



**MINUTES OF THE PROCEEDINGS OF THE MEETING OF  
THE AUDIT COMMITTEE  
HELD IN COUNCIL CHAMBER, CIVIC HEADQUARTERS ON  
WEDNESDAY 20 SEPTEMBER 2017 AT 7 PM**

**In the Chair:** Councillor Beattie

**Members Present:** Aldermen Finlay and McKeown,  
Councillors Baird, Blair, Hunter, Holmes, Knight-  
McQuillan, Stevenson and Watton

**Independent Member Present:** G Ireland

**Officers Present:** D Jackson, Chief Executive  
M Quinn, Director of Corporate Services  
D Wright, Chief Finance Officer  
S Bradley, Internal Auditor  
E McCaul, Committee and Member Services  
Officer

**In Attendance:** C Kane, NIAO Office  
Dr R Peters Gallagher, Moore Stephens

## **SUBSTITUTION**

The Chair advised that Councillor Stevenson was in attendance to replace Councillor McCorkell and Alderman Finlay was in attendance to replace Councillor Callan for the transaction of business at the meeting.

### **1 APOLOGIES**

Apologies were recorded from Councillors McGlinchey, McShane C, McShane P and Deighan.

### **2 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

### **3 MINUTES OF AUDIT COMMITTEE MEETING 14 JUNE 2017**

The Chair advised that the minutes of Audit Committee meeting held 14 June 2017 had been ratified at the 27 June 2017 Council meeting.

## **4 NORTHERN IRELAND AUDIT OFFICE (NIAO)**

### **4.1 Annual Accounts 2016/17**

The Chief Finance Officer outlined that Councils and other public bodies are required to prepare and submit to the Department for Communities (DfC) by 30 June each year their annual accounts for the previous financial period. He reported that Council complied with this requirement. In a change procedurally from previous years 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 will eventually be published.

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

It was pointed out that the main figure Members will be interested in can be found on page 28 this being the Movement in Reserves statement which details an in year movement in the General Fund Summary of a decrease of £2,136,057 giving a carrying total of £7,875,812. Under regulation we are recommended to carry a minimum fund balance in the range of 5% to 7.5% of our Net Operating Expenditure (£51,292,291) which translates into a recommended balance between £2,564,615 and £3,846,922. Causeway Coast and Glens Borough Council is comfortably in excess of this.

Whilst the negative result may seem unwelcome the sources of the deficit need to be identified and recognized to put some perspective around this. The main contribution to the deficit came from 2 factors. The first of these was severance costs. Previously Council capitalized these under direction from DfC however in light of the healthy level of reserves Council decided to pay for any subsequent severance in the year of occurrence, effectively expensing it through the accounts straight away. Whilst this does have the effect in the short term of reducing reserves it also means Council can reap the full benefit of the severance in the reduction of the payroll bill as opposed to waiting a number of years for the capitalized severance to be expensed through the accounts. The amount charged to the accounts in respect of severance was £945,906.

The second major influence was an adjustment to a provision for landfill closure, the charge to the accounts in this case being £938,635.

In terms of service related expenditure there was a surplus on services generated during the year amounting to £456,559.

In approving these accounts Council will also be approving a debt write-off amounting to £410,579. This amount relates to legacy or inherited debt (in the case of car parking) and the total amount has already been provided for by way of bad debt provisions consequently the write-off has no effect on the financial performance for the year or Council's General Fund balance. The purpose of the write-off is to remove these balances from our debt figures since there is no longer any possibility of recovering these funds as evidenced by the previous inclusion of provisions to cover the entire amount. This is an accounting exercise and is somewhat separate from our ongoing debt management which is reported each month via the Corporate, Policy and Resources Committee however in line with our debt management policy technically we still require Council approval to write off.

It should also be noted that there may be some narrative and presentational updates to be included in the accounts differing from the Annual Statement of Accounts circulated, at the time of writing the report these had yet to be agreed with NIAO.

