

ARDS AND NORTH DOWN BOROUGH COUNCIL

8 December 2023

Dear Sir/Madam

You are hereby invited to attend a meeting of the Audit Committee of the Ards and North Down Borough Council which will be held the Council Offices, 2 Church Street, Newtownards on **Thursday, 14 December 2023** 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 2023 (attached)
 - b) Follow-up Actions (report attached)
5. Corporate Governance
 - a) Risk Appetite Framework (report attached)
 - b) Interim Statements of Assurance (report attached)
6. External Audit
 - a) Report to those Charged with Governance (attached)
 - b) Audit and Assessment Report (attached)
 - c) Annual Audit Letter (to follow)
7. Internal Audit
 - a) Progress & Quarterly follow-up (report attached)
 - b) Emergency Planning (report attached)
 - c) Finance Service Review (report attached)
 - d) Procurement (report attached)
8. Any Other Notified Business

ITEMS 9 – 11 *IN CONFIDENCE*****

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

MEMBERSHIP OF AUDIT COMMITTEE (11 MEMBERS)

Alderman Armstrong-Cotter (Vice Chair)	Councillor McCollum
Alderman McAlpine	Councillor McKee
Councillor Ashe	Councillor McLaren (Chair)
Councillor Cochrane	Councillor MacArthur
Councillor Hollywood	Councillor Wray
Mr P Cummings	

ARDS AND NORTH DOWN BOROUGH COUNCIL

A hybrid meeting (in person and via Zoom) of the Audit Committee was held at the Council Chamber, Church Street, Newtownards and via Zoom, Monday 18 September 2023 at 7.00pm.

PRESENT: -

In the Chair: Councillor McLaren

Aldermen: Armstrong-Cotter
McAlpine (Zoom)

Councillors: Ashe (Zoom) McKee (Zoom)
Hollywood MacArthur (Zoom)
McCollum Wray

Independent Member: Mr P Cummings

In Attendance: ASM – C Hagan
Deloitte – C McDermott
Deloitte – N Sammon
Deloitte – D Kinsella
NIAO – P O’Sullivan

Officers: Director of Corporate Services (M Steele), Head of Finance (S Grieve), Head of Strategic Transformation and Performance (S Denny) and Democratic Services Officer (P Foster)

1. APOLOGIES

The Chairman (Councillor McLaren) sought apologies at this stage.

Apologies were received from Councillor Cochrane and the Chief Executive.

NOTED.

2. CHAIRMAN’S REMARKS

The Chairman welcomed everyone to the meeting including the internal and external auditors from the Northern Ireland Audit Office, ASM and Deloitte. Continuing she took the opportunity to express her thanks to the Vice Chair, Alderman Armstrong-Cotter for standing in for her at the previous committee meeting in June. The Chairman also congratulated Councillor Ashe on her recent wedding.

NOTED.

3. DECLARATIONS OF INTEREST

The Chairman asked for any Declarations of Interest and none were declared.

NOTED.

4. MATTERS ARISING FROM PREVIOUS MEETINGS

(a) Audit Committee Minutes from June 2023

PREVIOUSLY CIRCULATED:- Copy of the above minutes.

Alderman Armstrong-Cotter proposed, seconded by Councillor McCollum that the minutes be noted.

Councillor Hollywood sought an update on the development of a Digital Strategy and the procurement of a provider for that. He also noted that previously it had been suggested that the Council was currently under resourced in respect of Cyber Security and as such he sought clarification if business cases had been prepared for that.

(Alderman McAlpine joined the meeting at this stage – 7.06pm)

In response the Director of Corporate Services confirmed that a company had been secured to support the development of a Digital Strategy for the Council with work expected to begin in October 2023. He added that was anticipated to take up to 12 weeks to complete following which members would be updated at the Corporate Services Committee.

In respect of Cyber Security members were advised that it was hoped to incorporate that into the Digital Strategy.

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

5. INTERNAL AUDIT

(a) ANDBC Assets & Property Services Review (Appendix I)

PREVIOUSLY CIRCULATED:- Report from Deloitte detailing the Assets and Property Services Review.

RECOMMENDED that the report is noted.

The Chairman invited Ms McDermott from Deloitte to speak to the report.

Ms McDermott proceed to guide members through the report highlighting the salient points within it. She reported that there was one Priority 2 finding and one Priority 3 finding with an overall Satisfactory level of assurance awarded.

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

The proposer Alderman Armstrong-Cotter acknowledged the Priority 2 finding adding that she understood its significance and as such she sought clarification around how officers proposed to deal with the issue. In response the Director stated that he hoped a refocus of the Council's approach to risk generally along with a review of the Council's Risk Register would address the matter. He added that it was his intention to ensure the issue of Risk was brought further up the Council's agenda. Thanking the Director for his comments Alderman Armstrong-Cotter welcomed that an agenda item for the Audit Committee had been set aside for this adding that while they were all aware of the pressure staff were under this was a matter which was important to be underlined.

Commenting as seconder, Councillor Wray stated he was comforted that no Priority 1 issues had been raised and was further reassured in respect of the Priority 2 and 3 issues that there were clear and simple steps to be taken to address both of those. He noted that the sole source of information had come from management and as such he asked if that was general practice. In response Ms McDermott confirmed that substantive testing was undertaken for all the reviews.

Councillor MacArthur noted the date given for both the Priority 2 and Priority 3 findings was 15 December 2023 and as such she asked if subject to evidence that would be reported to the Corporate Services Committee or the Environment Committee. In response the Director confirmed that those actions would be reported to the next Audit Committee. At this stage Ms McDermott referred to the Outstanding Recommendations Update provided to the Audit Committee and confirmed that status updates would be sought from management on those.

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

(b) Audit Committee Progress Report (Appendix II)

PREVIOUSLY CIRCULATED:- Report from Deloitte detailing the Audit Committee Progress Report.

RECOMMENDED that the report is noted.

Ms McDermott provided members with a brief synopsis of the report highlighting the significant points contained therein.

At this stage the Director confirmed that work remained ongoing in respect of the outstanding recommendations detailed on Pages 13 and 14, of which he noted there were a significant amount. Continuing he stated that Management's focus had been on those Priority 1 and 2 findings adding that plans were in pace for those Priority 1 findings to have them closed out before the next Audit Committee meeting.

Continuing he reported that many of the recommendations required the development of a Lands Policy and as such plans were in place to have a Lands Policy come forward for consideration by the Corporate Services Committee before the next meeting of the Audit Committee. The Director added that the same course of action

would be adopted for the Budgeting Policy and Social Media Policy. In summary he indicated that at the next meeting of the Audit Committee he would expect to see some of those Priority findings closed out but added that he was under no illusion as to the amount of work which would be required to make that a reality.

Councillor Wray proposed, seconded by Councillor Hollywood, that the report be noted.

The proposer Councillor Wray commented that he did not underestimate the amount of work involved and as such his question was one more about process. He asked if it would not be normal practice for the Audit Committee to be provided with some form of narrative as to why the original implementation dates had not been met. He stated that to do so would provide some level of reassurance to the members of the Committee.

In response the Director confirmed that it would be common practice to provide that information to Deloitte but it was not always the case that was then included in the report before members. At this stage Ms McDermott stated that those dates within the report which had lines through them were dates which had repeatedly been missed as target implementation dates. She agreed however that it would be helpful for members of the Committee to have sight of that narrative as suggested by the member. The Director indicated that a narrative would be provided for any delays going forward.

At this stage Alderman McAlpine stated this was something which she struggled with adding that previously she had suggested that the Directors be invited to attend future meetings of the Committee to provide an explanation as to why implementation target dates had not been met. Continuing she added that she would like to see action on that particularly as there was a general feeling that members were uncomfortable with this ongoing situation.

The Director advised that the reason there were no other Directors present at the meeting was because the vast majority of the outstanding issues lay within his own Directorate. Continuing he was happy to report that significant progress had been made to date as alluded to by the Deloitte representatives in respect of a renewed focus by management on this particular issue. He stated that the significant amount of work required should not be underestimated in respect of addressing the outstanding issues. As such he reiterated his earlier comments that plans were in place to close out all Priority 1 issues before the next Audit Committee meeting.

Alderman Armstrong-Cotter stated that the Director's response had covered all of the points which she was going to raise. She acknowledged that there had been difficulties with management changeover however she was now content the Council planned to manage the situation going forward to ensure all issues such as this were addressed in a timely manner.

At this stage Ms McDermott commented that they had seen a great deal of improvement particularly with the provision of a stronger focus on updates with in depth narrative. Continuing she agreed that there were a significant number of recommendations to be implemented with some of those dating back to 2017 but

she welcomed the focus on the Council's Corporate Management Team and Heads of Service and was hopeful the majority of those could be closed off by the end of the year.

Endorsing the proposer's comments Councillor McCollum agreed that members of the Committee should be provided with the reasons as to why targets had not been met. Referring to the graph within the report which depicted the Outstanding Recommendations as of 8 September 2023 Councillor McCollum asked if that was likely to change.

In response the Director indicated that the graph was likely to change and indeed would be expected to do so. He added that ultimately it was more about those overdue actions rather than those which were outstanding and that was where the Committee's focus should be in terms of challenging management. The Director also suggested that was where explanations from Management would be useful.

AGREED TO RECOMMEND, on the proposal of Councillor Wray, seconded by Councillor Hollywood, that the recommendation be adopted.

6. CORPORATE GOVERNANCE

(a) Corporate Risk Register Review File AUD02

PREVIOUSLY CIRCULATED:- Report from the Director of Corporate Services 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.

There were a number of internal audit recommendations highlighting the need to provide updated risk management awareness training. Officers undertook to address those as part of the implementation of the Risk Strategy in October 2022.

The following sessions were facilitated by Deloitte.

- Risk Strategy - 14 Feb and 21/22 March 2023 (SUMs/HOST/CLT)
- Corporate Risk Register workshop- 25 July 2023 (HOST/CLT)
- Risk Appetite workshop - 10 August 2023 (CLT)

Risk Strategy training

The overall objective was to further the understanding and value of risk management using risk management framework and processes.

Corporate Risk Register workshop

The Corporate Risk Register Workshop allowed officers to take a fresh look at risk to the Council and resulted in a new draft version of the Corporate Risk Register, which clearly highlighted the risks, controls and risk ownership. The Risk descriptions had been drafted with current controls and further actions being progressed.

Risk Appetite workshop

The risk appetite workshop allowed the Corporate Leadership Team to develop an understanding with a view to establishing the organisation's Risk Appetite for types of risk linking to the Corporate Plan priorities.

Future Actions

The revised Corporate Risk Register would be finalised and presented at the next Audit Committee.

A report on Risk Appetite would be presented to the October Corporate Committee for consideration.

RECOMMENDED that the report be noted.

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

Commenting as seconder, Councillor MacArthur welcomed the review particularly as the Risk Register was considered a 'live document'. She advised that she had been contacted by a number of concerned residents particularly those with links to veterans and the security forces about the recent introduction of the Household Recycling Centres booking system which required name and address details as well as car registration numbers. As such she sought reassurance from officers that the necessary controls were in place and that those service registers were updated as live documents.

The Head of Finance stated that the Council had a statutory responsibility in respect of the protection of data and as such a Data Protection Officer was in place to oversee this. He added that databases were held across a wide range of the Council's service areas and officers were required to ensure that those were kept up to date.

Alderman Armstrong-Cotter commented that as a member of the Environment Committee she understood her colleague was referring to concerns raised by veterans and ex-servicemen in respect of data held and the seeking of assurance that issues such as that raised by elected members was added to the Council's Risk Register. In response the Head of Finance informed members that there were a number of risk registers throughout the organisation aside from the Corporate Risk Register which came to this Committee on a six monthly basis. Beneath that Register then sat within each Service its own Risk Register which were managed and reviewed by officers. He added that he would bring this matter to the attention of the Director of Environment and reiterate with all managers the importance of data handling. Alderman Armstrong-Cotter welcomed those comments adding that it would provide elected members with a reassurance that their concerns were incorporated into the Risk Register.

At this stage Alderman McAlpine noted the many valid points which had been made and noted that Page 5 of the Risk Register did touch on the issue of personal data.

She stated that this was an area where the Council would not have previously been gathering data and therefore it was important it was given careful thought and consideration which in turn would provide members with a level of reassurance.

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

(b) Report to those Charged with Governance (Appendix III)

PREVIOUSLY CIRCULATED:- Copy of the above report.

The Chairman invited Ms C Hagan from ASM to speak to the report.

Ms Hagan expressed her thanks to the Director and his officer team for their assistance and reported that an unqualified audit opinion, without modification had been achieved. Ms McDermott then proceeded to provide members with a brief synopsis of the report highlighting the significant points contained therein.

At this stage the Head of Finance advised that officers had prepared a draft set of responses to the issues raised within the report. In respect of Finding 1 - Disposal of Ards Leisure Centre he stated that the Council did not agree that this was a priority 1 and rather the Council would argue that it had done all within its power to resolve the issue. He added that the Council was of the opinion that it could do no more other than to respond to the queries put forward by the DSO and as such it remained content that the money would be paid. Continuing he noted that two years had passed since the vesting order for this disposal became operative during the 2021-22 financial year and Council had yet to receive the funds. The Head of Finance stated that officers would continue to do what they could to resolve the situation and remain in contact with all the associated parties involved. It was noted the DSO had been asked for a timescale of a likely resolution.

Continuing the Head of Finance then referred to other issues such as the Reserves Policy, noting the Council was one of very few to have such a Policy, and required Council and Management to put into place an Action Plan to restore the General Fund to its target level of 7.5%. It was noted that would be done as part of the upcoming estimates process with recommendations put forward to Council on how to restore the General Fund and that was required to happen over the medium term.

