



**RSM McClure Watters**

Audit · Tax · Advisory

**Ballymoney Borough Council**

**2014/2015 Annual Assurance Report**

**Internal Audit**

June 2015



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### APPENDICES

#### APPENDIX 1: AUDIT ASSURANCE CATEGORIES AND CRITERIA

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## **1 INTRODUCTION**

This report on the Internal Audit activities for Ballymoney Borough Council covers the year 2014/15.

## **2 PURPOSE, OBJECTIVES & SCOPE**

The purpose of this report is twofold. It is to provide management with an assurance as to the adequacy and effectiveness of the controls operating within various systems within Ballymoney Borough Council and it is also to provide the overall assurance statement for the organisation. The categories of Audit Assurance, along with their definitions, can be found in Appendix 1.

## **3 CONDUCT OF AUDIT**

The audit work was performed in accordance with standards set by the Chartered Institute of Internal Auditors, Chartered Accountants Ireland and Public Sector Internal Audit Standards.

## **4 ROLE OF INTERNAL AUDIT**

Internal Audit is an independent, objective assurance and consulting activity, which operates as a service to management, evaluating the effectiveness of the internal control system.

The system of internal control comprises the whole system of controls, financial and otherwise, established by management to assist the achievement of Ballymoney Borough Council's objectives.

To provide assurance on the activities of Ballymoney Borough Council, a risk-based programme of systems audits are delivered to the standards specified in the Government Internal Audit Manual and the professional standards of the Chartered Institute of Internal Auditors and Chartered Accountants Ireland.

Internal Audit aims to provide a service which is complementary to that of management and of External Audit. Final reports are made available to the Northern Ireland Audit Office by Ballymoney Borough Council and any requests for liaison meetings will be accommodated by RSM McClure Watters.

## **5 PROGRESS OF INTERNAL AUDIT PLAN**

The audit plan as agreed with the Head of Corporate and Development Services and the Audit Committee covered a variety of areas as detailed in this report.



## 6 ASSURANCE

### 6.1 STRUCTURE OF OVERALL STATEMENT OF ASSURANCE

The overall statement of assurance on the systems of internal control is informed by the findings relating to each system reviewed, the actions evidenced by management to address any shortcomings and the overall criticality of the said systems to the achievement of the overall aims and objectives of Ballymoney Borough Council. It also takes account of previous findings and the extent to which there has been effective implementation of previously agreed recommendations. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve aims and objectives; it can therefore provide only reasonable and not absolute assurance.

The system of control is based on an on-going process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

Given the outcome of the various reviews delivered throughout the year, as detailed individually along with other information gained through previous and initial audit work, it is our opinion that there is, overall, Limited Assurance (see Appendix 1) that the systems within Ballymoney Borough Council can be relied upon to support the overall achievement of objectives. The outcomes of each review are summarised below.

### 6.2 TRANSACTION TEST OF PAYROLL

In accordance with the plan agreed by the Audit Committee, we conducted a test a sample of Payroll transactions at Ballymoney Borough Council in January 2015. The purpose of this review was to provide assurance with regard to transactions processed by payroll.

We examined and evaluated the management activities established to determine whether they are adequate and operating effectively to ensure that:

- all payments are valid, accurate, complete and processed in a timely manner; and
- all deductions are appropriately applied, accounted for and paid to the correct beneficiary.

The audit work was performed in accordance with standards as detailed in the Public Sector Internal Audit Standards and the standards of the Chartered Institute of Internal Auditors.

### CONCLUSION

Given the outcome of the work undertaken, it is our opinion that there is, overall, Substantial Assurance (see Appendix 1) over the key processes underpinning Payroll within Ballymoney Borough Council.



### 6.3 EU GRANT AIDED PROJECTS AND OTHER GRANT AIDED PROJECTS

An audit of the controls in place over the Grants management within the Ballymoney Borough Council was undertaken in February 2015.

Grants considered were as follows:

- Northern Ireland Rural Development;
- 'Rethink Waste' Grants;
- Heritage Lottery Funding;
- Good Relations programme; and
- Community Festival Funding.

