

Audit and Risk Panel

Tuesday, 6th March, 2018

MEETING OF AUDIT AND RISK PANEL

Members present: Alderman Rodgers (Chairperson);
Councillors Armitage, Craig, Hargey,
Heading, Hutchinson; and Mr. R. Cox.

In attendance: Mr. R. Cregan, Director of Finance and Resources;
Mr. A. Harrison, Head of Audit, Governance
and Risk Services;
Mr. P. Murray, Head of Human Resources;
Mr. T. Wallace, Financial Accounting Manager;
Mr. L. Mulholland, Audit, Governance and Risk
Services Manager;
Mrs. C. O'Prey, Audit, Governance and Risk
Services Manager;
Mrs. E. Eaton, Corporate Health and Safety Manager;
Mrs. C. Kane, Director, Northern Ireland Audit Office; and
Ms. E. McGoldrick, Democratic Services Officer.

Pre-meeting with Head of AGRS

The Audit and Risk Panel met privately with the Head of Audit, Governance and Risk Services (AGRS) before the meeting commenced.

Apologies

No apologies were reported.

Minutes

The minutes of the meeting of 8th December, 2017, were taken as read and signed as correct.

Declarations of Interest

No declarations of interest were recorded.

Audit and Risk Panel Terms of Reference and Annual Programme of Work 2018

The Head of Audit, Governance and Risk Services (AGRS) advised the Panel that, in line with good practice, the purpose statement and terms of reference of the Audit and Risk Panel had been reviewed and aligned to a proposed programme of business for the Panel for 2018. He reported that the purpose and terms of reference of the Panel were important because they set out the role of the Panel in the context of the Council's governance structures.

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The Panel was reminded that the terms of reference had been updated last year to reflect an oversight role for the Panel in relation to performance management and related arrangement for performance management, together with consideration of related Northern Ireland Audit Office reports on performance, management responses and action to implement audit recommendations. He pointed out that, following the recent external review of AGRS the terms of reference, the role of the Panel in relation to risk management had also been updated under item 8 to better reflect the assurance role of the Panel in relation to risk management.

He explained that the Programme of Business for 2018 was outlined in Appendix B of the report which had been aligned to the scheduled meeting dates of the Audit Panel.

The Panel approved the Audit and Risk Panel's purpose and terms of reference statement and the indicative programme of business for 2018.

Absence Rates at Quarter 3 - 2017-2018

The Panel considered a report providing information on the absence figures for the third quarter of 2017/2018. The Head of Human Resources reported that sickness absence per employee for that period had been 9.76 days, which meant that the Council was above its target to reduce sickness absence to 10 days by the end of March, 2018. He advised that the number of absences which had been classified as long term (20 days or more) during the quarter had been 67.74%, which was an increase compared to the same period last year at 65.47%.

The Panel was advised that the Planning and Place Department was on target to meet its absence target for 2017/18, whereas the other five departments were at risk of not meeting their targets if their current level of absence continued.

The Head of Human Resources informed the Panel of the health and well-being actions such as a Steering Group to develop and deliver a Stress Risk Assessment programme across the Council; a programme of training including mandatory stress awareness training; a number of "mindfulness" sessions; and an annual employee health fair.

During discussion, Members requested that future absence reports should include statistics on the number of employee absent days of both short-term and long-term absences, which indicated the main causes of absence with age and health profiles. A Member requested also statistics on the number of employees that had participated in recent employee health fairs, which had been outlined in the report.

The Head of Human Resources advised the Members that Corporate HR would continue to monitor the implementation of the Council's Attendance Policy to ensure that timely and appropriate action was taken to manage attendance fairly and effectively across the organisation. He highlighted that Corporate HR intended to review the Council's Attendance Policy and Booklet in consultation with management and trade unions.

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He also advised that, in relation to Work Related Injury Protocol, a report was presented to the Health and Safety Assurance Board in January, 2018 which explained the process for determining and recording industrial injury. As a result, it was agreed that absences due to work related stress should not be recorded as an industrial injury. He explained that Corporate HR, in consultation with Corporate Health and Safety, was currently developing a protocol for the management and recording of industrial injuries.

The Panel noted the information which had been provided and agreed that the additional statistics which had been requested be submitted for consideration to a future meeting of the Panel.

Corporate Health and Safety Performance

The Corporate Health and Safety Manager provided the Panel with an update in relation to the Council's Health and Safety performance for the third quarter of 2017/2018. She explained that 56 accidents had been reported which involved employees (an increase of seven from quarter two) and 16 involved non-employees (a decrease of eight from quarter two). She advised the Panel that the highest number of those accidents could be attributed to injured while lifting or carrying or through a slip / trip or fall.

