

Audit and Risk Panel

Tuesday, 8th June, 2021

REMOTE MEETING OF AUDIT AND RISK PANEL

Members present: Alderman Rodgers;
Councillors Carson, Matt Collins,
Hutchinson, O'Hara; 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;
Mr. M. Whitmore, Audit, Governance and Risk
Services Manager;
Mr. L. Mulholland, Audit, Governance and Risk
Services Manager;
Mr. T. Wallace, Head of Finance;
Ms. H. Lyons, Corporate Finance Manager;
Mrs. E. Eaton, Corporate Health and Safety Manager;
Ms. C. Kane, Director, Northern Ireland Audit Office;
Ms. C. Donnelly, Democratic Services Officer; and
Mrs. L. McLornan, Democratic Services Officer.

Election of Chairperson

The Audit and Risk Panel noted that it was required to elect a Chairperson for the coming year.

Moved by Councillor Carson
Seconded by Councillor Hutchinson and

Resolved – that Alderman Rodgers be elected to serve as Chairperson to the Audit and Risk Panel from June, 2021 until May 2022.

Apologies

Apologies for inability to attend were reported from Councillors Hanvey, Hussey and McKeown.

Minutes

The minutes of the meeting of 9th March were taken as read and signed as correct.

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Declarations of Interest

No declarations of interest were recorded.

Absence Rates Year Ending March 2021

(Ms. C. Sheridan, Head of Human Resources, attended in connection with this item)

The Head of Human Resources advised the Panel that, for the financial year 2020/2021, the average number of days sickness absence per full time employee had been 10.86 days. She outlined that that was a significant decrease of 2.72 days compared to absence for the same period last year (13.58). She also explained that the absence rate reduced to 9.69 when COVID 19 related absence was discounted, which equated to a total decrease of 3.82 days on the previous year.

The Panel was advised that there had been a significant increase in the number of staff with no absence this year, 61.85%, compared to 37.08% last year. The Head of Human resources also pointed out that there had been a decrease, of approximately 11% (or 2132.72 days), in absence classified as long term throughout the year (16782.24 days) compared to last year (18914.96 days).

She explained that four out of six departments had met the annual corporate absence target of 12.26 days, namely, Finance and Resources, City and Organisational Strategy, Place and Economy and Physical Programmes. The Members were advised that, overall there had been a significant reduction of almost two and a half days (2.44) per employee within the City and Neighbourhood Services Department when compared to 2019/20. Overall, the main reasons for absence within that department was stress (38.6%) and approximately 61% of the stress related absence was due to personal issues and circumstances.

There had also been a significant reduction of almost 5 days per employee within the Legal and Civic Services Department, from 18.96 days in 2019/20 to 14.08 days in 2020/21.

She outlined that the coronavirus (COVID-19) pandemic had affected the sickness absence data in a number of ways. The Members were advised that, while the virus may have led to additional sickness absence, measures such as furloughing, social distancing, shielding and increased homeworking appeared to have helped reduce other causes of absence, allowing for a much reduced figure in 2020/21 in comparison with previous years.

The Members were advised that the Council had been significantly impacted by absence directly caused by COVID19. A total of 178 employees had been recorded as absent due to COVID19 and that it accounted for a total of 10.8 % of the total absence. In December 2020, a limit of 14 calendar days was introduced for COVID19 related absence.

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The Members of the Panel were provided with information relating to the use of discretion by management within the Council.

The Head of Human Resources stated that approximately 38.55% of absence was recorded as disability related and that 54.18% of disability related absence was managed as long term. She highlighted that the use of discretion and reasonable adjustments were considered in such cases.

The Panel was advised that there had been a slight reduction in stress related absence in the Council. Whilst there had been an increase in work related stress, the figures show personal stress still accounted for 62% of stress related absence.

The Panel was advised that the main reasons for stress related absence in 2020/21 were underlying mental health conditions (35.76%); bereavement (13.44%); family caring/sickness reasons (such as a sick partner or child) (5.41%); and work issues (relationships, workload and employee relations issues) (27.94%). Only 395 days (or 4.3% of stress related absence) could be identified as being directly related to stressors caused by the pandemic (i.e. the stress of commuting in public transport, isolation caused by homeworking, school / childcare closures, elderly relatives affected by COVID19).

The Head of Human Resources advised the Panel that a benchmarking exercise had been conducted with other NI Councils and that all had reported stress related absence as the number one reason for absence in their organisation and accounted for a similar percentage of overall absence to which Belfast City Council had displayed.

The Members noted that there had been a significant reduction (42%) in days lost due to musculo-skeletal absence, decreasing from 7596.74 days in 2019/20 to 4368.59 days in 2020/21. The Head of Human Resources advised that almost half of those employees were referred to occupational health, where reasonable adjustments had been recommended and implemented for a number of employees.

In respect of long-term absence, the Panel was advised that 293 employees were off for more than 20 continuous days and that those employees accounted for 75% of the total absence for 2020/21. Whilst 293 employees were off "Long Term", only 34% of them were managed under the long-term absence (LTA) procedure. The Head of Human Resources explained that this illustrated that managers were appropriately making decisions to manage long term absence under the standards of attendance to ensure effective, robust management of the cases.

In relation to the review of the Attendance Policy, she explained that Corporate HR had started to consult with Trade Unions, however they had asked that the consultation process be put on hold. Accordingly, CMT had agreed to put the review on hold until the end of June 2021 and consultation would recommence with Trade Unions thereafter.