We examined and evaluated the management activities established to determine whether they are adequate and operating effectively to ensure that:

- there is ongoing compliance with all letters of offer; and
- any variations and/or dispensations have been obtained.

The audit work was performed in accordance with standards as detailed in the Public Sector Internal Audit Standards and the standards of the Chartered Institute of Internal Auditors.

### CONCLUSION

Internal audit confirmed the system of internal control over grants processes within Ballymoney Borough Council provides management with **Substantial Assurance** (see Appendix 1) that the system is operating as intended. One low priority weakness was noted and a recommendation was generated.



#### 6.4 ANY GRANT PROGRAMMES FUNDED BY THIRD PARTIES

An audit of the controls in place over the Grants Programmes funded by third parties within Ballymoney Borough Council was undertaken in February 2015.

We examined and evaluated the management activities established to determine whether they are adequate and operating effectively to ensure that:

- any grant programmes operated on behalf of third parties are compliant with the terms of contract; and
- all necessary actions, such as monitoring, validation, site visits, etc. are being taken in a timely manner.

The audit work was performed in accordance with standards as detailed in the Public Sector Internal Audit Standards and the standards of the Chartered Institute of Internal Auditors.

#### CONCLUSION

Internal audit confirmed the system of internal control over grant programmes funded by third parties within Ballymoney Borough Council provides management with **Substantial Assurance** (see Appendix 1) that the system is operating as intended.



## **APPENDIX 1**

### **AUDIT ASSURANCE CATEGORIES AND CRITERIA**



ASSURANCE CATEGORY	ASSURANCE CRITERIA
	<p>There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.</p>
<b>SATISFACTORY</b>	<p>Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives.</p> <p>Some improvements are required to enhance the adequacy and/or effectiveness of governance, risk management and control.</p>
<b>LIMITED</b>	<p>There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives.</p> <p>Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.</p>
	<p>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.</p> <p>Urgent action is required to improve the adequacy and/or effectiveness of governance, risk management and control.</p>



## Annual Internal Audit Report and Assurance Statement 2014/2015

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Coleraine Borough Council



### **ANNUAL INTERNAL AUDIT REPORT AND ASSURANCE STATEMENT 2014/2015**

Version number: 01  
Dated: 13<sup>th</sup> March 2015

Author: Sharon Bradley

## INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2014/15

13<sup>th</sup> March 2015

### Report of Internal Audit

#### PURPOSE OF REPORT

To inform the Audit Committee of the extent and outcome of Internal Audit work during the 2014/15 financial year and to present an annual Statement of Assurance regarding the Council's Internal Control Framework.

#### RECOMMENDATIONS

- 1 That the report be noted.
- 2 That the Controls Assurance Statement be accepted and considered by the Committee in relation to the annual governance review and Annual Governance Statement.

#### 1 Introduction

The PSIAS (Public Sector Internal Audit Standards) came into force from 1 April 2013. The PSIAS and the Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. As set out in the Public Sector Requirement in PSIAS 2450, the Chief Audit Executive must provide an annual report to the Council timed to support the annual governance statement.

#### 2 Scope of Responsibility

Coleraine Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital part in advising the Council that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work.

Coleraine Borough Council acknowledges its responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money and assets are safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for ensuring proper arrangements for the accountability of the Council's affairs and the stewardship of the resources at its disposal. The Council's corporate governance arrangements are set out in a Local Code of Corporate Governance. The Local Code is consistent with the principles and reflects the requirements of the Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) in their document 'Delivering Good Governance in Local Government Framework'.

### **3 Purpose of the System of Internal Control**

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It can, therefore, provide reasonable (but not absolute) assurance of effectiveness. The system of internal control is based on ongoing processes designed to identify and prioritise the risks to the achievement of Coleraine Borough Council's policies, priorities, and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically. Increasingly, the emphasis is on 'positive' controls to ensure the achievement of policies, priorities, and objectives, rather than 'negative' controls for the avoidance of risk.

