

**AUDIT COMMITTEE MEETING WEDNESDAY 21 SEPTEMBER 2016**

**Key Decisions**

<b>No</b>	<b>Item</b>	<b>Decisions</b>
<b>1</b>	Apologies	<i>Councillors Fitzpatrick, Hunter and McShane P</i>
<b>2</b>	Declaration of Interest	<i>None</i>
<b>3</b>	Introduction, Independent Member	<i>Welcomed G Ireland</i>
<b>4</b>	Minutes of Audit Committee held 8 June 2016	<i>Confirmed</i>
<b>5</b>	External Audit – NIAO Year End Accounts 2015/2016	
	5.1 Year End Accounts	<i>Approved</i>
	5.2 Draft Report on those Charged with Governance	<i>Note</i>
	5.3 Draft CC&GBC Annual Governance Statement	<i>Note</i>
	5.4 Internal Audit Annual Assurance Statement 2015/16	<i>Note and Accept</i>
	5.5 Improvement Audit and Assessment Audit Strategy 2016/17	<i>Note</i>
<b>6</b>	Internal Audit Reports – Moore Stephens	<i>6.1 – 6.6 Adopt</i>
	6.1 Revision to Internal Audit Opinions New Guidance from DfP	
	6.2 Internal Audit Progress Report June – August 2016	
	6.3 Cash Handling – Caravan Parks	
	6.4 Cash Handling – Ballyreagh Golf Course	
	6.5 Business Continuity Planning and Emergency Planning	<i>Agreed that an Audit Training Workshop to be held on Wednesday 14 December 2016</i>
	6.6 Training	
<b>7</b>	Matters for Reporting to Partnership Panel	<i>None</i>
<b>8</b>	Correspondence	
	8.1 Northern Ireland Audit Office, The National Fraud Initiative NI	<i>Note</i>

No	Item	Decisions
	8.2 Publication of Local Government Audit Report 2016	<i>Note</i>
	8.3 Improvement Audits & Assessments – Audit Evidence Cut Off	<i>Note</i>
9	Risk Matrix	<i>Note</i>
10	Legal Cases Activity	<i>Note</i>
11	Whistleblowing	<i>None</i>
12	<p>Any Other Relevant Business</p> <p>In accordance with Standing Order 12 (o), the following Elected Member gave notice of Items to be considered under Any Other Relevant Business:</p> <p>Query - Management Accounting &amp; KPI Information – Submitted by Councillor Clarke</p> <p><i>Elected members are regularly required to take decisions involving the expenditure of large sums of public money. At present, we are given a limited oversight of the financial position of Council, mainly in the weeks before the rate is struck.</i></p> <p><i>Will officers undertake to provide this committee, given its' responsibilities for audit and risk, with management accounts, budgeted management accounts and agreed key performance indicators on a quarterly basis?</i></p>	<p><i>Copy of Terms of Reference brought back to the Audit Committee</i></p>

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE AUDIT COMMITTEE  
HELD IN COUNCIL CHAMBER, CIVIC HEADQUARTERS  
WEDNESDAY 21 SEPTEMBER 2016 AT 7 PM**

**In the Chair:** Councillor C McShane

**Members Present:** Aldermen Finlay, McKeown and Robinson,  
Councillors Baird, Beattie, Clarke, Deighan, Holmes,  
McGlinchey, Stevenson and Watton

**Officers Present:** D Jackson, Chief Executive  
M Quinn, Director of Performance  
D Wright, Chief Finance Officer  
D Hunter, Council Solicitor  
S McMaw Head of Corporate Performance and Compliance  
E McCaul, Committee and Member Services Officer

**In Attendance:** G Ireland, Independent Member  
C Kane, Director of Northern Ireland Audit Office  
C McDermott, Audit Partner Moore Stephens

### **CHAIRPERSON'S REMARKS**

The Chair welcomed those present within the Council Chamber to the quarterly Audit Committee meeting.

The Committee had been granted full power delegated at the Council meeting held 26 August 2016.

#### **1 APOLOGIES**

Apologies were recorded from Councillors Fitzpatrick, Hunter and McShane P.

#### **2 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

#### **3 INTRODUCTION, INDEPENDENT MEMBER – GAY IRELAND**

The Director of Performance introduced G Ireland, newly appointed Independent Member to the Committee.