**It is recommended** that Council approve the annual statement of accounts as presented.

Officers responded to queries on interest, debt, efficiencies and rates setting process.

\* Alderman McKeown joined the meeting at 7:17 pm.

Proposed by Councillor Stevenson  
Seconded by Councillor Hunter and

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

#### **4.2 Draft Report to Those Charged with Governance 2016/17**

The Local Government Auditor presented the draft report to Those Charged with Governance which summarised the key matters arising from NIAO Audit of the 2016-17 financial statements.

Committee was invited to review the findings set out in the draft report, including the Draft Letter of Representation and Proposed Audit Report.

In terms of overall conclusion and opinion, Committee was advised that it was anticipated that it would be recommended to the Local Government Auditor that the financial statements for 2016-17 be certified with an unqualified audit opinion, without modification.

In terms of Audit judgement, Committee was advised that in reaching its opinion, the following key audit judgement was referred to:

Landfill Provision - Within the findings the one material risk identified related to landfill provision. Based on current information, the monetary value of the total landfill provision appeared to be adequate.

The Local Government Auditor advised that the amended Governance Statement fairly reflected the state of internal control systems within the Council.

There were 13 observations & recommendations as detailed in the table below, which the auditor outlined in further detail to the committee.

No.	Description	Priority
1	Management Accounts	1
2	Debtors	1
3	Bank – Savings Account / General Revenue account	1 and 3
4	Declarations of interest	2
5	IT	2
6	Income	2
7	Credit card expenditure	2
8	Leases	2
9	Heritage assets not reflected in the accounts	2
10	Journals Authorisation and Audit Trail	2
11	Expenditure	2
12	Agency Staff costs	2
13	Procurement	2

The Chair advised that a final version of the report to Those Charged with Governance would be circulated at the 13 December 2017 Audit Committee Meeting.

#### **4.3 Progress Report to Those Charged with Governance 2015/16**

The Committee received a progress report on the Audit of 2015-2016 Financial Statements from NIAO to those charged with governance. The report listed 13 Audit recommendations, management response and position at August 2017 on issues being addressed.

The Audit Committee **NOTED** the progress report.

#### **4.4 Annual Governance Statement 2016-17**

Causeway Coast and Glens Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiency and effectively. Causeway Coast and Glens Borough Council also has a duty under Local Government (Best Value) Act (Northern Ireland) 2002 to make arrangements for continuous improvement in the way

in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Causeway Coast and Glens Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Causeway Coast and Glens Borough Council has prepared an Annual Governance Statement which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Causeway Coast and Glens Borough Council meets the requirements of Regulation 4 of the Local Government (Accounts and Audit) Regulations (Northern Ireland 2015) in relation to the publication of a statement on internal control.

Council's governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables Causeway Coast and Glens Borough Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Causeway Coast and Glens Borough Council for the year ended 31 March 2017 and up to the date of approval of the financial statements.

The Audit Committee **NOTED** the Annual Governance Statement for 2016-17.

## 5 INTERNAL AUDIT

### 5.1 Internal Audit Reports – CC&GBC

#### 5.1.1 Museums

The Internal Auditor presented an Internal Audit Report which summarises the findings arising from a review of Museums

Based on the audit testing, the Internal Auditor was able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control in place. While there may be some residual risk identified this should significantly impact on the achievement of system objectives.

The findings, recommendations and management response within the report were as follows:

**Recommendation** – Audit recommends that Coleraine Museum collection is removed from the basement in Cloonavin to a dedicated secure space which is designed to meet standards and requirements for the preservation, protection and accessibility of the collection:

**Management Response** – Any potential venue must meet Museums Standard of Accreditation. A Collections store should be environmentally stable (maintaining agreed range for temperature, humidity and lux levels), secure, watertight, clean, pest free, able to take the loads and accessible.

