demonstration of clear need for replacement. We noted that amongst other elements, it does not require the user to provide the following:</p> <ul style="list-style-type: none"> o Value of the vehicle being replaced; o Value of the replacement type of vehicle <p>⊠ We also identified that there is no section on the Vehicle Replacement Request form to record appropriate sign off by the relevant approving party (as in point 3 of this finding - this does not seem to have been adequately defined in the Vehicle Replacement Strategy).</p> <p>⊠ We were advised by Finance that while they require the use of the Replacement Vehicle Request form and the Asset Transfer / Disposal form, these are not yet widely used across the organisation to inform Finance of fixed asset disposals.</p> <p>5. Lack of version control table in the Replacement and Utilisation Strategy</p> <p>The Replacement and Utilisation Strategy was last updated in December 2019. It does not include a document control table to indicate the date of next review.</p>					

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
29	PCSP	<p>1. We reviewed and tested the controls around payments for a sample of two out of a total of five 2019/20 grant applications, and noted the following:</p> <p>Project 1:</p> <ul style="list-style-type: none"> In the Q1 Expenditure claim, the 'total payable' amount was left blank on the Project Invoice Summary. We also noted that the Invoice Summary was not signed or dated to signify that the documents had been reviewed and approved by the PCSP although the document had been stamped 'PCSP Received 5th November 2019.' <p>Project 2:</p> <ul style="list-style-type: none"> We noted that the 'Completed by Project Manager' and 'Authorised by Project Finance Officer' sections on the Q4 project invoice summary had not been completed. We also noted that the 'Authorised by Project Finance Officer' section on the Q3 project invoice summary had not been completed. <p>2. We also noted that while payments to projects were within the grant allocation, and that there were no overspends, the project budget profiles we reviewed for both the projects were not progressed as originally planned, and that the frequency/amounts of the payments differed to what had been planned on the project budget profiles as outlined below:</p> <p>Project 1:</p> <ul style="list-style-type: none"> This project was scheduled to have payments as per the project budget profile as follows; £1,280.86 (in Q2), £1,407.60 (in Q3) and £2,325.64 (in Q4). The project actually received payments as follows; £1,280.86 (in Q2) and £3,713.14 (in Q4). <p>Project 2:</p> <ul style="list-style-type: none"> This project was scheduled to have payments as per the project budget profile as follows; £1,832 (in Q2), £620.50 (in Q3) and £1,043.50 (in Q4). The project actually received payments as follows; £2,800 (advance payment in Q2) and £191.03 (in Q4). 	<p>1. The PCSP should ensure that the Invoice Summary is signed and dated to evidence review and approval.</p> <p>2. The PCSP should remind projects of the importance of completing in full and signing off expenditure claim documentation to ensure that approval can be clearly evidenced. The PCSP should also clearly communicate to projects what the expenditure claim process will be in a remote working situation, where it is not possible for projects to return original signed copies of expenditure claims in a timely manner.</p> <p>3. The PCSP should consider introducing a sign off control to the budget profile where expenditure has not progressed as planned, to evidence approval that updated expenditure profile has been reviewed, agreed and is in line with approved grant eligibility and conditions.</p>	2	The PCSP will ensure that the Invoice Summary is signed and dated to evidence review and approval.	28/02/2021	<p>The Head of Service advised "Invoice Summary complete. Step by Step summary to be completed by 30 November 2022"</p> <p>Updated target date of implementation; 30/11/2022</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
30	Business Continuity Planning	<p>1. A BCP Policy is in place. The Policy is dated April 2016 and the next review date is recorded as April 2017; we were advised that this review has not taken place.</p> <p>2. Within the BCP Policy, it states that "Performance monitoring will be co-ordinated by the Risk Manager" and that "Training and exercises will be coordinated by the Risk Manager and will prepare key staff for crisis conditions through training and desktop/scenario exercises." We were advised that the Risk Manager was not aware of this responsibility.</p> <p>3. Training has not yet been provided to Council staff with key roles in the execution of the overarching, draft BCP as the document has not yet been finalised. Training has not been provided to Council staff with key roles in the execution of the Pandemic BCP. We acknowledge that the Pandemic BCP was approved in March 2020 by the Corporate Leadership Team as the Covid-19 pandemic hit, therefore there was not sufficient time for a formal training programme to be developed and implemented for the Pandemic BCP before it went live.</p>	<p>1. The Council should update the BCP Policy to reflect current BCP processes and roles and responsibilities. BCP roles and responsibilities should be clearly communicated to relevant staff.</p> <p>2. We recommend that a training programme is developed and implemented for both the draft Council BCP (when this is finalised), and the Pandemic BCP as soon as this is practical.</p> <p>2. The above recommendation should also be considered in respect of the draft overarching BCP. In addition, up to date BIA processes should be undertaken when finalising the draft BCP.</p>	2	Once the updated BCP is finalised the Policy and Procedures will be revised and submitted to Corporate Committee for approval.	31/03/2022	<p>The Head of Service advised "Implementation is ongoing"</p> <p>Updated target date of implementation; 31/01/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
