



**Antrim and
Newtownabbey**
BOROUGH COUNCIL

16 March 2021

Committee Chair: Councillor V McWilliam
Committee Vice-Chair: Councillor A Bennington
Committee Members: Councillors – M Goodman, P Hamill, R Lynch
and B Webb
Independent Member: Mrs G Nesbitt

Dear Member

MEETING OF THE AUDIT COMMITTEE

A remote meeting of the Audit Committee will be held in the **Council Chamber, Mossley Mill on 22 March 2021 at 6.30pm.**

All Members are asked to attend the meeting via "Zoom".

To ensure social distancing the Chairperson of the Committee may attend the Council Chamber.

You are requested to attend.

Yours sincerely

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

PLEASE NOTE: no refreshments will be available

For any queries please contact Member Services:

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A G E N D A

1. APOLOGIES

2. DECLARATIONS OF INTEREST

3. ITEMS FOR DECISION

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3 ITEMS FOR DECISION

3.1 FI/AUD/01 INTERNAL AUDIT STRATEGY 2021-24 AND AUDIT PLAN 2021/22

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The basis of this opinion will be the work completed by the Internal Audit service over the year.

Members will recall that in June 2020, as a consequence of the COVID-19 pandemic, the Audit Committee agreed to defer the 2020/21 Audit Plan, with Internal Audit focusing on the key financial and other risk areas throughout the remainder of the year.

Members will also be aware that in December 2020, the deferred plan was reviewed and a number of audits were reinstated for completion by the end of 2020/21.

In preparation of the 2021/22 Audit Plan (**enclosed**), the remaining audits on the deferred 2020/21 Plan have been reviewed and where considered appropriate, have been reinstated for completion during 2021/22.

In addition, the Internal Audit Strategy (**enclosed**) has been reviewed and updated to take into account the change in the Council's risk profile, ensuring that the 2021/22 Audit Plan is risk based and provides a sound basis for the provision of a robust annual internal audit opinion at the end of the year.

The Internal Audit Strategy and Plan has been consulted on and approved by the Corporate Leadership Team.

RECOMMENDATION: that the Committee considers the Strategy and Plan, makes amendments as appropriate and approves the Internal Audit Strategy 2021-24 and Audit Plan 2021/22.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

3.2 FI/AUD/02 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

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 of their performance”.

Appendix E of the guidance also provides an 'Evaluating the Effectiveness of the Audit Committee' self-assessment checklist which will enable the Committee to undertake and report on the assessment of their performance throughout the year.

On 10 February 2021, Members of the Audit Committee participated in a facilitated self-assessment review of the performance of the Audit Committee, where they completed the 'Evaluating the Effectiveness of the Audit Committee' self-assessment checklist.

The results of this review are **enclosed** for Members' agreement.

These results, along with an Annual Report outlining the Audit Committee's activities during the year, will be reported to the June 2021 Audit Committee as well as the June 2021 Council meeting as part of the year end reporting process.

RECOMMENDATION: that the Committee approves the results of the review of the effectiveness of the Audit Committee and that these results be reported to the June 2021 Audit Committee and Council meeting.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4 **ITEMS FOR INFORMATION**

4.1 **FI/FIN/SOA/06** **NIAO: ANNUAL AUDIT LETTER 2019/20**

Members are reminded that in December 2020, the Audit Committee approved the Statement of Accounts for the year ended 31 March 2020.

The Local Government Auditor has now issued the Annual Audit Letter 2019/20 (**enclosed**) following completion of the audit of the Statement of Accounts by the Northern Ireland Audit Office.

A representative of the NIAO will be in attendance to answer Members' questions.

RECOMMENDATION: that the report be noted.

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

4.2 FI/FIN/SOA/06 NIAO: REPORT TO THOSE CHARGED WITH GOVERNANCE 2019/20

Members are reminded that in December 2020, the Audit Committee approved the Statement of Accounts for the year ended 31 March 2020.

Members are also reminded that in September 2020, they were 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.

A representative of the NIAO will be in attendance to answer Members' questions.

RECOMMENDATION: that the report be noted.