In respect of Finding 3 Leases, the Head of Finance advised that the Council could only review rent in line with the Lease and it was believed that had subsequently been addressed and would be included within the Council's response. Finding 4 Declarations of Interest, he believed action had already been taken on this matter to remind members to have their Declarations signed. Continuing the Head of Finance noted there were a number of outstanding issues in relation to Policies but advised that a number of plans were now in place to address those issues. In respect of Fraud Training it was noted that Fraud within Council was a low risk and as such it was not believed to be appropriate to invest significant time and money to train all one thousand members of staff on Fraud. It was noted that currently Heads of Service and Service Unit Managers were being briefed on the Finance Policy which it was noted did include a briefing on the Council's responsibilities in relation to

Fraud. As such while the Council was not totally accepting of this it had already acted on it. Referring to the Accreditation around Cyber Security it was noted the Council did plan to attain a level of accreditation in respect of Cyber Essentials in the next year or so. In summing up he confirmed that Management had their responses prepared which would then be sent off to the Audit Office in due course with a view to getting the Accounts signed off by the statutory deadline of 30 September 2023.

Alderman Armstrong-Cotter proposed, seconded by Councillor Wray, that the report be noted.

The proposer, Alderman Armstrong-Cotter commented that she had been quite concerned on reading the details of the Priority 1 matter in respect of the Disposal of Ards Leisure Centre. She was aware that a Planning Application had already been submitted despite the outstanding issues not being resolved and also noted the vesting which had been undertaken two years previously. Alderman Armstrong-Cotter expressed disappointment that the matter was being held against the Council as ultimately it reflected negatively upon it. As such she would encourage all steps to be taken to resolve that and asked if there was anything politically which elected members could do to try to help.

In response the Director indicated that it would be the Council's preference to continue along the existing legal channels through solicitors rather than resort to political pressure.

Alderman Armstrong-Cotter noted there were other issues to be considered and as such she did not feel that it warranted a Priority 1 rating. At this stage she took the opportunity to express her thanks to the Director and his team for the work which had been undertaken to date.

Commenting as seconder Councillor Wray stated that it would be helpful for all newly elected members to have access to background information in relation to ongoing historical matters. He asked if there was any learning the Audit Committee should take from this. In response the Head of Finance agreed there were significant issues which would be reflected upon going forward but added that such issues were typical of key projects. He added that this would be considered as part of the ongoing review which would be more operational rather than seek the involvement of elected members. It was noted that any significant issues which came to light through that review would be reported to the elected members in due course. Councillor Wray indicated without the option of political pressure; officers appeared to have done all they could at this stage. He added that he would ask if the public should be made aware of this particularly as it was not as high up the agenda as it could or should be.

Expressing her thanks to the proposer Councillor McCollum commented as a new member of the Committee and without some of the background knowledge which some of her colleagues had she acknowledged the disappointment there was around the matter. As such she suggested that Solicitors be asked to provide advice through a report to the Committee and continuing proceeded to ask three questions those being:

- Why was the Council's Compliance Team content that the sum of £1.8m was fully recoverable without a commitment in writing from Dfl?
- Why did Council believe that the value of £1.8M would be unaffected by a significant and complex dispute in relation to Title?
- Over two years had passed since the vesting order and over nine months since negotiations had commenced between the DSO and Council solicitors. Nine months seemed a long time to her for two legal teams to be in discussion and as such some progress must have been made.

In response the Director advised that given this matter was the subject of ongoing legal proceedings he would prefer not to say too much at this stage particularly as this meeting was not 'In Committee'. He did confirm that Council remained in ongoing discussions with its legal representatives and he would discuss with them what was able to be shared with members at this stage.

Mr Cummings took the opportunity to congratulate the Director and his team on another set of clear accounts. In relation to the Priority 1 matter members had been discussing he indicated that he would be keen to hear the view of the NIAO on this particularly as NIAO were the auditor of both parties involved. As such he noted that both parties appeared to be treating this matter differently, with one not operating in accordance with its accounting policies. He feared that this was down to the fact that Dfl did not have the funds for this and as such the 'can was being kicked a little further down the road' knowing that they would not be criticised for this in their accounts as it was not considered a material item, while it was for the Council. As such he believed the pressure should come from their own Auditors rather than the Council and he would like to hear comment on that from the NIAO. Continuing Mr Cummings expressed concern about the Reserves Policy particularly as in his opinion the Council had a low level of reserves in comparison to other Councils and therefore to find that it was at 6.2% was somewhat concerning. He asked who or which Committee was responsible for monitoring that was and ensuring it was achieved throughout the year.

Mr P O'Sullivan of NIAO commented that the Local Government Auditor, Collette Kane, was also the Director responsible for the Audit of Dfl and as such this matter had already been brought to her attention. As Mr Cummings had rightly stated the amount in question was a material matter for the Council but that was not the case for Dfl and he hoped Ms O'Kane would raise that with Dfl at a senior level.

In respect of the issues raised by Mr Cummings about the Reserves Policy, the Director confirmed that the Policy was introduced this year and was now part of the formulation of the new target of 7.5%. He added that he agreed it was a modest to low target and as such was considered to be an initial low stretched target, and like most policies it would be constantly reviewed. Continuing he reminded members that the entire Council was responsible for setting the budget, a process which would go through the Special Corporate Committee prior to a final decision being made in February by the Full Council. As such the Council would have the opportunity to see this as part of the budget setting process.

By way of summing up Alderman Armstrong-Cotter thanked Mr Cummings for his questions and welcomed the response to it.

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

(c) Audited Financial Statements 2022/23 (Appendix IV)

PREVIOUSLY CIRCULATED:- Copy of the above report.

Alderman Armstrong-Cotter proposed, seconded by Councillor Hollywood, that the report be noted.

The proposer, Alderman Armstrong-Cotter, commented that she did have some concerns around the Greenway issues and how it was proposed to reconcile the money associated with that. She sought reassurance from officers that they were content that transaction was now complete with no further risk issues needing to be addressed. In response the Head of Finance confirmed that the money expended on that particular project had since been written off and charged to the Income and Expenditure statement. As such he confirmed there was nothing further for Council to consider in that regard.

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

7. 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 Hollywood, that the public/press be excluded during the discussion of the undernoted items of confidential business.

8. 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)

The Audit Committee was asked to approve the Single Tender Action update report.

It was recommended to note the report.

The recommendation was AGREED.

9. FRAUD, WHISTLEBLOWING AND DATA-PROTECTION MATTERS

*****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)

The Director updated the Committee on new, live and closed cases of Fraud, Whistleblowing and Data Breaches.

It was recommended that this information be noted.

The recommendation was AGREED.

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

*****IN COMMITTEE*****

The Director of Corporate Services, Head of Finance, Head of Strategic Transformation and Performance and Democratic Services Officer all withdrew from the meeting during the discussion of the item (8.35pm).

RE-ADMITTANCE OF PUBLIC AND PRESS

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

TERMINATION OF MEETING

The meeting terminated at 8.45pm.

Unclassified

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

Report Classification	Unclassified
Council/Committee	Audit Committee
Date of Meeting	14 December 2023
Responsible Director	Director of Corporate Services
Responsible Head of Service	'-
Date of Report	28 November 2023
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 was one item from the previous Committee which has now been actioned.

RECOMMENDATION

It is recommended that Council notes the report.

Unclassified

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Appendix 1

Item	Title	Action	Officer	Status
5b	Internal Audit Recommendations Follow-up	<ul style="list-style-type: none"> Narrative regarding why implementation dates have been missed 	Internal Audit	Detail provided where possible and rationale to be provided going forward.
5b	Internal Audit Recommendations Follow-up	<ul style="list-style-type: none"> Close out all late priority 1 recommendations by December Audit Committee 	Director of Corporate Services	Late priority 1s closed. 1 priority 1 still in progress.
6a	Corporate Risk Register Review	<ul style="list-style-type: none"> Reiterate need for robust data handling procedures with in connection with HRC booking system. 	Head of Finance	In new corporate risk register.
6b	Report to those charged with governance	<ul style="list-style-type: none"> Update on progress in respect of compensation for vesting of William Street site 	NIAO Director of Corporate Services	Verbal update at Committee.

Unclassified

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ITEM 5a**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	14 December 2023
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Administration
Date of Report	28 November 2023
File Reference	AUD02
Legislation	Local Government (Accounts and Audit) Regulations 2015
Section 75 Compliant	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other <input type="checkbox"/> If other, please add comment below:
Subject	Risk Appetite Framework
Attachments	Appendix 1 Draft Risk Appetite Framework

Risk Appetite is defined as the amount and type of risk that an organisation is willing to take to meet their strategic objectives. It is not a single, fixed concept and as a result it can be complex.

The attached draft Risk Appetite Framework was developed by the Corporate Leadership Team through a workshop facilitated by Deloitte on 10 August 2023. Recognising that that no organisation can achieve its objectives without taking risks, the framework clearly sets out its approach and scope. The following risk categories were identified as relevant and material to the Council:

- Financial risk
- Compliance/legal risk
- Operational sustainability risk
- Strategic risk

Not Applicable

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Under each of these categories sub-categories were identified, this facilitated the development of an appropriate range of Risk Appetite statements within each headline category. Each statement sets out broadly 'acceptable' levels of risk exposure. The statements are represented by different tolerances and associated thresholds which the Council is willing to accept in pursuit of its objectives; the more risk-taking appetite statements facilitate the taking of opportunity-risk likely to have a positive impact in meeting our objectives.

The Framework also identifies the method of monitoring and control. Any proposed initiative / action which would exceed the Council's approved risk appetite, will be submitted to the Council for its approval and a clear rationale provided. If risk appetite threshold levels are exceeded in the normal course of business and subsequently identified, they will be escalated through the Director of Corporate Services who will report to the Council's CLT and onwards to the Audit Committee and the Council.

The Risk Appetite Statement will be reviewed and updated by CLT and approved by Council annually, or more frequently if there is an event which sets it outside of the agreed tolerances. Following approval, it will also be used in influencing the redesign of the Council's corporate risk register which is ongoing.

RECOMMENDATION

It is recommended that the Council adopt the Draft Risk Appetite Framework (Appendix 1).

Unclassified

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ITEM 5b**Ards and North Down Borough Council**

Report Classification	Unclassified
Exemption Reason	Not Applicable
Council/Committee	Audit Committee
Date of Meeting	14 December 2023
Responsible Director	Director of Corporate Services
Responsible Head of Service	Head of Administration
Date of Report	28 November 2023
File Reference	SOA1
Legislation	Local Government (Accounts and Audit) Regulations 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 Report
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 2023 - 30 September 2023.

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.

The Corporate Risk Register is being reviewed by HoST and CLT and will have assigned owners for each of the Risks.

Not Applicable

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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 implemented a new appraisal scheme for the Council with effect from 1st September 2023, training has been given to all managers on the new scheme. In addition, an absence management action plan is in place and an associated Absence Dashboard is being developed.

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). The Planning permission refusal by the former DFI Minister was successfully overturned, however in the absence of an Assembly it is unclear whether determination can be completed in the absence of a Minister. All this has significant implications for the future of arc21, in terms of delivering infrastructure for member councils. In addition, the tender to put in place interim measures to treat residual waste has also been challenged by an unsuccessful bidder and will be subject to a High Court hearing.

The Administration Service has reported that the Emergency Plan and the Business Continuity Plan (currently under review) are now aligned in a live form. In addition, the Customer Care Action plan is live and aligns with the Customer Service Excellence Accreditation framework. The strategy for this is to follow and it will align with the Corporate Plan.

Tourism has reported that Joint Advisor Group meetings were held for Events, this includes attendance by emergency services representatives, key event partners and providers together with relevant Council staff from various departments. These meetings review Event Management Plans and arrangements to ensure the success of the events.

Planning has reported that the new Planning Portal for Northern Ireland went live in December 2022, it has since had various ongoing technical issues and increased requests for funding associated with it. Risks attributed to this in the Service Risk Register will be updated in respect of potential for reputational damage and escalating costs associated with management of the change requests proposed by the service provider.

The Parks and Cemeteries service has reported that grave space in the Council's cemeteries is running low and that issue is being progressed by the Cemetery Provision Project Board.

Not Applicable

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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 a new Complaints Handling Procedure has been introduced in October 2023 which complies with the NIPSO MCPH. There are associated monitoring and reporting obligations from March 2024. The new procedure also includes guidance for managing complaints on social media. In addition, the Council is awaiting guidance from NIPSO on dealing with unacceptable customer behaviour. Once issued the policy will be developed to localise this guidance to ANDBC.

The Environmental Health, Protection and Development Service has reported that the appropriateness of the control measures for authorisations are now subject to review on an ongoing basis as part of the improvement project being undertaken on the Service's policies and procedures. In addition, a review of the performance targets for the Service has been undertaken and will inform the 2023/24 service plan.

Assets and Property Services have reported that the Port Marine Safety code is monitored regularly by ANDBC staff with assurance being sought from the Maritime and Coastguard Agency and Kevin Baird (Boatfolk) as a designated person.

The Planning Service has reported that NIPSO has undertaken a review into trees which was published in November 2023 which sets out additional work to ensure that risks around this area are appropriately managed. These requirements will be reported to the Planning Committee and additional costs will be introduced as a result. Also, the outworking of NIAO and Public Accounts Committee reports on Planning have resulted in the NI Planning Improvement Programme – identified areas of improvement and cojoined working among local and central government to address the issues identified in the reports.

Waste and Cleansing have reported that as part of the Rate Setting process for 23/24, the Council has agreed to a major review of Waste Management services, to identify how recycling rates can be increased and further financial savings can be achieved. The review has commenced with WRAP appointed to carry out the review of kerbside collection services.

Section 3 – Governance

Administration have reported that the Postal contract is up for review. Interim arrangements are in place to continue with the current provider. This is to facilitate a review of the inclusion of a digital postal service provision can provide cost savings and contribute to our sustainability commitment.

Communications and Marketing have reported that there was a deviation from procurement policy in the approval of the Visit Belfast Regional Tourism Partnership, as Visit Belfast is the only possible provider of this service. This was approved by the Director of Prosperity.

Not Applicable

21

Community and Culture have reported that the Service Level Agreement with YMCA to provide the asylum seeker wraparound service was awarded again for 2023/24 and is funded by the Home Office.

Assets and Property Services have reported that legal action has begun in relation to construction defects at Aurora Leisure Centre.

Parks and Cemeteries service has reported that a Notice of Motion was submitted regarding complaints of cemetery maintenance. Management solutions to this are being sought and a future committee report is being prepared.

The Planning service has reported that an objector to a planning decision granting approval has lodged pre-action papers followed by full papers seeking a judicial review. Currently the case is adjourned to permit parties to explore mediation and reach a settlement.