31	Review of IT controls in place to support remote working	<p>During the review, we identified the following regarding access management across Windows AD:</p> <p>Leavers Process A total of 34 active leavers were identified as part of our testing for the period 01/06/2020 to 30/04/2021. Through further enquiry with management it was identified that:</p> <ul style="list-style-type: none"> • One of three accounts was re-enabled in order to transfer the accounts access to a new employee filling the position. • One of three accounts was re-enabled to retrieve a file that was managed by the leaver. • The final account we were unable to determine at the time of testing the reason as to why this account was reactivated as the employee's manager is out on long term leave. <p>User Access Review There are no documented user access reviews performed across any of the in-scope applications.</p>	<p>2. Management should implement a documented user access review on a periodic basis (monthly, quarterly, yearly) to ensure all users have the appropriate level of access to perform their daily job functions.</p>	2	2. Previously identified in Cyber Security Audit, this will be included in updated ICT Policy.	31/12/2021	<p>Head of Service advised "This will form part of the ICT Policy which is in the process of being updated".</p> <p>Updated target date of implementation 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
32	Lease Management	<p>Good practice denotes that a formal lease management policy and procedure document is in place and communicated to staff involved in the lease management activities. Further, the policy and procedure document should be reviewed and approved at the appropriate level on a periodic basis. A Land and Property policy - April 2016 is in place and Section E "Rental" of the Land and Property covers the procedures around leasing; however, we noted that it does not include the following:</p> <ul style="list-style-type: none"> • Types of properties owned by the Council; • Requirement for review and approval of a lease application by the Corporate Services Committee; • Requirement for signing of a lease by the CEO on behalf of the Council; • Roles and responsibilities of those involved in the lease process; • A timeframe to provide guidance on when the Compliance Manager should contact the lessee to confirm whether they want to renew their lease, in advance of the lease expiry date; • Maintenance of a Lease Licence Register including periodic reviews and approvals; and • Monitoring and tracking compliance with the lease requirements including inspections. <p>We further noted that the policy has not been reviewed and updated since April 2016. The finding regarding the need for periodic review of the Land and Property policy was raised in the Internal Audit of Asset Management (Land & Property) report issued in March 2021.</p>	<p>Management should update the existing Land and Property policy section on Rental to include the following:</p> <ul style="list-style-type: none"> • Types of properties owned by the Council; • Requirement for review and approval of a lease application by the Corporate Services Committee; • Requirement for signing of a lease by the CEO on behalf of the Council; • Roles and responsibilities of those involved in lease management; • A timeframe to provide guidance on when the Compliance Manager should contact the lessee to confirm whether they want to renew their lease, in advance of the A timeframe from the lease expiry date:: • Maintenance of a Lease Licence Register including periodic reviews and approvals; and • Monitoring and tracking compliance with the lease requirements including inspections. • Refer to recommendation section 2.4 of the Internal Audit of Asset Management (Land & Property) report - March 2021 regarding the recommendation on review of the Land & Property policy. 	2	<p>Management will update the existing Land and Property policy section on Rental to include the following:</p> <ul style="list-style-type: none"> • Types of properties owned by the Council; • Requirement of review and approval of a lease application by the Corporate Services Committee; • Requirement of the signing of a lease by the CEO on behalf of the Council; • Roles and responsibilities of those involved in lease management; • A timeframe from the lease expiry date, before which the Compliance Manager contacts the lessee to check whether they want to renew the lease; • Maintenance of a Lease Licence Register including periodic reviews and approvals; and • Monitoring and tracking compliance with the lease requirements including inspection 	31/12/2021	<p>The Head of Service advised "Land policy review is ongoing"</p> <p>Updated target date of implementation; 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
33	Lease Management	<p>During the period covered by our audit one lease was agreed upon. We selected this lease as part of our walkthrough and noted the following:</p> <ul style="list-style-type: none"> The application for a lease request by the lessee is reviewed by the CLT, however we noted that the evidence of the review was not maintained on file. As per the Land & Property policy - April 2016: 'The Council's Valuer will be used to determine the consideration, except where the land has been marketed for rent via public auction.' As per the lease agreement, a rent of £500 per annum is charged. However, we noted that the evidence of the valuation of rent of £500 per annum by the Council's Valuer was not maintained on the file. As per the Land & Property policy - April 2016: 'Legal advice will be sought on the most appropriate form of agreement to be entered into, taking into account all relevant factors including Business Tenancy Rights.' <p>We noted that evidence of Legal advice received was not maintained on the file.</p>	<p>Management should ensure that the requirements of the Land and Property policy are followed for every new lease and evidence of all the required steps are maintained on file including below:</p> <ul style="list-style-type: none"> Review of lease applications by the CLT; Valuation by the Council's Valuer; and Legal advice received prior to entering the lease. 	2	<p>Management will ensure that the requirements of the Land and Property policy are followed for every new lease and evidence of all the required steps are maintained on file including below:</p> <ul style="list-style-type: none"> Review of lease applications by the CLT; Valuation by the Council's Valuer; and Legal advice received prior to entering the lease. 	01/01/2022	<p>The Head of Service advised "Land policy review is ongoing"</p> <p>Updated target date of implementation; 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
