

# Audit Panel

Wednesday, 25th November, 2009

## MEETING OF AUDIT PANEL

Members present: Councillor Rodgers (Chairman);  
the Deputy Lord Mayor (Councillor Lavery); and  
Councillors Ekin, Mullaghan and Rodway.

In attendance: Mrs. J. Thompson, Director of Finance and Resources;  
Mr. A. Wilson, Head of Audit, Governance and  
Risk Services;  
Mrs. J. Minne, Head of Human Resources;  
Mrs. G. Ireland, Corporate Risk and Governance Manager;  
Mr. A. Harrison, Acting Corporate Assurance Manager;  
Mr. T. Wallace, Financial Accounting Manager;  
Mr. H. Downey, Committee Administrator;  
Mr. J. Buchanan, Chief Local Government Auditor; and  
Mr. S. Knox, Local Government Auditor.

### **Apologies**

Apologies for inability to attend were reported from Councillor Kyle and Dr. Smith.

### **Minutes**

The minutes of the meeting of 2nd September were taken as read and signed as correct.

### **Director of Finance and Resources**

The Chairman welcomed Mrs. J. Thompson, Director of Finance and Resources, to her first meeting of the Audit Panel.

### **Update on Telephony/Mobile Phones**

(Mr. P. Gribben, IS Portfolio Manager, Information Services Belfast, attended in connection with this item.)

The Panel was reminded that, at its meeting on 2nd September, it had considered a report in relation to the use of mobile telephones within the Council. The report had indicated that, in November, 2008, the internal audit section had completed a review on the use of mobile telephones, which had determined that:

- in August, 2008, there had been 842 Council-issued mobile telephones in operation;

**Audit Panel,  
Wednesday, 25th November, 2009**

- expenditure of £195,000 had been incurred on mobile telephones during 2007/2008;
- there had been no single point of contact/responsibility within the Council for the management of mobile telephony;
- there was a need to review corporate policy and procedures in relation to mobile phones and to improve the administration process;
- there were numerous accounts in place with three suppliers; and
- improvements to mobile telephony arrangements should be seen in the context of implementing other improvements and efficiencies in the wider telephony environment.

The Director of Finance and Resources explained that Audit, Governance and Risk Services had completed recently a follow-up audit in respect of mobile telephones. This had indicated that, of the recommendations outlined within the original report, one had been implemented fully, eight had been implemented partially and three had yet to be completed.

She provided an overview in relation to this work, which had included the delegation to the Head of Information Services Belfast of responsibility for the management of mobile telephony contracts. A group had been established also in order to draft a policy for the use of mobile telephones and to rationalise the costs associated therewith. She highlighted various aspects of the policy which would cover issues such as purchasing telephones, the replacement of lost or broken handsets, conditions of use and private use. Importantly, the policy would set out stringent criteria to be met by any officer requesting a mobile phone as part of their duties. She explained that the policy had now been approved by the Chief Officers Management Team and would be circulated to staff, following notification to the Trades Unions.

The Director of Finance and Resources informed the Members that significant work had been undertaken also to streamline the billing process for both landlines and mobile telephones. The Council had now moved to the BT One Bill method of payment, which would require the Central Transactions Unit to process one invoice on a quarterly basis rather than having to deal with several hundred on a monthly basis and would provide business managers with improved information in order to ensure the correct usage of all BT landlines. She added that Information Services Belfast, in conjunction with the Office of Government Commerce Buying Solutions, had now moved all landline and network leased lines to an Office of Government Commerce framework, which it was anticipated would create annual savings of between £60,000 and £70,000. A similar approach was being taken in relation to the Council's primary mobile telephone operators, both of which would, in the near future, be consolidating all accounts onto single bills for centralised payment. The Council was investigating the possibility also of establishing a corporate contract with the Office of Government Commerce Buying Solutions.

During discussion, the Panel voiced concern in relation to the high number of mobile phones in operation currently within the Council and stressed the need to see a reduction in this number. In response, the Director of Finance and Resources pointed out that the new mobile phone policy set out strict guidelines to be met by Council officers requiring mobile telephones, which would be likely to lead to a reduction in the numbers in use within the Council.

The Panel noted the information which had been provided and that a further report in respect of telephony would be submitted to its next meeting.

