

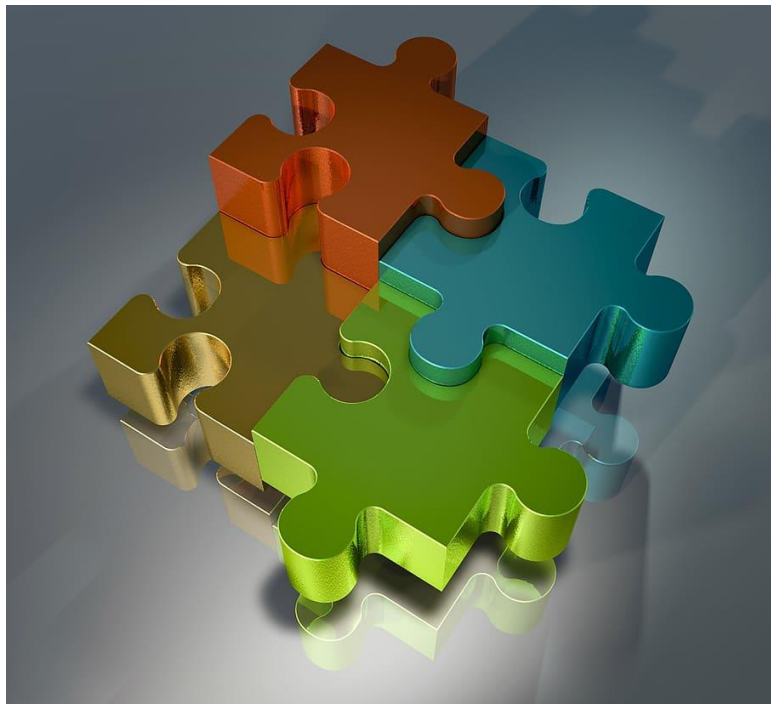


Northern Ireland Audit Office

# Audit Strategy

Causeway Coast and Glens Borough Council

2020-21



2<sup>nd</sup> March 2021

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*We have prepared this report for Causeway Coast and Glens Borough Council's sole use. You must not disclose it to any third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.*

# 1. KEY MESSAGES

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## Background

The Local Government Auditor is the independent external auditor of Causeway Coast and Glens Borough Council Council's ("the Council") Statement of Accounts under the Local Government (Northern Ireland) Order 2005. In addition to the audit of the financial statements, the Local Government Auditor has a statutory duty to be satisfied the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of its resources.

The Local Government Auditor (LGA) is also required to conduct an improvement audit and assessment each year under Part 12 of the Local Government Act (Northern Ireland) 2014 (the Act) and the statutory 'Guidance for Local Government Performance Improvement 2016', (the Guidance). Arrangements for performance improvement during 2021 have yet to be finalised.

## Purpose

The purpose of this document is to highlight to the Chief Financial Officer and Audit Committee of Causeway Coast and Glens Borough Council:

- how we, on behalf of the Local Government Auditor (LGA) [plan to audit](#) the financial statements for the year ending 31<sup>st</sup> March 2021, including how we will be addressing [significant risks](#) of material misstatement to transactions and balances;
- how we, on behalf of the LGA, plan to audit the [proper arrangements](#) in place for securing economy, efficiency and effectiveness in the use of resources for the year ending 31<sup>st</sup> March 2021;
- how we, on behalf of the LGA, plan to conduct an [improvement audit and assessment](#);
- the planned [timetable, fees and audit team](#);
- relevant [updates to the Code](#); and
- matters which we are required to communicate to you under International Standards on Auditing (ISAs), including the [scope of the audit](#), our [respective responsibilities](#), and [how we maintain independence and objectivity](#).

## Materiality

When setting materiality, we consider both qualitative and quantitative aspects that would reasonably influence the decisions of users of the financial statements. [The overall account materiality](#) is £1,232,070.

## Significant Audit Risks

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances. We have identified the following [risks](#) which have the most significant impact on our audit approach:

- Management override of controls

## Proper Arrangements

We will issue a questionnaire on proper arrangements to Council. We will review the Council's responses and perform additional work in areas considered to be higher risk. The main financial audit work will also feed into the risk assessment and conclusions of arrangements in place.

Conclusions regarding proper arrangements will be noted in the Report to those charged with Governance including any recommendations for improvement.