The Panel was advised that Stage Four meetings and Final Absence Hearings were suspended from December 2020 following the reintroduction of a national lockdown. However, the meetings had now recommenced and would be reported at the end of quarter one of 2021/22.

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In summary, the Head of Human Resources advised the Members that, whilst the Council achieved its targeted reduction of absence by 9.7%, it was not a typical year due to the pandemic. Employees who may otherwise have been off sick were recorded as being absent for other reasons such as shielding, self-isolation, paid special leave, at home-not working. She explained that the use of the other reasons for absence had undoubtedly skewed the normal absence rate.

Unfortunately, the Panel was advised that stress related absences remained high and that the figures were similar to last year. She pointed out that it was worth noting that employees had limited access, if any at all, to mental health services and medical professionals (i.e. GPs, consultants etc). As that has now eased, she hoped to see employees being able to access those vital services as normal.

She outlined that a number of health and wellbeing initiatives were delivered throughout the year, including Mental Health First Aid Training and webinars to raise awareness and to provide support and signposting for staff. The Panel was also asked to note that there had been a significant increase in the demand for the Employee Counselling service.

The Panel was advised that the previously agreed corporate target for 2021/2022 was 11.07 days.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to note the report.

Corporate Health and Safety Performance Report

The Corporate Health and Safety Manager provided the Panel with an update in relation to the Council's Health and Safety performance during the period ending 31st March, 2021. She reviewed the progress which had been achieved in relation to the key performance indicators, where the 71% compliance of actions had not reached the target of 80%.

She reported that there had been an upward trend in non-employee accidents, with one more from quarter three, to nine. The Panel was advised that the number of employee accidents for quarter four was 21, which was six less than in quarter three. She reported that the highest number of accidents had been caused by employees being injured while lifting/carrying or through a slip/trip or fall.

The Panel was informed that the number of RIDDOR reportable accidents had reduced by one from quarter three, to nine.

The Corporate Health and Safety Manager reported that there had been a decrease in the number of reported Work Related Violence incidents from quarter three, from 23 to 20. The majority of those were of verbal abuse.

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The Panel was advised of the following correspondence which had been received from the Health and Safety Executive Northern Ireland (HSENI) during quarter four 2020/21:

- January 2021 – A member of the public complained to HSENI regarding: pedestrian access from Victoria Park onto the Sydenham Bypass. The complaint was investigated and a new pedestrian guardrail was installed by Dfl.

In relation to the Covid-19 pandemic, she explained that the Unit continued to support the Council's Recovery Co-ordination Group and individual service managers to comply with evolving government guidance and to ensure the health and safety of staff and others. Although it was acknowledged that the resource required from the Corporate Health and Safety Unit continued to come at the expense of a reduction of routine health and safety activity, she explained that the unit had been able to resume some of their usual duties such as health and safety audits / inspections and fire risk assessment programmes. A temporary post was currently being recruited to provide covid-related support to the departments. The Panel was advised that the unit was also currently leading a pilot project for the introduction of regular lateral flow testing for Council staff who could not work from home. The pilot project was anticipated to widen to provide community testing.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to note the report.

Fraud and Whistleblowing - Annual Report & Policy Update

The Panel considered the Annual Report on the Fraud and Whistleblowing Policy and related arrangements, including the application of the policies during 2020/21.

The AGRS Manager reminded the Panel of the Council's participation in the National Fraud Initiative and explained that the investigations which had been completed to date highlighted 6 new instances or investigations into fraud and financial impropriety, 3 external (1 ongoing, 2 unsubstantiated) and 3 internal (all complete – two not substantiated and 1 partially substantiated) and they related to:

- Alleged misconduct by signing off timesheet for hours not worked;
- Alleged use of council vehicle for personal use – not substantiated;
- Alleged misuse of furlough scheme - not substantiated;
- Alleged provision of sub-standard materials in relation to cleaning contract - not substantiated;
- Alleged abuse of council telephone system to make international calls – substantiated an ongoing; and
- Alleged falsification and misuse of grant funding - not substantiated.

He reported that there were three other cases relating to alleged fraud or financial impropriety, dating prior to March 2020, which were still ongoing, relating to:

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- Alleged abuse of clockwise system / claiming for hours not worked (disciplinary investigation ongoing)
- Alleged theft of goods for resale (disciplinary investigation ongoing)
- Alleged falsification of overtime and mileage claims (HR process ongoing)

The Panel was advised that no new cases had been referred to the PSNI during the year and that AGRS continued to liaise with the PSNI regarding three cases that had been previously referred to them.

The Members were advised that there had been several 'external' fraud attempts during the 2020/21 year. Four attempts had been made to divert payments by amending bank mandate details. Between April 2020 and March 2021, 16 fraudulent cheques had been presented to the bank for payment. The Council did not incur any financial losses as a result of the attempted frauds. In addition, the Council was also notified of a theft of equipment from a storage unit at Ormeau Park, which was referred to the PSNI. The Head of AGRS advised that they reviewed the operation of controls in relation to the areas and agreed recommendations for improvement where necessary.

The Panel was advised that, during 2020/21, ten whistleblowing concerns were received, some through named whistleblowers and some received anonymously. The same number of cases were received during 2019/20. A range of concerns had been raised relating to the following areas:

- allegations regarding fraudulent grant applications
- allegations of abuse of furlough scheme
- allegations involving breaches of the council's code of conduct (recruitment and political views)
- allegations relating to staff not isolating during the pandemic

The AGRS Manager advised that, at the time of reporting, nine of the ten investigations received during 2020/21 had been completed. Of the one case that was still ongoing, he reported that they were awaiting the outcome of an Ombudsman investigation into a related complaint.

