

Audit Panel

Monday, 7th March, 2011

MEETING OF AUDIT PANEL

Members present: Councillor J. Rodgers (Chairman); and
Councillors Ekin, Lavery, Mullaghan and Rodway.

In attendance: Mr. C. Quigley, Town Solicitor and
Assistant Chief Executive;
Mrs. J. Thompson, Director of Finance and Resources;
Mr. A. Wilson, Head of Audit, Governance and
Risk Services;
Mrs. G. Ireland, Corporate Risk and Governance Manager;
Mr. A. Harrison, Corporate Assurance Manager;
Mr. T. Wallace, Financial Accounting Manager;
Mr. R. Allen, Director, Northern Ireland Audit Office;
Mr. S. Knox, Audit Manager,
Northern Ireland Audit Office; and
Mr. H. Downey, Democratic Services Officer.

Minutes

The minutes of the meeting of 30th November, 2010 were taken as read and signed as correct.

Mr. Rodney Allen

The Chairman, on behalf of the Panel, welcomed Mr. Allen to his first meeting.

Doctor William Smith

The Panel was informed that Dr. Smith's term as External Member on the Audit Panel had ended recently and that a recruitment process to appoint his replacement would be undertaken in the near future.

The Panel agreed that a letter be forwarded to Dr. Smith thanking him for the contribution which he had made over the past three years.

Conflicts of Interest Policy for Members

(Mr. S. McCrory, Democratic Services Manager, attended in connection with this item.)

The Panel considered the undernoted report:

“1. Relevant Background Information

Purpose of Report

- 1.1 The purpose of this report is to present to the Audit Panel, for its approval, a proposed policy for Councillors' declarations of interest. The (draft) policy is attached to this report.
- 1.2 Subject to the agreement of the Audit Panel, it is proposed that the policy will be issued to the Strategic Policy and Resources Committee for approval. Subject to approval by the Strategic Policy and Resources Committee and Council ratification, it is proposed that the policy will be implemented as soon as practicable after the local government elections in May 2011 and that, as part of this implementation, training on the new policy will be provided to all Councillors.
- 1.3 The Audit Panel will recall that a review of the policy and guidance for officers declaring potential conflicts of interest was undertaken in 2010 and reported to the Audit Panel in June of that year. Arrangements are being put in place to require Chief Officers and Heads of Service to register their interests annually as part of the process of preparing the Council's Annual Governance Statement. The introduction of a policy for Councillors' declarations of interest is therefore required to ensure the completeness of Council policies in relation to declaring interests.

Context

- 1.4 Belfast City Council is committed to the principles of good governance. Governance is about how we ensure we do the right things in an open, honest and accountable manner. The public has high expectations of Councillors and officers and the way in which they should conduct themselves when undertaking their duties. To meet these expectations and to ensure the public and stakeholders have trust and confidence in the Council, it is essential that the Council has effective policies and processes for the declaration of potential conflicts of interest which:
 - meet statutory requirements and best practice; and, in doing so

- protect Councillors from allegations or perceptions that an interest exists that has not been declared or duly considered.

(iii) Current Arrangements – Legislation, Guidance and Processes for Councillors' Declarations of Interest

- 1.5** The current relevant legislation is set out in Section 28 of the Local Government Act (NI) 1972 which requires Councillors to declare any pecuniary interest that they may have in any matter coming before any meeting of the Council (including a committee or sub-committee meeting) and for the Council to ensure that such interests are recorded in a statutory register. Councillors are also required not to speak or vote on any matter where they have a pecuniary interest. Guidance relating to this legislation is currently provided in Part 3 of the Northern Ireland Code of Local Government Conduct (Guidance for Councillors (reissued in April 2003)), but this is not a mandatory Code and there are no formal mechanisms for dealing with cases where the Code is not adhered to.
- 1.6** In certain respects the current legislation and Code of Conduct no longer reflect accepted best practice. The Department of the Environment has recently circulated a consultation paper proposing a review of the legislation and the introduction of a mandatory code of conduct for elected representatives of local authorities, in line with the arrangements in place in England, Scotland and Wales, which have each developed ethical standards frameworks for local government to encourage appropriate levels of conduct and to build public confidence. Similar arrangements exist in the Republic of Ireland, where Part 15 of the Local Government Act 2001 and a Code of Conduct for Councillors (June 2004) set out an ethical framework and statutory duties of councillors to maintain proper standards and to declare relevant interests (not to do so being an offence that can be referred to the Director of Public Prosecutions).
- 1.7** In the context of Belfast City Council, while interests declared at Council or Committee are recorded in a register, there are certain aspects of existing arrangements that do not constitute accepted best practice. In particular:
- Councillors are not required to formally register their existing interests
 - The Council/Committee process does not normally include consideration of declaration of interests as a routine matter at the beginning of each meeting

- There is a lack of specific policy, guidance and training for Councillors in relation to conflicts of interest

External Bodies

- 1.8 A related issue is the legal position of Councillors who sit on outside bodies through a nomination by Council. There is presently draft legislation (The Local Government (Indemnities for Members and Officers) (Northern Ireland) Order) in the pipeline that will allow the Council to indemnify Members nominated to third party bodies. A separate paper on this issue will be tabled at a later date.