### **Belfast City Council Financial Accounts 2008/2009**

The Panel considered the undernoted report:

#### **“Purpose of Report**

**The purpose of the report is to bring Members of the Audit Panel up to date with the position regarding the external audit of the 2008/09 accounts, the Local Government Auditor’s annual audit letter and management letter.**

#### **Relevant Background Information**

**The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 require Belfast City Council to approve by resolution the statement of accounts as soon as reasonably practical and in any event before the 30th June immediately following the end of the financial year. The draft accounts were approved by the Audit Panel on 15th June, 2009 and Strategic Policy and Resources on 19th June, 2009.**

**The accounts have now been audited and formally published.**

**The Local Government Auditor (LGA) is due to issue his annual audit letter and draft management letter by the end of November. The annual audit letter will be presented to the Audit Panel after it is received.**

**The draft management letter, once received, will be considered by management, and then submitted to the Audit Panel, together with an action plan to implement any audit recommendations.**

#### **Key Issues**

##### **1. *Overall Audit Opinion***

**The Chief Local Government Auditor has provided an unqualified opinion on Belfast City’s accounts for 2008/09.**

## 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 split into presentational adjustments and adjustments which impacted on the District Fund Reserve position:

### Presentational Adjustments

- Pension provision was reduced by £624k as a result of the incorrect Market Value Adjustment factor being used to calculate the provision.
- Both the VAT Account and other debtors were overstated by £524k.
- Both Assets under construction and buildings were amended by £8.4m as a result of correcting for the contribution to the Grove Leisure Centre.
- A sinking fund was established to meet the future costs of repaying loans.
- The District Fund, Note 3 and the Statement of Total Recognised Gains and Losses were amended by £1.6m to reflect pension movements.
- The District Fund and Note 3 were amended by £1.4m to reflect loan interest to the loans pool.
- Expenditure and income were increased by £244k as a result of grossing up the general grant figure.
- Both the Bank Account and VAT account were amended by £696k.
- An analysis of amounts in the cash flow were amended.

### Adjustments Impacting on the District Fund Reserve

- Loan interest has been increased by £252k as a result of accruing for the interest for the period February and March 2009.

- Expenditure on the landfill provision was amended by £1.4m and the landfill provision was discounted resulting in a further reduction of £572k in the provision.
- The above landfill provision movement resulted in reducing the Renewal and Repairs reserve by £2.8m and increasing the District Fund by £2.8m.
- Following discussions at audit, the legal provision was reduced by £430k.
- Additional funding of £711k to clear the deficit of the Gas Pension Fund.

The overall impact of these amendments resulted in the District Fund Reserve balance being increased by £2,279k and now stands at £5.3m.

The presentational adjustments were made in conjunction with the Local Government Auditor in line with ensuring comparability with other Councils, apart from the Pension Provision adjustment. This was due to incorrect information being supplied by NILGOSC at the time of the preparation of the accounts. The correct information was subsequently supplied but after the accounts had been approved and submitted. We will be liaising with the Local Government Auditor over the next few months in order to minimise these type of adjustments for 2009/10.

The adjustments impacting on the district fund were also agreed with the Local Government Auditor. The main area being the level of provision for the closure of the landfill site. It was agreed with the Chief Local Government Auditor that the level of provision was too high and should be reduced. This then released monies to the District Fund Reserve on the understanding that part of this would be used to clear the deficit on the Gas Pension Fund.

#### **Resource Implications**

None.

#### **Recommendation**

**The Audit Panel is requested to note the outcome of the annual audit of the 2008/09 accounts.”**

During discussion, the Panel highlighted in particular a number of personnel-related issues arising from the Annual Accounts. Members requested information regarding the reasons for the increases in the number of employees and in the number of officers entering the top salary band compared to the previous year.

Clarification was sought also in relation to the costs associated with employing agency staff and the numbers of employees classified as supernumerary. Several Members expressed the view also that, following the abolition of the Personnel Sub-Committee, such issues were no longer being afforded the importance they merited within the Committee process and that reports on personnel issues were not discussed at great length during meetings of the Strategic Policy and Resources Committee due to the number of items on that agenda.

In response, the Head of Human Resources informed the Panel that many of the issues which had been highlighted were being considered currently by the Strategic Policy and Resources Committee as part of a rightsizing exercise within the organisation. She undertook to submit to the next meeting of the Audit Panel a report providing clarification in relation to those matters which had been raised by the Members.

The Panel noted the information which had been provided in relation to the Council's Annual Accounts for 2008/2009 and the comments of the Head of Human Resources thereon.

#### **Local Government Auditor's Management Letter 2007/2008**

The Panel was reminded that, at its meeting on 28th April, it had been advised that the audit of the Council's financial accounts for 2007/2008 had been completed and had resulted in an unqualified opinion. The Director of Finance and Resources reported that, during the course of his work, the Local Government Auditor had identified a number of issues which the Council needed to address and these had been set out in interim and end-of-year management letters. She explained that, of the thirteen recommendations contained within the interim letter, eleven had since been implemented fully. In relation to those recommendations which had been partially implemented, she indicated that the segregation of duties within the payroll section was being addressed as part of the Review of the Centre and that a single sign-on feature for IT equipment was due to be rolled out in December, following which a review of the Council's password policy would be undertaken.

