

AUDIT COMMITTEE MEETING WEDNESDAY 18 SEPTEMBER 2019

No	Item	Summary of key Recommendations
3.	Minutes of Audit Committee Meeting 12 June 2019	<i>Information</i>
4	Northern Ireland Audit Office	
	4.1 Draft Report to Those Charged With Governance	<i>Agency Staff breakdown costs to each Committee. Do Not adjust the Accounts 2018/19.</i>
5.	Annual Accounts Year-End 2018/19	<i>Approve</i>
6.	Internal Audit Strategy 2019-2023	<i>Approve</i>
7.	Absence Report	<i>Information</i>
8.	Council Strategy Workshop	<i>Information</i>
9.	Matters for Reporting to Partnership Panel	<i>Nil</i>
10.	Correspondence	<i>Nil</i>
	IN COMMITTEE	
11.	Corporate Risk Matrix	<i>Information</i>
12.	Legal Cases Activity	<i>Information</i>
13.	Whistle Blowing /Fraud	<i>None</i>
14.	Internal Audit – Council Easement and Disposal Process, Auditor to Present Report and Findings	<i>Defer for one month to a Special Audit Committee meeting; consider the report in conjunction with the documents that</i>

No	Item	Summary of key Recommendations
		<i>supported its conclusion</i>

Unconfirmed

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF
THE AUDIT COMMITTEE
HELD IN COUNCIL CHAMBER, CIVIC HEADQUARTERS ON
WEDNESDAY 18 SEPTEMBER 2019 AT 7 PM**

In the Chair: Councillor McAuley

Members Present: Alderman McCandless, McKeown and Robinson
Councillors Anderson, Beattie, Lavery, Mulholland,
McMullan, Nicholl, Peacock, Quigley, Scott,
Schenning, Wallace and Watton

Independent Member Present: G Ireland

Officers Present: M Quinn, Director of Corporate Services
A McPeake, Director of Environmental Services
D Wright, Chief Finance Officer
S Duggan, Civic Support & Committee & Member Services Officer

In Attendance: C McHugh, Senior Internal Auditor, Moore (NI)
C Kane, Director, Northern Ireland Audit Office
Dr R Peters-Gallagher, Moore (NI)

1. APOLOGIES

There were no apologies.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF AUDIT COMMITTEE MEETING 12 JUNE 2019

The summary minutes of the Audit Committee meeting held 12 June 2019 were received and noted.

4. NORTHERN IRELAND AUDIT OFFICE (NIAO)

4.1 Draft Report to Those Charged With Governance

Report, previously circulated, presented by C Kane, Director, Northern Ireland Audit Office.

C Kane advised Management had yet to respond to the draft Report To Those Charged With Governance, having been presented with the document at the same time as the Audit Committee and would be expected to deal with the actions and requests for compliance.

C Kane presented the report, during the audit, the Northern Ireland Audit Office reviewed internal controls; accounting systems; and procedures to the extent considered necessary for the effective performance of the audit. The Northern Ireland Audit Office identified five priority one recommendations in relation to the internal control environment. Four of these priority one recommendations had also been raised in the report on the 2017-18 audit.

In terms of Audit Judgements, C Kane advised the total landfill provision of £15 million in respect of future closure and aftercare costs for three landfill sites, appears to be a reasonable estimate based on the information provided by the Council. C Kane commented on provision for the McCloud/Sargeant judgement – that following recent court cases regarding the reform of pension schemes in April 2015, the government was expected to recompense members that were not subject to transitional protection arrangements. Although the legal cases related to judges and firefighters, it is expected to read across to all public sector pension schemes where transitional arrangements applied, including NILGOSC. In June 2019, the government was refused a right of Appeal and therefore a post balance sheet adjusting provision was required to account for the additional liability. The Council adjusted the accounts to include this provision using updated figures from the Actuary. An increase in the liability of £3.5 million resulted.

Regarding Audit adjustments, the net effect of adjusted misstatements on the Comprehensive Income and Expenditure Statement and Balance Sheet was £3,544,000. Unadjusted misstatements would reduce expenditure and increase net assets by £90,000. A full list of adjustments was provided on page 17 of the report, circulated.

C Kane invited the Audit Committee to:

- Review the findings set out in this report, including the draft letter of representation and audit certificate at Appendices One and Two respectively; and
- Consider whether the unadjusted misstatements, set out in the Audit Adjustments section (page 17), should be corrected. The Audit Committee minutes should provide written endorsement of management's reasons for not adjusting misstatements.

