

Audit Panel

Tuesday, 22nd October, 2013

SPECIAL MEETING OF AUDIT PANEL

Members present: Alderman Rodgers (Chairman),
Councillors Jones and Mullan; and
and Mr. D. Bell.

In attendance: Mr. R. Cregan, Director of Finance and Resources;
Mr. M. McBride, Head of Finance and Performance;
Mr. A. Harrison, Audit, Governance and Risk
Services Manager;
Ms. C. O'Prey, Audit, Governance and Risk
Services Manager;
Mr. T. Wallace, Financial Accounting Manager;
Mr. R. Allen, Director, Northern Ireland Audit Office;
Mr. A. Knox, Audit Manager, Northern Ireland Audit
Office; and
Mr. H. Downey, Democratic Services Officer.

Apologies

Apologies were reported on behalf of Aldermen M. Campbell and Smyth.

Declarations of Interest

No declarations of interest were reported.

Draft Report to those Charged with Governance 2012/2013

The Panel was advised that the Local Government Auditor had submitted to the Council her draft Report to those Charged with Governance for 2012/2013. The report summarised the system/control issues which had been identified as a result of an audit of the Council's financial accounts for that period and included a number of recommendations for implementation.

Mr. Knox provided an overview of the document and drew the Panel's attention to three significant audit risks which had been identified and which had required special consideration, namely, the adequacy of the provision relating to the closure and aftercare costs of the landfill site, the procurement of goods and services and payments made to staff below Senior Officer grade. In terms of audit findings, he reported that the Local Government Auditor had made recommendations on seven areas, which had been defined under three priority categories. The first of those, which had been considered as being 'Priority 1' in nature, insofar as it required immediate action by the Council, related to controls over income at the Belfast Zoo. That issue had been addressed as part of an internal audit of the facility which had been completed in October 2012. He reviewed the five areas which had been identified as being 'Priority 2', and which should be addressed as soon as possible, namely, Landfill Provision,

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Pension Liability Adjustment, Provision for Bad Debt, VAT Debtor and Salary Overpayment and outlined the actions which had been or would be taken to resolve those issues. The sole 'Priority 3' issue related to the standing of the Audit Panel itself, which, in the view of the Local Government Auditor, should be reconstituted as a Standing Committee, report to the Council and produce an annual report. The Director of Finance and Resources confirmed that that issue would be considered and factored into the review of the Council's governance arrangements as part of the Reform of Local Government.

Mr. Allen informed the Panel that the audit was nearing completion and that it was envisaged that the final report, which was likely to provide an unqualified opinion on the Council's financial accounts for 2012/2013, would be completed by 31st October and presented to the next meeting of the Audit Panel.

After discussion, during which Members thanked the officers of the Finance and Resources Department and the Northern Ireland Audit Office for the work which they had undertaken in relation to the audit, the Panel noted the contents of the draft report, a copy of which was available on the Modern.gov site. The Panel agreed that a report be submitted to its next meeting providing information on compliance with those actions set out within the Recommendations Monitor relating to the Belfast Zoo.

Fraud Update

The Director of Finance and Resources submitted for the Panel's consideration a report providing a further update on the incident which had, earlier in the year, resulted in payments having been made to a fraudulent bank account. He reported that the Strategic Policy and Resources Committee, at its meeting on 20th September, 2013, had agreed a protocol setting out the arrangements for informing Elected Members of instances of suspected fraud which involved the Council's money or assets and/or potential reputational risk to the organisation. In such cases, he would, unless advised otherwise by the Police Service of Northern Ireland, be required to inform the Council's Budget and Transformation Panel, the Northern Ireland Audit Office and the Chairmen of the Strategic Policy and Resources Committee and the Audit Panel and would liaise with the Head of Corporate Communications to draft a media statement on the incident. He added that the number of ongoing fraud and whistleblowing cases under investigation across the Council was reported on a quarterly basis to the Audit Panel via the Audit, Governance and Risk Services Progress Report.