In addition, seven cases had been carried forward from 2019/20, two of which had been completed, with allegations partially substantiated in both cases. He advised that four of the remaining five were linked to ongoing disciplinary proceedings and one paused due to ongoing restrictions and remote working. Of the 11 investigations closed allegations had been fully or partially substantiated in four cases and not substantiated in seven cases. In one case the investigation could not be completed as the employee resigned.

The Panel was advised that AGRS had carried out a detailed review of the Council's Corporate Fraud Risk Assessment during the year, working with departments to assess and update the risks in the context of changes to operations arising from the pandemic. He explained that, whilst management was responsible for the detection and prevention of fraud, AGRS played a pivotal role, as well by being alert to the risk of fraud

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when carrying out audits and raising any and significant issues to management so that action can be taken.

The AGRS Manager reported that a key element of the Council's counter-fraud arrangements was its participation in the National Fraud Initiative (NFI). The NFI was a data matching exercise that involved comparing sets of data against other records held by the same or another body, allowing potentially fraudulent or erroneous payments to be identified, reviewed and, where necessary, investigated.

In respect of the review of the Fraud and Bribery policy, he indicated that no substantive changes were required at that time. In respect of the review of the Whistleblowing Policy, some improvement actions had been identified. He indicated that the policy review had started, and they were in the process of updating it to amend the terminology from whistleblowing to "raising concerns", to ensure that it would take account of other policies such as Safeguarding and Complaints, Comments and Compliments, as well as providing guidance for members of the public on raising concerns. He advised that they would liaise with colleagues from Departmental and Corporate HR, as well as Legal Services and Trade Unions, to agree the changes to the policy.

The Panel queried whether anything could be done to improve the timeliness of HR investigations and the AGRS Manager indicated that this was a matter for HR and that the Head of Corporate HR was aware of the issue.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would note the:

- updates on fraud, whistleblowing and related cases handled in 2020/21;
- work in relation to the Corporate Fraud Risk Assessment;
- update on the National Fraud Initiative exercise; and
- annual review and update on work taking place in relation to the Council's Fraud and Whistleblowing policies.

Corporate Risk Management

The Members of the Panel were presented with the undernoted report:

"1.0 Purpose of Report or Summary of main Issues

- 1.1 To present the Audit and Risk Panel with the Corporate Risk Dashboard summarising the key updates from the risk review for the year-end March 2021.**
- 1.2 To update the Panel on compliance with the Risk Strategy, based on the annual assurance statements for year-end March 2021, completed by senior management.**

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1.3 To provide the Audit & Risk Panel with an update on business continuity management arrangements.

2.0 Recommendations

2.1 The Members of the Panel are asked to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority to note the:

- a) Corporate risk management dashboard and update for year-end March 2021 including the changes to the current risk assessment for the corporate risk on *developing a data driven approach to delivering the Belfast Agenda* and; the proposal for the current risk on *Strategic Partnerships* to be closed.
- b) Assurances from senior management regarding compliance with the Risk Strategy, based on the assurance statements for year-end March 2021.
- c) The current position regarding review and update of the business continuity plans for the critical services to take account of learning from the pandemic.

3.0 Main report

Corporate Risk Management update for year-end March 2021

3.1 AGRS has met with risk owners to support them in their quarterly review of the corporate risks. The information from these meetings has been used to prepare the Corporate Risk Management Dashboard for the year-end March 2021 (appendix 1) which sets out:

- Corporate risk analytics – risks reviewed, risks by category, risks within risk appetite, risk actions implemented / not yet due / overdue, movement in risk assessment
- Key corporate risk updates for the quarter
- For each corporate risk, a summary of progress made to manage the risk and actions implemented in the quarter

3.2 In particular the Panel is asked to note the:

- Changes to the risk assessment for the corporate risk on *Developing a data driven approach to delivering the Belfast Agenda*

- Proposal for the corporate risk on Strategic Partnerships to be closed as a standalone risk, which recognizes that strategic partnerships are critically important and that the need to identify and engage effectively with our strategic partners is integrated into other corporate risks such as Belfast Region City Deal, City Regeneration and Development, Belfast Agenda etc.
- All risks have been assessed with the exception of the corporate risks on the Brexit Implementation Programme and Asset Management. A summary of the work that is underway to manage these corporate risks is set out below:

While there is a programme of work and governance arrangements in place to manage the corporate risk on managing the Brexit Implementation Programme for the Belfast Port & the associated legislative, operational, financial & staffing requirements, strategic engagement & partnership working, these have not yet been summarized into a corporate risk action plan and the risk assessed.

An initial piece of work has been assigned to the Director of Physical Programmes to bring a report to CMT with an outline plan for improving the management of BCC assets, with reference to the nine principles of good asset management promoted by the Strategic Investment Board and the NIAO. A working group will be convened to fully scope what's required in advance of a formal Asset Management Board being established.

Annual Assurance Statements on compliance with the risk management strategy

- 3.3 All Chief Officers and Operational Directors / Heads of Service and Business Support Manager complete a *Summary Annual Assurance Statement* which allows them to focus on outlining the significant governance issues facing the Council at the year-end (reported separately). These statements have been completed by all relevant officers who have confirmed that all efforts have been made to manage key risks and maintain the councils internal control systems during the pandemic response and recovery efforts. This includes adherence to temporary expenditure control measures; the new financial governance process to ensure that any changes to our usual financial controls and processes are done in a controlled

manner and; adherence to specific advice in respect of staffing matters, decision-making, IT security, health and safety, emergency procurement procedures and data protection.