C Kane presented the outline findings arising from the audit in Section 4, as well as management's response and target date for implementation. C Kane advised the Audit Office findings were defined as: Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control. Priority 2 – important issues to be addressed by management in their areas of responsibility. Priority 3 – issues of a more minor nature which represent best practice.

In response to concerns raised by G Ireland, the Director of Corporate Services provided a narrative surrounding Finding 1- Finding 4 inclusive and responded to Elected Member questions.

In response to requests for clarification, the Director of Corporate Services advised the Council Solicitor vacant post had not been filled at this time due to financial constraints, Human Resources had written out and informed applicants the process had been paused. The Director of Corporate Services advised Agency Staff Costs would be detailed monthly through service specific reporting at the Leisure and Development Committee and Environmental Services Committee and brought to the Audit Committee quarterly, thereafter. The Director of Corporate Services advised the Capital Asset Management Strategy report would be brought to the Land and Property Sub Committee next month.

The Chair noted Councillor Scott's comment, he was perturbed the same issues had been raised in 2017/18 and 2018/19 and questioned whether this was acceptable.

The Chief Finance Officer responded on Finding 5. The Chief Finance Officer advised procedures had been tightened in relation to Purchase Orders in June/July.

Proposed by Councillor Beattie
Seconded by Councillor Schenning and

AGREED – to recommend that an Agency Staff analysis does go to each Committee.

C Kane, Director, Northern Ireland Audit Office presented Findings 6 – Finding 10 and referred to Adjusted misstatements on Page 17 of the Report to Those Charged with Governance. C Kane offered an explanation of terminology regarding adjusted misstatements and unadjusted misstatements.

In response to a request for clarification, the Chief Finance Officer advised the Agency Staff contract was awarded for a 3-5 year period in 2017/18 with the potential for extension, 2019/20 and 2021/22, up to the end of March 2022. The Chief Finance Officer confirmed a report would come before Council in the event of any recommendation to extend, or otherwise.

In relation to issues raised within Section 8, Income, the Chief Finance Officer advised he would refer Councillor McMullan's comment regarding a commercial contract within the Leisure Centres to the Leisure and Development Committee for response. During questioning, the Chief Finance Officer gave an assurance to undertake a refresh of cash handling procedures across all Council sites, due to concerns raised by many members in terms of application of Cash Handling Policies and Procedures.

Councillor McMullan and Councillor Watton, under Section 7, Heritage Assets, questioned the location of a specific art collection and its value, and queried who was dealing with this.

- * **Councillor Scott left the meeting.**
- * **Alderman Robinson left the meeting at 8PM, re-joined the meeting at 8.15PM and left at 8.17PM**
- * **Councillor Wallace left the meeting at 8.17PM**
- * **Councillor Anderson left the meeting at 8.20PM.**

Proposed by Alderman McKeown
Seconded by Councillor Schenning and

AGREED – to recommend that Council do not adjust the Accounts 2018/19, for the Unadjusted misstatements as referred to on Page 18.

5. ANNUAL ACCOUNTS YEAR-END 2018/19

Report, previously circulated, presented by the Chief Finance Officer.

In response to Elected Member questions, the Chief Finance Officer provided explanations on variances, advised of Councils various Reserves Accounts, and provided details on Council loans; the Chief Finance Officer agreed to provide a detailed cost account of each Harbour.

The Chief Finance stated the level of Reserves was at the level recommended to be set by the Department and was accurate.

- * **Councillor Beattie left the meeting at 8.35PM and re-joined at 8.38PM.**

It is recommended that the Audit Committee recommends to Council the approval of the annual statement of accounts as presented.

Proposed by Councillor Schenning
Seconded by Councillor Watton and

AGREED – to recommend that Council approve the annual statement of accounts as presented.

6. INTERNAL AUDIT STRATEGY 2019-2023

Report, previously circulated, presented by C McHugh, Moore (NI).

C McHugh advised the four year plan was produced using the risk assessment utilising the assurances provided by Internal Audit in the last 4 years, issues identified in the annual report to Those Charge With Governance, the Corporate Risk Register and the views of the senior management team to identify and evaluate risks for the Council.

C McHugh referred to page 7 of the report, the revised 4-year Strategic Internal Audit Plan. C McHugh advised that following the report to Those Charged with Governance, Leisure Centres, which had been scheduled for Year 2 would now be moved into Year 1, the document was live and could change as any new risks would become evident.