The Director of Finance and Resources reported further that the end-of-year management letter had contained thirty recommendations, of which twenty-seven had been now implemented fully. She provided an update in relation to the remaining three recommendations, which related to the reconciliation of the VAT account, the matching of staff numbers between the Payroll and Human Resources Sections and the verification of vehicles to the asset register and indicated that these were in the process of being completed. She added that the annual audit of the Council's accounts for 2008/2009 had now been completed and that the Local Government Auditor's management letter for this period would contain any recommendations not addressed in respect of the 2007/2008 management letter.

The Panel noted the information which had been provided.

**Audit, Governance and Risk Services Progress Report**

The Panel considered a report regarding the work which Audit, Governance and Risk Services had undertaken between September and November, 2009.

The Head of Audit, Governance and Risk Services reported that, during the period, three follow-up audits had been completed in relation to purchasing and accounts payable, computer use and compensation claims and that audit reports had been finalised in relation to budgetary control, the Connswater Greenway Project and the pre-implementation review of performance management. He explained that a number of audits were being undertaken currently, which included travel and subsistence, Peace III, the Tourism Unit/Belfast Visitor and Convention Bureau, capital projects and value-for-money reviews of utility costs and advertising. Value-for-money reviews relating to publications and the use of consultants were planned to commence in December. He provided also details regarding fraud investigation work being carried out by the Service and pointed out that fraud awareness training had been delivered to seventy-five staff across a number of sections during the month of October. He highlighted also the work being undertaken by Audit, Governance and Risk Services in relation to the areas of risk management, business continuity management and pandemic planning.

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

**Report of Chief Local Government Auditor 2008/2009**

The Acting Corporate Assurance Manager informed the Panel that the Chief Local Government Auditor was required, under the provision of the Local Government (Northern Ireland) Order 2005, to produce an annual report which summarised, from an external audit perspective, the key issues which had arisen in all Councils across Northern Ireland. He advised that the report had been circulated to Chief Officers, Heads of Service and business and finance managers requesting that they review the relevant sections therein and consider if any of the issues raised required to be addressed. In addition, at the request of the Chief Executive, assurances had been sought from Council officers that the issues raised in the report were being managed effectively.

The Chief Local Government Auditor explained that the report had raised a wide variety of issues arising from the audits, in areas such as accounting and finance, contracts, tendering and procurement, grants, partnerships and companies and staff. He highlighted a number of relevance to the Council and, in particular, the success of the Council's E-procurement initiative, which had been included within the report as an example of good practice.

After discussion, the Panel noted the contents of the report of the Chief Local Government Auditor and agreed that a copy of the document be circulated to all Members of the Council.

### **Payment of Invoices**

The Chairman reported that he had been made aware of media coverage which had highlighted long delays on the part of the Council in processing invoices supplied by creditors. He made the point that, in view of the current economic climate, it was important to ensure that such payments were made as a matter of urgency. Accordingly, the Director of Finance and Resources undertook to submit to the next meeting of the Panel a report setting out the timescale in relation to payment of invoices by the Council.

### **Absence Management**

The Head of Human Resources informed the Panel that the Strategic Policy and Resources Committee, at its meeting on 20th November, had considered a report outlining the Council's performance in managing absence during the period from July till September. The report had indicated that, during the quarter, 3.26 days had been lost per employee, compared to 2.79 days over the same period in the previous year. Importantly, the figure represented an increase of 0.54 days over the first quarter in the current year, which meant that the Council was not on target to reduce its overall sickness absence to 10.50 days by 2010/2011. The Committee had been advised that the Council had made substantial progress in reducing absence by an average of 4.5 days over the last three years and that, in order to ensure that this progress was maintained, the Committee had agreed that the issue of absence management be referred to the Audit Panel for further discussion in order to ensure that appropriate action was taken to address the matter.

The Head of Human Resources outlined the extent of the work which had been undertaken within the Council in relation to absence management. She informed the Panel that an analysis of the reasons for absence had been undertaken in those areas which had exhibited increased levels and that this had included the drafting of an improvement plan. In response to a question from a Member, she confirmed that all Council staff had been made aware of the absence management arrangements.

After discussion, during which Members stressed the need to continue to manage effectively absence levels within the Council, the Panel agreed to receive at its next meeting an update on the matter.

### **Audit Panel Training**

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

The Panel agreed to this suggestion and noted that the Head of Audit, Governance and Risk Services would liaise with Panel Members in order to identify a suitable date for the training.



**Dates of Future Meetings**

The Panel agreed that it would hold its next two meetings on Monday, 15th February and Monday, 7th June, commencing at 1.00 p.m.

Chairman

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