

Audit Panel

Monday, 8th December, 2008

MEETING OF AUDIT PANEL

Members present: Councillor Rodgers (Chairman); and
Councillors Ekin, Lavery, Mullaghan and Rodway;
and Dr. Smith.

In attendance: Mr. T. Salmon, Director of Corporate Services;
Mr. C. Quigley, Director of Legal Services;
Mr. A. Wilson, Head of Audit, Governance and
Risk Services;
Mrs. G. Ireland, Corporate Risk and Governance
Manager;
Mr. N. Malcolm, Committee Administrator;
Mr. J. Buchanan, Chief Local Government Auditor; and
Mr. S. Knox, Local Government Auditor.

Apology

An apology for inability to attend was reported from Councillor Kyle.

Minutes

The minutes of the meeting of 29th September were taken as read and signed as correct.

Compensation Claims

The Panel considered the undernoted report:

“Relevant Background Information

At the Audit Panel meeting 29 September 2008 the Head of Audit, Governance and Risk Services indicated that he would raise the matter of reporting claims settlements with the Director of Corporate Services.

In response the Director of Corporate Services requested that a report giving an overview of the amount and nature of claims which the Council has paid and how this area is managed would be presented by the Director of Legal Services at its next meeting.

Key Issues

Types of Claim

Claims for compensation can be categorised as:

- Public Liability i.e. claims from members of the public,
- Employer Liability i.e. claims involving members of staff,
- Motor Insurance i.e. vehicle damage and injury to members of the public; and
- Employment i.e. claims to Fair Employment and Industrial Tribunals.

The Council has insurance policies with St Paul's Travelers in place covering Public Liability with an excess set at £1.4m. Motor Insurance is also covered by insurers for any individual claim over £15,000. The Council is self insured for the other categories i.e. Employer Liability, Employment Claims and Contractual Disputes.

The premiums paid have been noted on the attached document.

Reporting Difficulties

The period from when a claim is initially received to when it is finally concluded can run into a number of years and therefore, when examining figures in particular financial years, it is unlikely that any meaningful correlation can be made between information as to claims received as against payments made.

For example, in the figures provided for Motor Insurance, the number of claims shows a downward trend although the cost to the Council has increased by 100%, (for reasons explained below).

Public Liability Claims

The total damages paid with costs averages £511K p.a with the majority of claims originating in Parks and Leisure, although the number of claims received has shown a downward trend from 177 to 109 in the last three years. The most common type of injury can be attributed to slips, trips and falls.

The insurance premium over the last three years has decreased from £278k to £207K which reflects insurance market conditions.

The Legal Services Department has been liaising with Parks and Leisure for a number of years and steps are being taken to implement recommendations detailed in a draft report compiled by Audit Governance and Risk Services in September 2008.

Legal Services is also represented on the Insurance/Risk Working Group chaired by the Head of Financial Services which is a cross departmental working group formed to look at all areas of sharing claims information and implementing recommendations to reduce the risk of personal injury. Accident/incident investigation management training has been provided by Willis, the Council's insurance broker, with a view to rolling out the training to line managers.

Employer Liability Claims

The number of claims made in the past three years has remained fairly constant at an average of 42 p.a with an average cost to the Council of £177K p.a.

The Council does not hold any insurance cover for this type of claim.

The majority of claims again relate to slips trips and falls, the majority received from the Cleansing Section and Parks & Leisure Department.

There have been no major claims over the last three years.

Motor Insurance Claims

The number of claims relating to Motor Insurance has also shown a downward trend in the last three years from 105 to 61, which has been reflected in the reduced insurance premium from £239K to £112K.

However the cost to the Council has risen from £112K to £194K, which is indicative of the province wide upward trend of reporting injury following collisions which has been reported by PSNI and would account for the rise in the trend to report injury.

The Occupational Road Risk Manager has implemented the Management of Road Risk Strategy in the past five years including undertaking thorough investigations, providing statistical analysis, improved training and the re-launch of the Drivers Handbook. While this has brought a great deal of success, it is important that line managers for drivers and banksmen not only reinforce the significance of road risk but also take proactive action to reduce the level of incidents.

The management of risk has become even more important with the recent introduction of the Corporate Manslaughter Act in April 2008. This Act covers situations where serious failure in the management of health and safety resulting in a fatality could lead to the prosecution of the Council.

Employment Claims

The number of claims received in this area has reduced from 9 in 2005/06 to 4 in 2007/08 although the implementation of Single Status has resulted in 4 Equal Pay claims. The total number of live claims in April 06 was 25 which has been reduced to 12 as at April 08.

The cost to the Council, in terms of damages paid, is relatively minimal showing total damages paid in settlement of all cases averaging approximately £10,000 per annum.

Management of legal cases

A number of operational measures in place to deal with the management claims have been mentioned above as:-

**Legal Services liaison with Departments
Implementation of the AGRS report of September 2008
Insurance / Risk Working Group
Management of Road Risk Strategy**

The Legal Services Department also follows the Law Society Practice Management Standard to ensure that claims handling is undertaken appropriately. The Department undergoes an external assessment each year by the Law Society which includes an inspection of claims files.

In addition the Department provides regular details of claims history to the Council's insurers and all files are then subject to an annual insurance audit. The previous audits undertaken by St Paul's Travelers have shown that our insurers are satisfied with the claims handling measures deployed by the Department.

Reporting of Compensation Claims

The Legal Services Department maintains the only central database of claims within the Council and as such maintains the responsibility for reporting.

The Department provides regular details of the Council's claims history in the form of providing an insurance bordereaux to the Council's brokers via the Insurance Unit. These figures are reported to the Council's insurers, St Paul's Travelers, who in turn conduct an annual audit of case files.

