



6 December 2018

Committee Chair: Councillor S McCarthy
Committee Vice-Chair: Councillor M Rea
Committee Members: Alderman – W DeCourcy
Councillors – T Girvan, P Hamill, D Hollis
Independent Member: Mrs G Nesbitt

Dear Member

MEETING OF THE AUDIT COMMITTEE

A meeting of the Audit Committee will be held in the **Round Tower Chamber, Antrim Civic Centre on Tuesday 11 December 2018 at 6.30pm.**

You are requested to attend.

Yours sincerely

Jacqui Dixon, BSc MBA
Chief Executive, Antrim & Newtownabbey Borough Council

PLEASE NOTE: Fork buffet will be available in the Members' Room from 5:30pm

For any queries please contact Member Services:

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AGENDA

1. Apologies
2. Declarations of Interest
3. Report on Business to be considered

ITEMS FOR DECISION

- 3.1 Internal Audit Plan 2018/19
- 3.2 Review of the Effectiveness of the Audit Committee 2018/19

ITEMS FOR INFORMATION

- 3.3 NIAO: Annual Audit Letter 2017/18
- 3.4 NIAO: Report to Those Charged with Governance 2017/18
- 3.5 Improvement Audit and Assessment Report 2018/19
- 3.6 Corporate Improvement Plan 2018/19 – Quarter 2 Progress Update
- 3.7 Previous Actions
- 3.8 Internal Audit Update Report
- 3.9 Risk Management: Risk Reporting and Communication
- 3.10 Risk Management Arrangements
- 3.11 Cyber Security Review
- 3.12 DAO (DoF) 04/18 – Fraud Proofing Guidance

ITEMS IN CONFIDENCE

- 3.13 NIPSO: Investigations – Council Services
- 3.14 Investigations Update
4. Any Other Relevant Business

ITEMS FOR DECISION

3.1 FI/AUD/1 INTERNAL AUDIT PLAN 2018/19

Members are aware that Internal Audit is responsible for the provision of an independent and objective opinion to the Chief Executive, Management Team and the Audit Committee on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (i.e. the organisation's system of internal control) and that this opinion is used to inform the Council's Annual Governance Statement. Internal Audit does this in accordance with the Public Sector Internal Audit Standards (PSIAS) by providing an annual opinion which is based on and is limited to the work performed by Internal Audit throughout the year.

To date, Internal Audit has been involved in a number of investigations as well as an internal grievance. This has reduced the resource available to deliver the Internal Audit plan. In addition to this, there has been on long term sickness absence within the Service, which has also reduced the available resource for the Internal Audit Plan.

To ensure a robust audit opinion can be given, appropriate coverage of the Council's service areas needs to be audited, ensuring that the higher risk areas are completed first.

To facilitate this, we are availing of a call off contract in place that provides additional Internal Audit resource for instances where the in-house resource is reduced.

In addition to this and through agreement of the Chair of the Audit Committee and the Corporate Leadership Team, it is proposed that the Internal Audit Plan 2018/19 be re-profiled to take into account the reduction in resource during the year and the available resource remaining until 31 March 2019. A report has been **enclosed** for Members' information which provides the re-profiled plan and the premise for re-profiling it.

RECOMMENDATION: that the Committee approves the re-profiling of the Internal Audit Plan 2018/19

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

3.2 FI/AUD/2 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2018/19

Members are reminded that CIPFA's Audit Committee – Practical Guidance for Local Authorities and Police, places a requirement on Audit Committees to “report regularly on their work, and at least annually report an assessment on their performance”.

Members are also reminded that in May 2018, Members of the Audit Committee participated in a facilitated self-assessment review of the performance of the Audit Committee during 2017/18.

This self-assessment included the completion of an “Evaluating the Effectiveness of the Audit Committee’ checklist which enabled the Committee to undertake and report on the assessment of their performance throughout the year. This assessment and the Audit Committee Annual Report was then reported to the Audit Committee and Council in June 2018.

The Review of the Effectiveness of the Audit Committee for 2018/19 is now due. To assist the Audit Committee in completing this review, we are proposing to facilitate a self-assessment session for Members in February 2019. A suitable date will be arranged if Members agree to this proposal. During this session we will also review and close out the actions from the 2017/18 review.

RECOMMENDATION: that a facilitated self-assessment session in February 2019 be approved.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

ITEMS FOR INFORMATION

3.3 FI/FIN/SOA/04 NIAO: ANNUAL AUDIT LETTER 2017/18

Members are reminded that in September 2018, the Audit Committee approved the Statement of Accounts for the year ended 31 March 2018.

The Local Government Auditor has now issued the Annual Audit Letter 2017/18 (**enclosed**) following completion of the audit of the Statement of Accounts by the Northern Ireland Audit Office.

RECOMMENDATION: that the report be noted.