- 3.4 Senior managers have also confirmed that attention has been and will continue to be focused on dynamically managing risks associated with the pandemic response and recovery efforts, including ensuring that Covid-19 Risk Assessments are in place and implemented. In addition senior management have confirmed that they have considered the impact of Covid-19 on the corporate risks and have ensured that appropriate mitigation plans are in place and being implemented.

Business Continuity Management (BCM)

- 3.5 The Council's emergency response to the impact of Covid-19 ensured the continued delivery of front line and support services. While the business continuity plans supported this to an extent, they were however not designed to ensure service delivery across the organisation during a pandemic. As previously reported AGRS review of the business continuity plans of all 15 critical services indicated that there was a need for management to substantively review and update these plans to reflect the learning to date from our response to the impact of Covid-19 and the Panel agreed for management to schedule in time for review and update of their BCM plans by the end of October 2020. As at 5 May 2021, 13 of the 15 critical services had reviewed and updated their BCM plans (see appendix B for details). At the recent round of quarterly meetings, AGRS reminded Directors of the need for the remaining critical services to review and update their BCM plans.
- 3.6 In December 2019 the Panel agreed for an additional two services to be added to the list of critical services in the Business Continuity Management Policy, the Customer Hub and Property Maintenance. AGRS are supporting these services in the development of their business continuity plans, when they have the time to allocate to this.

Financial & Resource Implications

None.

Equality or Good Relations Implications/Rural Needs Assessment

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None known at this time.”

The Head of AGRS informed the Panel that the Corporate Risk Action Plan for the Brexit Implementation Programme had now been worked up and that an update would be provided in the next Corporate Risk Management report. In addition, the Head of AGRS updated the Panel on the receipt of the updated Business Continuity Management plan for Fleet.

Ms. Fahy queried whether there was potential for a gap between the responsibilities of the Deputy Chief Executive/Director of Finance and Resources and the City Solicitor in relation to the corporate risks on Digital Security and Information Governance. The Head of AGRS confirmed to the Members that they were both cognisant of the issues involved and worked together in respect of them, with the Head of Digital Services being a member of the Information Governance Board.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to note:

- the Corporate risk management dashboard and update for year-end March 2021 including the changes to the current risk assessment for the corporate risk on *developing a data driven approach to delivering the Belfast Agenda* and; the proposal for the current risk on *Strategic Partnerships* to be closed;
- the assurances from senior management regarding compliance with the Risk Strategy, based on the assurance statements for year-end March 2021; and
- the current position regarding review and update of the business continuity plans for the critical services to take account of learning from the pandemic.

Recommendations Monitor

The AGRS Manager provided the Panel with an update on the implementation of agreed audit actions following their recent Recommendations Monitoring exercise.

He advised the Members that, out of 236 live actions at the start of the review, 59 actions had since been closed and 107 had been partially implemented. He added that, of the 177 actions which were still outstanding, 56 of the actions were high priority.

	Outstanding Actions at start of exercise (April 2021)	Actions closed	Actions remaining outstanding (May 2021)
City & Neighbourhood Services	61	13	48

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Place and Economy	23	4	19
Legal and Civic Services	31	0	31
Physical Programmes	24	9	15
City & Organisational Strategy	23	4	19
Finance and Resources	74	29	45
Total	236	59	177

The Members were advised that, in general, departments had continued to express their intention to implement the open actions, albeit with delays caused by the impact of Covid-19 in terms of response and recovery.

The AGRS Manager provided more detail on the progress which had been made by each Department. He highlighted a number of common themes, such as:

- Notwithstanding the issues arising from the Covid-19 pandemic, good progress had been made by Finance and Resources, Physical Programmes and City and Neighbourhood Services, with those departments closing 51 of 59 actions in the period;
- Many of the actions that remained open related to corporate risks including waste management, safeguarding, city regeneration and investment, information management, physical programme, asset management, sustainable development / preparing for climate change, resilience, people strategy, continuous improvement, financial position, digital information security;
- IT audits – a number of actions in relation to IT Infrastructure, Asset and Project Management had shown some progress with a number moving to partially implemented, work was ongoing to implement those, especially those linked to IT Security and Business Continuity. Cyber security was one of the top risks for the Council and a new security strategy and a revised programme of work would be presented to CMT and the Strategic Policy & Resources Committee in June 2021;
- New IT systems – the implementation of a number of actions were dependent on the procurement / implementation of IT systems including those related to Building Control, Planning, Absence Management, Recruitment and Selection, Travel & Subsistence and Corporate Complaints. As such, progress in implementing the associated audit recommendations was dependent on progress to procure / implement those systems;
- People Strategy - A number of actions from the audits of Absence Management and Recruitment and Selection related to the development of the People Strategy which had been delayed and would be revisited;
- Health and Safety – implementation of those actions had been delayed as Corporate Health & Safety had prioritised the urgent and evolving H&S needs of the organisation, in particular, the need to ensure compliance

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with government guidelines. The prioritisation of that urgent work had impacted on the 'business as usual' work of CHSU; and

- Utilities / Climate Change implementation plan – a meeting had been organised with the Directors of City and Organisational Strategy, Director of Physical Programmes and the Climate Commissioner to determine how the recommendations might be incorporated into the Climate Change implementation plan.

A number of Members raised concerns regarding the number of recommendations which went back more than five years. They also pointed out that the gifts and hospitality and conflict of interest recommendations could have a negative effect on the Council's reputation.