The Audit Committee was informed that G Ireland had over 20 years' experience in auditing and was a member of the Chartered Institute of Auditors, member of

Chartered Institute of Risk Management and currently sits on Armagh City, Banbridge and Craigavon Borough Audit Committee.

#### **4 MINUTES OF AUDIT COMMITTEE MEETING 8 JUNE 2016**

The Chair advised the Minutes of the above meeting had been ratified by Council at the 28 June 2016 Council Meeting. Noted.

#### **5. NORTHERN IRELAND AUDIT OFFICE**

##### **5.1 Year End Accounts 2015/16**

The Chief Finance Officer presented the year end accounts for 2015/16. He reminded the Audit Committee that Councils and other public bodies were required to prepare and submit to the Department for Communities (DfC) (previously Department of the Environment (DoE)) by 30 June each year their annual accounts for the previous financial period.

The Committee were advised that Council complied with this requirement. In a change procedurally from previous years as these accounts have not yet been approved by Council. This would have happened before 30 June prior to both submission to the Department and the audit of the accounts. Under current regulation the approval of the accounts now occurs after completion of the audit meaning Council are approving what would eventually be published.

A copy of the Annual Statement of Accounts for Causeway Coast and Glens Borough Council was circulated to the Committee.

It was pointed out that the main figure Members would be interested in could be found on page 26 - this being the Movement in Reserves statement which details an in year movement in the General Fund Summary of an increase of £3,313,377 giving a carrying total of £10,011,869. Under regulation, Councils were recommended to carry a minimum fund balance in the range of 5% to 7.5% of our Net Operating Expenditure (£49,151,384) which translates into a recommended balance between £2,457,569 and £3,686,354. Causeway Coast and Glens Borough Council is comfortably in excess of this.

Whilst the positive result was to be welcomed the sources of the surplus need to be identified and recognized to put some perspective around this. The main contribution to the surplus came from an accounting movement around the level of provision for Councils 3 landfill sites. There are 2 factors which have made significant changes to the level of these provisions.

Firstly the discount rate used in calculating the level of provision had in previous years turned negative meaning Council effectively had to provide more funds now than they need in for example a year's time. The discount rates have been extensively reviewed this year in collaboration across the entire sector, with Northern Ireland audit Office (NIAO), The Chartered Institute of Public Finance and Accountancy (CIPFA) and Council's treasury

management adviser Arlingclose resulting in a change to the rate being used. The consequence of this has been a credit back to reserves of £1,021,219 due to the movement in the discount rate.

Secondly updated reports on the closure of the 2 former landfill sites had resulted in a reduction in the anticipated costs relating to Crosstagherty amounting to £1,462,997.

The next major influence of the positive result arose from additional rates being collected during the year amounting to £747,685 and the re-instatement of rates Support Grant following extensive lobbying of the Minister amounting to £389,004.

In terms of service related expenditure as stated previously in reports to the committee our planners had an exceptional year in terms of income generation which generated a significant surplus from this department but it does create the impression of there being surplus budget available to council's services which is not necessarily the case. Current year budgets have taken this into account when rates were being set and therefore this is not something which can be expected in future years to be replicated.

It should also be noted that there are a couple of narrative and presentational updates to be included in the accounts differing from the appendix circulated at the time of writing the report these had yet to be agreed with NIAO, in particular some additional text in the Annual Governance Statement.

Prior to recommending that the accounts be approved, the Audit Committee agreed to review the Draft Report to those Charged with Governance.

## 5.2 Draft Report to those Charged with Governance

Having just been provisionally completed, a copy of the Draft Report to those Charged with Governance was tabled for Members' information.

The representative from the NIAO gave an overview of the overall conclusion within the report which was to recommend that the Local Government Auditor certifies the 2015/16 financial statements with an unqualified audit opinion without modification. In reaching this opinion, key audit judgements were that a number of items totalling £746k were included within provisions which the NIAO felt did not fully meet the spirit of the accounting standard (IAS 37), these had now been reclassified as reserves. Further during the audit, Council identified an asset that should be impaired and agreed with this accounting treatment. This was highlighted in adjusted errors at a value of £1,383k.

