

# Audit Panel

Tuesday, 13th December, 2011

## MEETING OF AUDIT PANEL

Members present: Alderman Rodgers (Chairman);  
Aldermen M. Campbell and Smyth;  
Councillors Jones and Mullan and Mr. D. Bell.

In attendance: Mr. R. Cregan, Director of Finance and Resources;  
Mr. A. Wilson, Head of Audit, Governance and  
Risk Services;  
Mr. M. McBride, Head of Finance and Performance;  
Ms. C. O'Prey, Audit, Governance and Risk  
Services 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.

### Apology

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

### Minutes

The minutes of the meeting of 14th September were taken as read and signed as correct.

### Welcome

The Chairman on behalf of the Panel welcomed Mr. M. McBride and Ms C. O'Prey to their first meeting following their recent appointment to the posts of Head of Finance and Performance and Audit, Governance and Risk Services Manager respectively.

### Presentation by Corporate Health and Safety Manager

The Panel was reminded that, at its meeting on 14th September, it had agreed to receive at its next meeting a presentation on the role of the Council's Corporate Occupational Health and Safety Unit. Accordingly, Miss E. Eaton, Corporate Health and Safety Manager, was welcomed by the Chairman.

The Corporate Health and Safety Manager informed the Panel that the Council undertook as part of its everyday business a wide range of activities, most of which involved some element of hazard or risk. She explained that those were required to be identified and managed in such a way as to protect the health and safety, not only of the Council's employees, but of all those who came into contact with the Council's services.

She indicated that the role of the Corporate Occupational Health and Safety Unit, which now included the Occupational Health Section, was to ensure that the Council delivered those services safely and in compliance with the requisite Health and Safety legislation and in recognition with best practice.

She explained that, in accordance with the Health and Safety Assurance Framework, which had been agreed by the Audit Panel in 2010, the Corporate Occupational Health and Safety Unit reported on an operational level to the Head of Audit, Governance and Risk Services and on a strategic level to the Health and Safety Assurance Board. She reviewed the key areas of work which were undertaken in relation to health and safety, which included the undertaking of an annual health and safety inspection programme across the Council. The inspection comprised a documentation audit, a premises inspection and a staff awareness survey. The results of the inspections were communicated subsequently to managers and any action points arising therefrom were monitored to ensure compliance. In addition, the Corporate Occupational Health and Safety Unit delivered a mandatory programme of health and safety training throughout the year for all Council staff to ensure that they were conversant with the types of key hazards, risk and control measures in place within the workplace and to refresh their knowledge of their health and safety roles and responsibilities and key Council policies.

She reported further that meetings of the Workplace Health and Safety Committee and of the Health and Safety Assurance Board took place on a quarterly and bi-monthly basis respectively in order to review, amongst other things, recent actions and incidents, changes in legislation or the Council's policies, and issues such as event safety arrangements. She explained that another proactive element of the Unit's work involved the maintenance of the Workplace Health and Safety manual, which contained the Council's Health and Safety Policies and codes of practice. She added that the Corporate Occupational Health and Safety Unit had received accreditation in terms of the OHSAS 18001 Health and Safety Management system and had supported a number of other units across the council to attain that standard.

She informed the Panel that, in addition to its proactive work, the Unit undertook also extensive reactive work, such as the recording, investigating and analysis of accidents and incidents within the workplace, the provision of advice and support to managers in relation to health and safety and the compilation of health and safety performance indicators.

Having answered a number of questions which had been raised by the Members, Miss Eaton thanked the Panel for receiving her and retired from the meeting.

**Belfast City Council Financial Accounts 2010/2011**

(Mr. T. Wallace, Financial Accounting Manager, attended in connection with this item).

The Director of Finance and Resources informed the Panel that the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 required the Council to approve by resolution its annual statement of accounts as soon as was

reasonably practical and, at the latest, before 30th June immediately following the end of the financial year. He reminded the Panel that, at its meeting on 9th June, 2011, it had approved and recommended to the Strategic Policy and Resources Committee, the Councils Financial Accounts for the year ended 31st March, 2011. He explained that the audit of those accounts had now been completed and published and had resulted in an unqualified opinion. The Local Government Auditor had, during the course of his audit, highlighted a number of material adjustments which the Council had since addressed and which had been significantly less in number than in the previous financial year.