The Head of Finance and Performance reported that the Council's insurance brokers had confirmed in writing that a payment of £260,000 would be made to the Council in relation to the aforementioned fraud. As part of that settlement, the annual premium to be paid by the Council for its Fraud Insurance Policy would not be increased and the wording of the third party element of the policy would be amended to cover that type of fraud.

The Panel noted the contents of the report and commended those officers who had been involved in investigating the fraud and implementing measures to prevent a recurrence. The Panel agreed that the Corporate Communications Unit, in consultation with the Director of Finance and Resources, should consider the most appropriate way

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in which to communicate the insurance settlement and agreed also that, in future, an update report on fraud and whistleblowing be included as a standing item on its agenda.

Updated Annual Governance Statement 2012/2013

The Panel was reminded that the Council had a statutory responsibility to prepare and publish annually, as part of its Financial Report, an Annual Governance Statement. The Governance Statement relating to 2012/2013 had, on 21st June, been approved as part of the Council's Financial Accounts for that period by the Strategic Policy and Resources Committee and had, subsequently, been signed off, as required, by the Chairman of that Committee, the Chief Executive Officer and the Chief Financial Officer.

The Director of Finance and Resources explained that, following the signature of the document, two significant events had occurred which would necessitate the submission of an amended document for approval. The first of those events concerned the incident of fraud, as reported earlier in the meeting, which had led to payments having been made to a fraudulent bank account. The second event related to the completion of a review by the Information Commissioner's Office into a data breach which had occurred during 2011/2012 within the Chief Executive's Department. He reported that the Annual Governance Statement for 2012/2013 had, in line with the Code of Practice on Local Authority Accounting in the United Kingdom, been amended to reflect those events. The Statement, a copy of which was available on the Modern.gov website, had made reference also to the fact that there had been a delay in the establishment of the Statutory Transition Committee arising from a review of the nomination process being undertaken currently by the Department of the Environment.

After discussion, during which Mr. Allen confirmed that the Northern Ireland Audit Office was content with the aforementioned additions, the Panel agreed to recommend the updated Annual Governance Statement for 2012/2013 to the Strategic Policy and Resources Committee for approval, following which it would be signed by the Chairman of that Committee, the Chief Executive Officer and the Chief Financial Officer.

Audit Recommendations Monitor

The Panel was reminded that its terms of reference included provision for it to consider reports from Audit, Governance and Risk Services on agreed audit recommendations which had not been implemented within a reasonable timescale. The Audit, Governance and Risk Services Manager reported that Audit, Governance and Risk Services had completed recently a review of the status of all open recommendations and he drew the Panel's attention to a report relating to the period ending on 30th September, 2013.

He explained that, in July, 2013, there had been a total of 482 actions on the recommendation monitoring system which had not been implemented or only partially implemented. Of those, 42 had not as yet been due for implementation. Arising from the aforementioned review, 173 actions had been closed, as a result of work which had been taken by management, and a further 7 were no longer applicable. He highlighted, in particular, actions which had been taken to improve the control environment in

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relation to the Belfast Waterfront Hall, Bereavement Services, corporate complaints, income/accounts receivable and the Belfast Zoo. Of the 260 actions which remained open, those relating to areas where policy development and implementation work was required and where long-term improvement plans were being worked through were taking longer to implement. He added that Audit, Governance and Risk Services was in the process of implementing a recommendation monitoring and reporting process aimed at improving the information being reported to the Panel in terms of implementation progress.

After discussion, the Panel noted the information which had been provided.

Audit Arrangements for Policing and Community Safety Partnerships

The Panel considered the undernoted report:

“1 Relevant Background Information

1.1 At the Audit Panel meeting on 11th September, Members requested a paper providing an overview of the audit / assurance arrangements in relation to Policing and Community Safety Partnerships (PCSPs). This report sets out the audit arrangements of the Partnerships.