- * **The Chief Finance Officer left the meeting at 8.45PM.**

In response to questions, C McHugh advised of a statutory obligation for PCSP to be audited over the four year period.

C McHugh clarified the Summary of Audit Needs Assessment risk evaluation rating and Internal Audit Risk Assessment Judgement presented. It was suggested a traffic light system would assist in the presentation of what had been undertaken and that due. A suggestion was made that Council cut down the amount of cash it handles.

In response to Elected Member questions, the Director of Corporate Services agreed to find out the credit card limit and circulate; the Director of Corporate Services advised that she anticipated the new Internal Auditor position would be in post for the next Audit Committee meeting.

C McHugh advised Brexit had not been a consideration, it was an unknown and could not be audited, the scope to be defined and looked

at. C McHugh drew Committees attention it had not been audited how funding was planned or any contingency, in the event Funding should dry up, however, would be built into a future Audit.

It was agreed to circulate the full PWC report which had been completed recently.

Proposed by Councillor Peacock
Seconded by Councillor McCandless and

AGREED – to recommend that Council approve the Internal Audit Strategy 2019-2023.

7. ABSENCE REPORT

Information report, previously circulated, presented by the Director of Corporate Services.

The Director of Corporate Services advised the report would be further detailed into Directorates and Service Levels and responded to Elected Member questions.

- * **Councillor McCandless left the meeting at 9.22PM.**
- * **Councillor Nicholl left the meeting at 9.26Pm and re-joined the meeting at 9.30PM.**
- * **C Kane left the meeting at 9.30PM during consideration of the Item.**

It is recommended that Council notes the report presented.

8. COUNCIL STRATEGY WORKSHOP

Information report, previously circulated, presented by the Director of Corporate Services.

9. MATTERS FOR REPORTING TO PARTNERSHIP PANEL

There were no matters for reporting to the Partnership Panel.

10. CORRESPONDENCE

There were no matters of correspondence.

MOTION TO PROCEED 'IN COMMITTEE'

Proposed by Councillor Beattie

Seconded by Councillor Quigley and

AGREED – to recommend that Council move ‘In-Committee’.

11. CORPORATE RISK MATRIX

Confidential report, previously circulated, presented by the Director of Corporate Services.

The Director of Corporate Services advised a narrative on each of the issues would be provided going forward.

The Director noted the requirement for further Training and Development for Audit Committee Members.

The Director of Corporate Services responded to members queries in relation to the Corporate Risk Matrix. In relation to 6b, Staff/Councillor relationships, Councillor Quigley stated that she felt there was a lack of trust between Senior Management Team and Councillors, and that in her opinion, irrevocable trust had broken down, and asked that it was noted. Councillor Lavery concurred with these remarks, adding that he also had an issue with trust.

12. LEGAL CASES ACTIVITY

Confidential report, previously circulated, presented by the Director of Corporate Services.

The Director of Corporate Services agreed to circulate the value of Councils Land and Assets, further detailing buildings and property.

13. WHISTLE BLOWING /FRAUD

The Director of Corporate Services advised there were no new disclosures within the last quarter.

- * **The Director of Corporate Services left the meeting at 9.55PM.**
- * **The Director of Environmental Services joined the table at 9.55PM.**

14. INTERNAL AUDIT – COUNCIL EASEMENT AND DISPOSAL PROCESS, AUDITOR TO PRESENT REPORT AND FINDINGS

Report, previously circulated, introduced by the Director of Environmental Services.

The report was presented by C McHugh, Senior Internal Auditor, Moore (NI). C McHugh presented a summary of the main findings, recommendations for improvement and conclusions.

C McHugh responded to Elected Member questions.

* **Alderman Robinson and Councillor Scott re-joined the meeting at 10.04PM.**

Proposed by Councillor Quigley
Seconded by Councillor Scott and

AGREED – to recommend that consideration is deferred for one month to a Special Audit Committee meeting; in order to consider the report in conjunction with the documents that supported its conclusion.

Councillor Quigley, referring to the Report, stated it was unacceptable documents of strategic importance to Council were presented less than four days before a meeting.

In response to questions, C McHugh advised Legal advice was being sought on the release of one item, the position would be known within twenty days.

* **Councillor Peacock left the meeting at 10.20PM during consideration of the Item.**

MOTION TO PROCEED 'IN PUBLIC'

Proposed by Councillor Beattie
Seconded by Councillor Lavery and

AGREED – to recommend that Council move 'In Public'.

There being no other business, the Chair thanked members for their attendance and the business concluded at 10.30pm.

Chair