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

**4.3 FI/FIN/SOA/07 NIAO: ANTRIM AND NEWTOWNABBEY BOROUGH COUNCIL:
AUDIT OF 2020/21 STATEMENT OF ACCOUNTS - AUDIT STRATEGY**

The External Audit Strategy for the audit of the 2020/21 Statement of Accounts has now been received (to follow) which provides a clear understanding of how the NIAO plan to carry out the audit of the 2020/21 financial statements and the key risks identified in their planning work.

A representative of the NIAO will be in attendance to answer Members' questions.

RECOMMENDATION: that the report be noted.

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

4.4 FI/AUD/02 NIAO: LOCAL GOVERNMENT AUDITOR'S REPORT - 2020

The Local Government Auditor recently published her report on the exercise of her functions in the year to 31 March 2020. This includes the audit of the 2018/19 Financial Statements of the 11 Councils as well as the audit of Councils' performance improvement responsibilities from 01 April 2019 to 31 March 2020.

A copy of the Local Government Auditor's report was provided to Members in December 2020, and is **enclosed** for Members information.

In her report, the Local Government Auditor has sought to highlight areas of strength and areas for improvement within local Councils.

The Local Government Auditor has also highlighted the significant impact COVID-19 has had on all aspects of people's lives and that public services have been particularly impacted as, in most cases, they are considered to be front line services.

The Local Government Auditor also comments that "Local Government responded positively and played its part in ensuring key services have been maintained" and that "the full scale and impact of the ongoing pandemic on communities, local services and the economy is unknown at this stage but is likely to be very significant and place further strain on Local Government finances".

The key messages set in the Local Government Auditor's Report for our Council are:

Financial Management

The report highlights that Councils are facing significant challenges in respect of financial sustainability, the pressure to maintain service levels with reducing resources and the need to identify significant efficiency savings and service transformation to be able to fund local services without significant rate increases.

It stresses that robust financial management arrangements will be essential to aid decision-making and ensure the most efficient and appropriate use of resources, essential to achieving financial sustainability.

The Local Government Auditor also emphasises the need for Councils to ensure that reserve balances are monitored and managed closely, particularly as income levels decline as a result of the COVID-19 pandemic and that Councils should consider the reasons for the level of reserves held and ensure they are used for the purposes intended.

Performance Improvement

The report highlights that during 2019/20 all Councils strengthened their performance improvement arrangements and that each Council demonstrated measurable improvements to services.

It is further highlighted that during 2020, the COVID-19 pandemic impacted significantly on the delivery of Council services and on Council's ability to publish annual performance plans for 2020/21, by the 30 June 2020 due date, with the Department setting aside this requirement for 2020/21.

Given the ongoing impact of COVID-19, the Local Government Auditor advises that the Department is consulting with Councils on performance improvement requirements over the next two years, with it being suggested that it may be beneficial for Councils to produce plans setting out their proposals for service delivery and performance recovery, rather than a performance improvement plan as currently required by Legislation. Council are still awaiting guidance from the Department for Communities on this matter.

Absenteeism

The report states that overall sickness absence rates remained high, with an average of almost 14 days lost per employee.

It is noted that although there was a small decrease in absence rates in 2018/19, overall absence rates remain high and there has been very little improvement over the years. In 2018/19, the average sickness absence rate for Councils was 13.9 days (14.9 days in 2017/18) representing approximately 6.4 per cent of total working days.

The majority of days lost at each Council relate to long-term absenteeism (average of 10.6 days in 2018/19), with conditions such as musculoskeletal problems, stress and depression being key contributors.

The number of sick day's absence in Antrim and Newtownabbey in 2018/19 was 13.73 days. This has improved to 12.41 days in 2019/20 through a number of support interventions and close management of absence throughout 2019/20.

The Local Government Auditor notes that she has consistently highlighted the importance of closely monitoring and actively managing sickness absence levels in order to ensure that staff welfare is protected and that the delivery of front line services is not adversely affected.

Prompt Payment

Councils are encouraged to pay suppliers as promptly as possible and to endeavour to meet the commitment made by the Northern Ireland Executive to pay the majority of valid invoices within 10 days. However, the average

number of days taken to pay a supplier varies considerably across the Councils.

Whilst there has been an improvement on the prior year for all Councils, most Councils' performance still falls significantly behind central government performance.

