

Audit and Risk Panel

Tuesday, 9th March, 2021

REMOTE MEETING OF AUDIT AND RISK PANEL

Members present: Alderman Rodgers (in the Chair);
Councillors Matt Collins, Hanvey, Hutchinson,
and Ms. G. Fahy.

In attendance: Mr. R. Cregan, Strategic Director of Finance and Resources;
Ms. C. O'Prey, Head of Audit, Governance and Risk
Services (AGRS);
Ms. C. Sheridan, Head of Human Resources;
Ms. S. Williams, Governance and Compliance Manager;
Mr. M. Whitmore, Audit, Governance and Risk
Services Manager;
Mr. L. Mulholland, Audit, Governance and Risk
Services Manager;
Mrs. E. Eaton, Corporate Health and Safety Manager;
Ms. H. Lyons, Corporate Finance Manager;
Ms. C. Kane, Director, Northern Ireland Audit Office;
Ms. K. McCrum, Democratic Services Officer; and
Ms. E. McGoldrick, Democratic Services Officer.

Apologies

Apologies for inability to attend were reported from Councillors Carson and O'Hara.

Minutes

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

Declarations of Interest

No declarations of interest were recorded.

Change to Schedule of Meetings

Following a request from the NIAO, the Audit Panel agreed to change the date of its meeting, previously scheduled for Tuesday, 7th September, to Tuesday, 14th September.

Absence Rates Quarter Ending December 2020

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The Panel considered a report providing information on the absence figures for quarter three the financial year 2020/2021. The Head of Human Resources reported that sickness absence, per full-time employee (FTE), for that period had been 7.58 days, which was a significant decrease of 2.25 days compared to absence for the same period last year (9.83). She explained that the corporate target was 12.26 days.

She explained that there had been an increase in the number of staff with no absence throughout the year, at 68.99% compared to the same period last year (45.73%). The Panel was advised that long term absences had also decreased compared to the same time last year.

The Head of Human Resources highlighted that analysis showed that depression/anxiety/stress and musculo-skeletal remained the top two reasons for absence, and Depression, Anxiety, Stress accounted for almost 42% of all days lost due to sickness absence, and 80.26% of these days were attributed to personal stress. She advised that musculo-skeletal related absence accounted for just over 20% of all days lost due to sickness absence with 91.58% of these days were attributable to non-work related reasons. She highlighted that a comprehensive analysis of these reasons would be conducted at the end of quarter four.

She outlined that, in quarter three, 410 employees were off due to sickness absence and discretion had been applied to 92 of these employees (22%) and their absence accounted for approximately 38% of the total absence for quarter three.

In respect of disability related absence, approximately 25.5% of absence was recorded as disability related, with 50% being managed as long term.

The Members were advised that the Council continued to be impacted by absence due to COVID 19. A total of 117 employees were recorded as absent due to COVID19, accounting for 6.96% of the total absence in quarter three.

The Head of Human Resources advised that a review of the Attendance Policy and Booklet was ongoing and that consultation with management, Occupational Health and employee Counselling had taken place and consultation with the Trade Unions had commenced.

She highlighted that a review had been undertaken to identify the number of employees who had reached a Stage 4/final absence hearing between October 2020 and December 2020 and provided a summary of the outcomes.

In response to Members questions, she explained further the compliance checks that were in place to ensure discretion was used appropriately across departments.

She also provided further information regarding staff which had been absent due to COVID19, in that trigger points were not applied, and confirmed that management had been operating in accordance with government and public health guidance since the start of the pandemic and had provided guidance to both management and staff when the advice had changed throughout the year. She highlighted that further analysis of the

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impact of Covid-19 and working from home on absence management would be conducted at the end of quarter four.

After discussion, the Panel noted the information which was provided.

Corporate Health and Safety Performance Report

The Corporate Health and Safety Manager provided an update on each Departments progress against health and safety key performance indicators for quarter three (31 December 2020) which included compliance rates for health and safety and fire safety.

She reported that the number of employee accidents for quarter three of 2020/2021 was 29, which was 1 more than in the previous quarter. She highlighted that the highest number of accidents had been caused by employees being injured while lifting or carrying.

She advised that there were 8 non-employee accidents during the quarter, 3 of which were due to slips, trips or falls.

The Panel was informed that the number of RIDDOR reportable accidents had also increased by 1 from the last quarter, to 10.