## Performance Improvement

Each year the LGA undertakes an audit and assessment of how the Council has complied with its responsibilities under Part 12 of the Act in relation to Performance Improvement. Given the impact of the COVID-19 pandemic, the Department for Communities is currently considering how these responsibilities will be taken forward for 2021. Once the arrangements for Performance Improvement in 2021 are clarified we will write out separately outlining the Council's responsibilities, the audit and assessment work to be conducted and the timetable and fee for this work.

## Audit Team and Fee

Colette Kane will be responsible for the overall audit. The full engagement team is presented in [Section 4](#).

Our audit [fee](#) for this year is £82,000.

### Actions for the Audit Committee

The Audit Committee should discuss:

- whether our assessment of the risks of material misstatement to the financial statements is complete;
- whether management has plans in place to address the risks identified by NIAO and whether these plans are adequate;
- our proposed audit response to address these risks; and
- whether they have knowledge of any
  - actual, suspected or alleged fraud affecting Causeway Coast and Glens Borough Council; or
  - instances of non-compliance with laws and regulations that could be expected to have a fundamental effect on the operations of Causeway Coast and Glens Borough Council;and communicate details to the audit team.

## 2. MATERIALITY

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Basis for overall materiality calculation	<ul style="list-style-type: none"><li>• £82,138,000 prior year gross expenditure</li></ul>
Overall account materiality (1.5%)	<ul style="list-style-type: none"><li>• £1,232,070</li></ul>
Error reporting threshold	<ul style="list-style-type: none"><li>• We report to you all misstatements, whether adjusted or unadjusted, above £12,321</li></ul>

A matter is material if its omission or misstatement would reasonably influence the decisions of the users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of misstatement.

The concept of materiality recognises that absolute accuracy in financial statements is rarely possible. An audit is therefore designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. We apply this concept in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements, if any, on the financial statements when forming the audit opinion. This includes the statistical evaluation of errors found in samples which are individually below the materiality threshold but which, when extrapolated, suggest material error in an overall population. As the audit progresses our assessment of both quantitative and qualitative materiality may change.

In areas where users are particularly sensitive to inaccuracy or omission, we may treat misstatements as material even below the principal threshold. These areas include:

- the remuneration and staff report;
- movements on reserves;
- the legality of expenditure;
- our audit fee;
- prior year figures; and
- specific legal settlements or amounts which should be agreed to other accounts.

## 3. AUDIT APPROACH

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### Audit Approach

The NIAO audit approach is risk-based, informed by a good understanding of the operations of Causeway Coast and Glens Borough Council and an assessment of the risks associated with the financial statements and the regularity of underlying transactions. For all significant audit areas, we will use a variety of audit techniques, including analytical procedures and sampling of transactions. We will review other accounting systems and management controls operated by the Causeway Coast and Glens Borough Council only to the extent we consider necessary for the effective performance of the audit.

#### Independence

We are independent of Causeway Coast and Glens Borough Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard. We have fulfilled our ethical responsibilities in accordance with these requirements and have developed important safeguards and procedures in order to ensure our independence and objectivity.

NIAO quality standards and independence can be found at

<https://www.niauditoffice.gov.uk/publications/niao-quality-standards-and-independence>

#### Management of Personal Data

During the course of our audit we have access to personal data to support our audit testing. The NIAO has appointed a Data Protection Officer and has implemented a Data Protection Policy which ensures that personal data (and other sensitive data) used in connection with the audit is requested, transferred, controlled, processed and destroyed in accordance with the General Data Protection Regulation and applicable national law.

#### Using the work of Internal Audit

We liaise closely with internal audit throughout the audit process and seek to take assurance from their work where their objectives cover areas of joint interest.

#### Using specialised skills

We will rely on the work of the following:

- Land and Property Services (LPS) in respect of the valuation of the land and buildings; and
- The actuary in respect of the pension valuation.

#### Changes to the Code in 2020-21

The key accounting changes introduced by the *2020-21 Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) include:

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- Amendments to implement and emphasise the application of Amendments to IAS 1 and IAS 8: Definition of Material;
  - Implementation of amendments to IAS 19 in relation to post-employment benefits
  - Reference to arrangements for the application of accounting standards arising as a consequence of the United Kingdom's withdrawal from the European Union.
  - Amendments relating to financial instruments.

## Audit Scope

The scope of our audit and respective responsibilities can be found at:

<https://www.niauditoffice.gov.uk/publications/scope-financial-audit-respective-responsibilities-and-other-matters>

The Code of Audit Practice issued by the Local Government Auditor extends to not only the audit of financial statements but also to aspects of financial and corporate arrangements to secure the economic, efficient and effective use of resources. The Code can also be viewed on the NIAO website at <https://www.niauditoffice.gov.uk/publications/code-audit-practice-2016>.

