



AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

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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, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose¹ of the Audit and Risk Committee is:

"To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring there is sufficient assurance over governance risk and control, gives greater confidence to all those charged with governance that those arrangements are effective.

The Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability."

The CIPFA 2022 Position Statement sets out the core functions of the Audit and Risk Committee, with the Terms of Reference summarising these functions, describing the arrangements in place to enable the Committee to operate independently, robustly and effectively.

Core Functions of the Audit and Risk Committee

The core functions of the Audit and Risk Committee fall into three categories:

1 Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the Council and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the Council's risk management arrangements. Understand the risk profile of the Council and seek assurances that active arrangements are in place on risk-based issues.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the Council's exposure to the risks of fraud and corruption.

2 Financial and governance reporting

- Be satisfied that the Council's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improved it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

¹ CIPFA – Audit Committees Practical Guidance for Local Authorities and Police (2022)

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3 Establishing appropriate and effective arrangements for audit and assurance

- In relation to the Council's internal audit functions:
 - Oversee its independence, objectivity, performance and conformance to professional standards;
 - Support effective arrangements for internal audit; and
 - Promote the effective use of internal audit within the assurance framework
- Consider the opinion, reports and recommendations of external audit and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operations of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Consider the arrangements in place to secure adequate assurance across the Council's full range of operations and collaborations with other entities.
- Support effective relationships between the Council and all providers of assurance, audits and inspections, encouraging openness to challenge, review and accountability.

Responsibilities

The Audit and Risk Committee has the following responsibilities:

1 Maintenance of governance, risk and control arrangements

Good Governance

- Review the Code of Governance and any changes to the arrangements in year.
- Ensure that a framework of assurance underpins the Annual Governance Statement.
- Over the course of the year, receive reports and assurances over the application of the governance arrangements.
- Monitor implementation of action plans or recommendations to improve governance arrangements.
- Consider how the Council applies governance principles in practice during the Committee's review of other agenda items.

Risk Management

- Oversee the Council's Risk Management Strategy and Procedures.
- Oversee the integration of risk management into the governance and decision making processes of Council.
- Ensure that the Annual Governance Statement is an adequate reflection of the risk environment.

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- Review the arrangements to co-ordinate and lead risk management.
- Review the risk profile and keep up to date with significant areas of strategic / corporate risk.
- Seek assurances that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored.
- Review assurance and audit reports on risk management and monitor progress on improvement plans.

Internal Controls

- Receive reports from Internal Audit and External Audit providing assurance on the adequacy of control environments.
- Consider the appropriateness of controls in place, ensuring they are proportionate to the Council's attitude to risk.

Value for Money

- Seek assurance that the Council has arrangements in place to achieve value for money.
- Receive assurances from Internal Audit and External Audit on the effectiveness of these arrangements.

Ethical Framework

- Support the ethical framework of Council, through overseeing the arrangements that are in place to establish and maintain ethical standards, supporting the Annual Governance Statement.

Countering Fraud and Corruption

- Oversee the Council's arrangements for managing the risk from fraud and corruption, providing assurances that they are fit for purpose.
- Review counter fraud strategy and consider whether it meets recommended practice.
- Champion good counter fraud and anti-corruption practice.
- Monitor the overall performance of the counter fraud arrangements.
- Oversee major areas of fraud identified and monitoring action plans to address control weaknesses.
- Consider assurances provided by Internal Audit.

2 Financial and governance reporting

Financial Reporting

- Review and approve the Council's Financial Statements as a delegated responsibility from Full Council (April 2015).

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- Review the Narrative Report, ensuring messages are consistent with the Financial Statements.
- Review the completeness of the information reported and ask about the steps taken to ensure the disclosures are complete.
- Identify the key messages from the Financial Statements and evaluate what that means for the Council in future years.
- Monitor trends and review for consistency against financial performance observed over the course of the year.
- Review the suitability of accounting policies and treatments and any changes to them.
- Seek explanations for changes in accounting policies and treatments.
- Review any major judgemental areas.

Annual Governance Statement

- Review and approve the Council's Annual Governance Statement.
- Consider whether the Annual Governance Statement is user friendly for the reader.
- Consider whether the statement focused on evaluation, leading to a clear opinion of whether arrangements are fit for purpose and meet the principles of good governance.
- Consider whether the statement includes appropriate disclosures on conformance with specified codes and standards and is consistent with current CIPFA guidance.
- Consider whether the statement is supported by an appropriate action plan to implement the required improvements and if this is robust.

3 Establishing appropriate and effective arrangements for audit and assurance

Internal Audit

- Approve the Internal Audit Charter.
- Review proposals made in relation to the appointment of external providers of Internal Audit services and to make recommendations.
- 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.
- Approve significant interim changes to the risk-based Internal Audit plan and resource requirements.
- Make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 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.

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- 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.
- 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.
- Consider summaries of the specific audit reports as requested.
- 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.
- 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.
- 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.
- Support the development of effective communication with the Head of Internal Audit.
- 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

- Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- Consider specific reports as agreed with the external auditor.
- Comment on the scope and depth of external audit work and to ensure it gives value for money.

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- Advise and recommend on the effectiveness of relationships between external and Internal Audit and other inspection agencies or relevant bodies.

Assurance

- Consider whether the assurances available on the core arrangements of Council, support the Annual Governance Statement and enables the Committee to meet its Terms of Reference.

Wider Function of the Audit and Risk Committee

In addition to the core functions, the Audit and Risk Committee also has responsibility for:

Performance Improvement

- Review the adequacy and suitability of arrangements in place to secure continuous improvement of Council functions, providing assurance that such arrangements are operating effectively.
- Consider the quarterly Corporate Improvement Plan update reports, which will provide a progress update on the achievement of the Corporate Improvement Objectives.
- Consider the External Auditor's report on issues arising from the annual Improvement Audit and Assessment engagement.

Membership

The composition of the Audit and Risk Committee is key in achieving the characteristics of a good Audit and Risk Committee. These characteristics² 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.

² CIPFA – Audit Committees Practical Guidance for Local Authorities and Police (2022)

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

Accountability Arrangements

The Audit and Risk Committee is held to account by Those Charged with Governance (Full Council) and is required to:

- 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.

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.