

# Audit Committee Annual Report 2019/20

For presentation to:

29 June 2020  
Council Meeting

Date of issue: 24 June 2020



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## 1. Introduction (1 of 4)

### Summary of the role of the Audit Committee

The Audit Committee is a formally constituted Committee of the Council and is a key component of Antrim and Newtownabbey Borough Council's corporate governance framework. It provides an independent and high-level focus on the audit, scrutiny, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides independent review of Antrim and Newtownabbey Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees Internal Audit and considers the reports and recommendations of external audit, helping to ensure efficient and effective assurance arrangements are in place.

The core functions of the Audit Committee are summarised in a Terms of Reference, which describe the arrangements in place to enable it to operate independently, robustly and effectively. These core functions are split into the following key areas of responsibility:

- Governance, risk and control
- Internal Audit and External Audit
- Financial reporting
- Performance improvement
- Accountability arrangements

The Terms of Reference of the Audit Committee are included in [Appendix 1](#).



## 1. Introduction (2 of 4)

### Composition of the Audit Committee

Members of the Audit Committee are appointed each year at the Annual General Meeting. The 2019/20 Audit Committee membership comprised of the following:

- Councillor M Goodman (Chair)
- Councillor V McAuley (Vice-Chair)
- Councillor B Webb
- Councillor P Hamill
- Councillor A Bennington
- Councillor J Montgomery
- Mrs G Nesbitt (Independent Member)

In addition to the above Committee Members attending the Audit Committee, the following Non-Committee Member attended:

- Councillor R Wilson (December 2019)
- Councillor R Lynch (March 2020)



## 1. Introduction (3 of 4)

### Other Attendees

In addition to the Members above, the following officers and other individuals attended meetings of the Audit Committee:

- Director of Finance and Governance
- Director of Organisation Development
- Head of Internal Audit
- Head of Finance
- Head of Performance and Transformation
- Head of Governance
- Head of Human Resources
- Head of Environmental Health
- Head of Arts and Culture
- Head of Leisure
- Head of Economic Development
- Head of Waste Management
- Head of Communication and Customer Services
- Internal Audit Assistant
- Governance and ICT System Support Officers
- Representatives of External Audit (NIAO, ASM)

### Meetings

The Audit Committee met four times during 2018/19, as follows:

- 18 June 2019
- 10 December 2019
- 17 September 2019
- 18 March 2020



## 1. Introduction (4 of 4)

### Governance / Accountability Arrangements

The Council is kept informed of the work of the Audit Committee through the presentation and approval / ratification of the Minutes of each meeting.

For 2019/20, the Audit Committee has considered its own effectiveness, including an assessment of good practice. The Audit Committee used the principles and guidance set out in The Chartered Institute of Public Finance and Accountancy's (CIPFA) Audit Committee – Practical Guidance for Local Authorities and Police 2018.

This review took place on 04 February 2020, where the Audit Committee considered that their performance was compliant with good practice, while identifying a number of areas for enhancing their effectiveness.

These areas have been incorporated into an Action Plan for implementation during 2020/21.



## 2. Activities in Respect of 2019/20 (1 of 5)

The Audit Committee undertook the following activities in respect to its Terms of Reference during 2019/20:

### Governance, risk and control

- Throughout the year:
  - Considered all instances of fraud, whistleblowing and other investigations as reported to the Committee.
  - Reviewed and considered the quarterly update reports on the development and changes of the Council's Corporate Risk Register.
- In June 2019:
  - Reviewed and approved the Review of the Effectiveness of the System of Internal Control for 2018/19.
  - Reviewed the draft 2018/19 Annual Governance Statement.
  - Reviewed the revised Audit Committee Terms of Reference.
- In September 2019:
  - Reviewed and approved the final 2018/19 Annual Governance Statement.
  - Reviewed and considered the report on the National Fraud Initiative 2018.
  - Reviewed and considered the revised Anti-Fraud & Corruption Policy and Fraud Response Plan.
  - Reviewed and considered the revised Anti-Bribery Policy.
  - Reviewed and considered the Managing Attendance Update Report.



## 2. Activities in Respect of 2019/20 (2 of 5)

- In December 2019:
  - Reviewed and considered the Managing Attendance Update Report.
  - Reviewed and considered the Council's report on Mental Health Champions – Engagement and Wellbeing Strategy 2016 - 2020.
- In March 2020:
  - Received a presentation providing details of the Council's approach to dealing with the Covid-19 pandemic.