The Deputy Chief Executive advised the Members of the Panel that 107 of the 177 outstanding actions had already been partially implemented and that new systems or restructuring was required for some of the actions, citing the closure of the long outstanding procurement recommendations which was linked to the implementation of the new structure was in place.

The Panel discussed the need for a specific review of the 56 high priority actions that remained open to determine the reason why they had not been implemented to date.

After discussion, the Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to:

- note the update on the progress being made by management to implement audit recommendations and the areas where further action was required; and
- request that a report be submitted to a future meeting of the Panel on the High priority actions, detailing the reasons why they had been delayed.

Head of Audit, Governance and Risk Services
Annual Assurance Statement

The Members of the Panel reviewed the contents of the Head of Audit, Governance and Risk Services' Annual Assurance Statement for 2020/2021 and noted that she was providing reasonable assurance regarding the adequacy and effectiveness of the Council's risk, control and governance arrangements. The Members were advised that the Statement outlined the work that AGRS has been doing to support the organisation's response to, and recovery from, the impact of Covid-19.

The Panel was advised that AGRS revised their audit plan in consultation with management during the first few months of the pandemic to ensure that their audit work was focused on the areas where assurance was most valuable. She outlined that Member and management agreement of the revised plan, combined with delivery of the majority of the plan, during a time when the organisation was going through a period of unprecedented change, signified Members' and managers' recognition of the importance

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of receiving independent assurance over the Council's "new normal" risk, control and governance frameworks and provided her with sufficient evidence to support her assurance statement. As such, she added that there had been no limitation of scope on her statement.

The Members of the Panel were advised that AGRS had been able to provide positive statements of assurance, with the majority of audits falling into the "some improvement needed" category of assurance.

She explained that, while AGRS had been able to provide positive statements of assurance in the majority of audits completed in 2020/21, the following five areas had resulted in "major improvement" assurance levels:

- Performance Management audit area 2: Performance Management Framework
- Pitches Strategy 2011 - 2021
- Property maintenance
- Government Procurement Cards
- Gifts and hospitality / Conflicts of interest

She emphasized that it was important that the action plans to address those areas were implemented in as timely a manner as possible.

Looking ahead, she outlined that the ongoing response to and recovery from the pandemic continued to present risks and affect corporate priorities and organisational capacity and had the potential to also affect the adequacy and effectiveness of risk control and governance arrangements. It was pointed out that management should continue to place importance on the maintenance of those risk, control and governance arrangements; that audit recommendations to address control weakness were implemented in a timely manner; and that AGRS would continue to receive cooperation on the delivery of the audit plan throughout 2021/22.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to review and note the Head of AGRS' Annual Assurance Statement for 2020/21.

AGRS Governance

The Members of 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 advise the Audit & Risk Panel of the self-assessment of:

- **AGRS against the Public Sector Internal Audit Standards (PSIAS)**

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- **The Head of AGRS against the CIPFA Statement on the Role of the Head of Internal Audit.**

1.2 We are required to declare compliance with these within the Annual Governance Statement.

1.3 The purpose of this paper is also to seek the Panel's approval of the terms of reference / 'charter' for Audit, Governance and Risk Services (AGRS).

2.0 Recommendations

2.1 The Members of the Panel are asked to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority to:

- **note the self-assessment against both the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit.**
- **approve the terms of reference / 'charter' for Audit, Governance and Risk Services (AGRS).**

3.0 Main report

PSIAS

3.1 The PSIAS require regular internal and external assessments to confirm that the internal audit service (AGRS) is operating to professional standards for internal auditing, thereby giving an assurance to key stakeholders that they can rely on the professionalism of the Service.

Internal Assessments

3.2 The PSIAS require 'periodic self-assessments.... to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.' Our detailed self-assessment against the PSIAS is set out at appendix A. In summary, this self-assessment found that we are compliant with the PSIAS.

External Assessments

3.3 The PSIAS also stipulate that 'external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.' Our last external assessment was undertaken by On Board Training and Consultancy in 2017/18 which concluded that:

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- **AGRS conforms to the requirements of the Public Sector Internal Audit Standards**
- **There are a few areas which require action but they do not significantly impact on On Board's overall opinion**
- **There was strong evidence from their review of the value and contribution that AGRS makes to the Council's governance, risk management and control environment**

3.4 Our next external review is due in 2022/23.

CIPFA Statement on the Role of the Head of Internal Audit

3.5 The CIPFA Statement (2019), outlines the principles the Head of Internal Audit should meet to be able to operate effectively and perform their duties, in addition to the personal skills and professional standards expected of the Head of Internal Audit. The Head of AGRS has undertaken this self-assessment, which indicates compliance with the statement and the detailed self-assessment may be found at appendix B.

AGRS Terms of Reference / Charter

3.6 International Standards for internal auditing and related UK Public Sector Internal Audit Standards require that the internal audit function has clear, approved terms of reference (sometimes referred to as a 'charter'). This is to formally set out, in the context of the organisation, the purpose, authority, reporting arrangements, access and scope of the internal audit (AGRS) function so that all key stakeholders have a clear understanding of the role of the internal audit function, its powers and responsibilities.

3.7 Standards also require that this document is regularly reviewed and approved by senior management and the 'Board.' In light of this requirement, AGRS undertakes regular review of the document and submits it to the Audit & Risk Panel for approval. This year's review has resulted in only minor changes (job titles). However, it is important that the Audit & Risk Panel reviews the document and confirms that they are satisfied that it meets organisational requirements. The terms of reference / charter are communicated in assignment terms of reference and AGRS presentations.