Mr. Allen informed the Members that, following the completion each year of the Council's accounts, the Local Government Auditor issued an annual audit letter and management letter, which set out any recommendations to be implemented. He reported that the management letter would, in future, be replaced by a document entitled "Report to those charged with Governance - Audit Results", which would be circulated to all councils, and that it would be submitted to the next meeting of the Audit Panel for its consideration.

After discussion, the Panel noted the information which had been provided and that a copy of the Council's Financial Accounts for 2010/2011 was available on the Modern.gov intranet site.

**Audit Recommendations Monitor –  
Update on High Priority Recommendations**

The Panel was reminded that, at its meeting on 14th September, it had been advised that Audit, Governance and Risk Services had put in place a system to monitor the implementation of audit recommendations. At that meeting, the Panel had expressed concern that, more than six months after the original implementation date, forty-eight high priority recommendations remained outstanding and had agreed that a report be submitted to its next meeting outlining the progress which had been made to implement those outstanding recommendations.

The Head of Audit, Governance and Risk Services reported that, following that meeting, the Directors had been advised of the Panel's concerns and had been requested to provide updates on the status of the outstanding high priority recommendations. These had been verified subsequently by Audit, Governance and Risk Services. As a result, the number of outstanding high priority recommendations had been reduced to thirty-one and a number of those were expected to be implemented fully in the near future. He provided details in relation to those recommendations which remained outstanding, which included the management of overtime across the Council, controls over bank accounts, cash flow and investments within the Finance and Resources Department, the recording of information in relation to the monitoring of waste within the Waste Management Service and the financial/procurement systems used within the Property and Projects Department to collate contract information. He pointed out that the next review of progress was planned for February, 2012 and that Audit, Governance and Risk Services was examining, in consultation with the Director of Finance and Resources, the feasibility of automating the monitoring process further.

After discussion, the Panel noted the information which had been provided and agreed, in view of the significant number of high priority recommendations which remained outstanding, that Directors be requested to ensure that they be implemented fully by 31st March, 2012.

### **Corporate Risk Management**

The Panel considered the undernoted report:

**“1. Relevant Background Information**

**On 15th February, 2010, the Audit Panel agreed that risk reports should be made to the Corporate Management Team and the Audit Panel on a quarterly basis starting from quarter one 2010/2011. This report addresses these requirements.**

**Specifically, the purpose of this paper is to:**

- report on the operation of the assurance processes over the arrangements for the management of risk for the quarter ending September, 2011**
- present the Corporate Risk Register**
- provide an update on the mid year review of action taken to address significant governance issues which were disclosed in the Council’s Annual Governance Statement for 2010/2011 (this information has been specifically requested by the Council’s Audit Panel)**

**2. Key Issues**

**1. Assurance on the Management of Risk**

**Each of the 14 risks in the corporate risk register has a Chief Officer as a nominated Risk Owner who is responsible for ensuring that the risk is managed effectively and evidenced as such in the relevant departmental risk action plans. A number of corporate risks apply to all departments and so are managed through all of the departmental registers, these relate to the following risk areas:**

- management of financial resources**
- management of staff resources**
- demonstration of good corporate governance**
- RPA (see note below)**
- health and safety**
- business continuity.**

Management are responsible for ensuring that risks are properly identified, evaluated, managed and reviewed. In order to obtain assurance on the management of risk, on a quarterly basis each Chief Officer prepares and signs a quarterly assurance statement to:

- confirm compliance with risk management processes
- list the key risks that they have responsibility for managing (corporate risks and 'red' departmental risks)
- confirm that there are appropriate action plans in place to manage these risks
- identify any proposed actions and, where applicable, explain any slippage
- provide a formal assurance that the risks are being managed.

Audit, Governance and Risk Services (AGRS) can confirm that, for the quarter ending September 2011, all Chief Officers have signed assurance statements confirming that the corporate, departmental and operational risk registers and action plans have been reviewed and updated and that they are content that overall the Council's agreed risk management processes, as set out in the Council's risk management strategy and supporting guidance, are being complied with.