The Corporate Health and Safety Manager reported that there had been a decrease in the number of reported Work Related Violence incidents from the last quarter, from 38 to 25, and the majority of which were of verbal abuse.

The Panel was provided with details of two complaints which were made to the Health and Safety Executive Northern Ireland (HSENI) by staff during the last quarter in relation to Covid arrangements and grazing animals at Cave Hill Country Park.

With regards to Covid-19, the Corporate Health and Safety Manager explained that the Unit continued to support the Council's Silver Group, Operational Recovery Group and individual service managers to comply with evolving government guidance and to ensure the health and safety of the Council's workers and others. It was acknowledged, however, that the resource required from the Corporate Health and Safety Unit to support the organisation came at the expense of a reduction of routine health and safety activity including inspections and training.

Noted.

Northern Ireland Audit Office (NIAO) - Final Report to Those Charged With Governance

The Panel was advised that the Local Government Auditor had issued her Report to those charged with Governance for 2019/20 which summarised the system/control issues arising during the Northern Ireland Audit Office's (NIAO) 2019/20 audit and included recommendations for management action.

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It was reported that the Local Government Auditor had certified the 2019-20 statements for Belfast City Council with an unqualified opinion.

The Panel was reminded that the Local Government Auditor had initially identified no significant risks as part of the audit strategy. However, having reconsidered the audit in light of the Covid-19 pandemic and the resulting financial pressures on Councils, the Auditor included a significant risk to consider the financial resilience of the Council as part of the audit of the 2019-20 accounts. The Auditor assessed the going concern basis for the preparation of the accounts, recommended additional Covid-19 related disclosures and reviewed the Council's response to the Covid-19 pandemic. There was no impact on the Local Government Auditor's audit opinion.

The Director of the Northern Ireland Audit Office advised that the 'Priority 2' recommendation had been identified as follows: Reconciliation of trial balance to financial statements – recommendation that the primary statements and supporting notes reconcile to the underlying transactions and sufficient supporting documentation is held for all manual adjustments to the figures included in the accounts.

She highlighted the 'Priority 3' area which had been identified was in relation to Borrowings and explained the recommendation to formally document the notification of all borrowing to the Chief Executive and Finance Director.

It was highlighted that a detailed response to the management letter was outlined in the appendix, identifying timescales, and in accordance with the process adopted in previous years, management would monitor the progress made in implementing recommendations and report back to the Audit Assurance Board and Audit and Risk Panel on the progress.

The Audit Panel noted the contents of the report to those charged with Governance Audit results for 2019/20 and agreed the management responses as outlined.

Northern Ireland Audit Office (NIAO) - Annual Audit Letter 2019/20

The Audit and Risk Panel were informed that, as an independent auditor of the Council, the Local Government Auditor sought to examine that the Council had managed its affairs having regard to a combination of economy, efficiency and effectiveness and that public money was properly spent or in the case of income properly accounted for.

It was reported that the Annual Audit Letter was issued under Regulation 17 of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015. The Regulations required the Council to publish this Annual Audit Letter as soon as reasonably possible.

The Panel were apprised of the following key aspects of the Council's Annual Audit Letter for 2019/2020, and it was noted that the Audit Letter would be published on the Council's website:

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1. Financial Statements

The Chief Local Government Auditor had noted a number of adjustment to the draft accounts as a result of her audit work and these were covered in a separate report. The accounts for the 2019/20 year were given an unqualified opinion.

2. Proper Arrangements

The Chief Local Government Auditor was required to satisfy herself that proper arrangements had been made for securing economy, efficiency and effectiveness in the use of resources. The Chief Local Government Auditor had confirmed that she was satisfied that the Council had proper arrangements in place.

3. Annual Governance Statement

The Chief Local Government Auditor had indicated that the Annual Governance Statement reflected compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, it also complied with proper practices as specified by the Department for Communities, and it was not misleading or inconsistent with other information from the audit.

4. Absenteeism

The annual rate of absenteeism had shown a marginal decrease of 0.13 days from 2018/19. The main causes of long term absence were due to stress/depression/anxiety and musculo-skeletal related conditions.

Average number of days sickness absence per full time employee						
2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
9.9	10.31	10.3	12.44	13.72	13.71	13.58

The robust, fair and consistent management of attendance continued to be a key priority for the Council and it had indicated the steps it had been taking to reduce absence.

