

## **Causeway Coast & Glens Borough Council**

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# ***Annual Internal Audit Report 2016/17***

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**To:** Audit Committee  
**CC:** Chief Executive  
Director of Performance

**From:** Internal Audit Service

**Final:** May 2017

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## 1 Introduction

We are pleased to present our annual report for the year 2016/17. This report builds on the individual audit reports presented to the Audit Committee during this period and provides our overall conclusion on the system of governance, risk management and internal control operating in the Council during the year.

## 2 Audit Plan

Prior to commencing our audit work, an Annual Audit Plan was developed. Our audit approach is risk based and the plan was developed following an audit needs assessment exercise with senior officers to identify and prioritise key risk areas. The Annual Audit Plan was agreed by the Audit Committee on behalf of the Council in June 2016.

## 3 Independent and Objectivity

Our work is independent and objective and has been conducted within the scope defined in the Internal Audit Charter. We confirm that, during the year, there have been no matters arising which have impacted on the independence of our internal audit service and there have been no inappropriate scope or resource limitations on our internal audit work.

## 4 Audit Committee Reports

On a quarterly basis we presented reports to the Audit Committee, summarising the results of internal audit assignments completed since the last meeting. These reports detail progress against the audit plan and for each assignment completed, provide a summary of the audit objectives tested, our findings and our overall assurance rating in relation to that area.

This annual report builds on the information contained in these internal audit reports and does not replicate details of the audit objectives, identified risks and our findings for each area tested. Rather, we have focused on the overall conclusion in each area audited. This annual report should, therefore, be read in conjunction with the internal audit reports produced and presented to the Audit Committee throughout 2016/17.

## 5 Assurance Work – Audit Approach and Assurance Process

The primary objective for each assurance assignment is to provide an overall assurance rating in relation to the area being audited. For each assurance assignment, our audit commences with the identification of audit objectives and risks for the area being audited. Audit testing is then carried out in relation to each risk to evaluate the efficiency and effectiveness of the controls operating in that area.

Our assurance process involves a two stage assessment:

- Firstly, based on our audit work we report findings in relation to each risk. Each finding is given a priority ranking, ranging from 1 to 3, with 1 being a high risk exposure and requiring urgent attention. If there are no findings in relation to an audit area, and the controls are operating effectively, we report this.
- Secondly, based on our assessment at risk level, we provide an overall assurance rating in relation to the area being audited. Our overall assurance ratings range from unacceptable to satisfactory and a full explanation of these is provided at Appendix I to this report.

## 6 Summary of Assurance Work for the Year 2016/17

The following table summarises our assurance work carried out in the year.

Audit Area	Number of Days	Status	Assurance Rating
<b>Environmental Services</b>			
Business continuity and emergency planning	7	Complete	Limited
<b>Finance</b>			
Income and Debtors	10	Complete	Limited
Budgetary Control	7	Complete	Limited
<b>Performance</b>			
ICT environment	10	Complete	Limited
Information governance and data protection	8	Complete	Limited
Performance improvement	4	Complete	n/a
<b>Leisure and Development</b>			
Leisure facilities and caravan sites	12	Complete	Satisfactory – Coleraine Leisure Centre Limited – Ballyreagh Golf Course Limited – Caravan parks
Capital projects	9	Complete	Satisfactory
Events	7	Complete	Satisfactory
Partnerships	6	Complete	Satisfactory
PCSP	6	Complete	Satisfactory-

Audit Area	Number of Days	Status	Assurance Rating
<b>Planning</b>			
Enforcement and development control	7	Complete	Satisfactory

The above table shows that we fully completed our audit work in all planned areas providing 14 assurance reports.

## 7 Management Response

As noted above, our approach is to identify risks for each area under review and to assess the controls in place to mitigate these risks. If we find that controls are not adequate or effective, we raise the matter in the management action plan contained in the assignment report, setting out our observation, the risks arising from the issues identified and our recommended action to address the issues. These matters are discussed with management.

During 2016/17 a positive response has been received from management in respect of all the recommendations made and a course of action to address the issues identified has been agreed.

## 8 Consultancy Work

In addition to assurance work carried out during the year, we:

- Provided training to members of the Audit Committee in December 2016
- facilitated a workshop with Directors and Heads of Service to review and update the corporate risk register in March 2016.

Our consultancy work did not raise any concerns or issues that would significantly change the conclusions reached as a result of our assurance work.

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## 9 Effectiveness of our Internal Audit Service

As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the control environment, I am required, as Chief Audit Executive for the Council for 2016/17 to confirm the effectiveness of our internal audit service and therefore its fitness for purpose to carry out work that informs the opinion.

