

# Audit Panel

Tuesday, 11th March, 2014

## MEETING OF AUDIT PANEL

Members present: Alderman Rodgers (Chairman);  
Councillors Hutchinson, Jones and Mullan; 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, Acting Head of Audit, Governance  
and Risk Services;  
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.

### **Apology**

An apology was reported on behalf of Alderman M. Campbell.

### **Minutes**

The minutes of the meeting of 10th December were taken as read and signed as correct.

### **Declarations of Interest**

Mr. D. Bell declared an interest in agenda item 12, namely, Extension of Contract for Non-Executive Member of the Audit Panel, and left the meeting whilst the matter was under consideration.

### **Councillor Hutchinson**

The Chairman welcomed to his first meeting Councillor Hutchinson who had replaced the former Alderman Smyth on the Panel.

### **Update on Corporate Risk Management**

The Panel considered the undernoted report:

#### **"1.0 Relevant Background Information**

**The purpose of this report is to:**

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- a) advise the Assurance Board / Audit Panel of the main issues arising from the review of the corporate risks and to present the updated corporate risk register for quarter ending December 2013 for review and approval
- b) update the Assurance Board / Audit Panel on the operation of the related assurance processes.

## **2.0 Key Issues**

### **1. Corporate Risk Review**

There are two main updates in respect of the corporate risk register:

#### **Risk 11 - Failure to attract EU / other external funding and manage and deliver designated capital projects within deadlines and in compliance with funding requirements.**

Currently, the Director of Development is the Risk Owner, with the focus of risk management activity being on getting the letters of offer in place for major capital projects with significant external / EU funding. It has been agreed that after the letters of offer are in place, the Director of Property and Projects will be the Risk Owner with the focus of risk management activity being on delivery of major projects within the terms and conditions of the letters of offer. There are clear dependencies between the agreement of the letters of offer and the risk associated with project delivery and compliance with funding terms and conditions. It is important to note, that the longer it takes to finalise the letters of offer, the more risk there is associated with the delivery of these projects within the terms and conditions of the letter of offer, in particular, the procurement, delivery, payment of these projects within the tight timeframe of 31st December 2015. The delay in finalising the letters of offer could also lead to an increase in the amount of money that the Council is spending 'at risk' on these projects.

In the light of the above, CMT have asked the Director of Development to write to Invest NI to highlight the implications arising from the delays in the ERDF letters of offer.

#### **Good Relations / Peace III**

In addition, during November 2013 the Director of Health and Environmental Services took on oversight responsibility for the Good Relations Unit, including the Peace III Unit, both of

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which have operational risk registers in place. Responsibility for the financial management will also transfer to the Director of Health and Environmental Services from 1st April 2014. The Director has indicated that she intends to review closely these operational risk registers by the end of April 2014 and determine whether any risks require escalation.

Planned work includes a 'due diligence' review of the financial position and control environment for all significant Good Relations / Peace III grants and projects. The Director is working with AGRS on the development of the terms of reference for this review.

#### **Corporate Risk Register**

The updated corporate risk register has been circulated to the Panel.

## **2. Assurance on the Management of Risk**

#### **Management Assurance**

Each of the 15 risks in the corporate risk register has a Risk Owner who is responsible for ensuring that the risk is managed effectively and evidenced as such in the risk action plan.

Management are responsible for ensuring that risks are properly identified, evaluated, managed and reviewed. Departmental Risk Champions coordinate and monitor the update of the risk registers and risk action plans within the Department.

In order to obtain assurance on the management of risk, on a quarterly basis each Chief Officer and the Town Solicitor, 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; and
- provide a formal assurance that the risks are being managed.

