

<b>Item/Min Ref:</b>	<b>Title of Report:</b>  <b>Internal Audit Reports</b>	<b>Officer presenting:</b>  <b>Internal Audit Manager</b>  <b>Author:</b>  <b>Internal Audit Manager</b>
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## **1 Purpose of Report/Recommendations**

The purpose of this report is to update Members on the Internal Audit work carried out within Derry City and Strabane District Council in the period October 2017 to November 2017.

## **2 Background**

The aim of Internal Audit is to provide an independent assurance and advisory service, which will help the Council achieve its objectives and improve the effectiveness of its risk management, control and governance processes. An operational Internal Audit Plan is agreed annually for Derry City and Strabane District Council.

## **3 Key Issues**

### **Derry City & Strabane District Council**

As per Council's Internal Audit Plan, the following Audit work has been finalised recently:

- Audit of the project of the transfer of the ILEX Strategy and Regeneration function to DCSDC (Appendix A)

### **3.1 Audit of the project of the transfer of the ILEX Strategy and Regeneration function to DCSDC**

DCSDC have entered into a funding agreement with the Department for Social Development in relation to the transfer of the ILEX Strategy and Regeneration function to DCSDC. The objective of the project is to progress delivery of the community plan for the

DCSDC area in line with the Local Government Act (2014) (NI) up until March 2019. The funding amount is £1,617,000 over a 3 year period. The agreement states that this is to cover the costs for 3 permanent staff currently in post and associated programme costs. As per the agreement the maximum grant awarded will not be above £539,000 each year and the full amount was claimed in year 1. As part of the funding agreement, one of the conditions required an internal audit to be undertaken after year 1.

As such, this audit was requested by senior management within the Council to comply with this requirement within the funding agreement. The purpose of this review was to provide senior management with an assurance about the adequacy and effectiveness of the transfer of the Ilex Strategy and Regeneration function to DCSDC after year 1 of the project.

The objectives and scope for this review were agreed with DCSDC Business Support and Change Manager and were agreed with the North West Development Office prior to the commencement of the audit. The objectives of this audit were:

- To ensure that the project is operating in compliance with the Letter of Offer and that expended resources are attributable to the Community Planning process;
- To ensure that expenditure incurred by the project has been properly authorised and paid in compliance with the 'guidance on eligibility of expenditure';
- To ensure that funding received matches expenditure incurred by the project in relation to the work performed.

Audit testing was carried out on a sample basis to enable us to form an opinion about the adequacy of internal control over these objectives. Internal Audit is satisfied that the internal systems and controls are adequate and were operating effectively at the time of the audit review.

Overall Internal Audit are satisfied that all claims submitted relate to community planning spend and overall the council is compliant with the majority of terms and conditions within the 'Letter of Offer' and 'guidance on eligibility of expenditure'. Internal Audit is also satisfied that the funding received matches expenditure incurred by the project in relation to the work performed.

However, a small number of issues were identified and Internal Audit have made a number of recommendations to improve the control environment. The key recommendations relate to the following areas:

- Ensuring that signed copies of the claim forms by the Chief Executive are retained on the file by DCSDC for audit trail purposes;
- Ensuring that a complete and full audit trail is maintained of all procurement exercises undertaken and all procurement is undertaken in compliance with DCSDC procurement processes; and
- Ensuring all documentation to support invoice payments are attached to the invoice prior to passing to finance section for payment.

As a result of this audit 10 recommendations have been made to improve the control environment. However, the audit has been given the audit opinion of 'Satisfactory'.

The complete report including all 10 recommendations is attached at Appendix A for information.

#### **4 Financial and Other Implications**

No budget implications arise as a result of this business.

#### **5 Recommendations**

To seek Member's comments on the Internal Audit Report.

#### **Background Papers**

Appendix A