### **4 The Internal Control Environment**

Key elements of the Council's internal control environment include:

- An Audit Committee that is a fully constituted Committee of the Council and an Internal Auditor that reports to it.
- A Chief Finance Officer (Chief Executive) and Head of Finance with responsibility for ensuring the proper administration of the Council's financial affairs.
- Processes for maintaining internal control including, financial regulations and administration procedures (including segregation of duties), management supervision, and a system of delegation and accountability.
- A Risk Management Policy Statement and Strategy was approved by the Audit and Risk Committee in January 2015. The Corporate Risk Register and Departmental Risk Registers were updated in 2014.
- An Ant-Fraud, Corruption & Bribery Policy and Whistle blowing policy.
- Codes of Conduct for Members and Officers. The Code of Conduct for Officers was re-issued in 2010/11. The Code of Conduct for Councillors was re-issued on 27<sup>th</sup> May 2014 and all Members signed the Declaration of Acceptance of Office.
- A Strategic Corporate Plan setting out the Council's priorities. Council also commenced a process of Business Plans for all services which take account of risks, budgetary limitations and identify service priorities.
- An annual budget, regular monitoring of actual expenditure compared to budget, and quarterly review meetings. A financial budget statement is presented to Council through the Policy & Development Committee approximately 3 times a year.
- A Local Code of Corporate Governance and a Governance Working Group has been put in place.

### **5 Processes for Reviewing the Effectiveness of the System of Internal Control**

Internal Audit is established as a section of Chief Executives, reporting functionally to the Assistant Director of Finance and Support Services. Professionally, it operates to standards set out in the PSIAS (Public Sector Internal Audit Standards) and operates and reports in accordance with an approved Internal Audit Manual and Charter.

The PSIAS mandate the periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement of how the internal audit service will be delivered and developed in accordance with the charter and how it links to the Council objectives and priorities. The risk-based Internal Audit Plan for 2014/15 was approved by the Audit Committee in April 2014. The risk-based plan outlines the assignments to be carried out, their respective priorities. The plan is drawn up taking into account the Corporate Risk Registers which assist in identifying high, medium and low risk areas. High risk areas identify in broad terms the audit areas that should be audited with greatest urgency and on an annual basis whereas low risk areas will be audited on a rotational basis. The plan is sufficiently flexible to reflect the changing risks and priorities of the Council.

During the course of each audit, key issues are brought to the attention of the relevant manager to enable corrective action to be taken. Before issuing the final report, the contents are discussed with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. At the end of each quarter an audit report is provided to Senior Leadership Team detailing recommendations of all audits carried out within that quarter. This audit report also informs Senior Leadership Team if recommendations have been actioned by Management and also provides them with the opportunity to discuss any areas of concern.

The key process for review is the Council's Audit Committee, which receives reports from internal and external auditors. The risk-driven internal audit plan provides a continuous programme of review of corporate governance and risk management arrangements, together with the audit of the systems of internal control, including the accounting systems.

The PSIAS for Internal Audit sets out standards which establish how a professional internal audit service should operate in local government. It provides a framework for measurement, management and monitoring of the audit function. A checklist for assessing conformance has been completed by internal audit to satisfy the requirements set out in both the PSIAS and the content of the Application note itself. This checklist will assist Coleraine Borough Council prepare the Annual Governance Statement and will be presented to the Audit Committee in March 2015.

## 6 Results of Assurance Work

In all cases, completed assurance audits have resulted in the production of a report and action plan, agreed by managers and submitted for consideration by SLT and the Audit Committee. The assurance system uses four levels of opinion, as follows:

**Full Assurance** - There is a sound system of internal control designed to achieve the system objectives.

**Substantial Assurance** - While there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.

**Limited Assurance** - Weaknesses in the system of internal control design are such as to put the system objectives at risk.