The Strategic Transformation and Performance service has reported a deviation from procurement policy in the grant for the Comber Earlies festival, as only one response was received from two procurement exercises undertaken.

The Finance service has reported that the issues of the interaction of overtime and holiday pay has been resolved by supreme court judgement. A joint HR and Finance professional groupings legal briefing has been arranged regarding this.

Section 4 – Miscellaneous

The Finance Service has again reported that workload and long-term sickness have inhibited the execution of service and governance improvements, that the failure to implement a corporate information management strategy is inhibiting service efficiencies from being explored.

Leisure Services has reported that the service is performing well against budgets and customer satisfaction KPIs. Concern for staff welfare, recruitment difficulties and the impact of budgetary constraints is recorded however, a proposal has been developed for CLT approval outlining a restructure of operational staff to address these issues.

RECOMMENDATION

It is recommended that Council notes this report.



Report to those charged with Governance

Ards and North Down Borough Council
2022-23

Date: 6 November 2023

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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 2022-23 Ards and North Down Borough Council financial statements which we must report to the Audit Committee, as those charged with governance. We would like to thank the Director of Corporate Services and his staff for their assistance during the audit process.

Audit Opinion

The Local Government Auditor (LGA) reported on the 2022-23 financial statements with an unqualified audit opinion, without modification.

Audit Certificate

On 29th September 2023 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

The net effect of adjustments on the Comprehensive Income and Expenditure Statement and Balance Sheet were £nil and were classification only.

Uncorrected misstatements

There were no uncorrected misstatements.

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 identified one priority one recommendation in relation to the internal control environment as outlined in Section 4 of this Report.

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.

Full details of findings are included at [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 2023.

The total audit fee 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 (UK 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 unaware of any data handling incidents during the year other than those disclosed within the narrative report. 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 UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018.

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 timetable in the 2022-23 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 2022-23 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 2023.

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;
 - Review accounting estimates for biases and evaluated 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 main income streams (i.e. income streams relating to community planning; economic development and planning; and operations).

Audit Response

We carried out the following procedures:

- Documented our understanding of the controls and procedures in place around revenue recognition;
 - Verified income received from District Rates and Government Grants to supporting documentation and subsequent receipt to gain comfort over the completeness of income;
 - 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.

Significant Risk 3

Financial Resilience

The current cost of living crisis and high inflation rates have had a significant impact on council finances. There are continuing challenges for councils to deliver a balanced budget within the current environment. Costs have increased in multiple areas, such as utilities, construction, and pay settlements.

Audit Response

We:

- Considered the Chief Financial Officer's assessment of the going concern basis for the preparation of the accounts;
- Examined financial projections and plans prepared by Council; and
- Considered the disclosures regarding the financial position included within the 2022-23 Statement of Accounts.

Outcome

The Council identified the following key challenges to financial resilience:

- pay inflation;
- energy inflation;
- general inflation;
- procurement and contractor price increases; and
- delivery of capital plan and major capital repairs (Bangor Aurora).

We noted that in viewing the impact of these challenges there was appropriate management, using a mix of cash and reserves. The Department also permitted the use of previously allocated Covid funding to support these pressures.

The Council's policy was to hold General Fund levels of at least 7% of gross expenditure for the year. While this was considered modest for the Council this outturn position was not achieved (6.2%). In July 2023, the Council approved an increase of this indicator to 7.5%. Further detail on this matter is included at Finding 2.

The financial outlook for the Council remains challenging and uncertain. We reviewed the Council's Medium Term Financial Plan and the underpinning "rules" agreed by Council regarding financial monitoring over the medium term. We note that action is required by Management to ensure successful delivery of planned outcomes, including astute financial management and

constraint. Based on the assumptions used for the financial projections, the Council should be able to achieve a balanced position. Any changes to borrowings or large scale expenditure will be expected to have appropriate review at full Council and it is expected that the delivery of the Bangor Seafront project will consume time and resource to ensure successful delivery. Cost pressures associated with the unknown impacts of inflation and price constraint in capital procurement may provide a challenging project outlook. However, the Council should also realise income streams associated with the DfI debtor for land that was vested (from 2021-22 and currently included in debtors at £1.8m) and the outcome of HMRC's ruling on VAT on services (contingent asset).

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 Strategy 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. Further details have been included at significant risk 3.

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 contained within. 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, impropriety 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 have been detailed below.

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

Disposal of Ards Leisure Centre

We reported last year that 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 had not made payment for the site at 31 March 2022 and this payment continues to be outstanding at 31 March 2023. 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 followed up this matter with DfI and while they remain content that this amount is fully recoverable, there was 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 of AND Council. Until the negotiations are successfully concluded, an invoice should not have been submitted".

Further communication between the Council Chief Executive and the DfI's Permanent Secretary in January and February 2023 would suggest that the Department are holding its view that it will not pay on receipt of an invoice. The Permanent Secretary noted that as the valuation of the site was dependent on a number of assumptions around title and that title for part of the site is missing, this could affect the final valuation. She advised that the Departmental Solicitor Office (DSO) is taking forward this matter and until such time as instructed, DfI are asking the Council to issue a credit note or withdraw the invoice.

While there is certainty that an asset transferred and consideration is due there is some uncertainty as to the value the DfI will pay. The Council has

no reason to believe that the value will be less than £1.8m and believe that the title issue while complex, can be resolved.

We consider that while a provision for bad debt may be required when the matter is resolved, it is not likely to be material.

Priority Rating

1

Recommendation

We recommend that:

- the Council seek to engage with the DSO to ascertain the time period they expect to resolve the title matter (given the passage of time since the land was vested) and whether, or if, the valuation of land where title is causing no issue could be paid over;
- the Council consider whether, or if, there are related financial implications to not receiving the full amount plus interest or if a bad debt provision is required.

Management Response (including target date)

We do not consider this to be a priority 1 issue as previous ownership (before vesting is uncontested) and Council have done all in its power to expedite the matter.

We have asked our Legal advisor to find out if DSO would be willing to give a timeframe as to when they will have considered the statutory declarations; their last update (30 August 2023) advised that they would revert to Council once they have considered this matter.

Council is content that it has fulfilled all the requirements of the Department for Infrastructure and that all the money will be received.

Finding 2

Reserves policy

We note that the Council's policy is to hold General Fund levels of at least 7% of gross expenditure for the year. The Council has consistently met this target in prior years. In 2022-23, the level of General Funds held at year end was 6.2% of gross expenditure, falling below the target.

In July 2023, recognising the need to increase the General Fund levels held, the Council made a decision to move this target achievement level to 7.5%.

Priority Rating

2

Recommendation

We recommend that the Council ensures that target reserves are achieved.

Management Response (including target date)

In line with the Reserves Policy, Council will develop a plan to restore the General Fund balance to the appropriate level over the medium term.

Finding 3

Leases

Our review identified that the annual rent for the Foreshore and bed of the sea at Bangor Bay, Co.Down commercial area has been set at 13.5% of gross annual turnover. However, we noted that this rate has not been reviewed or updated since it was set in September 1993.

Priority Rating

3

Recommendation

We recommend that the Council conducts rent reviews on its leased assets on a more frequent basis, to ensure that rates charged remain appropriate.

Management Response (including target date)

LPS have been instructed to enter into negotiations with Crown Estate for the Marina (Commercial), Recreational (Pickie and Marine Gardens) and Regulating (Foreshore) Leases – see acknowledgement letter attached. This will include negotiation on the rental percentage for the Commercial Lease, currently set at 13.5%. The priority at present is the Recreational Lease as there are issues to be resolved with Crown Estate prior to the Queen's Parade development work commencing next year. Whatever is agreed with Recreational Lease may have knock on effects for the Commercial lease, hence why we need to resolve Recreational first. LPS is actively working on this and keeping us updated.

We can only conduct rent reviews as frequently as is provided for by Lease agreements. We accept that the Commercial Lease hadn't been reviewed in a considerable time, but believe as regards Council as a Tenant, this is an isolated issue rather than a wider procedural issue given that the Commercial Lease is the only one with a turnover rent i.e. the only one where we could potentially negotiate a lesser amount – our other Leases where we are the Tenant have fixed amounts so if we pursue a rent review if Landlord doesn't initiate it, it will mean we pay more.

Where we are the Landlord, the Lease/Licence Register sets out the frequency of rent reviews and date next review, with Lands officers actively reviewing this and instructing LPS on any due rent reviews.

Finding 4

Declarations of Interest

Our review of Councillors' Conflict of Interests declarations identified that while all Councillors had completed returns, in two instances, these returns were not signed by the Councillor.

Priority Rating

3

Recommendation

We recommend that the Council ensure all Declarations of Conflict of Interest returns completed by Councillors are appropriately signed by them.

Management Response (including target date)

Reminder sent on 14 September 2023 to Democratic Services to ensure that each Declaration is signed on return and if not a follow up will be sent.

Finding 5

Proper arrangements

While we are satisfied that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the following areas for improvement have been identified and we note that some of these are repeat points that require resource to implement:

- some work continues to be needed 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); Employee Expenses and Benefits Policy (2013); Capability Policy (2015); the Council's IT policies; the Business Continuity Plan is in draft; updated Scheme of Delegation is in draft;
- we note that a resource/succession planning policy has not yet been implemented however development of a policy position is underway;
- fraud training has not be provided to all Council staff and Members (although we appreciate some fraud training has been undertaken by a small number of Officers); and
- the Council's ICT system is not ISO 27001 accredited and the Council has not sought any cyber security accreditation. The Council appreciate that following a number of internal audit recommendations relating to the cyber control environment that further resource is needed in this area.

Priority Rating

2

Recommendation

We recommend that:

- the Council continues work to ensure that all policies are up to date and formally approved;
- fraud training is provided to all Council staff and Members; and
- the Council considers obtaining formal IT accreditation.

Management Response (including target date)

- The Head of Administration is creating a policy database, which will ensure that all policies are the updated versions, reviews are timetabled and old policies are removed from the Council's intranet. Council will report an action plan to the Audit Committee by

December 2023 of how it plans to address outstanding policies and reviews.

- The fraud risk assessment for Council is low and therefore it is not considered appropriate to train all staff and members. However, all Heads of Service and Service Unit managers will be given a high level review of Finance Policies as they are approved, including the anti-fraud policy. Half of these staff have already received this training.
 - Council intends to work towards Cyber Essentials by June 2024.
-

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 5 in previous page.

No priority 1 recommendations were made in our prior year Report to those charged with Governance.

5. Misstatements

Adjusted misstatements

During the audit process we identified the following misstatements above our clearly trivial threshold. These misstatements have been adjusted and the net effect on the statement of comprehensive net expenditure and statement of financial position was £nil.

ISSUE	AREA	SoCNE		SoFP	
		£'000	DEBIT / (CREDIT)	£'000	DEBIT / (CREDIT)
Reclassification of debtors due from short term to long term to reflect expected timing of receipt.	Short term debtors	-		(42,921)	
	Long term debtors	-		42,921	
TOTAL FOR ALL ISSUES		-		-	

Uncorrected misstatements

There were no unadjusted misstatements which exceeded our clearly trivial threshold.

Appendix One – Letter of Representation

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

LETTER OF REPRESENTATION: Ards and North Down Borough Council 2022-23

As Chief Financial Officer of the Ards and North Down Borough Council I have fulfilled my responsibility for preparing accounts that give a true and fair view of the state of affairs, total income and expenditure, cash flows, and movements in reserves; and the related notes of the Council for the year ended 31 March 2023.

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; and
- 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 2023:

- 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 recorded and reflected 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 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 DoF 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 tangible assets owned by the Council.

Non Current 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.

Other 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.

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: £494k
- Environmental: £50k
- Legal: £30k; and
- Holiday pay: £729k

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.

Contingent Asset

The Council, together with the other 10 district councils in Northern Ireland, is participating in a legal action against His Majesty's Revenue and Customs (HMRC) to recover previously overdeclared output VAT in respect of leisure and recreational income, which arose because HMRC did not accept that the Council provides leisure and recreational activities pursuant to a special legal regime without causing any significant distortion of competition. Although Mid Ulster District Council (as lead council in the litigation) succeeded in its claim to the First Tier Tax Tribunal, HMRC subsequently appealed to the Upper Tier Tax Tribunal, which was successful. The Tribunal released its decision on 19 July 2022 to allow the appeal and remit the matter back to the First Tier Tax Tribunal for consideration.

Mid Ulster District Council subsequently sought and received permission to appeal the Upper Tier Tax Tribunal decision to the Court of Appeal and a Hearing was scheduled to take place in May 2023. On 26 January 2023, HMRC notified Mid Ulster District Council that it decided to pay all of the Local Authority Leisure Service claims and proceeded to publish an associated Revenue and Customs Brief on 3 March 2023. Mid Ulster District Council's appeal to the Court of Appeal is currently stayed until 15 September 2023 to allow both parties to time to seek a resolution of the matter. If resolution is reached, it will take time to conclude the matter; alternatively, if there is no resolution, Mid Ulster District Council shall make application for its appeal to be re-listed for mention. In either case, at this stage, it's too early to assess any associated financial impact, but if the matter is resolved to the Mid Ulster District Council's satisfaction, the benefit to this Council could be substantial.

Uncorrected Misstatements

There were no uncorrected misstatements brought to my attention.

Events after the Reporting Period

Except as disclosed in the accounts, there have been no material changes since the reporting period 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 Narrative Report, there have been no personal data related incidents in 2022-23 which are required to be reported.

Mr Stephen Reid
Chief Financial Officer
Ards and North Down Borough Council
22 September 2023

Appendix Two – Audit Certificate

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

Opinion on financial statements

I have audited the financial statements of Ards and North Down Borough Council for the year ended 31 March 2023 under the Local Government (Northern Ireland) Order 2005. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves 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 accounting 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 2022-23, of the financial position of Ards and North Down Borough Council as at 31 March 2023 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 the 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 2023 is consistent with the financial statements.

