

Audit and Risk Panel

Tuesday, 13th September, 2016

MEETING OF AUDIT AND RISK PANEL

Members present: The High Sheriff, Alderman Rodgers (Chairperson); Alderman Haire; Councillors Hutchinson and Mullan; and Mr. R. Cox.

In attendance: Mr. R. Cregan, Director of Finance and Resources;
Mr. A. Harrison, Head of Audit, Governance and Risk Services;
Mr. T. Wallace, Financial Accounting Manager;
Mr. L. Mulholland, Audit, Governance and Risk Services Manager;
Mrs. C. O'Prey, Audit, Governance and Risk Services Manager;
Mrs. E. Eaton, Corporate Health and Safety Manager;
Mrs. C. Kane, Director, Northern Ireland Audit Office; and
Mr. H. Downey, Democratic Services Officer.

Election of Chairperson

The Panel was reminded that the Strategic Policy and Resources Committee, at its meeting on 24th June, had agreed that a policy should be introduced whereby each Council Working Group would be required to consider the appointment of a Chairperson on an annual basis. That item of business would be placed on the agenda for the first meeting of each Working Group following the Annual meeting of the Council each year.

Accordingly, nominations were sought for the position of Chairperson of the Audit and Risk Panel.

The Panel agreed that the High Sheriff (Alderman Rodgers) be re-elected to serve as Chairperson for the period to end on the date of the Annual meeting of the Council in 2017.

Apologies

An apology for inability to attend was reported from Councillor Jones.

Minutes

The minutes of the meeting of 7th June were taken as read and signed as correct.

Declarations of Interest

No declarations of interest were reported.

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Audit Governance and Risk Services Progress Report

The Panel considered a report which provided an overview of the work which had been carried out during the period from May till August, 2016 by Audit, Governance and Risk Services.

The Head of Audit, Governance and Risk Services confirmed that, during that time, audits had been finalised in relation to the Planning Service, Leisure Partnership Management, off-street parking, the drawdown of Good Relations funding and the governance of Belfast City Centre Management, together with a follow-up audit of Property Maintenance, and provided a brief overview of the findings. The Service was in the process of finalising audits in relation to corporate procurement cards, estates management, European Regional Development Funded projects and waste management, details of which would in due course be submitted to the Panel. Other significant assurance and advisory work was either being undertaken currently or had been completed in relation to the Belfast Waterfront and Ulster Halls, disciplinary procedures, the HR/payroll replacement system and the small grants programme.

He provided the Panel with an update on ongoing investigative work and confirmed that any control issues identified as a result of that work would be captured in audit recommendations and monitored to ensure that they were being implemented. He explained that a procurement exercise would be undertaken with a view to engaging external assistance to enable the Service to fulfil its requirements under the Audit and Risk Management Strategy and Plan for 2016/2017. In addition, he had recently briefed Committees on their role within the corporate risk management process and he confirmed that twelve of the sixteen corporate risks had now been allocated to officers who would be responsible for progressing the relevant actions within an agreed timeframe. Audit, Governance and Risk Services was liaising with officers in order to obtain the information required to progress the remaining four risks. He added that the Council's risk management process included also major, high risk capital projects. That process was overseen by the Director of Property and Projects, who had confirmed that risk management was being carried out on all of those projects.

During discussion, several Members expressed concern that the audit of the Planning Service had identified, amongst other things, issues with the operation of the Planning Portal and with customer service. The Members highlighted also longstanding difficulties in contacting staff of the Planning Service and other Council services by telephone and suggested that, in terms of the Planning Service, the telephony function should, at this stage in the Local Government Reform process, have already been transferred from NI Direct to the Council.

In response, the Director of Finance and Resources explained that discussions were taking place currently with the administrators of the Portal around its future development. He undertook to liaise with the Director of Planning and Place in order to formulate for the next meeting a report on the future operation of the Planning Service's telephony system, with a view to enhancing customer service provision. The Members were advised that the action plan which was being developed in response to the audit of

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the Planning Service would be submitted in due course to both the Audit and Risk Panel and the Planning Committee for consideration.

The Panel noted the information which had been provided.

Northern Ireland Audit Office Report on the National Fraud Initiative

The Panel was advised that the Northern Ireland Audit Office had, in July, published its report on the key outcomes arising from the four National Fraud Initiative exercises which had been undertaken since 2008 across Northern Ireland. The Head of Audit, Governance and Risk Services explained that those outcomes had been secured across a range of areas, including housing benefit, domestic rates and payments to creditors and to pensioners and highlighted the following findings, which had demonstrated the value of data matching:

- total National Fraud Initiative outcomes for the first four exercises in Northern Ireland had been almost £33 million;
- between 1st April, 2014 and 31st March, 2016, local participation in the National Fraud Initiative had resulted in outcomes of £3.1 million, which included almost £1.5 million of pensions fraud and overpayments;
- housing benefit fraud and overpayments had amounted to over £1.2 million; and
- rates evasion had amounted to over £330,000.

He confirmed that the Council's processes around the submission of data and the identification and review of matches had been found to be robust, efficient and effective. Audit, Governance and Risk Services had noted the advice and guidance which had been provided by the Northern Ireland Audit Office in terms of improving the effectiveness of the National Fraud Initiative and would continue to participate fully in the process. The report provided further information on how the Initiative would be developed over the coming years through the introduction of, for example, real time data matching and Audit, Governance and Risk Services and Digital Services were in the process of preparing data for submission as part of the next exercise. He added that a memorandum setting out the process and arrangements for data handling had been circulated to the Members.

The Panel noted the information which had been provided and that a copy of the Northern Ireland Audit Office's report was available on the Mod.gov website.

Draft Financial Statement of Accounts 2015/2016

The Panel considered the following report which had been prepared by the Director of Finance and Resources:

1.0 Purpose of Report or Summary of main Issues

The purpose of this report is to present to the Audit and Risk Panel, the Financial Statements of the Council, including the Annual Governance Statement, for the period ending 31 March 2016.

The Financial Accounts are an important element of the council's overall corporate governance framework as they provide assurance to Members and ratepayers on the stewardship of the council's finances and its financial position.

The Financial Report and accounts for the year ended 31st March 2016, as attached, have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/15 based on International Financial Reporting Standards and the Department of the Environment Accounts Direction, Circular LG 04/16 dated 4th April, 2016.

I can confirm that the Statement of Accounts for the year ended 31 March 2016 has been prepared in the form directed by the Department of the Environment and in my opinion the Statement of Accounts give a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

2.0 Recommendation

The Panel is requested to approve the Council's Financial Statements and incorporated Annual Governance Statement for the year ended 31st March 2016.

3.0 Main report

Key Issues

Audit Opinion

It is the Local government Auditors' opinion that:

- the financial statements give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local

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**Authority Accounting in the United Kingdom 2015-16 ,
of the financial position of Belfast City Council as at
31 March 2016 and its income and expenditure for the
year then ended; and**

- **the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and the Department for Communities (formerly Department of the Environment) directions issued thereunder.**
- **the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Communities directions made under the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015; and**
- **the information given in the Narrative Report for the financial year ended 31st March 2016 is consistent with the financial statements.**

Reserves

The credit balance on the General Fund has decreased to £18,442,676 (of which £6,048,586 relates to specified reserves). The movement on the reserves balance is summarised in Table 1 below:

Table 1: Summary of Reserves position

Opening Balance	£22.1m
In year movement in reserves	£(3.5)m
Closing Balance	£18.4m
Specified Reserves at year end	<u>£ 6.0m</u>
Balance Available	<u>£12.4m</u>

General Fund £18,442,676

The General Fund Reserves can be used to supplement income and unexpected expenditure in future years. Of the £18,442,676, £6,048,586 relates to expenditure committed at year-end.

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Capital Fund £25,475,756

The capital Fund is made up of the Belfast Investment Fund (£4,919). The fund has been created to support key partnership projects to regenerate Belfast and help lever substantial funds from other sources, the Local Investment Fund (£5,700,837) to fund smaller local regeneration projects., the City Centre Investment Fund (£18,770,000) to support the Belfast City Centre Regeneration Investment Plans and the Social Outcomes Fund (£1,000,000) to support City Centre projects which might not generate a direct financial return but would enhance the overall City Centre offer and support attraction of investment.

Leisure Mobilisation Fund £2,000,000

This fund is to support the Leisure Transformation Programme and will cover programme level costs including communications, engagement and procurement costs.

Capital Receipts Reserve £1,263,369

These are capital receipts which have originated primarily from the sale of assets and which have not yet been used to finance capital expenditure. This amount relates mainly to the sale of land and buildings at Loop River (£860,000).

Other Fund Balances and Reserves £203,566

This relates to the Election Reserve (£203,566) which has been set up to smooth the cost of running council elections.

Debt

The overall level of trade debtors had decreased over the previous 6 years, reducing from £10m at 31st March 2008 to £3.6m at 31st March 2016. An analysis of trade debtors, inclusive of VAT, for the last two years is shown below:

	31st March 2016	31st March 2015
Less than three months	£2,434,909	£2,042,328
Three to one year	£166,672	£735,445
More than one year	£1,021,813	£586,491
Total	£3,623,394	£3,364,264

Creditors

The Department of the Environment has set councils a target of paying invoices within 30 days. During the year the council paid 62,112 invoices totalling £206,870,584

The average time taken to pay creditor invoices was 20 days for the year ended 31 March 2016.

The Council paid 44,484 invoices within 10 days, 52,477 invoices within 30 days, and 9,635 invoices outside of 30 days.

The council endeavours to process invoices as quickly as possible and has an improvement plan to support this process.

Annual Governance Statement (AGS)

The Financial Statements include the Statutory Transition Committee's Annual Governance Statement (AGS) for the year 2015/2016, which has been prepared in line with the Accounts Directive provided by Department of the Environment (DOE), NIAO guidance and is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. Specifically, the AGS sets out:

- scope of responsibility of the Council in relation to governance
- the purpose of the governance framework
- the governance framework in place
- review of effectiveness of the governance framework
- significant governance issues to be disclosed.

The AGS is approved by the Chair of the Strategic Policy and Resources and the Director of Finance and Resources. It is subject to review by the LGA (NIAO) as part of their annual audit.

Financial and Resource Implications

None

Equality or Good Relations Implications

None."

The Financial Accounting Manager drew the Panel's attention to the fact that a last minute discussion with the Northern Ireland Audit Office around the Landfill Provision Discount Rate had resulted in an increase of £738,558 in the Council's General

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Reserves. Accordingly, the information set out within paragraph 3.0 of the report, under the headings 'Reserves' and 'General Fund', had been amended to read as follows:

“Reserves

The credit balance on the General Fund has decreased to £19,181,234 (of which £6,317,810 relates to specified reserves). The movement on the reserves balance is summarised in Table 1 below:

Table 1: Summary of Reserves Position

Opening Balance	£22.1m
In year movement in reserves	<u>£(2.9)m</u>
Closing Balance	£19.2m
Specified Reserves at year end	<u>£ 6.3m</u>
Balance Available	<u>£12.9m</u>

General Fund £19,181,234

The General Fund Reserves can be used to supplement income and unexpected expenditure in future years. Of the £19,181,234, £6,317,810 relates to expenditure committed at year-end.”

In response to an issue raised by a Member, the Director of Finance and Resources undertook to provide the Panel with further information on those invoices which had failed to be paid with the Council's thirty day timeframe.

After discussion, the Panel approved the Council's Financial Statements and associated Annual Governance Statement for 2015/2016, a copy of which was available on the Mod.gov website, and commended those staff of the Council and the Northern Ireland Audit Office who had been involved in the process.

Northern Ireland Audit Office – Report To Those Charged With Governance

The Panel was advised that the Local Government Auditor had issued, in draft format, her Report to those Charged with Governance for 2015/2016.

Mrs. Kane provided an overview of the draft report, which summarised the system/control issues arising from the Northern Ireland Audit Office's audit of the Council's Financial Statements for 2015/2016. She indicated that the audit had been largely completed and that it was anticipated that the Local Government Auditor would certify the Council's statements with an “unqualified opinion”.

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She informed the Panel that the Local Government Auditor had identified two significant risks in relation to, firstly, the assumptions used by the Council to calculate landfill aftercare cost provision and, secondly, the transfer of assets and balances arising from Local Government Reform, both of which had now been addressed. She had identified also three 'Priority 2' areas, which were deemed to be of such importance as to merit them being addressed by management. Those had related to contract management issues, funding requests for groups and Procurement of Capital Investment Programme Review 2015 and she had made recommendations which required implementation.

Arising from discussion, the Director of Finance and Resources provided additional information around the three 'Priority 2' areas which had been identified by the Local Government Auditor and reviewed the steps which had been taken or would be taken to address the issues.

The Panel noted the contents of the draft Report to those Charged with Governance for 2015/2016, a copy of which was available on the Mod.gov website, and that a detailed response to the document would be submitted to a future meeting. The Panel agreed that there was no requirement to adjust the Council's Financial Statements to reflect the misstatements set out within Section 3 of the draft report, given that the report had indicated that they were not considered by the Local Government Auditor to be material in the context of the Financial Statements as a whole.

Provision of Training for the Audit and Risk Panel

The Panel was informed that a half-day training session would take place on Tuesday, 11th October in the Fisherwick Room, the Belfast Castle, commencing at 9:30 a.m. The session, which would be facilitated primarily by Mr. D. Nicholl of On Board Training, would cover the role of audit committees/panels and developments in the public sector and would include practical exercises aimed at assisting the Panel in discharging its duties.

Noted.

Update on Corporate Health and Safety Performance

The Corporate Health and Safety Manager provided the Panel with an update in relation to the Council's Health and Safety performance for the first quarter of 2016/2017.

She explained that fifty-one accidents involving employees and twenty involving non-employees had been reported during the quarter, which represented an increase of seven and one respectively on the previous three months. The majority of those accidents could be attributed to slips, trips and falls on the same level and to lifting or carrying. Twelve accidents had been categorised under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, which was seven less than in the previous quarter. Finally, the number of reported accidents occurring in GLL-managed facilities during the quarter had been seventy-nine, with the number involving employees and non-employees having been seven and seventy-two respectively. Of those, two accidents had

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been categorised under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

She informed the Panel that there had been forty-two incidents of work-related violence during the quarter, which had been thirteen more than in the previous three months. The increase had been due primarily to staff receiving a spate of explicit telephone calls from an unknown source and the matter had been reported to the Police Service of Northern Ireland.

The Corporate Health and Safety Manager then provided information on visits which had been undertaken by the Health and Safety Executive for Northern Ireland and by the Northern Ireland Fire and Rescue Service to Council premises. She concluded by reviewing the progress which had been made in relation to the Corporate Health and Safety Unit's key health and safety priorities for 2016/2017 and by confirming that work would continue on the development of effective arrangements for the monitoring and reporting of the key corporate risks set out within the Corporate Health and Safety Risk Register.

The Panel noted the information which had been provided.

Quarterly Absence Rates 2016/2017

(Mrs. J. Minne, Director of Organisational Development, attended in connection with this item.)

The Panel considered a report providing information on the absence figures for the first quarter of 2016/2017. The Director of Organisational Development reported that sickness absence per employee for that period had been 2.70 days, which meant that the Council was slightly below its target to reduce sickness absence to 10 days by March, 2017. The number of absences which had been classified as long term (20 days or more) during the quarter had been 61.98%, as opposed to 60.04% for the corresponding quarter in 2015/2016. Three quarters of the organisation's workforce had had no absence during the quarter and the number of staff with recorded absence had increased slightly to 24.20% and had been 22.61% in the same quarter in the previous year.

She informed the Panel that a detailed analysis had been undertaken of the management of attendance in each Council department and set out the main reasons for absence across each department. She confirmed that, whilst there were no significant compliance issues, Corporate HR would continue to robustly monitor the implementation of the Council's Attendance Policy to ensure that timely and appropriate action was taken to manage attendance fairly and effectively across the organisation.

The Panel noted the information which had been provided.

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Amendment of the Audit and Risk Panel's Terms of Reference

The Panel agreed, in order to reflect its role in overseeing the Council's performance management framework and the associated performance audit reporting of the Local Government Auditor, arising from the Local Government Act (Northern Ireland) 2014 and related guidelines, to amend its Terms of Reference to include the additional wording as set out within the following Sections:

Governance, Risk and Control

- To review and oversee the Council's framework and related arrangements for performance management.

External Audit

- To consider the external auditor's report on performance management, specifically the annual improvement assessment and to consider the adequacy of management responses/action taken to address issues arising from these reports.

Date of Next Meeting

The Panel agreed to hold its next meeting at 1.00 p.m. on Tuesday, 6th December and agreed also to meet privately with Mrs. Kane immediately prior to that meeting in order to discuss any issues which Members might wish to bring to her attention.

Chairperson