Development of new policy for the Registration and Declaration of Councillors' interests

- 1.9 In order to address the above issues a project team, with the assistance of external, expert advice, has undertaken a detailed review to develop a conflicts of interest policy for Councillors based on best practice and substantial expert experience. This (draft) policy is attached to this report. The key elements of the policy are highlighted below (under 'key issues') and set out in detail in the attached policy.

Current Arrangements - Legislation, Guidance and Processes in respect of Officers' Declarations of Interest

- 1.10 The legislation in relation to the requirement for officers to declare potential conflicts of interest is set out in Section 46 of the Local Government Act 1972 and is further dealt with in the Code of Conduct for Belfast City Council officers. Detailed policy and guidance for staff was issued in 2006. Breaches of the policy may result in disciplinary action.
- 1.11 The policy and guidance were subject to a detailed review by the Council's Audit, Governance and Risk Services section in 2010, the outcome of which was reported in detail to the Audit Panel in June 2010. A summary of the results of this review has been circulated to Members. The recommended actions arising from the review are being addressed by the Assistant Chief Executive and Corporate Risk and Governance Manager.

2. Key Issues

Scope of the Proposed Policy

- 2.1 The policy applies to all Councillors in Belfast City Council and any person co-opted/appointed to a Council Committee or Working Group or Panel who is not a Councillor or officer.

Key Areas of Proposed Policy

2.2 The attached draft policy has been developed to take account of best practice. In this respect it goes beyond the current provisions of the Code of Conduct for Councillors. It covers the following key areas:

- The general principles for dealing with conflicts of interest within Belfast City Council
- Formal registration of interests by Councillors
- Procedures for declaring and managing conflicts of interest, including:
 - Determining whether or not a conflict exists and is material
 - Approving a 'transaction' where a conflict of interest is involved
 - Documenting disclosures and decisions
 - Withdrawing from meetings/decision making where a conflict has been declared
 - The consequences of breaches of the policy
- Appointments to outside organisations.

Administration of the Policy

2.3 The Town Solicitor and Assistant Chief Executive will be responsible for maintaining the policy and related processes and will advise Councillors in the event of queries on the application of the policy.

Councillor Training

2.4 Full training will be provided to all Councillors on the new policy and associated procedures.

3. Equality and Good Relations Considerations

3.1 This policy has been screened under the Council's equality scheme. There are no equality or good relations considerations relating to this policy.

4. Resource Implications

4.1 The development and implementation of a policy on Councillors' conflicts of interest will have resource implications in terms of the delivery of training to Councillors on the new policy and in dealing with any issues that may arise. This will be met from the existing Member Development budget.

Human Resources

The development and implementation of a policy on Councillors' conflicts of interest will have resource implications in terms of the establishment of relevant processes / registers / monitoring of processes. This work can be incorporated into existing job roles.

Asset and Other Implications

4.3 None.

4.4 The consequences of not implementing the new policy are potentially significant in terms of ensuring the Council has credible governance arrangements and the trust of its partners, citizens and stakeholders.

5. Recommendations

5.1 The Audit Panel is asked to review and approve the attached policy on Councillors' conflicts of interest.

5.2 Subject to the agreement of the Audit Panel, and given the importance of this policy, it is proposed that the policy will be issued to the Strategic Policy and Resources Committee for approval.

5.3 Subject to approval by the Strategic Policy and Resources Committee and Council ratification, it is proposed that the policy will be implemented as soon as practicable after the local government elections in May 2011 and that, as part of this implementation, training on the new policy will be provided to all Councillors.

6. Decision Tracking

6.1 The officer responsible for the policy is Ciaran Quigley, Assistant Chief Executive and Town Solicitor. Subject to approval the policy will be implemented as soon as practicable following the May 2011 Local Government Elections."

The Town Solicitor and Assistant Chief Executive outlined the main elements of the draft policy, which had been formulated in accordance with the Nolan Principles governing standards in public life. He pointed out that the policy exceeded the current requirements set out within both the Local Government Act (Northern Ireland) 1972 and the guidance set out within Part 3 of the Northern Ireland Code of Local Government Conduct. Mr. R. Allen advised the panel that the policy represented best practice and that it would, therefore, be endorsed by the Northern Ireland Audit Office.