In order to confirm the effectiveness of internal audit we completed a self-assessment of the internal audit function against the Standards, using the CIPFA checklist in the Local Government Application Note on the Public Sector Internal Audit Standards and reported the outcome of this to the Audit Committee in June 2017 (further details are provided in Appendix II and Appendix III). We can report a substantial level of compliance with the Standards and do not consider there to be any significant deviations from the Public Sector Internal Audit Standards which warrant inclusion in the Council's Annual Governance Statement. Appendix III of this report contains a table setting out the observations as identified in the self-evaluation against the Standards.

## 10 Conclusions

We have completed the assurance assignments planned for the year 2016/17. We have also provided training to the Audit Committee and Council staff and provided consultancy support in the areas of risk management and assurance statements.

As the Chief Audit Executive for Causeway Coast and Glens District Council, I am responsible for providing assurance to the Chief Financial Officer to help him to sign the governance statement. In providing this assurance, it should be noted that the level of assurance provided can never be absolute. In assessing the level of assurance provided, I have taken into account the following:

- The results of all assurance assignments undertaken by Internal Audit during the period
- The fact that recommendations have been accepted and will be addressed by management
- Any limitations which may have been placed on the scope of our internal audit work
- The extent to which resource constraints may impinge on our ability to meet the full audit needs of the Council.

## 11 Overall Assurance Statement

In our opinion, based on our audit work carried out, we are able to provide the Council with the following overall assurance rating in relation to its system of internal control:  
**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.

(Further details of our assurance ratings are provided in Appendix I to this report).



**STEVEN LINDSAY**

**Partner**  
**Moore Stephens (NI) LLP**  
**Chartered Accountants and Registered Auditors**  
**May 2017**

## Appendix I: Definition of Assurance Ratings

### **Satisfactory Assurance**

*Evaluation opinion:* 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 Assurance**

*Evaluation opinion:* 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 Assurance**

*Evaluation opinion:* 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.



## Appendix II: Performance of the Moore Stephens Internal Audit Service in 2016/17

### Performance indicators

The table below sets out progress against performance indicators for the internal audit function.

Progress Against Annual Audit Plan			
Description	Number of days planned	Number of days completed to date	Variance
Business continuity and emergency planning	7	7	-
Income and debtors	10	10	-
ICT environment	10	10	-
Information governance and data protection	8	8	-
Performance improvement	4	4	-
Leisure facilities and caravan parks	12	12	-
Capital projects	9	9	-
Events	7	7	
Community development and partnership arrangements	6	6	
Planning: Enforcement and development control	7	7	
Budgetary control	7	7	
PCSP	6	6	
<b>Total assurance days</b>	<b>93</b>	<b>93</b>	<b>-</b>

Other Performance Indicators	Progress
Percentage of audit recommendations from Moore Stephens audit reports accepted by management	100%
Client Satisfaction Survey Results	<ul style="list-style-type: none"> <li>Leisure facilities and caravan parks – positive feedback overall</li> <li>Business continuity &amp; emergency planning – positive feedback overall</li> <li>Income &amp; debtors – positive feedback received in all areas</li> <li>Planning – positive feedback received in all areas</li> <li>Information governance &amp; data protection – positive feedback in all areas</li> <li>Partnership working – positive feedback received in all areas</li> <li>Performance improvement – positive feedback received in all areas</li> <li>ICT environment - issued</li> <li>Events – issued</li> </ul>

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Other Performance Indicators	Progress
	<ul style="list-style-type: none"><li data-bbox="831 344 1198 374">• Budgetary control – issued</li></ul>

### Quality Assurance and Improvement Framework

During the year the service has operated according to our internal quality assurance programme. There have been no significant deviations from this framework during the year. Ongoing performance monitoring has been conducted throughout the year through:

- supervision of the Moore Stephens internal audit team by our Internal Audit Partner
- the production of written quarterly update reports to the Audit Committee including an overview of assurance work completed during the quarter and progress against performance indicators (see above)
- a self-evaluation against the Public Sector Internal Audit Standards with the results presented to the Audit Committee in June 2017.

We continue to monitor and develop our quality assurance programme to ensure it meets the requirements of the Public Sector Internal Audit Standards.

## Appendix III: Observations from Self-Assessment for PSIAS at May 2017

Ref	Standard	Commentary	Actions
<b>Performance Standard 2050</b>	<b>Coordination</b> Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue.	<b>No action proposed.</b>
<b>Performance Standard 2050</b>	<b>Coordination</b> Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue	<b>No action proposed.</b>
<b>Performance Standard 2110</b>	<b>Governance</b> Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	The Audit Plan was based on an audit needs assessment and separate ethics-related objectives, programmes and activities were not included in the Plan. We consider any relevant ethics-related issues when developing the terms of reference for each individual assignment.	<b>No action proposed</b>