Matters on which I report by exception

In light of the knowledge and understanding of the 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 2022-23;
 - 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 Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the 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 Financial 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 the 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 board 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 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*

29 September 2023



Audit and Assessment Report 2023-24

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

30 November 2023

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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 the Council is likely to comply with Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) during 2023-24
Statutory recommendations	The LGA made no statutory recommendations
Proposals for improvement	The LGA made one new proposal for improvement

This report summarises the work of the Local Government Auditor (LGA) on the 2023-24 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 Strategic Head of Transformation and Performance and the Performance Improvement Unit, 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 2022-23 and its 2023-24 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.'

In her opinion, the Council is likely to discharge its duties in respect of Part 12 of the Act during 2023-24 and has demonstrated a track record of improvement. 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 statutory recommendation under the Act. We made one proposal for improvement (see Section 3). This represents good practice which should assist the Council in meeting its responsibilities for performance improvement..

Status of the Audit

The LGA's audit and assessment work on the Council's performance improvement arrangements is now concluded. By 31 March 2024 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. We note that the Council included the following objective within the Corporate Performance and Improvement Plan: " *All people in Ards and North Down feel pride as they have access to a well-managed sustainable environment.*"

Benchmarking

The issue of benchmarking with other councils has been part of the work plan for the Performance Improvement Working Group (PIWG) for several years and limited progress has been made on this matter. Progress on this issue would allow a broader range of functions to be compared to support councils with their General Duty to Improve, in accordance with section 84 of the Local Government (Northern Ireland) Act 2014. We acknowledge that delays to this process were faced because of the COVID-19 pandemic.

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 2024, 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. Within Annex B, we have also highlighted a number of prior year proposals for improvement that are yet to be implemented.

Thematic area	Issue	Proposal for improvement
Governance	Whilst the Performance Management Handbook has been reviewed regularly since 2018, the Performance Improvement Policy contained within the Performance Management Handbook has not been revised. We note that the policy was therefore subject to regular review however no changes have been made since 2018.	The Council should ensure that the Performance Improvement Policy is reviewed as part of the planned review of the Performance Management Handbook in 2023-24.

4. Annexes

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 2022-23 and its improvement plan for 2023-24 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 2023-24 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

As a result of my assessment, I believe the Council has discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' guidance sufficiently.

In my opinion, the Council has demonstrated a track record of ongoing improvement and I believe that the Council is likely to comply with Part 12 of the Act during 2023-24.

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.

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
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30 November 2023

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 2023-24 period.</p> <p>There is clear evidence that the Council has aligned the 2023-24 Performance Improvement Objectives to The Big Plan (the Council's Community Plan) and to the Council's Corporate Plan 2020-24. 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 2022-23 Annual Self-Assessment report includes a section titled, "Discharging the general duty to secure continuous improvement in 2022-23" and provides the required information. It also provides a detailed analysis on how it performed against each of its 2022-23 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
Governance arrangements	<p>Issues identified with under performance, and any planned improvements, are included throughout the Annual Self-Assessment report.</p> <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 which covered four service areas in the 2022-23 financial year, all of which incorporated aspects of performance improvement into the work plan. The Council may want to consider the need for an audit review on performance improvement given the time that has passed since the previous review and the change in landscape impacting performance objectives in this time. While the service area audits provide focused time on a sample of areas on an annual basis, the Council may also want to consider how Internal Audit can assist with data validation to support the outturn in the quarterly reports.</p> <p>The Council has put in place 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. The PIU is also staffed by a Transformation Manager and three Transformation Officers.</p> <p>The Performance Improvement Plan is brought to the Audit Committee meetings and the Committee has responsibility for monitoring the Council's progress. These review and reporting practices are now embedded within the Council's arrangements and the Council was able to demonstrate that a performance report was sent to each Audit Committee meeting in the year under review.</p>

Thematic area	Observations
	<p>We note that there is limited evidence that the Council's Audit Committee track progress on all proposals for improvement. The Council should consider this going forward.</p> <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> <p>The Council has a Performance Improvement Handbook in place which is regularly reviewed. We note however that the Performance Improvement Policy included within the handbook has not been revised since 2018. A proposal for improvement in respect of review has been included in section three of this report.</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 continued recovery from the impacts of Covid-19.</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 several 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 2023-24 Performance Improvement Plan contains five performance improvement objectives. These have not changed from the prior year. The Annual Self-Assessment Report provided a narrative for each of the objectives stating whether it had rolled over</p>

Thematic area	Observations
	<p>from a prior period or whether the objective will be monitored as a "business as usual" activity and therefore removed from the Performance Improvement Plan.</p> <p>If delivered effectively, all five of the current year objectives and associated projects, outcomes and targets can demonstrate a direct benefit to citizens.</p>
Consultation	<p>The Council has met its statutory duty to consult on the proposed 2023-24 performance improvement objectives. The process was transparent and open with evidence of the consultation process adequately documented. The results of the process were used to inform the 2023-24 performance improvement objectives and there is evidence of ongoing dialogue between the Council and the community.</p> <p>The Department for Communities guidance recommends that councils consult when deciding how to discharge the general duty to improve and on its proposed improvement objectives. The Council's consultation period began on 10 August 2023 and closed on 21 September 2023. The consultation process comprised a six week public consultation, an online survey, consultation through focus groups and a public consultation on the Council's website. We noted that the output from the consultation had no bearing on the performance improvement objectives included in the plan. . Going forward, it may be beneficial to consider commencing the consultation earlier in the year.</p> <p>The Council encourages stakeholders and residents to engage in the performance improvement process through "<i>Your Opinion Matters</i>," an ongoing campaign 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> <p>We note that at present, the Council does not have a formal Consultation Strategy. This issue was raised in the prior year with a recommendation to considering whether there is</p>

Thematic area	Observations
	<p>a need to prepare a Consultation Strategy formally documenting the approach to be taken in all of the Council's consultation exercises.</p>
Improvement plan	<p>The Council's 2023-24 Performance Improvement Plan complies with the Act and with the Department's guidance. The Council published its 2023-24 Performance Improvement Plan on its website on 27 September 2023. 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 indicators and how the Council performed in each of these areas dating back to 2015-16, where applicable.</p> <p>Under the legislation the Council is required to provide information on the arrangements it has in place to meet statutory indicators and its own self-imposed non-statutory performance indicators. The Council has also met this objective.</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 align with the delivery of the agreed improvement objectives and 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</p>

Thematic area	Observations
	<p>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 24 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 Annual Report against performance data dating back to 2015-16 for each of the measures (where applicable).</p>
Collection, use and publication of performance information	<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 2022-23 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 2015-16 to 2022-23 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, Ideagen (formally 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 Ideagen on a quarterly basis.</p>

Thematic area	Observations
	<p>Ideagen 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 four service areas in the 2022-23 financial year, all of which incorporated performance improvement into the work plan. The Council should consider the need for an audit review on Performance Improvement given the time that has passed since the previous review. Council should also consider how Internal Audit can assist with data validation.</p> <p>The data outturn for the statutory indicators for Waste, Economic Development and Planning are subject to 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. The introduction of the new Planning Portal in December 2022 has impacted on the Northern Ireland Councils who use the portal and their ability to process planning applications. This is reflected in the Self-Assessment report.</p> <p>In relation to enforcement, as a result of the introduction of a new Planning Portal in Quarter 3 of 2022-23, the new Portal currently does not report the figures for Enforcement Cases. This is also reflected in the Self-Assessment report.</p> <p>The Council is expected to report on prior year performance within the published annual Self-Assessment Report. The 2022-23 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.</p>

Thematic area	Observations
	<p>It also provided an overall assessment of the Council's performance against these indicators.</p> <p>The 2022-23 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.</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>
Demonstrating a track record of improvement	<p>The Council has reported on the achievement of outcomes in the Self Assessment Report.</p> <p>Outcomes (Performance Improvement Plan 2022-23) There were five performance improvement objectives identified in 2022-23. Of the five objectives, one was rated as 'green', three as 'amber' and one as red. Those objectives marked as green are considered to be on target. All objectives have a reflective 'how did we do?' narrative attached. All five objectives have been carried through to 2023-24, some with slight changes to the action to be taken.</p> <p>Indicators (Statutory) There are seven statutory indicators across three service areas (economic development, planning and waste management), of these</p> <ul style="list-style-type: none"> • three indicators have been rated as green (ED1,W2,W3); • three indicators have been rated as red (P1, P2, W1); and

Thematic area	Observations
	<ul style="list-style-type: none"> • one indicator has no RAG rating due to statistics not being available from the Department for Infrastructure. <p>Indicators (Self-imposed)</p> <p>These standards are set out within the overall corporate performance of the Council which includes all performance measures (indicators and standards/targets) with ratings (excluding those not measured):</p> <ul style="list-style-type: none"> • 56 per cent green (met/ exceeded); • 8 per cent amber (slightly short/ behind schedule); and • 36 per cent red (missed/ not achieved). <p>Comparing corporate performance with the prior year, there is a significant increase in green standards/targets, an increase in amber standards/targets and a slight decrease in red standards/targets.</p> <p>As well as achievement information for the 2022-23 year, the Council includes trend information in the Self Assessment Performance Report where available as far back as 2015-16. The use of a graphical format for statutory indicators in particular is clear in showing a progression which, in most cases, demonstrates a trend of ongoing improvement.</p> <p>The Council has been proactive in including as much data as is available to allow benchmarking and trend analysis to be as complete as it can be. This demonstrates Council performance in a wide context with clear comparatives The Council continues to demonstrate improvement, meeting outcomes and indicators and where not, offering explanation and amending working practices with the aim of future achievement.</p>

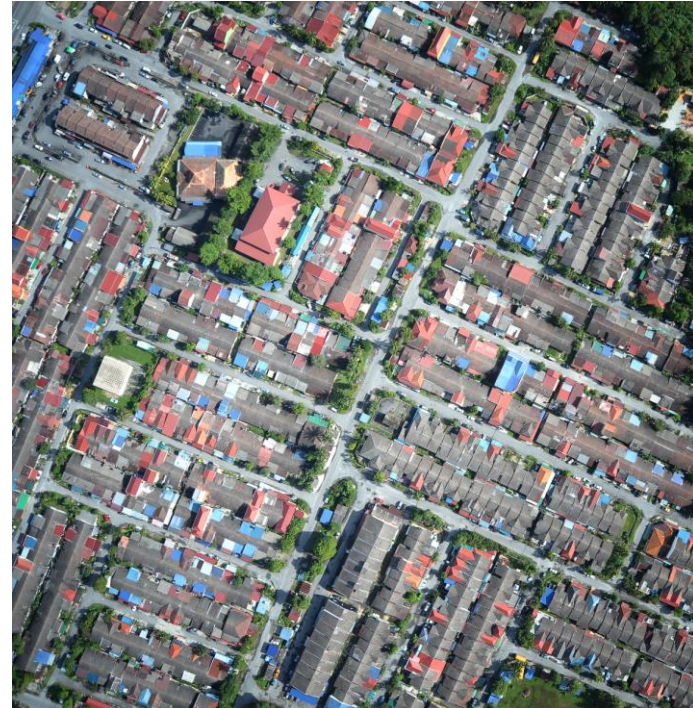


Ards and North Down Borough Council Audit Committee Progress Report

December 2023

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Progress to Date

Summary Status of the 2023/24 Plan

Progress to Date

Summary Status of the 2023/24 Plan

We have continued delivery of the 2023/24 Plan. An overview of our progress on the 2023/24 Plan (as at 07/12/2023) is set out below:

Final Report / Complete	Draft Report	Fieldwork	Planning	Yet to Commence	Cancelled / Deferred	Total
6	-	2	4	-	-	12

Since our previous Audit Committee progress report we have:

- Completed the Emergency Planning Review, final report issued on 19/10/2023.
- Completed the Finance Service and Readiness Review, final report issued on 27/10/2023.
- Completed the Procurement Review, final report issued on 07/12/2023.
- Completed fieldwork for the PCSP review w/c 04/12/2023.
- Completed fieldwork for the Dog Licensing and Enforcement Review on 30/10/2023.
- Issued the final terms of reference for Labour Market Partnership on 29/11/2023.
- Issued the draft terms of reference for Events Management 07/12/2023.
- Held a planning meeting for the Events Management review on 22/11/2023.

Further detail on reviews is provided in **Appendix I**.

Final Reports

Summary of Findings Identified

Final Report

Emergency Planning Review

Background

This assurance review focused on the controls in place to enable the Council to fulfil its responsibilities for Emergency Planning and to support communities in the event of a major emergency in the Borough.

Overview

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

- Discussions with key members of the Council including the Emergency Planning Officer, Risk Manager and key staff involved in Emergency Planning to walkthrough key processes.
- Review of key items of documentation such as copy of the Council’s Emergency Plan, and related documentation including documented roles and responsibilities, evidence of Emergency Plan testing and to evidence processes around emergency planning communication.
- A limited programme of sample testing to assess control operating effectiveness to determine whether:
 - The Council is proactive in engaging with the Southern Emergency Preparedness Group and other relevant agencies to ensure appropriate preparedness for emergencies;
 - Key staff have received training in their role in relation to Emergency Planning and;
 - There is a plan in place for periodic testing and update of the Council’s Emergency Plan and confirm testing has been undertaken.
- Considered possible improvements or alternatives for the controls in place.
- 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.

Priority 1	Priority 2	Priority 3
-	-	2

Overall Opinion

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

Findings

There were no **Priority 1 or Priority 2** findings identified during our review.

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

Final Report

Finance Service and Readiness Review




Background

This assurance review focused on the key controls in place to manage risks associated with Service planning, performance monitoring/reporting, risk management and system readiness within the Finance Service.

Overview

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

- Held discussion with key members of the Service including the Head of Service and Service Unit Managers to walkthrough key processes.
- Reviewed key items of documentation such as policies and procedures, Service Plans, Service risk register and performance improvement reports.
- A limited programme of sample testing to assess control operating effectiveness, including:
 - Reviewed a sample of two weekly Finance Services Service management meetings, to determine whether Service level risk was adequately discussed and whether input was sought from Service unit management to feed into the Finance Services Service Risk Register;
 - Reviewed a sample of two quarterly Service assurance statements from the Head of Service to the Risk Manager, to determine whether this is appropriate for escalating significant or emerging risks;
 - Reviewed a sample of two quarterly performance review reports from the Head of Finance Services Service to evidence reporting of performance against objectives within the Service Plan, as well as evidence of reporting of these reports to the Corporate Services Committee and to the Council, to evidence oversight of performance against objectives within the Service Plan.
- Considered possible improvements or alternatives for the controls in place.
- 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.