She outlined that eighteen accidents had been categorised under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), which was four more than in the previous quarter. The Panel was advised that the number of reported accidents occurring in GLL-managed facilities during the quarter had been 80, with the number involving employees and non-employees having been 3 and 77 respectively. She reported that, of the three employee accidents, one had been categorised under RIDDOR reportable to the Health and Safety Executive NI (HSENI). She informed the Panel that there had been 35 incidents of work-related violence during the quarter, which was four less than the same quarter last year.

The Corporate Health and Safety Manager provided information on five visits to Council premises which had been undertaken by the HSENI during the quarter and explained further the GLL Accidents and Tropical Ravine incident which had been reported.

During discussion, the Corporate Health and Safety Manager noted that implementation of actions to progress the health and safety key performance indicators would be reviewed quarterly.

The Panel noted the information which had been provided and agreed that further analysis in relation to key performance indicators trends over a comparable time period be submitted to a future meeting.

AGRS Progress Report

The Panel considered a report which provided an overview of the specific internal audits which had been carried out for the period between December, 2017 and February, 2018, by Audit, Governance and Risk Services.

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The Head of Audit, Governance and Risk Services highlighted that audits of Accounts Payable, Information Management, Corporate Risk Review – Safeguarding, Design and Corporate Risk Review – Delivery of the Organisational Transformation Programme, which had all been determined as ‘Major Improvement Needed’. A number of other audits had been completed resulting in ‘an opinion of some improvement needed.’

The Head of AGRS also reported that the following work was in progress:

- Domestic Refuse Collection (draft report);
- Peace IV governance arrangements;
- City and Neighbourhood Services Change Programme;
- Procurement and Contract Management;
- Innovation Factory;
- Cemeteries / Crematorium;
- Compliance Review of Gifts, Hospitality and Potential Conflicts of Interest (officers);
- IT Server relocation; and
- New / HR payroll system.

During discussion, the Director of Finance and Resources advised that the Transformation Programme would be assigned and managed by a Director and, in relation to the Waste Management audit, the Waste Programme Board was to be re-convened.

After discussion, the Panel noted the Audit, Governance and Risk Services Progress Report for the period December, 2017 – February, 2018.

Corporate Risk Management

The Panel considered the undernoted report:

“1.0 Purpose of Report or Summary of main Issues

1.1 The purpose of this report is to apprise the Audit & Risk Panel regarding:

- a) the Council’s key corporate risks, as identified and assessed by senior management
- b) the action management has taken in quarter 3 in terms of reviewing these risks and related actions and the key issues pertaining to each of these corporate risks
- c) business continuity management arrangements

2.0 Recommendation

2.1 The Audit & Risk Panel is asked to note the report and consider the further action it can take / direct to secure improvements to the management of the corporate risks and related processes.

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3.0 Main report

3.1 Summary of BCC Risk Management Arrangements

3.1.1 In the light of recent changes to the membership of the Audit & Risk Panel and following Panel training, it is worth rehearsing the Council's approach to risk management.

3.1.2 We are required by statute to have arrangements in place for the management of risk. Moreover, we need to manage risk in a fast changing environment to achieve our objectives. To address this, the Council has a process for identifying, assessing, managing and reporting on risks at a number of levels, including corporate, departmental and service / unit level. In addition, risk management arrangements are put in place for major projects. The purpose of the process is to enhance the likelihood of successful achievement of objectives. By taking effective action, risk levels should theoretically reduce over time (though it is rarely possible to eliminate risks).

3.1.3 Senior management has identified 18 corporate risks (see Appendix 1). These are activities that are considered to present the greatest risk to the achievement of corporate objectives and / or compliance with key statutory requirements. These have been assessed in terms of the likelihood of them occurring and the impact if they did, using a 5x5 scoring matrix, with 5 being 'high' and 1 being 'low' (see Appendix 2). They are assessed at current and target levels. The 'gap' between the current and target risk assessments reflects action that management considers it needs to take before it can be satisfied that the risk is managed to the appropriate level.

3.1.4 Corporate risks are allocated to Directors and, for each one, the controls that help manage the risks and the additional actions required to each mitigate risk, have been identified and recorded on the Council's risk management system, MKInsight. There is a requirement for these risks and the associated controls / actions to be reviewed by risk owner on a quarterly basis. Directors are asked to sign quarterly assurance statements, personally attesting to their risk management arrangements and completion of this review.

3.1.5 Audit, Governance and Risk Services (AGRS) monitors compliance with this process and also audits the management of key corporate risks as part of its audit plan.