During discussion, several Members highlighted a number of issues in respect of the draft policy, including the need for a registration form to be completed by Members to register conflicts of interest formally, to establish a suitable mechanism to enable them to declare any interests at the beginning of meetings and that a record should be kept of the time Members left and returned to meetings. It was stressed that all Members should be encouraged to attend the training sessions being provided on the Conflicts of Interest Policy.

In response, the Democratic Services Manager explained that there would be logistical difficulties associated with recording the movement of Members in and out of meetings and advised that he would, in conjunction with the Town Solicitor and the Assistant Chief Executive, seek to ensure that appropriate procedures were put in place regarding the reporting by Members of conflicts of interest at meetings.

After further discussion, the Panel adopted the recommendations contained within the report and agreed that a review of the operation of the policy be undertaken after it had been in place for six months. The Panel noted that a report, seeking approval of the draft policy, would be presented to the meeting of the Strategic Policy and Resources Committee on 18th March.

Update on Regulation of Investigatory Powers Act 2000

The Panel was reminded that, at its meeting on 14th September, 2010, it had adopted the Regulation of Investigatory Powers Act 2000 – Policy for Elected Members. The Town Solicitor and Assistant Chief Executive explained that the Act required the Council to have in place procedures to ensure that covert surveillance, when required, was necessary, proportionate and properly authorised and that it was consistent with the Council's objectives in terms of, amongst other things, an individual's right to privacy. He reported that he had been nominated to act as the Senior Responsible Officer for the Council and that it was his duty to ensure compliance with the Act and associated Codes of Practice. He stated that the Policy required him, in this capacity, to provide twice-yearly updates to the Audit Panel outlining the number and types of authorised activities relating to covert surveillance which had been undertaken by the Council during the previous six months. He advised that no authorised activities had taken place over the past six months.

The Panel noted the information which had been provided.

Belfast City Council Annual Audit Letter 2009/2010

The Panel considered the undernoted report:

“Relevant Background Information

As an independent auditor of the Council, the Local Government Auditor seeks to examine that the Council has managed its affairs having regard to a combination of economy, efficiency and effectiveness and that public money is properly spent or in the case of income properly accounted for.

The Annual Audit Letter is issued under Article 13 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006. The Regulations require the Council to publish this Annual Audit Letter as soon as reasonably possible.

Key Issues

1. Accounts Adjustments

The Chief Local Government Auditor had noted a number of minor and material adjustments to the draft accounts as a result of his audit work and these were reported to, and discussed at the Audit Panel at its meeting on 30th November 2010. The accounts for 2009/2010 were given an unqualified opinion.

2. Financial Standing

The Chief Local Government Auditor has indicated that the District Fund Balance would appear to be low. Therefore, he advises the Council to keep this balance under review, and is aware that the Council has plans to increase the District Fund Balance.

As indicated above, the Council has taken steps to increase the reserve position in the 2010/2011 rate setting process.

3. Transition to International Financial Reporting Standards (IFRS)

A new IFRS - based Code of Practice on Local Authority Accounting has been introduced and applies to local authority accounts from 1st April, 2010.

Whilst the format and layout of the accounts has changed, and there are a greater number of disclosure notes, the main areas impacted are in relation to Post Employment Benefits (i.e. how we account for pension payments), reclassification of leases between finance leases and operating leases, reclassification of fixed assets and accounting for Short-Term Accumulating Compensated Absences (i.e. holiday pay). We continue to work with the DoE and the local government sector on the accounting treatment of short term accumulating compensated absences to avoid implications for the District Fund reserve.

Belfast City Council's annual accounts for 2009/10 have been restated in line with the new code. The audit of these restated accounts has been undertaken by the LGA. However, a report will not be available until the end of February when the LGA has completed its audit of all 26 councils.

Staff are now working on reconfiguring our accounting system in line with the new code in preparation for the production of the 2010/2011 annual accounts.

4. Absenteeism

The absenteeism quoted in the report is the three year average figure (2007/08, 2008/09 & 2009/10). The annual rate of absenteeism has shown a decrease of 4.84 days from 2004/05.

<u>Average number of days sickness absence per full time employee</u>			
<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>
15.08	13.91	11.22	11.98

The effective management of attendance is a continuing key priority for the Council and we are on target to achieve a further day's reduction in the current financial year.

5. Waste Minimisation and Recycling

The Local Government Auditor has noted that there is some provision for the re-allocation of allowances, but has sought assurance that the Council has given careful consideration to the risk of incurring penalties under the Landfill Allowance Scheme.