**No Assurance** - Control is generally weak leaving the system open to significant error or abuse.



## Annual Internal Audit Report and Assurance Statement 2014/2015

The 2014/2015 audit plan allocated 206 days for the completion of audit work. Satisfactory progress has been made against the Internal Audit plan during the period with assignments being completed in accordance with the plan. The full list of audits, together with detail on the status and opinion is provided in the table below:

<b>Audit Area</b>	<b>Audit Status</b>	<b>Assurance Opinion</b>
<b>Fleet Management</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Absenteeism</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Trade Waste</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Building Regulations</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Creditors/Peace III Expenditure</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Payroll</b>	<b>Final Report</b>	<b>Full</b>
<b>ICT</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Refuse Collection &amp; Disposal (Craigahulliar Landfill Site &amp; Letterloan Compost Site)</b>	<b>Final Report</b>	<b>Substantial</b>
<b>Jim Watt Sports Centre &amp; Kilrea Sports Complex</b>	<b>Final Report</b>	<b>Substantial</b>

Overall substantial assurance opinions were provided. Audit is of the view that the implementation of the recommendations made in the audit reports will strengthen the systems of control and allow Council to sustain or achieve an increased level of assurance in these areas during future audits.

Through the established system, the Audit Committee will continue to receive updates on progress with those audits which have not reached at least the "substantial" assurance level.

Other audit work carried out within the 206 days is provided in the table below:

Other Audit Work
National Fraud Initiative Data Matches
Seasonal Facilities – Income Spot Checks
Coleraine Marina/ Portrush & Portstewart Harbours – Moorings Spot Checks
Ballyreagh Golf Course – Ticketing Spot Checks
Spot Checks – Juniper Hill & Carrick Dhu Caravan Parks Touring Vans/Tents
Year End Imprests/Stock Checks

## 7 Controls Assurance Statement

It must be recognised that Internal Audit can be expected to provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist.

This assurance statement is drawn from both the results of individual internal audit assignments and the results of follow-up reviews into previously completed audits.

It is my opinion that substantial assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in relation to the financial year 2014/2015.

In the Internal Auditor's view, the internal audit work undertaken has not identified any issues of sufficient significance to warrant specific mention in the annual governance statement.

## 8 Overall Opinion

The work of Internal Audit seeks to provide assurance to the Council as to the appropriateness and effectiveness of its internal control and corporate governance arrangements. During the 2014/15 financial year, Internal Audit's work has provided assurance in a variety of areas as well as incorporating input and contribution to the development of a number of key systems and processes.

The proposal is that the Committee accepts Internal Audit's assurance statement on the overall adequacy and effectiveness of Coleraine Borough Councils governance, risk and control framework.

**Limavady Borough Council**

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***Annual Internal Audit Report  
For the Year Ended  
31 March 2015***

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March 2015

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## **1 Introduction**

We are pleased to present our annual report for the year ended 31 March 2015. 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 ended 31 March 2015.

## **2 Audit Plan**

Prior to commencing our audit work, we developed an audit plan. Our audit approach is risk based and our plan was developed following a review of the Council's Risk Register and meetings with senior officers to identify and prioritise key risk areas. Our plan was agreed by the Audit Committee on behalf of the Council in June 2014.

## **3 Independence 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 the independence of the internal audit function and there have been no inappropriate scope or resource limitations on our internal audit services.

## **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 our 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 the 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 2014/15.

## **5 Assurance Work – Audit Approach and Assurance Process**

The primary objective of 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 substantial and a full explanation of these is provided at Appendix I to this report.

## 6 Summary of Assurance Work for the Year Ended 31 March 2015

The following table summarises our assurance work carried out in the year ended 31 March 2015.

Assurance Work	Days	Status	Overall Assurance Rating
<b>Financial Systems:</b>			
• Payroll		Complete	Substantial
• Travel and subsistence	4	Complete	Substantial
<b>Mobile phones</b>	1	Complete	Satisfactory
<b>Corporate Health and Safety</b>	5	Complete	Substantial
<b>Computing Environment</b>	5	Complete	Satisfactory
<b>Waste Management</b>	4	Complete	Substantial
<b>Local Government Reform</b>	5	Complete	Substantial
<b>Follow up Previous Years Recommendations</b>	3	Complete	N/A
<b>Audit Management</b>			
• Planning			
• Reviewing			
• Reporting			
• Contingency	3	Complete	N/A
<b>Total</b>	<b>30</b>		

The above table shows that we fully completed our audit work in all planned areas providing assurance reports covering 6 areas and a report on the follow-up of prior year recommendations.

