



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	<b>Annual Report from Audit Panel to Strategic Policy and Resources Committee</b>
<b>Date:</b>	19th June 2014
<b>Reporting Member:</b>	Alderman Rodgers, Chair of the Audit Panel
<b>Contact Officers:</b>	Ronan Cregan, Director of Finance and Resources, ext 6184 Andrew Harrison, Acting Head of Audit, Governance and Risk Services, ext 4641

<b>1.</b>	<b>Relevant Background Information</b>
1.1	As Members will be aware, the Council has an Audit Panel which is constituted as a working group, reporting to the Strategic Policy and Resources Committee. The Panel is comprised of 6 Elected Members (one from each party grouping), supported by an independent, external member. Minutes of the Panel's meetings are reported to the Strategic Policy and Resources Committee.
1.2	The purpose of Belfast City Council's Audit Panel is to provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. The Panel also oversees the Council's financial reporting process. A copy of its terms of reference are attached.
1.3	In line with good practice, and to address a specific action identified by Audit Panel Members at a recent workshop, the main purpose of this paper is for the Audit Panel, through its Chairman, to report to the Strategic Policy and Resources Committee on the work of the Panel during 2013/14. This is to raise awareness of the work of the Panel and the key issues arising from its work. The Panel is accountable to the Strategic Policy and Resources Committee and it is important the Committee is aware of and oversees its work.
1.4	In addition, this paper also refers cross-refers to a number of key 'year end' reports that have been reviewed by the Panel at its June 2014 meeting and which are now being brought to the attention of the Strategic Policy and Resources Committee for review / approval.

2.	<b>Key Issues</b>
	<p data-bbox="300 304 960 331"><b>Summary of the Work of the Panel in 2013/2014</b></p> <p data-bbox="209 367 1359 434">2.1 During 2013/2014 the Panel had 6 formal meetings (including two special meetings) and a workshop, as follows</p> <ul data-bbox="347 470 794 712" style="list-style-type: none"> <li>• 11th June 2013</li> <li>• 12th August 2013 (special)</li> <li>• 11th September 2013</li> <li>• 22th October 2013 (special)</li> <li>• 10th December 2013</li> <li>• 28th January 2014 (workshop)</li> <li>• 11th March 2014</li> </ul> <p data-bbox="209 748 1359 882">2.5 The Panel has considered audit plans and issues arising from audit activity, such as the findings, assurance levels and recommendations arising from audit work and the progress being made to implement audit recommendations. It has also received regular updates on:</p> <ul data-bbox="300 918 1359 1249" style="list-style-type: none"> <li>• the Council's financial position, as set out in its financial statements</li> <li>• reports from the Council's external auditors</li> <li>• risk management</li> <li>• business continuity</li> <li>• fraud, financial irregularity and whistleblowing investigations</li> <li>• governance related matters</li> <li>• financial control</li> <li>• health and safety</li> <li>• HR matters, such as staff complements, overtime, agency costs and staff attendance.</li> </ul> <p data-bbox="300 1285 466 1312"><b>Assurances</b></p> <p data-bbox="209 1348 1043 1375">2.6 The key assurances that the Panel receive are as follows</p> <ul data-bbox="300 1411 1359 1823" style="list-style-type: none"> <li>• the Council's draft financial statements and annual governance statement, as prepared by the Director of Finance and Resources and his team; this provides a management assurance on the Council's financial position</li> <li>• the audited accounts and the associated external audit annual letter (providing an opinion on the accounts) and report to those charged with governance (setting out control issues arising from the annual external audit), as prepared and presented by the Northern Ireland Audit Office. This provides an external assurance on the Council's financial position</li> <li>• the Head of Audit, Governance and Risk Service's annual assurance statement on the adequacy and effectiveness of the Council's risk management, control and governance arrangements. This is based on the findings of internal audit work completed throughout the year</li> </ul> <p data-bbox="209 1859 1359 2123">2.7 In 2013/14 the Panel received the requisite assurances (in relation to the external audit this related to the previous financial year's accounts). Where areas for improvement have been identified these have been reported and implementation of agreed recommendations is actively monitored and reported back to the Panel. The Panel has, on occasions, raised issues where either audit reports have identified significant issues or progress against recommendations has not been satisfactory, with Directors asked, where necessary, to attend the Panel and provide further explanation.</p>

