



**MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE AUDIT COMMITTEE HELD IN  
ANTRIM CIVIC CENTRE ON TUESDAY 20 SEPTEMBER 2016 AT 6.30 PM**

- In the Chair** : Councillor M Rea
- Committee** : Councillors - T Beatty, T Girvan, P Hamill, D Hollis and M Maguire
- Non Committee Members Present** : None
- Independent Member** : Mrs G Nesbitt
- Officers Present** : Chief Executive - Mrs J Dixon  
Director of Organisation Development - Mrs A McCooke  
Head of Governance - Mrs L Johnston  
Head of Finance - Mr J Balmer  
Internal Auditor - Ms C Archer  
Internal Auditor - Mr P Caulcutt  
Business Improvement Manager - Mrs H Hall  
ICT Systems Support - Mr J Higginson  
Senior Mayor & Member Services Officer - Mrs K Smyth
- In attendance** : Mr Richard Ross (NI Audit Office)  
Ms Michelle Maginnis (Grant Thornton)

**CHAIRMAN'S REMARKS**

The Chairman welcomed everyone to the quarterly Audit Committee Meeting, reminded all present of recording requirements and congratulated Ms Archer on her recent success in being appointed to the role of Director of Finance and Governance. These sentiments were endorsed by other Members present.

Ms Archer thanked the Chairman and looked forward to her new role as Director of Finance and Governance. She added that a Head of Audit replacement, under the PWC contract, would be soon confirmed.

**1. APOLOGIES**

None.

## 2. DECLARATIONS OF INTEREST

Item 3.3 (GROW) - Councillor M Rea.

### 3.1 FI/AUD/2 PREVIOUS ACTIONS

As part of the reporting process to the Audit Committee, a progress update of actions raised from each Audit Committee was be provided.

The following table provided a progress update on the actions raised.

| Item Number   | Action   | Progress update  | Anticipated Completion Date |
|---|--|--|-----------------------------|
| <b>December 2015</b>  |  |  |                             |
| <b>3.2 STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016</b> |  |  |                             |
| (ii)  | Officers to ensure completion of 'Disclosures and Related Party Transactions' from Elected Members on a timely basis.  | <b>Complete</b><br>All Member 2015/16 Related Party Transaction Disclosures have been completed and received by Finance.   | N/A                         |
| <b>June 2016</b>  |  |  |                             |
| <b>3.1 PREVIOUS ACTIONS</b>                                       |  |  |                             |
| (i)   | Officers to notify the Audit Committee on full completion of 'Disclosures and Related Party Transactions' submissions. | <b>Complete</b><br>Audit Committee Members were notified on 4 July 2016 that all Member 2015/16 Related Party Transaction Disclosures have been completed and received by Finance. | N/A                         |
| <b>3.2 INTERNAL AUDIT UPDATE REPORT</b>                           |  |  |                             |
| (i)   | Officers to address the issue related to vehicle loading as a matter of urgency.                                       | <b>Complete</b><br>Active implementation of relevant training and procedures for the safe loading of vehicles, including policy and formal written procedures are in place.        | N/A                         |
| (ii)  | Officers to provide the timeframes accorded to undertaking audits within audit reports going forward.                  | <b>Complete</b><br>The number of days allocated to each completed audit has been included within Section 4 of the Internal Audit Update Report.                                    | N/A                         |

| Item Number   | Action  | Progress update   | Anticipated Completion Date |
|---|---|---|-----------------------------|
| (iii)   | Officers to consider measures in relation to the recovery of outstanding debt.                    | <b>In Progress</b><br>Work is ongoing in determining the best way to manage and recover outstanding debt. Finance is also considering approaches undertaken by other Councils in determining measures suitable for the Council. | 31/03/17                    |
| <b>3.3 INTERNAL AUDIT ANNUAL REPORT</b>                                 |   |   |                             |
| (i)   | Officers to consider the inclusion of an audit of 'Policies and Processes' within the Audit Plan. | <b>In Progress</b><br>An audit of 'Policies and Processes' will be considered for inclusion in the 2017/18 Operational Plan, to be presented to the Audit Committee in March 2017 for approval.                                 | 31 March 2017               |
| <b>3.8 INTERNAL AUDIT STRATEGY 2016-19 AND OPERATIONAL PLAN 2016/17</b> |   |   |                             |
| (i)   | The budget for providing advice and guidance in the 2017/18 Plan onwards be increased.            | <b>In Progress</b><br>The budget for advice and guidance will be increased in the formulation of the 2017/18 Operational Plan, to be presented to the Audit Committee in March 2017 for approval.                               | 31 March 2017               |

Proposed by Councillor Beatty  
Seconded by Councillor Hamill and agreed that

1. the previous actions update be noted;
2. the next Audit Committee Agenda would include an update on progress associated with the recovery of outstanding debt (item 3.2; (iii) above).