In 2019/20, Antrim and Newtownabbey Borough Council paid 86% of invoices within 30 days, of which 69% were paid within the 10 day target. This performance continued to improve during 2020/21.

The LGA has again reiterated to Councils that the prompt payment statistics show there is considerable room for improvement across most Councils and that prompt payment of invoices helps businesses' cash flow which is increasingly important in order to maintain financial viability in the current challenging economic climate.

Impact of the COVID-19 pandemic

The report highlights that Councils have faced unprecedented challenges related to COVID-19 which will continue as they deal with both the immediate and longer-term repercussions of the pandemic.

It notes that there has been a significant financial impact related to decisions made by Councils in order to maintain public safety, particularly during the emergency response to the pandemic. There is likely to be a long-term and ongoing impact on the economy and public sector finances, however the full extent is unknown at this stage.

Looking ahead, the LGA advises that Councils face a wide range of challenges and opportunities. In these unprecedented times, continuing to deliver positive outcomes will require strong leadership, effective governance structures and continued engagement both internally and externally. This can be further enhanced through the development of effective partnership arrangements with other public bodies and local communities.

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.5 FI/AUD/02 UPDATE ON AUDIT COMMITTEE 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 |
|----------------------|--|--|-----------------------------|
| December 2019 | | | |
| 4.3 | NIAO: PERFORMANCE IMPROVEMENT AUDIT AND ASSESSMENT REPORT 2019/20 | | |
| (i) | The Independent Member sought clarification on the timeline on the proposal for improvement relating to self-imposed indicators and standards, and asked if the Working Group's Terms of Reference could be provided to Members, which was agreed. | <p>In Progress</p> <p>A draft Terms of Reference for the Local Government Performance Improvement Working Group has been developed and was to be brought to their meeting on 24 March 2020 for agreement.</p> <p>However, this meeting was postponed and the Terms of Reference is due to be brought to a meeting at a future date.</p> | Unknown at present |
| December 2020 | | | |
| 3.1 | Annual Governance Statement 2019/20 | | |
| (i) | The Annual Governance Statement 2019/20 be signed and dated by the Chair of the Audit Committee. | <p>Complete</p> <p>The Chair of the Audit Committee signed and dated the Annual Governance Statement.</p> | N/A |
| 3.2 | Financial Statements for the Year Ended 31 March 2020 | | |
| (i) | The Statement of Accounts be signed and dated by the Chair of the Audit Committee. | <p>Complete</p> <p>The Chair of the Audit Committee signed and dated the Statement of Accounts.</p> | N/A |
| 3.4 | Review of the Effectiveness of the Audit Committee 2020/21 | | |
| (i) | The self-assessment for Members be held on Wednesday 10 February 2021. | <p>Complete</p> <p>The self-assessment workshop for Members was held on 10 February 2021.</p> | N/A |

| Item | Action | Progress update | Anticipated Completion Date |
|------------|---|--|-----------------------------|
| 3.5 | External Review of Internal Audit | | |
| (i) | The Terms of Reference for the external review of Internal Audit to be approved by Audit Committee Members. | Complete The Terms of Reference was provided to Members on 2 February 2021. Each Member provided approval of the Terms of Reference. | N/A |
| 4.7 | Cyber Security | | |
| (i) | Training on Cyber Security to be rolled out to Members through the Elected Member Development Training Programme. | Complete Cyber Security training has been included in the Elected Member Development Training Programme. | N/A |
| 6.0 | Any Other Business | | |
| (i) | A report on the benefits of remote working be brought back to the Audit Committee. | In Progress | A future Audit Committee |

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.6 FI/AUD/01 INTERNAL AUDIT UPDATE REPORT

A report containing a summary of Internal Audit activity since the Audit Committee last met on 9 December 2020 is **enclosed**. The report includes the objectives and conclusions reached for each completed engagement and management comments as applicable.

The report also provide details of the progress of the implementation of agreed Internal Audit recommendations and the results of Internal Audit's Quality Assurance and Improvement Programme (QAIP).