## **2. Emerging Risks**

During the quarter ending June 2011, Chief Officers identified three new corporate risks, which are now included in the corporate risk register:

- uncertainty of the rate base
- financial and management information does not meet the changing needs of the organisation and the city
- failure to maximise the draw down of European funds by missing EU funding deadlines.

More information in relation to these risks is set out at risks 12-14 in the Risk Register, a copy of which has been circulated to the Panel. Audit, Governance and Risk Services (AGRS) can confirm that the relevant Directors have prepared a risk action plan for each of these new corporate risks.

For the quarter ending September 2011, our review meetings with individual Directors to discuss the management of Corporate Risks did not identify any new risks for inclusion within the Corporate Risk Register.

**3. Mid year review of action taken to address significant governance issues disclosed in the Council's Annual Governance Statement for 2010/2011**

As previously noted, the Audit Panel has requested an update on the significant governance issues that were highlighted in the Annual Governance Statement for 2010/11:

- non-achievement of NILAS targets
- continued embedding of health and safety management
- the impact of the economic climate on the Councils financial position
- governance of major Council projects.

AGRS has met with the relevant Directors to get a mid-year update on the actions that have been taken and that are planned to be taken during 2011/12 in order to address these issues. The outcome of this review has been to confirm that there is evidence to demonstrate that these risks are being actively managed as a matter of priority, although there is still action ongoing / further action required to fully manage the risks.

**4. Business Continuity Management (BCM)**

AGRS can confirm that all of the 15 critical services have either undertaken rehearsals of their business continuity plans or have set a date for the plans to be rehearsed before 31st March 2012.

External consultants, Marsh, have conducted a high level review of the Council's BCM programme against best practice set out in the BS 25999. This has been reported separately to the Audit Panel.

**3. Resource Implications**

**Financial**

None.

**Human Resources**

None.

**Asset and Other Implications**

None.

**4. Equality Implications**

**None.**

**5. Recommendations**

**The Audit Panel is requested to note:**

- 1. the corporate risk register for the quarter ending 30th September, 2011;**
- 2. that a mid-year review / update on the governance issues highlighted in the Annual Governance Statement for 2010/2011 has been completed and to note the progress being made to address each disclosed issue.”**

After discussion, the Panel adopted the recommendations and noted that a copy of the Corporate Risk Register was available in full on the Modern.gov intranet site.

**Business Continuity Management –  
Review of the Council’s Arrangements**

The Panel was reminded that it had a responsibility, as set out within its terms of reference, to monitor the effective development and operation of risk management and corporate governance of the Council. The Audit, Governance and Risk Services Manager explained that a critical aspect of good governance was the ability to anticipate, prepare, respond to and recover from the impact of disruptive events. The Council addressed this requirement by ensuring that it had in place effective business continuity management arrangements to ensure that all critical services could be delivered in the event of a major event/disaster or disruption. She reported that considerable work had been undertaken in recent years to establish such arrangements, including the formulation of a business continuity management strategy and associated policies, the development of service/location specific plans, the undertaking of staff training and the exercising/testing of plans. That work had complemented the civil emergency planning arrangements within the City, which were overseen by the Council’s Emergency Planning Team based within the Health and Environmental Services Department.

She reported that Audit Governance and Risk Services had, during 2011, commissioned Marsh Consulting to undertake a review of the Council’s business continuity management arrangements. The review had sought to provide Members and senior managers with an external valuation of the business continuity management framework in order to measure performance against current practice and identify opportunities for improvement. The key findings arising from the review had been positive and the consultants had concluded that it was evident that the Council had, over the past five years, invested significantly in business continuity management, which had resulted in the development of a system which was appropriate for the organisation and well implemented across the Council.