 <p>Priority 1</p>	 <p>Priority 2</p>	 <p>Priority 3</p>
-	1	2

Overall Opinion

As a result of our audit a **Satisfactory** assurance 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:

- Inadequate Finance System Readiness Processes.

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

Final Report

Procurement Review

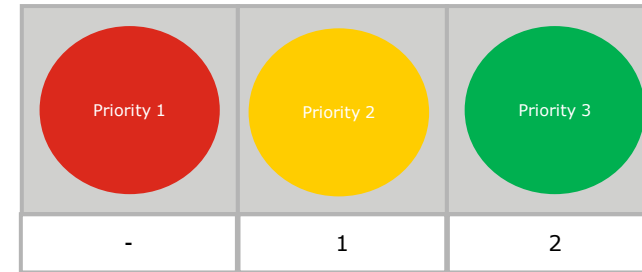
Background

This assurance review focused on the key controls in place over procurement above the tender threshold and controls to manage supply chain risk. This review also included contract management arrangements in place post-procurement, including performance monitoring controls.

Overview

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

- Held discussions with key members of the Service including the Head of Transformation and Performance, Procurement Manager, and Head of Finance, and key staff involved in Procurement and Contract Managers for a sample of contracts to walkthrough key processes.
- Reviewed key items of documentation such as Council’s Procurement Policy and Procurement Handbook.
- A limited programme of sample testing to assess control operating effectiveness and that the Procurement exercises were carried out in line with the Council’s Procurement Policy including;
 - Review of Council’s approval before the contract award;
 - Review of tender advertisements on public platform;
 - Review of file maintenance and checklist;
 - Review of contract register maintained for issued tenders;
 - Review of Contract Specification documents;
 - Review of Request for Tenders documents issued by the Council;
 - Review of tender evaluation documents to determine fair competition and selection process;
 - Review Conflict of Interest (COI) forms declared by the evaluation panel; and
 - Award and Regret letters issued to the successful and unsuccessful applicants.
- A limited programme of sample testing to assess control operating effectiveness of Contract Monitoring arrangements including:
 - Defined and assigned roles and responsibilities in place for the management of each particular contract;
 - Defined contract performance indicators, which are understood by staff with responsibility for the contracts;



- Maintenance of a contracts register;
- Updates against performance indicators by third-party service contractors
- Mechanisms are in place for monitoring and reporting third-party service contractor performance against contracted obligations.
- Considered possible improvements or alternatives for the controls in place.
- 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.

Overall Opinion

As a result of our audit a **Satisfactory** assurance 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:

- Inadequate documentation of contract management arrangements.

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

Appendix I

Progress to Date

Progress to Date

Update on Annual Internal Audit Plan – 2023/24

In this section we have provided an overview of our progress regarding the 2023/24 Internal Audit Plan as at 07/12/2023.

Ref	Review Area	Sponsor	Planned Days	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 1								
ANDBC 23/24 – 01	Service Review – Assets and Property Services	Head of Assets and Property Services	15	Final Report	Satisfactory	15/05/2023	15/05/2023	Final Report issued 28/09/2023.
Quarter 2								
ANDBC 23/24 – 02	Service Review - Finance	Head of Finance	15	Final Report	Satisfactory	26/06/2023	26/06/2023	Final Report issued 27/10/2023.
ANDBC 23/24 -03	Risk Register Workshop	CLT and HoST	2	Complete	N/A	25/07/2023	25/07/2023	Workshop held on 25/07/2023. Output from the risk register workshop issued to management on 07/08/2023 for management review and risk scoring.
ANDBC 23/24 – 04	Emergency Planning	Head of Administration	10	Final Report	Satisfactory	31/07/2023	31/07/2023	Final report issued 19/10/2023.
ANDBC 23/24 - 05	Risk Appetite Workshop	CLT	3	Complete	N/A	10/08/2023	10/08/2023	Workshop held on 10/08/2023. Output from workshop issued to management on 12/09/2023.

Progress to Date

Update on Annual Internal Audit Plan – 2023/24

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Ref	Review Area	Sponsor	Planned Days	Audit Status	Assurance Level	Planned Start Date	Actual Start Date	Notes
Quarter 3								
ANDBC 23/24 – 06	Procurement - above tender threshold and contract management	Head of Transformation and Performance / Head of Finance / relevant Heads of Service	20	Final report	Satisfactory	18/09/2023	18/09/2023	Final Report issued 07/12/2023.
ANDBC 23/24 – 07	PCSP	Interim Head of Community and Wellbeing	9	Fieldwork complete	-	13/11/2023	13/11/2023	Fieldwork complete – closing meeting being scheduled for w/c 11/12/2023.
ANDBC 23/24 – 08	Dog Licensing and Enforcement	Neighbourhood environment manager / Head of Finance	10	Fieldwork complete	-	30/10/2023	30/10/2023	Closing meeting held 24/11/2023. Draft report to be issued.
Quarter 4								
ANDBC 23/24 – 09	Events Management	Head of Tourism	10	Planning commenced	-	15/01/2024	-	Draft TOR issued 07/12/2023. Management responses to be received.
ANDBC 23/24 – 10	Labour Market Partnership	Head of Economic Development	8	Planning commenced	-	24/01/2024	-	Final TOR issued 28/11/2023. Fieldwork to commence 29/01/2024.
ANDBC 23/24 – 11	HR (Absence Management)	Head of HR and Organisational Development	12	Planning commenced	-	08/01/2024	-	Planning meeting scheduled for 08/12/2023.
ANDBC 23/24 - 12	IT General Controls	Head of Transformation and Performance	16	Planning commenced	-	29/01/2024	-	Planning meeting scheduled for 12/12/2023.

Changes to the Internal Audit Plan and AOB

Amendments and AOB to be noted by the Audit Committee

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In addition to work in the Plan, management have requested a possible additional review of vehicle replacements. We are working with management to scope this review. 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

Outstanding Recommendations Update



Internal Audit have compiled a database of Internal Audit recommendations and seek management updates quarterly 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 second quarter update for 2023/24 will be now reported to the Audit Committee.

Outstanding Recommendations

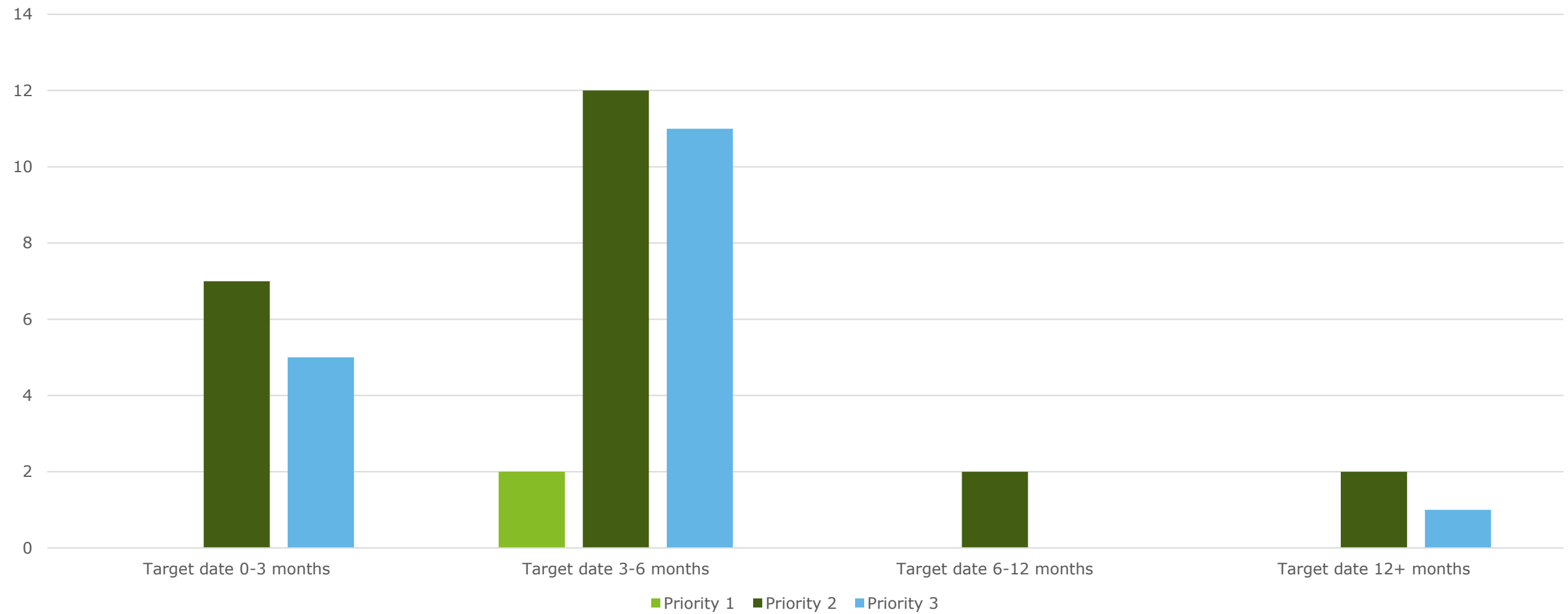
Update as at 07/12/2023

	Priority 1	Priority 2	Priority 3	Total
Total Open Issues as at the previous Audit Committee Meeting	3	35	27	65
Items added to tracker since the previous Audit Committee Meeting	-	1	4	5
Issues closed/superseded since the previous Audit Committee Meeting	(2)	(14)	(10)	(26)
Total items remaining open as at 07/12/2023	1	22	21	44
Items in progress / partially implemented	1	12	4	17
Items not yet implemented	-	10	17	27

Outstanding Recommendations

Update as at 07/12/2023

Updated target dates for outstanding recommendations



Quarterly Follow-Ups Update

December 2023

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	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	Charging and Income Policy agreed by Council July 2023. Leisure can now draft appropriate procedures to address this recommendation. Updated target date of implementation; 31/03/2024 06/07/2023

Quarterly Follow-Ups Update

December 2023

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	Travel and Subsistence	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.	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.	2	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.	31/03/2019	The Head of Service advised "Policy proposals agreed by CLT June 2023. Policy to be drafted for consultation following progress with the budgeting policy" Updated target date of implementation; 31/03/2024 01/10/2023 31/03/2022
3	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, HoST and SUMS will give clear direction regarding the essential user issue.	31/03/2019	The Head of Service advised "Policy proposals agreed by CLT June 2023. Policy to be drafted for consultation following progress with the budgeting policy." Updated target date of implementation; 31/03/2024 01/10/2023 31/03/2022

Quarterly Follow-Ups Update

December 2023

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	Overtime, Flexi & TOIL	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 “Transformation and Performance are working on ways to implement .” Updated target date of implementation; 31/03/2024 30/06/2023 01/12/2022

Quarterly Follow-Ups Update

December 2023

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
5	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	<p>The Head of Service advised "A business case has been approved for an extra resource within the PSU (Procurement Officer). Appointment is anticipated to be January 2024. Therefore, it is anticipated that the spend review process will commence for yr 23/24 in May 2024 and this will be completed on an annual basis from then."</p> <p>Updated target date of implementation; 01/05/2024 30/04/2023 30/04/2022</p>

Quarterly Follow-Ups Update

December 2023

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
6	HR: Recruitment & Retention	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.	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.	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>Previously, the Head of Service advised “Considerable consultation has taken place involving focus groups and various work streams, draft policy to be presented to trade unions in the near future”.</p> <p>Update as at December 2023 “ Draft plan will be presented to CLT by March 2024.”</p> <p>Updated target date of implementation : 31/03/2024 30/09/2023 01/04/2022</p>

Quarterly Follow-Ups Update

December 2023

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	Grant Funding	<p>We reviewed the processes in place to monitor grant expenditure and performance and noted the following:</p> <p>1) Beneficiaries complete period end evaluation questionnaires, however, the evaluation questionnaire is not in line with the reporting template included in Appendix Seven of the Grants Policy to monitor project progress. We reviewed the grant evaluation reports completed by six sampled beneficiaries at the end of the grant term and noted the following issues:</p> <ul style="list-style-type: none"> • Sample 1: Question 1 the evaluation form which related to how the grant funding was spent by the Organisation was not completed by the beneficiary however we note that it was made clear how the money was spent in answer 2 which provided an overview of the items purchased with the money. • Sample 2: Question 5 'Total number of people impacted directly following this investment' was missing from the evaluation form. <p>2) The Community Halls and Bases funding stream assessment criteria notes that successful applicants are required to submit a monthly monitoring return for DfC, however we noted the absence of monitoring returns for any of the three sampled projects within the Community grants - Halls and Bases grant.</p>	<p>The Council should consider the following:</p> <p>1) Update the Grants Policy in line with any updates to the reporting processes (i.e. completion of evaluation forms), or ensure that reporting processes outlined within the current version of the Grants Policy is adhered to.</p> <p>2) Ensure that post grant term evaluation questions are consistent with monitoring questions outlined within the SLA.</p> <p>3) Ensure beneficiaries are submitting monitoring returns to the Council in compliance with the monitoring arrangements outlined in the LOO/SLA.</p> <p>4) Where evaluation forms are completed by beneficiaries, the Council should ensure that all questions are included in the form and fully answered</p> <p>5) In addition, where changes are made to the frequency and/or format of monitoring processes i.e., similar to those changes made during Covid 19, advice notes should be issued to organisations to outline the processes to be adhered to during the period.</p>	2	<ol style="list-style-type: none"> The Grants Policy will be updated as recommended. Monitoring requirements will be updated to ensure they are consistent with those outlined in the SLA. Beneficiaries' will be required to submit monitoring requirements as set out in their SLA. Beneficiaries will be required to complete their monitoring forms in full. Where changes to monitoring requirements are made these will be communicated to beneficiaries. 	31/12/2022	<p>The Head of Service advised "Head of Service has been on long term sick leave ."</p> <p>Updated target date of implementation; 31/03/2024 30/09/2023 31/03/2023</p>

Quarterly Follow-Ups Update

December 2023

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	Grant Funding	<p>3) Section four of the 'Sample 3' Programme SLA documents the requirement for the beneficiary to document a response to pre-determined monitoring questions monthly, however documented responses have not been obtained by the Council. In addition, we noted that the evaluation questions completed at the end of the SLA period for 'Sample 3' differed to the monitoring questions documented within the SLA.</p> <p>4) We note that the Council was administering and monitoring these grants during the Covid 19 pandemic and were advised by Management that monthly monitoring returns would be an onerous task to place on organisations during this time. We were unable to obtain evidence of advice notes or similar communications being issued by the Council to verify that monthly monitoring returns were not required during this time.</p>	See previous slide.	2	See previous slide.	See previous slide	See previous slide.

