

## **CASTLEREAGH BOROUGH COUNCIL**

Minutes of the proceedings of the Special Council Meeting held, in committee, in the Council Chamber, Civic & Administrative Offices, Bradford Court, Upper Galwally, BT8 6RB, on Monday, 24 May 2010, at 5.45 p.m.

**PRESENT:**

Alderman J White

Councillor Mrs A M Beattie  
Councillor J Beattie  
Councillor Mrs M Chambers  
Councillor Mrs J Cochrane (from 5.55 pm)  
Councillor M Copeland  
Councillor D Drysdale  
Councillor B Hanvey (until 6.42 pm)  
Councillor Miss R Hughes MBE  
Councillor T Jeffers  
Councillor M Long  
Councillor Mrs V McCoy  
Councillor G Robinson (until 6.00 pm)  
Councillor J Spratt (from 5.50 pm)

**IN ATTENDANCE:**

Acting Chief Executive (DT&ES), Director of Finance, Director of Leisure Services and Members' Services Officer

**APOLOGIES:**

Apologies were recorded on behalf of Aldermen Norris and Rice and Councillors Ms Bunting, Mrs Duncan, Hall, Ms Skillen, Tosh and Walker

**2010/247 : DRAFT MINUTES OF THE AUDIT SUB-COMMITTEE MEETING OF 29 APRIL 2010 (copy previously circulated)**

Councillor Beattie advised that the draft Minutes had been considered by the Finance & General Purposes Committee at its May meeting. The Special Council meeting had been called to answer any questions Members might have relating to the report from Goldblatt McGuigan. He was also of the view that it might be necessary to call a further Special Council meeting in June in order to meet deadlines.

Councillor Beattie went on to say that value for money was important to Castlereagh Borough Council and for that reason it would not be appropriate to create a new Audit Committee, as had been recommended in the report. It was Councillors' remit to ensure that the Council operated within statutory requirements. Councillor Beattie stated that he believed in transparency, although with more and more bureaucracy this would be difficult to maintain.

Furthermore, Councillor Beattie went on to say that it appeared as though the Audit Office was moving towards complete independence of the Audit Sub-Committee, with external services being provided by Goldblatt McGuigan. In Councillor Beattie's view this was unnecessary as the Council should be able to carry out improvements to improve compliance, as outlined in the report, without external assistance.

Councillor Beattie then went on to say that the Council had appointed an Internal Auditor in order to meet statutory requirements. However, the Council had been informed that a further audit would be required in respect of procedures. The cost of this and a possible upgrading of the Audit Sub-Committee would be an additional cost for ratepayers to bear.

Councillor Beattie also felt that, by agreeing to all recommendations in the report, the Council's decision-making ability might be diminished, particularly in respect of quick decisions. Although Councillor Beattie agreed that auditing was an important procedure, he was concerned that it could escalate. He further suggested that, following debate of the recommendations in the report, a further Special Council meeting could be arranged.

Councillor Chambers stated that at the Audit Sub-Committee meeting of 4 March 2010 it had been agreed to have a review of the Council's compliance with regulations and to accept recommendations put forward by the Deputy Chief Local Government Auditor. She further pointed out that a meeting of the Audit Sub-Committee needed to be arranged for the beginning of June 2010 in order to be compliant. Furthermore, many of the recommendations relating to the Council's non-compliance could be implemented within a short period of time.

Councillor Robinson left the meeting at this point, 6.00 pm.

The Director of Finance commented that the Council needed to assess the required level of compliance and determine the necessary resources. He added that transparency and compliance were required, but requirements of compliance with legislation needed clarification, which did not necessarily mean that the Council should comply fully with CIPFA's Code of Practice. Furthermore, the cost implications needed to be taken into consideration.

Councillor Spratt agreed that cost implications were an important aspect. He expected that a new Chief Executive would be appointed soon and the Internal Auditor would report directly to him/her. He felt that the Council should examine options to carry out audits without the assistance of external resources.

Councillor Chambers replied that external resources would only be required three or four times per year to supplement the Council's internal audit.

RESOLVED: That consideration of the draft Audit Sub-Committee Minutes be referred to the Finance & General Purposes Committee.

At this point Mr Alan Thompson from Goldblatt McGuigan joined the meeting, 6.10 pm.

**2010/248 : REPORT ON EXTERNAL REVIEW OF INTERNAL AUDIT BY GOLDBLATT McGUIGAN (copy previously circulated)**

The Deputy Mayor introduced Mr Alan Thompson to the meeting.