34	Lease Management	<p>Good practice denotes that a mechanism is in place for monitoring and tracking compliance with lease agreements such as monitoring maintenance of the property, verifying that the property is not sublet and that the purpose for which the property was leased is met. Further, good practice is for inspections of the leased property to take place on a periodic basis, particularly at the commencement, renewal or termination stage of the lease.</p> <p>A building surveyor within the Asset and Property team carries out periodic surveys of leased properties.</p> <p>We selected a sample of two leases expired during the period under our review and noted that a formal inspection was not completed at the lease expiry date. We noted that a survey was carried out at these properties every three years to establish the works schedule and the last survey was carried out in 2017 for both properties. Management advised that they are also in the process of renewing these two leases.</p> <p>One lease commenced during the period under our review for Cook Street Jetty. We noted that an inspection of the leased property was not completed at the lease commencement stage. Management advised that a survey was not considered necessary as this site did not have any built property located there (lease was for land).</p> <p>We noted therefore that a process is not in place to monitor and track compliance with the requirements of a lease agreement. We further noted that the Compliance Manager is not aware of the surveys that are being carried out. We were advised by Management that three-yearly surveys are carried out by the Asset and Property Team, however we were unable to obtain evidence of the completion of these surveys during the period of the audit.</p>	<p>A process should be developed and implemented for monitoring and tracking compliance with lease agreements. This should be completed by carrying out inspections of the leased property on a periodic basis, particularly at the commencement and renewal or termination stage of the lease, to verify that the responsibilities of the lessee are being complied with and to identify any damage to the property.</p> <p>Further, the Compliance Manager should liaise with the Asset and Property team to ensure that inspections carried out are included and updated within the lease licence register.</p>	2	<ol style="list-style-type: none"> 1. A process will be developed and implemented for monitoring and tracking compliance with lease agreements. This will be completed by carrying out inspections of the leased property on a periodic basis, particularly at the commencement and renewal or termination stage of the lease, to verify that the responsibilities of the lessee are being complied with and to identify any damage to the property. 2. The Compliance Manager will liaise with the Asset and Property team to ensure that inspections carried out are included and updated within the lease licence register. 	31/03/2022	<p>The Head of Service advised "Land policy review is ongoing"</p> <p>Updated target date of implementation; 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
35	Lease Management	<p>A lease licence register is in place that includes the details of leases and licences where the Council is the lessor. There were 45 leases included in the lease licence register.</p> <p>During our review, we noted the following:</p> <ul style="list-style-type: none"> The lease licence register is not formally reviewed and approved on a periodic basis. The lease licence register does not include the details of the two operating agreements. We acknowledge that the details of these two agreements were included in a separate register maintained by the Development Projects Manager. The lease licence register does not capture terms and conditions of the lessor and lessee; and inspection carried out at the leased property. The lease licence register is not kept updated and we noted that fields were not populated <p>Further, we noted that the scanned copy of all the leases is not maintained on file. Management advised that they are in the process of scanning the hard copy of leases and saving them to the file. For tracking purposes, an additional column "Scanned" has been included within the lease licence register and updated to say "yes" for each lease agreement that was scanned and saved on file. As per the lease licence register, we noted that a copy of eight out of 45 lease agreements have not been scanned and saved on the file. Management advised that they have been facing issues in locating the hard copy of lease agreements during the scanning process. We also noted that the Finance team is in the process of scanning lease agreements into the Finance system for their reference; however, the Compliance Manager does not have access to the system.</p>	<ol style="list-style-type: none"> The lease licence register should be reviewed and approved at an appropriate level on a periodic basis. <p>Further, management should update the lease licence register and consider including, but not limited to, the following:</p> <ul style="list-style-type: none"> Details of the operating leases maintained in a separate register; Terms and conditions of the lessor and the lessee; and Inspection carried out at the leased property. <ol style="list-style-type: none"> Management should ensure that the lease licence register captures all the required details. All the lease agreements should be scanned and retained on the file. The Council should consider where best to store the scanned copies to prevent multiple versions being made and provide a central access for required users of the information. 	2	<ol style="list-style-type: none"> The lease licence register will be reviewed and approved at an appropriate level on a periodic basis. Management will update the lease licence register and consider including, but not limited to, the following: <ul style="list-style-type: none"> Details of the operating leases maintained in a separate register ; Terms and conditions of the lessor and the lessee; and Inspection carried out at the leased property. Management will ensure that the lease licence register captures all the required details. All the lease agreements will be scanned and retained on the file. The Council will consider where best to store the scanned copies to prevent multiple versions being made and provide a central access for required users of the information. 	31/03/2023	<p>The Head of Service advised "Lease licence register to be reviewed and updated to include recommended information"</p> <p>Updated target date of implementation: 31/03/2023</p>

