

**Causeway Coast & Glens Borough Council**

**PEACE IV**

**May 2023**

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## Executive Summary

### Internal Audit Opinion / Assurance Rating

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2022/23. This report summarises the findings arising from a review of the PEACE IV Programme. The table below summarises the key areas of *potential risk* which were considered and reviewed (controls considered for each risk are detailed in Appendix B):

Risks Reviewed	Number of Recommendations and Priority Rating		
	1	2	3
There may be ineffective PEACE IV closure activities leading to a risk of failure to meet statutory reporting obligations, stakeholder dissatisfaction, failure to learn lessons and/or a risk of financial loss to Council	-	1	-
There may be a risk of ineffective planning for PEACEPLUS funding leading to a risk of delays in submission of an application once the call is advertised	-	1	-

Based on our audit testing we are able to provide the following overall level of assurance:

<b>SATISFACTORY</b>	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 objectives.
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Definitions of levels of assurance and the priority ratings for recommendations are included in Appendix A.

The weaknesses identified during our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to our attention during the normal audit work and are not necessarily all the weaknesses, which may exist.

The content of this report has been discussed with officers and management to confirm factual accuracy. The assistance and cooperation received during our review is gratefully acknowledged.

## 1 Objectives

To ensure that:

- There is an adequate process in place for the management of PEACE funding.
- The processes are operating as expected.

## 2 Background

The PEACE Programme is a distinctive programme part-funded by the European Union through its Structural Funds programme. The full title is the EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland. To date, there have been three completed PEACE Programmes (I, II, and III), with PEACE IV currently being finalised and preparations underway for a new programme, PEACEPLUS. The PEACEPLUS Programme brings forward a number of key aspects from the previous programmes and again places a strong emphasis on reconciliation.

The Special EU Programmes Body (SEUPB) is responsible for managing EU funding under the PEACEPLUS and PEACE IV programmes.

Causeway Coast and Glens Borough Council was allocated £3.8m under the PEACE IV programme. Verification checks by SEUPB continue, the most recent being in September 2022 with queries from this check being sent to Council's PEACE IV Manager in May 2023. Following this the PEACE IV Manager stressed the issues delays in verification are having on Council and has agreed a schedule of verification checks and progress meetings with SEUPB for the remaining PEACE IV claims over the coming months. Only following the outcome of these remaining verification checks will payment of the final tranche of funding be made to Council.

Preparations have also been made within Causeway Coast and Glens Borough Council in readiness for the new PEACEPLUS programme. Council's PEACEPLUS Partnership will be able to apply for up to £6.1 million to deliver their local action plan.

## 3 Risks

The scope of this audit is to review the arrangements in place within the Council in relation to PEACE funding, focusing on the main risks associated with:

- Closure of PEACE IV
- Preparations for the PEACEPLUS programme

#### 4 Audit Approach

We conducted our internal audit work in accordance with the Public Sector Internal Audit Standards (“PSIAS”). We planned and performed our work to obtain assurance over the operating effectiveness of arrangements in place to address the agreed risks. However, you should not rely on our work to identify all instances of fraud or error which may exist. The responsibility for these matters rest with management of the organisation.

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records

The table below shows the staff consulted with and Internal Audit would like to thank them for their assistance and co-operation.

Job Title
Director of Leisure and Development
Head of Community and Culture
PEACE IV Manager

## 5 Audit Findings

### 5.1 Risk 1 – There may be ineffective PEACE IV closure activities leading to a risk of failure to meet statutory reporting obligations, stakeholder dissatisfaction, failure to learn lessons and/or a risk of financial loss to Council.

Internal Audit held discussions with staff and management and reviewed the documentation available to evidence the closure activities of the PEACE IV project. The following was noted:

- Causeway Coast and Glens Borough Council was allocated £3.8m under the PEACE IV programme.
- Claims for PEACE IV expenditure up to August 2020 have been uploaded by Council to the SEUPB online management system (EMS). The submission of claims via EMS triggers SEUPB verification checks and following successful checks payment is made to Council.
- Council has all remaining PEACE IV claims prepared but awaits notification from SEUPB to submit these claims onto EMS.
- The last verification check exercise undertaken by SEUPB was performed in September 2022 and Council has not received any formal report on the outcome of this i.e. a First Level Certificate (FLC) detailing any ineligible expenditure identified during a verification. A list of queries in relation to the September 2022 verification was received from SEUPB in the final week of May 2023.
- The ongoing SEUPB verification relates to expenditure for the period June-August 2019. The PEACE IV Programme expenditure didn't end until December 2021, therefore there is a period of just over 2 years, yet to undergo verification checks by SEUPB. Until the SEUPB requests the final claims vis EMS and performs verification no further payments will be made in relation to PEACE IV. Over £1m is still due to Council. At the time of writing this report a schedule of verification checks has now been agreed with SEUPB (see next bullet point).
- Council's PEACE IV Manager had a recent meeting with SEUPB (May 2023) to discuss with them a) the urgency of the Council's claims b) the length of time it is taking to get verification and clarifications on claims that were submitted in Dec 21 c) the additional, continuing disadvantage that Council is put in, when being requested for rationales for expenditure that happened 3 years ago. Council's PEACE IV manager has suggested to SEUPB that each time they want to verify expenditure, that a joint advance meeting be held to discuss logistics and agree a suitable timetable. SEUPB have agreed to this proposal. This will cover claims that

Council have prepared but haven't yet been allowed to submit to SEUPB's EMS (Sep 20 – Sep 21).