## Respective Responsibilities in the preparation of the financial statements

In line with Auditing Standards we are required to agree the respective responsibilities of the Local Government Auditor, the Council's Chief Financial Officer and the NIAO. These responsibilities are set out in the Statement of Responsibilities of Local Government Auditors and Local Government Bodies issued by the Local Government Auditor. The Statement of Responsibilities can be viewed on the NIAO website at <https://www.niauditoffice.gov.uk/publication/statement-responsibilities-local-government-auditor-and-local-government-bodies>.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Proper Arrangements in place to secure economy, efficiency and effectiveness

Under the Code of Audit Practice we are also required to perform an initial assessment of significant risks to the conclusion on proper arrangements in place to secure economy efficiency and effectiveness in the use of its resources.

We will issue a Proper Arrangements Questionnaire to the Council. We will review the Council's responses and the documentary evidence provided in support of the responses. We will follow-up on recommendation for improvement identified in previous years.

## Performance Improvement

Each year the LGA undertakes an audit and assessment of how the Council has complied with its responsibilities under Part 12 of the Act in relation to Performance Improvement. Given the impact of the COVID-19 pandemic, the Department for Communities is currently considering how these responsibilities will be taken forward for 2021. Once the arrangements for Performance Improvement in 2021 are clarified, we will write out separately outlining the Council's

responsibilities, the audit and assessment work to be conducted and the timetable and fee for this work.

## Significant Audit Risks

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.

Under ISA (UK) 240, there is a presumed risk of fraud in revenue recognition, albeit rebuttable. We do not believe the risk of fraud in revenue recognition is material to the financial statements. However, our work will include identifying income streams received in the form of cash, the controls in place over cash and cyclical testing of the main income areas.

The following is presumed risk.

### Significant Risk 1 Management override of controls

Under ISA (UK) 240, there is a presumed significant risk of material misstatement due to fraud through management override of controls.

### Audit Response

As required by ISA (UK) 240, we will:

- test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud;
- consider significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual;

As part of our work to develop our audit plan, we have not identified any significant risks of material misstatement specific to Causeway Coast and Glens.

## Other risk factors

In addition to the significant presumed risk above, we have also identified a number of other risk factors. We do not consider these to represent a significant risk of material misstatement in the financial statements but are matters which we will continue to monitor and respond to as appropriate throughout the audit. These areas include:

### Financial Resilience

The Covid 19 pandemic continues to impact council finances significantly and may do for some time in the future. Whilst some funding has been received from central government, we recognise there are continuing challenges for councils to deliver a balanced budget within the current environment. Council accounts are required to be prepared on a going concern basis of accounting



and the Chief Financial Officer is required to assess the basis for the preparation of the accounts. In recognition of the financial pressures Councils are facing, we will:

- consider the Chief Financial Officer's assessment of the going concern basis for the preparation of the accounts;
- examine financial projections and plans prepared by Council; and
- consider the detailed disclosures regarding the financial position included within the 2020-21 Statement of Accounts.

#### **Covid-19 financial assistance schemes**

During the year the Council received additional funding from Central Government in relation to a number of financial assistance schemes to address issues arising from the Covid 19 pandemic. We will review the controls put in place for the application and award of these payments. We will test a sample of the payments made under these schemes as part of our expenditure testing.

#### **Procurement**

In previous audits we raised issues in relation to procurement. We noted that procurement procedures had not been followed, including the completion of direct award contract documentation. We will review a sample of contracts awarded in year by the Council, including direct award contracts.

## 4. AUDIT TIMETABLE, FEES AND STAFFING

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### Timetable for Financial Audit

The timetable comprises an interim visit commencing on 8<sup>th</sup> March 2021 for 3 weeks and a final visit commencing 5<sup>th</sup> July 2021 with certification planned for 30<sup>th</sup> September 2021.