In addition to the recommendation noted above, a number of system enhancements were identified during the course of the audit which do not form part of formal findings but may help enhance the existing controls.

#### 5.1.2 Fleet Management

The Internal Auditor presented an Internal Audit Report which summarises the findings arising from a review of the Fleet Management.

Based on the audit testing, the Internal Auditor was able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control in place. While there may be some residual risk identified this should significantly impact on the achievement of system objectives.

The risk identified to fleet management and agreed with management are as follows:

- The Council's fleet of vehicles may be inadequately maintained leading to a substandard quality fleet, non-compliance with legislation, and increased safety risks for staff and the public.

- Licencing requirements for usage of vehicles may not be met leading to non-compliance with legislation resulting in potential legal issues or accidents.

**Recommendation** – Records of all maintenance work carried out by the hire company for Limavady locality vehicles should be provided to the Fleet Manager to provide assurance required under the Operator's Licence.

**Management Response** – Agreed. Council to devise a new contract reinforcing the need for appropriate documentation and seek legal advice on non-compliance.

The Independent Audit Committee Member outlined a number of safeguards that could be implemented in order to limit damage to reputation and as a cross reference relating to repairs, driving offences and insurance cover.

In addition to the recommendation noted above, a number of system enhancements were identified during the course of the audit which do not form part of formal findings but may help enhance the existing controls.

### **5.1.3 Licensing**

The Internal Auditor presented an internal audit report which summarises the findings arising from a review of Licensing.

Based on the audit testing, the Internal Auditor was able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should significantly impact on the achievement of system objectives.

There were no findings or recommendations identified in Licensing Policies and Procedures, Processing of Licences and Licensing Income. One system enhancements was identified during the course of the audit which do not form part of formal findings but may help enhance the existing controls.

### **5.1.4 Ad-hoc Seasonal Checks**

The Internal Auditor presented an Internal Audit Report on Spot Checks on seasonal leisure facilities which was carried out during July and August 2017 in accordance with the approved annual internal Audit Plan for 2017/18.

Spot checks were carried out at Ballyreagh Golf Course and the Audit discovered no errors or variances in relation to the spot checks. There were no recommendations to make in relation to this area.



Spot checks were carried out on touring camping & cabin site payments at Carrick Dhu, Juniper Hill, Benone, Cushendun and Cushendall & Drumaheglis Caravan Parks. It was noted that some sites had both casual and seasonal lets in place. At the time of the site visits, all touring, tents and cabin site users were traceable to payment accordingly. There were no recommendations to make in relation to this area.

## **5.2 Internal Audit Reports – Moore Stephens**

The Chair welcomes Dr Rosemary Peters Gallagher, newly appointed Internal Auditor Moore Stephens to the meeting.

### **5.2.1 Corporate Governance**

The representative from Moore Stephens presented the Internal Audit Report on Corporate Governance.

Based on the audit test, Moore Stephens were able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

The risks identified by Internal Audit and agreed with management were as follows:

- There may be an inadequate governance framework leading to poor management, a lack of transparency and accountability, and insufficient performance measurement.
- There may be an inadequate organisational structure in place, leading to unclear lines of authority, responsibility and accountability.
- There may be an inadequate flow of information throughout the Council, leading to organisational underperformance and incorrect decision-making.

In response to query around publication of Members' attendance at meeting and expenses, it was suggested that further consideration be given to distributing this information more widely.

### **5.2.2 Risk Management**

The representative from Moore Stephens presented the Internal Audit Report which summarises the findings from review of Risk management.

Based on the audit testing, Moore Stephens were able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control in place. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

Moore Stephens identified a number of system enhancements during the course of the audit which do not form part of formal findings.

The following summarises the total number of risks/recommendations from the audit:

**Risk Management Culture** – Risk management practices should be promoted to support the embedding of a culture of risk management across the council. Consideration should therefore be given to the need for:

- Additional training and awareness raising in relation to the Risk Management Strategy and process; and
- Identification of personnel to be responsible for overseeing the risk management process at the different levels of Council.