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The Audit & Risk Panel has an important role in seeking assurances regarding both the process and the management of key risks.

3.2 Risk Reporting Follow the End of Quarter 3, 2017/18

3.2.1 Appendix 1 to this report shows the Council's 18 corporate risks and the management assessment of these risks. It also provides:

- details of the controls, oversight and audit / review arrangements in relation to each risk – the three lines of defence, where these specifically relate to the risk
- the key issues that need to be addressed to manage the various risks
- whether review of the risk / actions took place at the end of quarter 3 ('compliance').

3.2.2 Key points arising from the quarter 3 exercise and this report are as follows:

- management has not proposed any changes to the assessment ('ratings') of the corporate risks.
- no new risks have been proposed by senior management in the quarter.
- the risk profile presented is significant and presents considerable challenges. The key issues pertaining to each risk have been highlighted in the table at Appendix 1;
- AGRS audit work during 2017/18 has included considerable focus on management of these risks, as indicated in the table at Appendix 1. We have and will be presenting audit opinions / assessment of the management of these risks to the Panel, in particular focusing on the strength of oversight arrangements (the so called, 'second' line of defence')

3.3 Compliance with process

3.3.1 The table below summarises compliance with the risk review process for the quarter-end December 2017. While the quarterly review process is an agreed part of Council governance arrangements some issues of non-compliance have been noted, these are detailed in the following table.

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Chief Officer	Assurance regarding compliance with the risk management process
Deputy Chief Executive and Director of Finance and Resources	<p>Full compliance with the exception that the corporate risk on corporate frameworks has not yet been reviewed. There is a need to reassign responsibility for the Corporate Frameworks risk to the incoming Director of City and Organisational Strategy.</p> <p>Service level risks relating to HR need a comprehensive review following transfer to the Department.</p>
Director of City and Neighbourhood Services	<p>Full compliance for all corporate and departmental risks with the exception of the departmental risk relating to service failure in Bereavement Services, which was not reviewed due to a vacant post which has now been filled.</p> <p>Note that the department undertook a fundamental review of its risks in June 2017 and during quarter 3 completed and input the revision of its departmental risk action plan and related risk owners, controls and actions. A review of progress against the risk actions will be required in quarter 4 and should be evidenced on MKinsight.</p>
City Solicitor	<p>Partial compliance – while the corporate risk on Information Governance has been reviewed, the corporate risk on Organisational Transformation has not been reviewed. This risk will be reassigned to the new Director of City and Organisational Strategy when he joins the Council in March.</p> <p>In addition, the Corporate Communications service level risks have not been reviewed. AGRS has set up a meeting to brief the new Head of Marketing and Communications on the Council's risk management approach.</p>

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<p>Director of Property and Projects</p>	<p>Full compliance for the corporate risks.</p> <p>The Programme Office Manager, with the assistance of AGRS has undertaken a comprehensive review of all departmental risks with a view to reframing them and reassigning ownership, following recent staff changes, in quarter 4.</p> <p>In terms of high risk major capital projects, the Director has confirmed that up to date risk registers are in place.</p>
<p>Director of Planning and Place</p>	<p>As the Director of Planning and Place has left the Council, there is no quarterly assurance statement, however discussion with senior management has confirmed full compliance with the risk review process. The quarter 3 review of the corporate risk on the Local Development Plan and a number of changes in guidance provided by the Department for Infrastructure (Dfi) has indicated that the potential impacts of political and legislative changes are not fully captured or addressed. As part of the risk management process for quarter 4, a risk cause with appropriate controls and actions will be developed relating to potential influences beyond the Council's direct control such as sub-regional strategies, changing guidance, political issues around housing and cross community challenges.</p>
<p>Director of Development</p>	<p>Full compliance. The Director indicated that the current assessment of the corporate risk on the BWUH remained appropriate but pointed out that it had the potential to increase if issues relating to escalator replacement and roof repairs are not addressed.</p> <p>Work is ongoing in terms of specific health</p>

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	and safety issues at St Georges Market in terms of a review of the existing three risks (as a result of the structural review) and the inclusion of risks identified in relation to fire safety.
Director of City Centre Development	Awaiting Assurance statement.