Interim audit testing commences	•8th March 2021
Electronic version of draft financial statements provided to NIAO	•30th June 2021
Final audit testing commences	•5th July 2021
Audit Committee / Panel Meeting	•16th September 2021
Council / Committee Meeting to approve final accounts	•20th September 2021
Signed financial statements and Letter of Representation provided to NIAO	•22nd September 2021
Financial statements certified by LGA	•30th September 2021
Provisional Report issued for management response	•10th September 2021
Final Report to those charged with Governance issued	•29th October 2021
Annual Audit Letter issued	•15th November 2021

### Submission of Accounts

The Council is required to submit its account to the Department for Communities by 30<sup>th</sup> June following the year end. The Department then forwards on a hard copy of the accounts to NIAO for audit. It would assist the audit process hugely if an electronic version of the accounts, along with the excel spreadsheet underpinning them, were forwarded to NIAO at the same time as being sent to the Department.

## Public Notice

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 requires the Council to give notice, by publication on its website, of the date from which the accounts and other documents are available for public inspection and the date from which the exercise of rights under Article 17 and 18 of the Order may be exercised. In the current audit timeframe, notice should be placed on websites in early July. The LGA usually writes to councils closer to the time to remind them of this requirement as the audit of the accounts cannot be certified as being completed until the notice period has been executed in full.

## Objections

The 2005 Order allows objections to be raised from interested parties concerning the Council's accounts. We will hear and carefully consider representations by, and objections from, any such interested parties. In conducting our audit we may consider the lawfulness of items of account, the conduct of members and officers, instances where it appears a loss may have arisen and our other statutory duties required of the Local Government Auditor.

## Fees

The estimated fee for the financial audit is £82,000 for the Council's Statement of Accounts.

The estimated fee for National Fraud Initiative is £1,244.

Fees for Performance Improvement audit and assessment work undertaken will be clarified once the arrangements for Performance Improvement in 2021 are clarified by the Department for Communities and the scope of the work required is known.

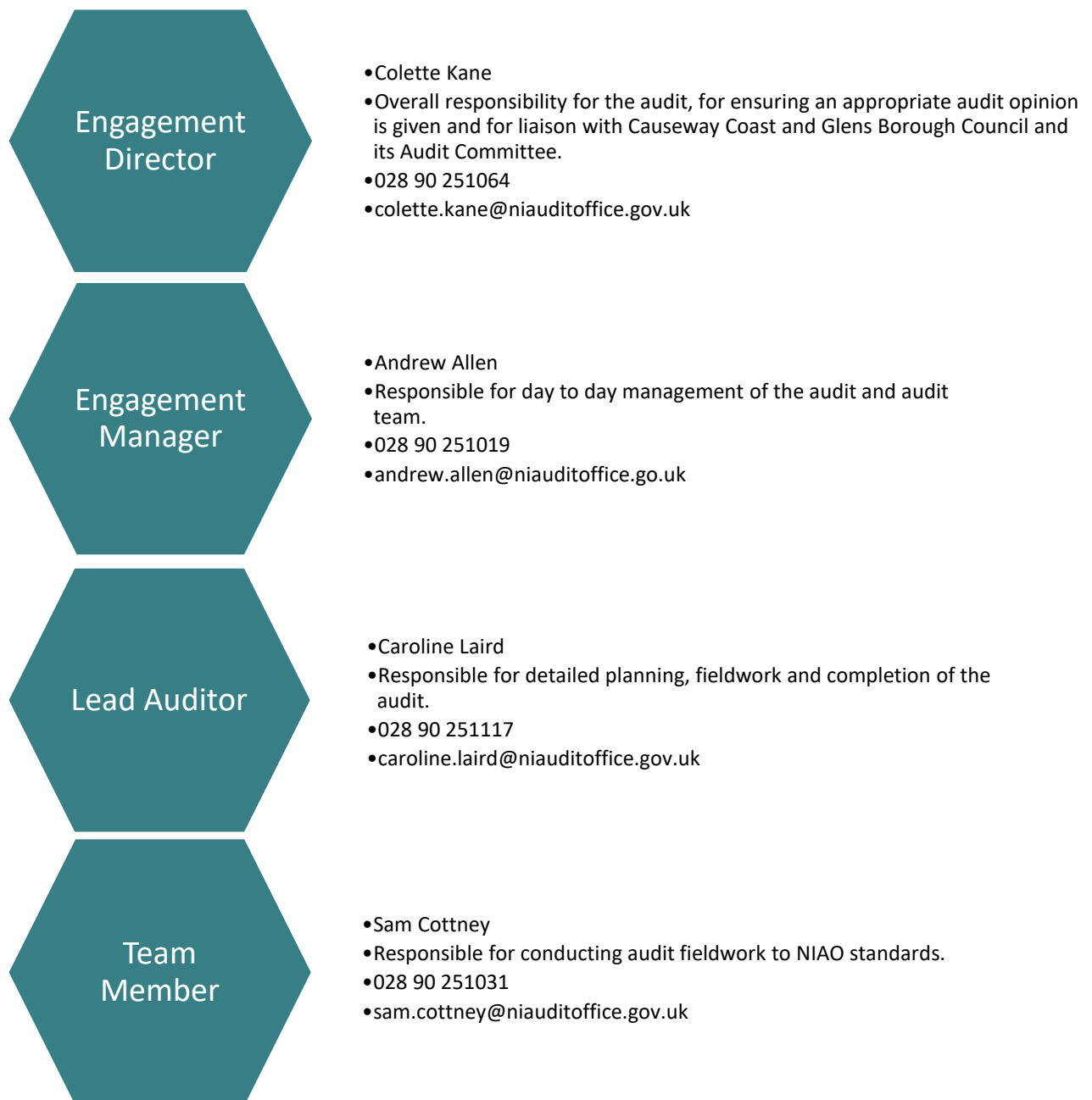
Completion of our audit in line with the timetable and fee is dependent upon:

- Causeway Coast and Glens Borough Council delivering on 30<sup>th</sup> June, a complete Statement of Accounts of sufficient quality that have been subject to appropriate internal review.
- Causeway Coast and Glens Borough Council delivering good quality supporting documentation and evidence, within the agreed timetable for both the financial and improvement audits; and
- Appropriate client staff being available during the audit.

## Further matters of interest

On 30 November 2020, in line with Article 22 of the Local Government (Northern Ireland) Order 2005, the Minister for Communities directed the Local Government Auditor to undertake an extraordinary audit of the accounts of Causeway Coast and Glens Borough Council concentrating on land disposals and easements and related asset management policies and procedures. This audit is on going.

## Audit team – Statement of Accounts and Proper Arrangements



## APPENDIX ONE: GOOD PRACTICE GUIDES

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The NIAO has produced a series of good practice guides for Northern Ireland public sector bodies. The following guides have been published in the last five years:

- Procurement fraud risk guide  
24 November 2020
- Covid-19 fraud risks August 2020  
01 September 2020
- Raising concerns: A good practice guide for the Northern Ireland Public Sector  
25 June 2020
- Performance improvement in local government - learning the lessons of performance improvement: a good practice briefing  
27 September 2019
- Public Reporting Standards (May 2019)  
24 May 2019
- Making Partnerships Work  
30 April 2019
- Performance Management for Outcomes  
15 June 2018
- Managing the Risk of Bribery and Corruption  
14 November 2017
- Board Effectiveness - A Good Practice Guide  
24 November 2016

These publications can be found at

<https://www.niauditoffice.gov.uk/publications/type/goodPractice>

## APPENDIX TWO: PUBLIC REPORTS

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### Relevant Public Reports over the last three years

While the financial audit team will be mindful of value for money (VfM) throughout the audit, Public Reporting audit teams within NIAO undertake VfM studies across the public sector. VfM studies relevant to Causeway Coast and Glens Borough Council published in the last three years are as follows:

- Managing Attendance in Central and Local Government (24 November 2020)

### Current and Planned Public Reporting Activities

There are currently no Causeway Coast and Glens Borough Council specific examinations underway.

Proposals for future studies specific to Causeway Coast and Glens Borough Council are based on gathering an understanding of the Causeway Coast and Glens Borough Council's operations and identifying areas where value for money might be at risk. This requires ongoing completion of routine survey work by the Public Reporting audit team and more detailed analysis of specific areas which show potential as future study topics. The Public Reporting audit team will liaise with Causeway Coast and Glens Borough Council when carrying out this work.

### Other ongoing studies with relevance / of interest to the Council

The following paragraphs provide information about other NIAO VfM examinations which have relevance to Causeway Coast and Glens Borough Council:

- **Planning in Northern Ireland**

Since April 2015, responsibility for delivering planning functions has been split between local councils (who have primary responsibility for delivering the operational planning system) and the Department for Infrastructure (who are responsible for planning policy and legislation).

The focus of our audit will be to examine how effectively the planning system, under its current operating arrangements, has been on delivering its key objectives. In particular:

- How effectively councils are delivering their Local Development Plan, Decision Making and Enforcement responsibilities;
- How effectively the Department has provided guidance and intervention to ensure the system operates effectively; and
- The key issues and constraints that have a negative impact on performance.

We aim to publish this report during 2021/22.