5. Performance Improvement

The onset of the Covid 19 pandemic had led the Department to propose a reduction in the performance improvement work undertaken by councils, and consequently the improvement audit and assessment work to be carried out in 2020. Councils were still required to produce a self assessment of their performance in 2019-20 but did not have to produce an Annual Improvement plan for 2020-21. Therefore the Local Government Auditor would only audit the 2019-20 self assessment report this year and would not undertake an assessment. This work could only be completed once the legislation had been amended, which was being taken forward by the Department for Communities.

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6. Outlook

The Chief Local Government Auditor had also highlighted some upcoming areas the council needed to be cognisant of and referred to Brexit, COVID-19 considerations, IFRS 16 Leases Adoption and the City Deal.

The Committee noted the comments provided and the review of the Annual Audit Letter.

AGRS Progress Report February 2021

The Panel considered a report which provided an overview of the specific internal audits which had been carried out and finalised during the period December, 2020 to February, 2021 by Audit, Governance and Risk Services.

It was highlighted that a number of audits had been completed during the period, 1 of which had received an assurance opinion of major improvement, relating to the Pitches Strategy 2011 - 2021; the Performance Management audit that had been separated into two areas was given the opinion of major improvement under the area of Performance Management Framework and the opinion of some improvement under the area of Improvement duty; 4 further audits, that is, Cash Flow Forecasting, Accounts Payable, Temporary expenditure controls (Agency expenditure), Temporary expenditure controls (Vacancy Control), had an audit opinion of some improvement needed.

The Panel was provided with an update on the project assurance and consulting activity that AGRS were undertaking in respect of the following four major ICT / change programmes / projects that were underway: HR/Payroll Phase 2; Planning Portal; Customer Focus Programme; and SAP replacement.

The Panel was advised that the following audits were in progress or the reports are currently being agreed with management:

- Property Maintenance (draft report);
- PEACE IV (draft report);
- Gifts and hospitality / conflicts of interest (draft report);
- Estates management (drafting report);
- Procurement and contract management (fieldwork);
- Committee decision making under delegated authority (fieldwork);
- Corporate risk - waste management (fieldwork); and
- Payroll (fieldwork).

The Head of Audit, Governance and Risk Services (AGRS) also provided an update in relation to the queries which had been made by the Panel at its meeting in December.

She reminded the panel that, at its last meeting, it had received an update on how the implementation of agreed audit actions had been affected by the Covid-19 pandemic. She highlighted the importance of implementing the agreed recommendations as soon as possible to ensure that the Council maintained robust internal controls, particularly in

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the changed environment, had been highlighted to the Management Team. She explained that, in order to feed into the year-end assurance processes, AGRS were recommending that a further recommendations monitor exercise was undertaken during April / May for reporting to the June meetings of the Panel.

In relation to investigations, the Head of Audit, Governance and Risk Services advised that no new whistleblowing concerns had been raised since the last meeting. She stated that AGRS had completed initial enquiries into a concern raised anonymously regarding the use of the furlough scheme and agency workers in relation to a particular service. She confirmed that the AGRS continued to liaise with departments on the progress of cases that had been referred to them and with the PSNI. There was currently 1 case referred to the PSNI for investigation which was on hold pending the outcome of a disciplinary investigation which had been delayed by Covid-19 and was currently ongoing.

The Head of Audit, Governance and Risk Services pointed out that AGRS was currently undertaking a detailed review of the Raising Concerns Policy in light of NIAO good practice guidance.

During discussion, the Panel raised a number of queries in relation to the audits which had been undertaken and the ongoing investigations. In relation to the Pitches Strategy audit, the Head of AGRS explained the current funding arrangements in response to a query, indicated that she would raise with the City and Neighbourhood Services the need to ensure that the development of a Benefits Realisation Plan would be considered as part of the development and implementation its Physical Activity and Sports Development Strategy.

The Panel noted the AGRS progress for the period December 2020 – February 2021 and agreed that a further recommendations monitor exercise be undertaken during April / May for reporting to the June meeting of the Panel.

AGRS Strategy and Annual Plan 2021/22

The AGRS Manager advised that the Annual Plan set out the role of AGRS as an assurance provider and advisory service which directly assisted the Council in meeting relevant statutory obligations in relation to internal control, risk management and good governance.