Belfast City Council has been working with arc21 to mitigate risk associated with NILAS. In 2009/2010 the Council exceeded its individual NILAS allowance and arc21 successfully activated the allowance sharing protocol so that the collective target was met. Indications are that BCC will meet its individual NILAS allowance until the next step change in 2013, however the award of the arc21 residual waste contract is anticipated in April, 2012. This will provide residual waste treatment facilities based on Mechanical Biological Treatment (MBT) and Energy from Waste (EFW) facilities and will include interim arrangements to meet targets from 2013/2014. It is vital that this significant procurement process being undertaken by arc21 is progressed to a successful conclusion within the planned timescales.

The Council has also established an Internal Waste Programme Board comprising of the Director of Finance and Resources, Director of Legal Services and the Director of Health and Environmental Services who will provide internal governance over the Council's input to the arc21 procurement exercise and the development of the Council's Zero Waste Action Plan and its integration with the Strategic Waste Financial Plan. These plans will enable the Council to demonstrate best endeavours to divert as much waste as reasonably practicable from landfill over a planned period and ensure that the legal targets are met.

6. Payment of invoices

In November 2008 the Minister at the Department of Finance and Personnel reduced the target for the payment of invoices by the public sector from 30 days to 10 days. While district councils have not been formally required to comply with this target, the Chief Local Government Auditor is encouraging the Council to review its arrangements in this regard and to have in place steps for measurement against such a target. As reported in our annual accounts for 2009/2010, the Council average for the year was 28 days. For the 9 months to 31st December 2010, the average is approximately 21 days.

Resource Implications

Financial

None

Human Resources

None

Asset and Other Implications

None

Recommendation

The Audit Panel is asked to note the report and the Annual Audit Letter."

The Committee adopted the recommendation and noted that a copy of the Annual Audit Letter was available on the Modern.gov website.

Audit Governance and Risk Services Progress Report

The Panel considered a report outlining the work which Audit, Governance and Risk Services had undertaken between November, 2010 and February, 2011.

The Head of Audit, Governance and Risk Services reported that, during that period, audit reports had been finalised in respect of Payroll, the Support for Sport grants programme and Facility Management Agreements within the Parks and Leisure Department. In addition, a follow-up audit of the Belfast Visitor and Convention Bureau had been completed. Audits of arc21, the Building Control Service, Civic Amenity Sites and the North Foreshore were in progress, as was an audit of agency staffing and overtime working and key income/expenditure controls within the Parks and Leisure Department. An audit of the Building Maintenance Section was being planned.

He provided also information regarding extensive ongoing investigations being undertaken by the Service and reported that fraud awareness training had, during the period, been delivered to approximately seventy managers and staff within the Health and Environmental Services Department. The training had included topics such as the communication of fraud, whistleblowing and key governance policies, including the provision of gifts and hospitality and managing potential conflicts of interest and key procurement policies. He added that audit, governance, procurement and compliance training was being developed currently for Council officers as part of the Organisational Development Programme and would be delivered by Audit Governance and Risk Services. He explained that one of the key elements in preventing fraud was to ensure that Departments had in place up-to-date, robust financial procedures and that Audit, Governance and Risk Services had been working with Business and Finance Managers across the Council to ensure that these were either completed or in the process of being finalised.

The Head of Audit, Governance and Risk Services highlighted also the work being undertaken by the Service in relation to business continuity management and pandemic planning and in assisting in the development of a policy covering declarations of interest for Members and in preparing the 2011/2012 Audit Plan. He added that Audit, Governance and Risk Services had, in relation to audit work, highlighted control weaknesses which had been identified during a review of Facility Management Agreements within the Parks and Leisure Department.

During discussion, several Members voiced concern at the outcome of the Service's review of the aforementioned Facilities Management Agreements.

In response, the Head of Audit Governance and Risk Services explained that he had a number of concerns regarding the management of risks associated with such Agreements, particularly in relation to the control of income and expenditure, the control of bookings and a lack of monitoring of compliance. In addition, the review had indicated that there was a lack of progress on other actions which had been agreed previously by both Audit, Governance and Risk Services and by the Chief Executive/Assurance Board.

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He reported that these concerns had been raised with senior managers within the Parks and Leisure Department following the completion of the review and a number of recommendations for improvements had been made. He advised that managers had accepted the recommendations and had drafted an action plan to address the issues, outlining agreed actions, responsible officers and dates for implementation. He reminded the Members that a report was submitted every six months to the Audit Panel providing information on agreed recommendations across Departments which had not been implemented within a reasonable timescale and pointed out that any outstanding issues relating to Facilities Management Agreements would, as a matter of course, be included therein.