## **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 2014/15 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. Furthermore, we followed up on our findings from the prior year and were content that these were being addressed by management.

## **8 Consultancy Work**

In addition to assurance work carried out during the year, we facilitated a Risk Management workshop for members of the Senior Management Team on 16 September 2014.

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

## **9 Effectiveness of Internal Audit Service**

As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the control environment, the Chief Audit Executive (Partner) is required to confirm the effectiveness of the 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 March 2014 (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 ended 31 March 2014.

As the Chief Audit Executive (Head of the Internal Audit Service Provider) for Limavady Borough 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 during the period
- The results of our follow up reviews in respect of audits in the previous year
- The fact that all recommendations have been accepted and addressed by management
- The effect of any significant changes in Limavady Borough Council's objectives and systems
- 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: **SUBSTANTIAL**

There is a robust system of risk management, control and governance which should ensure that objectives are fully 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  
March 2015**

## Appendix I: Definition of Assurance Ratings

### **Substantial Assurance**

*Evaluation Opinion:* There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.

*Testing opinion:* There is evidence that the controls are being consistently applied.

### **Satisfactory Assurance**

*Evaluation opinion:* Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and / or effectiveness of governance, risk management and control.

*Testing opinion:* There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

### **Limited Assurance**

*Evaluation opinion:* There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.

*Testing opinion:* The level of non-compliance puts the system objectives at risk.

### **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. Urgent action is required to improve the adequacy and effectiveness of governance, risk management and control.

*Testing opinion:* Significant non-compliance with the basic controls leaves the system open to error or abuse.

## Appendix II: Performance of the Internal Audit Service in 2014/15

### Performance indicators

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

Performance Indicator	Progress
Number of audit days provided compared to planned days in annual audit plan	<ul style="list-style-type: none"> <li>Days in the Annual Audit Plan = 30</li> <li>Days completed = 30</li> </ul>
Percentage of annual audit plan achieved to date	100%
Percentage of audit recommendations accepted by management	100%
Client satisfaction survey results	<p>Surveys were issued to all auditees. Responses received were as follows:</p> <ul style="list-style-type: none"> <li>Corporate Health &amp; Safety - 100% positive</li> <li>Computing Environment – 100% positive</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 internal audit team by our Internal Audit Partner
- the production of written quarterly update reports to the Audit Committee including an overview of assurance and consulting 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 March 2015.

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 Public Sector Internal Audit Standards at March 2015 – Action Plan

Ref	Standard	Commentary	Actions
<b>Performance Standard 2030</b>	<b>Resource Management</b> Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Resource requirements are based on the invitation to tender documentation issued by the Council and our tender submitted to and agreed by the Council.	<b>No action proposed.</b>
<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 the corporate risk register and separate ethics-related objectives, programmes and activities were not included in the Plan. We consider any relevant ethics-related issues when developing the engagement plan for each individual assignment.	<b>No action proposed</b>



**Moyle District Council**

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***Annual Internal Audit Report  
For the Year Ended  
31 March 2015***

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March 2015

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## **1 Introduction**

We are pleased to present our annual report for the year ended 31 March 2015. This report builds on the individual audit reports presented to the Audit and Governance Working Group (AGWG) 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 ended 31 March 2015.

## **2 Audit Plan**

Prior to commencing our audit work, we developed an audit plan. Our audit approach is risk based and our plan was developed following a review of the Council's Risk Register and meetings with senior officers to identify and prioritise key risk areas. Our plan was agreed by the AGWG on behalf of the Council in June 2014.

## **3 Independence 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 the internal audit function and there have been no inappropriate scope or resource limitations on our internal audit services.

## **4 Audit Committee Reports**

On a quarterly basis we presented reports to the AGWG, summarising the results of internal audit assignments completed since the last meeting. These reports detail progress against our 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 the 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 AGWG throughout 2014/15.