He reported that the detailed assignment plan – that was the list of areas that AGRS planned to review during 2021/22 - was set out at Appendix 1 and was based on an assessment of audit need and the aim to audit key areas on the cyclical basis.

He explained that, in addition to specific assignments, the plan provided provision for continued support to the organisation in fraud prevention / detection and investigation (including continued focus on the Corporate Fraud Risk Assessment and participation in the National Fraud Initiative), whistleblowing, risk management, business continuity management and corporate governance.

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He highlighted that, in keeping with the revised plan for 2020/21, AGRS had considered the Council's immediate assurance needs as the organisation continued to respond to and recover from the Covid- 19 pandemic.

The Panel approved the Internal Audit and Risk Management Plan for 2021/22.

Corporate Risk Management report for Quarter Ending December 2020

The Head of AGRS presented the Panel with the Corporate Risk Dashboard which summarised the key updates from the risk review for the quarter-end December 2020.

She updated Members on compliance with the Risk Strategy, based on the quarterly assurance statements for QE December 2020, completed by members of the senior management team and highlighted the need to extend the re-focussed quarterly assurance statements into 2021/22 due to the ongoing pandemic.

She provided the Panel with an update on business continuity management arrangements. She pointed out that, given the ongoing Covid-19 response and recovery situation and the impact on organisational priorities and capacity, the Panel was asked to consider waiving the need for critical services to undertake an annual test of the Business Continuity Management plans during 2021/22.

In response to a Members query regarding the implementation of risk actions, the Head of AGRS advised that this would be followed up as part of their next set of quarterly meetings with the risk owners.

After discussion, the Audit and Risk Panel:

- a) Noted the corporate risk management update for QE December 2020 including the changes to the current risk assessment for the corporate risks on Health and Safety, Financial Position and City Risks and; the proposal for the current risk on Brexit to be re-focussed on the risk associated with managing the Brexit Implementation Programme for the Belfast Port;
- b) Given the ongoing response and recovery efforts in respect of Covid-19 and the continued impact on organisational priorities and capacity, the Audit and Risk Panel agreed to extend the completion of the re-focussed quarterly assurance statement templates into 2021/22;
- c) Noted the assurances from management regarding compliance with the Risk Strategy, based on the assurance statements for QE December 2020; and
- d) Noted the current position to ensure that business continuity plans for the critical services were up to date to complement the work that was being done corporately to ensure that plans were in place to respond effectively to Covid-19 restrictions and impacts. In addition, given the ongoing Covid-19 response and recovery situation and the impact on organisational priorities and capacity, the Panel agreed waiving the need for critical services to undertake

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an annual test of the BCM plans (as required by the BCM Policy)
during 2021/22.

Update of Risk Appetite Statement

The Panel was reminded that the Council was required by statute to have arrangements in place for the management of risk. The Risk Strategy was approved by the Council in February 2019 and was reviewed and updated annually. As part of the annual review process an updated Risk Strategy was considered by the Panel in December 2020. When considering the Risk Strategy, the Panel requested that the overarching risk appetite statement included within the Strategy was reviewed to reflect the different risk appetite levels that were appropriate for the different categories of risk.

It was reported that the following additional paragraph to the risk appetite statement, set out in bold, was included for the Panel's consideration:

“Belfast City Council aims to be risk aware, but not overly risk averse and to ensure that the organisation takes a balanced approach to risk taking in order to deliver its corporate priorities and agreed outcomes for the City.

The Council recognises that, in pursuit of its priorities and outcomes, it may choose to accept different levels of risk in different areas. As a result, it has established and articulated risk appetites for different categories of risk – for risks falling into the Finance, Governance & Compliance and Reputation categories it has a minimalist risk appetite, for risks falling into the Programme & Project and Customers & Services categories it has a cautious risk appetite and for risks falling into the Strategic and Innovation categories it has an open risk appetite. Action should be taken to manage risks down to a level which falls within the agreed risk appetite for that category.”

The Panel was informed that the additional risk appetite statement had also been incorporated into the updated Risk Strategy (Appendix A) and the statement would be kept under review and further developed in line with the risk maturity of the Council.

The Panel approved the aforementioned updated Risk Appetite Statement included in the Risk Strategy.