After further discussion, the Panel noted the information which had been provided and agreed, in view of the concerns which had been expressed in relation to the review of Facilities Management Agreements within the Parks and Leisure Department, that Audit, Governance and Risk Services monitor that Department's compliance with the recommendations for the next Audit Panel meeting and, thereafter, every thirty days, until such times as it was satisfied that the issues had been addressed.

**Belfast City Council –
Update on Audit Recommendations Monitor**

The Panel considered the undernoted report:

“Relevant Background Information

The Audit Panel's terms of reference include provision for it to 'consider reports from Audit, Governance and Risk Services (AGRS) on agreed recommendations not implemented within a reasonable timescale.'

In September 2010, AGRS reported to the Audit Panel for the first time on the newly implemented 'Recommendations Monitor' process. This process had been implemented following discussions between AGRS and the Director of Finance & Resources, and replaced AGRS' traditional process of performing follow up audits to ascertain the degree of implementation of agreed audit recommendations. Under this new process, AGRS wrote to Departmental Business Managers asking them to provide updates on all outstanding recommendations (arising from both AGRS and external audit reports). Where relevant, AGRS staff then, using professional judgement, validated responses from management. The results of this exercise were then reported to the Audit Panel. It was agreed that AGRS would repeat this 'Recommendations Monitoring' process every six months and report updates to the Audit Panel.

As part of this ongoing process, AGRS wrote to each Department again in January 2011, asking management to once again provide updates on all currently outstanding recommendations as at the end of January 2011. Following receipt of their updates in February 2011, auditors have met with managers/staff and, where appropriate, have independently validated the status of each recommendation. The end result of this process is the Recommendations Monitor Update Report, a copy of which has been circulated to Members.

Key Issues

The attached report shows that there are a number of areas where progress has been made to implement outstanding recommendations, but there are also several areas where limited improvement has been seen since the date of the previous report, and also a few areas where new recommendations have been brought into the registers which are now overdue for implementation. The key areas where recommendations are outstanding are as follows:

Overtime

These recommendations mainly relate to the need to assign corporate responsibility for developing an overtime policy and procedure and putting arrangements in place to implement these.

The Head of Finance & Performance has indicated that overtime will be included in the efficiency programme and the underlying issues associated with reducing overtime will form an element of the Council's Organisational Development Programme.

Income/Accounts Receivable

The Council implemented the SAP accounting system 2007/2008 and, following this implementation, considerable audit work was undertaken in relation to income/accounts receivable processes. While a significant number of recommendations in relation to this area have been implemented and the overall level of debt reduced there are still a number of recommendations that need to be fully implemented including automation of the dunning process, removal of duplicate customer records and review of procedural issues. The Head of Finance and Performance is developing a wider improvement plan within his service to address these issues and implement further improvements to the income / debtors process.

Purchasing/Accounts Payable

As with income/accounts receivable following implementation of the SAP system, considerable audit work was undertaken to review the new purchasing and accounts payable processes. The majority of the issues outstanding relate to aspects of the 'purchasing' end of the system including the set up and maintenance of supplier details including catalogues which are important for ensuring that purchase orders are properly prepared and can be easily matched to invoices. These and other issues are to be considered in the current review of procurement and the implementation of these recommendations will be determined by the outcome of this review.

Treasury Management

These recommendations relate to controls over bank accounts, cash flow and investments. The new Head of Finance and Performance plans to implement a number of changes in this area which should address the audit recommendations, including tendering of the banking service. The tendering process is planned to commence in March 2011.

Value for Money – Use of Consultants

The majority of recommendations within the VFM Consultancy audit which have yet to be fully implemented are dependent upon the implementation of the consultancy policy. This policy has currently been drafted and is expected to be implemented from April 2011.

It should be noted that, due to the nature of its work, Finance and Resources receives a higher number of audit reports/recommendations than other departments and that many of the recommendations relate to issues arising from the implementation of the new SAP accounting system and related processes. More detail is provided in the monitor report.

Resource Implications

There are no significant resource implications arising from this report.

Recommendation

The Audit Panel is asked to note the attached audit recommendations monitoring report and note that action is being taken to address outstanding recommendations.

**Key to Abbreviations (including in
Audit Recommendations Monitor Report)**

- AGRS – Audit, Governance and Risk Services**
- BCC – Belfast City Council**
- CLGA – Chief Local Government Auditor**
- LGA – Local Government Auditor**
- NIAO – Northern Ireland Audit Office**
- VFM – Value for Money"**

The Panel adopted the recommendations and noted that a copy of the Audit Recommendations Monitor Report was available on the Modern.gov website.