The Audit, Governance and Risk Services Manager reported further that the consultants had identified areas for improvement in relation to performance measurement/monitoring and the reviewing of the process and had made recommendations in relation to the consolidation of existing policies, guidance notes and templates into a business continuity manual and the development of templates to support managers in improving the process for exercising and updating their Business Continuity Management Plans. They had recommended also the development of a protocol for the undertaking of an annual review of all elements of the business continuity management programme, which included a reference for the need to separate the assurance function from the co-ordination and implementation of the programme.

She informed the Members that the Directors of Finance and Resources and Health and Environmental Services had met in order to discuss the recommendations arising from the review and that they were in the process of developing an appropriate action plan to address each of the recommendations.

The Panel noted the information which had been provided and that a copy of the review document was available in full on Modern.gov intranet site.

#### **Audit, Governance and Risk Services Progress Report**

The Panel considered a report outlining the work which had been undertaken by Audit, Governance and Risk Services between September and November, 2011. The Head of Audit, Governance and Risk Services reported that, during that period, the Service had undertaken a review of the status of high priority recommendations set out within the Audit Recommendations Monitor and had assessed the progress being made within the Parks and Leisure Department to address audit recommendations relating to Facility Management Agreements. In addition, audits relating to Community Services Grant funding and monitoring and the 2009 Tall Ships event were at draft report stage and would, once finalised, be submitted to the Audit Panel. Audits of arc 21, a review of new business processes/controls relating to the implementation of the upgrade to the electronic leisure management system within the Parks and Leisure Department and compliance arrangements in respect of the Review of Freedom of Information/Data Protection Act were in progress. Audits of financial reporting, the Pest Control/Dog Licensing Unit, Payroll and Property Maintenance were being planned.

The Head of Audit, Governance and Risk Services provided an update in relation to the National Fraud Initiative which had been conducted by the Northern Ireland Audit Office, which sought to assist public bodies in identifying fraudulent and duplicate transactions using sophisticated data matching techniques. He confirmed that, of the 212 matches which had been investigated and resolved, no specific instances of fraud had been identified in relation to the Council. He provided details also in relation to investigative work which had been undertaken by Audit, Governance and Risk Services during the period and reported that the Service was providing governance-related training to staff as part of the Manager and Officer Development Training Programme. The training had covered areas such as risk, control, fraud, and key governance policies. A review of the Council's anti-fraud policy had been undertaken also which, once concluded, would result in an updated copy of the policy being presented to the Panel for approval.

The Panel noted the information which had been provided.



### **Absence Management**

The Head of Human Resources reminded the Panel that the Strategic Policy and Resources Committee, at its meeting on 17th June, had agreed a two-year target to maintain sickness absence across the Council at 10.31 days per person by March, 2012 and at 10 days by March, 2013. She submitted for the Panel's consideration a report providing information in respect of sickness absence for the second quarter of 2010/2011. The report indicated that sickness absence per employee for that period had been 5.24 days, which represented an increase of 0.53 days compared to the same period in the previous year, which meant that the Council was not on target to maintain sickness absence at the agreed target of 10.31 days. She outlined the extent of the work which was being undertaken to manage attendance in those units which were at risk of not meeting their target for 2011/2012, should their current level of absence continue. She highlighted the fact that employees who were on long-term absence were being monitored and managed by the relevant Department and by the Human Resources and the Occupational Health Sections and that reports on absence management would continue to be submitted on a quarterly basis to both the Audit Panel and the Strategic Policy and Resources Committee.

The Panel noted the information which had been provided and agreed to receive at its next meeting a presentation from the Head of Human Resources on the Council's sickness absence policy.

### **Staff Numbers, Overtime and Agency Costs**

The Panel considered the undernoted report:

**"1. Purpose of report**

**1.1 This report provides information on staff numbers, overtime and agency costs for the second quarter of 2011/2012**

**2. Background**

**2.1 The Audit Panel, at its meeting on 7<sup>th</sup> March, approved a revised reporting framework, with effect from quarter one 2011/2012, which:**

- provides information on the number and status of vacant posts in the Council;**
- compares actual staff costs to agreed staff budgets at corporate and departmental level;**
- details how much of the actual staff budget was spent on agency and overtime at corporate and departmental level.**

**3. Key Issues**

**3.1 Staff costs compared to staff budget**

- at the end of Quarter 2, 2011/2012 staff costs for the council were £41,738,410 against a target of £41,821,201
- this represents an overall underspend of £82,791 or 0.20% of budget.
- appendix 1 provides details of staff costs at corporate and departmental level.