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**AGRS can confirm that, for the quarter ending December 2013, all Chief Officers and the Town Solicitor have signed their Quarterly Assurance Statements confirming that the corporate, departmental and operational risk registers and action plans have been reviewed and updated.**

**AGRS Review of Key Corporate Risks**

**The corporate risk register contains the following red risks, which are likely to be declared in the Annual Governance Statement for y/e March 2014:**

- **management of the city's waste;**
- **local government reform;**
- **health and safety;**
- **information management;**
- **sustain and enhance the rate base;**
- **EU / external funding for major capital projects; and**
- **Leisure Transformation Programme.**

**In line with previous years, in order to support the Audit Panel in their review and recommendation of the Annual Governance Statement to the SP&R Committee for approval, AGRS proposes to undertake a focused review the management of the above 'red' risks, with the exception of the health and safety risk, which will be subject to an independent follow-up review during 2014/15. The timetable for the review of the corporate risks by AGRS has been circulated to the Panel.**

**We do not propose to review the management of the following risks, which were declared in previous Annual Governance Statements and which were reviewed by AGRS previously, because these risks have remained amber for over a year and are being reviewed and managed through the corporate risk register and supporting risk action plans.**

- **strategic management of the Council's assets**
- **delivery of the Investment Programme**
- **failure to maximise the collectible rate**

**Project Risk Management**

**The Director of Property and Projects has liaised with AGRS to clarify the Council's arrangements for managing risks on projects. While risk management is a key component of good project management and it is recommended that all projects have robust processes in place to manage risk, the process is only mandatory for 'high risk' projects.**

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The Director of Property and Projects has defined “high risk” projects as those that are either:

- a) capital projects that are externally funded or
- b) revenue projects that have a high political profile.

The current list of ‘high risk’ projects and the associated Senior Responsible Officers has been forwarded to the Panel.

For these ‘high risk’ projects, the relevant Programme Managers are responsible:

- for checking that the project risk registers and action plans have been reviewed and updated quarterly and
- reporting back to the Director of Property and Projects on compliance with the quarterly review of project risks

The Director will use this information to complete his Quarterly Assurance Statement and to consider whether any particular project risks should be considered for escalation to the Corporate Risk Register.

### **3. MK insight – Risk Management module**

Further to the roll out of the risk management module in the Finance and Resources Department, the system is due to be rolled out to both the Chief Executives Dept and the Property and Projects Dept for the y/e March, 2014. Risk information is being loaded onto the system at present, with training for relevant departmental staff scheduled for the end of March, 2014.

### **4. Business Continuity Management – Update**

Business continuity is a risk within the corporate risk register. One of the key ways that Members and Chief Officers can gain assurance over the arrangements we have in place to manage a disruption to our services, is that the Business Continuity (BC) plans are up to date and have been exercised (at least annually) to ensure their effectiveness.

As at 21st February, of the 15 critical services, 7 have undertaken or scheduled an exercise of their BC plan for 2013/2014. Only one Exercise Report has been approved and submitted to AGRS for monitoring purposes.

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**At the recent round of quarterly risk and audit update meetings, Directors have been asked to ensure that:**

- **the Exercise Scenario for each critical service has been reviewed and approved at HOS / Director level**
- **all critical services schedule and undertake their BC plan exercise before 31st March 2014**
- **an Exercise Report is prepared by each critical service and that the report is reviewed and approved at HOS / Director level before 31st March 2014.**

**3 Resource Implications**

**Financial**

**None.**

**Human Resources**

**None.**

**Asset and Other Implications**

**None.**

**4 Equality Implications**

**None.**

**5 Recommendation**

**The Audit Panel is requested to note this report.”**

After discussion, the Panel adopted the recommendation.

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

The Panel considered a report which provided an overview of the work which had been carried out over the previous three months by Audit, Governance and Risk Services.

The Audit, Governance and Risk Services Manager confirmed that audits had been finalised in relation to IT infrastructure, Commercial Waste Collection Services, Procurement, Property Maintenance, Birth, Deaths and Marriages/Civil Partnerships, the Local Investment Fund and Belfast City Centre Management. He updated the Panel on those audits and provided details on investigations which were ongoing. In terms of other work, he confirmed, amongst other things, that a report on the outcome of a data matching exercise which had been undertaken in 2012/2013, as part of a National Fraud Initiative would be submitted to a future meeting of the Panel for its consideration. In addition, information on the Council's Fraud and Whistleblowing Policies was now being communicated to staff and training on fraud awareness was in

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the process of being rolled out. He added that staff from Audit, Governance and Risk Services had attended meetings of the Policing and Community Safety Partnerships to advise of their governance and audit arrangements.