The details from both the Public Liability and Motor Insurance bordereaux are available to the relevant Departments across the Council.

The Department also provides Financial Services with all details for contingencies and reserves regarding potential outcomes of claims, which are incorporated as a note in the year end accounts. These details are then audited annually by the Local Government Auditor.

Resource Implications

There are no significant resource implications arising from this report.

Recommendations

The Panel is asked to note and outline their requirements for future reporting.

Key to Abbreviations (including in attached paper)

AGRS – Audit, Governance and Risk Services”

The Director of Legal Services spoke to the report and responded to a number of questions raised by Members. In particular, he referred to the significant costs incurred from time to time by the Council in defending employment claims taken in the Tribunals by unrepresented claimants. He advised the Panel of recent comments made by a High Court Judge on this issue and indicated that he would provide a report in relation to this matter to a future meeting.

During discussion, the Director of Corporate Services indicated that the Audit Panel would be receiving on an annual basis a report regarding compensation claims, although, if a significant claim were to arise, a report would be submitted to the Panel as a matter of urgency.

The Panel noted the contents of the report and that the Director of Legal Services would be submitting to a future meeting a report regarding the difficulties which Tribunals sometimes caused the Council due to their unpredictable nature.

Update on Audited Accounts 2007/2008

The Panel considered the undernoted report:

“Purpose of Report

The purpose of this report is to bring Members of the Audit Panel up to date with the position regarding the external audit of the 2007/08 accounts, the LGA’s annual audit letter and management letter.

Background Information

In accordance with statutory requirements the Council’s draft accounts were approved by the end of June, having been approved by the Strategic Policy and Resources Committee on 20 June 2008. The Audit Panel was also briefed on the accounts at both its June meeting and, at its meeting in August, where the Panel was briefed with regard to the clawback of £4.1 million from the Land and Property Services.

The accounts have now been audited and formally published. The Local Government Auditor has recently issued his annual audit letter. The Local Government Auditor has also just issued his draft management letter which is currently being considered by management and will be submitted to the Audit Panel, together with an action plan to implement audit recommendations.

Key Issues

1. Overall Audit Opinion

The Chief Local Government Auditor has provided an unqualified opinion on Belfast City Council’s accounts for 2007/08.

2. Adjustments

The Chief Local Government Auditor has noted a number of minor and material adjustments to the draft accounts as a result of his audit work.

The material amendments are as follows:

- Subsequent to the accounts being approved in June, the Council received notification of a reduction in the rate income received for 2007/08. This resulted in a repayment to the Land and Property Service of £4.1m. This was not originally allowed for in the accounts.
- Following a review of the estimate the Landfill Closure Provision has been increased by £2m.

- The provision for Single Status was reviewed in the light of the calculation of the final payments and reduced by £800k. This was then used to increase the Renewals and Repairs Reserve by £400k and the provision for Legal claims was also increased by £400k.
- Long Term Debtors and the Capital Adjustment Account were reduced by £11,152,000 in relation to the financing of capital expenditure by internal loan.
- A number of presentational adjustments were made to fixed assets.
- Fixed assets work in progress was reduced by £8,579,943 as this amount represents contributions received for the Grove Leisure Centre Project from other agencies.

The overall impact of these amendments resulted in the District Fund Reserve balance being reduced by £4.1m.

3. Annual Audit Letter

Under Article 13 of the Local Government (Accounts and Audit) Regulations (NI) 2006 the Council is also required to publish the annual audit letter it receives from the Local Government Auditor. The letter summarises the issues arising from the final accounts audit.

4. Management Letter

In addition to the annual audit letter the LGA has also recently issued a draft management letter. This summarises the system/control issues arising during the LGA's audit and includes recommendations for management attention. We are currently in the process of reviewing these recommendations and those set out in an interim management letter that the LGA issued during their audit and developing an action plan to address all the recommendations. Once completed, the finalised management letter will be reported to the Audit Panel.

Resource Implications

None.

Recommendations

The Audit Panel is asked to note the outcome of the annual audit of the 2007/08 accounts.

Key to Abbreviations

LGA Local Government Audit"

**Audit Panel,
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The Director of Corporate Services drew the Panel's attention to various aspects of the report and indicated that the Chief Local Government Auditor had pointed out that the Council would be required to be prudent regarding its future Capital Schemes.

The Panel noted the contents of the report and the comments thereon of the Director of Corporate Services.

Audit, Governance and Risk Services – Progress Report

The Panel considered a report regarding the work which the Audit, Governance and Risk Services had undertaken between September and November.

The Head of Audit, Governance and Risk Services pointed out that two major audits of the Council's new financial system and related processes had been completed and that action plans had been developed to ensure that the controls in these areas would be enhanced. He also provided the Members with information regarding the value-for-money review of the mobile phones which the Council provided to staff and pointed out that the issues arising therefrom would be addressed as part of a wider plan to improve the Council's telephony system.

The Corporate Risk and Governance Manager provided the Panel with an update on the current position regarding risk management and business continuity management.

The Panel noted the contents of the progress report regarding the work which had been undertaken between September and November by the Audit, Governance and Risk Services Section and the comments thereon of the two officers.

Audit Panel Training

The Head of Audit, Governance and Risk Services reminded the Panel that in 2007 it had received training from a representative of the Chartered Institute of Public Finance and Accountancy and suggested that it would be beneficial for the Members to receive further training early in the new year.

The Panel agreed to this suggestion.

Dates of Future Meetings

The Panel agreed that it would hold its next two meetings on Monday, 23rd March and Thursday, 11th June, commencing at 1.00 p.m.

Chairman