**3.2 How much of the total was spent on overtime and agency?**

- at the end of Quarter 2 2011/2012 overtime accounted for 5.98% or £2,496,694 of direct employee costs;
- at the end of Quarter 2 2011/2012 agency accounted for 5.30 % or £2,211,424 of direct employee cost;
- appendix 2 provides details of overtime at corporate and departmental level;
- appendix 3 provides details of agency at corporate and departmental level.

**4. Resource Implications**

None.

**5. Equality and Good Relations Implications**

None .

**6. Recommendations**

- 6.1 The Audit Panel is requested to note the contents of this report.**

Appendix 1

<b>Staff costs compared to staff budget – Quarter 2 2011</b>	<b>Mid year target – Quarter 2 2011/12</b>	<b>Actual staff costs at end of September 2011</b>	<b>Variance £</b>	<b>% Variance</b>
<b>BCC</b>	<b>41,821,201</b>	<b>41,738,410</b>	<b>- 82,791</b>	<b>- 0.20</b>
<b>Chief Executive's</b>	3,290,566	3,196,014	-94,552	- 2.87
<b>Finance and Resources</b>	4,499,086	4,167,210	-331,876	- 7.38
<b>Health and Environmental Services</b>	14,241,670	14,003,341	-238,329	- 1.67
<b>Parks and Leisure</b>	10,244,771	10,797,149	552,378	5.39
<b>Development Department</b>	4,924,062	4,934,181	10,119	0.21
<b>Property and Projects</b>	4,621,046	4,640,515	19,469	0.42

Appendix 2

<b>% of staff budget spent of overtime – Quarter Two 2011</b>	<b>Actual staff costs at end of September 2011</b>	<b>How much of the total was spent on overtime at end of September 2011</b>	<b>% of Actual staff costs were overtime</b>
<b>BCC</b>	<b>41,738,410</b>	<b>2,496,694</b>	<b>5.98%</b>
<b>Chief Executive's</b>	3,196,014	31,226	0.98%
<b>Finance and Resources</b>	4,167,210	35,957	0.86%
<b>Health and Environmental Services</b>	14,003,341	989,485	7.07%
<b>Parks and Leisure</b>	10,797,149	983,816	9.11%
<b>Development Department</b>	4,934,181	190,208	3.85%
<b>Property and Projects</b>	4,640,515	266,002	5.73%

**Appendix 3**

<b>% of staff budget spent of agency – Quarter Two 2011</b>	<b>Actual staff costs at end of September 2011</b>	<b>How much of the total was spent on agency at end of September 2011</b>	<b>% of Actual staff costs were Agency</b>
<b>BCC</b>	<b>41,738,410</b>	<b>2,211,424</b>	<b>5.30%</b>
<b>Chief Executive's</b>	3,196,014	153,404	4.80%
<b>Finance and Resources</b>	4,167,210	49,618	1.19%
<b>Health and Environmental Services</b>	14,003,341	735,703	5.25%
<b>Parks and Leisure</b>	10,797,149	797,126	7.38%
<b>Development Department</b>	4,934,181	319,415	6.47%
<b>Property and Projects</b>	4,640,515	156,158	3.37%

The Director of Finance and Resources outlined the work which was being undertaken across the Council to address the issue of overtime and agency costs. He informed the Panel that a review of the requirement for agency staff was being undertaken on a case-by-case basis in order to determine if duties could be fulfilled by a full-time member of staff. An analysis of the need for overtime working for all employees was being undertaken also. He pointed out that the outcome of each review would, once completed, be presented to the Audit Panel for its consideration. At the request of Members, he undertook to provide, in future, additional information in relation to staff costs, overtime costs and agency costs on the basis of functional units within each department and in relation to the previous year.

Noted.

**Date of Next Meeting**

The Panel agreed that its next meeting be held at 1.00 p.m. on Tuesday, 6th March, 2012.

Chairman