ACTION BY: Paul Caulcutt, Internal Auditor

### 3.2 FI/FIN/SOA/01; FI/FIN/SOA/02 REPORTS TO THOSE CHARGED WITH GOVERNANCE

Members were reminded that a copy of the draft (unaudited) Statement of Accounts had been presented to them at the June Audit Committee and of the requirement to approve the audited Statement of Accounts at the Audit Committee.

The Local Government Auditor had completed the audits of the following Statement of Accounts and had issued the draft Report to Those Charged with Governance (copies of which were circulated).

- FI/FIN/SOA/01 - Antrim and Newtownabbey Borough Council for the year ending 31 March 2016
- FI/FIN/SOA/02 - GROW South Antrim Joint Council Committee for the period ended 30 September 2015

It was confirmed that a copy of the final Report to Those Charged with Governance would be presented at the next Committee meeting in December 2016.

Representatives from NIAO and Grant Thornton in attendance took Members through the documentation and confirmed the audit was almost complete with no issues arising. They each responded to enquiries from Members elaborating as necessary.

Proposed by Councillor Beatty  
Seconded by Councillor Hamill and agreed that

**the draft Reports to Those Charged with Governance for each of the above audits of Accounts be noted.**

*ACTION BY: John Balmer, Head of Finance and ICT*

### **3.3 FI/FIN/SOA/01; FI/FIN/SOA/02 STATEMENT OF ACCOUNTS**

Members were reminded that a copy of the draft (unaudited) Statement of Accounts was presented to them at the June Audit Committee and that the Committee would be required to approve the audited Statement of Accounts at the September Committee.

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires that:

"8 (3)... a local government body must, no later than 30<sup>th</sup> September following the end of the financial year to which the statement relates:

- (a) Consider either by way of a committee of that body or by the members of the body as a whole the statement of accounts;
  - (b) Following that consideration, approve the statement of accounts for submission to the local government auditor by a resolution of that committee or meeting;
  - (c) Following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which the approval was given..."
- and



"(4) The chief financial officer must re-certify the presentation of the statement of accounts... before the relevant local government body approves it."

Members are reminded that the Council delegated authority, in April 2015, to the Audit Committee to approve the Statement of Accounts.

The Statement of Accounts for the following were circulated:

- FI/FIN/SOA/01 - Antrim and Newtownabbey Borough Council for the year ending 31 March 2016
- FI/FIN/SOA/02 - GROW South Antrim Joint Council Committee for the period ended 30 September 2015

The Head of Finance spoke to both sets of accounts and responded to enquires from Members elaborating as necessary.

**Prior to Audit Committee approval being sought the Chief Financial Officer and Chairman re-certified both Statements of Accounts.**

Proposed by Councillor Hollis  
Seconded by Councillor Beatty and agreed that

**the Statement of Accounts for Antrim and Newtownabbey Borough Council for the year ending 31 March 2016 be approved.**

Proposed by Councillor Beatty  
Seconded by Councillor Hamill and agreed that

**the Statements of Accounts for GROW South Antrim Joint Council Committee for the period ended 30 September 2015 be approved by Council.**

*NOTED: the Independent Member referenced the severance programme within the Council and encouraged officers to review the future operating model to ensure the Council was sufficiently resourced to meet its ambitions and targets.*

*The Chief Executive acknowledged this view and confirmed a report would be shortly presented to Council to outline skill and resource gaps already identified.*

*ACTION BY: John Balmer, Head of Finance and ICT*

### **3.4 FI/AUD/1 INTERNAL AUDIT UPDATE REPORT**

Report containing a summary of Internal Audit activity for Antrim and Newtownabbey Borough Council, for the period July 2016 to September 2016 was circulated. The report included the objectives and conclusions reached for each completed assignment and management comments as applicable.