Corporate Risk Management

The Panel was reminded that, at its meeting on 15th February, 2010, it had agreed that reports should, on a quarterly basis, be submitted to the Chief Officers' Management Team and, subsequently, to the Audit Panel setting out the management arrangements which had been put in place to address key risks identified across the Council.

The Corporate Risk and Governance Manager submitted for the information of the Panel a report setting out the risk management activity undertaken between 1st October and 31st December, 2010. She reviewed the current status of the eleven risks which had been included in the Corporate Risk Register, together with the three red risks contained within the Departmental Risk Registers. She provided a brief overview of each risk and informed the Panel that a quarterly review process had been agreed with Chief Officers which would enable her to provide an independent overview on the management of Corporate risks and red Departmental risks and to highlight both any slippage in the implementation of proposed actions and areas which required further action to be taken. She confirmed that, in the last quarter, she had received assurances from Chief Officers that the Corporate, Departmental and Operational Risk Registers and action plans had been reviewed and updated and that, overall, the Council's agreed risk management process, as set out within its Risk Management Strategy and supporting guidance, were being complied with.

She informed the Panel that a number of activities relating to risk management/governance processes were being progressed currently. She reported that, in line with the Council's Business Continuity Policy, Marsh Consulting would be facilitating, on 15th March, a half-day training session for officers involved in business continuity management. That company would be undertaking also an external review of the Council's continuity arrangements and it was proposed that any recommendations arising therefrom would be implemented over the course of the next three months. She reported further that a review of the management arrangements which were in place currently in relation to the policies governing gifts and hospitality and conflicts of interest had been undertaken, which had identified a number of areas for improvement. New guidelines had been drafted in consultation with Directors and the relevant business managers and were being implemented across Departments. It was envisaged that this framework would enhance existing processes by expanding the monitoring, training and reporting arrangements already in place and a report would be presented to the Chief Officers' Management Team outlining the changes to the guidance and detailing how assurance around the policies would be achieved.

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The Corporate Risk and Governance Manager informed the Panel that, in light of the current economic environment, the ongoing finances of the Council would continue to be monitored closely and that key risks, including grant funding, income from rates and external income for services provided, coupled with increasing utility costs, remained an area of high concern and would be considered as part of a resourcing strategy and medium-term financial plan. She reported that some slippage had occurred in relation to the implementation of a number of the proposed actions in place to manage some of the key risks, however, this did not increase the risk to any great extent and they would continue to be monitored closely and reported as appropriate.

During discussion, a Member voiced concern in relation to the risks to the Council associated with the ongoing process relating to the award of a contract for the procurement of the infrastructure required for the treatment of residual waste. He highlighted, amongst other things, the fact that the Council was being requested under the process to guarantee for the next twenty-five years minimum tonnages of waste and that any cost to contractors arising from delays in the implementation of the contract would be required to be met by the eleven constituent councils within arc21.

In response, the Town Solicitor and Assistant Chief Executive explained that the disposal of waste was one of the most challenging issues being faced by the Council over the coming years and stressed that the Council would face severe financial penalties if it failed to meet stringent targets laid down by the European Union. He explained that the procurement process was now well advanced and that a special meeting of the Health and Environmental Services Committee, to which all Members of the Council would be invited, would be held before the end of March in order to deal specifically with the issues surrounding the award of the contract.

The Panel noted the information which had been provided and that a copy of the quarterly risk report was available in full on the Movern.gov website.

Corporate Health and Safety

The Head of Audit Governance and Risk Services informed the Panel that the Council had a legal duty under the provisions of the Health and Safety at Work (Northern Ireland) Order 1978 to ensure, in so far as was reasonably practical, the health, safety and welfare at work of all its employees and others, such as contractors and members of the public, who might be affected by the way in which the Council conducted its undertakings. He reminded the Panel that, at its meeting on 30th November, it had been advised that the Corporate Health and Safety Unit had implemented a new workplace inspection regime, whereby all premises had been assigned a desk-top risk rating, with those properties which were deemed to be of the highest risk being inspected initially. The relevant Business Support Managers, Heads of Service and Chief Officers had, subsequently, been provided with a composite report setting out the results of the inspection, together with a detailed action plan to be implemented. He reported that 90% of the red recommendations which had arisen from the inspections had now been implemented and that the Corporate Health and Safety Unit had had no significant concerns regarding those which remained outstanding, all of which were being progressed currently.

He informed the Panel that, in 2009, Marsh Consultants had been engaged to undertake a review and submit an assessment relating to the health and safety risks present within seven of the Council's high-level priority locations. He explained that focus groups had been held as part of the process, during which fifty-two risks and actions had been identified. Of those, forty-three had now been completed satisfactorily, four had been removed, as they were no longer considered to be relevant, and the remaining five were being addressed.