4.0 Financial & Resource Implications

None

5.0 Equality or Good Relations Implications/Rural Needs Assessment

None known at this time.”

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to:

- note the self-assessment against both the PSIAS and the CIPFA Statement on the Role of the Head of Internal Audit; and
- approve the Terms of Reference / ‘Charter’ for Audit, Governance and Risk Services (AGRS).

Belfast City Council - Review of Code of Governance

The Head of AGRS presented the following report:

“1.0 Purpose of Report or Summary of main Issues

1.1 In line with best practice, the Council has developed a Code of Governance based on the 7 core principles set out in the new CIPFA Solace Framework.

1.2 The results of the annual review and update of the Code informs the preparation of the Annual Governance Statement, which forms part of the published annual Financial Report for the Council.

1.3 This paper presents the updated Code to the Audit & Risk Panel for review and approval.

2.0 Recommendations

2.1 The Members of the Panel are asked to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority to review and approve the attached updated Code of Governance for Belfast City Council, which has been prepared in line with the CIPFA framework (2016 edition).

3.0 Main report

Key Issues

This section of the report is laid out as follows:

3.1 - Introduction

3.2 - AGRS review of arrangements

3.3 - Ongoing improvements planned for 21/22

3.1 Introduction

3.1.1 Governance is about how Belfast City Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.1.2 Belfast City Council is committed to the core and supporting principles of good governance set out within the CIPFA Solace Framework, namely that good governance means:

- **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- **Ensuring openness and comprehensive stakeholder engagement**
- **Defining outcomes in terms of sustainable economic, social and environmental benefits**
- **Determining the interventions necessary to optimise the achievement of the intended outcomes**
- **Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- **Managing risks and performance through robust internal control and strong public financial management**
- **Implementing good practices in transparency, reporting, and audit, to deliver effective accountability**

3.2 AGRS review of arrangements

3.2.1 AGRS has undertaken an annual review of the Council's Code of Governance. The main purpose of this review was to confirm that the Council has arrangements in place to address the 7 principles of good governance as set out in the Code and to ensure that the Code reflects new initiatives and changes. To undertake this review, AGRS contacted various Council officers and inspected supporting documents to determine whether the systems, processes and documents provide evidence of compliance with the 7 principles of good governance set out in the Code.

3.2.2 The main updates to the Code are:

- **Corporate plan 2020-24 in place, with delivery plan for 2021-22 underway;**
- **Belfast: Our Recovery in place, setting out how the council will support communities, businesses and vulnerable people as the city continues to face**

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considerable challenges presented by the Covid-19 pandemic;

- Arrangements in place for operational recovery governance, coordination and processes
- Agreed process in place for Committee decision making under delegated authority
- Launch of the Belfast Resilience Strategy ongoing work to develop both council and city Climate Mitigation and Adaptation plans, with a Climate Commissioner appointed.
- New council website with improved accessibility and customer experience;
- Good Relations Strategy updated for impact of pandemic.
- Establishment of a Standards and Business Committee (pending)
- Submission of the Local Development Plan Draft Plan Strategy to the Department for Infrastructure including a report on compliance with the Statement of Community Involvement.
- New engagement platform Your Say Consultation Hub.
- Refresh of the Belfast Agenda is underway
- Work underway to revise the context for the People Strategy in the light of Covid-19 along with revision of the action plan.
- Completion of year two of the three-year procurement transformation strategy.
- To manage the impact of the pandemic on the internal control environment, a corporate process was developed to ensure that all amendments to our usual financial controls and processes are made in a controlled manner, properly approved and communicated
- Update of the Corporate Fraud Risk Assessment to take account of the pandemic
- Increased data security controls to deal with growing threats from the pandemic including two factor authentication for Office 365 and F5 VPN accounts and blocking login to these accounts outside UK and Ireland
- Five Step Financial Strategy in place to address the impact of CV19 on the Council's financial position, including additional temporary expenditure controls
- Assessment of compliance with the new CIPFA Financial Management Code.

3.2.3 Our review confirmed that arrangements were in place to address the principles of the code and also identified areas where ongoing improvements are planned (see below).

The AGRS review of the Code of Governance has not sought to validate the quality and application of all of these arrangements (although some elements of the framework have been subject to audit during the year).

3.3 Ongoing improvements planned for 21/22

3.3.1 A number of improvements are quite complex to implement and while work has been undertaken to progress these improvements, they remain ongoing and are likely to remain ongoing during 2021/22 given that the Councils focus is on recovery from Covid-19. It is important that these actions, designed to improve our governance arrangements, are considered as part of the corporate delivery plan and prioritisation of programmes / projects:

- Implementation of the strategic reviews of Finance and Human Resources;
- Development of Social Value Policy; Social Value Procurement Framework; guidance for officers and for suppliers;
- Work is ongoing to develop the deal document, including an implementation plan, financial plan, governance framework and communications protocol, along with accountable body arrangements for the next phase of the Belfast Region City Deal;
- Development of a plan to improve the management of BCC assets
- Review and update of the conflict of Interest and gifts and hospitality policies and processes for Belfast City Council officers;
- Implementation of a corporate policy management process and system;
- Ongoing implementation of the customer focus programme; and
- Implementation of a number of ICT improvements including updating of the ICT strategy and policies and a security strategy review.
- Development of the Neighbourhood Renewal Fund

3.4 Equality or Good Relations Implications

Equality and good relations implications are integral to the Code of Governance.”