Proposed by Councillor Beatty  
Seconded by Councillor Hamill and agreed that

**the Internal Audit Update Report be noted.**

*NOTED: on behalf of the Audit Committee the Independent Member recognised the excellent work undertaken and scrutiny applied by Senior Management and staff and Audit Officers and commended all involved, asking that this be conveyed to staff.*

ACTION BY: Paul Caulcutt / Colette Archer

### **3.5 FI/AUD/1 DAO (DoF) 07/16: INTERNAL AUDIT OPINIONS AND PRIORITISATION OF RECOMMENDATIONS**

Members were advised of receipt of correspondence from the Department of Finance (DAO (DoF) 07/16 - a copy of which was circulated) advising of a revision to the:

1. Internal Audit opinions used to communicate the opinion on the adequacy and effectiveness of governance, risk management and control; and
2. Prioritisation of Internal Audit recommendations

The existing Internal Audit opinions had been reviewed and it was found that on some occasions, management are striving to achieve the highest level evaluation (Substantial), which is not necessarily desirable as it may lead to additional, unnecessary management activities being implemented which cannot be sustained. As such the top opinion had been removed and the remaining definitions had been reworded.

In addition to this, the Internal Audit prioritisation of recommendations have also been revised to better reflect organisational priorities, enabling management to more easily identify significant issues at an organisational level.

The existing and new opinions and prioritisations are as follows:

### Internal Audit Opinions

| Opinion      | Current Definition  | New Definition   |
|--------------|---|--|
| Substantial  | There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.   | No longer applicable   |
| Satisfactory | Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and/or effectiveness of governance, risk management and control. | 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. |
| Limited      | There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.                            | There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.                                     |
| Unacceptable | 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/or effectiveness of governance, risk management and control.   | 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.   |

### Prioritisation of Recommendations

| Priority | Current Definition   | New Definition  |
|----------|--|---|
| 1        | An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds. | Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds. |

| Priority | Current Definition  | New Definition  |
|----------|---|---|
| 2        | An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure. | Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective. |
| 3        | Improvements that will enhance the existing control framework and / or represent best practice.           | Failure to implement the recommendation could lead to an increased risk exposure.   |

The revised opinions and prioritisations had already been adopted by Northern Ireland Civil Service departments. To ensure consistency with the Northern Ireland Civil Service as well as within Local Government, it was recommended that we adopt the revised opinions and prioritisations.

Proposed by Councillor Hamill  
 Seconded by Councillor Beatty and agreed that

**the adoption of the revised Internal Audit opinion and priority of recommendations as set out in DAO (DoF) 07/16 be approved.**

*ACTION BY: Paul Caulcutt, Internal Auditor*

### 3.6 FI/AUD/27 NATIONAL FRAUD INITIATIVE 2016

#### Background

The National Fraud Initiative (NFI) is a data matching exercise run by the Audit Commission and is designed to help participating bodies identify possible cases of fraud and detect and correct under or overpayments from the public purse.

#### NI Position

The Comptroller and Auditor General for Northern Ireland (C&AG), head of the Northern Ireland Audit Office (NIAO), has statutory powers to conduct matching exercises for the purpose of assisting in the prevention and detection of fraud. These powers were contained in the Serious Crime Act 2007, which inserts Articles 4A to 4H to the Audit and Accountability (Northern Ireland) Order 2003.

The Council must participate in this exercise and supply the following information for matching to that of other public sector bodies to identify possible fraud or error:

1. Payroll - total payments made to current employees and members from 1 April 2016 to 30 September 2016; and



2. Trade Creditors payment history and standing data – payment history from 1 April 2015 to 3 October 2016 and the current information held at 6 October 2016.

Where a match is found it indicates that there is an inconsistency that may require further investigation to establish what has caused the match and any further action that may be deemed necessary. Examples of possible matches are as follows:

- An employee with the Council who has a second employment with another Council or public body;
- An employee who is also a supplier of the Council or has been paid through Creditors;
- Suppliers who are associated with other suppliers, eg. through address.

#### Results notification and possible action

The data will then be matched and prioritised into the order of how closely the dataset matches. Matches will be available from Tuesday 26 January 2017.

The Council is responsible for investigating these matches. All matches shall be considered by the Internal Auditor who shall determine further action if appropriate including invocation of the Fraud Response Plan.

#### Data Transfer

Datasets must be provided to the Audit Commission by 10 October 2016. Total Mobile Software has previously developed reports to extract the information in the format required by the NIAO.