	<p><b>Review of the Effectiveness of the Audit Panel and Local Government Reform</b></p>
2.8	<p>The Audit Panel held a workshop on 28 January 2014 at Belfast Castle at which Panel Members undertook a self-assessment of the role / work of the Audit Panel against good practice and considered the impact of Local Government Reform in relation to the Audit Panel. Members were largely able to confirm compliance with good practice. With regard to Local Government reform the Members present expressed a preference for the Panel to continue to operate as a Working Group.</p>
2.9	<p>As Members will be aware the governance arrangements of the Council are currently being reviewed and, as part of this the Audit Panel arrangements and terms of reference will be fully reviewed.</p>
	<p><b>Related Papers presented for review / approval by the Strategic Policy and Resources Committee</b></p>
2.10	<p>As noted at paragraph 1.4 (above), number of key 'year end' reports that have been reviewed by the Panel at its June 2014 meeting are now being brought to the attention of the Strategic Policy and Resources Committee for review / approval, as follows:</p> <ul style="list-style-type: none"> <li>• Minutes of Audit Panel 10 June 2014</li> <li>• Belfast City Council's Assurance framework – a description of key governance / assurance arrangements that the Council has in place</li> <li>• A report on the Council's draft financial statements 2013/14, including the Council's Annual Governance Statement.</li> </ul>

<b>3.</b>	<b>Equality and Good Relations Considerations</b>
3.1	There are no equality or good relations considerations relating to this paper.

<b>4.</b>	<b>Resource Implications</b>
	<b><u>Financial</u></b>
4.1	None
	<b><u>Human Resources</u></b>
4.2	None
	<b><u>Asset and Other Implications</u></b>
4.3	None

<b>5.</b>	<b>Recommendations</b>
5.1	That the Committee notes the annual report of the Audit Panel.
5.2	That the Committee notes that the Council's Audit Panel arrangements are under review as part of the wider review of the Council's governance arrangements.
5.3	That the Committee reviews / approves the following related papers: <ul style="list-style-type: none"> <li>• the minutes of Audit Panel 10 June 2014</li> <li>• Belfast City Council's Assurance framework</li> <li>• the Council's draft financial statements 2013/14, including the Council's Annual Governance Statement.</li> </ul>

<b>6.</b>	<b>Decision Tracking</b>
6.1	Andy Harrison, Acting Head of Audit, Governance and Risk Services

<b>7.</b>	<b>Document Attached</b>
7.1	Audit Panel terms of reference

## **Belfast City Council Audit Panel**

### **Statement of Purpose and Terms of Reference (approved March 2013)**

#### **Statement of Purpose and Terms of Reference for the Audit Panel**

##### 'Purpose of the Audit Panel

'The purpose of Belfast City Council's Audit Panel is to provide an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It will provide an independent scrutiny of the Council's financial and non-financial performance to the extent that it exposes the Council to risk and weakens the control environment. The Panel will also oversee the Council's financial reporting process.'

The Audit Panel will also have the function of providing scrutiny in relation to the implementation of the Council's policy decisions for the purpose of ensuring that the Council meets its obligations to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness, pursuant to section 1 of the Local Government (Best Value) (NI) Act 2002.

##### Audit Activity

1. To consider the Head of Audit, Governance and Risk Services annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give concerning the Council's risk, control and governance arrangements.
2. To consider summaries of specific internal audit reports.
3. To consider reports dealing with the management and performance of Audit, Governance and Risk Services.
4. To consider reports from Audit, Governance and Risk Services on agreed recommendations not implemented within a reasonable timescale.
5. To consider the Northern Ireland Audit Office's (NIAO's) annual audit letter and report to those charged with governance and relevant reports.
6. To consider all recommendations, reports and declarations of the NIAO.

##### Scrutiny Role

7. To scrutinise the Council's arrangements for ensuring value-for-money, pursuant to section 1 of the Local Government (Best Value) (NI) Act 2002.
8. To commission work from internal audit (including value-for-money and review of the progress of any improvement plans) and external audit.

9. To comment on the scope and depth of external audit work and to ensure it gives value-for-money.

#### Regulatory Framework

10. To maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
11. To monitor the effective development and operation of risk management and corporate governance in the Council.
12. To monitor Council policies on whistleblowing and the fraud policy strategy and the Council's complaints process.
13. To oversee the production of the Council's annual governance statement and to recommend its adoption.
14. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
15. To consider the Council's compliance with its own and other published standards and controls.
16. To oversee the Council's risk, control and governance arrangements for health and safety

#### Accounts

17. To review the annual statement of accounts and annual governance statement. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
18. To consider the external auditor's report to those charged with governance on issuing arising from the accounts'."

#### Referral

19. The Audit Panel shall consider any issue referred to it in relation to these terms of reference by the Council or any Committee. Furthermore, the Audit Panel shall also consider any matter brought to its attention by the Chief Executive.
20. Where any individual Member wishes to raise an issue under these terms of reference, the Member shall accordingly either raise the matter through the Committee or in the case of urgency with the Chief Executive.