3.3.2 In these instances, AGRS follows this up with management to review the risks, but it does impact on the assurance we can give Members on the application of the process;

3.3 Assurance Statement Arrangements for the new Organisational Structure

3.3.1 In the light of organisational change and following discussions with the Deputy Chief Executive and Director of Finance and Resources, the following assurance statement arrangements are proposed to apply for 2018/19:

- **Quarterly Assurance Statements to be completed by all Strategic Directors and the City Solicitor.**
- **Annual Assurance Statements, to inform the completion of the Annual Governance Statement, to be completed by all Strategic Directors, City Solicitor, Assistant / Operational Directors and Heads of Service. Other officers may complete Annual Assurance Statements as determined by the relevant Director.**

3.3.2 The standard wording of the Assurance Statements has been updated following the external review of the Council's risk management arrangements (appendix 3) and will be communicated to all relevant staff and be used from quarter 1 in 2018/19. In addition to providing assurance over the management of risk, the updated Assurance Statement requires management to also provide assurance over the implementation of audit recommendations.

3.3.3 These arrangements will be discussed with the new Director of City and Organisational Strategy in the context of the expected development of an Accountability Framework for the Council.

3.3.4 AGRS will be reviewing the Council's risk management policy in early 2018/19 and will be consulting with the new Director

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of City and Organisational Strategy to ensure the approaches complements the development of management frameworks (e.g. planning, programme management etc.).

3.4 Business Continuity Management (BCM)

3.4.1 Business Continuity Management is about being able to respond and continue with the delivery of key services in the event of disruption or in an emergency. To this end, the Council has identified a number of critical services and they are required to have BCM plans and test these each year. AGRS checks to see that plans are in place, tested annually and BCM contacts receive training. AGRS does not however, manage or coordinate the implementation of plans either when activated in one specific service or across a number of services in the event of an emergency.

3.4.2 As at 21 February 2018, 2 of the 15 critical services have not yet scheduled their BC exercise for 2017-18 [Births Death Marriages and Civil Partnerships and Corporate Communications]. Management responsible for these critical services have been reminded of the need to ensure that BC exercises are planned and scheduled to take place by the end of March 2018.”

The Panel noted the contents of the report, including the further action which would be undertaken to secure improvements to the management of the corporate risks and related processes.

AGRS Annual Audit Strategy and Plan for 2018/2019

The Panel considered the Audit and Risk Management Strategy and Plan for 2018/2019. It was reported that the strategy and plan outlined the role of the Service in assisting the Council to meet its statutory obligations in relation to internal control, risk management and good governance.

The Head of Audit, Governance and Risk Services outlined the principal aspects of an associated assignment plan, which included provision for core assurance work as well as investigative and consultancy work. He advised that the plan focused on key risk areas and that the various assignments had been prioritised. He advised that, in addition to specific assignments, the plan provided provision for continued support to the organisation in fraud prevention / detection and investigation (including the National Fraud Initiative), whistleblowing, risk management and business continuity management and corporate governance. He explained that the plan addressed a number of recommendations raised in the recent external review of AGRS undertaken by On Board regarding renewed performance indicators, an improvement plan and a clear link in the plan between audit activity, strategic objectives and corporate key risks.

The Panel endorsed the contents of the plan for 2018/2019.

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NIAO Audit Strategy

The Panel was reminded that the Northern Ireland Audit Office (NIAO) produced an Audit Strategy each year, prior to its audit of the Council's financial statements. The Strategy summarised the purpose of the audit, the Audit Office's approach, the significant risks which it had identified which could impact upon the audit opinion and other matters of interest.

The Director of NIAO explained that there were presumed significant Audit Risks such as 'material misstatement owing to fraud arising from management override of controls' and 'fraud in revenue recognition' that would be examined, together with other risk factors such as:

- 'Telling the Story' - the accounts will be presented slightly differently in 2017/2018 ;
- Potential for Fraud and Whistle-blowing;
- Capital Projects; and
- Reserves - accounting treatment of capital items.

She highlighted that there had been some changes to financial reporting guidance which affected the preparation of the financial statements and would impact on the audit plan, which included a Narrative Report on how the authority (including the Group Accounts) had used its resources to achieve its desired outcomes in line with its objectives and strategies.

During Members' questions, she explained how staff in the NIAO were rotated to manage audits of different organisations.

Noted.

NIAO Performance Audit 2017/18

The Panel considered the undernoted report:

"1.0 Purpose of Report

1.1 To provide assurance to the Panel that the Council's arrangements to monitor performance of the delivery of its improvement objectives for 2017-18 have complied with the legislative requirements of Part 12 of the Local Government (NI) Act 2014 and the associated guidance as issued by the Department for Communities.

2.0 Recommendations

2.1 The Panel is asked to:

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- Note that the NIAO undertook its annual audit and assessment of the Council's arrangement to secure continuous improvement from September to November 2017
- Approve the unqualified opinion that the Council has complied with the requirements of the Act
- Note that there are no formal recommendations contained within the report but rather a number of 'proposals for improvement' suggested by NIAO for consideration
- Approve the Council's suggested actions to address the 'proposals for approval'
- Note the combined feedback to the NIAO from the chair of the Regional Performance Management Group (Chief Executive of Mid and East Antrim, Anne Donaghy) (and via SOLACE) on Councils' experiences of the audit process and suggestions for improving it in future years.