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.7 FI/AUD/3 RISK MANAGEMENT STRATEGY

Members are reminded that the Department of Finance issued an update of the HM Treasury's Orange Book – Management of Risk – Principles and Concepts (through DAO (DoF) 04/20) which replaced the previous version issued (DAO 15/05) in October 2004. This Orange Book was provided to Members in June 2020.

Officers have undertaken a review of this guidance and have developed a Risk Management Strategy (**enclosed**) which is aligned to the five principles of risk management within the Orange Book and sets out the Council's approach to the effective management of risk.

The Strategy was approved by the Corporate Leadership Team in February 2021 and by the Policy and Governance Committee on 3 March 2021.

The Council is exposed to a variety of risks which are threats that an event or action will adversely affect our ability to achieve our objectives. As such appropriate risk management processes are required to ensure risks are identified, assessed and treated.

These processes now involve a broader more practical look at risk management incorporating governance, leadership, integration, collaboration and continuous improvement. It also introduces the "three lines of defence" model which outlines clear roles and responsibilities for those involved in risk management.

The Risk Management Strategy has been screened for the need for an Equality Impact Assessment (EQIA) and a Data Protection Impact Assessment (DPIA). Both an EQIA and a DPIA are not recommended.

Members are advised that the Risk Management Procedures for the Council are being reviewed and updated to ensure that they are aligned with the Strategy and the five principles of Risk Management. The procedures will be brought to the Audit Committee for information on completion of the review.

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.8 FI/AUD/03 CORPORATE RISK REGISTER

Members are reminded that as a consequence of COVID-19, the Council took the decision to 'suspend' the Corporate Risk Register and create a 'temporary' COVID-19 Corporate Risk Register to record and manage the risks faced by the Council during this period of response and recovery.

The Council has now taken the decision to reinstate the Corporate Risk Register and incorporate the 'temporary' COVID-19 Corporate Risks into this Register.

All Corporate Risks have been reviewed and updated in line with the review and reporting timeframe.

In accordance with the reporting protocol, a report setting out the Corporate Risk Register and the changes made to the risks is **enclosed** for Members' review.

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.9 FI/AUD/97 NATIONAL FRAUD INITIATIVE 2020

The Comptroller and Auditor General for Northern Ireland (C&AG) and the Head of the Northern Ireland Audit Office (NIAO), has statutory powers to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud.

Data matching involves comparing sets of data, such as payroll or benefit records of a body, against other records held by the same or another body to see how far they match. This allows potentially fraudulent claims and payments to be identified.

The National Fraud Initiative (NFI) is undertaken every 2 years and is administered / facilitated by the Cabinet Office with the matches for NFI 2020 being recently provided to Antrim and Newtownabbey Borough Council.

Organisations involved within NFI are not expected to investigate every match. Instead they are required to complete an initial review of all the matches and decide those matches which warrant further investigation based on local priorities and risk.

Internal Audit has assessed the population of matches and identified the sample for which detailed testing will be undertaken. Further detail regarding the approach being adopted is **enclosed**.

The results from this exercise will be reported to a future Audit Committee.

RECOMMENDATION: that the report be noted.

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

4.10 PT/CI/033 RECOVERY PLAN 2021-23

The Council is committed to ensuring that the Borough not only recovers from the pandemic but that it continues to develop and grow to be a place where people chose to invest, live in, work and visit.

Officers are preparing on a two year Recovery Plan which will set out an ambitious plan for recovery and renewal, focusing on public safety, maintaining service standards, and maximising opportunities for community capacity building and investment in the regeneration of our towns and villages. We will support the revival of the local economy, working with partners and stakeholders to build an inclusive, green, digital future.

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. The Council is awaiting formal guidance from the Department for Communities in relation to the arrangements for 2021-22, however it is expected that the improvement duty will reflect a "broader definition" stretching beyond improvement to include recovery objectives.

It is anticipated that our Recovery Plan will not only specify actions to recover Council services post COVID but will also set performance indicators for key corporate priorities post pandemic and therefore meet the requirements of Part 12 of the Local Government Act.

Members' will be kept updated of any further correspondence on this matter.

RECOMMENDATION: that the report be noted.

Prepared by: Helen Hall, Head of Performance and Transformation

Approved by: Sandra Cole, Director of Finance and Governance