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to review and approve the attached updated Code of Governance for Belfast City Council, which has been prepared in line with the CIPFA framework.

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Belfast City Council - Draft Annual Governance Statement 2021

The Head of AGRS explained that, in addition to the financial statements, the Council was required to produce Annual Governance Statements, which highlighted the key elements of the Council's assurance and governance arrangements. She described the key elements of the framework and explained that various reviews and assurances were reflected within the statements, which included the disclosure of the significant governance issues facing the Council.

She explained that, as required, the Statement for the year 2020/21 had been prepared in line with the template outlined in the Accounts Directive provided by the Department for Communities and that it was consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. She highlighted the significant governance issues that the Council was disclosing in the Annual Governance Statement.

The Members were advised that the Statement had been updated to reflect key changes to the Council's governance arrangements due to the pandemic, including the interim Committee decision making process which was temporarily delegated to the Chief Executive in March 2020 and again in May 2021, the development of Covid-19 recovery plans, Covid-19 corporate risk assessment and change management processes over any amendments to financial processes during the pandemic. The statement also outlined significant governance issues that had arisen as a result of the impact of Covid-19.

The Head of AGRS outlined what each of the significant governance issues related to and the process that had been followed to identify and discuss these issues. She highlighted the importance of the Panel being satisfied that these were the significant governance issues facing the council. A Panel Member queried whether the references to the establishment of the Standards and Business Committee reflected the most up to date position, bearing in mind the Call-In. The Head of AGRS indicated that she would confirm this with the Director of Legal and Civic Services.

The Members were advised that the statement would be incorporated into the Council's financial statements for 2020/21 and certified by the Chief Financial Officer and Chief Executive by 30th June, 2021.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to review the draft Annual Governance Statement for the Council for 2020/21 and, in particular, to approve the disclosure of the significant governance issues contained in the statement.

NIAO Audit Strategy 2020/21

The Director of the Northern Ireland Audit Office (NIAO) reminded the Members that, as the Council's independent external auditor, the NIAO was required to examine, certify and report on the financial statements of Belfast City Council and that its annual

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Audit Strategy provided the Council with a clear understanding of how it planned to carry out the audit of the Council's financial statements.

She gave the Panel Members an overview of the Audit Strategy and highlighted the following key messages:

- how the NIAO, on behalf of the Local Government Auditor (LGA), planned to audit the financial statements for the year ending 31 March 2021, including how it would be addressing significant risks of material misstatement to transactions and balances;
- how, on behalf of the LGA, it planned to audit the proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2021;
- how, on behalf of the LGA, it planned to conduct an improvement audit and assessment.
- matters of interest and developments in financial reporting and legislation;
- the planned timetable, fees and audit team; and
- matters which, under International Standards on Auditing (ISAs), it was required to communicate to the Council, including the scope of the audit, respective responsibilities, and how it maintained independence and objectivity.

The Director of the NIAO informed the Panel that it should consider the following items:

- whether the NIAO assessment of the risks of material misstatement to the financial statements was complete;
- whether management had plans in place to address the risks identified by NIAO and whether those plans were adequate;
- the NIAO proposed audit response to address those risks; and
- whether they have knowledge of any
 - actual, suspected or alleged fraud affecting the Council; or
 - instances of non-compliance with laws and regulations that could be expected to have a fundamental effect on the operations of the Council; andcommunicate details to the audit team.

She further provided the Members with an overview of the NIAO's definition of materiality, its audit approach, a number of risk factors it had identified and the proposed audit timetable.

Noted.

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AGRS Progress Report May 2021

Mr. M. Whitmore, Audit, Governance and Risk Manager updated the Panel on the assurance audits which had been finalised during the period from March 2021 – May 2021, which included the Corporate risk review – Local Development Plan, Gifts, Hospitality & Potential Conflicts of Interest, Estates Management, Property Maintenance, PEACE IV Programme and Committee Decision Making Under Delegated Authority. The Panel discussed the two audits that received an assurance opinion of major improvement required.

The AGRS Manager went on to provide an update on the review of project management arrangements in place for both the Customer Focus Programme and SAP Replacement.

He updated the Panel on the following audits that were in progress or were at draft report stage:

- Procurement and contract management (fieldwork)
- Corporate risk - waste management (fieldwork)
- Payroll (fieldwork)
- Corporate risk review – City Regeneration and Development (fieldwork)
- Externally funded projects – compliance with letters of offer (fieldwork)
- Grants (fieldwork)
- Local Full Fibre Networks (fieldwork)
- Zoo Follow Up (draft report)
- Off Street Car Parking (planning)

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to:

- note the report; and
- that a report from management, providing an update on the progress being made to address the issues highlighted in recent internal audits of property maintenance and gifts and hospitality / conflicts of interest would be submitted for consideration at the next meeting.

Audit and Risk Panel Workshop Report

The Head of AGRS reminded the Members of the Panel that a remote Training Workshop had been held on 28th April, 2021. She outlined that the session was attended by three members of the Panel and was facilitated by a Governance Trainer. The Members were advised that the training had focused on maximising the value of the Audit

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and Risk Panel and that, during the course of the training, the Panel had identified the following areas for improvement/action:

- The Panel recognised the increased risk of fraud associated with the pandemic and asked for assurance on how awareness of the rising fraud risk was being raised.
- The Panel recognised that it is important for members and management to be aware of and comply with best practice guidance that is issued by the NIAO, CIPFA and other organisations and asked for assurances on the process around this.
- Audit & Risk Panel endorsed the benefit of being able to request senior management to attend the Panel to provide the Panel with an update on the action being taken to address issues highlighted in audit reports. The Panel also saw value in requesting senior management to attend the Panel on occasions, to present an update on the progress that is being made to manage corporate risks.