A secure electronic upload facility is available enabling data for NFI to be submitted directly from local computers. This facility is contained within the existing secure NFI web application and consequently provides the same controlled access environment. It features an Advanced Encryption Standard (AES) 256 Secure Sockets Layer encryption and enables data files to be password protected. No other method of data transfer to the NFI is acceptable.

Access to the NFI website will be restricted to those officers deemed necessary by the Chief Executive.

#### Participating bodies

Organisations participating in this exercise are those that provide data to the Comptroller and Auditor General, or his agents (such as the Audit Commission), for the purposes of a data matching exercise, which may be on either a mandatory or voluntary basis.

Mandatory bodies are those bodies whose accounts are required to be audited by:

1. the Comptroller and Auditor General, except for bodies audited by the Comptroller and Auditor General by virtue of section 55 of the Northern Ireland Act 1998; or
2. a Local Government Auditor.

Since the Council's accounts are audited by a Local Government Auditor the Council must supply the required information.

Other mandatory participants include Central Government, Education Boards, and Health Trusts throughout the United Kingdom.

Further information is available on the Council's website at:

<http://www.antrimandnewtownabbey.gov.uk/Council/Review-of-PublicAdministration/National-Fraud-Initiative>

or by contacting Paul Caulcutt, Internal Auditor on 028 9446 3113 ext. 31395 or at [paul.caulcutt@antrimandnewtownabbey.gov.uk](mailto:paul.caulcutt@antrimandnewtownabbey.gov.uk).

Proposed by Councillor Hollis

Seconded by Councillor Hamill and agreed that

**the National Fraud Initiative 2016/17 report be noted.**

*ACTION BY: Paul Caulcutt, Internal Auditor*

### **3.7 FI/AUD/27 NATIONAL FRAUD INITIATIVE: REPORT BY THE COMPTROLLER AND AUDITOR GENERAL 7 JULY 2016**

On 7 July 2016, the Comptroller and Auditor General published his report on the outcomes of the fourth National Fraud Initiative (2014) exercise in Northern Ireland.

The report highlighted that the total outcomes for the first four NFI exercises in Northern Ireland were almost £33 million and that between 1 April 2014 and 31 March 2016 (fourth NFI exercise), local participation in outcomes of £3.1 million, including:

- almost £1.5 million of pensions fraud and overpayments;
- over £1.2 million of housing benefit fraud and overpayments; and
- over £330,000 of rates evasion.

A copy of the National Fraud Initiative report was circulated for Members information.

Proposed by Councillor Beatty

Seconded by Councillor Hamill and agreed that

**the National Fraud Initiative Report by the Comptroller and Auditor General be noted.**

ACTION BY: Paul Caulcutt, Internal Auditor

### 3.8 FI/AUD/3 RISK MANAGEMENT: RISK REPORTING AND COMMUNICATION

The Audit Committee agreed in June that the following parameters be reported and presented to Committee on a quarterly basis.

- New risks added to the Corporate Risk Register (regardless of level of risk), and any closed risks
- Changes in risk level (regardless of risk level).
- Profile of the existing Corporate Risks (currently 19 risks) and the associated Risk Scores.

The current profile confirmed there were no new or closed risks, or any changes to the risk level.

#### Existing Profile of the Council's Corporate Risk Register (As of 06/09/16)

| Risk Number                             | Title                                      | Total Risk Score |          | Changes       |
|---|--|------------------|----------|---------------|
|   |  | Inherent         | Residual | In risk level |
| <b>Corporate Risk Register 05/07/16</b> |  |                  |          |               |
| CPR000010                               | Budgetary Control                          | 44               | 14       | None          |
| CPR000044                               | ICT Infrastructure                         | 36               | 14       | None          |
| CPR000045                               | Adequate Reserves                          | 36               | 6        | None          |
| CPR000046                               | Statutory and Regulatory Obligations       | 24               | 8        | None          |
| CPR000047                               | Procurement                                | 40               | 12       | None          |
| CPR000014                               | Risk Management                            | 36               | 24       | None          |
| CPR000015                               | Health, Safety and Wellbeing               | 52               | 21       | None          |
| CPR000016                               | Emergency Planning and Business Continuity | 33               | 16       | None          |
| CPR000017                               | Governance Arrangements                    | 64               | 24       | None          |
| CPR000018                               | Information Governance                     | 48               | 24       | None          |
| CPR000019                               | Legal Issues                               | 40               | 18       | None          |
| CPR000020                               | Skills and Knowledge                       | 44               | 28       | None          |
| CPR000021                               | Safeguarding                               | 36               | 18       | None          |
| CPR000022                               | Sickness Absence                           | 44               | 21       | None          |
| CPR000023                               | Employee Relations                         | 56               | 27       | None          |
| CPR000024                               | Employee Engagement                        | 36               | 27       | None          |
| CPR000025                               | Council Reputation                         | 44               | 21       | None          |
| CPR000026                               | Customer Satisfaction                      | 36               | 28       | None          |
| CPR000203                               | Landfill and Waste Framework Directives    | 48               | 24       | None          |

The Risk Register continues to be routinely actively managed by Directors and Heads of Service.

