

Audit and Risk Committee Annual Report 2021/22

For presentation to: 27 June 2022
Council Meeting

Date of issue: 22 June 2022

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1. Introduction

Summary of the role of the Audit and Risk Committee

The Audit and Risk 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 and Risk 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 and Risk 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 and Risk Committee are included in [Appendix 1](#).

1. Introduction

Composition of the Audit and Risk Committee

Members of the Audit and Risk Committee are appointed each year at the Annual Meeting. The Audit and Risk Committee membership for 2021/22 comprised:

- Councillor M McAuley (Chair)
- Councillor A Bennington (Vice-Chair)
- Councillor M Goodman
- Councillor P Hamill (June 2021)
- Councillor R Kinnear
- Councillor B Mallon (December 2021, March 2022)
- Councillor J Montgomery
- Mrs G Nesbitt (Independent Member)

1. Introduction

In addition to the Committee Members attending the Audit and Risk Committee, the following Non-Committee Members attended throughout the year:

- Councillor V McWilliam (June 2021)
- Councillor B Webb (June 2021, December 2021, March 2022)
- Councillor N Ramsay (September 2021, December 2021, March 2022)
- Councillor R Wilson (March 2022)

Other Attendees

The following officers and other individuals attended meetings of the Audit and Risk Committee:

- Deputy Chief Executive of Finance and Governance
- Director of Organisation Development
- Deputy Director of Finance
- Head of Internal Audit
- Head of Finance
- Head of Governance
- Head of Performance and Transformation
- Head of ICT
- Member Services Officer
- ICT System Support Officers
- Representatives of External Audit (NIAO, ASM)

1. Introduction

Meetings

The Audit and Risk Committee met four times during 2021/22, as follows:

- 22 June 2021
- 21 September 2021
- 14 December 2021
- 22 March 2022

Governance / Accountability Arrangements

In December 2021, Council approved the renaming of the Audit Committee to the Audit and Risk Committee. The Terms of Reference of the Committee were subsequently updated to reflect this change.

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

For 2021/22, the Audit and Risk Committee has considered its own effectiveness, including an assessment of good practice. The Audit and Risk 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 17 February 2022, where the Audit and Risk Committee concluded that their performance was compliant with good practice.

The Audit and Risk Committee approved the results of the Review of Effectiveness of the Audit and Risk Committee in March 2022 and the reporting of those results to the June 2022 Council meeting.

2. Activities in Respect of 2021/22

The Audit and Risk Committee undertook the following activities in respect to its Terms of Reference during 2021/22:

Governance, risk and control

- Throughout the year:
 - Considered concerns raised 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 2021:
 - Reviewed and approved the Review of the Effectiveness of the System of Internal Control for 2020/21.
 - Reviewed the draft 2020/21 Annual Governance Statement.
 - Considered a report on Remote Working.
 - Reviewed and considered the revised Anti-Fraud and Corruption Policy.
 - Reviewed and considered the revised Anti-Bribery Policy.
- In September 2021:
 - Reviewed and approved the final 2020/21 Annual Governance Statement.
 - Reviewed and considered a report on the National Fraud Initiative 2020.
 - Considered a report on Cyber Security arrangements.

2. Activities in Respect of 2021/22

- Considered a report on Business Continuity Planning arrangements.
- In December 2021:
 - Considered the Council's Code of Governance 2021.
 - Reviewed and considered the NIAO's guidance on Grant Fraud Risks.
- In March 2022:
 - Considered a report on Corporate Training.
 - Reviewed and considered the Council's Corporate Recovery and Improvement Plan 2022-23.
 - Reviewed and considered the NIAO's guidance on Internal Fraud Risks.

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 recommendations.
 - Monitored the Quality Assurance and Improvement Programme progress for 2021/22.
- In June 2021:
 - Reviewed the Internal Audit Annual Report 2020/21 and noted the overall level of assurance was 'Satisfactory'.