Corporate Fraud Risk Assessment

The AGRS Manager reminded the Panel that the Corporate Fraud Risk Assessment was first undertaken in September 2018, with the following areas identified as high risk:

- Rates income / evasion (whilst largely outside BCC impact could be potentially significant);
- Bank Mandate / Supplier bank details;
- Grants / funding;
- IT / Cyber Security;

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- Procurement; and
- Contract management.

He explained that a summary report had been presented to the Panel in December 2020, which set out the work that AGRS had undertaken with departments to review the Corporate Fraud Risk Assessment, in response to the changes in the control environment arising from the pandemic and also the Good Practice Guidance published by the NIAO on Covid-19 Fraud Risks. As part of this 'desk top exercise' AGRS had met remotely with senior managers to review their fraud risks, discuss the impact of Covid-19 and to support management in their evaluation of the impact of any changes to the fraud risks. This initial exercise concluded that the impact of Covid-19 had increased the inherent risk of fraud in each of our high fraud risks, primarily as a result of the shift to remote working, changes to financial processes and diversion of resources.

The AGRS Manager advised that a follow-up exercise to update the corporate fraud risk assessment resulted in the following updates to the corporate fraud risk assessment to:

- a) Take account of the information that had been gathered from management during the initial exercise to assess the impact of Covid-19 on the level of fraud risk;
- b) Reduce duplication;
- c) Align the risk assessment to the Risk Management Strategy (note that when assessing likelihood of fraud risk, the following factors are considered; previous fraud experience; level of change; management concerns; changes in the external environment; audit findings); and
- d) More clearly defined fraud risks so that responsibility for the management of these fraud risks was clearer. For example, the assessment distinguished between; Corporate and Departmental activities in relation to Finance, Procurement and HR and; Grants that were administered by the Central Grants Unit and those that weren't.

He advised that Appendix 1, sets out the updated corporate fraud risk assessment, indicating where risks had increased, decreased or remained the same and the rationale for any changes. He pointed out that it was important to note that the document highlighted areas that needed to be managed rather than areas that had all experienced fraud.

He outlined the proposed next steps and the responsibilities of the AGRS Team and its approach to the detection or prevention of fraud. He explained that any significant issues arising from its audits would be communicated to management so that action could be taken. He advised that this work would be detailed in the fraud risk action plan for each of the high risk areas and referred to the example detailed fraud risk action plan for Procurement.

He highlighted the Management responsibilities and approach to ensure the appropriate controls were in place to manage the risk of fraud. He advised that they were

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responsible for reviewing and updating the fraud risk assessment (at least annually) taking into account any significant changes to controls or processes as well as any significant issues arising from audit assignments. In addition management were responsible for ensuring that the fraud risk assessment is communicated to all relevant staff, so that their team has an increased awareness of the risks and the importance of consistently applying controls and flagging any areas for concern.

The Panel noted the contents of the report and endorsed the proposed approach, as outlined.

**Audit and Risk Panel Terms of Reference / Annual Programme of Work /
Training**

The Panel considered the undernoted report:

“1.0 Purpose of Report or Summary of main Issues

1.1 The terms of reference for the Audit and Risk Panel and Audit Assurance Board are reviewed and updated annually. The purpose of this paper is to present the Audit and Risk Panel with these updated terms of reference for review and approval, along with the 2021 programme of business. Also to agree for the annual training session to take place on the morning of 26th April 2021.

2.0 Recommendation

2.1 That the Audit and Risk Panel approves the:

- **Audit and Risk Panel’s purpose and terms of reference statement (Appendix A)**
- **Audit Assurance Boards constitution and terms of reference (Appendix B)**
- **Audit and Risk Panel’s indicative programme of business for 2021 (Appendix C).**

2.2 That the Audit and Risk Panel agrees for training to be arranged for the morning of Monday 26th April and for it to be co-delivered by a governance expert over Teams (with this to be kept under review).

3.0 Main report

3.1 In line with good practice, the terms of reference for the Audit & Risk Panel and the Audit Assurance Board are reviewed on an annual basis.