**Risk Management Framework** – To address the lack of clarity in terms of risk management process and to promote consistency, SMT should:

- Agree the level at which a risk register is required (e.g at every service level or at Directorate level)
- Prepare a flow-chart or summarise the risk management process steps and deadlines in a short 1-2 page document and
- Agree a template for the Directorate/Service level risk register which includes a reference to Council's objectives.

**Linking Risk Management to Corporate and Business Planning** – To develop directorate/service operational Risk Registers, the risks relating to achievement of operational objectives (outlined in the Directorate Annual Business Plans) as well as corporate objectives should be identified. The Business Plan format should therefore be reviewed to determine how to better reflect risk management. This may require including a brief section summarising risks identified during the preparation of the Annual Business Plan (e.g. as a result of SWOT and PESTEL analysis) and the introduction of a mechanism to ensure these risks identified are reflected in the risk registers.

**Identification of Risks** - To ensure that the Risk Management Strategy is implemented the following should be addressed:

- Risk Registers should be developed for all directorate/service levels (on a template agreed by SMT) and key directorate/service level risks should be clearly identified and assessed for inherent and residual risk rankings.
- A determination of how tolerable the residual risk is should be recorded on the risk register and where it is considered not tolerable, further actions should be identified and recorded. Responsibilities and deadlines should be assigned to implement any actions identified.

- During compliance and ongoing review of directorate/service level risk registers the need to escalate any operational risks from the Directorate/Service level to the corporate level should be considered.
- The Corporate Risk Register and Corporate Risk matrix should be reviewed and updated at SMT.

**Monitoring and Review of Risk Management** – A mechanism should be put in place to retain evidence of periodic Risk Register reviews and of the actions being taken to mitigate risk, at both the Corporate and Directorate level. In addition, evidence of the outcome of the review of Risk Registers and monitoring progress of mitigating actions should be recorded and retained (at all levels).

SMT discussion of risk management (eg annual review of risk management arrangements, review of Corporate Risk Register, Reports on progress of mitigating actions etc) should be documented in the SMT Minutes.

The frequency of review of each Council level should also be discussed and agreed by the SMT.

**Management Response** to the five risks identified were **AGREED** for implementation by March 2018.

### 5.2.3 Grant Funding

The representative from Moore Stephens presented the Internal Audit Report on finding arising from a review of Grant Funding.

Based on the audit test, Moore Stephens were able to provide a satisfactory level of assurance. Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified, this should not significantly impact on the achievement of system objectives.

Two system enhancements were identified during the course of the audit, which do not form part of our formal findings but may enhance the existing controls.

The following summarises the total number of recommendations from the audit and management responses:

**Assessment of Grant Applications** - Those involved in assessing funding application should ensure that declarations regarding any conflict of interest are recorded for all assessment panels. Assessment panels should also ensure that sufficient narrative is recorded to justify assessment scores given and consideration should also be given to revising the scoring indicators to be from 0-5 to provide greater clarity in scoring.

**Management Response – Agreed** - All future assessment panels will be required to complete and sign Col declarations. The Community Development team have been informed that they must complete full assessment notes and record the same against each score. The Funding Unit will oversee this process with immediate effect and will participate in all assessment panels for the 2018-19 grant programmes to ensure assessment panels comply.

**Compliance – Grants Outside the Policy Framework:** - In instances where a grant is being considered above the maximum available for the grant scheme. Council should ensure that due consideration has been given to whether alternative mechanisms for providing financial support would be more appropriate; equality assessment of the proposed decision; fit for Council's broader strategic priorities; and impact on the funding programme and on other priorities in taking the proposed decision.

**Management Response –** A revised Community Development grant programme is being developed for 2018-19 which will allow applications in excess of £2k from specific organisation types. This will ensure transparency, fairness and equality throughout the application and assessment process. To be implemented in December 2017 for the 2018-19 grant programme.