1.2 Policing and Community Safety Partnerships were established on 1st April, 2012 and seek to make our community safer.

1.3 They are statutory bodies established under the Justice Act (NI) 2011 and bring together, in one partnership, the functions and responsibilities of District Policing Partnerships (DPPs) and Community Safety Partnerships (CSPs).

1.4 They are funded jointly by the Department of Justice (DOJ) and the Northern Ireland Policing Board (NIPB).

1.5 In Belfast, there is an overarching Policing and Community Safety Partnership and four District Policing and Community Safety Partnerships (North, South, East and West).

2 Key Issues

2.1 The audit arrangements for Policing and Community Safety Partnerships fall under the following three headings:

- NIPB Internal Audit Services**
- BCC Internal Audit (AGRS)**

- NIAO External Audit

2.2 NIPB Internal Audit Services

Under the Justice Act, a Joint Committee, consisting of representatives from DOJ and NIPB, has been established to oversee the work of PCSPs. The Joint Committee has a statutory requirement to provide an assurance on PCSP expenditure and the Council allows the Joint Committee, its agents and auditors reasonable access to our premises and records relating to the PCSP.

The NIPB has an Audit and Risk Management Committee to support it in its responsibilities for issues of risk, control and governance and associated assurance. The responsibilities of this Committee include monitoring and making recommendations to the Community and Engagement Committee on reports on financial audits of the Policing and Community Safety Partnerships. The completion of such audits is undertaken by the NIPB internal audit provider in line with their agreed Internal Audit Strategy and Plan and will involve checks that all financial and procedural controls are adhered to. These internal audit reports are not issued to Belfast City Council, however the NIPB have confirmed that where appropriate, any issues relevant to Belfast, would be communicated through the appropriate channels.

2.3 BCC Internal Audit (AGRS)

AGRS has prepared, and the Audit Panel has approved, an Internal Audit Plan for 2013-2014, which includes the 3 year strategic internal audit plan. This 3 year strategic plan provides for an internal audit of Policing and Community Safety Partnerships in 2014-2015. This review will give direct assurance to the Council's senior management and Audit Panel on the adequacy of controls over this area.

2.4 NIAO External Audit

Through the annual audit of the Councils financial report, the NIAO examines that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is accounted for. This includes income and expenditure associated with the Policing and Community Safety Partnerships.

2.5 Risk, Control and Governance Arrangements

In addition to the audit arrangements, it is important to note that management are responsible for ensuring that there are proper risk, control and governance arrangements in place and that this is an important source of assurance.

The PCSP follows the Code of Practice for the Exercise of Functions by Policing and Community Safety Partnerships and District Policing and Community Safety Partnerships.

In addition the PCSP follows the Financial Guidelines for Policing and Community Safety Partnership and District Policing and Community Safety Partnerships. The Financial Guidelines provide guidance to assist Councils and PCSPs to carry out their statutory responsibilities and describe the conditions which are attached to the Agreement of Funding between the Joint Committee and Council in relation to the costs of PCSPs.

3 Resource Implications

**3.1 Financial
None**

**3.2 Human Resources
None**

**3.3 Asset and Other Implications
None**

**4 Equality and Good Relations Considerations
None.**

5 Recommendation

5.1 The Audit Panel is requested to note the audit arrangements for the Policing and Community Safety Partnerships.”

After discussion, the Panel adopted the recommendation and agreed that a report providing information on the Council’s financial guidelines, audit and related issues, including Declarations of Interest, be included as an agenda item on forthcoming meetings of the Belfast Policing and Community Safety Partnership and the four District Policing and Community Safety Partnerships and that they be provided with briefings. The Panel agreed also that a separate briefing be held for Council officers who serviced those Partnerships and that the process should, as had been suggested by Mr. Allen, include an input from the Department of Justice and the Northern Ireland Policing Board.

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Date of Next Meeting

The Panel noted that its next meeting would take place at 1.00 p.m. on Tuesday, 10th December.

Chairman