## **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 substantial and a full explanation of these is provided at Appendix I to this report.

## 6 Summary of Assurance Work for the Year Ended 31 March 2015

The following table summarises our assurance work carried out in the year ended 31 March 2015.

Assurance Work	Days	Status	Overall Assurance Rating
<b>Financial Systems:</b>			
• Income and debtors	5	Complete	Satisfactory
<b>Fleet management</b>	5	Complete	Satisfactory
<b>Museum collections &amp; cultural heritage</b>	5	Complete	Satisfactory
<b>Waste management</b>	4	Complete	Satisfactory
<b>Follow-up of waste management</b>	0.5	Complete	N/A
<b>IT environment</b>	5	Complete	Satisfactory
<b>Follow up Previous Years Recommendations</b>	3	Complete	N/A
<b>Audit Management</b>			
• Annual report	3	Complete	N/A
• Quarterly reporting			
• Contingency			
<b>Total</b>	<b>30.5</b>		

The above table shows that we fully completed our audit work in all planned areas providing 5 assurance reports and reports on the follow-up of waste management recommendations and prior year recommendations.

## **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 2014/15 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.

Furthermore, we followed up on our findings from the previous year (2013/14) and were content that these were being addressed by management. At the request of the Audit Committee we also carried out a follow-up review of our findings in relation to waste management and noted that these were being addressed.

## **8 Consultancy Work**

In addition to assurance work carried out during the year, we facilitated a Risk Management workshop for members of the Senior Management Team on 22 September 2014.

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

## **9 Effectiveness of Internal Audit Service**

As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the control environment, the Chief Audit Executive (Partner) is required to confirm the effectiveness of the 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 March 2015 (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 ended 31 March 2015.

As the Chief Audit Executive (Head of the Internal Audit Service Provider) for Moyle District Council, I am responsible for providing assurance to the Chief Accounting 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 during the period
- The results of our follow up reviews in respect of audits in the previous and current years
- The fact that all recommendations have been accepted and addressed by management
- The effect of any significant changes in Moyle District Council's objectives and systems
- 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: **SATISFACTORY**

Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and / or effectiveness of governance, risk management and control.

(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**  
**March 2015**

## **Appendix I: Definition of Assurance Ratings**

### **Substantial Assurance**

*Evaluation Opinion:* There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.

*Testing opinion:* There is evidence that the controls are being consistently applied.

### **Satisfactory Assurance**

*Evaluation opinion:* Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and / or effectiveness of governance, risk management and control.

*Testing opinion:* There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

### **Limited Assurance**

*Evaluation opinion:* There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.

*Testing opinion:* The level of non-compliance puts the system objectives at risk.

### **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. Urgent action is required to improve the adequacy and effectiveness of governance, risk management and control.

*Testing opinion:* Significant non-compliance with the basic controls leaves the system open to error or abuse.

## Appendix II: Performance of the Internal Audit Service in 2014/15

### Performance indicators

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

Performance Indicator	Progress
Number of audit days provided compared to planned days in annual audit plan	<ul style="list-style-type: none"> <li>Days in the Annual Audit Plan = 30</li> <li>Days completed = 30.5</li> </ul>
Percentage of annual audit plan achieved to date	100%
Percentage of audit recommendations accepted by management	100%
Client satisfaction survey results	Surveys were issued to all auditees. Responses received were as follows: Waste management - 100% positive Ballycastle Museum – 100% positive

### 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 internal audit team by our Internal Audit Partner
- the production of written quarterly update reports to the AGWG 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 March 2015.

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

## Appendix III: Observations from Self-Assessment for Public Sector Internal Audit Standards at March 2015 – Action Plan

Ref	Standard	Commentary	Actions
<b>Performance Standard 2030</b>	<b>Resource Management</b> Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Resource requirements are based on the invitation to tender documentation issued by the Council and our tender submitted to and agreed by the Council.	<b>No action proposed.</b>
<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 the corporate risk register and separate ethics-related objectives, programmes and activities were not included in the Plan. We consider any relevant ethics-related issues when developing the engagement plan for each individual assignment	<b>No action proposed</b>