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Table showing details of all open overdue Priority 1 and Priority 2 recommendations:

#	Report Title	Finding	Original Recommendation	Priority	Original Management Response	Original Due Date	Updated Status
36	Health, Safety and Wellbeing	<p>We identified that currently there is no Health and Safety Risk Register in place which outlines identified Council-wide Health and Safety risks, as well as consideration of employee wellbeing related risks.</p> <p>We were advised that the management of health and safety risks are outlined within the Health and Safety policy, and that management of these risks occurs through incident reporting, inspections, training. The management of health and safety-related risks are the responsibility of each Service unit.</p> <p>Additionally, assurance mapping is not in place for the management of health, safety and wellbeing risks, which would map sources of assurance (such as inspection reports, training reports) for each of the key health, safety and wellbeing key risks.</p>	<p>The Council should develop a Health and Safety Risk Register which identifies and documents health safety and wellbeing risks across the organisation, as well as the mitigating controls in place to manage these risks.</p> <p>The Council should complete an assurance mapping process against identified Council-wide health, safety and wellbeing risks to determine and document sources of assurance for each risk, to provide the Council with assurance over the adequacy of the controls in place to manage the identified risks.</p>	2	<p>Health and Safety Compliance Officer to develop a Health and Safety Risk Register which identifies and documents health, safety and wellbeing risks across the organisation, as well as the mitigating controls in place to manage these risks. Risk Manager will review before finalising.</p> <p>The Council will implement an assurance mapping process against identified Council-wide health, safety and wellbeing risks to determine and document sources of assurance for each risk, to provide the Council with assurance over the adequacy of the controls in place to manage the identified risks.</p>	31/06/2022	<p>The Head of Service advised "A new member of staff has been appointed and tasked with completion of this. To be completed prior to the end of March 2023."</p> <p>Updated target date of implementation; 31/03/2023</p>