The Panel noted the information which had been provided.

**Audit, Governance and Risk Services – Draft Internal Audit
and Risk Management Strategy and Plan 2011/2012**

The Panel was advised that the main purpose of Audit, Governance and Risk Services was to support the Council in achieving its objectives, through providing assurances and helping to improve the effectiveness of its risk management, control and governance processes. The Corporate Assurance Manager explained that the Service sought to ensure that the Council met its statutory obligations in respect of internal audit, internal control and risk management and, to this end, a draft Internal Audit and Risk Management Strategy and Plan had been drafted for 2011/2012.

The document set out the work which was considered necessary to fulfil those aims and provided for both audit assurance and advisory work. In terms of audit assurance, it covered a range of financial, operational and information technology audit areas, whilst its advisory work included the provision of training to staff on fraud/governance issues and the facilitation of risk management. There was provision also within the Plan to liaise with the Council's Efficiency Unit on planned value-for-money reviews. He informed the Panel that the draft Strategy and Plan had been formulated in consultation with Council Departments and that its completion would enable the Head of Audit, Governance and Risk Services to provide an annual opinion to Members and senior management on the adequacy and effectiveness of the Council's risk management, internal control and governance arrangements and would assist the Council in improving those processes.

After discussion, the Panel approved the Audit, Governance and Risk Services Internal Audit and Risk Management Strategy and Plan 2011/2012 and noted that a copy of the document was available on the Modern.gov website.

Attendance Management

(Mrs. J. Minne, Head of Human Resources, attended in connection with this item.)

The Panel was reminded that the Strategic Policy and Resources Committee, at its meeting on 18th June, 2010, had agreed a new two-year target aimed at reducing absence to 11 days per full-time equivalent by March, 2011 and to 10.75 days by March, 2012. The Committee had agreed also that the monitoring of attendance be undertaken on a regular basis by the Audit Panel. Accordingly, the Head of Human Resources submitted for the Panel's consideration a report outlining the Council's performance in relation to attendance management for the quarter ending 31st December, 2010.

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The report had indicated that the average number of days' absence recorded for each full-time equivalent employee had been 7.45 days, which represented a reduction of 2.23 days from the corresponding quarter in the previous year. The report had indicated also that 49.55% of Council officers had not been absent during the period, which represented an increase from the same period in the previous year of 3.91%. In addition, 4.43% of staff had been categorised as being on long-term absence, which was 1.79% less than the figure recorded for 2009/2010. The Head of Human Resources pointed out that the Council was on course to meet its attendance target for 2010/2011.

The Panel noted the Council's performance in relation to the management of absence for the three-month period ending in December, 2010 and commended the ongoing efforts of the Human Resources Service and managers across the Council to address the issue.

Staff Numbers, Overtime and Agency Costs

The Panel considered the undernoted report:

“Purpose of report

This report:

- **Provides information on staff numbers for the council's seven departments at quarter three 2010/11 and compares them to the previous quarter (quarter two 2010/2011)**
- **Compares overtime costs for the period January to December 2010 to the same time last year (January to December, 2009)**
- **Compares agency costs for the period January to December 2010 to the same time last year (January to December, 2009)**
- **Proposes a more meaningful reporting framework to be implemented from 1st April 2011.**

Relevant Background Information

- **The Audit Panel, at its meeting on 15th February, 2010, agreed that reports on staff numbers, overtime and agency costs should be reported to the Panel on a quarterly basis starting from quarter four 2009/2010.**
- **These interim reports however are limited in their analysis in that they do not provide information on actual staff numbers against an agreed staffing establishment or actual spend against staffing budget.**

- Work therefore has been ongoing with departments to embed and agree their staffing structure and establishment numbers.
- Having completed this work, proposals for a new reporting framework are set out in this report.

Quarter 3 - 2010/2011 – Existing reporting format

The attached appendix provides information on the following:

- The average number of people in post at quarter three 2010/11 at corporate and departmental level compared to the previous quarter. (quarter two 2010/11)
- The cost of overtime at corporate and departmental level for the rolling year January to December 2010 compared to the same period last year January to December 2009.
- Agency cost at corporate and departmental level for the rolling year January to December 2010 compared to the same period last year January to December 2009.

People in post

- The average number of people in post for quarter three of this year is 2357 compared to 2373 for the previous quarter (quarter two 2010/11)
- This represents a net decrease of 16 this quarter and an overall decrease of 43 from quarter four 2009/10.