Quarterly Follow-Ups Update

December 2023

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
8	Strategic Financial Planning	<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 involved from HoST earlier in the strategic planning process to identify the price pressures within the Service Units to better forecast future expenditure.</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>	2	<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>	31/09/2023	<p>Head of Service advised “Draft policy approved by Corporate Services Committee on 14th November. Training will follow.”</p> <p>Updated target date: 30/09/2024</p>

Quarterly Follow-Ups Update

December 2023

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
9	Customer Service	<p>We reviewed a sample of the following management reports:</p> <ul style="list-style-type: none"> • 2021 Annual Customer Service Management Report • Monthly Customer Service Management Report • Quarterly Service Plan KPI Reports <p>During our review we noted the following:</p> <p>Monitoring and Reporting of Compliance with KPIs</p> <ul style="list-style-type: none"> • The Customer Service Management Reports (both monthly and annual reports) do not include a tick mark or similar measure to report on whether complaints were responded to in line with the KPIs outlined within the Complaints Guide. • Quarterly Service Plan KPI reports are submitted to the Corporate Services Committee to provide an update on progress to meet Administration Service Plan KPIs. However, there is no specific Service Plan KPI in relation to complaints, for example percentage of complaint responses communicated in line with the KPIs outlined in the Complaints guide. • We acknowledge that since audit fieldwork the Council have begun work to implement KPIs relating to the tracking of compliance with complaint response KPIs as part of the 2022/23 Administration Service Plan. <p>Monitoring of Complaint Trends</p> <ul style="list-style-type: none"> • There is currently no complaint trend analysis performed to document, track and circulate actions to be implemented across the Council in response to complaints received, in order to prevent the complaint from re-occurring, identify any thematic trends and improve service delivery across the Council. 	<ol style="list-style-type: none"> 1) Update Customer Service Management Reports (both monthly and annual reports) to report on compliance with Complaint Guide KPIs. 2) Ensure KPIs relating to compliance with Complaint Guide KPIs are implemented into the 2022/23 Administration Service Plan, and report on performance against these KPIs through the Quarterly Service Plan KPI reports. 3) Carry out trend analysis on a periodic basis to identify thematic trends from complaints received throughout the period, and document/track actions to be implemented across the Council to improve service delivery. The outcomes of the trend analysis should be reported to Corporate Services Committee through the year end (Q4) Administration Service Plan KPI Report. 	2	<ol style="list-style-type: none"> 1) The Council will Update Customer Service Management Reports (both monthly and annual reports) to report on compliance with Complaint Guide KPIs. 2) A service KPI has been introduced for complaint handling, this is in the Administration Service Plan for 22/23 as an internal improvement. 3) The Customer Service Manager will carry out trend analysis on a periodic basis to identify thematic trends from complaints received throughout the period, and document/track actions to be implemented across the Council to improve service delivery. The outcomes of the trend analysis will be reported to Corporate Services Committee through the year end (Q4) Administration Service Plan KPI Report. 	31/03/2023	<p>Head of Service advised:</p> <p>“1. Now reported through performance report Q1 2023/24 due Sept 2023. 2. Complaints being reported in line with NIPSO complaint handling procedure. First reporting deadline March 2024. 3. Now reported through performance report Q1 2023/24 due Sept 2023. 4. Implementing as part of rollout of new NIPSO complaint handling Procedure. Rollout Summer 2023. 5. Implementing as part of rollout of new NIPSO complaint handling Procedure. Rollout Summer 2023.”</p> <p>Updated target date of implementation; 31/03/2024 31/03/2023</p>

Quarterly Follow-Ups Update

December 2023

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
9	Customer Service	<ul style="list-style-type: none"> 'Actions taken' were not documented for 21/30 of the closed complaints documented within the 'Formal Complaints Broken Down by Enquiry Type' section of the report, meaning it was unclear what action had been taken to close the complaint. Investigation was unclear. For 27/30 closed complaints within the 'Formal Complaints Broken Down by Enquiry Type' section of the report the complaint 'comment/ outcomes' row was incomplete, meaning the outcome of the complaint investigation was unclear. <p>Monthly Customer Service Management Report We reviewed the October 2021 and November 2021 Monthly Management Reports and noted that following:</p> <ul style="list-style-type: none"> October 2021 Report - for the 6 enquiries received during October 2021 the 'evidence of response' column and stage 1,2 and 3 columns had not been completed to document whether evidence of the response had been obtained, and to clarify whether the enquiry/complaint was escalated through the complaint stages. November 2021 Report - for 1/5 enquiries received during November 2021 the 'evidence of response' column and stage 1,2 and 3 columns had not been completed to document whether evidence of the response had been obtained, and to clarify whether the enquiry/ complaint was escalated through the complaint stages. 	<p>4) Ensure that the Annual Customer Service Management Report is fully documented to outline the actions taken to close the complaint, along with any outcomes arising from the complaint.</p> <p>5) Ensure that monthly Customer Service Management Reports fully document whether evidence has been obtained to verify that a response have been issued to the Complainant through each stage of the complaint process. Where Complaints are resolved at Stage 1/2 the management reports should record the Stage 2 and/or Stage 3 response as non-applicable to clearly document that the complaint has been resolved.</p>	2	<p>4) The Customer Services manager will ensure that the Annual Customer Service Management Report is fully documented to outline the actions taken to close the complaint, along with any outcomes arising from the complaint.</p> <p>5) The Customer Services Manager will ensure that monthly Customer Service Management Reports fully document whether evidence has been obtained to verify that a response have been issued to the Complainant through each stage of the complaint process. Where Complaints are resolved at Stage 1/2 the management reports will record the Stage 2 and/or Stage 3 response as non-applicable to clearly document that the complaint has been resolved.</p>	See previous slide	See previous slide

Quarterly Follow-Ups Update

December 2023

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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
10	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>	2	Once the updated BCP is finalised the Policy and Procedures will be revised and submitted to Corporate Committee for approval.	31/03/202	<p>Annual testing Programme will be detailed within BCP. Testing Programme will be implemented following BCP approval.</p> <p>Updated target date of implementation; 30/11/2023 31/10/2023</p>

Appendix III

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 (Ards and North Down Borough Council) 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.

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Deloitte

Belfast

December 2023



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Ards and North Down Borough Council

Emergency Planning – Final Report

October 2023



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1. Overview

1.1. Introduction

This assurance review was undertaken as part of the 2023/24 Internal Audit Operational Plan to review the controls in place to enable the Council to fulfil its responsibilities for Emergency Planning and to support communities in the event of a major emergency in the Borough.

1.2. Overview

The Northern Ireland (NI) Civil Contingencies Framework sets out NI arrangements for effective emergency management, identifying the processes involved in preparing for, responding to and recovering from an emergency. Within the Framework, the responsibility of Local Government is to act as the agency responsible for planning for the recovery of the community following any major emergency, usually in co-operation with the Police Service of Northern Ireland (PSNI).

Ards and North Down Borough Council ('the Council') works with a wide variety of partner agencies across Northern Ireland in particular the Southern Emergency Planning Group, and associated sub groups to ensure preparedness in the event a major emergency occurs. The Council have an Emergency Plan in place, and align their emergency planning processes and controls with the NI Civil Contingencies Framework. The Council also have an Emergency Planning Implementation Group which meets twice yearly to consider internal and external risks to the Borough.

The Emergency Plan sets out the overarching emergency plan and is supplemented by additional plans to provide more detailed guidance and mechanisms for emergency planning, response and recovery. This plan is to be read in conjunction with the 'First Steps' document which provides guidance to Duty Directors & Heads of Service on how to respond to an incident. The Council's Emergency Planning Officer and Risk Manager leverage the UK national and NI risk registers to prepare for the most likely threats to the safety of the Borough.

1.3. Scope and Objectives

The scope of this internal audit included a review of the governance arrangements, processes and controls in place to ensure that Council can fulfil its responsibilities for Emergency Planning and to support communities in the event of a major emergency in the Borough. The objectives of the Internal Audit review were to:

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- Review the governance arrangements in place for emergency planning, including whether there is a documented Council Emergency Plan that sets out the following:
 - Resources and processes to initiate emergency response, implement emergency procedures and ongoing incident management, and co-ordinate personnel and assets to deal with an emergency onsite;
 - A clear management structure identifying key decision makers in the event of an emergency;
 - Processes for alerting and assisting emergency services;
 - Onsite evacuation plans, in the case where this is required.
- Confirm whether the Council's Emergency Plan is up-to-date, appropriately approved and has undergone periodic review.
- Determine whether:
 - Key staff have received training in their role in relation to Emergency Planning.
 - Communication and/or training has been given to all Council staff so they understand what they should do in the event of an emergency and/or major incident.
- Determine whether the Council is proactive in engaging with the Southern Emergency Preparedness Group and other relevant agencies to ensure appropriate preparedness for emergencies.
- Confirm that a process has taken place to identify high risk emergency and major incident scenarios to inform the development of the Emergency Plan.
- Confirm whether there is a plan in place for periodic testing and update of the Council's Emergency Plan and confirm testing has been undertaken.
- Determine whether lessons learned are documented after each test and action plans are developed to address any lessons learned in a timely manner.



1.4. Approach

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

- Discussions with key members of the Council such as the Emergency Planning Officer, Risk Manager and key staff involved in Emergency Planning to walkthrough key processes.
- Review of key items of documentation such as copy of the Council's Emergency Plan, and related documentation including documented roles and responsibilities, evidence of Emergency Plan testing and to evidence processes around emergency planning communication.
- A limited programme of sample testing to assess control operating effectiveness.
- Consideration of possible improvements or alternatives for the controls in place.
- Reporting of findings with practical recommendations for improvement where appropriate.

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 August and September 2023.

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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 were no **Priority 1** or **Priority 2** findings identified during our review.

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

- Updates required to Emergency Plan (see **Section 2.1**)
- Formalising Lessons Learned Process (see **Section 2.2**)

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 Emergency Planning. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

Consequently, based on 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. Update of Emergency Plan

Finding	Recommendation	Priority												
<p>Appendices to the plan</p> <p>We reviewed the Council’s Emergency Plan (“the plan”) and noted several instances where the Appendices within the Plan have not been updated in accordance with the references to the Appendices within the main body of the plan as follows:</p> <table border="1" data-bbox="195 716 1167 1282"> <thead> <tr> <th data-bbox="195 716 690 789">Appendices as per main body of plan</th> <th data-bbox="690 716 1167 789">Actual Appendices</th> </tr> </thead> <tbody> <tr> <td data-bbox="195 789 690 857">Appendix 2. Initial Appraisal Appendix 2 Incident Record Form</td> <td data-bbox="690 789 1167 857">Appendix 2: Activation of Emergency Plan</td> </tr> <tr> <td data-bbox="195 857 690 927">Activation of Emergency Plan Not required (Appendix 3a)</td> <td data-bbox="690 857 1167 927">Appendix 3: Emergency Management Room Set-up</td> </tr> <tr> <td data-bbox="195 927 690 1062">Emergency Management Room. (See Appendix 4) Convene Emergency Management Team Meeting (Appendix 4)</td> <td data-bbox="690 927 1167 1062">Appendix 4: Emergency Management Team Agenda</td> </tr> <tr> <td data-bbox="195 1062 690 1208">Emergency Management Team to be convened. Suggested agenda attached as Appendix 5</td> <td data-bbox="690 1062 1167 1208">Appendix 5: Emergency Management Team: Roles and Responsibilities</td> </tr> <tr> <td data-bbox="195 1208 690 1282">Protocol for Multi-Agency Co-Ordination and Recovery (Appendix 7)</td> <td data-bbox="690 1208 1167 1282">Appendix 7: Training and Exercising</td> </tr> </tbody> </table>	Appendices as per main body of plan	Actual Appendices	Appendix 2. Initial Appraisal Appendix 2 Incident Record Form	Appendix 2: Activation of Emergency Plan	Activation of Emergency Plan Not required (Appendix 3a)	Appendix 3: Emergency Management Room Set-up	Emergency Management Room. (See Appendix 4) Convene Emergency Management Team Meeting (Appendix 4)	Appendix 4: Emergency Management Team Agenda	Emergency Management Team to be convened. Suggested agenda attached as Appendix 5	Appendix 5: Emergency Management Team: Roles and Responsibilities	Protocol for Multi-Agency Co-Ordination and Recovery (Appendix 7)	Appendix 7: Training and Exercising	<p>The Council should ensure that:</p> <ol style="list-style-type: none"> 1. The Emergency Plan is updated to accurately reflect each appendix and include correct references where appropriate. 2. The Emergency Plan is approved in accordance with the approval process outlined within the plan and subsequently documented. 3. The version control table of the First Steps document is updated. 	 <p>Priority 3</p>
Appendices as per main body of plan	Actual Appendices													
Appendix 2. Initial Appraisal Appendix 2 Incident Record Form	Appendix 2: Activation of Emergency Plan													
Activation of Emergency Plan Not required (Appendix 3a)	Appendix 3: Emergency Management Room Set-up													
Emergency Management Room. (See Appendix 4) Convene Emergency Management Team Meeting (Appendix 4)	Appendix 4: Emergency Management Team Agenda													
Emergency Management Team to be convened. Suggested agenda attached as Appendix 5	Appendix 5: Emergency Management Team: Roles and Responsibilities													
Protocol for Multi-Agency Co-Ordination and Recovery (Appendix 7)	Appendix 7: Training and Exercising													



<p>Protocol Escalation of Multi-Agency Response (Appendix 8) Department Briefing Templates for completion by the EMT. These are included in Appendix 8</p>	<p>Appendix 8: List of Relevant Plans and Protocols</p>
<p>Incident in neighbouring Council District, (Appendix 9) Complete Implication Assessment Form for Neighbouring Authorities. (Appendix 9) end of the Emergency Phase (Appendix 9)</p>	<p>Appendix 9: Effective Decision Making (JESIP)</p>
<p>EMT Meeting: Suggestion Stand Down Agenda, (Appendix 10)</p>	<p>Appendix 10: Councillors Roles in an Emergency</p>
<p>SEPG Multi Agency Meeting Convened (Appendix 11)</p>	<p>No Appendix 11</p>

Management advised that this is because these references had been carried over from a legacy Council document.

