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**Derry City & Strabane**  
District Council

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Comhairle  
**Chathair Dhoire &  
Cheantar an tSratha Báin**

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**Derry Cittie & Stràbane**  
Destrìck Cooncil

# Internal Audit of North West Region Waste Management Group

## Final Report

## February 2019

## Professional Standards

Internal Audit is committed to ensuring high standards of service to Derry City and Strabane District Council. Our work complies with the Chartered Institute of Internal Auditors (CIIA) Code of Practice and Professional Standards and CIPFA Public Sector Internal Audit Standards.

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## Executive Summary

<p><b>System Priority:</b></p> <p style="text-align: center;">Refer to Appendix (i)</p>	<p style="text-align: center;"><b>B</b></p> <p>Failure to implement the recommendations could result in the failure of an important Council objective or could have some impact on a key Council objective.</p>	<p><b>Audit Opinion:</b></p> <p style="text-align: center;">Refer to Appendix (ii)</p>	<p style="text-align: center;"><b>Satisfactory</b></p> <p>Overall controls are adequate and effective to provide reasonable assurance that risks are managed. While there may be some issues identified and recommendations raised, this should not significantly impact on the achievement of objectives.</p>	<p><b>Implementation Priority:</b></p> <p style="text-align: center;">Refer to Appendix (iii)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category</th> <th style="text-align: center;">No of Recommendations</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><b>B1</b></td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;"><b>B2</b></td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;"><b>B3</b></td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td style="text-align: center;"><b>1</b></td> </tr> </tbody> </table>	Category	No of Recommendations	<b>B1</b>	1	<b>B2</b>	0	<b>B3</b>	0	<b>Total</b>	<b>1</b>
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	<p><b>Introduction</b></p> <p>The purpose of this review is to provide senior management with an assurance about the adequacy and effectiveness of internal control over the audit area of North West Region Waste Management Group (NWRWVG). The objectives and scope for this review were agreed with the Development Officer prior to the commencement of the audit.</p> <p>The Audit work performed was as follows:</p> <ul style="list-style-type: none"> <li>• Establishing the system of controls.</li> <li>• Evaluating the adequacy of the controls.</li> <li>• Designing and completing the audit programme to test the effectiveness of the controls.</li> <li>• Reporting on the adequacy and effectiveness of the controls to achieve system objectives.</li> </ul>														

	<p><b>Objectives</b></p> <p>The objectives of this audit were:</p> <ul style="list-style-type: none"><li>• To ensure that all expenditure incurred by the NWRWMG has been properly authorised and paid in accordance with required procedures.</li><li>• To ensure that all funding received matches expenditure incurred by NWRWMG in relation to work performed.</li><li>• To ensure that appropriate budgetary control procedures are in place.</li><li>• To ensure that adequate procedures are in place to minimise the risk of poor credit control.</li><li>• To ensure that appropriate governance arrangements are in place.</li></ul>
	<p><b>Scope</b></p> <ul style="list-style-type: none"><li>• Expenditure,</li><li>• Income,</li><li>• Budgetary Control,</li><li>• Credit Control, and</li><li>• Governance Arrangements.</li></ul> <p><b>Limitation of scope</b></p> <p>No limitations to scope.</p>

### Basis of Audit Opinion

On the basis of the audit work carried out the controls in place over NWRWMG provide ‘Satisfactory’ assurance that the system objectives will be achieved. Internal Audit is satisfied that the internal systems and controls are adequate and were operating effectively at the time of the audit review. There was one recommendation made as a result of this audit.

Guidance on the classification of audit assurance is provided at Appendix (ii). Satisfactory is the highest rating available.

### Recommendations

<b>B1</b>	1	<u>Payments: Purchase Orders</u> Internal Audit recommends management ensure that all payments are accompanied by an approved purchase order in line with Council policy.
<b>B2</b>	0	
<b>B3</b>	0	
<b>Total</b>	1	

## Audit Tests Undertaken

### Test 1 Payments

#### Test Description

To ensure procedures relating to the processing of invoices are being completed correctly.

#### Findings

Internal Audit is satisfied that the procedures relating to the processing of invoices are being complied with correctly.

All NWRWMG invoices selected for testing were paid on behalf of NWRWMG and all had been processed promptly. However, it was noted that a number of invoices did not have approved purchase orders attached to the payment documentation.

#### Conclusion

Internal Audit recommends management ensure that all payments are accompanied by an approved purchase order in line with Council policy.

### Test 2 Income

#### Test Description

To ensure all income due to the NWRWMG is identified and received.

#### Findings

Internal Audit was informed that income to cover running costs such as salaries, insurance and external audit fees is received from Derry City & Strabane District Council (DCSDC) & Causeway Coast & Glens Borough Council (CCGBC) and Internal Audit is satisfied that all income due is identified and recouped. In addition, in 2018/9, the project also received income from each member council to cover the costs of consultancy work carried out. Internal Audit is satisfied that this income was also identified and recouped.