2. Activities in Respect of 2021/22

- Considered the results of the Quality Assurance and Improvement Programme (QAIP) for 2020/21 (as part of the Internal Audit Annual report).
- In September 2021:
 - Considered the results of the External Review of Internal Audit, including recommendations for improvement.
- In December 2021:
 - Considered the action plan developed to implement the recommendations made in the External Review of Internal Audit report.
- In March 2022:
 - Reviewed and approved the Internal Audit Strategy and Audit Plan 2022/23, including the 2022/23 Quality Assurance and Improvement Programme and Internal Audit Charter.

External Audit

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

- In September 2021:
 - Draft Report to Those Charged with Governance 2020/21.
- In December 2021:
 - Final Report to Those Charged with Governance 2020/21.

2. Activities in Respect of 2021/22

- In March 2022:
 - 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 2021.
 - Audit of 2021/22 Statement of Accounts - Audit Strategy.
 - Local Government Auditor's Report 2021.

Financial Reporting

- In June 2021, reviewed the draft 2020/21 Antrim and Newtownabbey Borough Council Financial Statements prior to submission for external audit.
- In September 2021, reviewed and approved the audited Financial Statements for Antrim and Newtownabbey Borough Council for the Year Ended 31 March 2021.

Performance Improvement

- Throughout the year:
 - Considered the quarterly progress updates presented on the Council's Corporate Recovery Plan 2021/22.
- In June 2021:
 - Considered the Councils' Governance arrangements for the Corporate Recovery Plan 2021-23
- In September 2021:
 - Considered the 2020/21 Annual Self-Assessment Report on Performance.

2. Activities in Respect of 2021/22

- Considered the draft Performance Governance Arrangements 2021-23
- In December 2021:
 - Considered the Performance Improvement Audit and Assessment Report 2020/21.
- In March 2022:
 - Considered the Performance Improvement Audit and Assessment Report 2021/22.

Accountability Arrangements

- The Minutes of each Audit and Risk Committee are presented to, considered and approved / ratified by Full Council.
- At each Committee, considered the progress of Actions agreed at previous Audit and Risk Committees.
- In June 2021:
 - Considered the results of the 2020/21 Review of the Effectiveness of the Audit and Risk Committee and agreed to report these results, along with the Audit and Risk Committee Annual Report, to the June 2021 Council meeting.
- In December 2021:
 - Agreed the approach for the 2021/22 Review of the Effectiveness of the Audit and Risk Committee.
- In March 2022:
 - Agreed the results of the 2021/22 Review of the Effectiveness of the Audit and Risk Committee and approved the reporting of the results to the June 2022 Council meeting.

3. Conclusion

The Audit and Risk Committee considers that for the 2021/22 financial year, it has discharged its responsibilities in full as set out in the Audit and Risk 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 it can raise 'Any Other Business' during a Committee meeting to aid in the discharge of the Committee's responsibilities.

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 and Risk Committee Terms of Reference

Appendix 1: Audit and Risk Committee Terms of Reference

Statement of purpose

The Audit and Risk 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 and Risk 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. It 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 and Risk Committee and describe the arrangements in place to enable it to operate independently, robustly and effectively.

Responsibilities

The Audit and Risk Committee has the following responsibilities:

Governance, Risk and Control

- To review the Council's corporate governance arrangements against the good governance framework¹, 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.

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

Appendix 1: Audit and Risk Committee Terms of Reference

- 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 and Risk Committee Terms of Reference

- 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 and Risk Committee Terms of Reference

- 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 and Risk 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.

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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 and Risk Committee Terms of Reference

Membership

The composition of the Audit and Risk Committee is key in achieving the characteristics² 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 and Risk 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 and Risk Committee will meet at least four times a year and will normally be attended by the Chief Executive, the Deputy Chief Executive of Finance and Governance, the Deputy Director of Finance, the Deputy Director of Performance and Governance and the Head of Internal Audit.

A representative of the Northern Ireland Audit Office will also be invited to attend.

² CIPFA – Audit Committees Practical Guidance for Local Authorities and Police (2018)

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

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 and Risk Committee.