Members were informed of 12 recommendations listed by priority from the Audit findings:

No.	Description	Priority
1	Bank	1
2	Management Accounts	1
3	VAT Return	1

4	Income Controls	2
5	High Level Monitoring controls over the completeness of income at Outstations	2
6	Duplicate payments	2
7	Declaration of interests	2
8	Draft accounts submitted to audit	2
9	IT	2
10	Property plant and equipment	2
11	Expenditure	2
12	Prompt Payment	3

The Committee noted the observations made, implication and recommendation set out within the report. The Management Response to the findings would be completed as soon as possible.

Officers answered a number of queries on staff declaring interests, reserves and VAT payments.

**It was recommended** that Causeway Coast and Glens Borough Council approve the Annual Statement of Accounts as presented.

Proposed by Councillor Baird  
 Seconded by Councillor Beattie and

**AGREED** – that Council approve the Annual Statement of Accounts as presented.

### 5.3 Draft CC&GBC Annual Governance Statement

Causeway Coast and Glens Borough Council is required to publish a Governance Statement with its annual statement of accounts. This is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and outlined how the Council was complying with the Framework.

A Draft Annual Governance Statement was circulated to Members and a Draft Significant Governance Issues paper was tabled for Members' consideration.

Causeway Coast and Glens Borough Council has identified the following significant Governance issues:

- financial risk
- business continuity and insufficient resources leading to reduction in service delivery
- legal issues
- fraud and whistleblowing
- performance improvement
- waste management

Officers answered a number of questions from Members on the finer detail of the risks identified. The Committee was informed that the Annual Governance

Statement was currently a work in progress and may be subject to further modifications.

The Audit Committee **Noted** the Draft Annual Governance Statement.

#### **5.4 Internal Audit Annual Assurance Statement 2015/16**

The Audit Committee considered a report the purpose of which was to inform the Committee of the extent and outcome of Internal Work during the 2015/16 financial year and to present an Annual Statement of Assurance regarding the Council's Internal Control Framework.

##### **It was recommended:**

- 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.

**AGREED** – that Council note the report and that the Controls Assurance Statement be accepted and considered by the Committee in relation to the annual governance review and Annual Governance Statement.

#### **5.5 Improvement Audit and Assessment Audit Strategy 2016/17**

The Audit Committee received a report on the Audit Strategy in respect of the Local Government Auditor's improvement audit and assessment programme of work, which was to ascertain whether the Council had met its statutory performance improvement responsibilities for the year, in line with legislation for the 2016-17 financial year.

The Audit Strategy document set out the scope of the programme, responsibilities of the Local Government Auditor, the improvement audit and assessment process, Council responsibilities, fees and other statutory duties and matters.

The Audit Committee **Noted** the Audit Strategy document.

## **6 INTERNAL AUDIT REPORTS – MOORE STEPHENS IN ATTENDANCE**

### **6.1 Revisions to Internal Audit Opinions New Guidance from Department of Finance – Causeway Coast and Glens Borough Council**

The Audit Committee received a presentation from Moore Stephens which gave an overview of the current and new assurance and priority opinions given by Internal Auditors.

It was highlighted that assurance options were changing as Internal Audit teams in the public sector found that on some occasions, management were striving to achieve the highest level evaluation (substantial) and this was often

not desirable as it could lead to unnecessary management activities that could not be sustained in the current resource environment.

In future, there will be three assurance options:

1) *Satisfactory* 2) *Limited and* 3) *Unacceptable*.

An overview of the current and new definitions were reported to the Committee.

The 3 current priority ratings would continue to be used, however, the definitions of the rating had been revised to reflect organisational priorities rather than system priority. An overview of the current and new ratings definition were also reported to the Committee.

It was noted that assurance opinion substantial would no longer be used and that satisfactory would continue to be considered 'above the line'.

It was also noted that Moore Stephens would be implementing the recommendations with effect from August 2016.

## **6.2 Internal Audit Progress Report June – August 2016**

The Audit Committee considered a summary report to inform Members of work carried out by Internal Audit from Moore Stephens (as part of the shared service arrangement) during the period June-August 2016. Full details of the work carried out on completed assignments was presented to the Committee and issues arising during the period reported.