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

3.4 FI/FIN/SOA/04 NIAO: REPORT TO THOSE CHARGED WITH GOVERNANCE 2017/18

Members are reminded that in September 2018, the Audit Committee approved the Statement of Accounts for the year ended 31 March 2018. Members were also provided with a copy of the draft Report to Those Charged with Governance.

The Local Government Auditor has now issued the final Report to Those Charged with Governance (**enclosed**) following completion of the audit of the Statement of Accounts by the Northern Ireland Audit Office.

RECOMMENDATION: that the report be noted.

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

3.5 PT/CI/017 IMPROVEMENT AUDIT AND ASSESSMENT – AUDIT AND ASSESSMENT REPORT 2018/19

Members are reminded that Part 12 of the Local Government Act (Northern Ireland) 2014 establishes that all Councils are under a general duty to make arrangements to secure continuous improvement in the exercise of their functions.

The Local Government Auditor carried out an 'improvement audit and an 'improvement assessment' in line with Sections 93 and 94 of the Local Government Act (Northern Ireland) 2014 and issued an Audit and Assessment Report 2018-19, which is **enclosed** for Members' attention.

This report sets out key audit and assessment findings, with no proposals for improvement.

RECOMMENDATION: that the report be noted.

Prepared by: James Porter, Performance Improvement Officer

Agreed by: Helen Hall, Head of Performance and Transformation

Approved by: Sandra Cole, Director of Finance and Governance

3.6 PT/CI/019 CORPORATE IMPROVEMENT PLAN 2018-19 QUARTER 2 IMPROVEMENT OBJECTIVES PROGRESS REPORT

Members are reminded that Part 12 of the Local Government Act (Northern Ireland) 2014 puts in place a framework to support the continuous improvement of Council services.

A second quarter progress report is **enclosed** for Members' attention.

The report provides an overview on how we performed against:

- Our corporate improvement objectives, as set out in the 2018-19 Corporate Improvement Plan, which was approved by Council in June 2018;
- The seven statutory indicators and standards that were set by Central Government Departments for Planning Services, Economic Development and Waste Management – as defined in the Local Government (Performance Indicators and Standards) Order (Northern Ireland) 2015; and
- A range of self-imposed improvement objectives across all service areas.

RECOMMENDATION: that the Corporate Improvement Plan 2018-19 Quarter 2 progress report be noted.

Prepared by: James Porter, Performance Improvement Officer

Agreed by: Helen Hall, Head of Performance and Transformation

Approved by: Sandra Cole, Director of Finance and Governance

3.7 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 has been provided.

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

Item	Action	Progress update	Anticipated Completion Date
June 2018			
3.17 NAO: GOOD PRACTICE GUIDE – CYBER SECURITY AND INFORMATION RISK GUIDANCE FOR AUDIT COMMITTEES			
(i)	Officers to consider the recommendations in the guidance and bring a report back to a future Audit Committee	Complete The review of the recommendations has been completed including the external review of ICT security. A report has been included in this Audit Committee's agenda.	N/A
September 2018			
3.3 NIAO: REPORT TO THOSE CHARGED WITH GOVERNANCE (DRAFT)			
(i)	Further consideration be given to the inclusion of implementation dates within Section 4 findings to the final Report to Those Charged with Governance to be brought to the December Audit Committee.	Complete Implementation dates have been included within the final Report to Those Charged with Governance. The final Report to Those Charged with Governance has been included in this Audit Committee's agenda.	N/A
3.10 RISK MANAGEMENT: RISK REPORTING AND COMMUNICATION			
(i)	Officers to review the scoring of the Crematorium and Burial Provision risk and consider the inclusion.	Complete The Crematorium and Burial Provision risk has been reviewed and rescored. Details of the change have been included within the Risk Reporting and Communication report in this Audit Committee's agenda.	N/A

Item	Action	Progress update	Anticipated Completion Date
3.10 RISK MANAGEMENT: RISK REPORTING AND COMMUNICATION			
(ii)	Officers to consider the inclusion of a corporate risk in relation to the political situation and potential for devolved powers to Council.	<p>Complete</p> <p>The Director of Finance and Governance met with the Chair of the Audit Committee to discuss the issue.</p> <p>Given that the Council has limited scope for action, it was agreed that the issue will not be included within the Corporate Risk Register.</p> <p>Further consideration of other potential routes of for action to be undertaken.</p>	N/A
3.12 NIAO: LOCAL GOVERNMENT AUDITOR'S REPORT 2018			
(i)	At the request of the Independent Member, an update be provided regarding flexible working in the context of absenteeism.	<p>Complete</p> <p>The Director of Organisation Development provided an update to the Independent Member.</p>	N/A

RECOMMENDATION: that the previous actions update be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

3.8 FI/AUD/1 INTERNAL AUDIT UPDATE REPORT

A report containing a summary of Internal Audit activity since the Audit Committee last met on 18 September 2018 is **enclosed**. The report includes the objectives and conclusions reached for each completed engagement and management comments as applicable.