- Internal Audit reviewed the Post Project Evaluation (PPE) reports prepared by Council officers in relation to each of the (3) PEACE IV Local Action Plan themes which Council delivered on. We verified these reports had been submitted to and accepted by SEUPB. The PPE reports contain details of lessons learned up to project closure, during the operational stage of the various PEACE IV projects, and also an analysis of the project objectives and whether they were achieved in line with the fund Letters of Offer, along with recommendations for moving forward.
- We were advised that remittances from SEUPB in relation to PEACE IV are reconciled to the claims submitted by the PEACE IV manager with the assistance of an officer in Finance.
- We have been advised that following a verification and receipt of the FLC report from SEUPB the PEACE IV manager would advise Finance via telephone calls and face to face conversations of any expenditure deemed as ineligible and not reimbursed by SEUPB.
- We reviewed records summarising claims made, outcome of verification checks and the level of and reasons for any expenditure disallowed as at the date of the audit. We note that for claims verified to date and totalling more than £1.7m about 1.8% has been deemed ineligible (circa £32k).
- We analysed the issues arising which resulted in ineligible costs, and noted a number of recurring themes, the most frequent being a reminder from SEUPB that "the Lead Partner should ensure that Office and Administration costs are claimed at 15% of Staff Costs." We were advised that the staffing costs do cause an issue for the 15% on nearly every claim. One of the biggest challenges in getting this expenditure accurate is the volume of invoices relating to Agency staff which need to be claimed, as opposed to 1 x payroll report per month per staff member.
- Finance have advised us that when they check the remittance received from SEUPB for PEACE IV reimbursements against the amount claimed and less is received, a reason for the shortfall will be sought from PEACE IV and the receipt posted leaving a balance which then becomes a Council cost.
- Internal Audit is satisfied that Council is aware of its obligation to retain all PEACE IV documentation in line with its retention and disposal schedule, and as required as part of the close down responsibilities of the Council.

- Currently the Council’s PEACE IV manager is managing both the financial close down of PEACE IV and the preparations for PEACE PLUS. This matter is discussed further in Section 5.2 Issue 2.

**Issue 1 – PEACE IV Funding Reconciliation**

**a) Observation-** Although the PEACE IV programme is officially closed there is a backlog of SEUPB verification to be managed (in excess of £1m owed to Council). While a spreadsheet is retained of all claims submitted and to be submitted, SEUPB verification results to date and details of ineligible expenditure, there is no documented formal process in place explaining how ineligible expenditure is managed to ensure proper accounting adjustments are made to actual expenditure and any debtor balances.

During previous audits of PEACE IV, it was noted that Council faced challenges in continuity for managing PEACE IV funding due to frequent changes in agency staff and gaps in staffing the PEACE IV team, and currently there is only one officer managing PEACE IV verifications and the preparations for PEACE PLUS.

**b) Implication-** The absence of adequate resources to manage the verifications checks and respond to queries from SEUPB relating to PEACE IV remaining claims, and a lack of a formal process between PEACE IV and Finance means there is a risk of delays in Council receiving balances owed by SEUPB and possible inaccuracies in accounting for PEACE IV balances owed.

**c) Priority Rating- 2**

**d) Recommendation-** A formal process should be documented between the PEACE IV manager and Finance outlining how PEACE funding received is matched to expenditure incurred and claims submitted, and any adjustments to balances owed are made. (To address the resource issue to manage PEACE funds see also recommendation in Issue 2).

**e) Management Response-**

Management is content with this recommendation and the PEACE Manager will initiate the documentation of a process, between the Finance Department and the PEACE Secretariat outlining how PEACE funding received is matched expenditure, incurred and claims submitted and any adjustments to balances owed are made.

**f) Responsible Officer & Implementation Date-**

Peace Manager - October 2023.

No other issues with PEACE IV close down activities were identified.

**5.2 Risk 2 – There may be a risk of ineffective planning for PEACEPLUS funding leading to a risk of delays in submission of an application once the call is advertised.**

As noted in Section 5.1 Post Project Evaluations have been conducted for all three areas of PEACE IV which included details of lessons learned. We reviewed the lessons learned and are satisfied that where it is within the remit of Council officers', arrangements have been put in place to address issues or perceived weaknesses identified from PEACE IV. As a result of the lessons learned a full Socio-Economic Profile document was developed in December 2022 to provides a more accurate context to inform the PEACEPLUS programme, and a wider consultation exercise was undertaken to ensure a broader net of stakeholders. As noted earlier in this report issues around continuity of PEACE IV staff created challenges in the management and oversight of the PEACE IV finances. At the date of writing this report there has been no resolution to this resourcing issue moving forward into PEACEPLUS.