The following audits were planned for completion during the next quarter:

- ICT environment
- Partnership arrangements
- Planning
- Events

## **6.3 Cash Handling – Caravan Parks**

## **6.4 Cash Handling – Ballyreagh Golf Course**

The representative from Moore Stephens presented the Internal Audit Reports on Cash Handling at Caravan Parks and Ballyreagh Golf Course. Based on the audit testing Moore Stephens were able to provide a limited level of assurance. 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.



In addition to the recommendations noted, three systems enhancements during the course of the audit, which did not form part of our formal findings, but may help enhance the existing controls set out as follows:

- Preparation of lodgements
- Cash deposit
- Sites not available for booking online and surprise cash counts.

## **6.5 Business Continuity Planning and Emergency Planning**

The representative from Moore Stephens presented the Internal Audit Report on Business Continuity Planning and Emergency Planning. Based on the audit testing Moore Stephens were able to provide a limited level of assurance. There were significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

In addition to the recommendations, two systems enhancements had been identified during the course of the audit which do not form part of Moore Stephens formal findings, but might help enhance the existing controls as follows:

- Emergency boxes
- Access to Emergency plan.

The Chief Executive responded to queries on barriers to implementing the findings of the report and indicated that there would be a robust system in place before the end of the year.

## **6.6 Training**

The Director of Performance suggested that members of the Audit Committee undertake training provided by Moore Stephens on Wednesday 14 December 2016 at 5pm – directly before the Audit Committee Meeting.

Proposed by Councillor Stephenson  
Seconded by Alderman Robinson and

**AGREED** – that the reports presented at 6.1, 6.2, 6.3, 6.4, 6.5, 6.6 and recommendation within would be adopted.

## **7 MATTERS FOR REPORTING TO PARTNERSHIP PANEL**

There were no items for reporting to the Partnership Panel.

## 8 CORRESPONDENCE

The Audit Committee received the following items of correspondence for information.

- 8.1 Northern Ireland Audit Office, The National Fraud Initiative NI
- 8.2 Publication of Local Government Audit Report 2016
- 8.3 Improvement Audits & Assessments – Audit Evidence Cut Off

## 9 RISK MATRIX

The Head of Corporate Performance and Compliance presented the risk matrix which set out 14 risks and the likelihood of these occurring in terms of low medium and high probability.

Officers answered queries around land & property portfolio, interruption to services through hacking into the ICT network and fraud.

The Audit Committee **Noted** the Risk Matrix update.

Proposed by Alderman Robinson  
Seconded by Councillor Baird and

**AGREED** - that the Committee proceeds to conduct the following business 'in committee'.

## 10 LEGAL CASES ACTIVITY

Members received a report to update the Audit Committee with regard to Causeway Coast and Glens legal cases. The report set out the subject matter and outcome status.

Council Solicitor indicated that in going forward the list of cases would be updated and split into 5 separate areas, to include land and property, planning, revenue and corporate governance, minor proceedings and any other legal matters. The list would also be amended to flag up certain cases. The amended format would be brought back to the Committee for review.

It was suggested that this was a sensible approach. It was also suggested that completed cases should be taken off the list and that land boundaries should be mapped.

The Chief Executive reported that a mapping exercise was currently being carried out and that the Moyle area was completed. **Noted.**

## 11 WHISTLEBLOWING INCIDENTS

There were no whistleblowing incidents to report.

## 12 ANY OTHER RELEVANT BUSINESS

In accordance with Standing Order 12 (o), the following Elected Members gave notice of Items to be considered under Any Other Relevant Business:

Query - Management Accounting & KPI Information – Submitted by Councillor Clarke

*Elected members are regularly required to take decisions involving the expenditure of large sums of public money. At present, we are given a limited oversight of the financial position of Council, mainly in the weeks before the rate is struck.*

*Will officers undertake to provide this committee, given its' responsibilities for audit and risk, with management accounts, budgeted management accounts and agreed key performance indicators on a quarterly basis?*

Response – The Chief Finance Officer confirmed that accounts would be presented to the Corporate Policy and Resources Committee in October 2016 and explained the delays in presenting management accounts to Council.

The Director of Performance agreed to review the Terms of Reference and bring this back to the Committee.

Proposed by Councillor Baird  
Seconded by Councillor Deighan and

**AGREED** - that the Committee would conduct the remainder of the business '**In Public**'.

The business concluded at 8.50 pm

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Chairperson  
14 December 2016