3.0 Main report

3.1 Audit and Assessment of BCC Planning and Performance Arrangements 2017-18

BCC's Corporate Plan 2017-18 was agreed by Council in June 2017. Taking account of the previous year's feedback from NIAO the Council's commitment to securing continuous improvement through the delivery of 6 improvement objectives in line with Part 12 of the Local Government (NI) Act 2014 was contained as a distinct part of the document entitled Corporate Improvement Plan 2017-18.

Part 12 of the Act includes a requirement for the NIAO to determine and report each year on whether:

- a) The Council has discharged its duties in relation to improvement planning, published the required improvement information and the extent to which the Council has acted in accordance with the Department's Guidance in relation to those duties (a retrospective assessment – for which this was the first year) and;
- b) The Council is likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties (a forward looking assessment).

3.2 The NIAO issued its conclusions following a period of audit during which time evidence of compliance was compiled by

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the Performance Unit and face to face interviews were carried out. In the course of the Audit and Assessment the NIAO looked specifically at the general duty to improve, the underpinning governance arrangements, the agreed improvement objectives and related activities, our consultation arrangements, the Improvement Plan itself and performance against seven statutory and other self-imposed indicators.

- 3.3** As was the case in the previous year BCC was considered to have complied in all respects. In particular, NIAO noted that *the performance management framework (in place since 2006 in BCC) has continued to evolve over time to take account of emerging legislative requirements and good practice. This has enabled the Council to build its arrangements to secure continuous improvement through its improvement objectives and these arrangements are now well established. The Council's interpretation of its general duty to improve therefore linked clearly to its community planning outcomes.* They also noted that we have well established governance arrangements, strategic, ambitions and open ended improvement objectives supported by deliverables and budgets which are themselves managed with clear lines of accountability to senior management and Members.
- 3.4** Following the audit, the NIAO concluded in its final report, issued on November 30th that BCC has complied and stated that the Council has as far as possible discharged its duties under Part 12 of the Act and has acted in accordance with the Department for Communities' Guidance.
- 3.5** A small number of relatively minor proposals for improvement were included in the report. Some of these actions are already in place.
- 3.6** The Panel may wish to note that given that the improvement duty is still in relative early days there are some differences of interpretation and understanding between the DfC and local Councils. Insofar as these are likely to effect the audit process it is important that they can be resolved and the 11 Councils, acting through SOLACE, are working collectively to address these issues ahead of the next audit cycle. It should be noted that due to the lack of a Minister some of these issues may, however, remain unresolved in the year ahead.
- 3.7** Finance and Resource Implications

The Council is required to cover the cost of the Performance Improvement Audit and the NIAO has advised that fees will be

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calculated on the basis of time spend by NIAO on BCC's audit and on the levels and skill and responsibility that were involved. Officers made great efforts to minimise these costs by providing all required information in an accessible format at the outset.

3.8 Equality and Good Relations Implications

None.”

The Panel adopted the recommendations within the report.

Performance Assessment Q3 Update

The Director of Finance and Resources provided an update on the progress which had been made against activities contributing to the 6 Improvement Objectives contained within the Corporate Plan 2017/2018 to:

- Build the city's position as a magnet for foreign direct investment;
- Make Belfast a great place to do business by supporting entrepreneurs and business starts;
- Design and deliver programmes to address health inequalities in the city;
- Deliver city regeneration and investment projects;
- Deliver the integrated tourism strategy to increase the number of leisure and business tourists; and
- Deliver an integrated approach to employment and skills

He advised that Appendix 1 of the report highlighted key activities and milestones within the specific improvement objectives the organisation was committed to.

The Panel approved the assessment of the status of the activities contributing to our improvement objectives at Quarter 3.

NIAO Summary of Audit Issues found in 2016/17 audits

The Director of the Northern Ireland Audit Office (NIAO) advised the Panel that the NIAO had recently sent a letter to the Council's Chief Financial Officer providing a summary of the audit issues which had arisen in the NIAO's 2016/17 audits of all councils in Northern Ireland.

She explained that some of the issues raised in the main body of the letter were ones that were reported specifically to Belfast City Council and action plans had been established at the time to address these issues, including those relating to the general power of competence, subsidiary companies and joint ventures.

The Audit and Risk Panel noted the contents of the report and actions taken by the Council in relation to the audit issues.

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Chairperson