Audit & Risk Panel Terms of Reference

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- 3.2 The purpose statement and terms of reference of the Panel are important because they set out the role of the Panel in the context of the Council's governance structures. They are based on the recommended CIPFA model (2018 edition) for audit committees, tailored, where, appropriate to Belfast City Council.**
- 3.3 The terms of reference were last updated in March 2020.**
- 3.4 We have reviewed the terms of reference, with only a minor update required to note the proposed change in terminology from whistleblowing to raising concerns. The terms of reference are set out at appendix A for information.**
- 3.5 It is worth highlighting that on 23rd October 2020 the Strategic Policy and Resources Committee agreed the draft terms of reference for the establishment of a new Standards Committee, whose main functions would be to promote, sustain and safeguard the conduct of Councillors within the Council and the probity of all the Council's proceedings. Based on the CIPFA guidance for audit committees, the role of the Audit & Risk Panel in relation to the Standards Committee, when established, would be 'to consider the effectiveness of this committee as part of the annual governance review'. This will be taken into account during the next review of the Audit & Risk Panels terms of reference.**

Audit Assurance Board Terms of Reference

- 3.6 The Audit Assurance Board is chaired by the Chief Executive. The principal activity of the Audit Assurance Board over the years has been to review and consider reports from internal audit, external audit and management that are to be submitted to the Audit & Risk Panel - but from a top management / Accounting Officer perspective rather than a Member perspective. This process enables the Chief Executive and the Board to be assured (or otherwise) of current risk, control and governance arrangements and consider any issues that require management priority / attention / direction.**
- 3.7 We have reviewed the terms of reference, with only a minor update required to note the proposed change in terminology from whistleblowing to raising concerns. The terms of reference are set out at appendix A for information.**

Audit & Risk Panel – Programme of Business 2021

- 3.8 In line with good practice the quarterly meetings of the Panel have been aligned with an indicative programme of business,**

designed to ensure that the Panel demonstrably addressed / discharges its roles and responsibilities as set out in its purposes statement / terms of reference. The indicative programme of business is attached at Appendix C.

Audit & Risk Panel – Training Update

- 3.9 In December the Panel approved the proposed approach for delivery of the training session with a focus on the potential impact of the pandemic on the Councils usual risk, control and governance arrangements and how the Panel continues to fulfil its responsibilities, bearing in mind these potential impacts.
- 3.10 We are proposing that a governance expert is engaged to co-design and deliver this training on the morning of Monday 26th April 2021. At this stage it is proposed that the training will be delivered via Teams however this will be kept under review.

4.0 Financial & Resource Implications

Costs associated with the training will be met from the AGRS annual budget.

5.0 Equality or Good Relations Implications/Rural Needs Assessment

None known at this time.”

Appendix A

“Belfast City Council

Audit and Risk Panel

Statement of Purpose and Terms of Reference

Statement of purpose

- 1. The Audit and Risk Panel is a key component of Belfast City Council's corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.***
- 2. The purpose of the Audit and Risk Panel is to provide independent assurance to those charged with governance (Members and senior management) on the adequacy of the risk management framework and the internal control environment. It provides independent review of the***

council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. 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. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3. To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider annual governance reports and assurances.*
- 4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.*
- 5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.*
- 6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.*
- 7. To monitor the effective development and operation of risk management in the council, to include overseeing the council's risk, control and governance arrangements for health and safety.*
- 8. To approve the council's risk management strategy and monitor progress in addressing risk-related issues reported to the Panel, including the corporate risk register and assurance information on the management of key corporate risks.*
- 9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.*
- 10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.*
- 11. To approve the council's fraud and whistleblowing (raising concerns) policies and monitor the implementation of these policies, including the counter-fraud strategy, actions and resources.*
- 12. To oversee and monitor the Council's structures, processes, systems and related arrangements for performance management and to assure itself through receipt of regular reports on the planning, delivery, reporting and*

reviewing arrangements that appropriate plans and policies to support the performance management framework are in place and that its statutory responsibilities are being met.

- 13. To review the governance and assurance arrangements for significant partnerships or collaborations.**

Internal audit

- 14. To approve the internal audit charter.**
- 15. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.**
- 16. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.**
- 17. To approve significant interim changes to the risk-based internal audit plan and resource requirements.**
- 18. To make appropriate enquiries of both management and the Head of Audit, Governance and Risk Services to determine if there are any inappropriate scope or resource limitations.**
- 19. To consider reports from the Head of Audit, Governance and Risk Services on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:**
- a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.**
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.**
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.**
- 20. To consider the Head of Audit, Governance and Risk Services' annual report:**
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.**

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b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Panel in reviewing the Annual Governance Statement.