Approval of the plan

The plan states “The Emergency Plan is reviewed annually or upon activation or validation. The appendices to this plan are living documents and may be amended without seeking ratification by Council Committee. The Chief Executive is contacted to sign and validate the document after each review.”

We noted that the plan has not been signed off in accordance with this approval process as outlined within the plan.



Version Control

We reviewed the First Steps document, which is to be read in conjunction with the plan, and noted the version control of the First Steps document has not been updated.

Potential Impact

There is a risk that key emergency management processes within the Emergency Plan are not accessible during an emergency and/or major incident due to appendices being incorrectly referenced, and that key emergency management processes may be overlooked if not easily accessed.

Without regular review, there is a risk that the Emergency Plan is out of date and therefore does not reflect current practices.

Management response

Action Plan

1. Appendices in document reviewed and amended
2. By Agreement Sign off and reviews of plans now form part of the CLT/HoST Emergency Planning Implementation Group (EPIG) agenda. The next meeting with this incorporated is the 19th October 2023
3. Version control updated in relevant parts of the first steps document, pending further annual reviews.

Owner/ Title


Emergency Planning Officer

Target Date of Implementation

Completed



2.2. Formalising Lessons Learned Process

Finding	Recommendation	Priority
<p>Lessons Learned Process</p> <p>We identified that there is no formal process which is consistently followed for documenting lessons learned and action plans which address these in a timely manner.</p> <p>We reviewed the internal incident report produced by the Director of Community and Wellbeing in January 2022 related to a sample emergency incident that occurred in November 2021. We identified that this report included “<i>Lessons learned and actions in preparation for any future similar incidents</i>” section.</p> <p>However, we identified there was no evidence of a formal action plan with action owners and timelines for implementation of actions to address these.</p> <p>Update of the Emergency Plan to reflect Lessons Learned</p> <p>We identified the most recent version of the Emergency Plan, dated 2020, has not been updated to reflect lessons learned identified after the emergency incident in November 2021.</p> <p>Potential Impact</p> <p>There is a risk that lessons learned during emergency incidents are not identified, captured and addressed in a timely and consistent manner, increasing the likelihood that the same mistakes may be repeated in the future impacting the Council’s ability to adequately respond to an emergency incident.</p>	<p>The Council should ensure that the following areas are implemented:</p> <ol style="list-style-type: none"> 1. Formalisation of a process for documenting lessons learned after the occurrence of emergency incidents. This should include the requirement of a formal action plan with action owners and timelines for implementation of required actions. 2. Review and update of the Emergency Plan to reflect lessons learned identified after an emergency incident. 	
<p>Management response</p>		



Action Plan	Owner/ Title	Target Date of Implementation
Lessons Learned now included in the processes and a template included at App 2 first steps (2.5) and as a template blank n the EPO folder structure on Councils S-Drive	Emergency Planning Officer	Completed



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.

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David Kinsella

For and on behalf of

Deloitte (NI) Ltd

Lincoln Building, 27-45 Great Victoria Street,

Belfast, BT2 7SL

Date:

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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

Finance Service and Readiness Review – Final Draft Report

October 2023

Ards and North Down Borough Council – Finance Services Service Review – Final Draft Report for Audit Committee

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1. Overview

1.1 Introduction

This assurance review was undertaken as part of the 2023/2024 Internal Audit Operational Plan and focused on the key controls in place to manage risks associated with Service planning, performance monitoring/reporting, risk management and system readiness.

Overview

Finance Team

The Finance Service comprises of a Head of Service, and four Service Unit managers for each Service Unit (Corporate Accounting, Performance Accounting, Capital Accounting, Financial Operation) and is part of the Corporate Services Directorate. The role of the Finance Service is to support all other Council services by delivering efficient and effective stewardship of Council funds by providing leadership and excellence in strategic and operational financial matters.

Service Planning

A Service Plan template and guidance notes are used to draft the annual Finance Service Plan. The Plan is drafted by the Head of Finance (HOF) and is reviewed by the four Service Unit Managers, an independent Head of Service peer reviewer and ultimately the Director of Corporate Services. The Plan contains Stakeholder analysis including a PESTLE and SWOT analysis. In addition, the Plan also contains KPIs which are used to evaluate the Service's performance. Management ensure that Service Plan KPIs and objectives are aligned to support the achievement of corporate objectives. KPIs are formally monitored on a quarterly basis where the HOF compiles a performance report noting the status of each KPI within the Service Plan and presents the report to the Corporate Services Committee each quarter. In addition, the HOF has recently introduced an excel work plan document noting each Service Plan KPI; the Head of Finance advised that he intends to use the document to monitor KPIs on a more frequent basis.

Risk Management

The Council have a Risk Management Strategy in place that was most recently updated in April 2022, providing guidance on the process for identifying, assessing, and monitoring risks. Risk is discussed at the weekly Finance manager meetings, where governance is a standing item on the agenda. Where a risk is identified, it will be reviewed and assessed by the HOF before being reviewed for comment by the Service Unit Managers. Risk actions are documented in the weekly Finance manager meeting action notes. On a biannual basis the Head of Service and Service Unit Managers complete the internal governance Statement of Assurance to provide assurance that the internal standard procedures, risk management and / or control arrangements are in place within Finance. Within this statement any failure of controls or significant risks causing concern and requiring mitigation should be identified. The Finance Service Risk Register is included within the Statement; the Finance risk register is also included within the Finance Service Plan.



Finance System Readiness

The Finance Service are preparing to implement a new finance system over the next 18 – 24 months. Management advised that the current finance system (Total) will be supported for a further three years maximum. A business case for procurement of a new finance system has been approved by the Council during the Estimates process for 2023/24 financial year.

1.2 Scope and Objectives

The scope of this internal audit within Finance Services included a review of the controls in place to manage risks associated with service planning, and risk management. This Service review also focused on Finance Service readiness for transformation to a new system. The objectives of the Internal Audit review were to:

- Gain an understanding of the Service planning and reporting process, including the processes to identify stakeholder analysis, PESTLE analysis and future challenges.
- Assess whether Service objectives within the Finance Service Plan 2023-24 are aligned to support the achievement of corporate objectives, and whether KPIs and measures to track achievement of objective outcomes are reported to Management.
- Determine how progress against objectives and outcomes are monitored and reported, including verifying that KPIs are set and monitored for each.
- Determine whether Service objectives remain relevant and aligned to corporate objectives as per the Council's Corporate Plan 2020-2024.
- Consider how risk management is embedded and communicated, across the Service and Service Units, including: assessing the process for identifying, assessing and monitoring risks facing the Service, and considering whether there are appropriate reporting structures for escalating significant or emerging risks.
- Assess the processes in place to manage the Council's transition towards the new Finance system, including:
 - Understanding lessons learned from the recent Core HR Payroll system implementation, to ensure identified transition issues are understood and can be addressed for the finance system transition;
 - Processes undertaken to identify the staff resources needed to implement the new finance system including a project manager/coordinator and consideration of time involvement of Finance staff;
 - Processes undertaken to identify skills and training needs within the existing Finance team around the finance system implementation.



1.3 Approach

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

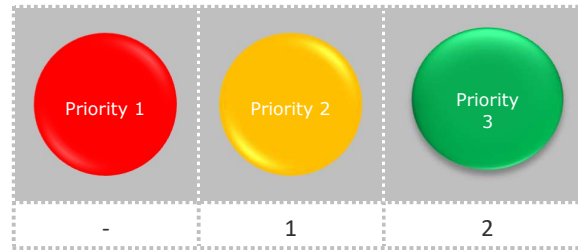
- Held discussion with key members of the Service such as Head of Service and Service Unit Managers to walkthrough key processes.
- Reviewed key items of documentation such as policies and procedures, Service Plans, Service risk register and performance improvement reports.
- A limited programme of sample testing to assess control operating effectiveness, including:
 - Reviewed a sample of two weekly Finance Services Service management meetings, to determine whether Service level risk was adequately discussed and whether input was sought from Service unit management to feed into the Finance Services Service Risk Register;
 - Reviewed a sample of two quarterly Service assurance statements from the Head of Service to the Risk Manager, to determine whether this is appropriate for escalating significant or emerging risks;
 - Reviewed a sample of two quarterly performance review reports from the Head of Finance Services Service to evidence reporting of performance against objectives within the Service Plan, as well as evidence of reporting of these reports to the Corporate Services Committee and to the Council, to evidence oversight of performance against objectives within the Service Plan.
- Considered possible improvements or alternatives for the controls in place.
- 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.

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 June – July 2023.

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. This can be summarised as follows:

- Inadequate Finance System Readiness Processes (see **Section 2.1**)

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

- Enhancement to Service Plan KPI Monitoring & Reporting (see **Section 2.2**);
- Enhancement to Risk Monitoring (see **Section 2.3**)

Full details of the issues may be found in **Section 2 – Detailed Findings and Recommendations**.



1.5 Conclusion


Overall, there is a satisfactory system of governance, risk management and control in relation to the Finance Service. 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. Inadequate Finance System Readiness Processes

Finding	Recommendation	Priority
<p>As set out in Section 1, the Council has approved funding for 2023/24 to procure a new finance system. We noted the following observations with regards to Finance system readiness:</p> <p><u>Requirements of New Finance System</u></p> <ul style="list-style-type: none"> i. We noted that a department review (Focus Groups/Interviews/Questionnaires) involving all stakeholders who will be using the system has not been undertaken to date by the Finance team, to obtain information on what the Council needs from the new finance system, to streamline finance tasks and ensure that the new finance system fulfils the needs of the organisation to mitigate system compatibility risks. In addition, we noted that a department review has not been completed to date to assess the drawbacks of the current system across the four management functions, in order to ensure the current issues with the finance system are addressed in the new finance system. <p><u>Lessons Learned from Implementation of Core HR/Payroll system.</u></p> <ul style="list-style-type: none"> ii. Management advised that a formal lessons learned review has not been completed to date on the recent implementation of the Core HR/Payroll system, because there is still one module on the system that has to be completed. Section five of the business case for the new finance system notes that a lesson learned review on the Core HR/Payroll system will be completed, however there is no timeframe noted advising when the review will be completed. <p><u>Identification of Skills & Training Needs Within Existing team</u></p>	<p>We recommend that:</p> <ul style="list-style-type: none"> i. A formal review is undertaken to identify the Council's needs for the new finance system and drawbacks of the current finance system. ii. A lesson learned review is carried out immediately on the Core HR system, and that a final lesson learned review can be completed following the implementation of the of the final Core HR/Payroll module. iii. A formal skills assessment is completed for all intended users of the system after the Council has identified their needs from the new finance system. 	 <p>Priority 2</p>



iii. We noted that a formal review has not been undertaken to date to identify the skills and training needs within the existing Finance team regarding the implementation of the new finance system. We noted that although the Council’s pride in performance process identifies general skills and training needs within the Finance Service it does not specifically call out skill training needs to address the transition to and implementation of the new finance system and address user adoption risks. Management advised that when they have identified the needs of the new finance system they will perform a formal skills assessment to evaluate staff skills resources and training needs.

Potential Impact


- i. Risk that the new system may not meet Council needs and support financial operations resulting financial and operational loss.
- ii. Risk that there is high chance of repeating the same mistakes in system implementation leading to inefficiencies, delays and increased costs.
- iii. Risk that Finance team may not have the sufficient skills required to implement the new system resulting in operational inefficiencies, and employee demotivation.

Management response

Action Plan	Owner/ Title	Target Date of Implementation
1. A review to establish the benefits and drawbacks of the current system will be carried out before a new system will be procured.	Head of Finance	31 March 2024
2. A post project evaluation will be carried out.	Transformation Manager	31 December 2023
3. Training needs for users will be built into the implementation plan for the new system.	Head of Finance	31 March 2024



2.2. Service Plan KPI Performance Monitoring and Reporting

Finding	Recommendation	Priority
<p>The Finance Service Plan details the Service’s objectives for the year and includes detailed performance KPIs. We noted the following with regards to Service Plan KPI performance monitoring and reporting:</p> <ul style="list-style-type: none"> i. We noted that the quarterly performance reports that are prepared and presented to the Corporate Services Committee do not provide an explanation for underperforming variances for each KPI line item. In addition, we reviewed two Corporate Services Committee meeting minutes and related performance reports and noted one instance out of two where an explanation of KPI variances was not noted in the minutes of the Committee meeting (Q2, dated 13/12/22). ii. The Local Government Act (Northern Ireland) 2014 Part 12 sets out a General Duty of Improvement in that, “a Council must make arrangements to secure continuous improvement in the exercise of its functions”. The purpose of the plan among others is to improve service quality and efficiency for all services within the Council. We noted that there is insufficient detail in the remedial improvement plan for 2022/23 providing guidance on the actions the Finance Service intends to implement to improve each underperforming KPI within the Service Plan. <p>Potential Impact</p>	<p>We recommend that management implement the following:</p> <ul style="list-style-type: none"> i. Update of the performance report template to include an explanation for underperforming KPIs and that performance reports are provided to Corporate Service Committee members at the half yearly meetings. ii. The Finance Service provide guidance in the Remedial Improvement Plan on the detailed actions that will be implemented to address each specific underperforming KPI line item noted in the Finance Service Plan within the annual period. 	 <p>Priority 3</p>




- i. Risk that management may be unaware of the causes of underperformance resulting in underperforming KPIs not being addressed and compounded underperformance.
- ii. Risk that mitigating action are not implemented to address underperforming KPIs resulting in continued underperformance.