**Control Design Issue – Allocation of Eligible Expenditure –** The process of verification of expenditure should be reviewed and consideration should be given to limiting checking of a claim to a check for eligibility of expenditure and then applying the maximum percentage available to the total eligible cost (up to the maximum amount which can be paid)

**Management Response –** Agreed. Instead of different percentages being allocated to invoices to achieve the amount awarded, 100% vouching of all invoices will be carried out, the Vouching staff will then recommend the percentage to be paid as determined in the letter of offer.

In response to a query over Declaration of Interest and whether Members should be present during discussion on the topic of interest, the Chief Executive cited 6.4 of Local Government Code of Conduct and advised that once an interest is declared, Members should leave before discussion commences.

The Committee requested that the Chief Executive highlight this advice at the full council meeting.

### **5.3 Quarterly Internal Audit Report 2017/18**

The representative from Moore Stephens presented the Internal Audit Report to inform the Audit Committee of work carried out during the period June-August 2017.

The report set out progress against planned work; issues arising from work period reported and Audits planned for the period September – November 2017.

Proposed by Councillor Hunter  
Seconded by Alderman Finlay and

**AGREED** – to recommend that Council approves the Internal Audit reports items 5.1.1 to 5.3 inclusive.

#### **5.4 Internal Audit Progress Report from 2016/17 – Review of Prior Year Recommendations**

The Audit Committee received a report which summarised the findings arising from a review of the progress made by Council in implementing the prior year internal audit recommendations.

In the six internal audit assignments completed in 2016/17, 4 priority 1 recommendations had been addressed or was in process of being addressed; 5 out of the 16 priority 2 recommendations had been addressed or was in process of being addressed, 11 had yet to be addressed. In relation to a priority 3 recommendations, 10 out of the 21 recommendations had been addressed or was in process of being addressed and 11 had yet to be addressed.

The progress report was **NOTED** by the Audit Committee.

### **6 MANAGEMENT ACCOUNTS – YEAR END 2017**

The Chief Finance Officer presented the Management Accounts to the Audit Committee which included financial report; year-end management accounts and reconciliation between annual and management accounts.

The Chief Finance Officer responded to comments made in relation to funds set aside by Ballymoney legacy Council for capital projects.

The Audit Committee **NOTED** the Management Accounts for year end 2017.

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

There were no items for reporting to the Partnership Panel.

### **8 CORRESPONDENCE**

The Audit Committee were advised of the following items of correspondence:

#### **8.1 Local Government Auditor's Report**

The Local Government Auditor had drawn Members' attention to the report earlier in the meeting.

8.2 Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016/19

8.3 HM Government – Serious and Organised Crime Strategy

Referring to 8.2 and 8.3 above, The Director advised the committee that both documents contained guidance on best practice which would be considered during future audit policy development.

**AGREED** - to note the correspondence outlined.

#### **MOTION TO PROCEED 'IN COMMITTEE'**

Proposed by Councillor Watton  
Seconded by Alderman Finlay and

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

### **9 RISK MANAGEMENT UPDATE**

A copy of Councils' Risk Matrix was circulated to Committee.

The Director of Corporate Services updated Members on each of the 15 risks and change in priority from June 2017.

### **10 LEGAL CASES ACTIVITY**

Members received, for information, an updated report with regard to the Council's legal cases.

### **11 WHISTLEBLOWING/FRAUD**

The Director of Corporate Services reported that there had been no whistleblowing/fraud incidents during the quarter.

#### **MOTION TO PROCEED 'IN PUBLIC'**

Proposed by Councillor Stevenson  
Seconded by Alderman Finlay and

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

## **12 Any Other Relevant Business**

The Chair advised that the Audit Refresher Training had been rescheduled to take place before the Audit Committee Meeting being held on 13 December 2017.

The business concluded at 8:38 pm

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Chairperson