- 21. To consider summaries of specific internal audit reports as requested.***
- 22. To receive reports outlining the action taken where the Head of Audit, Governance and Risk Services has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.***
- 23. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.***
- 24. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.***
- 25. To support the development of effective communication with the Head of Audit, Governance and Risk Services.***

External audit

- 26. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.***
- 27. To consider specific reports as agreed with the external auditor.***
- 28. To comment on the scope and depth of external audit work and to ensure it gives value for money.***
- 29. To commission work from internal and external audit.***
- 30. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.***
- 31. To consider the external auditor's report on performance management, specifically the annual improvement assessment and to consider the adequacy of management responses / action taken to address issues arising from these reports.***

Financial reporting

- 32. To review the annual statement of accounts. 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.***

- 33 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.**

Accountability arrangements, referral and reporting

- 34 To report to those charged with governance (Members and senior management) on the Panel's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions. The Panel will do this by reporting to the council's Strategic Policy & Resources Committee on a regular basis through reports and minutes of meetings. It may also report, with the approval of the Strategic Policy and Resources Committee, to other standing committees on matters that are of direct relevance to the responsibilities of these committees.**
- 35. To report to full Council (through the Strategic Policy and Resources Committee) on a regular basis on the Panel's performance in relation to the terms of reference and the effectiveness of the Panel in meeting its purpose.**
- 36. The Audit and Risk Panel shall consider any issue referred to it in relation to these terms of reference by the Council or any Standing Committee. Furthermore, the Audit and Risk Panel shall also consider any matter brought to its attention by the Chief Executive. Where any individual Member wishes to raise an issue under these terms of reference, the Member shall accordingly either raise the matter through the Strategic Policy and Resources Committee or in the case of urgency with the Chief Executive."**

The Head of AGRS advised that a new training date had been identified as Wednesday, 28th April from 9.30 – 11.30am.

During discussion, the Director of the Northern Ireland Audit Office requested the following wording under paragraph 28 of the Terms of Reference: **"To commission work from internal and external audit"** be amended to remove reference to the Panel commissioning work from the NIAO.

Ms. Fahy raised a query under paragraph 22 of the Terms of Reference: **"To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years"** and requested that it be expanded to include specific reference to the Panel's role in relation to the internal quality assessment of internal audit.

After discussion, the Audit and Risk Panel:

- Approved the Audit and Risk Panel's purpose and terms of reference statement (Appendix A), subject to the foregoing amendments;

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- Approved the Audit Assurance Boards constitution and terms of reference (Appendix B);
- Approved the Audit and Risk Panel's indicative programme of business for 2021 (Appendix C); and
- Agreed that training be arranged for the morning of Wednesday, 28th April to be co-delivered by a governance expert via Microsoft Teams (to be kept under review).

Local Government Auditor's Report 2020

The Panel considered the undernoted report:

“1.0 Purpose of Report or Summary of main Issues

- 1.1** The purpose of this paper is to advise the Panel that in December, the Northern Ireland Audit Office published the Local Government Auditor's Report (2020) summarising the results of audit work undertaken in the year to 31 March 2019 in councils across Northern Ireland.

2.0 Recommendations

- 2.1** The Panel is asked to note the NIAO report at Appendix A and that AGRS has circulated this report to the relevant officers in the Council for information / action.

3.0 Main report

- 3.1** On an annual basis the NIAO reports on the exercise of the Local Government Auditor's functions – effectively a summary of the issues arising from audit work across the 11 councils. The report for 2020 (relating to the financial year ended 31 March 2019) was published on 15 December 2020.
- 3.2** The report is not specific to Belfast City Council but does include information regarding the Council and comparative information with other councils, such as absence and prompt payment data. The report is structured in four parts as follows:
- 1. Financial performance**
 - 2. Good governance**
 - 3. Performance improvement**
 - 4. Challenges and opportunities**
- 3.3** Parts 1 – 3 of the report reflect the circumstances councils were operating in prior to the Covid-19 pandemic.