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

**Audit Recommendations Monitor**

The Panel was reminded that its Terms of Reference included provision to consider reports from Audit, Governance and Risk Services on agreed recommendations which had not been implemented within a reasonable timescale.

The Audit, Governance and Risk Services Manager reported that, of the 289 actions which had been due for implementation by 31st January, 177 remained outstanding, with the majority being more than 120 days beyond their scheduled implementation date. She explained that those actions which had taken the longest time to implement related to areas where policy development and implementation work was required and where longer term improvement plans were being progressed, such as procurement and accounts payable.

During discussion, several Members expressed concern that three Departments, namely, Finance and Resources, Parks and Leisure and Property and Projects, accounted for the majority of the outstanding actions.

The Head of Finance and Performance explained that, in terms of the Finance and Resources Department, the outstanding recommendations related primarily to Accounts Payable, Accounts Receivable and Purchasing/Accounts Payable and that those formed part of the SAP Improvement Plan. He reviewed the work which was being undertaken, which included improvements in the processes around purchase ordering, goods receiving and invoice payment, the provision of training and enhanced reporting mechanisms and policies.

After discussion, the Panel noted the information which had been provided and agreed that the Directors of Finance and Resources, Parks and Leisure and Property and Projects be advised of its concerns around the number of actions which were outstanding within their Departments and the need for measures to be put in place as a matter of urgency to address the matter.

**Audit, Governance and Risk Services – Annual Strategy and Plan 2014/2015**

The Acting Head of Audit, Governance and Risk Services submitted for the Panel's consideration a draft Audit and Risk Management Strategy and Plan for 2014/2015. The document set out the aims of the Strategy and Plan, together with the factors which had been taken into account in its development, and provided information on the audit activities and quality assurance and improvement work which would be undertaken by Audit Governance and Risk Services over the course of the year. He confirmed that the views of Council Departments had been sought on the document and that it would, upon being approved, be submitted to the Northern Ireland Audit Office for its information.

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The Panel approved the Audit, Governance and Risk Management Strategy and Plan for 2014/2015, a copy of which was available on the Mod.gov website.

**Self Assessment and Evaluation of the Audit Panel**

The Panel considered the undernoted report:

**“1 Relevant Background Information**

**1.1 A workshop for Audit Panel Members, facilitated by AGRS, took place on 28th January at Belfast Castle. The training was attended by three of the six Elected Members, by the independent member, by the Director of Finance and Resources, by a member of the LGR team and also by AGRS officers.**

**1.2 The objectives of the workshop were for the Audit Panel to:**

**a) consider some of the implications of Local Government Reform for the Council’s Audit Panel (committee) arrangements;**

**b) receive a briefing on the content of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police (issued December 2013); and**

**c) undertake a self-assessment of the Audit Panel against good practice and an evaluation of the effectiveness of the Audit Panel in line with the above guidance issued by CIPFA on Audit Committees. These exercises help the Panel meet a requirement of the Accounts and Audit legislation, in that it has undertaken a review of its effectiveness during the year.**

**1.3 This report presents the outcome of the Audit Panel’s self-assessment and evaluation of effectiveness, along with improvement actions arising from the workshop for the review and approval of the Audit Panel.**