Management response

Action Plan	Owner/ Title	Target Date of Implementation
1. The performance reporting template will be reviewed	Transformation Manager	31 March 2024
2. The performance reporting template will be reviewed to include information on remedial actions to be undertaken.	Transformation Manager	31 March 2024



2.3. Enhancement of Risk Monitoring Processes

Finding	Recommendation		Priority
<p>The Risk Management Strategy notes that “Each Directorate should plan to review their Service Risk Register periodically, and at least quarterly”. We noted that the Finance Risk register is formally reviewed three times a year, twice as part of the Bi-annual assurance statement process and once as part of the Finance Service Plan drafting process.</p> <p>Potential Impact</p> <ul style="list-style-type: none"> i. Risk of non-compliance with Council policies and procedures 	<p>We recommend that management formally reviews the Finance risk register on a quarterly basis in line with the risk management strategy document.</p>		
Management response			
Action Plan	Owner/ Title	Target Date of Implementation	
<ul style="list-style-type: none"> 1. Risk register will be reviewed four times through the year, this may not be on a strict quarterly basis in order to accommodate other work streams. 	<p>Head of Service</p>	<p>July 2024</p>	



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 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 Ards and North Down Borough Council 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 Ards and North Down Borough Council information and that of other beneficiaries of our advice listed in our engagement letter. Therefore Ards and North Down Borough Council 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

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Ards and North Down Borough Council – Finance Services Service Review – Final Draft Report for Audit Committee

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

Internal Audit Review - Procurement

December 2023



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1. Overview

1.1. Introduction

This assurance review was undertaken as part of the 2023/24 Internal Audit Annual Plan to review of the controls in place over procurement above the tender threshold and controls to manage supply chain risk. This review also included contract management arrangements in place post-procurement, including performance monitoring controls.

1.2. Overview

Ards and North Down Borough Council (the Council) has established a Procurement Policy. The procurement control limits are set out within the Procurement Policy as follows:

Up to £3,000	No quotation necessary
£3,000-£15,000	Seek three written quotations
£15,001-£30,000	Seek four written quotations
Over £30,000	Public tender
£213,477	Above Threshold Tender Goods, Supplies, Services
£5,336,937	Above Threshold Works

The Council's Procurement Service Unit primarily deals with procurement at the public tender threshold and may become involved in high-risk or complex procurement below this value.

The Procurement Handbook provides detailed guidance for each stage of the procurement process. This includes the steps to be completed and the responsibilities of the individual Service Unit and Procurement Service Unit throughout these steps.

The Procurement Service Unit issues all tenders over £30,000 electronically on the eTendersNI portal. Following tender evaluation, a recommendation is reported to the Council for approval before a contract is awarded.



Contract Management

The Procurement Handbook provides advice on contract management and monitoring of performance on contract awards, but the responsibility is devolved to the individual budget holders. The Handbook requires any conditions relating to the performance of a contract to be stated in the tender documentation and linked to the subject matter of the contract.

1.3. Scope and Objectives

The scope of this internal audit included a review of controls in place over procurement above tender threshold and controls to manage supply chain risk. This review also included a review of contract management arrangements in place post-procurement, including performance monitoring controls. The objectives of the Internal Audit review were to:

- Determine whether policies and procedures in place over procurement adequately reflect current operational processes and controls and are in line with sector guidance/requirements
- Determine whether policies and procedures in place have been reviewed on a regular basis, have been approved by Management and Council, and have been communicated to staff.
- Determine whether, for a sample of procurement exercises (above tender threshold), the Procurement Policy was complied with.
- Determine whether, for a sample of expenditure by supplier or product/service, procurement should have been by tender within the year, rather than below threshold processes.
- Determine the extent to which the Council has mapped its supply chain including its direct suppliers (Tier 1) and those beyond (Tier 2 and beyond).
- Determine whether the risks associated with supply chain have been identified and assessed, and mitigating actions put in place, e.g., manufacturing risks, business risks, sole supplier risks, and supplier location risks.
- Determine whether there are adequate controls in place over contract management arrangements post-procurement, including performance monitoring controls.
- For a sample of procurement exercises (above tender threshold), confirm whether post-procurement contract management controls are operating effectively, including:
 - Whether there are clearly defined and assigned roles and responsibilities in place for the management of each particular contract;
 - Contracts have adequately defined contract performance indicators, which are understood by staff with responsibility for the contracts;
 - Maintenance of a contracts register;



- Third party service contractors are providing updates against these performance indicators in a format and frequency which is fit for purpose to allow Council staff to adequately manage the risks associated with the contracts;
- Mechanisms are in place for monitoring and reporting third-party service contractor performance against contracted obligations, which are robust and operating effectively;
- There are adequate arrangements in place to identify, assess and escalate third-party poor performance (including the right to audit clauses) in contractual documentation;
- There are adequate controls in place over changes requested or made to third-party service contracts;
- There are adequate controls in place to consider an extension of contracts, to initiate early engagement with third-party service contractors where extension is deemed appropriate, and to identify a need to retender in a timely manner.

1.4. Approach

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

- Discussions with the Head of Transformation and Performance, Procurement Manager, and Head of Finance, and key staff involved in Procurement and Contract Managers of sample contracts to walkthrough key processes.
- Reviewed Council's Procurement Policy and Procurement Handbook.
- A limited programme of sample testing to assess control operating effectiveness and that the Procurement exercise is carried out in line with the Council's Procurement Policy including;
 - Review of Council's approval before the contract award;
 - Review of tender advertisements on public platform;
 - Review of file maintenance and checklist;
 - Review of contract register maintained for issued tenders;
 - Review of Contract Specification documents;
 - Review of Request for Tenders documents issued by the Council;
 - Review of tender evaluation documents to determine fair competition and selection process;
 - Review Conflict of Interest (COI) forms declared by the evaluation panel; and
 - Award and Regret letters issued to the successful and unsuccessful applicants.
- A limited programme of sample testing to assess the control operating effectiveness of Contract Monitoring arrangements including



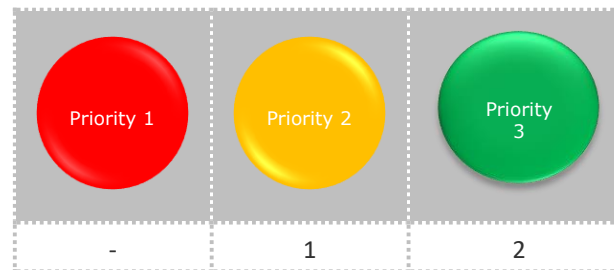
- Defined and assigned roles and responsibilities in place for the management of each particular contract;
- Defined contract performance indicators, which are understood by staff with responsibility for the contracts;
- Maintenance of a contracts register;
- Updates against performance indicators by third-party service contractors
- Mechanisms are in place for monitoring and reporting third-party service contractor performance against contracted obligations
- Consideration of possible improvements or alternatives for the controls in place.
- Held a closeout meeting with relevant stakeholders to discuss any review outcomes.
- Prepared a draft report, to report findings with practical recommendations for improvement where appropriate.

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 November 2023.

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 was one **Priority 2** findings identified during our review. These can be summarised as follows:

- Inadequate documentation of contract management arrangements (see **Section 2.1**)

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

- Inadequate maintenance of Procurement documentation (see **Section 2.2**)
- Lack of supply chain risk management process (see **Section 2.3**)

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 Procurement above tender threshold. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.



Consequently, based on 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


We have noted the following observations in addition to the formal recommendations included in **Section 2**:

- Procurement Review 2020, Recommendation 101, Priority 2 - As per the Council's Procurement Handbook an annual review process should be completed by the Procurement Service Unit to identify levels of individual expenditure under specific cost codes or individual suppliers and to identify areas that would have exceeded the tender threshold over the period if combined to determine if a corporate tender process should be put in place. We noted that an annual review was not completed by the Procurement Service Unit in last 12 months.
- Procurement Review 2023, Recommendation 221, Priority 3 - The Procurement Handbook and the Procurement Policy refer to the Procurement Control Limits. Whilst both documents reflect the January 2015 UK Procurement thresholds, we noted that the Procurement Policy table title notes 'Procurement Control Limits from 1 April 2015' whereas the Procurement Handbook notes 'Procurement Control Limits from 1 January 2022'. During our current review, management advised that The Council limits have not changed since 1 April 2015; therefore, the Policy is correct and the handbook is incorrect. We will reopen this recommendation.



2. Detailed findings and recommendations

2.1 Inadequate Documentation of Contract Management Arrangements


Finding	Recommendation	Priority
<p>We noted from review of contract documents for sample five tenders that</p> <ul style="list-style-type: none"> The roles and responsibilities for the management of a sample of four out of five contracts within Council were not clearly defined in the Contract document. In three out five sample tenders there are no agreed Performance Indicators documented in the contract document with Contractor. Further there was lack of agreed format for the contractor to provide regular updates to the Council. <p>We were advised that in three out five contracts the site supervisor is present on-site when the work is carried out by the contractor. However no regular formal updates are requested from the Contractor. We were advised that Procurement Service Unit advise Contract Managers of the Contract Management responsibilities at the time of tendering process.</p> <p>Potential Impact</p> <p>There is a risk poor performance is not identified and managed due to a lack of defined contract management arrangements.</p>	<ol style="list-style-type: none"> The Council should ensure the following is included in the Tender Document to ensure compliance with Council's Procurement Handbook -: <ol style="list-style-type: none"> Roles and responsibilities for the post procurement contract management are clearly defined and documented in the Contract document; Measurable performance indicators are clearly defined and documented for each contract. In instances where the contract deliverable is treated as the performance measure, this should be clear within the service contract; and PSU to remind contract management staff within the council of the requirement to obtain formal updates from the contractor as per the defined contract management arrangements and performance indicators. 	
<p>Management response</p>		



Action Plan	Owner/ Title	Target Date of Implementation
1. a. For each procurement, this will be discussed and agreed with the responsible Council Officer at the procurement initiation meeting and detailed in the tender documents as and when required.	Procurement Manager	1 December 2023
1. b. For each procurement, this will be discussed and agreed with the responsible Council Officer at the procurement initiation meeting and detailed in the tender documents as and when required.	Procurement Manager	1 December 2023
2. PSU will issue reminder updates to CLT, HoST & SUMs via internal communications on a quarterly basis	Procurement Manager	1 February 2024

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2.2 Inadequate maintenance of Procurement documentation


Finding	Recommendation	Priority
<p>We identified the following with regards to maintenance of procurement documentation;</p> <ul style="list-style-type: none"> The Council's Procurement Handbook states that individual Service Units are responsible for maintaining and retaining the tender files relating to tenders within their area. A checklist has been devised by the Procurement Service Unit. Each document is added to the tender file as a soft copy by the responsible person from the individual Service Unit. Once uploaded, the designated person within each Service Unit should sign and date the checklist. We noted that for all five sample tenders, a file maintenance checklist was not maintained. Lack of evidence for tender advertisement – As per the Council's Procurement Policy, all public tenders are required to be published on two public platforms. We were unable to evidence if the requirement of advertisement was fulfilled for the five sample tenders reviewed. Although we noted that tenders are published on the public eTendersNI portal, and details of advertisement was mentioned in the detailed tender reports. <p>Potential Impact</p> <p>Where evidence of the tender exercise carried out is not retained there may be an inability to demonstrate that the tender exercise complied with policy and that sufficient rationale was in place to justify the contractor selected.</p>	<p>The Procurement Service Unit should ensure that:</p> <ol style="list-style-type: none"> A file maintenance checklist is maintained for each contract (for procurement above tender threshold); and Evidence of publication of advertisement on public platforms is retained. 	 <p>Priority 3</p>
<p>Management response</p>		



Action Plan	Owner/ Title	Target Date of Implementation
1. Procurement is responsible for maintaining and retaining the files for each tender. The handbook will be amended to reflect this.	Procurement Manager	31 December 2023
2. A process for receiving evidence of publication of advertisement has been agreed with Corporate Communications and is in place	Procurement Manager	1 December 2023

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2.3 Lack of Supply Chain Risk Management Process

Finding	Recommendation		Priority
<p>The Procurement Handbook refers to the requirement to consider supplier and contract risks throughout the tender selection and award process. There is currently no reference to ongoing supply chain risk and mitigation measures such as the periodic review of the contractor supply chain to identify current and emerging risks.</p> <p>The Procurement Service Unit has not mapped its supply chain including its direct suppliers (Tier 1) and those beyond (Tier 2 and beyond), or its critical suppliers. Further, risks associated with supply chain are not identified and assessed, and mitigating actions put in place, e.g. manufacturing risks, business risks, sole supplier risks, supplier location risks.</p> <p>Potential Impact</p> <p>The absence of adequate supply chain risk management processes means that possible supply chain risks are not considered on a periodic basis to limit the potential impact on the Council. This could lead to both financial and non-financial risks to the Council which could be passed on through the supplier.</p>	<p>The Council should ensure that:</p> <ol style="list-style-type: none"> 1. A supply chain mapping process is put in place and is documented within the procurement guidance documentation such as the Procurement Handbook. 2. Risks associated with the Council's supply chain are identified and assessed, and mitigating actions put in place. These should be documented in a risk assessment / risk register. 		
Management response			
Action Plan	Owner/ Title	Target Date of Implementation	
<ol style="list-style-type: none"> 1. Council contracts are mainly for services and works provision. Council assesses the capabilities and resources of potential contractors as part of the tendering process to reduce the risk of contract performance failure. The Procurement Handbook also covers contract risk in various sections. 	Head of Strategic Transformation and Performance	1 November 2024	



<p>Risks associated with supply chain for individual contracts should be identified and assessed on an ongoing basis by contract managers. These risks should also be captured within individual Service Units Business Impact Analysis documents, which will be updated annually following the introduction of our Business Continuity Plan in November 2023.</p>		
<p>2. As per the above response, the Procurement Handbook covers contract risk in various sections, however, contracts are managed by individual contract managers not centrally by the PSU. As such, supply chain risks should be identified and assessed within individual Service Units Service Plans, which are produced for Committee approval annually (March).</p>	<p>Head of Strategic Transformation and Performance</p>	<p>31 March 2024</p>



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.

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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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Appendix I: Reporting Definitions

Assurance Opinion

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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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