### Internal Audit

- At each meeting:
  - Received and reviewed Internal Audit Update Reports, including a summary of progress against the plan, recommendations arising from reviews undertaken and progress made in the implementation of such recommendations.
  - Monitoring of the Quality Assurance and Improvement Programme progress for 2019/20.
- In June 2019:
  - Reviewed the Internal Audit Annual Report 2018/19 and noted the overall level of assurance was 'Satisfactory'.
  - Considered and approved the results of the Quality Assurance and Improvement Programme (QAIP) for 2018/19.





## 2. Activities in Respect of 2019/20 (3 of 5)

- In March 2020:
  - Reviewed and approved the Internal Audit Strategy 2020-23 and Audit Plan 2020/21, including the 2020/21 Quality Assurance and Improvement Programme and Internal Audit Charter.

### External Audit

Engaged with the External Auditors throughout the year, including review and consideration of:

- In September 2019:
  - Draft Report to Those Charged with Governance 2018/19.
- In December 2019:
  - The Report to Those Charged with Governance and the Annual Audit Letter presented on completion of the audit of the Statement of Accounts for Antrim and Newtownabbey Borough Council for the Year Ended 31 March 2019.
- In March 2020:
  - Audit of 2019/20 Statement of Accounts - Audit Strategy.

### Financial Reporting

- In June 2019, reviewed the draft 2018/19 Antrim and Newtownabbey Borough Council Financial Statements prior to submission for external audit.
- In September 2019, reviewed and approved the audited Financial Statements for Antrim and Newtownabbey Borough Council for the Year Ended 31 March 2019.



## 2. Activities in Respect of 2019/20 (4 of 5)

### Performance Improvement

- Throughout the year:
  - Considered the quarterly progress updates presented on the Council's Corporate Improvement Plan 2019/20.
- In June 2019:
  - Considered the quarter 4 progress update presented on the Council's Corporate Improvement Plan 2018/19.
  - Reviewed and considered the Final Corporate Improvement Plan 2019/20.
- In September 2019:
  - Considered the Annual Performance Improvement Plan Performance Report 2018/19
- In December 2019:
  - Considered the Northern Ireland Audit Office's Performance Improvement Audit and Assessment Report 2019/20.
  - Considered the Northern Ireland Audit Office's Performance Improvement In Local Government Report.
- In March 2020:
  - Received a presentation on the Corporate Improvement Plan 2020/21.



## 2. Activities in Respect of 2019/20 (5 of 5)

### Accountability Arrangements

- The Minutes of each Audit Committee are presented to, considered and approved / ratified by Full Council.
- At each Committee, considered the progress of Actions agreed at previous Audit Committees.
- In June 2019, considered the results of the 2018/19 Review of the Effectiveness of the Audit Committee and agreed to report these results, along with the Audit Committee Annual Report, to the June 2019 Council meeting.
- In December 2019:
  - Reviewed the progress update on the actions from the 2018/19 Review of the Effectiveness of the Audit Committee.
  - Agreed the approach for the 2019/20 Review of the Effectiveness of the Audit Committee, results of which are to be reported to the June 2020 Council meeting.
- In March 2020, agreed the results of the 2019/20 Review of the Effectiveness of the Audit Committee and approved the reporting of the results to the June 2020 Audit Committee and Council meeting.



## 3. Conclusion

The Audit Committee considers that for the 2019/20 financial year, it has discharged its responsibilities in full as set out in the Audit Committee Terms of Reference (Appendix 1).

The Committee's view of the effectiveness of the system of internal control is informed by the assurances provided through the work of the Internal Auditors, the External Auditors in their Report to those Charged with Governance, and by the work of the Chief Executive and the Corporate Leadership Team who have responsibility for the development and maintenance of the internal control framework.

The Committee is satisfied that throughout the year there was ongoing progress made in relation to internal audit recommendations made by Internal Audit and that management had due regard to the recommendations that had been made.

The Committee is satisfied that the System of Internal Control in operation throughout the year is satisfactory and that there have been no material breaches of internal control brought to the attention of the Committee by either management and / or Internal / External Audit.