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

3.9 FI/AUD/3 RISK MANAGEMENT: RISK REPORTING AND COMMUNICATION

The following parameters are now 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 24 risks) and the associated Risk Scores.

While the current profile confirms there are no closed risks, a number of changes have been made to the Register as outlined below:

1. The previous Emergency Planning and Business Continuity risk has been split into two new separate risks to better reflect the distinction between the two issues, and rescored.
2. The Information Governance residual risk score was increased in May due to the commencement of the GDPR Regulations. Following implementation of systems and processes in line with our GDPR Action Plan, no significant issues have arisen to date, so the residual risk score has now reduced from 32 to 24 (decreased likelihood score from 4 to 3).
3. The Crematorium and Burial Provision risk score shows a reduction in risk level of -3. The residual risk score has reduced from 30 to 27, to take account of improved service arrangements at Carnmoney Cemetery arising from the provision of additional plots using the newly installed stabilisation system. The inherent risk score has also been reconsidered and increased from 30 to 40 (increasing the likelihood score from 3 to 4), to more accurately reflect the risk without controls in place.

Existing Profile of the Council's Corporate Risk Register (As of 27/11/18)

Risk Number	Title	Total Risk Score		Changes
		Inherent	Residual	In risk level
Corporate Risk Register				
CPR000010	Budgetary Control	44	27	None
CPR000044	ICT Infrastructure	36	21	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	27	12	NEW

Risk Number	Title	Total Risk Score		Changes
		Inherent	Residual	In risk level
CPR000017	Governance Arrangements	64	24	None
CPR000018	Information Governance	48	24	-8
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
CPR000361	Council Policies and Procedures	28	21	None
CPR000246	Crematorium and Burial Provision	40	27	-3
CPR000433	Rate revaluation and rate appeals	36	21	None
CPR000444	Bonfires on Council owned land	32	16	None
CPR000445	Brexit	32	15	None
CPR000447	Business Continuity	33	16	NEW

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

RECOMMENDATION: that Committee note the current Profile reported in accordance with the reporting protocol.

Prepared by: Liz Johnston, Head of Governance

Approved by: Sandra Cole, Director of Finance and Governance

3.10 FI/AUD/3 RISK MANAGEMENT ARRANGEMENTS

An extensive review of the Council's Service Risk Registers is currently underway in an attempt to cleanse the registers and to further embed strategic Risk Management.

The overall aim is to maintain risk registers which record 'live' risks that are actively and routinely managed by risk owners.

A report outlining this review is **enclosed** for Members' information.

RECOMMENDATION: that the Committee notes the Risk Management Arrangements.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

3.11 ICT/GEN/020 CYBER SECURITY REVIEW

Members may recall an action from the Audit Committee in June, requesting that officers review the "Cyber security and information risk guidance for Audit Committees" guidance issued by the National Audit Office.

An independent Cyber Security review was commissioned and a consultant from IT Governance carried out the work earlier this month.

The full report is **enclosed**, however some highlights from the Executive Summary are outlined below.

Executive Summary (Extract)

"The Council is aware of the cyber threat landscape in which it operates and is taking proactive steps to help prevent possible future attacks.

"Council has a low likelihood of suffering a targeted attack, with a 'low' overall risk rating as it does not have a large financial footprint, has no intellectual property and focuses on providing service to borough citizens which is of little value to malicious actors. The most likely attack vector is via its email system; it is also vulnerable to other forms of social engineering that may lead to the exposure of Personal Identifiable Information (PII) but there are some technical implementations that help reduce the likelihood of this. There have been no major breaches reported or detected and the minor breaches that have occurred are related to human error via the email system with PII. It is acknowledged that the biggest threat is internal users."

Report Recommendations

The report outlines a number of recommendations under two main headers:

Cyber Assessment which focuses on the Governance, Legal, Contractual arrangements as well as Asset management and training.

Cyber Security Controls looks at the technical infrastructure currently in place to manage cyber security threats.

The recommendations from the full report have been extracted and summarised in an appendix, which has also been **enclosed**.

RECOMMENDATION: that the report be noted.

Prepared by: Graham Smyth, Head of ICT

Approved by: Sandra Cole, Director of Finance and Governance

3.12 FI/AUD/4 DAO (DoF) 04/18 – FRAUD PROOFING GUIDANCE

The Department of Finance issued their Fraud Proofing Guidance (through DAO (DoF) 04/18 – a copy of which is enclosed on 19 November 2018.

Its purpose is to provide guidance on the need to consider and carry out fraud proofing when developing new systems, policies or programmes so that the potential fraud risks are identified at an early stage and effective countermeasures can be developed and integrated into the design and operation of such systems. The guidance is also useful when considering existing systems, policies and programmes.

The Council already considers the risk of fraud as part of the review of fraud risk registers, but will consider the guidance when developing new systems and policies, as well as when reviewing and developing existing systems and policies.

RECOMMENDATION: that the Committee notes the Fraud Proofing Guidance.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance