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Democratic Services Section
Chief Executive's Department
Belfast City Council
City Hall
Belfast
BT1 5GS



Belfast
City Council

13th June, 2017

MEETING OF BELFAST WATERFRONT AND ULSTER HALL LTD SHAREHOLDERS' COMMITTEE

Dear Alderman/Councillor,

The above-named Committee will meet in the Lavery Room - City Hall on Monday, 19th June, 2017 at 5.15 pm, for the transaction of the business noted below.

You are requested to attend.

Yours faithfully,

SUZANNE WYLIE

Chief Executive

AGENDA:

1. **Routine Matters**
 - (a) Apologies
 - (b) Minutes
 - (c) Declarations of Interest
2. **Restricted Item**
 - (a) Annual Finance and Performance **(Pages 1 - 14)**
3. **Internal Audit Update (Pages 15 - 22)**
4. **Corporate Risk Update (Pages 23 - 28)**
5. **2017/18 Committee Dates (Pages 29 - 30)**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 6
of the Local Government Act (Northern Ireland) 2014.

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Subject:	Internal Audit Update
Date:	19th June 2017
Reporting Officer:	Andy Harrison, Head of Audit, Governance and Risk Services (AGRS)
Contact Officers:	As above

Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Some time in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	The purpose of this report is to provide Members with an update on the outcome of an internal audit review undertaken at the Belfast Waterfront and Ulster Hall (BWUH) Ltd.
2.0	Recommendation
2.1	That the Committee notes the report.
3.0	Main report
3.1	When BWUH Ltd was established a number of measures were put in place to ensure that there would be appropriate governance / oversight. This included a requirement for

	the Company to have an internal audit function and an audit and risk committee.
3.2	The Council's Audit, Governance and Risk Services (AGRS) has fulfilled the internal audit role at the Company and has recently completed an internal audit review at the Company. This review focused on key financial controls but also examined key governance areas, such as risk and performance management.
3.3	The detailed audit report has now been issued and agreed with Company management and the Company's Audit & Risk Committee. The executive summary from the audit report is attached in the appendix. In summary, AGRS has been able to provide a positive assurance with the overall outcome / opinion of "some improvement needed" – the 2 nd level of 4 possible levels of assurance. Management has agreed an action plan to address the issues arising from the audit and these will be tracked by the Company's Audit & Risk Committee.
3.4 3	AGRS is in the process of developing a three-year internal audit plan which is to be discussed / agreed by the Company's Audit & Risk Committee.
4.0	<u>Financial & Resource Implications</u>
4.1	None.
5.0	<u>Equality or Good Relations Implications</u>
5.1	None.
6.0	Appendices – Documents Attached
	Appendix A – Executive Summary (internal audit report)

Audit Title:	Internal Audit of Belfast Waterfront & Ulster Hall (BWUH) Ltd	Audit Opinion:	 <p>Some Improvement Needed</p>	<p>A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p>
	<p>Belfast Waterfront & Ulster Hall Limited (BWUH Ltd) was formed in April 2016 as a company wholly owned by Belfast City Council (BCC). Its purpose is to manage the Belfast Waterfront and Ulster Hall venues on behalf of the Council in accordance with the provisions detailed in Leases, and a Contract (including a services specification).</p>			
	<p>Per the company's business plan, projections for income and expenditure of the company have been set out for the first five years of operation. The key target in relation to finance is to reduce the Council's contribution (via the management fee) towards the operation of the venues from £3.175m in 16/17 to £1.575m in 20/21 by a combination of rigorous cost control and growing sales revenue.</p> <p>Financial performance in 2016/17 has been better than anticipated, and at the date of audit fieldwork, the company was forecasting a small year-end profit (subject to preparation and external audit of accounts). Financial performance is monitored by the Senior Management Team via a monthly financial report which includes a Profit & Loss, Balance Sheet, Scorecard, Event Contribution Analysis and Cost Centre Analysis. Regular reports are also presented to the Board of Directors and the Shareholders Committee and meetings / briefings are held regularly with BCC officers.</p>			
	<p>The company's Senior Management Team (SMT) is comprised of the Managing Director, a Sales & Marketing Director, an Operations Director and a Business Support Director. BWUH's operational staff comprises 60.8 full time equivalent staff</p> <p>In Belfast City Council, the Senior Responsible Officer for BWUH is Donal Durkan, Director of Development. The SRO reports to the Council's Corporate Management Team (CMT) and to the Shareholder's Committee.</p>			
	<p>BWUH's Board is comprised of a chairperson and 4 other non-executive directors. The Board's key role is to oversee successful delivery of the strategic and commercial objectives of BWUH Ltd. BCC's Chief Executive and Deputy Chief Executive / Director of Finance & Resources serve as non-voting observers at board meetings.</p> <p>BWUH and its Board are independent of BCC and have been granted sufficient autonomy to ensure that it is capable of succeeding in a</p>			

highly competitive marketplace. The relationship between the company and its sole shareholder (BCC) is set out in a Shareholders Agreement. Per the Agreement, performance of the company is reported to and reviewed by the Shareholders Committee of Belfast City Council. Also within the Shareholders Agreement is a list of 'Reserved Matters' which are decisions that can only be made by BCC, not by the company itself. The Shareholders Committee is responsible for approving the Company's business plan.

A Business Plan (covering April 2016 to March 2021) was agreed by the Shareholders Committee in June 2016. Individual plans covering each year of the main plan will be presented to and agreed with the Shareholders Committee. The 17/18 plan was agreed by the Board in December 2016 and the Shareholders Committee in January 2017.

In addition to the Shareholders Agreement, the company's Articles of Association have been approved and adopted. A range of financial and governance policies and processes are in place in the company.

Basis of Audit Opinion:

Our audit opinion is 'some improvement needed' and this section of the report provides, at a summary level, information to support this opinion.

Context

BWUH is a company in its first year of operation. A new company means a new team, implementing a new culture and new ways of working. Given that many of the staff in BWUH have transferred from BCC, together with the pressures of achieving targets in year one, we acknowledge that it will take time to document, communicate and embed new practices. Therefore, we approached this piece of work expecting that not every process would yet be documented and embedded, but rather looking to identify and bring attention to those areas where improvements can or need to be made. In particular, the company has been reliant on manual systems and Microsoft Excel for much of 16/17 as the Venue Events Management System (VEMS) system was not implemented until October / November 2016. Management are aware of many of the improvement areas, but operational priorities have meant that these have not yet been actioned. At the time of our review we found that much of the company's resources and efforts were being directed to delivering a new and improved service to customers and clients, as well as dealing with a higher than expected number of bookings and system related issues arising from implementation of VEMS. Consequently, our review found that a number of the controls that we would normally have expected to be in place had not been fully developed, including the development and communication to staff of documented end to end processes which would clarify roles and responsibilities. Once these controls and process documents are finalised and implemented this will enhance the overall effectiveness of the control environment.

BWUH Ltd has taken over operation of the Waterfront and Ulster Halls at a time when the business of the halls is being expanded into the highly competitive conference market. As one of the first, and largest, conference and exhibition spaces in Northern Ireland, it will take time to establish Belfast as a destination for conference delegates. Therefore, BWUH is and will remain reliant to an extent on forging and maintaining close working relationships

with Tourism NI, Visit Belfast and Belfast City Council to promote Belfast as a major conference destination and to attract clients away from the normal UK conference hubs of London, Birmingham and Manchester. In addition, the outcome of the Brexit negotiations has the potential to have a significant impact on the ability of the company to attract and maintain a European client base in future years.

In that context, BWUH has had a positive first year of operation. The company's key targets in relation to financial performance, numbers and types of events and delegates have been met and exceeded. While this is encouraging, it should be noted that future targets are more stretching. The company has stated that these targets will be achieved not only through increased sales, but also through rigorous cost control. The recommendations summarised below are aimed at helping management to achieve these goals.

Finance

A common thread running through our findings on the audit was that financial processes and procedures are not yet fully documented, resulting in a lack of clarity around roles and responsibilities. This lack of clarity, for example over responsibility for chasing signed contracts or ensuring all service orders are raised and closed in VEMS, has the potential to result in financial loss to the company if expected procedures are not followed. In other areas, we noted that while policies have been documented and communicated, processes to ensure compliance with the established policies have either not yet been embedded, or are informal and not evidenced. For example, while staff and management were able to advise us of the checks they perform on payroll, these are not always evidenced, which diminishes the assurance that we can provide that checks have been carried out. Another example is that there are currently no proactive checks in place to ensure compliance with the established procurement policy. Our testing highlighted examples where purchase orders were not raised and approved ahead of buying goods or services and where the required numbers of quotes were not retained on file to give an assurance that agreed processes had been applied.

The company has been reliant to a large extent in 16/17 on manual financial management processes and Excel spreadsheets for the production of financial and performance information. Use of these manual processes and forms, which are subsequently transposed onto Excel spreadsheets, increases the risk of error. Microsoft Excel, while useful, carries with it inherent risks e.g. transposition errors, accidental or deliberate manipulation or loss of data. This risk has arisen because BWUH had no financial system, nor Time & Attendance system for the first six months of the year. During this period, management were reliant on Excel spreadsheets for recording transactions, calculating accruals etc. Detailed testing of transactions / accruals will form part of the year end external audit of the truth and fairness of the company's accounts. While VEMS and a new Time & Attendance system have been purchased and implemented, management and staff are still reliant on Excel to analyse and report on financial and performance information because the reporting functionality of these systems is still being explored with the relevant suppliers and rolled out. Management expect the roll out of a new reporting tool in 17/18 which will reduce reliance on manual input to Excel.

The scope of our audit covered controls in relation to income, expenditure, cash / banking and financial reporting / budgetary control. In each of these areas we noted that there are some improvements required, which are summarised in greater detail in part 1 of this report.

Performance

Managing performance will be a key challenge for the company going forward. We noted evidence that the company has embedded a number of performance measures at a corporate level, and that these are regularly being reviewed by SMT and reported to the Board and Shareholders Committee. We have made recommendations around distilling these corporate performance measures into departmental, team and individual performance measures, as well as highlighting the need to ensure that all of the performance indicators outlined in the business plan are being measured.

Risk

Risk registers have been implemented in the company. These are maintained at a corporate (priority) level, but also at a departmental level. We noted however that the company has not yet documented a risk management strategy / process nor defined its risk appetite in relation to its key areas of activity. In addition, we have recommended some improvements to the risk registers.

IT Continuity / Resilience

The IT infrastructure at the Belfast Waterfront Conference and Exhibition Centre has been designed to provide resilience and continuity in the event of a disaster. Evidence of strong physical and environmental controls are in place to protect the core network IT assets and infrastructure. The network design and support arrangements evaluated are adequate and key risks have been identified and are being managed. A number of control improvements were identified during the internal audit.

Recommendations

High	3	<p>The key recommendations raised in the report are in relation to the following areas:</p> <p>High Priority:</p> <ul style="list-style-type: none"> • Strengthening encryption of payroll data transmitted to / from CJS • Ensuring accuracy over the payroll Masterfile • Ensuring accuracy over monthly processing of payroll via documented checks and approvals
Medium	15	<p>Medium Priority</p> <ul style="list-style-type: none"> • Documentation of end to end processes and procedures outlining key roles & responsibilities • Reduction in reliance on manual systems and Microsoft Excel spreadsheets • Review of VEMS access privileges • Embedding of a standard contract template, which should be generated from VEMS rather than manual completion as

Low	2	<p>well as clarification of responsibilities for chasing unsigned contracts</p> <ul style="list-style-type: none"> • Validation / reconciliation of catering invoices to ensure all work has been done, billed to the client and commission has been claimed / paid • Clarification of roles and responsibilities around creation and closure of service orders • Establishment of guidelines for performing credit checks on clients • Ensuring POs are raised for all purchases and quotations are sought and retained in line with the procurement policy • Amendment of the Anti-Bribery & Corruption policy to cover the provisions of the Fraud Act 2006 and requiring declaration of all gifts and hospitality on the Gifts & Hospitality register • Ensuring that all Performance Indicators listed in the company Business Plan are subject to monitoring • Distilling corporate Performance Indicators into team and individuals PIs • Use of customer satisfaction surveys to report on the performance indicator(s) relating to customer delight • Documentation of a risk management strategy and process (including definition of risk appetite and related strategies) • Use of risk action plans to monitor outstanding risk actions • Improvements to IT Disaster Recovery / Business Continuity / Resilience <p>Low Priority:</p> <ul style="list-style-type: none"> • Introduction of an action register to capture all improvement actions onto a single list which can be prioritised and tracked • Minor improvements to the procedure for carrying out cash counts
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Subject:	Corporate Risk Management Update
Date:	19th June 2017
Reporting Officer:	Donal Durkan, Director of Development
Contact Officers:	Lynda Baillie, Improvement Consultant

Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Some time in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	The purpose of this report is to provide Members with an update on the progress being made to manage the corporate risk that is of direct relevance to the Belfast Waterfront and Ulster Hall (BWUH) Ltd Shareholders' Committee.
2.0	Recommendation
2.1	That the Committee notes the reduction in the risk evaluation for 2017/18 and the arrangements in place to manage this risk. Committee is also asked to note the progress being made to implement controls / measures to reduce the level of risk further and the proposed six monthly process for reporting.
3.0	Main report

<p>3.1</p> <p>3.1.1</p>	<p>Managing Corporate Risks to an Acceptable Level</p> <p>The risk of particular relevance to the Belfast Waterfront and Ulster Hall (BWUH) Ltd Shareholders' Committee is as follows:</p> <p>“Inability to effectively manage business performance as set out in the contract in order to meet the terms and conditions of the Letter of Offer.”</p> <p>Progress in managing this risk is set out below.</p>
<p>3.2</p> <p>3.2.1</p> <p>3.2.2</p> <p>3.2.3</p>	<p>Risk assessment</p> <p>Following a review of the corporate risk by the Audit Governance and Risk Service, this risk was assessed in terms of ‘impact’ and ‘likelihood’ (using the Council’s risk scoring system, see Appendix A) as follows:</p> <p>Impact – 3 (moderate) Likelihood – 3 (possible)</p> <p>This assessment reflects that ineffective performance management would have significant financial and reputational consequences. Performance management at BWUH Ltd is a key strand of the Belfast Agenda and the ability to achieve some of the anticipated strategic outcomes will require the support of key stakeholders and a number of external partners. Failure to meet agreed objectives and achieve targets would have financial consequences for the Council and impact on the rate setting process.</p> <p>The impact of this risk is currently evaluated at a 3 and whilst it is difficult to reduce the potential impact if the risk materialises, we are committed to doing all we can to reduce the likelihood of the risk occurring. The risk is subject to regular review and is updated through the Councils corporate system in line with the corporate risk manage update process.</p>
<p>3.3</p> <p>3.3.1</p>	<p>Current measures in place to manage the risk</p> <p>There are a variety of controls in place to help manage the risk:</p> <ul style="list-style-type: none"> • <u>Legal agreements</u> (Shareholders Agreement and Services Contract) are in place with BWUH Ltd which were developed and finalised with independent legal advice. • <u>A Shareholders' Committee</u> has been established and meets quarterly. Capacity building and induction training has been completed and the Committee is now well established. The Committee holds the BWUH Ltd to account on contract and business performance issues; they scrutinise the quarterly finance and performance reports ensuring social and financial return on the Council and other funders investments; they control and make decisions on reserved matters; authorise the annual business plan; they also agree and monitor

	<p>performance framework targets, including decreasing dependency on Council subsidy. BWUH Ltd provides risk assurance on a quarterly basis to the Shareholders Committee.</p> <ul style="list-style-type: none"> • The <u>Standing Orders</u> have been amended to reflect the establishment of this new Committee with a review of governance arrangements taking place after 3 years. • A <u>Business Plan</u> for 2016/17 was presented to and agreed at Committee in June 2016 with the 2017/18 Business Plan due to be presented at Committee in January 2017. Member briefings on the business plan were facilitated in December 2016 where the draft business plan for 2017/18 was presented and discussed with Members. • The <u>BWUH Ltd Board</u> has been set up and meets bi-monthly. Capacity and induction training has been delivered to the Board. The Board is collectively responsible for ensuring the success of the BWUH Ltd and ensuring compliance with all legal and regulatory obligations; they set and monitor the strategic direction of the organisation. The Councils Chief Executive and Director of Finance sit as observers to the Board. The BWUH Board has also established its own Audit and Risk Committee of which two Board Members sit on and an external Auditor has been appointed. A Strategic Change Committee has also been established and again is governed by two Members of the Board. • <u>SLA's</u> have been set up with internal BCC providers and are in operation. • <u>Project governance</u> Governance arrangements were established in 2016/17, and a contract and business plan is in place which clearly sets out the expected performance of the company. Contract management and relationship management arrangements have been built in to the governance arrangements and at present BCC have sought to strike a balance between strict adherence to the contract and the need to develop relationships with the BWUH management team. At present, the governance arrangements involve monthly meetings with the SRO and senior management of BWUH. In addition, the Councils Chief Executive and Deputy Chief Executive & Director of Finance attend the BWUH Board meetings as non-voting members. A benefits realisation and governance workshop was held in January 2017 with Tourism NI and other key partners to support the delivery of the project's objectives and ensure appropriate governance with our funders going forward. • A handover process from the SRO of the construction phase to the SRO of the operational phase has been finalised and is due at CMT for sign-off. • A Venue Event Management System (VEMS) is now in place within BWUH Ltd and has been operational since 1st October 2017, and a time & attendance system is now also in place. These systems will support the performance of the BWUH Ltd and help inform the management of this risk.
3.3.2	<p>An independent Gateway Review was conducted in August 2016 which provided an 'amber' assessment and made a series of recommendations. A further Gateway Review is planned for 2017.</p>
3.3.3	<p>The controls listed against the risk were found by the Audit Governance and Risk Service to be adequate, effective and relevant to the management of the risk.</p>

<p>3.4</p> <p>3.4.1</p> <p>3.5</p>	<p>Areas for future consideration</p> <p>To ensure future management of this risk, the relationship, performance and risk management between the Council and BWUH Ltd needs to continue with the governance arrangements being reviewed as appropriate to ensure they are operating effectively. It is important the projections for future years are monitored closely and that any longer term challenges are dealt with effectively along with any future uncertainties that may arise in the market. Financial performance and future projections will be considered in terms of the potential impact on funding received for the project and any potential future financial claw back if the Letter of Offer conditions in relation to the funding are not fully met.</p> <p>Progress Updates to Committee</p> <p>In order to ensure that members have an understanding of the corporate risks that relate to their Committees and have clear information on how they are being managed, it is proposed that Committee is provided with a progress update reports in a further six months.</p>
<p>4.0</p> <p>4.1</p> <p>5.0</p> <p>5.1</p>	<p><u>Financial & Resource Implications</u></p> <p>None.</p> <p><u>Equality or Good Relations Implications</u></p> <p>None.</p>
<p>6.0</p>	<p>Appendices – Documents Attached</p>
	<p>Appendix A – Corporate Risk Map – Current Risk Assessment</p>