Potential risks arising from the uncertainties associated with the Brexit process were currently being considered and these would be reflected within the ongoing risk register review process.

Proposed by Councillor Hamill  
Seconded by Councillor Maguire and agreed that

**the current risk management profile reported in accordance with the agreed reporting protocol be noted.**

*ACTION BY: Liz Johnston, Head of Governance*

### **3.9 FI/AUD/1 PWC: ATTRIBUTES OF INTERNAL AUDIT EXCELLENCE**

Earlier this year PwC produced their 2016 State of the Internal Audit Profession Study which revealed that there continues to be a gap in the value delivered by Internal Audit functions and the expectations of stakeholders.

Following these findings, and as part of PwC's commitment to support the Internal Audit profession in meeting stakeholder expectations, PwC had undertaken research to understand how this expectation gap can be bridged.

This research had highlighted the importance of eight core attributes which are shared by effective Internal Audit functions. These are:

- Business alignment;
- Quality and innovation;
- Risk focus;
- Talent model;
- Stakeholder management;
- Cost optimisation;
- Technology; and
- Service culture

PwC had published a "Rising to the Challenge: keeping pace with stakeholders expectations" report (a copy of which was circulated) exploring these attributes and revealing what leading Internal Audit functions are doing to add value against each attribute.

Proposed by Councillor Hollis  
Seconded by Councillor Hamill and agreed that

**the PWC report be noted.**



*ACTION BY: Paul Caulcutt, Internal Auditor*

### **3.10 CE/GEN/40 CORPORATE IMPROVEMENT PLAN UPDATE**

Members were reminded that Part 12 of the Local Government Act (Northern Ireland) 2014 puts in place a new framework to support the continuous improvement of Council services. The Council's Corporate Improvement Plan 2016/17 was approved in June 2016 and eight project teams had been established to ensure the delivery of the agreed outcomes were achieved.

The first quarterly update on the performance of these teams was circulated for Members' attention and it was confirmed that performance would continue to be reported through the Audit Committee.

Proposed by Councillor Beatty  
Seconded by Councillor Maguire and agreed that

**the Corporate Improvement Plan update report be noted.**

*ACTION BY: Helen Hall, Business Change Manager*

### **PROPOSAL TO PROCEED 'IN CONFIDENCE'**

Proposed by Councillor Hamill  
Seconded by Councillor Maguire and agreed that

**the following Committee business be taken 'In Confidence'.**

The Chairman advised that audio-recording would cease at this point.

**IN CONFIDENCE**

### **3.11 FRAUD, WHISTLEBLOWING AND OTHER INVESTIGATIONS**

The Committee noted that this was a standing item on the Agenda although there was nothing to report this month.

**PROPOSAL TO PROCEED OUT OF 'IN CONFIDENCE'**

Proposed by Councillor Hamill  
Seconded by Councillor Maguire and agreed that

**any remaining Committee business be taken in Open Session.**

The Chairman advised that audio-recording would re-commence at this point.

**ANY OTHER RELEVANT BUSINESS**

In response to an enquiry from Councillor Maguire it was confirmed that the Bonfire Management Programme for Antrim and Newtownabbey Borough Council would feature in the new Audit Plan.

The Independent Member highlighted that it would be helpful for the Chair to be notified of any subject matters to be raised under AORB in advance of the meeting and it was agreed that this protocol would be adopted by the Audit Committee.

*NOTED: where possible Elected Members to notify Member Services of any items to be raised at Audit Committee Meetings under AORB, with Member Services liaising with the Chair / Vice-Chair accordingly.*

*ACTION BY: Elected Members / Member Services*

There being no further business the Chairman thanked everyone for their attendance and the meeting concluded at 7.45 pm.

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MAYOR

*Council Minutes have been redacted in accordance with the Freedom of Information Act 2000, the Data Protection Act 1998 and legal advice.*