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**2 Key Issues**

**2.1 Overall the Audit Panel felt that they were able to demonstrate strengths in the following areas.**

- **The Council has an established Audit Panel that meets regularly and has always (in recent memory) been quorate**
- **Audit Panel members see the Audit Panel as having a key governance role in the Council**
- **The Audit Panel is subject to external review and annual self-assessment /evaluation**
- **During the Audit Panel external review, feedback is actively sought**
- **The Audit Panel is an all party working group that does not allow politics to interfere with its programme of work**
- **The Audit Panel has an independent member who has brought additional expertise, and challenge to the group**
- **Audit Panel meetings are chaired effectively (Chair is member of other Audit Committees)**
- **The Audit Panel receives training at least annually and regular briefings**
- **The Audit Panel enjoys a good working relationship with the Chief Financial Officer, other senior members of staff and the NIAO**
- **The Audit Panel enjoys good administrative support**
- **The Audit Panel has helped ensure that the implementation of audit recommendations is taken seriously.**

**2.2 AGRS has written up the Audit Panel's self-assessment and evaluation of effectiveness that was undertaken at the workshop in January 2014, copies of which have been circulated to the Panel.**

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**2.3 The Audit Panel's self-assessment of good practice against the CIPFA Position Statement and Practical Guidance shows that overall the Panel was able to demonstrate that it complied with good practice, which is an indicator that the committee is soundly based and has in place knowledgeable membership, both of which are essential factors in developing an effective audit committee.**

**2.4 In addition the evaluation of the effectiveness of the Audit Panel at the workshop indicated that overall, the Audit Panel scored highly on the areas where it can add value.**

**2.5 When undertaking the above self-assessment and evaluation exercises, the Audit Panel identified some areas for improvement. These are summarised below:**

- Clarify audit / Audit Panel arrangements for the Shadow Council**
- Review Audit Panel arrangements in light of Local Government Reform, and update terms of reference as appropriate**
- To further raise the profile and understanding of the work of the Audit Panel with members and officers**
- Provide an annual report on Audit Panel activity to the Strategic Policy & Resources Committee**
- Remind Audit Panel members of the importance of attending all meetings of the Audit Panel**
- Consider whether the Audit Panel should be able to bring in representative from key stakeholder organisations e.g. Land and Property Service or Government Departments, where required**
- Develop a proper training programme for members of the Audit Panel and to test it against the CIPFA knowledge and skills framework in the position statement**
- For future training sessions / self-assessment sessions, request that minutes are taken.**

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**3 Resource Implications**

**3.1 Financial  
None.**

**3.2 Human Resources  
None.**

**3.3 Asset and Other Implications  
None.**

**4 Equality Implications**

**4.1 None.**

**5 Recommendations**

**5.1 The Audit Panel is asked to review and confirm:**

**a) Self-assessment against good practice**

**b) Evaluation of effectiveness and the improvement actions identified at the workshop of the Audit Panel**

**5.2 Subject to Audit Panel review and approval, AGRS will then prepare an action plan to ensure that these actions are implemented and, where appropriate, considered in the context of the ongoing governance review taking place as part of preparing for Local Government Reform.”**

After discussion, the Panel adopted the recommendations and agreed that point 4. within the Self Assessment of Good Practice be amended to reflect that the role and purpose of the Audit Panel was partly, rather than fully, understood across the Council.

**Northern Ireland Audit Office – Report on the Exercise by  
Local Government Auditors of their Functions**

The Acting Head of Audit, Governance and Risk Services drew the Panel's attention to a report which had been issued by the Northern Ireland Audit Office providing an opinion on the audits of local councils, based upon key messages from audits which had been carried out primarily in the year up to 31st March, 2013. The report highlighted areas of strength for each council and identified other areas where improvement was required. The Audit Panel had been advised previously of issues which were of relevance to the Council and had reviewed the response which had been formulated. He confirmed that the implementation of those actions which had arisen from the Northern Ireland Audit Office's report were being monitored by Audit, Governance and Risk Services through its tracking system and that information in that

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regard had been included within the Audit Recommendations Monitor report, which had been considered earlier in the meeting.

