

TERMS OF REFERENCE FOR A FORENSIC AUDIT INTO THE GOVERNANCE SYSTEMS IN NI WATER





TERMS OF REFERENCE

1.INTRODUCTION

At the request of the Department for Infrastructure's Accounting Officer (AO) and Minister, the NICS Internal Audit Service will carry out a forensic audit to examine, in detail, the adequacy and effectiveness of Northern Ireland Water's (NIW) internal systems of risk management, control, and governance, including whether key decision makers have clear sight over information to support effective decision-making. The review will also assess NIW's adherence to the requirements of Managing Public Money NI in respect of delegations and procurement practices in particular, whether actual or perceived conflicts of interest are identified and managed appropriately.

- 2. BACKGROUND** NIW was established on 1 April 2007 as a government owned company with the Department for Regional Development (now Department for Infrastructure) as its sole shareholder. NIW is responsible for the delivery of water and sewerage services in Northern Ireland. Within the Department, the Water and Drainage Policy Directorate (WDPD) includes a Shareholder Unit which provides oversight of NIW to ensure that the Department's investment in NIW is effectively managed and maximised.

The Department has a number of serious concerns regarding governance and control matters within NIW to which they require further assurance on the adequacy of NIW's risk management, governance and systems of internal control. The Department's concerns have been intensified due to insufficient assurance, several "Raising a Concern" investigations, legacy and current breaches of DAO 08/16 "Use and approval of confidentiality clauses/agreements" (now superseded by DAO 02/26), observations from the Department's representative on the NIW Board.



3. PURPOSE AND SCOPE

The purpose and scope of this assignment is to examine NIW's risk management, governance and internal control arrangements, including compliance with Managing Public Money NI in relation to delegations and procurement and contract management practices, and the management of actual or perceived conflicts of interest. It will also include whether key decision makers have clear sight over information to support effective decision-making.

Our review will initially cover the period April 2024 to date. The scope of this assignment will remain under review, and any changes to the Terms of Reference will be agreed with the DfI Accounting Officer.

4. OBJECTIVES

The following objectives have been developed to support a risk-based assessment of NIW's governance, risk management and control arrangements:

- Assess the adequacy and effectiveness of NIW's internal control framework and associated assurance arrangements.
- Evaluate the adequacy and effectiveness of NIW's governance and risk management arrangements, including whether key decision-makers receive clear, timely and sufficient information, and whether supporting documentation, roles and responsibilities are clearly defined and operating as intended.
- Assess the processes in place to support compliance with Managing Public Money NI and Dear Accounting Officer letters, specifically delegations, procurement and contract management.
- Assess the adequacy and effectiveness of the identification and management of actual or perceived conflicts of interest.
- Evaluate the adequacy and effectiveness of the segregation of duties at executive director level.
- Review the adequacy of NI Water's procedures and processes designed to support compliance with the Partnership Agreement and any related guidance.

- Identify opportunities to strengthen processes, procedures, assurance mechanisms and communication with the parent Department.

The assignment will include a review of relevant documentation. NIW will be asked to provide nominated points of contact, and interviews will be undertaken with NIW personnel and other relevant stakeholders. IAS will identify individuals to be interviewed during the planning stage for each objective.

5. CONDUCT OF ASSIGNMENT

The assignment will be performed in accordance with the Global Internal Audit Standards (GIAS) including the UK Application Note and the professional standards and guidelines of the Chartered Institute of Internal Auditors.

Members of NICS Internal Audit Services staff will require access to all records, assets, personnel, premises and such information and explanations as considered necessary to fulfil their responsibilities. DfI are to ensure that these requirements are fulfilled by NIW.

6. AUDIT RESOURCES

The assignment will be overseen by the NICS IAS Group Head, and will be performed by NICS IAS staff and supervised by Lacey Walker (Acting NICS IAS Assistant Group Head).

This audit is scheduled to start on agreement of this Terms of Reference (ToR). Our anticipated milestones are as follows:

Activity	To be completed by
Issue draft report for comment	W/c 11 January
Final Report Issued to DfI Accounting Officer and the Minister	W/C 18 January



7. REPORTING

The NICS IAS Group Head will provide the Dfl AO with regular informal updates as the assignment progresses or as requested. Upon completion of the assignment the overall findings will be discussed at a post assignment meeting with the AO.

The draft report will be issued to the AO.

The final report will be issued to the AO and the Minister.