A PEACEPLUS partnership was put in place in November 2022 and representation is balanced across all political parties and a number of community groups. The membership may change slightly following the recent local government elections.

There have been 2 stages of community consultation on PEACEPLUS to date. Stage 2 consultations were Interactive Public Consultation Workshops to seek community views on the direction of the new PEACEPLUS Local Action Plan. Stage 2 consisted of feeding back the initial responses to the Public across 14 x DEA sessions across the Borough. The attendees' records were reviewed, and it was noted that a total of 364 individuals have input into the PEACEPLUS consultation from a wide range of sectors including private citizens, community, business, and statutory sectors.

Standing Orders have been developed for the PEACE PLUS programme. We reviewed these and found these are detailed covering the governance arrangements, the role of the partnership and conflicts of interest policy.

An agreed the PEACE PLUS Action Plan is required to be finalised and submitted in the coming months.

**Issue 2 – PEACE Funding Council staff resources**

**a) Observation-** During this assignment it was observed that there is no individual within Council assigned to manage the financial matters relating to PEACE funding. SEUPB will make a €100,000 towards funding the resources to bridge the gap between the end of PEACE IV and to make initial preparations for the PEACE PLUS programme. Council will receive this once they receive the PEACE PLUS letter of offer (this may be in late 2023 or early 2024). As referred to in Issue 1, during previous audits of PEACE IV it was noted that Council faced challenges in continuity for managing PEACE IV funding due to frequent changes in agency staff and gaps in staffing the PEACE IV team. Although the PEACE IV programme is officially closed there is a backlog of SEUPB verification to be managed (in excess of £1m owed to Council) and preparations for the £6.1m PEACEPLUS programme are also underway with a PEACE PLUS Action Plan to be completed in the coming months.

**b) Implication-** There is a risk that Council has insufficient staff resources in place to ensure Council’s objectives in relation to PEACE funding and management of the resulting finances are effectively managed.

**c) Priority Rating- 2**

**d) Recommendation-** Council should investigate options for ensuring continuity in the management of PEACE funding, especially in relation to financial oversight and management of SEUPB verification. This should be addressed before the PEACEPLUS programme begins.

**e) Management Response-**

Management are content with this recommendation and will ensure that it is implemented.

**f) Responsible Officer & Implementation Date-**

The Director of Leisure & Development and Head of Community & Culture will investigate options for ensuring continuity in the management of PEACE funding, especially in relation to financial oversight and management of SEUPB verification. This will be addressed in October 2023.

No further issues have been identified in relation to the preparations for PEACE PLUS.

## Appendix A – Assurance Ratings

The framework for audit assurance is set out in DAO 07/16 and summarised below:

Level of Assurance	Definition
Satisfactory	<b>Evaluation opinion:</b> 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 the system objectives.
Limited	<b>Evaluation Opinion:</b> There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to system objectives not being achieved.
Unacceptable	<b>Evaluation opinion:</b> 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.

The priority ratings are also set out in DAO 07/16. They are intended as guidance to help prioritise the impact and implementation of each finding identified, and recommendation made:

### Key:

Priority	Corresponding level	Definitions
1	High	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.
2	Medium	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.
3	Low	Failure to implement could lead to an increased risk exposure.

**Appendix B – Summary of Controls Reviewed**

Risk	Key Areas & Controls Tested
<p>There may be ineffective PEACE IV closure activities leading to a risk of failure to meet statutory reporting obligations, stakeholder dissatisfaction, failure to learn lessons and/or a risk of financial loss to Council</p>	<ul style="list-style-type: none"> <li>• A plan for closure - developed and implemented.</li> <li>• Council has verified they have met the conditions in the original Letter of Offer</li> <li>• All final reports required by SEUPB have been prepared and submitted.</li> <li>• All financial reports required by SEUPB have been prepared and submitted.</li> <li>• Post Project Evaluation has been carried out.</li> <li>• Any challenges faced and lessons learned from PEACE IV have been documented and considered as part of the planning for PEACEPLUS (also considered as part of risk 2).</li> </ul>
<p>There may be a risk of ineffective planning for PEACEPLUS funding leading to a risk of delays in submission of an application once the call is advertised</p>	<ul style="list-style-type: none"> <li>• Lessons from previous iterations of the PEACE programme, by Council, in terms of what works, what doesn't work have been considered to allow positive changes when planning for PEACEPLUS.</li> <li>• The PEACEPLUS partnership has been put in place and representation is balanced, members have appropriate skills and expertise on peace building and reconciliation, and community interests and needs are represented.</li> <li>• Appropriate governance arrangements have been put in place for the partnership in consultation with SEUPB which ensure transparency of decision making e.g.</li> <li>• Defining the role of the partnership <ul style="list-style-type: none"> <li>○ Standing Orders</li> <li>○ Conflicts of interest policy &amp; procedures</li> </ul> </li> <li>• Consultation on the Action Plan is well advanced</li> </ul>

## Appendix C - Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

#### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### Future Periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or
- The degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.