Appendix 2

Statement of Responsibility

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is not based on an attest engagement. We have relied on information provided by Ards and North Down Borough Council's management and we do not accept responsibility for such information and have not performed any substantiation or external confirmation procedures to establish its accuracy or completeness.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

This document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore you should not refer to or use our name or this document (in whole or in part) for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party without our prior authorisation. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Deloitte
Belfast

November 2022

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**MAKING AN
IMPACT THAT
MATTERS**

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ITEM 7

Ards and North Down Borough Council

Report Classification	Unclassified
Council/Committee	Audit Committee
Date of Meeting	15 December 2022
Responsible Director	Director of Organisational Development and Administration
Responsible Head of Service	Head of Administration
Date of Report	21 November 2022
File Reference	SOA1
Legislation	Local Government Act (Northern Ireland) 2014 Local Government Finance Act (Northern Ireland) 2011 Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below.
Subject	Interim Statements of Assurance
Attachments	

In accordance with the Council's Risk Management Strategy Heads of Service are required to provide Statements of Assurance. Assurance Statements comprise 4 main sections to be completed by each Head of Service following consultation with each of their Service Units. Period of this report, 1 April 2022 - 30 September 2022.

Findings**General – Identification of Risk, Monitoring and Control measures**

No key issues have been declared as not having appropriate internal controls in place. All Services have confirmed that any risks identified have appropriate internal controls and any further actions taken, or to be taken, to adequately mitigate or resolve the risk have been identified.

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Brexit and COVID 19 Pandemic Impacts

The impacts of both these issues have been previously reported. Actual and potential impacts, primarily financial and demands affecting staff, and / or service delivery, are reported across the Statements of Assurance.

Section 1 – Strategic and Operational Risk Management

Services report appropriate controls are currently in place and have identified satisfactory actions to review, monitor, control, mitigate and resolve issues, where appropriate.

The HR and Organisational Development Service have suspended Pride and Performance conversation and a working group has been appointed to compile a new appraisal scheme for the Council. Managers have been encouraged to continue ongoing coaching with their employees and submit any training recommendations in accordance with good practice in the interim.

The Waste and Cleansing Service has reported that a significant financial liability risk remains if the bidding process for the Residual Waste Treatment project is collapsed by the client (arc21). In the Assurance Statement report for October to March 2022 it was reported that Planning permission was refused by the DFI Minister; this is now subject to judicial review. All of this has significant implications for the future of arc21, in terms of delivering infrastructure for member councils, this is further complicated by a member Council seeking to withdraw from the residual waste project and the Strategic Review of NI Council Waste Management Arrangements.

The Tourism section has added in greater review and risk assessment of inclement weather into event management plans and plans to further explore methods of assessing this risk and potential mitigation options in the future.

The Regulatory Services section has identified a training need to mitigate against the risk to officers from physical attack with the training to focus on de-escalation and avoiding physical assault.

Section 2 – Internal Control

Generally, there are no key issues arising to cause significant concern or requiring immediate action.

The Administration Service has reported that with the appointment of a Public Right of Way Officer the management of these is now in hand, reducing risk to the organisation in this area. The Service also reports that the Emergency Plan and Business Continuity Plan are aligned but work is to take place to detach these two aspects as different officers are responsible for each element. Further to this a lease/licence register is being reviewed and updated, a subgroup has been appointed to look into this.

The Environmental Health, Protection and Development Service have reported significant scrutiny of their work on food and consumer goods standards which is impacting on their resources.

Unclassified

Progress on Audit findings is reported to Committee separately, although they are reflected in the Assurance Statements. Services have recorded progress and plans to complete outstanding audit actions. Outstanding audit recommendations for six services are noted here.

The Communications and Marketing service unit has two outstanding Priority 2 findings and one outstanding Priority 3 finding related to the Social Media Audit conducted in 2021, these are being addressed.

The Human Resources and Organisational Development Service have three outstanding priority 3 recommendations relating to their service plan. These are all being progressed.

Strategic Transformation and Performance have two Priority 1 findings, one Priority 2 findings and three Priority 3 findings outstanding raised by the Business Continuity and Disaster Recovery Audit and the Business Technology Audit, all these findings are being progressed through an action plan.

