



18 June 2020

Committee Chair: Councillor M Goodman  
Committee Vice-Chair: Councillor V McAuley  
Committee Members: Councillors – A Bennington, P Hamill, J Montgomery 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 Tuesday 23 June 2020 at 6.30pm.**

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

To ensure social distancing, it is only possible to facilitate 11 Members in the Council Chamber. Priority admission will be given to Committee Members on a first come, first served basis. This does not affect the rights of any Member participating in the meeting.

You are requested to attend.

Yours sincerely

A handwritten signature in black ink that reads "Jacqui Dixon".

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**

3.1 Audit Committee Annual Report 2019/20

3.2 Internal Audit Plan 2020/21

### **4. ITEMS FOR INFORMATION**

4.1 NIAO: Annual Performance Improvement Report 2019/20

4.2 Audit and Assessment Report 2019/20 Improvement Proposals Update

4.3 Corporate Improvement Plan 2019/20 – Quarter 4 Improvement Objectives Progress Update

4.4 Performance Improvement Duties 2020/21

4.5 Update on Audit Committee Actions

4.6 Internal Audit Update Report

4.7 Internal Audit Annual Report 2019/20

4.8 Quality Assurance and Improvement Programme 2019/20

4.9 Review of Effectiveness of the System of Internal Control 2019/20

4.10 Annual Governance Statement 2019/20

4.11 Financial Statements for the Year Ended 31 March 2020

4.12 Corporate Risk Register

4.13 The National Fraud Initiative: Northern Ireland

4.14 HM Treasury's The Orange Book – Management of Risk

4.15 NIAO Work Programme: Impact of COVID-19

### **5. ANY OTHER RELEVANT BUSINESS**

### **6. ITEMS IN CONFIDENCE**

6.1 NIPSO: Investigations – Council Services

6.2 Investigations Update

### **3 ITEMS FOR DECISION**

#### **3.1 FI/AUD/02 AUDIT COMMITTEE ANNUAL REPORT 2019/20**

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”.

An Audit Committee Annual Report (**enclosed**) has been prepared outlining the Audit Committee's activities during 2019/20 and how the Committee has discharged its roles and responsibilities as set out in the Audit Committee Terms of Reference.

Members are asked to review and agree the report prior to it being provided to Full Council.

Members are also reminded that on 18 March they approved the Review of the Effectiveness of the Audit Committee and that this report be provided to Full Council along with the Audit Committee Annual Report.

**RECOMMENDATION: that the Committee agrees the Audit Committee Annual Report and that the report be presented to Council.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

### 3.2 FI/AUD/01 INTERNAL AUDIT PLAN 2020/21

Members are reminded that in March 2020, the Audit Committee approved the Internal Audit Plan for 2020/21.

As a consequence of Covid-19 and in agreement with the Chair of the Audit Committee, we have reconsidered the plan to reflect the changing risk environment the Council is currently facing (and will continue to face) and to ensure Internal Audit focuses their attention to those key risk areas throughout the year.

As such, it is proposed that:

- i. The 2020/21 Audit Plan as approved, is deferred.
- ii. A quarterly Audit Plan reflecting the risk environment at that time, is brought to the Audit Committee from September 2020, for consideration and approval.
- iii. In the interim period to September, Internal Audit will focus on:
  - Completing the remaining audits of the 2019/20 Audit Plan.
  - Providing assurance on the key financial controls during the emergency response and recovery period. Eg. Accounts Payable, Accounts Receivable, Payroll. This is not a definitive list and will be subject to review as circumstances dictate.
  - Providing assurance on the Council's 2019/20 Corporate Improvement Plan Performance information, as requested by the Head of Performance and Transformation.
  - Undertake the preparatory work for the Council's participation in the National Fraud Initiative (NFI) 2020.
- iv. Throughout the year, Internal Audit will also provide advice and guidance to all services, assisting in the setup and review of amended work practices and service recovery.
- v. A review of the Council's response to the Covid-19 pandemic and recovery plans will also be incorporated into the Audit Plan for the year.

This approach will ensure that Internal Audit focuses their attention to the key financial and other risk areas throughout the year, enabling a robust annual audit opinion to be provided at the end of 2020/21.

**RECOMMENDATION: that the Committee agrees the outlined approach for the delivery of the 2021/21 Internal Audit Plan.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

## **4 ITEMS FOR INFORMATION**

### **4.1 PT/CI/023 NIAO: ANNUAL PERFORMANCE IMPROVEMENT REPORT 2019/20**

The Local Government Auditor has published the Annual Performance Improvement Report for 2019-20, (**enclosed**). This document, publicly available on the NAO website, presents a summary of the findings of the annual improvement audits and assessments for all eleven councils in Northern Ireland.

The report certified that the Council's performance for 2018-19 and the Improvement Plan for 2019-20 were in accordance with sections 93 and 94 of the Local Government Act (Northern Ireland) 2014 and the Code of Audit Practice for local government bodies.