Risk Assessment Guidance

Likelihood	5	Significant	Major	High	Severe	Severe
	4	Moderate	Significant	Major	High	Severe
	3	Low	Moderate	Significant	Major	High
	2	Trivial	Low	Moderate	Significant	Major
	1	Trivial	Trivial	Low	Moderate	Significant
		1	2	3	4	5
		Impact				

IMPACT	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Severe
Objectives / Service Delivery	The risk will not substantively impede the achievement of the objective.	Some impact on objectives resulting in slight but redeemable deviation.	The risk will cause some elements of the objective to be delayed or not be achieved.	The risk will cause several elements of the objective to be delayed or not achieved.	The risk will cause the objective to not be achieved
Financial	Minimal financial implications	Minor financial implications (e.g. within agreed year-end budget variance tolerance levels for Departments of 2% underspend and 0.5% overspend)	Moderate financial implications (e.g. within agreed in-year budget variance tolerance levels of 2% underspend and 1% overspend)	Major financial implications (e.g. outside the agreed budget variance tolerance levels by up to 5%)	Severe financial implications (e.g. outside the agreed budget variance tolerance levels by more than 5%)
H&S	Minimal injury requiring no/minimal intervention; informal investigation; very low level impact on staffing / service delivery impact; minimal financial loss; potential for rumours / public concern	Minor injury / illness requiring medical intervention and little time off; low level impact on staffing / service delivery; risk of short term loss of public confidence; small financial loss	Moderate injury requiring medical intervention and time off; formal complaint and investigation likely; moderate impact on staff / service delivery; local public / media interest; moderate financial loss	Major injury leading to longer term incapacity / disability; multiple complaints / external agency investigation; major impact on staffing and service delivery; national public / media interest; major financial loss	Major injuries leading to death and irreversible health effects; high profile investigation and enforcement; significant impact on staff and service delivery; sustained national public / media interest; significant financial losses
Reputation	Little interest	Some interest possible but likely to be localised and short term	Adverse coverage, probably on a one off basis	Significant adverse coverage, likely to recur on several occasions	Very significant adverse coverage, sustained over a considerable period.
LIKELIHOOD	1. Very Low	2. Low	3. Possible	4. Likely	5. Almost Certain
	<5%	5% - 20%	20%-50%	50%-75%	>75%
	Has not occurred before or has happened rarely.	Although unlikely, there is a chance that the risk may materialise.	The outcome is in the balance, and is almost as likely to occur as not	More likely to occur than not occur	Significantly more likely to occur than not occur

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Subject:	<i>Schedule of Meetings 2017- 2018</i>
Date:	<i>19th June, 2017</i>
Reporting Officer:	<i>Louise McLornan, Democratic Services Officer. Ext. 6077</i>
Contact Officer:	<i>Louise McLornan, Democratic Services Officer. Ext. 6077</i>

Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Some time in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	To advise the Committee of the proposed dates and times of meetings of the Belfast Waterfront and Ulster Hall Ltd. Shareholders' Committee between August 2017 and May 2018.
2.0	Recommendations
2.1	The Committee is requested to approve the schedule of meetings for the Belfast Waterfront and Ulster Hall Ltd. Shareholders' Committee up to May 2018.
3.0	Main report
3.1	<u>Key Issues</u> Members will be aware that the Belfast Waterfront and Ulster Hall Ltd. Shareholders' Committee previously agreed that meetings would be held at 5.15 p.m.

3.2	<p>The following dates have been identified for meetings of the Belfast Waterfront and Ulster Hall Ltd. Shareholders' Committee for the period from August 2017 to May 2018:</p> <ul style="list-style-type: none"> • 1st August 2017; • 6th November 2017; • 22nd January 2018; • 19th February 2018; and • 21st May 2018 (AGM).
3.3	<p><u>Financial & Resource Implications</u> None associated with this report.</p>
3.4	<p><u>Equality or Good Relations Implications</u> None associated with this report.</p>
4.0	<p>Appendices – Documents Attached</p> <p>None associated with this report.</p>