Overtime costs

- Overtime costs for the rolling period January to December 2010 is £4,672,994
- Overtime costs for the same period previous year (January to December 2009) was £4,742,205
- This represents a reduction of £69,211 this year

Agency costs

- Agency costs for the rolling period January to December 2010 is £3,587,593
- Agency costs for the same period previous year (January to December 2009) was £4,051,612
- This represents a reduction of £464,019 this year
- Three departments reported an increase in agency spend compared to the same time last year, Chief Executive's, Parks and Leisure and Property and Projects.

**Audit Panel,
Monday, 7th March, 2011**

The increase in Chief Executive's and Property and Projects is because the departments are using temporary agency staff to cover maternity leave, secondments and temporarily vacant posts.

The improvement agenda is underway in Parks and Leisure and this includes operational reviews and associated structural changes. Until all the structures are agreed and implemented interim arrangements are in place which includes using agency staff where necessary. An audit is currently being undertaken by Audit Governance and Risk Services regarding this issue and a report and recommendations is due early next month.

Future proposals

It is recommended that from the 1st April, 2011, the following information forms the basis of the quarterly reports:

1. Actual staff numbers compared agreed staffing establishment
2. Number of funded posts
3. Actual staff costs compared to agreed staff budgets for 2011/12
4. How much of the actual staff budget during 2011/12 is being spent on overtime (compared to the previous year)
5. How much of the actual staff budget during 2011/12 is being spent on agency (compared to the previous year)

This approach does not alter but rather helps with and acts as a check to our current vacancy control and Scheme of Delegation procedures i.e. if a person leaves the council and there is a need to fill the vacancy in an established post, the post can be filled if the salary is in the agreed staffing budget. If however a new post is created, this will alter the approved staffing establishment and consequently this must be agreed by the Strategic Policy and Resources Committee (and HR will change structures and the approved establishment accordingly).

It also lends itself to the implementation of a more robust approach to managing staff costs i.e. a meaningful reporting mechanism brings with it the ability to set SMART targets (similar to that adopted in relation to attendance management), i.e. reduction in spend on staffing. It is proposed that any target to reduce spend on staffing should be set in time to align to the council's efficiency programme for 2012/13 and beyond and would be largely, though not solely achieved through a reduction in agency and overtime which does not incur redundancy costs.

In relation to agency and overtime, it is proposed to continue to report spend to COMT monthly and Audit Panel quarterly.

Decision Required

The Audit Panel is asked to note the quarter three figures for staff numbers, agency and overtime costs and approve the revised reporting framework, to take effect from 1st April 2011.

Document attached

Staff numbers, agency and overtime costs at December 2010

**Staff Numbers, Agency and
Overtime Costs at December, 2010**

People in post	Average number of people in post previous quarter (Q2 2010/11)	Average number of people in post this quarter (Q3 2010/11)	Variance
BCC	2373	2357	-16
Chief Executive's	107	108	+1
Finance and Resources	239	237	-2
Health & Environmental Services	863	858	-5
Parks and Leisure	633	629	-4
Development Department	270	269	-1
Property and Projects	261	256	-5

Cost of overtime	Overtime costs for the period January to December 2009	Overtime costs for the period January to December 2010	Variance
BCC	4,742,205	4,672,994	- 69,211
Chief Executive's	62,949	62,919	- 30

Finance and Resources	86,162	61,003	- 25,159
Health & Environmental Services	2,034,978	2,037,836	2,858
Parks and Leisure	1,629,170	1,703,757	74,587
Development Department	380,639	326,674	- 53,965
Property and Projects	548,307	480,805	- 67,502

Agency Costs	Agency costs for the January to December 2009	Agency costs for the period January to December 2010	Variance
BCC	4,051,612	3,587,593	- 464,019
Chief Executive's	118,385	165,105	46,720
Finance and Resources	192,363	178,746	- 13,617
Health & Environmental Services	1,485,303	921,980	- 563,323
Parks and Leisure	1,439,947	1,525,547	85,600
Development Department	548,370	446,173	- 102,197
Property and Projects	267,244	350,042	82,798

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During discussion, several Members highlighted the fact that overtime costs remained unacceptably high. This was particularly the case within the Health and Environmental Services and Parks and Leisure Departments.

The Panel noted the information which had been provided and approved the revised reporting framework as outlined. The Panel agreed that the report on staff numbers, overtime and agency costs to be submitted to its next meeting provide a breakdown of the overtime costs within Health and Environmental Services and Parks and Leisure Departments.

Date of Next Meeting

The Panel noted that the Democratic Services Officer would, in consultation with the Chairman, identify a suitable date in June on which to hold the next meeting of the Panel.

Chairman