In addition, the Auditor was satisfied that the Council has discharged its statutory performance improvement reporting duties and acted in accordance with the legislation and guidance.

**RECOMMENDATION: that the Annual Performance Improvement Report 2019/20 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

## **4.2 PT/CI/023 AUDIT AND ASSESSMENT REPORT 2019/20 IMPROVEMENT PROPOSALS UPDATE**

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 a Performance Improvement Audit and Assessment Report 2019-20 which was presented to the Audit Committee on 12 December 2019.

In response to this Officers have developed an action plan to address the proposals for improvement. This is **enclosed** for Members' attention.

**RECOMMENDATION: that the Audit and Assessment Report 2019/20 Improvement Proposals Update 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

### 4.3 PT/CI/024 CORPORATE IMPROVEMENT PLAN 2019-20 QUARTER 4 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 fourth quarter progress report is **enclosed** for Members' attention.

The report provides an overview on how we performed against:

- Our eight corporate improvement objectives, as set out in the 2019-20 Corporate Improvement Plan, which was approved by Council in June 2019;
- 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 2019-20 Quarter 4 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

#### **4.4 PT/CI/029 PERFORMANCE IMPROVEMENT DUTIES 2020/21**

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, in the context of strategic objectives and issues.

Section 85 of the Act requires a Council, by the end of June each year, to set itself and publish improvement objectives for improving the exercise of its functions and to have in place arrangements to achieve those objectives.

The Department however, is cognisant of the pressure placed on all councils in relation to statutory performance improvement duties for the coming months/year. To this end, the Department has written (**enclosed**) to each Council and advised that it does not expect Councils to publish a Performance Plan by 30 June 2020, and that it will be in contact with Councils to review future performance improvement requirements.

Members' will be kept informed of progress on this matter.

**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



## 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
<b>December 2019</b>			
<b>4.3</b>	<b>NIAO: PERFORMANCE IMPROVEMENT AUDIT AND ASSESSMENT REPORT 2019/20</b>		
(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.	<b>In Progress</b> 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. However, this meeting was postponed and the Terms of Reference is due to be brought to a meeting at a future date.	Unknown at present
<b>March 2020</b>			
<b>3.1</b>	<b>Corporate Improvement Plan 2020/21</b>		
(i)	The Head of Performance and Transformation write to the Department of Communities regarding the proposed deadline.	<b>Complete</b> Letter was issued to the Department of the Communities on 02 April 2020.	N/A
<b>3.2</b>	<b>COVID-19 UPDATE</b>		
(i)	It was agreed that following the meeting a copy of the presentation would be circulated to Members.	<b>Complete</b> A copy of the presentation was provided to Member on 18 March 2020.	N/A
<b>4.2</b>	<b>Review of the Effectiveness of the Audit Committee 2019/20</b>		
(i)	The Committee approves the results of the review of the effectiveness of the Audit Committee and that these results be reported to the June 2020 Audit Committee and Council meeting.	<b>In Progress</b> The review of the effectiveness of the Audit Committee report will be provided to the Council meeting at the end of June, along with the Audit Committee Annual Report (as discussed at Agenda Item 4.1).	29 June 2020

**RECOMMENDATION: that the Committee notes the Previous Actions update.**

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 18 March 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/01 INTERNAL AUDIT ANNUAL REPORT**

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Council's system of internal control. This opinion is based upon and is limited to the work performed during the year.

An annual opinion has been provided for Antrim and Newtownabbey Borough Council in the **enclosed** Internal Audit Annual Report for the year ended 31 March 2020.

**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/01 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2019/20**

The Public Sector Internal Audit Standards (PSIAS) requires Internal Audit “to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.”

The results of the quality assurance and improvement programme must be communicated to the Audit Committee and the Corporate Leadership Team.

The annual review of the quality assurance improvement programme has been completed for Internal Audit and a copy is **enclosed** for Members consideration.

**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/01 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL 2019/20**

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, requires that "a local government body shall conduct a review at least once in each financial year of the effectiveness of its system of internal control" and that "the findings of the review... must be considered at a meeting either of the local government body as a whole or a committee of the local government body whose remit includes audit of governance functions" so that this review will inform the approval of the Annual Governance Statement.

The annual review of the Effectiveness of the System of Internal Control has been completed for Antrim and Newtownabbey Borough Council and a copy is **enclosed** for Members consideration.

**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 FI/FIN/SOA/06 ANNUAL GOVERNANCE STATEMENT 2019/20**

The Council is required to publish a Governance Statement with its annual statement of accounts. This statement is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government,' and outlines how the Council is complying with the Framework.

This statement also meets the requirements of Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 in relation to the review of the system of internal control.

The Annual Governance Statement 2019/20 has been completed for Antrim and Newtownabbey Borough Council and a copy is **enclosed** for Members review.

**RECOMMENDATION: that:**

- a) the Committee notes the draft Annual Governance Statement;**
- and**
- b) the draft Annual Governance Statement be signed and dated by the Chair of the Audit Committee and the Chief Executive.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

**4.11 FI/FIN/SOA/06 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

The draft Financial Statements for the year ended 31 March 2020 have been prepared for Members' consideration (to follow).