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

**Northern Ireland Audit Office – Audit Strategy 2013/2014**

The Panel was advised that the Northern Ireland Audit Office was the appointed independent external auditor, under the Local Government (Northern Ireland) Order 2005, and that it was required to examine, certify and report on the financial statements of the Council. Accordingly, the Panel considered the contents of a document which outlined the procedures and processes by which the Audit Office would undertake the audit of the Council's 2013/2014 financial statements, a copy of which was available on the Council's Mod.gov system. Mr. Allen outlined the principal aspects of the strategy document in terms of the respective responsibilities of the Council and the Audit Office, the scope and timescale of the audit, together with the records which would be provided for inspection.

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

**Update on Corporate Health and Safety and Performance**

(Ms. E. Eaton, Corporate Health and Safety Manager, attended in connection with this item.)

The Corporate Health and Safety Manager provided the Panel with an update on the corporate health and safety performance and associated activities for the third quarter of the year 2013/2014. She confirmed that the overall number of accidents which had been reported across the Council during that period had shown a slight increase on the previous quarter and reviewed the level of compliance with actions arising from health and safety recommendations. During the fourth quarter, a new software system would be implemented for monitoring the implementation of health and safety recommendations, which would improve the level of scrutiny of Departmental performance and enhance the information being presented to the Health and Safety Assurance Board and the Audit Panel.

She explained that correspondence had been received from the Health and Safety Executive Northern Ireland providing an update on the work of the Exemplar Employer Group. That Group, which was comprised of representatives of the Health and Safety Executive Northern Ireland, the Society of Local Authority Chief Executives and local authority health and safety professionals, sought to maintain a consistency of approach to health and safety within local authorities in Northern Ireland. It was envisaged that a member of the Group would be invited to attend a future meeting of the Panel in order to outline the extent of its work.

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

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**Absence Report**

The Director of Finance and Resources drew to the Panel's attention a report providing information in respect of the absence figures for the third quarter of the year 2013/2014. He reported that, at the end of that period, the average number of days' sickness absence per full time employee had been 6.80, which represented a reduction of 1.69 days on the same period in the previous year. The number of absences which had been classified as long term (20 days or more) during the quarter had been 58.71%, as opposed to 59.32% for the corresponding quarter in 2012/2013. Furthermore, there had been an increase in the number of staff with no recorded absence, viz., 54.12% compared to 47.79% in the same quarter in the previous year. The Director confirmed that it was anticipated that the sickness absence target of 10 days which had been established for 2013/2014 would be met.

Noted.

**Employee Costs**

The Panel considered a report which provided an overview of the Council's staffing, overtime and agency costs for the third quarter of 2013/2014.

The Head of Finance and Performance reported that there had, at the end of that period, been an underspend on staff costs of £83,784.62 (0.13%). Overtime costs and agency costs had accounted for £3,340,008.38 (5.12%) and £3,510,451.24 (5.38%) of total employee costs, respectively. He reviewed the work which was being undertaken to address those costs and pointed out that they would continue to be managed in accordance with corporate guidelines.

After discussion, during which the Members expressed concern in relation to the ongoing high levels of overtime and agency costs, the Panel noted the information which had been provided and agreed that the next scheduled report on the matter should provide a breakdown of those costs on a Departmental basis.

**Extension of Contract for External Member**

The Acting Head of Audit, Governance and Risk Services reminded the Members that Mr. D. Bell had, in August, 2011, been appointed to serve as the External Member on the Audit Panel. He reported that Mr. Bell's contract would expire in August, 2014, and that, given the importance of that role and the limited term of the current Council, it was considered more appropriate to extend that arrangement for a further year than to initiate at this time an expensive recruitment process and provide the level of training necessary to undertake the role. He pointed out that the Council's Legal Services Section had confirmed that the current agreement included provision to extend the contract, subject to the agreement of both parties, and that Mr. Bell had indicated that he would be willing to continue in his current role for an additional year.

Accordingly, the Panel agreed to extend Mr. Bell's contract until 31st March, 2015.

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**Date of Next Meeting**

The Panel agreed to hold its next meeting in June, on a date to be identified in consultation with the Chairman.

Chairman