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- 3.4** In the Local Government Auditor's introduction she makes particular reference to the joint report on 'Managing Attendance in central and local government' published late 2020 which highlighted that levels of absence for councils are the highest in the UK and sets out a number of key principles and good practice that should be applied in managing attendance. In addition the Local Government Auditor's refers to the extraordinary audit of Causeway Coast and Glens Borough Council that she has been directed to carry out, concentrating on land disposals and easements and related asset management policies and procedures.
- 3.5** The report includes general observations made by the Local Government Auditor in a number of areas including:
- 3.6** Financial performance - reliance on income received from district rates and how councils need to continue to explore income maximization and cost reduction; value for money in the use of agency workers; careful monitoring and management of General Fund reserve balances; importance of robust financial management arrangements to meet significant challenges in respect of financial sustainability.
- 3.7** Good Governance – continued assessment of the effectiveness of Audit & Risk Panels, the process for handling complaints around compliance with the code of conduct for Councillors; the value of raising concerns (whistleblowing) and that concerns about the planning process continue to be the most common concerns raised with the LGA. The LGA urges councils to ensure consistency in the planning decisions and the retention of supporting documentation and refers to the commencement of a study on Planning in both central and local government and; fraud reporting / fraud risk management requirements.
- 3.8** Performance improvement - the need for significant progress by all councils to allow a broader range of functions to be benchmarked in future which is being taken forward by a sub-group of SOLACE; the first results of the Planning Monitoring Framework which showed significant variations in performance against planning targets.
- 3.9** Challenges and opportunities - the LGA notes the delays in the Departmental review of the Local Government Reform Programme and associated efficiencies / outcomes and will engage with the Department on this matter; absenteeism; the importance of good asset management to help deliver sustainable public services; the need for effective collaboration with robust governance and accountability

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arrangements between councils, central government public bodies, and the UK Government regarding City Deals and; continued challenges regarding Covid-19.

3.10 The Local Government Auditor recommends that councils consider this report and review how they are managing the issues highlighted.

3.11 Audit, Governance & Risk Services (AGRS) has communicated these observations along with the detailed report to the relevant managers across the Council for information / action.

4.0 Financial & Resource Implications

4.1 None

5.0 Equality or Good Relations Implications/Rural Needs Assessment

None known at this time.”

The Panel adopted the recommendations.

**Performance Improvement 2019-20 Year End Assessment and Arrangements
for 2020/21**

The Strategic Director of Finance and Resources updated the Panel on the Council's progress to comply with the performance improvement duty as laid in in Part 12 of the Local Government (NI) Act 2014 in the context of the Covid-19 emergency, specifically in relation the 2019-20 Audit. He also provided an overview on recent work carried out by the Performance Improvement Working Group in relation to the arrangements for 2020-21 and 2021 -22.

He highlighted that the NIAO audit and assessment of the Council's Improvement activity had now commenced, and, as Members were aware, a full audit was not required this year and it was anticipated that input from NIAO this year would be in the region of 25% to 30% of the previous years' work. He pointed out that NIAO had advised the proposed new deadline still remained as 31st March, 2021 and the Panel would be updated once the audit has been completed.

In relation to the Arrangements for Performance Improvement 2020-21 and 2021-22, the Strategic Director of Finance and Resources advised that the Performance Improvement Working Group, which was made up of representatives from each of the 11 Councils, continued to have discussions with the Department for Communities and NIAO with regards to moving forward with performance improvement for 2021/22 and the process of agreeing the format and requirements for the 2020/21 audits.

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He provided a summary of the following key points from recent discussions with regards to moving forward in 2021/22:

- **Improvement Objectives for 2021/22** – objectives for this year would require a boarder definition as they were likely to include both recovery and improvement objectives. Consultation would be restricted this year due to the covid-19 pandemic and therefore, the group requested that expectations for the consultation process this year were realistic;
- **Publication date for the Performance Improvement Plans for 2021/22** – since councils had to undertake a consultation process for 2021/22 and updated guidance was yet to be issued, it had been requested that flexibility would be granted in terms of the 30th June publication deadline; and
- **Statutory Performance Indicators** - concerns were raised by the group that there was a risk that the standards for the statutory performance indicators might not be met this year as a result of the pandemic and other factors. Therefore flexibility had been requested in terms of achieving the standards set to be built into the audit process so that local government were not negatively impacted.

The Strategic Director of Finance and Resources also reported that the Strategic Hub had now commenced work to develop the Improvement Plan for 2021/22. It was anticipated that a report on the proposed approach and timeline for publication would be presented to the Strategic Policy and Resources Committee in March for consideration.

The Panel noted the update on the 2019-20 Audit in the context of the Covid-19 emergency and the update on work carried out by the Performance Improvement Working Group on the arrangements for 2020-21 and 2021 -22.

Chairperson