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Financial Statements be formally considered and approved no later than 30 September following the end of the financial year to which the accounts relate. However, an extension to the 30 December 2020 has been granted by the Department for Communities due to the impact of Covid-19, in line with the draft Local Government (Accounts and Audit) (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020.

Independent audit of the Financial Statements will now proceed and the audited final Financial Statements will be brought back to the Audit Committee for approval. The timeframe for this approval will be subject to the completion of the external audit of the Financial Statements.

**RECOMMENDATION: that:**

**(a) the Committee notes the draft Financial Statements;**

**and**

**(b) the draft Financial Statements be signed and dated by the Chief Executive.**

Prepared by: John Balmer, Head of Finance

Approved by: Sandra Cole, Director of Finance and Governance

#### 4.12 FI/AUD/03 CORPORATE RISK REGISTER

Members are advised that a report providing details of the Council's Corporate Risk Register, including changes made to the Corporate risks, is presented to the Audit Committee on a quarterly basis.

Since our last report in March 2020, and as a consequence of Covid-19, the Council is currently facing and managing significant challenges and risks.

In agreement with the Chair of the Audit Committee, we have therefore taken the decision to 'suspend' the current Corporate Risk Register for now and create a new 'temporary' Corporate Risk Register to record and manage the current risks to the Council.

The risks included in this register are:

- Failure to meet the expectations of ratepayers within current financial constraints;
- Failure to restore the Financial Health of the Council, balancing the needs of Council with the needs of ratepayers;
- Significant loss of businesses and jobs within the Borough; and
- Regression of Community Development as a result of Covid-19.

A copy of the Corporate Risk Register is **enclosed** for Members review.

These risks and potentially new emerging risks, will be fluid and will be continuously reviewed going forward.

**RECOMMENDATION: that the report be noted.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance



#### **4.13 FI/AUD/68 NATIONAL FRAUD INITIATIVE: NORTHERN IRELAND**

On 11 June 2020, the Comptroller and Auditor General published his report on the outcomes of the sixth National Fraud Initiative (2018) exercise in Northern Ireland.

The report highlights that for the reporting period April 2018 to March 2020, over £5.5 million of actual and estimated fraud and error was detected or prevented through NFI data matching, in particular:

- Estimated cost avoidance to health service of £2.7 million, with the removal from the GP register of over 1,200 people who were unable to demonstrate entitlement to publicly funded services;
- Estimated savings of £1.6 million on temporary accommodation, as a result of 44 social housing properties being recovered and reallocated to those on the housing waiting list;
- Over £900,000 of rates evasion or prevented; and
- Over £175,000 of pensions fraud, error and overpayments recovered or prevented.

A copy of the National Fraud Initiative report is **enclosed** for Members information.

**RECOMMENDATION: that the report be noted.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

#### 4.14 FI/AUD/02 DAO (DOF) 04/20 – HM TREASURY'S THE ORANGE BOOK – MANAGEMENT OF RISK – PRINCIPLES AND CONCEPTS

The Department of Finance issued an update of HM Treasury's Orange Book – Management of Risk – Principles and Concepts (through DAO (DoF) 04/20 (**enclosed**) on 07 May 2020 and replaces the previous version issued (DAO 15/05) in October 2004.

The Orange Book is applicable to Departments, Agencies, Non-Departmental Public Bodies (NDPB's) and Sponsored Bodies. However, the essence of the guidance is relevant to all organisations, including the Council, when it comes to risk management.

The update's main changes are:

- The introduction of five main (mandatory) principles of risk management and a number of advisory principles. The mandatory principles are:
  - A. Risk management shall be an essential part of **governance and leadership**, and fundamental to how the organisation is directed, managed and controlled at all levels.
  - B. Risk management shall be an **integral** part of all organisational activities to support decision-making in achieving objectives.
  - C. Risk management shall be **collaborative and informed** by the best available information and expertise.
  - D. Risk management processes shall be **structured** to include risk identification and assessment; risk treatment; risk monitoring; and risk reporting.
  - E. Risk management shall be continually improved through learning and experience.

These five principles make up the Risk Management Framework.

- The requirement to **comply or explain** departures from the five main principles in Governance Statements.
- The introduction of the '**three lines of defence**' model.
- The provision of key questions that may assist in assessing how the principles are applied.
- The provision of clear roles and responsibilities for those involved in risk management.

**RECOMMENDATION: that the report be noted.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance

#### **4.15 FI/AUD/02 NIAO WORK PROGRAMME: IMPACT OF COVID-19**

A letter from the Local Government Auditor has been received outlining the approach of the Northern Ireland Audit Office's programme of work over the coming months.

A copy of the letter is **enclosed** for Members information.

**RECOMMENDATION: that the report be noted.**

Prepared by: Paul Caulcutt, Head of Internal Audit

Approved by: Sandra Cole, Director of Finance and Governance