The NWRWMG is not in receipt of any grant and therefore no conditions of grant are in place. However, all activity carried out (and therefore all expenditure incurred) is approved by the NWRWMG Joint Committee and therefore all income is used as per their approval and for the purposes intended.

#### Conclusion

No recommendations made.

## **Test 3 Budgets**

### **Test Description**

To ensure that budgetary control reports are produced regularly and all income and expenditure is monitored.

### **Findings**

Internal Audit is satisfied that appropriate budgetary control measures are in place and all income and expenditure is appropriately monitored.

Internal Audit was advised by the Directorate Accountant that regular reports are issued to the project detailing all spend, which in turn informs the recoupment process, as they must recoup what they spend. Invoices are raised to CCGBC to recoup their contributions, and journal entries are completed for DCSDC internally, to transfer funds to the NWRWMG cost centre as per their contribution.

In relation to the overall budget for the project, Members from both Councils sit on the NWRWMG Joint Committee and approve all expenditure, thus providing authority for all spend. This allows monies to be recouped in arrears based on actual expenditure.

### **Conclusion**

No recommendations made.

## **Test 4 Credit Control**

### **Test Description**

To ensure all income due to the NWRWMG is identified, invoiced and recouped in a timely manner.

### **Findings**

Internal Audit is satisfied that all income due to the NWRWMG is identified, invoiced and recouped in a timely manner. Recoupment usually happens on a quarterly basis and is based on actual expenditure incurred. For the test period of April – December 2018, running costs expenditure for Quarters 1 and 2 was identified and invoiced in October 2018 (staffing issues meant it was not possible to complete the Quarter 1 recoupment process at the end of that quarter, as would usually be the case). In addition, contributions from all 6 member councils to cover consultancy costs (initially paid by DCSDC) was also invoiced appropriately and promptly and all invoices were paid in a reasonable timeframe.

### **Conclusion**

No recommendations made.

## Test 5 Governance

### Test Description

To ensure appropriate governance arrangements are in place.

### Findings

Internal Audit is satisfied that appropriate governance arrangements are in place.

Internal Audit noted that the NWRWMG are audited by the Northern Ireland Audit Office (NIAO) and that the most recent audit received positive assurances.

### Conclusion

No recommendations made.

## **Acknowledgements**

Internal Audit would like to take this opportunity to thank the NWRWMG Development Officer and Administrative Officer for their assistance in compiling this report.

## Table of Recommendations

Key Findings and Recommendations	Management Response	Implementation Date	Priority
<u>Payments: Purchase Orders</u> Internal Audit recommends management ensure that all payments are accompanied by an approved purchase order in line with Council policy.	Management has put controls in place to ensure that all payments passed are accompanied by an approved purchase order.	February 2019	B1

## Appendix (i)

## System Priority Level

Internal Audit have introduced a 'System Priority level' to audit reports. The system priority level identifies the significance of the system under review towards achievement of the Council's objectives.

This will help management to easily identify significant issues at an organisational level.

There are 3 ratings as follows:

Rating	Description
<b>A</b>	Failure to implement the recommendations is likely to result in a major failure of a key Council objective, significant damage to the reputation of the Council or the misuse of public funds.
<b>B</b>	Failure to implement the recommendations could result in the failure of an important Council objective or could have some impact on a key Council objective.
<b>C</b>	Failure to implement the recommendation could lead to an increased risk exposure.

**Appendix (ii)****Classification of Audit Assurance**

Internal Audit have reviewed the classification of audit assurance levels. These continue to be based upon the system under review. The 3 new Assurance levels are 'Satisfactory', 'Improvement needed' and 'Major Improvement needed'. The definitions have been reworded to match the new Assurance levels.

The new assurance levels and definitions are as follows:

<b>Level of Assurance</b>	<b>Definition</b>
Satisfactory	<i>Evaluation opinion:</i> Overall controls are adequate and effective to provide reasonable assurance that risks are managed. While there may be some issues identified and recommendations raised, this should not significantly impact on the achievement of objectives.
Improvement needed	<i>Evaluation opinion:</i> Significant control weaknesses were noted and recommendations raised. There is considerable risk that the system will fail to meet its objectives.
Major Improvement needed	<i>Evaluation opinion:</i> Numerous significant control weaknesses were noted and recommendations raised. The system has failed or there is a real risk that the system will fail to meet its objectives.

## Appendix (iii)

## Implementation Priority

Implementation priorities are based upon Internal Audit's opinion on how quickly the recommendations should be implemented, relevant to their importance in the system under review.

There are 3 different priority ratings as follows:

Priority	Description
1	Weakness which should be addressed immediately.
2	Weakness, which is not fundamental but should be addressed in the short term (6 months).
3	Improvement, which represents best practice.

The Action Plan contains the priority both of the system and the recommendation.