Mr Thompson explained that Goldblatt McGuigan had been asked to assess the Council's compliance with the CIPFA Code of Practice. Areas of non-compliance had been highlighted. These areas included a requirement for the Audit Sub-Committee to hold meetings more frequently, implementation of a formal internal audit strategy and more focus on the internal audit reporting process. Recommendations had been applied to an action plan to make the Council compliant with CIPFA standards.

Councillor Copeland enquired why Goldblatt McGuigan had been asked to assess the Council's performance against CIPFA standards and not legislation. The Director of Finance stated that this recommendation had been made by the Deputy Chief Local Government Auditor who had defined the terms of reference following a request from the Director of Finance. Councillor Chambers commented that the Council had agreed to a review of internal audit. It was best practice to hold an internal audit review approximately every three years and Goldblatt McGuigan had been appointed for this purpose.

The Director of Finance stated that he had not been able to determine that complying with all aspects of the CIPFA Code of Practice was a legal requirement, although he acknowledged that some recommendations in the report were. The Deputy Chief Local Government Auditor had explained to the Director of Finance that the CIPFA guidelines were linked to the legislation by way of Circular LG/04/08 from the Department of the Environment.

Councillor Spratt agreed that there was a need to address some of the issues outlined in the report, such as training for internal staff members. He disagreed with the recommendation that the Internal Auditor should, in the absence of a Chief Executive, not report to the Acting Chief Executive but rather to the Chairman of the Audit Sub-Committee. He continued to say that Elected Members placed their full trust in the four Directors who were acting up in the interim to carry out all duties that were usually required from the Chief Executive, as this provided continuity.

Councillor Drysdale raised concerns about the number of non-compliance issues listed in the report, particularly as the Council had good fiscal policies in place. He sought clarification whether the Council was currently compliant with legislation or not. Mr Thompson replied that options should be considered

in respect of internal resources and the Council's legal status in respect of compliance needed to be clarified.

Alderman White quoted from the report that 'Best practice suggests that the effectiveness of an Internal Audit Service is enhanced if it operates as a team, enabling discussions to take place around certain aspects of the organisation's internal control environment'. He raised concerns that a financial burden would be placed on ratepayers if the Council's internal audit staff increased.

Councillors Hanvey and McCoy left the meeting at this point, 6.35 pm.

The Director of Finance felt that the Council should seek legal advice in order to establish whether there was legal compliance. Furthermore, he wished to verify that the Council's Internal Auditor was managed by the Senior Accountant but also had a reporting relationship with the Chief Executive.

Councillors Hanvey and McCoy returned to the meeting at this point, 6.38 pm.

Councillor Spratt commented that many of the issues highlighted in the report could be resolved internally.

Councillor Chambers reminded Members that the Audit Sub-Committee had previously rejected recommendations to employ a large number of additional staff or buy in the services of external auditors to check the Council's compliance.

Councillor Hanvey left the meeting at this point, 6.42 pm.

Councillor Drysdale referred to recommendations in the report relating to independence and he enquired whether this was not provided by KPMG and partly through advice from Goldblatt McGuigan.

Mr Thompson stated that KPMG were the external auditor and he also confirmed that many issues listed in the report could be resolved without much cost to the Council. He reiterated that the purpose of the report had been to assess the Council's compliance with the CIPFA Code of Practice. Furthermore, Mr Thompson advised that the Council should provide training opportunities for staff, particularly the Internal Auditor. Councillor Chambers commented that this recommendation had been included in the draft Minutes.

Councillor Spratt reiterated that it had been the choice of Elected Members to appoint the Council's four Directors as Acting Chief Executive on a rotational basis until the position was filled and that their integrity was beyond reproach.

He proposed to refer consideration of the additional audit resource to the Management Team who would, in turn, bring their recommendations to the next Finance & General Purposes Committee. The proposal was seconded by Alderman White and it was

**RESOLVED:**

- (a) That approval be granted that Officers seek legal advice on whether the Local Government (Accounts & Audit) (Amendment) Regulations (Northern Ireland) 2006 incorporates a compliance requirement with the CIPFA guidelines on internal audit.
- (b) That approval be granted to the Management Team to consider the following matters in order to improve the Council's level of compliance with the CIPFA guidelines:
  - (b1) Additional resource in respect of 'Head of Audit'.
  - (b2) Additional training and development for the Internal Auditor.
  - (b3) Review of the reporting structure, ie the Internal Auditor would report directly to the Audit Sub-Committee when necessary.
  - (b4) Review of the Council's Anti-Fraud and Corruption policy to take account of comments from Goldblatt McGuigan regarding the Internal Auditor being made aware of all suspected cases of fraud.
- (c) That the Council's Audit Sub-Committee be instructed to meet at least four times within each financial year.

As there was no further business, the meeting concluded at 7.05 p.m.

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**CHIEF EXECUTIVE**

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**MAYOR**