The Committee is satisfied that there are effective risk management processes and procedures in place.

The Committee is satisfied that both the Internal Auditors and the External Auditors provide effective independent challenge to management.



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# Appendices

Appendix 1: Audit Committee Terms of Reference



## Appendix 1: Audit Committee Terms of Reference (1 of 7)

### Statement of purpose

The Audit Committee is a key component of Antrim and Newtownabbey Borough Council's corporate governance framework. It provides an independent and high-level focus on the audit, scrutiny, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit Committee is to provide independent assurance to Those Charged with Governance (i.e. Members) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Antrim and Newtownabbey Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. oversees Internal Audit and considers the reports and recommendations of external audit, helping to ensure efficient and effective assurance arrangements are in place.

These Terms of Reference summarise the core functions of the Audit Committee and describe the arrangements in place to enable it to operate independently, robustly and effectively.

### Responsibilities

The Audit Committee has the following responsibilities:

#### Governance, Risk and Control

- To review the Council's corporate governance arrangements against the good governance framework<sup>1</sup>, including the ethical framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

<sup>1</sup> CIPFA / SOLACE – Delivering Good Governance in Local Government: Framework 2016



## Appendix 1: Audit Committee Terms of Reference (2 of 7)

- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

### Internal Audit

- To approve the Internal Audit Charter.
- To review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
- To approve the risk-based Internal Audit plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
- To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.



## Appendix 1: Audit Committee Terms of Reference (3 of 7)

- To commission work from Internal Audit.
- To consider any impairments to the independence or objectivity of the Head of Internal Audit arising from additional roles or responsibilities outside of the role of internal audit. To approve and periodically review safeguards to limit such impairments.
- To consider reports from the Head of Internal Audit on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
  - Updates on the work of Internal Audit, including key findings, issues of concern and action in hand as a result of audit work.
  - Regular reports on the results of the Quality Assurance and Improvement Programme.
  - Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether non-conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Head of Internal Audit's annual report:
  - The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement.
  - The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- To consider summaries of the specific audit reports as requested.





## Appendix 1: Audit Committee Terms of Reference (4 of 7)

- To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.
- To consider a report on the effectiveness of Internal Audit to support the Annual Governance Statement, where required to do so by the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.
- To support the development of effective communication with the Head of Internal Audit.
- To provide free and unfettered access to the Chair of the Audit Committee for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

### External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from external audit.
- To advise and recommend on the effectiveness of relationships between external and Internal Audit and other inspection agencies or relevant bodies.



## Appendix 1: Audit Committee Terms of Reference (5 of 7)

### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### Performance Improvement

- To review the statutory arrangements in place to secure continuous improvement of Council functions, providing assurance that such arrangements are operating effectively.
- To consider the quarterly Corporate Improvement Plan update reports, which will provide a progress update on the achievement of the Corporate Improvement Objectives.
- To consider the external auditor's report on issues arising from the annual Improvement Audit and Assessment engagement.

### Accountability Arrangements

- To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
- To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
- To publish an annual report on the work of the Committee.



## Appendix 1: Audit Committee Terms of Reference (6 of 7)

### Membership

The composition of the Audit Committee is key in achieving the characteristics<sup>2</sup> of a good Audit Committee. These characteristics are:

- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong independently minded chair – displaying a depth of knowledge, skills and interest.
- Unbiased attitudes – treating auditors, the Council and management fairly.
- The ability to challenge the Council and senior management when required.

### Meetings

A quorum for the Audit Committee will be in line with Section 7 (1) of the Council's Standing Orders.

*“The quorum for Council, Committee and Sub Committee meetings be one-quarter of the whole number of members of the Council, Committee and Sub Committee...”*

The Audit Committee will meet at least four times a year and will normally be attended by the Chief Executive, the Director of Finance and Governance, the Head of Internal Audit and the Head of Performance and Transformation. A representative of the Northern Ireland Audit Office will also be invited to attend.

The Audit Committee may ask any other officer of the Council to attend to assist it with any discussions on a particular matter.

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<sup>2</sup> CIPFA – Audit Committees Practical Guidance for Local Authorities and Police (2018)



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### Access

The Head of Internal Audit and the representative of the Northern Ireland Audit Office will have free and confidential access to the Chair of the Audit Committee.