Community and Culture Service have four priority 2 findings related to grants with an SLA administering, grant monitoring in general, declarations of interest and supporting documentation. In addition, the service also has four priority 3 findings relating to guidance documents for partnerships and elected members, grant advance payments and the need for the grants policy to be reviewed. All of these findings are in progress for implementation.

Finance Service have recorded one outstanding Priority 1 Audit finding relating to the provision of an Asset Management Policy, in addition there are twenty-two Priority 2 findings and twelve Priority 3 findings. Of these findings, many relate to policy development that was previously on hold due to lack of staff resources. Policy development is in process for the majority of these policies with discussion papers out for consultation within finance on the Pricing and Income policy and wider within Council on the Travel and Subsistence policy. The Asset Management policy consultation has been completed and Finance are now drafting the policy and procedures related to it. There has not been progress yet on the proposed Budgeting policy as it is dependent on the previously mentioned policies being finalised.

Of the remaining non-policy related recommendations, action plans exist for all of these with set target dates for implementation.

Regulatory Services have one outstanding priority 2 recommendation which is to review their risk register. In addition, they have two priority 3 recommendations to reconcile payments daily and to sign off the assurance statement. All of these are in progress.

Section 3 – Governance

Administration have reported that there are currently two contentions Public Right of Way cases which are currently getting legal advice. As reported on the previous statement the further roll out of Te-Care software throughout Council departments is planned to improve the ability of Officers to meet the requirements of the Council's

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complaints policy. A new version of the Model Complaints Handling Procedure will be available from March 2023 and will be launched with refresher training for all staff.

In addition, an issue has been identified with the Te-Care software system. Te-Care has a limited maintenance programme and GDPR concerns are currently being investigated. These relate to Data Erasure requests (concerns over the ability to fully erase a person from the multiple systems within the organisation) and Data Subject Access Requests (concerns over capture of all data available when employees are asked to reactively respond to requests v an automated computer system).

Assets and Property Services has provided an update to the extended tender of the sale of electricity from the wind turbine at Balloo Wood Bangor. The tender will be revised in accordance with the new energy market and aligned with the Energy Manager Joint Forum electricity contract to use the services of a utility broker.

The Strategic Transformation and Performance service have provided an update relating to the hire of vehicles for pandemic purposes in cleansing. As reported previously this had been flagged by External Audit as non-compliance. The service reports that this has been changed into a single tender action.

Communications and Marketing have reported two instances where the procurement policy was not followed, those being for Visit Belfast and for Clear Channel, in both cases this was due to them being the sole provider for these services.

The Leisure Service has reported that the potential financial position of the Council and difficulty recruiting staff may lead to an inability to return to pre-covid levels of service provision. In addition, the service is anticipating potential significant loss of income claims from Serco.

The Finance service has reported that the issues of the interaction of overtime and holiday pay are still unresolved as well as the implications of the McCloud and Sargent court cases, whilst being accounted for in financial statements for year end March 2022 have not been fully accounted for in employer pension contribution rates. In addition, the Council is facing substantial pay and utility cost pressures.

Regulatory Services have reported that there are concerns around income generation due to external factors in the property market impacting on home renovations.

Community and Culture have reported that issues have been identified in the Core system for October 2022 and in collaboration with Human Resources an investigation has begun.

Section 4 – Miscellaneous

The Finance Service has reported that workload and long-term sickness have inhibited the execution of service and governance improvements, that the absence of a corporate information management strategy is inhibiting service efficiencies and this combined with limited business technology equipment is inhibiting some staff working more effectively in a hybrid manner.

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The Leisure Service have reported staff welfare is under strain throughout the service due to the demands being placed on Officers due to financial constraints, Covid-19, governance and ongoing uncertainty around leisure provision. Continued difficulties in recruiting staff is placing a strain on those covering gaps over a long period of time.

The Director of Community and Wellbeing has made a comment regarding the Parks and Cemeteries Assurance statement that given the current financial pressures and the need to complete the agreed transformation process to save on costs and improve service quality and service governance and accountability, the phase 2 (restructure) will need to be expedited.

RECOMMENDATION

It is recommended that this report be noted.