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to note the delivery of the training and to agree the proposed actions arising, and that AGRS would implement the actions and that progress would be reviewed at the next training session for the Panel in April 2022.

**Annual report from Audit and Risk Panel to
Strategic Policy and Resources Committee**

The Head of AGRS presented the following report to the Panel:

“1.0 Purpose of Report or Summary of main Issues

1.1 The Audit and Risk Panel is constituted as a working group of the Strategic Policy and Resources Committee. The purpose of the 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.

1.2 The purpose of this report is to provide a summary to Committee of the key issues that have been considered and discussed by the Panel during the 2020/21 financial year, the assurances received and the areas requiring attention.

2.0 Recommendations

2.1 The Members of the Strategic Policy and Resources Committee are asked to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority to note the summary of the work of the Panel during 2020/21 as set out at Section 3.

3.0 Main report

Key Issues

Summary of the work of the Audit and Risk Panel in 2020/21

3.1 Considering the importance of receiving independent assurance over the councils changed risk, control and governance frameworks during the Covid-19 pandemic, in September 2020 the Panel agreed the revised audit plan to ensure that audit work was focussed on the areas where assurance was most valuable. The revised plan covered:

- Key financial systems / income generating activity / expenditure controls
- Key programmes / projects
- Management of key corporate risks
- Meeting external grant funding requirements
- Governance arrangements

3.2 During 2020/21, the Panel met 3 times over MS Teams. The Audit & Risk Panel did not meet in June 2020 as all meetings of working groups were cancelled from mid-March 2020 to August 2020 as part of our organisational response to the impact of Covid-19.

3.3 During 2020/21, the Panel 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 also received regular updates on:

- the Council's financial position, as set out in its financial statements
- reports from the Council's external auditors
- risk management
- business continuity
- fraud, financial irregularity and whistleblowing investigations
- governance related matters
- financial control
- health and safety
- performance management
- staff attendance.

3.4 The key assurances that the Panel received are as follows:

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- the Council's financial statements and annual governance statement, as prepared by the Deputy Chief Executive and Director of Finance and Resources and his team; this provided a management assurance on the Council's financial position
- the audited accounts and the associated external audit annual letters for 2019/20 (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 provided an external assurance on the Council's financial position for 2019/20. (The accounts for 2020/21 are to be prepared by the end of June 2020)
- 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, based on the findings of audit work completed throughout the year.

3.5 The usual assurances from the NIAO on the Council's performance management arrangements, specifically in reference to the Improvement Duty placed upon the Council by relevant legislation, has been affected by the pandemic, with the NIAO audit and assessment of BCC's Improvement activity 19/20 due to be reported to the Panel in June 2021. Discussions are ongoing with the Department for Communities and the NIAO regarding the new arrangements.

3.6 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. The key areas considered during 2020/21 included:

- internal audits of key areas such as temporary expenditure controls, committee decision making under delegated authority, accounts payable, cash flow forecasting, and performance management
- audits of the management of corporate risks such as the Sustainable Development / Preparing for Climate Change, city risks and the local development plan

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- assurance and advisory work over key programmes including the SAP replacement, HR Payroll, Planning Portal and the customer Focus Programme

3.7 The Audit and Risk Panel have also received updates during the year on the Council's risk management arrangements, including reports on the management of the Council's key corporate risks.

Consideration of the Annual Governance Statement by the Audit & Risk Panel

3.8 The Council has a statutory responsibility to prepare and publish an Annual Governance Statement (AGS) as part of the Financial Report. The Annual Governance Statement will be incorporated into the unaudited statement of accounts and certified by the Chief Financial Officer by 30 June 2021. It is subject to review by the LGA (NIAO) as part of their annual audit. The Audit & Risk Panel has considered both the basis for preparation of the Annual Governance Statement along with the content of the statement.

3.9 As required, the Statement for the year 2020/21, has been prepared in line with the Code of Practice on Local Authority Accounting in the UK 2020/21 accounts and is consistent with the principles of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016 edition).

3.10 The Annual Governance Statement explains how the Council has complied with requirements of the Local Government (Accounts and Audit) Regulations (Northern Ireland 2015) in relation to the publication of an annual governance statement.

3.11 The Annual Government Statement sets out:

- The scope of responsibility of the Council in relation to governance
- The purpose of the governance framework
- The governance framework in place
- The review of the effectiveness of the governance framework
- An update on the significant governance issues disclosed at year-end 2020
- The significant governance issues to be disclosed for year-end 2021 and the action proposed to address them.

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- 3.12 The Annual Governance Statement at Appendix B has been updated to reflect key changes to our governance arrangements due to the pandemic, including the interim committee decision making process which was delegated to the Chief Executive in March 2020 and May 2021, development of Covid-19 recovery plans, Covid-19 corporate risk assessment and change management processes over any amendments to financial processes during the pandemic. The statement also outlines significant governance issues that have arisen as a result of the impact of Covid-19.**
- 3.13 The Annual Governance Statement should be approved by the Chair of Strategic Policy and Resources, the Chief Executive and the Deputy Chief Executive and Director of Finance and Resources.**

Financial & Resource Implications

None

Equality or Good Relations Implications/Rural Needs Assessment

None.”

The Members of the Panel agreed to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive would exercise her delegated authority to note the summary of the work of the Panel during 2020/21.

Chairperson